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DEMOGRAPHIC TRENDS AND IMPACT ON THE LABOUR MARKET IN MONTENEGRO

During the period 2000–2022, the total population in Montenegro increased. However, the age structure of the population has changed, where changes are observed in the direction of a decrease in the number of young people compared to the older age group. The share of the population under the age of 15 decreased by 3 pp. in the observed period, while the share of the population over the age of 65 increased by nearly 4 pp. The aging of the population affects different segments of society. This paper analyses the impact of population aging on the state of the labour market, starting from the assumption that demographic trends in the coming period will have a significant impact on reducing the size of the workforce, but that labour market indicators will record favourable trends. Data on demographic trends for the period 2000–2022, MONSTAT's projections of the population until 2060, as well as data on the most important indicators of the labour market were used. We have come to the result that in the coming decades the labour supply will decrease, but that the employment rate will record growth and the unemployment rate will decrease until 2040.

Keywords: population, aging population, labour market, labour activity, employment, unemployment.

Introduction

The aging of the population is a phenomenon that is increasingly pronounced in most countries. The share of the elderly population in the total population is growing. According to the United Nations Aging Report from 2022, during the next three decades it is projected that the number of people over 65 will double, that is, it will grow from 9.3 % to 16.0 % in the period 2020 to 2050 [1]. Although the problem of aging population is present, it manifests itself differently in different countries.

The aging of the population is influenced by various factors, which can be explained through the reduction of the birth rate, changes in behaviour patterns that are reflected in getting married at a later age, the reduced number of children, the way of life, the extension of life expectancy, etc. The consequences of population aging can be seen from different aspects. First of all, the aging of the population affects budget expenditures through greater pressure on the pension system and health expenditures, market needs, demand, as well as the labour market.

Observing the demographic trends during the last decades, the problem of population aging is also expressed in Montenegro. In this regard, it is of great importance to analyse demographic trends, primarily the age structure of the population, and to prepare an assessment of the impact of population aging on the socio-economic situation. In this paper, the correlation between the aging of the population and the labour market was analysed, that is, the effects of the aging of the population on the structure, condition and needs of the labour market were examined, along with the projection of future trends. Therefore, the aim of the paper is to examine aspects of the impact of demographic trends on the structure of the labour market, starting from the assumption that the aging of the population will significantly affect the quantity of the workforce. The paper analyses and considers the impact of population aging on labour supply, activity, employment and unemployment.

Also, trends on the labour market were analysed, primarily the trend of employment, unemployment and activity, as well as the age structure of the population during the previous two decades, in order to observe a certain correlation between these variables. Also, an analysis of the impact of population aging on the labour market is given, along with projections of the effects of population aging on the structure and trends of the labour market.

Materials and methods

The analysis of the impact of the aging of the population on the state and trends in the labour market is based on data on demographic trends in the period from 2000 to 2022, as well as projections on population trends until 2060, conducted by MONSTAT. Data on the basic indicators of the labour market (activity, employment and unemployment) were the basis for assessing the impact of population aging on labour market trends. Based on population projections until 2060 and available demographic data, projections of workforce trends in the coming period were created, as well as the impact of projected demographic trends on the state of the labour market.

Results and discussion

The problem of population aging has been researched and analysed by different authors and recognized in different documents and studies. The impact

of the aging population on the state of the labour market can be seen through different segments. Various studies have pointed to the connection between the aging population and the labour market situation, where the results show the consequences of the aging population on the labour market structure and trends. Aging population affects unemployment, long-term unemployment, disadvantage groups [2]. Also, in the same paper, it was pointed out the rigidity of the old workers compared to the young workforce, which is more flexible in adapting to new global trends.

Expressing the impact of population aging on the labour market in advanced economies indicates the impact of population aging on the reduction of the labour force in advanced economies [3]. Brown and Guttman came to the conclusion that the negative effects of aging on the labour force in advocacy economics are somewhat offset by the increase in the participation of women and older workers and that in the next period the growth of the labour force will continue to slow down.

