

Opportunities and Challenges of Population Aging in Latin America and the Caribbean

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1st Act: **The Opportunities** (1970-2030)

> labor force

first dividend: increasing ratio of producers per consumers

+ gender bonus

+ education bonus

> fiscal support ratios

Most of them are temporary! Almost over in LAC!

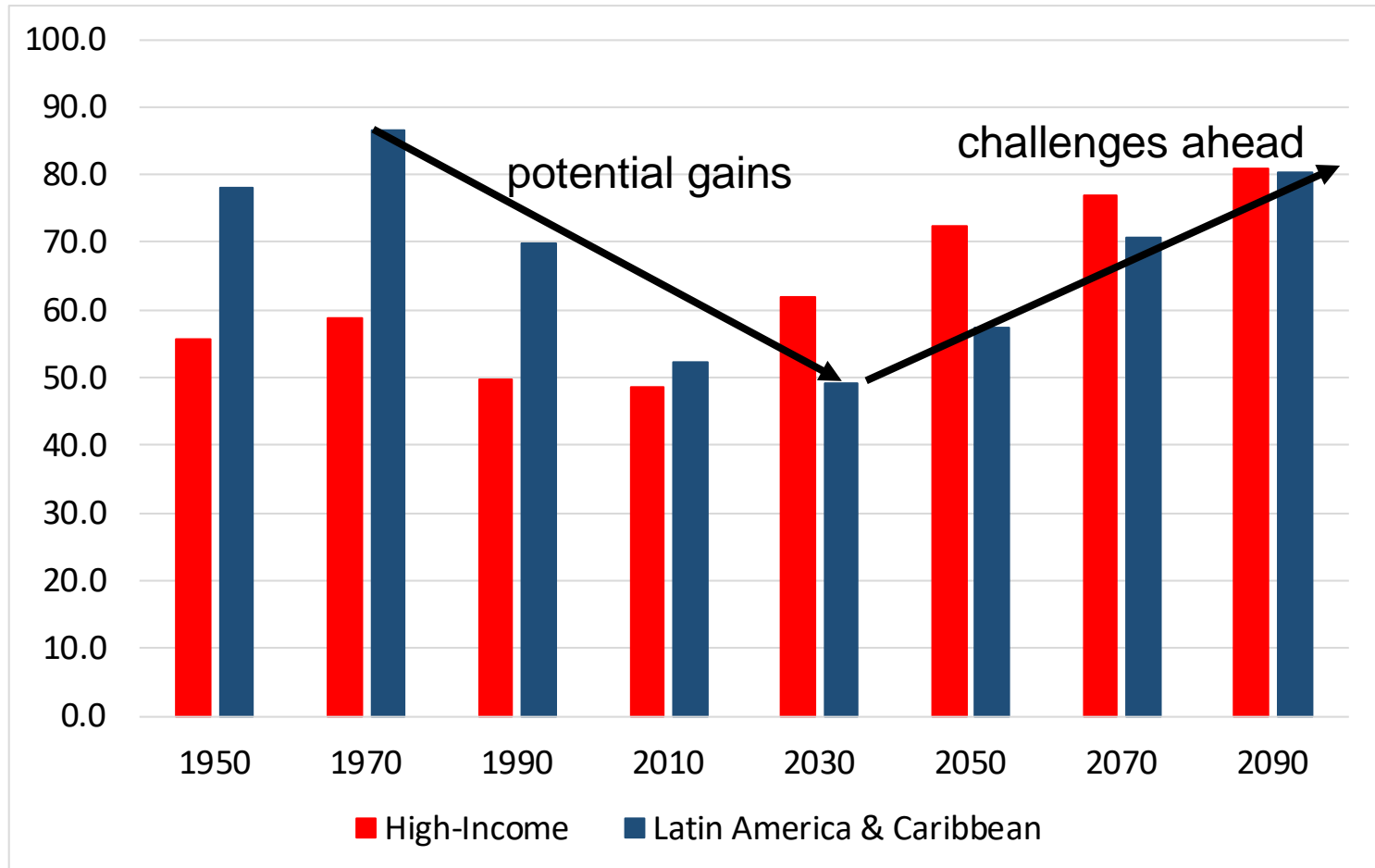


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Demographic Transition: Intense but short temporary benefits

