



INTRODUCTION

Human Development Policies for New Population Dynamics

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1 Population Dynamics and Human Development

After a two-year pandemic that has radically changed social, as well as individual life, we are gradually entering a period of new challenges to sustainable development in the post-pandemic world. The pandemic brought to light the issues that our economically progressive and technologically advanced civilisation used to ignore, from the biological vulnerability of individuals and societies, to the fragility of the acquired political and civil liberties. At the same time, it rediscovered how strong the ability to adapt is, for both people and institutions, as well as the economy, politics and entire societies.

In addition to relatively short-lived and strong shocks, such as the pandemic, our societies are facing quiet changes that are equally difficult, if not more difficult to respond to: from environmental and climate challenges, through digitalisation and erosion of trust in institutions, to demographic changes. They represent a less dramatic, but equally complex test of resilience and adaptability, on which future sustainable development will depend. This *Human Development Report* is dedicated to the challenges that one of these changes, shrinking and ageing population, poses to our societies, as well as the aspirations to establish balanced demographic development.

Unlike the situation we had a few decades ago, when the attention of demographers and politicians was focused on population growth and the threats that the process posed to sustainable development, liberties and prosperity, today the situation is somewhat different. In a considerable number of countries, including East European countries and Serbia, the population is shrinking. Population declines have occurred in earlier historical periods, but as a consequence of conflicts and diseases or circumstances that were essentially beyond the control of ordinary people. This period in history is different, because the number of inhabitants is shrinking due to people's individual decisions, decisions not to give birth or to give birth less and to move to other regions and other countries (Lutz and Gailey, 2020).

From the human development perspective, the type of challenges posed by new demographic conditions is in principle no different than the challenges of a demographic explosion. The key questions we are

facing are: how will demographic change affect the development of societies and how will it affect people's ability to develop their liberties and make their own choices in life?

Although the links between demographic change and development are ambiguous, experience and research to date show that population change affects development and vice versa (Ahlburg and Cassen, 2008). Population growth has been studied much more than decline and its unfavourable impact on poverty, access to public services and freedom of choice for women and girls has been documented (UN, 2021). However, the scarce experience of a smaller number of declining countries suggests that these demographic changes may also have negative effects in terms of access to services, labour and the economy, wellbeing and inequalities. Population decline puts pressures on social security systems, as fewer workers fund pensions, health care and social security systems. As population decline goes hand in hand with ageing, these challenges become greater, because the older population has more pensioners and has an increased need for health care and social protection. Population decline and ageing can negatively affect economic development, productivity growth and technological progress and investment in development and innovation. These processes often go hand in hand with regional inequalities, the growth of metropolitan areas and rural and small town decline. Depopulation¹ can jeopardise the basic functions of communities due to a shortage of labour force, professionals or students, and affect reduced investment or the shutdown and relocation of businesses and public institutions. When communities decline in this way, the overall wellbeing of households and individuals declines and their future becomes uncertain (Coleman and Rowthorn, 2011; van Dalen and Henkens, 2011; Beunen, Meijer and de Vries, 2020; Hospers and Reverda, 2014; Reher, 2007). In view of all these processes, this *Human Development Report* views population decline not only as a demographic and social change, but also as a challenge to development. It seeks to initiate a comprehensive new framework for responding to demographic change in a way that unlocks new development opportunities created by the demographic transition.

Human development is the process of enlarging the opportunities and choices that people face. The most critical of these choices are to live a long and healthy life, to be educated and to have access to the resources we need for a decent standard of living, but also political freedoms, human rights and personal self-esteem (UNDP, 1990: 1). Our freedoms and ability to choose depend on a number of social factors, from politics and institutions, to culture and values. They depend on economic growth, which is not only an end in itself, but also a means to achieve rich and fulfilling lives and exercising freedoms, as well as on social and economic living conditions, including access to education and health care and political and civil rights (Sen, 2000: 3; Sen, 2003). In other words, human development depends on the characteristics of societies, social and political institutions and economic orders which are based on people and which depend on people.

¹ Throughout the report, the term “depopulation” is used as shorthand to denote the broader demographic transition of society. It primarily refers to a reduction in population size, but often also encompasses qualitative changes such as aging, urbanisation, and regional demographic imbalances.

2 Depopulation as a Social and Political Issue

Serbia has been facing shrinking population for three decades, and, during that period, demographic dynamics has drawn increasing attention of the public and governments. Various measures to support parenting have been in force for some time, from relatively long maternity leave and childcare leave to a network of public and private preschool institutions, and a one-off parental benefit for the second, the third and the fourth child was introduced in early 21st century. This programme was later amended, so that today there is a generous parental benefit for children up to the fourth one in order of birth, which has been expanded by housing policies that make it easier for young parents to buy an apartment or house.