In addition to the impact on the workforce on the labour market, research and studies show an impact on the productivity of the workforce. Through the impact on the reduction of productivity, the aging of the population affects the reduction of economic growth. Also, lower productivity affects slower wage growth [4]. Under the influence of population aging, it is expected that the old-age dependency ratio in Europe will double from 2050 when it will be at the level of 51 % [5]. At the same time, in the same research, employment growth is projected, which will partly replace the reduction of the working-age population.

In addition to the implications for the labour market, the aging of the population affects other segments of society and the economy, which are indirectly related to the labour market. Due to the increase in the participation of the elderly population, the need for additional state expenses is increasing, considering that due to the aging of the population, the number of beneficiaries of pension rights and health care programs will also increase, indicating that the expected expenditures of the pension system will be over EUR 1.5 billion at the end of 2050 in Montenegro [6].

Labour market structure and trends. The structure of the labour market in Montenegro has changed significantly during the last two decades. A change in the structure of the economy characterized by an increase in the share of the service sector in the total GDP and a decrease in the share of industrial production and other sectors. Such changes affected the labour demand on the labour market, so that the structure of employment also changed in the observed period. The growth of the economy, especially in the period from 2013 to 2019, contributed to the growth of employment and the improvement of the labour market in general. In

the period from 2006 to 2019, the activity rate recorded growth. In the comparative period, the activity rate for age group 15–64 increased by 7.8 pp.

The employment rate recorded stronger growth in the observed period. In 2019, the employment rate was 56 %, which represents a growth of 15 pp. compared to 2006. On the other hand, the unemployment rate recorded a decline. In 2019, it was at the level of 15.4 %, which is 14.4 pp less compared to 2006, and 4.0 pp less compared to 2007 (Figure 1).

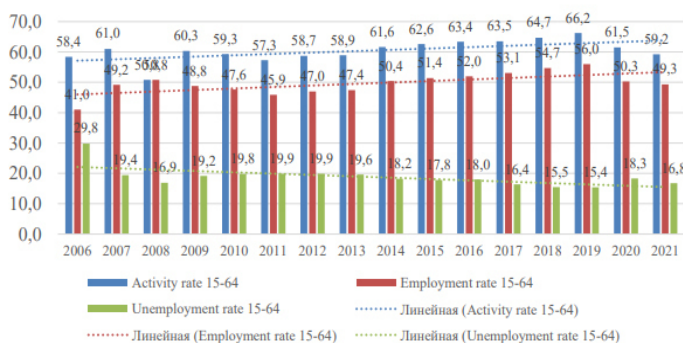


Figure 1 – Main indicators at labour market 2006–2021 [7]

However, during 2020, the situation on the labour market worsened significantly due to the pandemic and the impact on economic activity. GDP fell by 15.3 % in 2020, which was reflected in the loss of jobs and the increase in unemployment. The service sector, primarily tourism, which has the largest contribution to economic activity, was the most affected by the pandemic. Closed borders, the bad epidemiological situation had an impact on the decline in the number of tourist arrivals and foreign tourist overnight stays. At the same time, the service sector employs the largest part of the workforce, which influenced the deterioration of the labour market. The number of unemployed was at the highest level compared to the previous 15 years. The employment rate and activity also recorded a decline in 2020 (5.7 pp. and 4.7 pp. respectively). A decrease in employment and activity rates was also registered during 2021, in contrast to a decrease in the unemployment rate. The recovery of the economy after the pandemic contributed to the improvement of the situation on the labour market during 2022, so that an increase in the number of employees and a decrease in the unemployment rate were recorded. However, although the situation has improved, one of the main challenges of the labour market is related to relatively

high youth unemployment rate and share of the long-term unemployment in total unemployment.

Demographic trends in last two decades. In the period from 2000, the total population in Montenegro recorded growth until 2019, and during the last three years, the estimated number of citizens recorded a decline. The estimated number of citizens in 2022 was 617,683, which is 2.4 % more compared to 2000, but 0.7% less than 2018 (when the highest number of citizens was recorded). The negative natural increase during the last years contributed the most to such demographic trends.