Total Dependency Ratio (0-14; 65+): **High-Income** and **LAC**



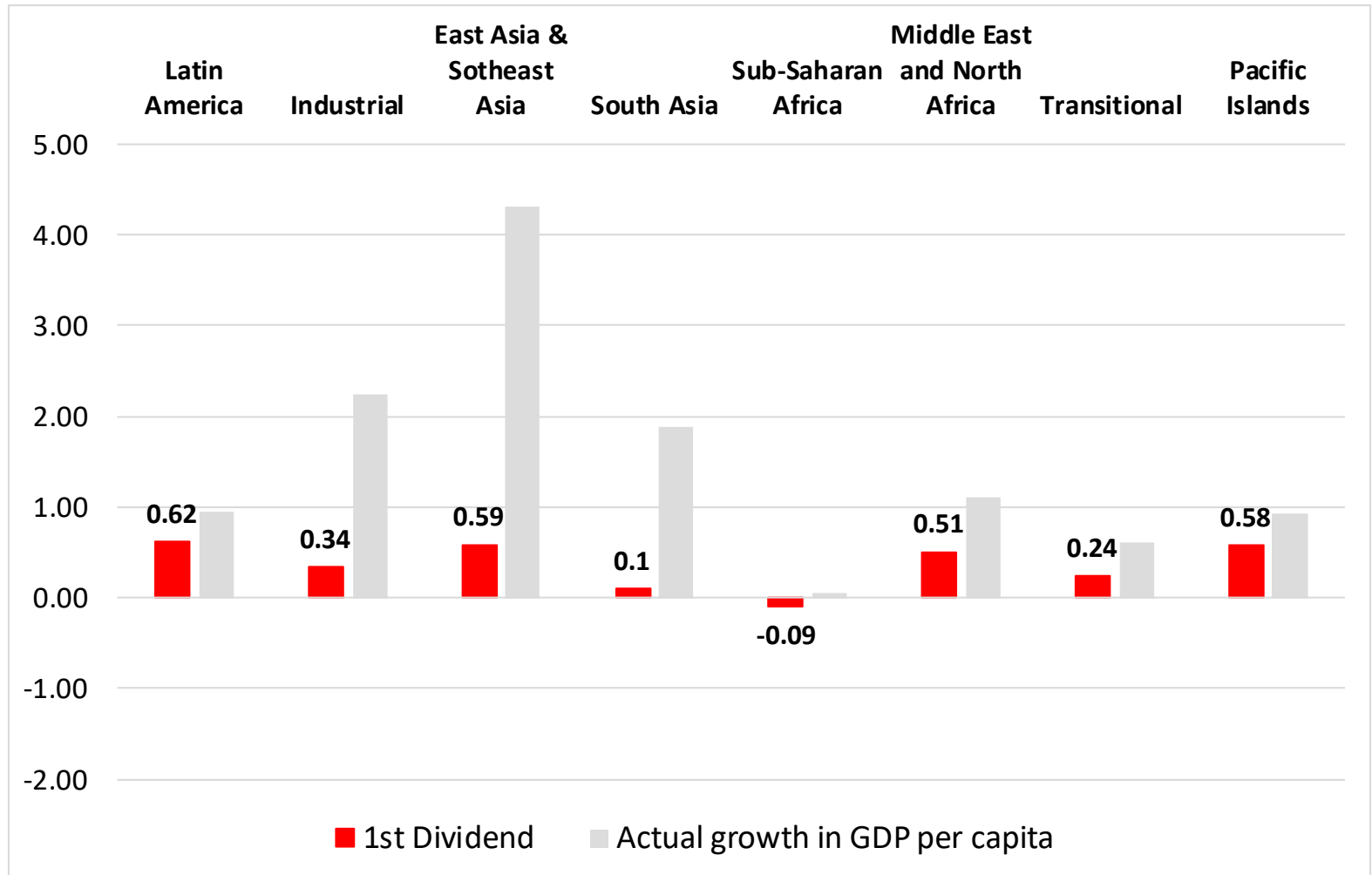
UN (2017)



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1st Demographic Dividend (% year): During 1970-2000, LAC experienced the largest potential effect across regions



Mason (2005)