Institutional and political response to population decline

Issues of declining fertility were addressed by the Birth Incentivising Strategies adopted in 2008 and 2018. In the early 2000s, demographic issues were within the remit of the Ministry of Labour. As demographic issues gained importance, first in 2016 a minister without portfolio in charge of demographic issues was appointed, and, in 2020, the Ministry of Family Care and Demography was introduced.

Although lengthy and complex, these policies have been largely aimed at encouraging births. In the last decade, in addition to pro-natal measures, the attention of the public has been occupied by migration management issues. The growth of occasional and permanent migrations to new and old European Union member states has contributed to that, which has even led to a shortage of workers in certain areas. The Strategy on Economic Migration adopted in 2020 tried to offer an answer to some of the challenges. But, since the problem is relatively new and very complex, and its roots go beyond the borders

of one country, the effects of these strategic documents have yet to be seen.

So, in addition to the shortage of babies, now the lack of skilled labour has drawn the public's attention to demographic issues. However, a number of nuances to which this *Human Development Report* draws attention have for now remained beyond the remit of the measures. Among them are the following questions: is fertility affected by factors other than direct material benefits (for example, labour market, public services, tax and urban and regional development policies, etc.); can depopulation be delayed by prolonging life expectancy and if so, what is the role of health policies, i.e. what should be done so that people could live longer, bearing in mind that this is easier to achieve than to raise the birth rate; what are the regional demographic inequalities and what policies can delay them, etc. In other words, the government has so far directed interventions in demographic issues at the private domain, trying to influence decisions about whether or not to give birth and whether or not to migrate. The private domain truly is key to demographic outcomes, but this is also the space of very narrow possibility to intervene. For greater impact, the government could intervene in the much wider space of public policies and social relations, such as issues of urban planning, labour market, education, etc. These spaces hold much greater potential for impact. It is exactly this step that the *Human Development Report* makes, showing how demographic change is a development issue that requires a complex and comprehensive response from society.

Each of the chapters of this *Human Development Report* offers analyses and possible solutions in line with this general perspective. In the paragraphs that follow, this large number of findings and ideas are summarised as the ten basic messages of the *Human Development Report*. They help shape this complex and comprehensive narrative of demographic change, the factors that shape it, and possible courses of action, so that it can become a new paradigm of public policies.

3 Message One: Population Shrinking Is Inevitable

The population of Serbia will continue to shrink in the future. Raising the fertility rate cannot compensate for losses. The proximity of the EU labour market and its needs for new labour will continue to be an incentive for out-migration. From the perspective of population size, pro-natalist measures will not be sufficient. If it wants to mitigate population decline, Serbia will have to develop new migration management policies, including immigration policies.

A large number of European countries, including Serbia, are facing population decline (UN, 2019: 15). This process has been going on in Serbia for three decades. The Statistical Office of the Republic Serbia estimates that at the end of 2020, there were 6,871,547 inhabitants in Serbia without Kosovo². That is 315 thousand people fewer than in 2011, 626 thousand people fewer than in 2002 and as many as 965 thousand fewer than in 1991.

Today, Serbia has the same number of inhabitants as half a century ago, but the population is much older, so the future decline is quite certain. The projections show that the population of Serbia will decrease by 1.4 million or one fifth by the middle of the century (Nikitović, 2022). If that scenario comes true, Serbia will remain among the countries in Europe and the world that are losing their population the fastest.

Population decline will affect the whole country, but it will not affect all parts of the country equally. Belgrade will lose 3.8% of its population, Vojvodina 19.4%, Šumadija and Western Serbia 28.5%, Southern and Eastern Serbia 33.4%, and Southeastern Serbia over 40%. Population will shrink less in those parts of Serbia that can attract internal

migrants (Belgrade, Novi Sad, Niš and Subotica) and in the Raška district, which has a younger population and higher fertility rates.

Balanced regional development can balance migration and thus slow down depopulation in certain parts of the country. If migration is not balanced, the growth in fertility will not help, because it will benefit large centres that attract population. Moreover, pro-natal policies that stimulate long-term births may have effects at the national level, but without the balancing of migration the cost will be high: further regional inequalities, uneven demographic development of rural areas, shrinking and ageing labour force in mountainous and border areas, especially in their rural communities and marked depopulation and ageing of most areas in Serbia (Nikitović, 2022).

At the national level, migration management is one of the key available strategies. Obstacles to immigration could be economic, because Serbia is not yet a sufficiently attractive destination country, but also cultural and political, due to potential resistance to the arrival of migrants, especially those who differ in culture from our population (Nikitović, 2019: 221).

4 Message Two: There Are Fewer People and They Are Becoming a Valuable Resource

As the population of a country is shrinking, each inhabitant becomes a more valuable resource for its future development. That is why policies that integrate people into society, from integration in various fields, such as education, through health and the labour market, to regional development, become a prerequisite for balanced demographic and general development of society and the state.

