

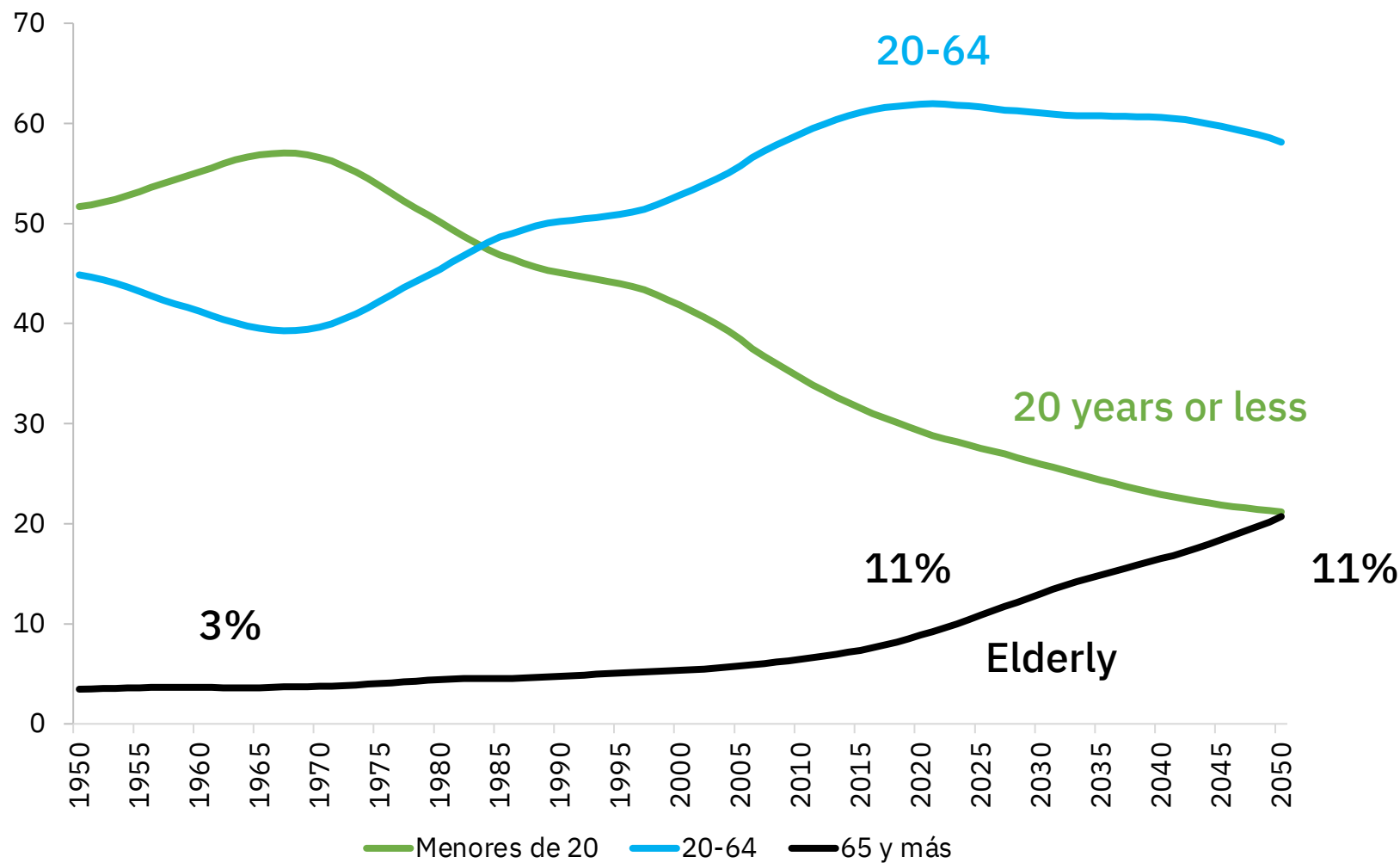
New (and old) demographic challenges: analysis of the generational economy in Costa Rica

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National Transfer Accounts
Paris, France
February, 2023