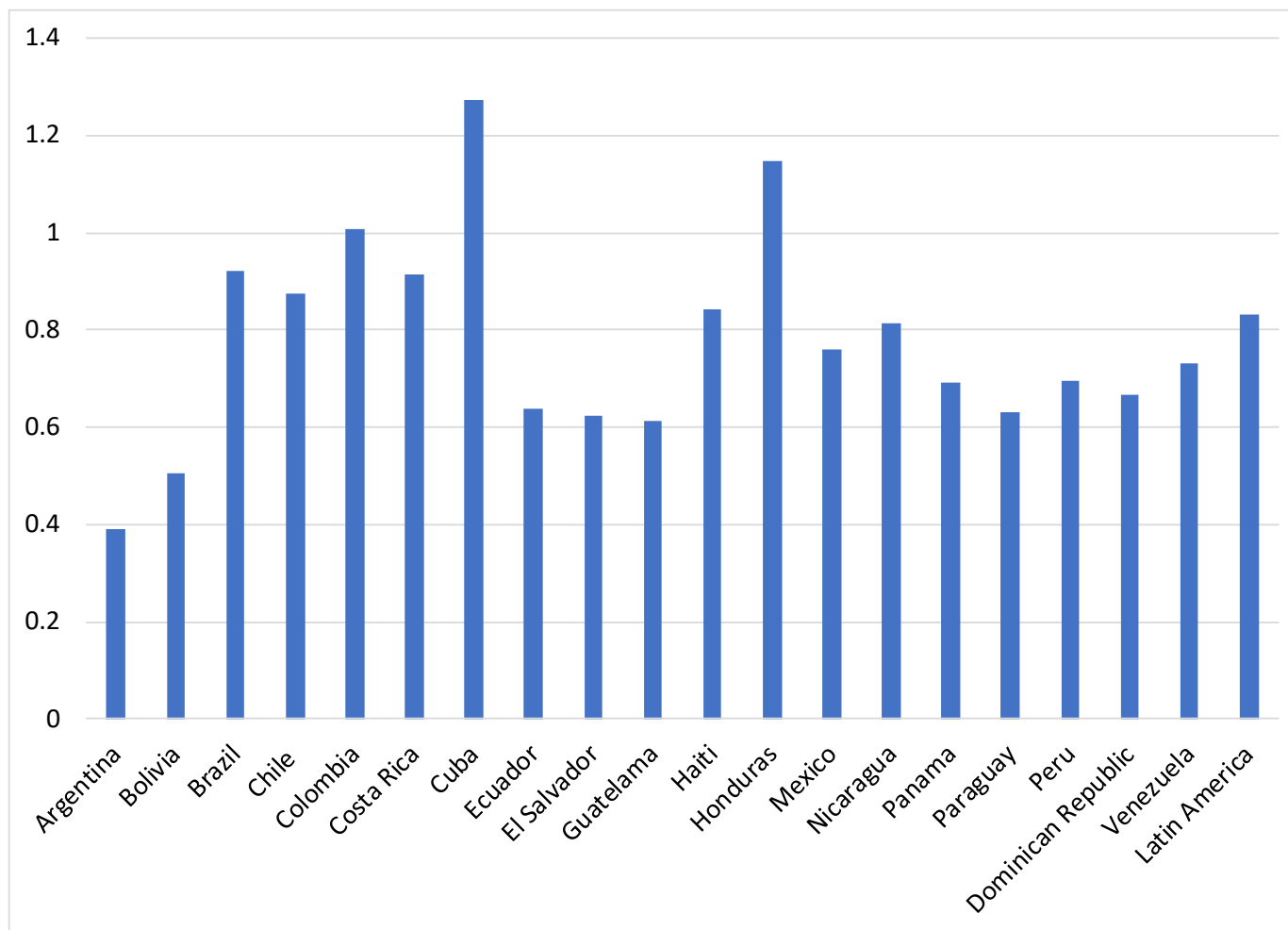


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A strong demographic effect (>0.6% year) is the main force behind the 1st dividend

Mean change (% year) of Total Dependency Ratio (0-14; 65+)



UN (2017)