Leading local and international demographers agree that it is unlikely that Serbia's demographic decline will stop, and that adaptation to depopulation is inevitable (Coleman & Rowthorn, 2013: 83; Nikitović, 2018). In this *Human Development Report*, we assume that no particular population size, specific growth rate, specific fertility rate, or specific age structure is considered an end in itself. Instead of striving to achieve some quantitative goals, population policies should manage our public human resources efficiently and flexibly to achieve the highest long-term well-being of present and future generations (Lutz & Gailey, 2020: 31).

This approach marks the transition from *quantity* to *quality*. The public discourse and political response to demographic change was focused on the question of number: number of inhabitants, number of children and number of migrants. This *Human Development Report* advocates for an approach designated as quantity and quality. Future population policies will not be able to give up quantity, but they will not be able to disregard quality either. At some point, quantity

turns into quality: if there are fewer of us, each inhabitant becomes a more valuable resource (Buchanan & Rotkirch, eds. 2013). That is why demographers recommend that population policies be focused on strengthening human resources (Lutz, 2014; Nikitović, 2019), and one of the key mechanisms is investing in education. Investing in education is important because it brings a number of benefits: educated people will be healthier, they will live longer and be the basis of economic growth, while education has a beneficial effect on democracy and civil liberties, but also on our ability to adapt to climate change (Lutz, 2014: 640; Nussbaum, 2006: 385-286). Population policies will then be seen as “managing public human resources” (Lutz and Gailey, 2020).

Although higher education is often associated with lower fertility rates, it is significant because it improves society's potential to develop. For this reason, the state cannot give up education development policies, but must develop nuanced policies that will support the demographic development of all sections of society, including the

² References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

highly educated. In addition to that, the issue of education cannot be separated from health care, labour market, regional and urban development and other dimensions of social and economic life, which reflect the unwillingness of our society to “use” all available human resources. That is why in this *Human Development Report* we show that we need new economic, educational, health and other policies that will be sensitive to demographic considerations.

In order to become responsive to population issues, sectoral policies must become *inclusive* and *cohesive*. There is still a large “pool” of non-integrated people, such as youth, lower socio-economic classes

or residents of underdeveloped regions. Serbia will feel the problem of population shortage less if it is able to integrate those children, adults and older persons dropping out of the education system and the (formal) labour market now, if it is able to preserve the health of those who are less likely to live long and healthy lives and activate its ageing population, if it manages to ensure more even regional development and offer an economic and social perspective to all its citizens, as it has been offered to the more privileged urban middle and upper classes. That is why population-responsive policies must primarily be *inclusive development* policies.

5 Message Three: Parts of Serbia Are in a Vicious Circle of Depopulation and Slow Growth

Depopulation is essentially a regional issue because it particularly affects certain parts of Serbia. Migrations from underdeveloped to developed parts of Serbia are very pronounced. They are based on large regional inequalities. Therefore, for the balanced demographic development of the country, the policies of balanced regional development are key, but also population policies that would be sensitive to local and regional particularities.

For now, the population is growing in Belgrade, Novi Sad and Novi Pazar, while in all other towns and municipalities in Serbia it is declining or stagnating at best. Certain parts of Serbia are particularly affected by the decrease in the number of inhabitants: rural and border areas, Southern, Eastern and Western Serbia. That is why depopulation is essentially a regional issue.

The regional dimensions of depopulation are affected by differences in fertility. Developed areas around Belgrade and Novi Sad have higher fertility rates than Eastern and Southeastern Serbia, although the average age at first birth is above the national average (Nikitović, Arsenović, Sekulić & Bajat, 2019). However, internal migrations have an even stronger impact, taking place under two simplified patterns: from rural to urban areas, that is, from towns to cities with the south-north direction dominating. Only five districts have a positive balance of internal relocations, the centres of which are the largest cities in the country: Belgrade, Novi Sad, Niš, Kragujevac and Subotica. These cities are university, economic, cultural and administrative centres, which is the basis of their attraction force.

Internal migration is based on large regional inequalities. According to the level of economic development, Serbia today is divided into three parts. Belgrade and Novi Sad are the most developed areas, characterised by high population density, high employment rate and a higher GDP per capita. Two thirds of Serbia’s GDP is generated in this area. They are followed by about 15 districts in Vojvodina and Central Serbia, which are at the level of the national average, while the least de-

veloped districts of Southern and Southeastern Serbia are the lowest ranked (Uvalić & Bartlett, 2021; Golić & Joksimović, 2017; Živanović & Gatarić, 2017; Stamenković & Savić, 2017). Regional development has a positive impact on industrial development and foreign direct investment, which has led to an increase in the quality of jobs in less developed regions, while there was a minimal growth of their share in the total wages pool (Arandarenko, Aleksić & Lončar, 2021).