One of the most significant characteristics of demographic trends during the last two decades is the aging of the population. During the observed period, the median age increased from 35.0 in 2000, to 36.6 in 2011 (when the last population census was held) and an estimated 39.6 in 2022. The participation of young people in the total population decreased, while on the other hand, the number of old people increased.

During the analysed period, the participation of young people aged 0–15 decreased from 126,701 in 2000 to 110,803 or 12.5%. The share of the population of this age group in the total population decreased from 21% to 17.9 %. On the other hand, the share of people over 65 years old in the total population in 2000 was at the level of 12.2 %, while that percentage increased to 16.0 % in 2022 (Figure 2).

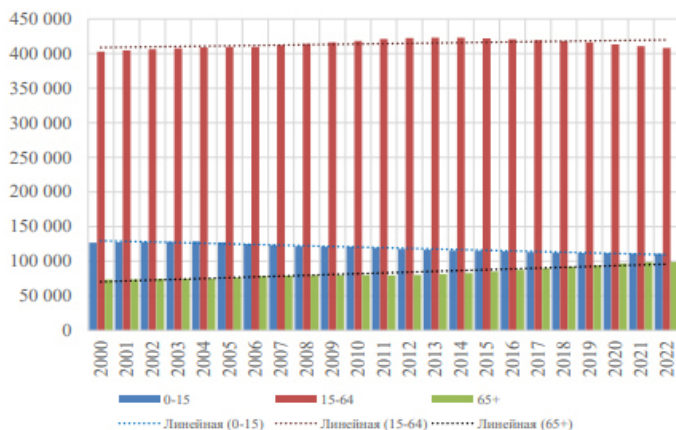


Figure 2 – Population in Montenegro 2000–2022, by age groups [8]

The population pyramids clearly show the difference between 2000 and 2022. The base in 2022 is significantly smaller compared to the base in 2000, which will

certainly have an impact on population trends in the coming period. The peak of the pyramid also differs between 2000 and 2022, where a greater participation of the elderly population is observed (Figure 3).



Figure 3 – Population pyramid 2000 and 2022 [9]

MONSTAT projections show an expected decrease in the participation of the population of the age group 0–14 in the total population. In the period until 2061, the participation of this age group will decrease by 7.2 pp. assuming a low expected fertility rate (from 19.2 % to 12.4 %) compared to the census data from 2011. The total participation of the population aged 0–14 is projected at 15.2 % in 2031 and 12.9 % in 2051. On the other hand, the opposite trend is expected in the age group above 15 years, where a significant increase in the participation of the age group above 65 years in the total population is also expected. The share of the population older than 65 will be at the level of 20.5 % in 2031, while the percentage will be 25.6 % in 2051 and 28.5 % in 2061.

The impact of population aging on the workforce. In addition to the numerous implications of population aging, one of the impacts of such demographic trends is the labour market and the potential of the labour market. In fact, the question arises, what is the size of the available workforce. Taking into account the aging of the population, the change in the age structure, it is possible to project the needs of the labour market.

A similar conclusion can be made based on the available data on population estimates for the period 2000–2022. The total population in the age group 0–44

in 2000 was 388,043. This age group in 2020 represented the age group 20-65 and when it amounted to 373,625, which represents a decrease in the population in this age group of 3.7 %. This clearly indicates a decrease in labour supply. The decrease in labour supply can be attributed to the decrease in natural growth, but also to migratory movements. During the observed period, the natural increase constantly decreased, and during the last two years a negative natural increase was recorded. A negative natural increase was recorded for the first time in the last thirty years. Such trends will certainly be reflected in the labour supply in the future and affect the state of the labour market. In addition to these trends, population trends and population structure were also influenced by migration.

If the labour contingent were projected for the next 20 years, a decrease in the available labour force could be observed. The total population of the age group 0-20 in 2022 is at the level of 357,556, which is significantly lower compared to 2000, and this will be the available labour force aged 20–65 in 2042. Assuming the exclusion of migratory movements and other factors that affect demographic trends, the available labour force will be reduced by about 8 %. Therefore, if only natural growth is observed, the future active population will be at a lower level, which will be reflected in the demand for labour force. However, the labour supply will also be affected by the migration balance in the next period.