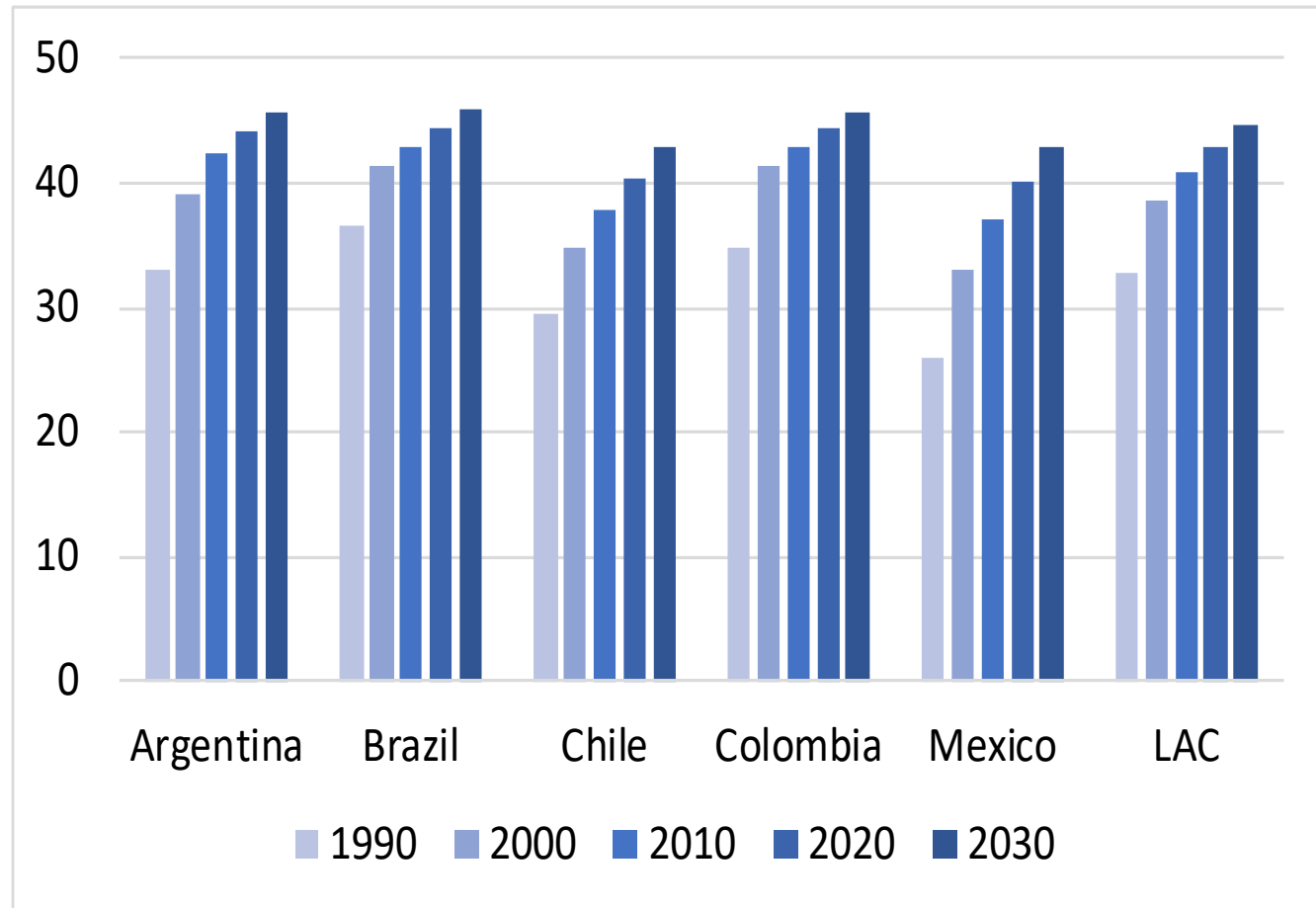


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The gender bonus has added duration and intensity to the 1st dividend, but now losing momentum

Female economically active population (% of total EAP)



CEPAL (2008)