In addition to economic inequalities, there are broader social inequalities. The Human Development Index, which was calculated at the level of districts and regions for the purposes of this *Human Development Report*, clearly shows this (Nikitović, 2022). At the national level, the HDI is 0.806, ranking Serbia 64th globally. The regions of Belgrade and Novi Sad are above the national average, while the other two are below the national average. Only Belgrade can be compared to a European country (Poland), while other parts of Serbia are at the level of countries in the region, North Africa, the Caribbean and East Asia.

Regional inequalities manifest themselves in many dimensions, from the economy, through culture, to education. They are a permanent feature of Serbian society and are historically rooted. Regional inequalities drive internal migration, which in turn is a powerful driver of regional depopulation. That is why balanced regional development and the development of population policies that would be responsive to local and regional particularities should guide the direction for responding to depopulation.

6 Message Four: Medium-Sized Towns Are Key for Balanced Demographic Development

The decline of medium-sized towns is a key issue for the future demographic and overall development of Serbia. These towns need to develop higher-order urban functions in the economy, services, culture, trade, and education. This approach would lead to a more balanced regional development.

Although the public discourse is dominated by the topic of rural depopulation, in fact, much bigger challenges are posed by the decline of medium-sized towns (30,000 to 100,000 inhabitants) and the sustainable growth of large metropolitan areas. Mid-sized cities are especially important because they represent a link between rural areas and small towns on the one hand, and larger cities that have regional or international significance on the other. They are the bearers of balanced regional development. In some of these cities there is a demographic decline, and all of them are characterised by lower wages, local revenues and investments in relation to the national average, and especially in relation to Belgrade and Novi Sad (Antonić, 2022). That is why this *Human Development Report* shows that the demographic decline of medium-sized cities is a key demographic and development problem for Serbia.

Like Serbia, depopulation is a problem in many European countries that affects individual regions and cities more than the state as a whole (Hospers & Reverda, 2014). Declining cities and regions face a number of challenges related to future development, maintenance of the local economy, utilisation of the construction fund and public space, etc. Some of these processes have direct effects on the wellbeing of families and individuals.

This Report analyses in detail the declining medium-sized Serbian towns. The analysis demonstrates that there are considerable inequalities in their social and economic capacities (for example, the level of development of the economy and education, urban infrastructure, fiscal capacities, etc.). These inequalities are correlated with the

geographical position of the towns and their connection with their surroundings and the principal roads in the country.

Domestic and comparative European experiences show that different measures can have a positive effect on urban development. Towns located on the main roads are declining more slowly, so the construction of the road network and better traffic connectivity of towns is one of the measures that reduces regional depopulation. Opening of new border crossings boosts the local economic and social life of border areas, while active urban strategies such as thematisation of towns and better use of public space and buildings contribute to towns adapting to new demographic circumstances. European experience shows that the development of universities as one of the higher functions of the city, and “studentification”, have a positive effect on the development of other higher functions of the city and demographic development. In towns in which new universities have been established, such as Kosovska Mitrovica and Novi Pazar, the demographic picture is far better (although other factors are also at work). However, the decentralisation and deconcentration of administrative and other public functions are especially important, as they will enable the development of the tertiary and quaternary sectors and make towns in Serbia more attractive for living (Antonić, 2022). This delays or reverses the economic and social decline of the towns, slows down internal and external migrations and raises the quality of life of both the town and its rural hinterland. All parts of this report strongly point to the negative consequences of centralisation in a number of areas, from administration to the economy, and emphasise that one of the solutions is decentralisation and deconcentration.

7 Message Five: Today Gender Equality Is Part of the Solution, not the Cause of the Problem

The decline in fertility was influenced by structural and cultural changes, including increased gender equality. Today, however, developed European societies with a higher degree of gender equality (at the level of attitudes and in practice) often have higher fertility rates. This is the point at which traditional discourse focused on patriarchal values and high birth rates overlap with modernist discourse on gender equality. But society must be ready to support both modern families, which are characterised by equality of men and women, and traditional ones.

Reduced fertility is one of the key factors in depopulation. The decline in fertility is influenced by cultural changes that place greater emphasis on issues of self-realisation, identity and life satisfaction, but also structural changes that occurred when women entered the labour market and achieved new freedoms in the public arena. The equalisation of men and women in the public sphere went hand in hand with undermining traditional views on women's primary role in raising children and caring for the family. Gender equality, in a way, is part of the formula for the problem of low fertility. However, gender equality may also be part of the solution formula.