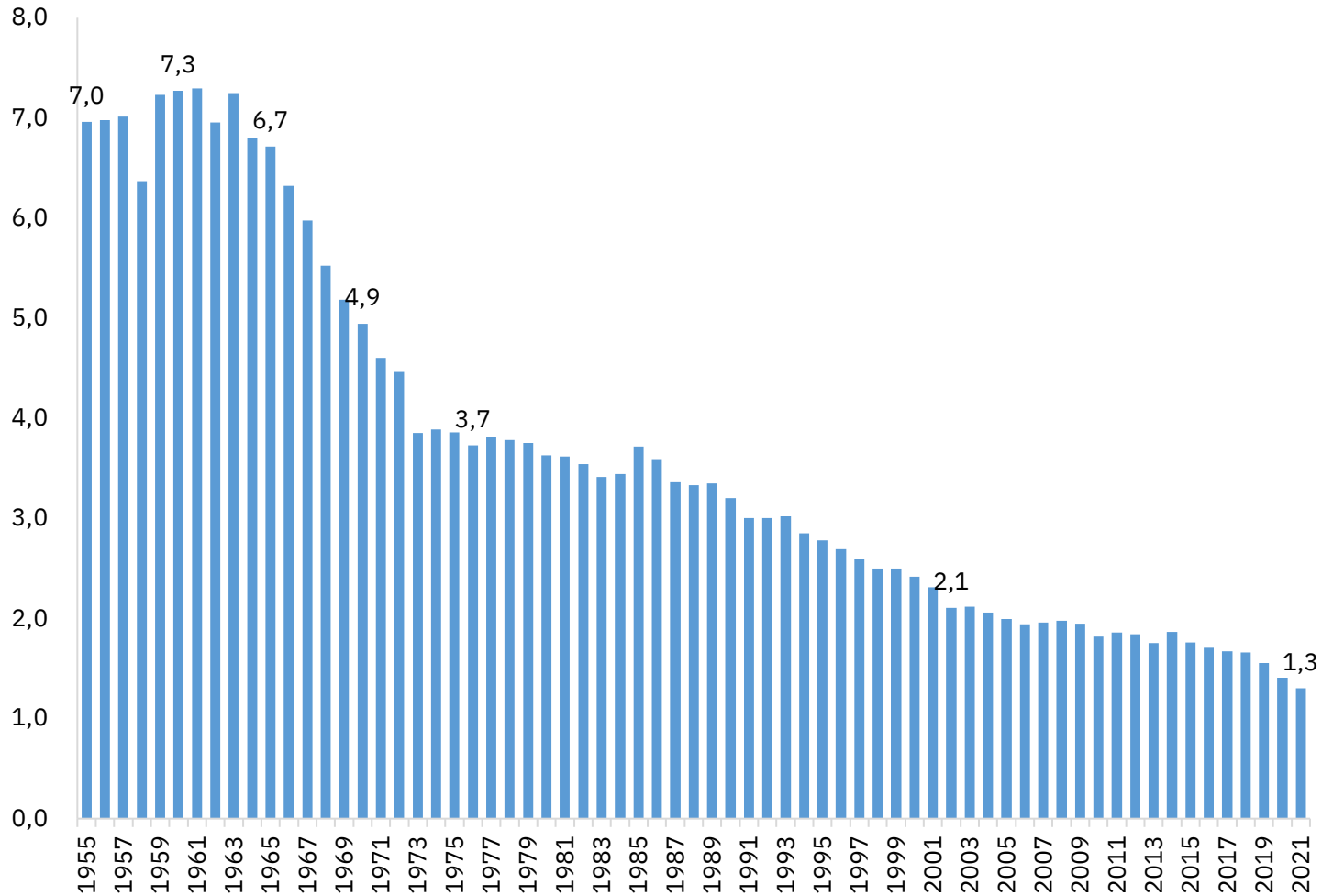
Costa Rica: Fast aging process

Population age structure



Costa Rica: Very low fertility

Total Fertility Rate

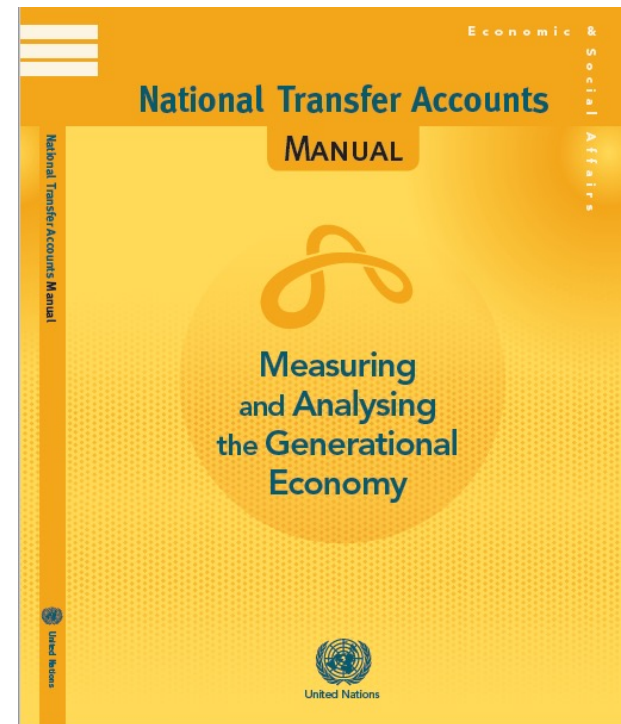


Generational economy

