



# Serbia: Changes in financial support for families with children

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*Ongoing negative demographic trends have prompted the government to renew its pro-birth policy measures. On 28 June 2018, the Serbian Parliament adopted the amendments to the Law on Financial Support for Families with Children. The amendments substantially increase financial outlays for parental allowances, a main instrument of the pro-birth policy.*

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## Description

On 16 March 2018, the government adopted a new “Strategy for the Encouragement of childbirth”, as a response to population ageing, as well as a fall in birth rates and in the overall population. Fertility rates (number of children per woman) have been decreasing steadily in the last decades; in 2016, the overall fertility rate in Serbia was 1.46 (EU-28 average: 1.6). One of the Strategy’s priority goals is to “decrease the financial burden of parenthood” by the provision of adequate financial support to parents.

On 28 June 2018, the Serbian Parliament adopted a number of amendments to the Law on Financial Support for Families with Children. This law had already been amended in December 2017, when new provisions for maternity leave payments were adopted. These amendments introduce substantial changes in the parental allowance scheme, an instrument serving the government’s pro-birth strategy which grants new parents financial support (for the first four children). This benefit is financed from the national budget.

The new parental allowances scheme has been applicable since 1 July 2018, for all children born from 1 January 2018 onward. Nominal parental allowance payments were set by the 2009 Law and were indexed twice a year on the basis of the consumer price

index. Compared to the 2017 payments, increases are most pronounced for the third (10 times increase) and fourth child (5.8 times increase); for the first and second child, the increase is 2.5 and 3.1 respectively. The first child will receive a one-off payment (€333) and the second child 24 monthly instalments of €85. For the third and fourth children, the allowances will be paid in 120 monthly instalments (i.e. during age 0-10 of the child): €102 per month for the third and €152 for the fourth child. Within the new scheme, the differences between the financial support for the first two children and the third and fourth are much larger, i.e. in total the first child will receive €847 (€333 in 2017), while the fourth child will receive €18,307 (€3,129 in 2017 [which were paid in 24 monthly instalments]). In 2016, only 15.6% of new-born babies (live births) were third or more in the birth order, while 35.7% were second-born and 48.7% were firstborns.

This right is means-tested in relation to the taxable assets of the household members; the mother (or father) is not eligible for the parental allowance if any household member pays annual income tax and property tax on a tax base above €254,237. This threshold is rather generous, which means that the proportion of families who will not be eligible is likely to be quite small. In 2018, the outlays on parental allowances are estimated to make up 0.99% of the national budget.

The government objective, cited in the explanations of the proposed amendments, is to increase the overall fertility rate to 1.85 in the next 10-15 years. This goal is seen as a prerequisite for reversing the current negative population growth, caused by a negative natural population change and negative net migration.

## Outlook & commentary

The increase in the parental allowances will certainly ease some of the financial burden of raising a child in Serbia. Still, the child allowance is very low, at €24 per child, for the first four children. As has been specified in the Strategy, there are a number of other factors which influence parents' decision on the number of children they will

have. Among the most important ones are: employment, housing and availability of kindergartens. The high unemployment rates in the young population in the last few decades most probably influenced the increase of average age at the first birth - from 25.9 in 1990 to 29.6 in 2016. This, in turn, also contributed to the fall in the fertility rate.

It is apparent that the government has to resolve a number of important issues which affect parenthood, and this will require more resources and time. Presently, one of the obvious threats to the achievement of demographic goals is emigration of young people. A recent survey among university students shows that one in three students plans to leave the country and work abroad (Students Migration, 2018).

## Further reading

Zakon o izmenama Zakona o finansijskoj podršci porodici sa decom [[Law on Amendments of the Law on Financial support to families with children](#)].

Strategija podsticaja radjanja [[Strategy for encouraging child birth](#)].

Rep. Statistics Office (2017), [Demographic Yearbook 2016](#).

Migracije Studenata, Maj 2018 [[Students Migration, May 2018](#)].

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