Satisfaction with the quality of life and the relationship between spouses is one of the factors that contribute to higher birth rates (VRS, 2018). Satisfaction with the relationship depends, as *Human Development Report* highlights, on the harmonisation of gender roles and expectations. Attitudes on gender roles are changing and the differences between men and women, especially those highly educated, are decreasing (Babović, 2021; Stanojević, 2022). On the other hand, women carry a greater burden of caring for the family and children: women over the age of 15 spend about four and a half hours on average in unpaid household chores, while men spend two hours. Among men, younger, more educated men and those living in urban areas are more involved. Thus, in the private sphere, traditional patterns and divisions of roles prevail, although there are more and more women and men who advocate the ideas of gender equality in the private sphere as well.

European experience shows that greater gender equality, both in terms of values and in terms of practice, goes hand in hand with higher fertility rates. Fertility rates are higher in those societies in which attitudes towards gender equality are more widespread. This is true for all people, but especially for highly educated women (Baizan, Arpino, Delclòs, 2016: 23-24). Countries with a culture of gender equality also have higher fertility rates, so women can combine private and business life in different ways (i.e., they can choose whether to dedicate themselves to raising children, return to the labour market, or combine the two roles in different ways) (Brinton & Lee, 2016: 426). This is how different value orientations are met. Of course, the analysis of gender attitudes and patterns and public policies largely depends on the specific context (Sobotka, 2011), so future policies should be adjusted to a specific culture, history and institutional setting.

Changing attitudes about gender roles is one of the ways of consolidating the demographic development of Serbia. This is the point at which traditional narratives focused on patriarchal values and high birth rates are approaching the modernist discourse on gender equality. If the struggle for gender equality has influenced the change of a woman's role in society and lower birth rates, paradoxically, gender equality today can bring higher fertility rates and greater participation of women in the labour market (and thus better use of a society's human potential).

8 Message Six: Serbia's Society Is Less Family-Friendly Than It Believes

Although Serbian society highly values the family, children and parenthood, in many aspects it is not family-friendly. Public policies at the national and local levels are often not tailored to the needs of families and children, while the labour market is insensitive to these issues.

Serbian society perceives itself as a society that values children, family and family life, while parenthood is understood through the model of sacrifice for the benefit of the children. There is also some pressure to get married and have children early, and these norms are stronger in rural than in urban areas, among the less educated rather than among the more educated inhabitants (Babović, 2021; Tomanović, Stanojević & Ljubičić, 2016: 47 et seq.).

Contrary to the wishes and collective perceptions, data shows that the labour market is unfriendly to current and future young parents. Youth unemployment rates are higher, while the quality of their jobs is low. The position of women in the labour market is particularly problematic: women's activity rates are low compared to those of men as well as women in developed societies, and the main reason is the inability to achieve a work-family balance. Many among those

employed perform temporary and occasional jobs with a low level of labour protection. Women with higher education are in a better position than those with secondary and lower education.

The chapter on family support shows that the work and organisational culture is also not parent-friendly, especially when it comes to fathers who have an active role in the upbringing of their children. A small number of companies offer the possibility of flexible or sliding working hours, or work from home. By contrast, most parents believe that such arrangements would help them achieve the work-parenting balance (Stanojević, 2022)

Preschool institutions are more developed in urban than in rural areas. The number of children attending them is growing, but the percentages are still below the European average. Due to the small number of places available in them, children of employed parents have an advantage in

enrolment, which hinders the social integration of young unemployed parents, primarily mothers (Pavlović Babić, 2022). Other policies are not particularly family- and child-friendly: the tax system that does not include tax reliefs for families with children (Kostić, 2017), public and private transport are not always adapted to the needs of women and families (SeConS & Dornier, 2019), educational institutions shift much of the burden of the educational process to parents (Vuković, 2017; Teodorović, Bodroža and Stanković, 2015) etc.

So, although the Serbian society highly values family and parenthood, in many segments it is “hostile” towards the family and parents. Public policies at the national and local levels are often not tailored to the needs of families and children, while the labour market is insensitive to these issues. Therefore, one of the priorities is the analysis of public policies from the perspective of population policy and their adjustment to new demographic circumstances. Some form of mainstreaming of this issue is inevitable for a society and state facing such dramatic declines in population and human capital.

9 Message Seven: With a Declining Number of Students, the Education System Must Achieve Greater Quality and Become More Equitable

The education system is a key mechanism for the development of the human resources of a shrinking population. However, the education system fails to develop the competencies needed for active economic and social life, and in this regard, it achieves more success with children from higher socio-economic strata than those from the lower ones. Children with developmental difficulties and disabilities are not sufficiently integrated into the system, and a small percentage of adults and older persons are included in lifelong learning programmes.