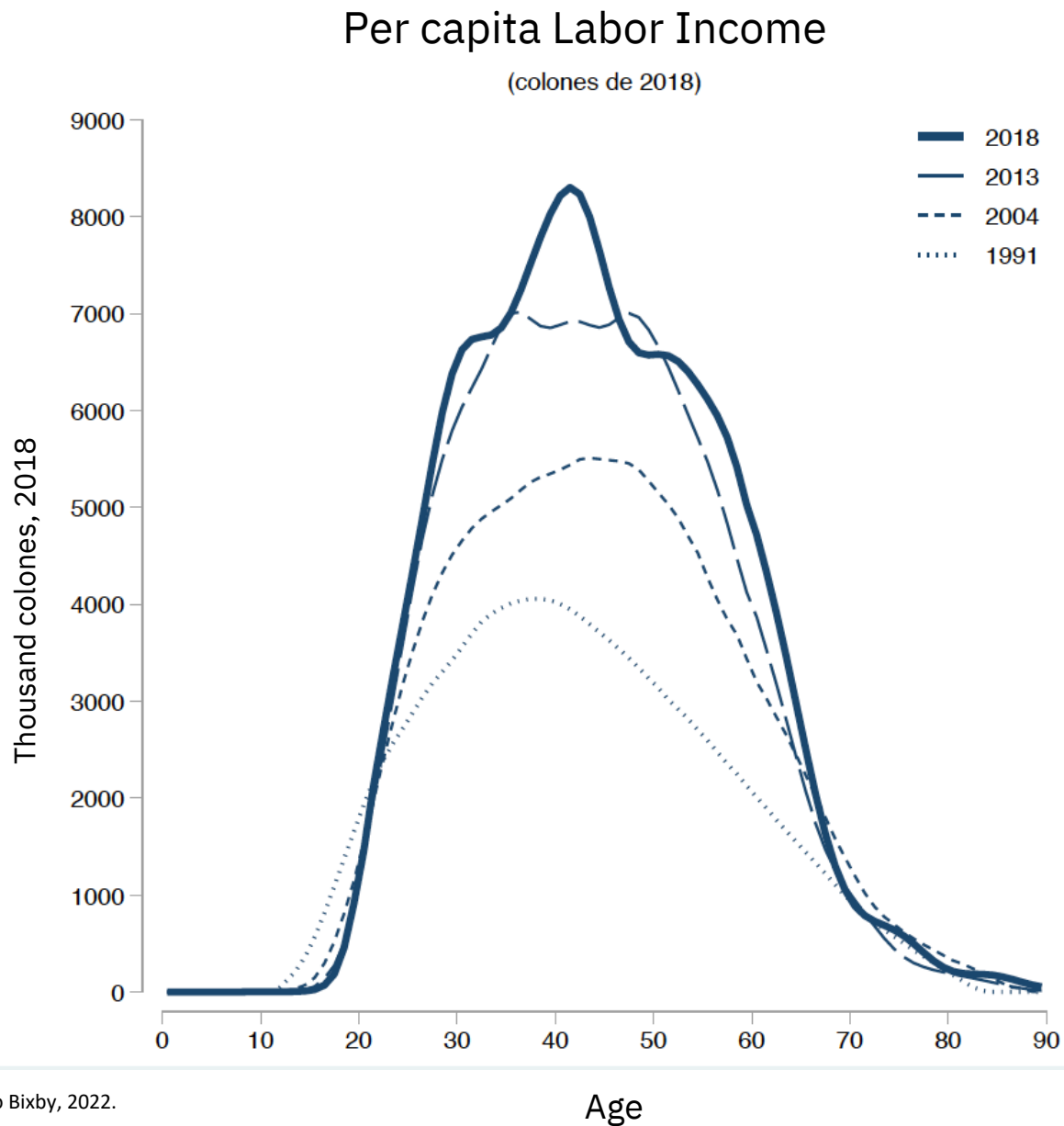
- What are the main challenges and opportunities of aging for the economy?
- How much the life cycle deficit have changed?
- Are the demographic and gender dividend opportunities for the economy?