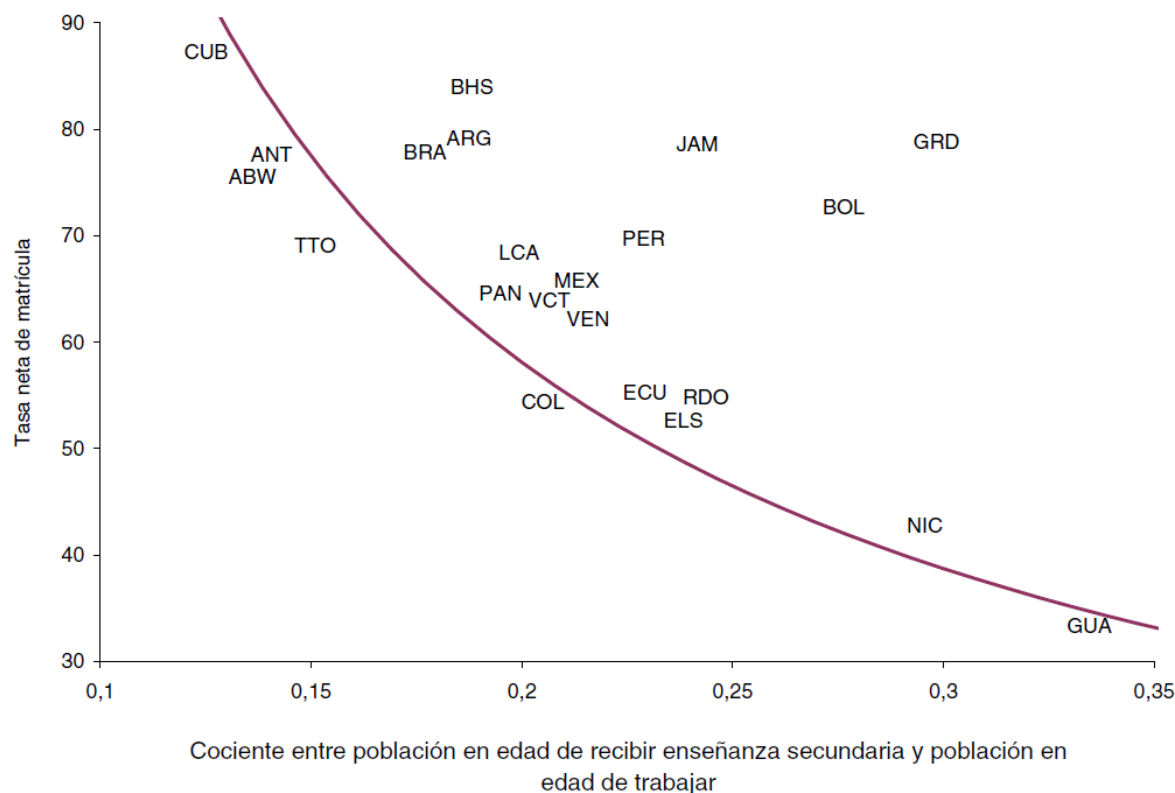


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The education bonus has also contributed to the 1st dividend through higher LF participation rates and income, but it is incomplete

Education bonus:
net enrollment rate (secondary) x
dependency ratio for the school age population (secondary)



2nd Act: **The Challenges** (2030 -)

- < labor force
- gender bonus (?)
- education bonus (?)
- < fiscal support ratios

The first dividend will be over. The second dividend (larger Y/L) is **uncertain**

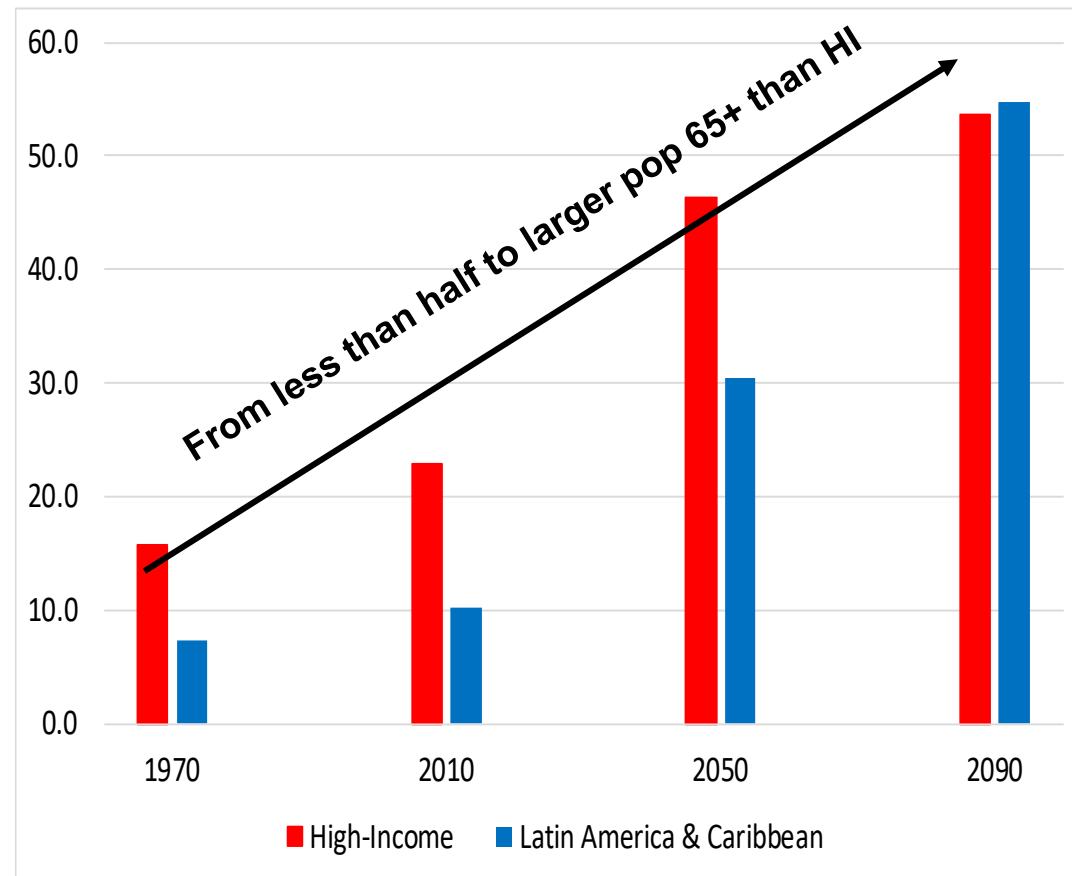


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Demographic transition (2): Rapid population aging