The number of new-borns in Serbia has decreased by almost one fifth in the last two decades, and the number of students by almost one third. Our population is shrinking and ageing and, in these circumstances, educating every member of society becomes an even more important task. If it wants to adapt to these demographic changes, the educational system will have to become more efficient and equitable, that is, more inclusive. From the point of view of society, the development of good quality and inclusive education (as well as the labour and health markets) is becoming a tool for both development and population policies. Both indicators essentially show the ability of the system to use all the human potentials of society, especially in the situation of demographic decline, and thus the decline of those potentials.

International measurements and domestic evaluations point to chronic weaknesses of the Serbian educational system, but also to some of its virtues. The school knowledge of Serbian students is typically at reproductive level, and the school is not doing enough for their integration and functional application. The results of PISA tests (performed by children aged 15) are below the average of OECD and EU countries in three measured dimensions (reading, mathematics and science). In that respect, Serbian students are one and a half years behind their peers from the OECD countries. Significantly better results have been achieved on the TIMSS test, which is conducted in the fourth grade of primary school, and this difference could be explained by more adequate support from teachers in lower school grades (Pavlović Babić, 2022).

Education is still not inclusive, although significant progress has been made in the last two decades. Some social groups, such as Roma and

children from lower socio-economic backgrounds, constantly face difficulties in education that come down to dropping out of the educational process early. The learning process is shifting from school to home, which is why parents are more involved in the learning process, so the outcomes depend on their cultural and economic capital. Thus, children of parents who can assist them with learning or pay for such assistance will have a better chance of achieving good success (Teodorović, Bodroža and Stanković, 2015: 178). Education in Serbia is expensive, especially for the lower socio-economic strata. The processes of marketisation of education and the development of private providers of educational and education support services (among which private additional and supplementary classes, foreign language classes and sports and recreation classes have a special place) contribute to this. Support of this kind is used more by children from higher socio-economic strata, who already have better school achievement (Kovač Cerović et al. 2014: 76; OECD, 2011). Lifelong learning and education of older persons are still underdeveloped and will become increasingly important with population ageing.

Inequalities in education also exist in other countries and the PISA survey shows that it is not higher in Serbia compared to OECD countries (OECD, 2019). However, the importance of inequalities in education is all the greater in view of the declining student population and the increasingly scarce human resources in society, which are under additional pressure from internal and external migration. If it wants to have an educated population that will be more active, productive, healthier and politically and socially integrated, Serbia will have to increase the quality and equity of its education system.

10 Message Eight: The Labour Market Encourages Young and Low-Skilled Workers to Migrate

The labour market is an important factor in future demographic change. The current situation not only does not encourage fertility, but is a strong incentive for migration. Roma, young people and lower-skilled workers, working in the small private sector or in the informal labour market, have lower incomes and lower levels of labour protection. Other policies, such as education, tax, housing and social ones, also fail to help them improve their position. In the absence of better living and working conditions, they turn to permanent or temporary migration.

A reduced number of inhabitants also means the reduction in the number of the working-age people. Developed countries solve this problem through immigration. However, as population decline is also expected in underdeveloped countries, labour shortages may also affect developing countries in a few decades (Reher, 2007: 199-200). The outlines of this process are clearly visible in European terms. The new European Union member states from Central Europe have long been a reservoir of labour that supplied the market of the developed parts of the EU. Economic growth and labour demand in this region, coupled with decades of migration, have led to labour shortages that are now sought further in Eastern and Southeastern Europe. That is why in Serbia there are more and more occasional and circular migrants working in Central European countries. In the future, these processes could lead to a crisis in the Serbian labour market.

Although the working age population is declining, this *Human Development Report* demonstrates that Serbia is still not facing a general crisis of labour shortage. The reason lies in the fact that there is still a lot of room for raising labour market participation rates, especially among Roma, women and older workers. Their greater involvement, especially in the formal labour market, should be a priority. However, there are some obstacles along the way.

The Serbian labour market is dual and consists of (1) better quality jobs in the public sector and large private companies and (2) poorer jobs in the small private businesses (Aleksić, Arandarenko and Ognjanov, 2021). This market is characterised by high differences in income relative to the education level, so the salaries of workers with higher education are increasing compared to workers with secondary and lower education. The rise in the salaries in the public sector, which employs a significant percentage of workers with higher education, also contributes to this growth. On the other hand, low-skilled workers have not only lower wages, but also more precarious jobs with poorer labour protection. These features of the labour market not only make migration desirable, but also prevent the full social integration of all workers.

The incomes of the lower socio-economic strata have also been affected by the social benefits reform. Material social assis-

tance is granted to a small number of the poorest families and its amount is low (only families with four children receive the amount of financial social assistance that reaches the amount of one minimum wage, VRS, 2018b: 199). The criteria for granting child benefits are also restrictive, so a family of four loses the right if they have an income one-fifth higher than the minimum wage (Arandarenko, 2022), and the amounts are low. These policies affect the poorest people in Serbia, discouraging them from the formal labour market and further encouraging them to migrate to countries that offer better wages, higher material benefits and better services.