Methodology

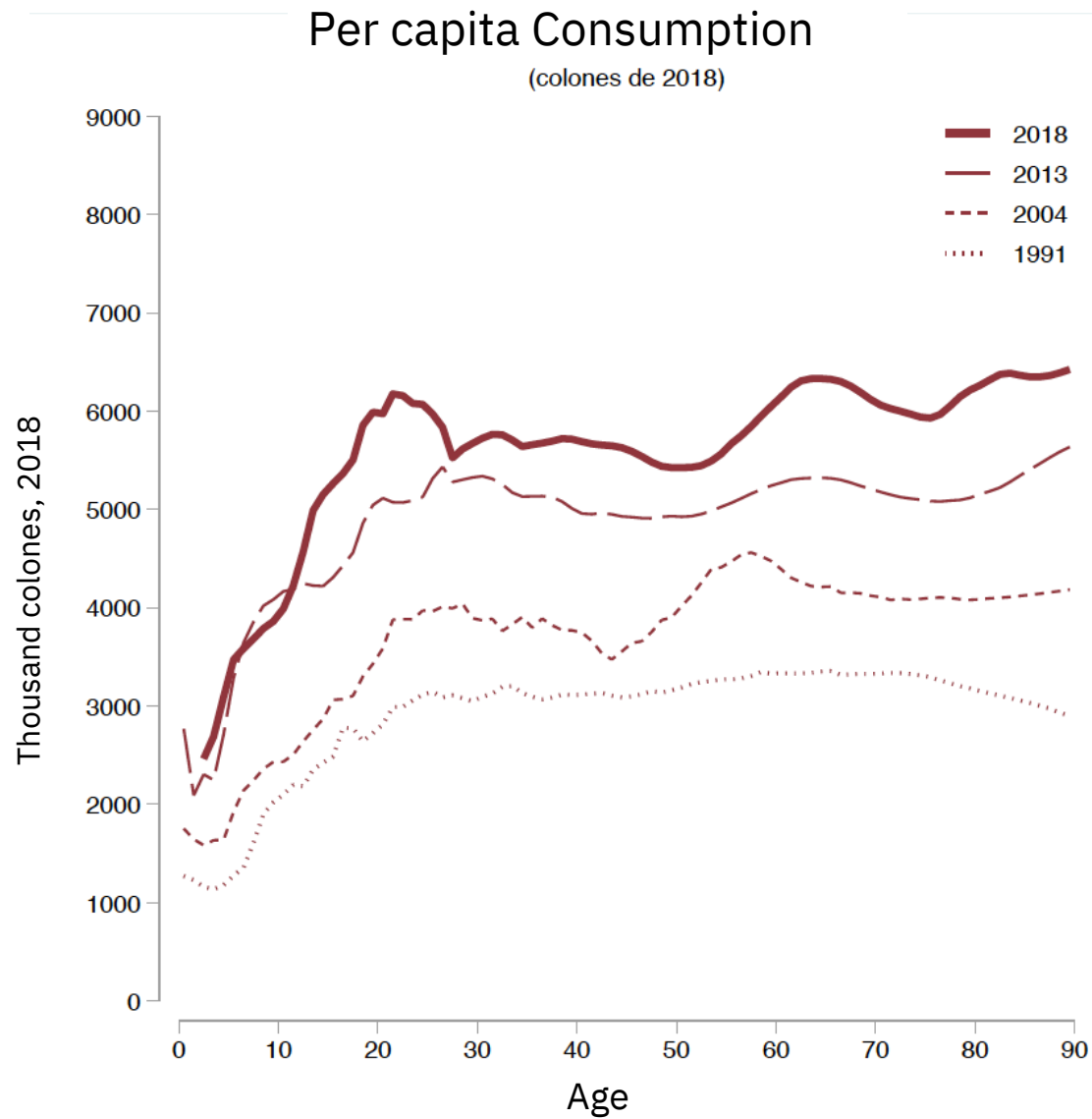
- Manual:
 - Measuring and analyzing the generational economy
- Data:
 - Household income and expenditure survey - INEC
 - Integrated economic accounts – Central Bank