Old-Age Dependency Ratio (65+): **High-Income** and **LAC**



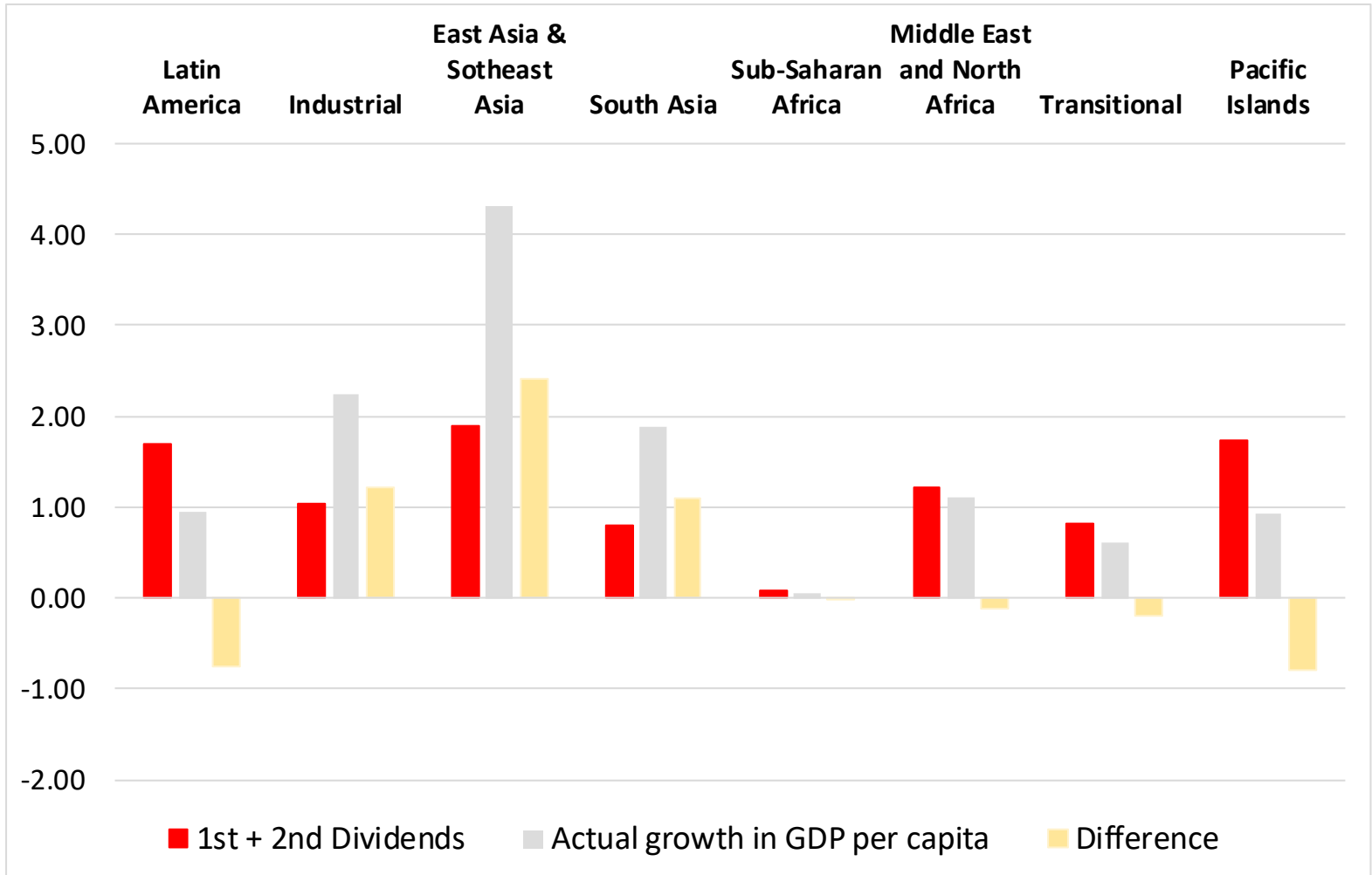
UN (2017)