The trends in the labour market in the coming period will be influenced by the state of the economy. The expected growth of the economy will contribute to the creation of new jobs. Therefore, the need for labour will be more pronounced, which will affect the growth of employment, but also the reduction of unemployment of the domestic workforce. However, this impact will be manifested differently depending on the age group, where a smaller participation of the young workforce is expected compared to the older population.

The literature indicates greater adaptability of the younger workforce, whose participation in the coming period will be less compared to the other group. The older workforce is less flexible to new conditions on the labour market, which represents a significant challenge and danger of increasing unemployment of this population due to inflexibility. The development of technology, innovation will also affect the type of jobs, so there are numerous studies and research that indicate the disappearance of jobs that exist today, and the appearance of new jobs that do not exist today. In any case, this does not mean that a large part of the workforce will be unemployed, but it indicates the need to transform from one job or profession to another. The success of the labour market will depend on the success of that transformation. Considering the expectations regarding the change in the structure of the workforce, and the growth of the share of the older workforce

compared to the younger, greater rigidity and a lower degree of adaptability to new conditions can be expected, which may affect the state of the labour market.

The expected decrease in the labour force and labour supply due to the aging of the population will be reflected in the trend of activity, employment and unemployment. In order to assess the impact of demographic trends on the labour market, the impact on activity, employment and unemployment rates was assessed. The impact assessment is based on population projections until 2060 [9]. The assumptions on which the impact assessment is based refer to the expectation that the activity rate, employment rate and unemployment rate will follow the trend recorded during the previous ten-year period and assuming that other factors remain unchanged. During the analysed period, the activity rate was at approximately the same level, while the employment rate recorded a slight increase. In this connection, the average periodic change of these rates was calculated and applied to the projected number of citizens in the estimation of the number of active population, employed and unemployed for the population group 15–65 (Figure 4).

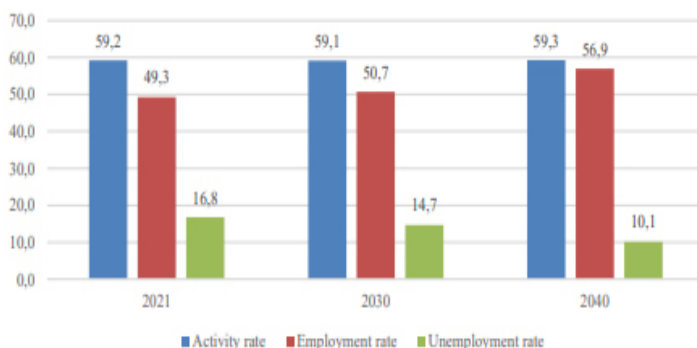


Figure 4 – Projected activity, employment and unemployment rates (15–65) for 2030 and 2040 [9]

According to estimates, the activity rate will be at approximately the same level in the following period. Compared to 2021, it will be higher by 0.1 pp in 2040. The employment rate will be higher compared to 2021 by 1.4 pp, or 7.6 pp. in 2040. On the other hand, it is estimated that the unemployment rate will decrease by 6.7 percentage points by 2040.

This situation can affect the growth of the foreign labour force employed in Montenegro, which is already the case especially during the summer tourist economy.

The projected decrease in labour supply can be replaced by labour from abroad, but also by labour of the 65+ age group, as the working life will be extended.

An additional challenge to the labour market can be the population outside the labour force, that is, the inactive population. In the past period, a significant percentage of the workforce is outside the labour market. In 2021, persons outside the labour force rate was 49.1 (for age group 15+), which is more than in 2015, when the rate was 46.3 %. Therefore, it is of great importance to activate the population on the labour market and direct policies towards increasing the activity of the labour force. Taking into account the change in the age structure in the coming period, it is of great importance to increase the activity of the workforce, especially the younger population, in order to meet the demand for random labour.