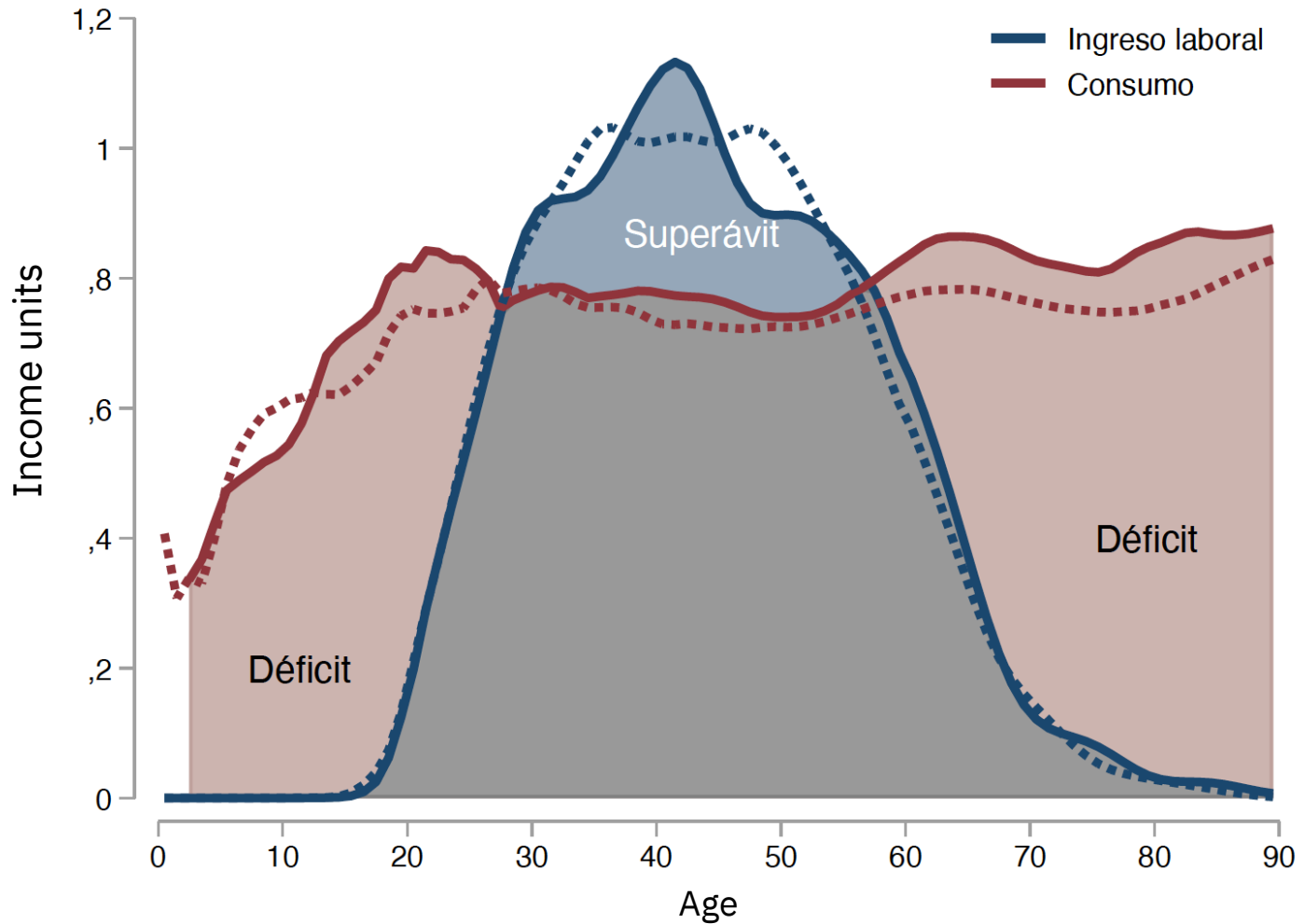
Evolution of labor income in Costa Rica



Evolution of consumption