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1st + 2nd Demographic Dividends (% year): So far, we have **failed** to transform all potential into actual growth (1970-2000)



Mason (2005)



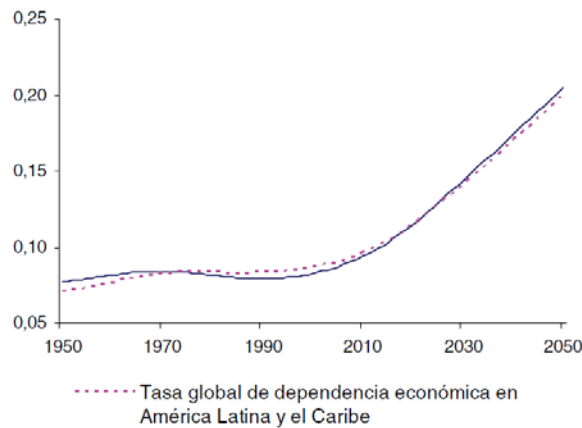
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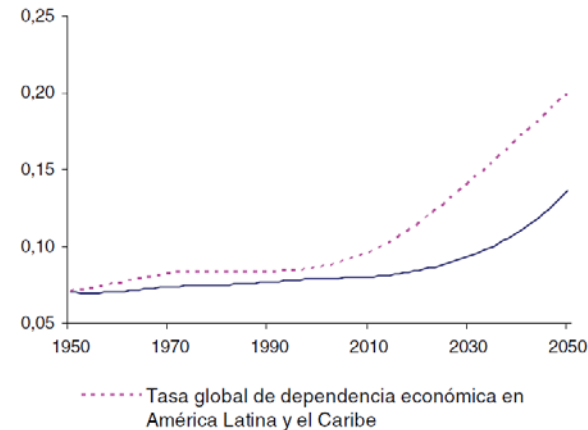
We should expect lower economic growth with a larger burden to finance elderly consumption

Increasing ratio of pensioners/producers

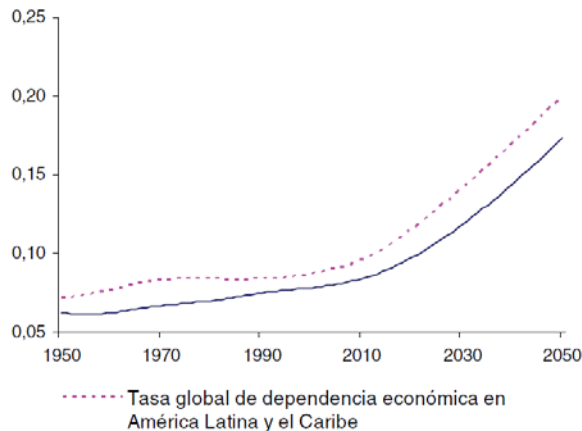
a) Brasil, Chile, Colombia, Costa Rica, Ecuador, México, Panamá, Perú



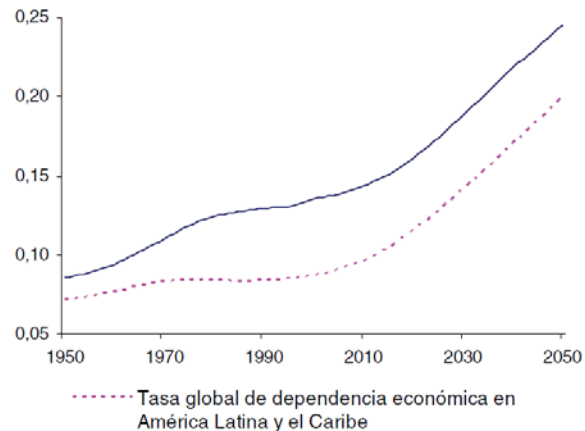
b) Bolivia, Guatemala, Haití, Honduras, Paraguay



c) El Salvador, Nicaragua, República Dominicana, Venezuela (Rep. Bolivariana de)



d) Argentina, Cuba, Uruguay



CEPAL
(2008)