The position of young people in the labour market, especially those with lower and secondary education, is very bad. Their first jobs are of poor quality, with low wages and unfavourable working conditions, very often in the informal labour market. In addition to the characteristics of the labour market, a string of policies such as education (Vuković, 2017), housing (SIPRU, 2021), tax and labour market policies (Aleksić, Arandarenko and Ognjanov, 2021), aggravate the position of young people and their integration into society. This is especially true for young people from lower socio-economic strata, those who migrate and those who should be the bearers of positive demographic change. If it wants to use the potential of all its inhabitants and offer some of them a sustainable alternative to leaving, our society will have to develop inclusive economic and labour market policies. Among them are intergenerational solidarity and youth employment support policies, raising the quality of jobs offered, inclusive policies, like activation and employment support policies, etc.

11 Message Nine: Benefiting from Older People's Human Capital Will Be a Great Test of Adaptability for Society

Demographic change affects the welfare state due to increased demand for services and benefits and fewer workers financing the system. A key aspect of this change is population ageing. The whole society, as well as public policies must adapt to new demographic circumstances. This includes adjusting the pension system, developing preventive health care, and social protection and long-term care for older people, as well as changes in the labour market, infrastructure, housing etc.

One of the most important transformations of the 21st century will be population ageing. It is the result of people living longer lives, and the rising share of older persons in the population can present many long-term development opportunities globally as well as locally. For these benefits to materialise, however, numerous adjustments will have to be made to enable the full economic and social integration of older persons – including investing in the human capital of future older generations, as advised throughout this report.

But depopulation will also deepen or intensify new and old social risks and place new demands on the welfare state. New social risks are a consequence of changes in society, such as ageing and the transition from an industrial to a post-industrial economy, which rendered some occupations and skills irrelevant. Families may also have difficulty balancing work, parenting and caring for older persons, while the welfare state faces challenges of caring for an increasing number of old people (Taylor-Gooby, 2004; Bonoli, 2005).

In the Serbian context, ageing poses the greatest pressure, both on the social and pension insurance system, and on long-term care and health care. Ageing is a key demographic characteristic of Serbia at the beginning of the 21st century (Matković, 2022). However, Serbia is not among top-ranking European countries in terms of the share of people aged 65+, and especially those aged 80+. This is due to the low life expectancy of 65-year-olds, which has been stagnant for decades and amounts to 16.2 years, which is four years less than the EU average. According to the World Health Organization data, the health-adjusted life expectancy at birth for men in Serbia in 2019 is between 8 and 10 years below the total life expectancy.

This Human Development Report opens a series of questions to which we, as a society, will have to give answers in the coming years. It appears that major systemic changes in the pension system are not necessary, but additional research and public dialogue on parametric changes are needed, such as changing the indexation formula, moving the retirement age in line with the extension of the life expectancy, early retirement, reviewing eligibility for subsidised pensions and encouraging later retirement (Matković, 20212).

Population ageing exerts new pressures on the system of long-term care and health care, since ageing not only prolongs healthy life years, but also the years with health problems and disabilities. That is why this Report proposes to consider changes in the system of long-term care, which range from the establishment of a government institution for long-term care, to the development of community services for older people. Although the system of social protection, and especially the system of local community services, is largely adapted to the needs of older people (Vuković, 2017; MRZBSP, 2020), due to the growing number of older people, changes are needed both at the level of services themselves (more home assistance services, establishment of day care and supported housing) and at the system level (for example, a review of earmarked transfers) (Matković, 2022).

Older people (65+) are not significantly poorer than the general population or are even in a slightly more favourable position, but those older than 75 are significantly more vulnerable. Older persons who have not exercised their right to a pension (approximately 136 thousand people) are in a particularly unfavourable position. Given the prevalence of women among those aged 75+ and especially among those who do not exercise the right to a pension, the introduction of a state-subsidised pension is also becoming an important gender issue. With this in mind, the Human Development Report considers two options for the introduction of state-subsidised pensions, in the form of a guaranteed minimum income for older people and in the form of a special module within the cash benefits programme.

12 Message Ten: Poor Health Outcomes Are a Demographic and a Developmental Challenge

Although much has been done to improve health outcomes, there is still room for improvement. High mortality and preventable disease rates, difficult access to health services, high private health spending, poor environmental factors, low socioeconomic status and poor health habits are major obstacles to improving health and prolonging a (healthy) life expectancy.

The health of every inhabitant of Serbia becomes all the more important if their number decreases. Improving the health of the population can slow down depopulation and make the smaller population not only live longer, but also be more productive and place less social and economic expenses on society. Thus, the health of a small population can become its development resource.