in Costa Rica

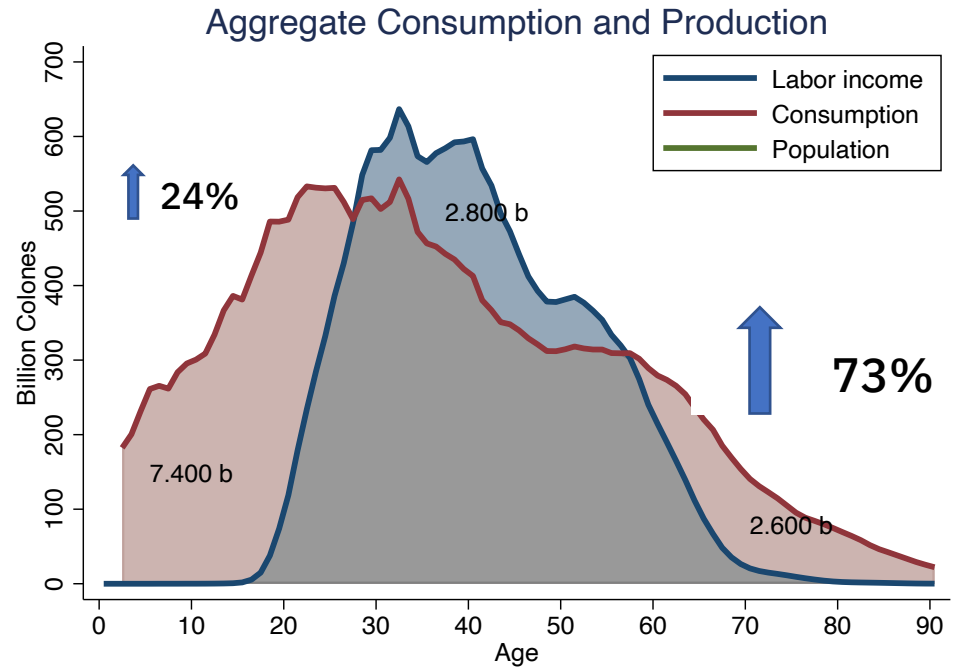
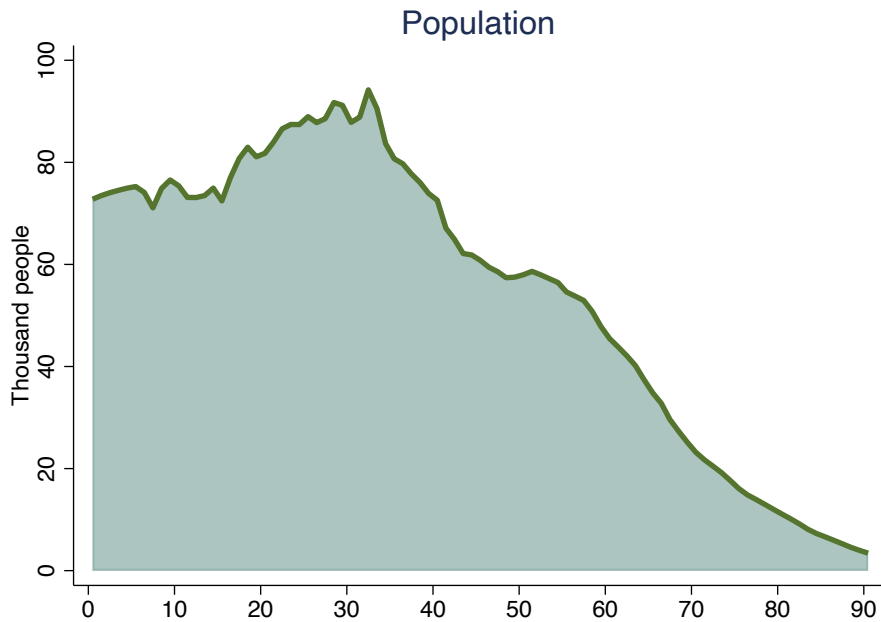