Conclusion

Over the past two decades, an ageing population has been recorded in Montenegro, where the participation of young people up to 15 years of age has decreased from 21 % to 18 %, while on the other hand, the participation of people over 65 has increased from 12 % to 16 % in the period from 2000–2022. In the coming period, this trend is expected to continue, and its acceleration is expected, taking into account the current demographic situation and demographic projections.

The aging of the population will affect the reduction of labour supply. It can be expected that the available labour force will be smaller by 8 % during the next two decades, assuming the exclusion of other variables affecting demographic trends. However, although the labour supply and workforce are projected to decrease, the employment rate is projected to increase and the unemployment rate to decrease. According to projections, the unemployment rate (for age group 15–65) will be 14.7 % in 2030 and 10.1 % in 2040. On the other hand, the employment rate will increase from 50.7 % in 2030 to 56.9 % in 2040. The activity rate will be approx. same level. To that end, it is possible to define policies on the labour market in order to further improve the situation on the labour market, taking into account future demographic trends.

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ЧЕРНОГОРИЯДАҒЫ ДЕМОГРАФИЯЛЫҚ ТЕНДЕНЦИЯЛАР ЖӘНЕ ЕҢБЕК НАРЫҒЫНА ӘСЕРІ

2000–2022 жылдар аралығында Черногория халқының жалпы саны өсті. Алайда, халықтың жас құрылымы өзгерді, онда егде жастағы топпен салыстырғанда жастар санының азаюына қарай өзгерістер байқалады. Қарастырылып отырған кезеңде 15 жасқа дейінгі халықтың үлесі 3 тармаққа азайды, ал 65 жастан асқан халықтың үлесі 4 тармаққа өсті. Бұл мақалада халықтың қартаюының еңбек нарығының жағдайына әсері талданады, алдағы кезеңдегі демографиялық тенденциялар жұмыс күшінің азаюына айтарлықтай әсер етеді деген болжамға сүйене отырып, бірақ еңбек нарығының көрсеткіштері қолайлы тенденцияларды белгілейді. 2000–2022 жылдар кезеңіндегі демографиялық үрдістер туралы деректер, 2060 жылға дейінгі халық санының құбыжық болжамдары, сондай-ақ еңбек нарығының маңызды көрсеткіштері туралы деректер пайдаланылды. Біз алдағы онжылдықтарда жұмыс күшінің ұсынысы қысқарады деген қорытындыға келдік, бірақ жұмыспен қамту деңгейі рекордтық деңгейге көтеріліп, жұмыссыздық деңгейі 2040 жылға дейін төмендейді.

Кілтті сөздер: халық саны, халықтың қартаюы, еңбек нарығы, еңбек белсенділігі, жұмыспен қамту, жұмыссыздық.

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ДЕМОГРАФИЧЕСКИЕ ТЕНДЕНЦИИ И ВЛИЯНИЕ НА РЫНОК ТРУДА В ЧЕРНОГОРИИ

В период 2000–2022 годов общая численность населения Черногории увеличилась. Однако, изменилась возрастная структура населения, где наблюдаются сдвиги в сторону уменьшения

численности молодежи по сравнению со старшей возрастной группой. Доля населения в возрасте до 15 лет за рассматриваемый период уменьшилась на три пункта, а доля населения старше 65 лет увеличилась почти на четыре пункта. Старение населения затрагивает различные слои общества. В данной статье анализируется влияние старения населения на состояние рынка труда, исходя из предположения, что демографические тенденции в предстоящий период окажут существенное влияние на сокращение численности рабочей силы, но показатели рынка труда будут сохранять благоприятные тенденции. В работе были использованы данные о демографических тенденциях за период 2000–2022 годы, прогнозы статистического офиса Черногории по численности населения до 2060 года, а также данные о важнейших показателях рынка труда. В результате проведенных исследований сделан вывод, что в ближайшие десятилетия предложение рабочей силы будет сокращаться, при том, что уровень занятости будет рекордно расти, а уровень безработицы будет снижаться до 2040 года.

Ключевые слова: население, старение населения, рынок труда, трудовая активность, занятость, безработица.

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