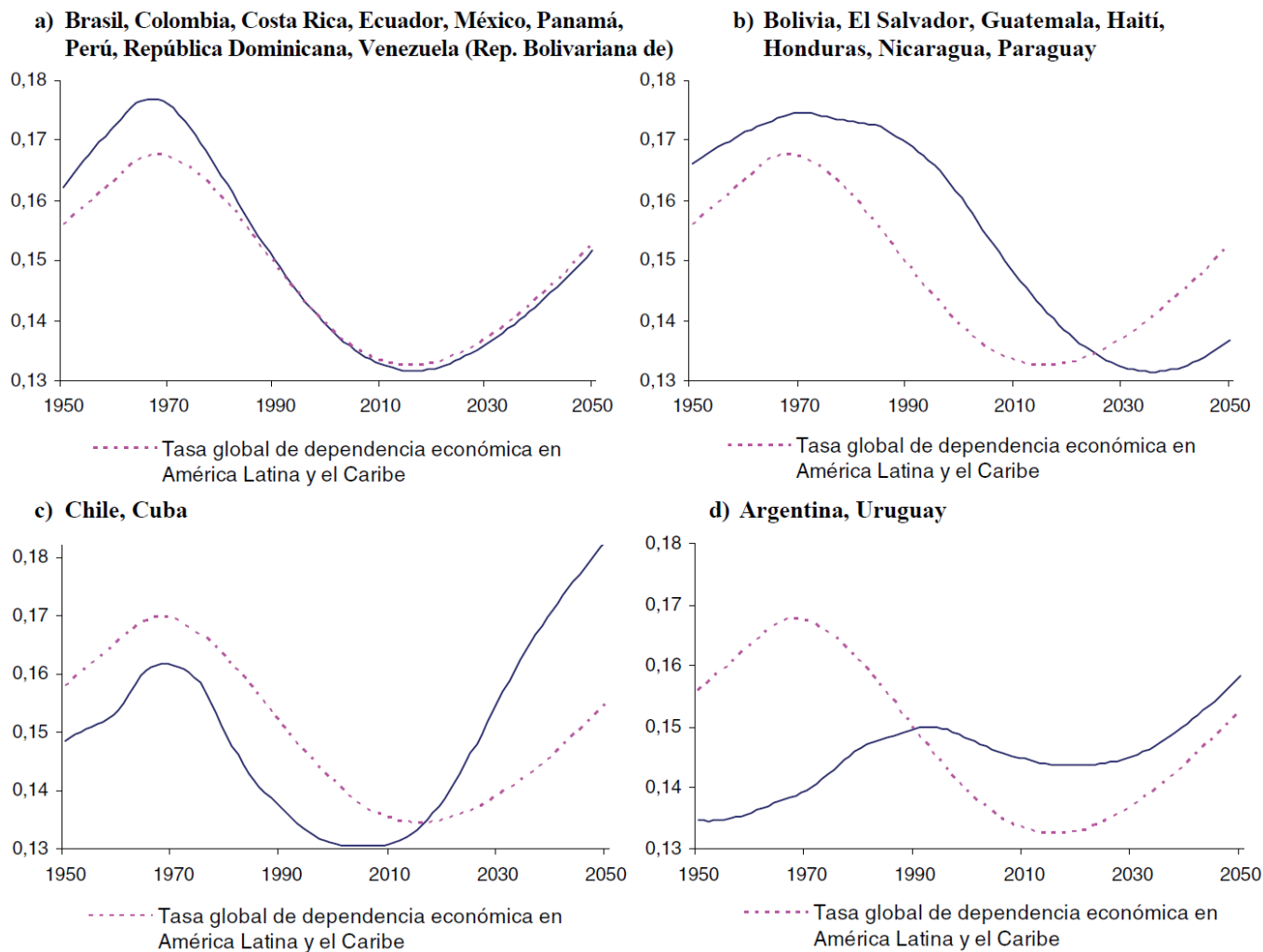


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We should expect lower economic growth with a larger burden to finance elderly consumption

Increasing ratio of health-care users/producers



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(2008)



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For many countries, the year of most favorable age structure for public transfers is past

Country	Deteriorating Fiscal Support Ratios			Year most favorable
	1950	2020	2050	
Brazil	1.00	0.94	0.86	2000
Chile	0.94	0.93	0.72	2004
Costa Rica	0.89	0.97	0.76	2012
Mexico	0.85	1.02	0.86	2019
Uruguay	1.08	1.00	0.90	1959

Miller (2011)



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To achieve faster productivity growth:

- Better quality of education
- Technology absorption
- More efficient allocation of resources (economic sectors)

To mitigate labor force reduction:

- Better quality of education
- Larger investment in health at younger/adult ages
- Promote international migration to the region
- Redefine age at retirement
- Promote gender equity
- Reduce inequalities

or population aging will be a big challenge in LAC very soon!



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