Life Cycle. Costa Rica, 2013 y 2018



Lineas punteadas indican 2013

Aggregated LCD. Costa Rica, 2018



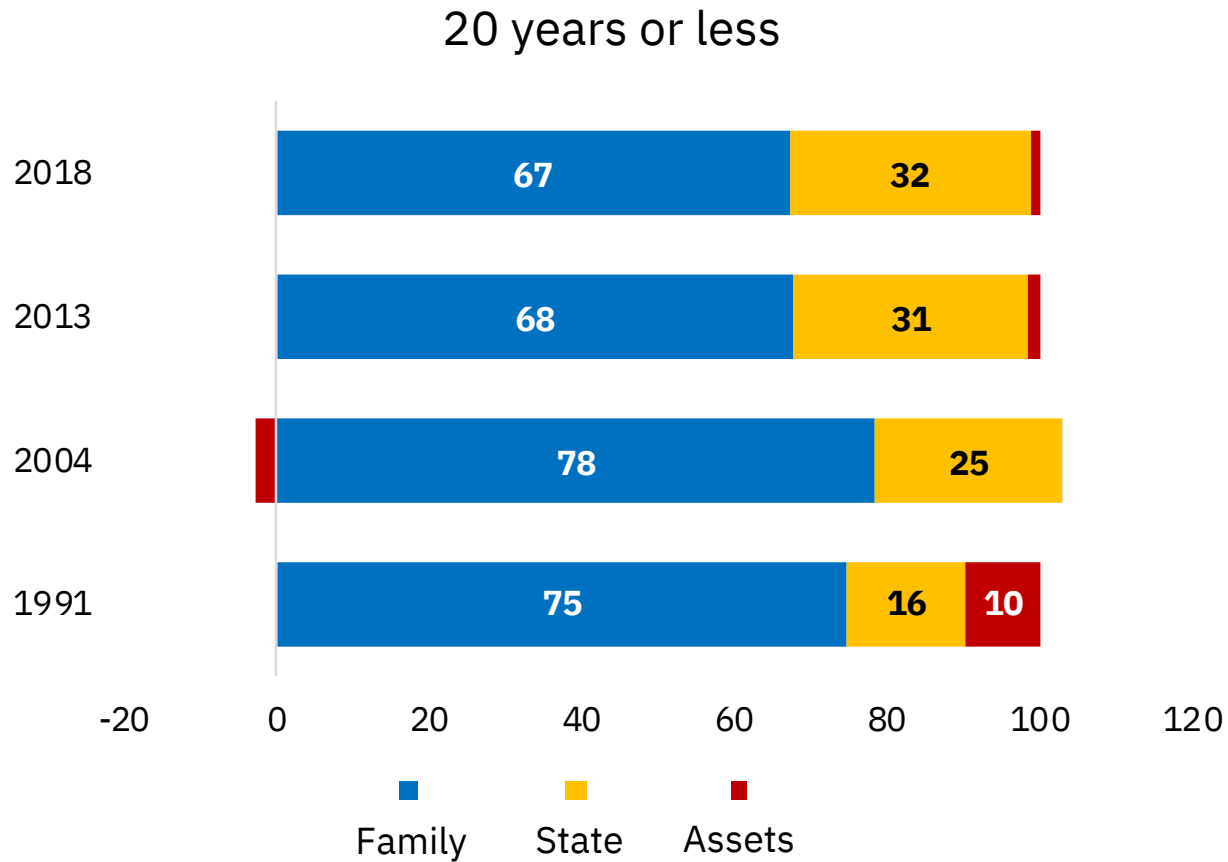
What mechanisms have societies developed to finance LCD?