Socio-economic status and the quality of health care have a special impact on the health of the population. Low socio-economic status, and that means low education and material standard of living, affects the prevalence of unhealthy lifestyles and lower health literacy, which later translates into higher health risks. This Human Development Report illustrates the widespread unhealthy lifestyles that later lead to the emergence of chronic non-communicable diseases and high morbidity and mortality rates. Many of these diseases, such as cardiovascular diseases and lung cancer, are the most common causes of death and can be avoided through appropriate prevention (Stamenković, 2022).

Caring for the demographic future implies more intensive early care for public health and the promotion of healthy lifestyles much more intensively than is the case today. Therefore, it is necessary to introduce new and improve existing preventive health activities aimed at healthy people and youth, which would include, in addition to the health care system, other social actors (for example, schools and companies). This would reduce health expenditures, both private and public, and improve outcomes. In addition, the Report demonstrates how innovative solutions, from more flexible and available health care and telemedicine, to prevention in schools and the labour market, can lead to better and more equitably distributed health outcomes. A key role in this should be played by a health system that is more efficient, equitable and adapted to new demographic circumstances.

One of the biggest shortcomings of the public health system is the insufficient availability of health care services, which is a consequence of low public health expenditures. This leads to high private health care expenditures (as much as 42%). Patients turn to the private health sector to avoid long waiting times and complicated procedures in the public sector, but also when they buy medical devices that the public sector is unable to provide. Private health services, as well as health services in general, are more often used by citizens of higher

socio-economic status (Boričić et al., 2014: 61-64). Roma and other citizens of lower socio-economic status have no alternative to a slow and inefficient public system. This is one of the factors of poor health of the population of Serbia and high mortality rates. Therefore, changes in the health care and social protection system that are adapted to the needs of all social strata, including the lower strata and the poor, would improve health outcomes, reduce mortality and increase the odds for all citizens to better integrate into society, from education through work to political and public life.

In addition to poverty, low health culture, and the unavailability of health care, other factors also contribute to poor health outcomes. One of them is the subject of the analysis in this Report – environment pollution. It is estimated that due to excessive air pollution, between 6,000 and 16,000 people die prematurely in Serbia every year (Petronić, 2022). That means that the population of a smaller town disappears every year. If only the existing laws were to be applied, 2,400 lives would be spared annually and large funds spent on health care would be saved. In addition to direct health costs, high pollution also produces a decline in the productivity of people and communities, as well as other indirect losses.

Broader policies also have an impact on the better health of the population. Among them, education, labour market policies and redistributive measures to reduce poverty and social inequalities have a special place. More educated and richer people can lead a healthy life, eat healthily, avoid alcohol and cigarettes, and live healthier thanks to that. In this regard, the health and social status of the poor and Roma is particularly devastating. For example, life expectancy for Roma from unhygienic settlements is 12.4 years shorter than that of the general population. In the new demographic circumstances that are emerging before our eyes, when the population of Serbia is shrinking, every inhabitant, regardless of the socio-economic status, ethnicity or place of residence, represents a more valuable “resource”. In such circumstances, inclusive education labour market and health care policies are becoming the most important population policy dimension.

13 Conclusion: Development Policies for New Population Dynamics

This *Human Development Report* develops the idea that, in light of the inevitable demographic changes, public policies should be aimed at strengthening the opportunities, potentials and freedoms of all people, while demographic issues should be included in all relevant public policies.

In this *Human Development Report*, we perceive population policies as multisectoral development policies. These are policies that support human choices to give birth, be educated, lead a healthy lifestyle, work, migrate or return, and policies that support integration, social cohesion and development tailored to the individual. These are the policies of strengthening demographic quality, not just quantity, policies to build strength and knowledge, in addition to population size. Developmental population policies thus become policies of human capital quality, that is, human resource development policies. Such policies may possibly influence population size, but they will certainly be human-centric and value individual potential per se as well as a contribution to society.

If the goals of population policy are defined in this way, then demographic changes must be addressed by various public policies, from education, through tax policies, to environmental and urban development policies, and institutions at different levels, especially local, even when they have no direct competence in the domain of demographic policies. In order to contribute to balanced demographic development and the use of all human potentials of a society, these policies and institutions will need to become responsive to demographic issues. Mainstreaming demographic issues into sectoral policies will be an expression of a society's readiness to address long-term demographic challenges.

Finally, this *Human Development Report* proposes us to address demographic changes as a society, but not necessarily to set specific quantitative targets. Because, even if we fail to stop the demographic decline through inclusive development policies, we will mitigate the consequences of that fall and we will succeed in making our society a better society to live in. We will make it more educated, healthier, more satisfied and richer, and that is, in itself, a success.