Family

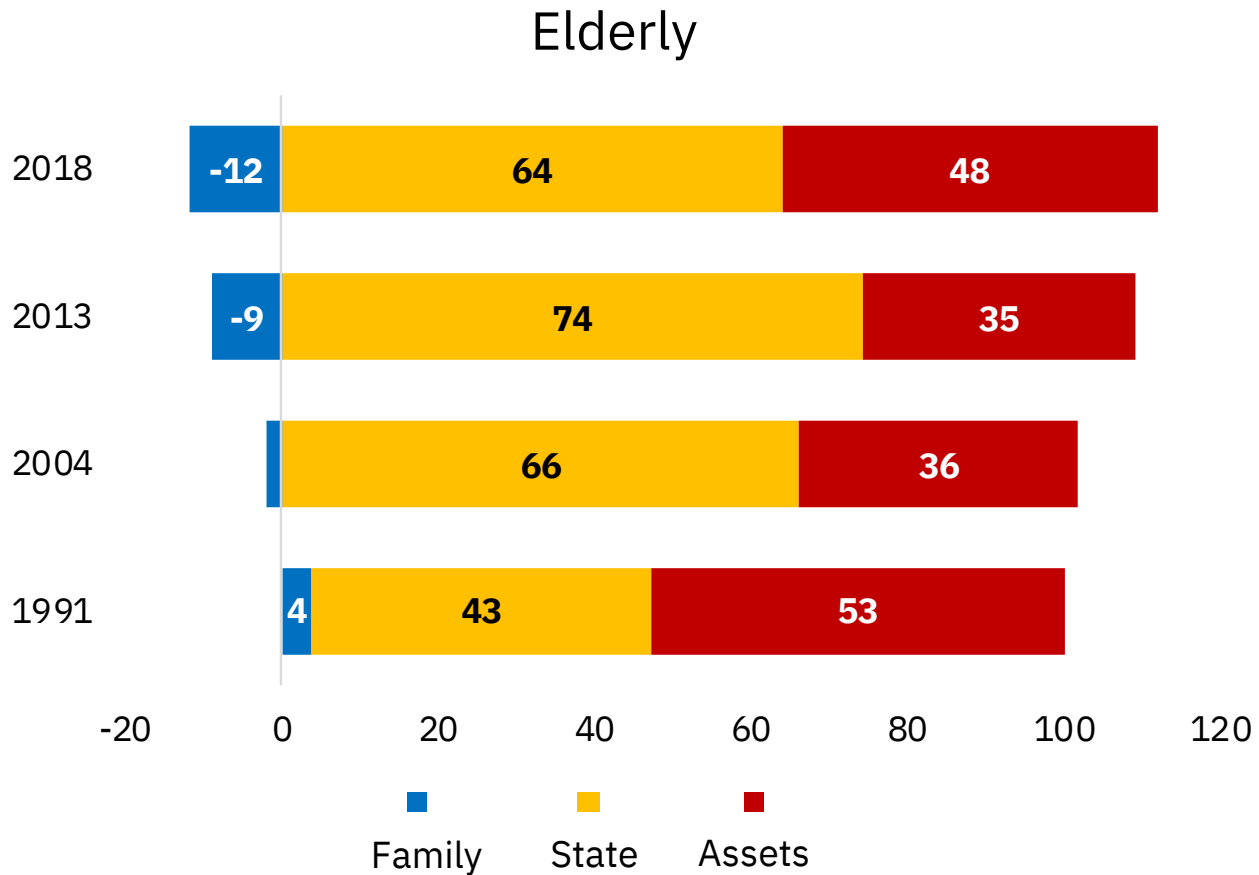
State

Assets

How people aged 20 years or less finance LCD?

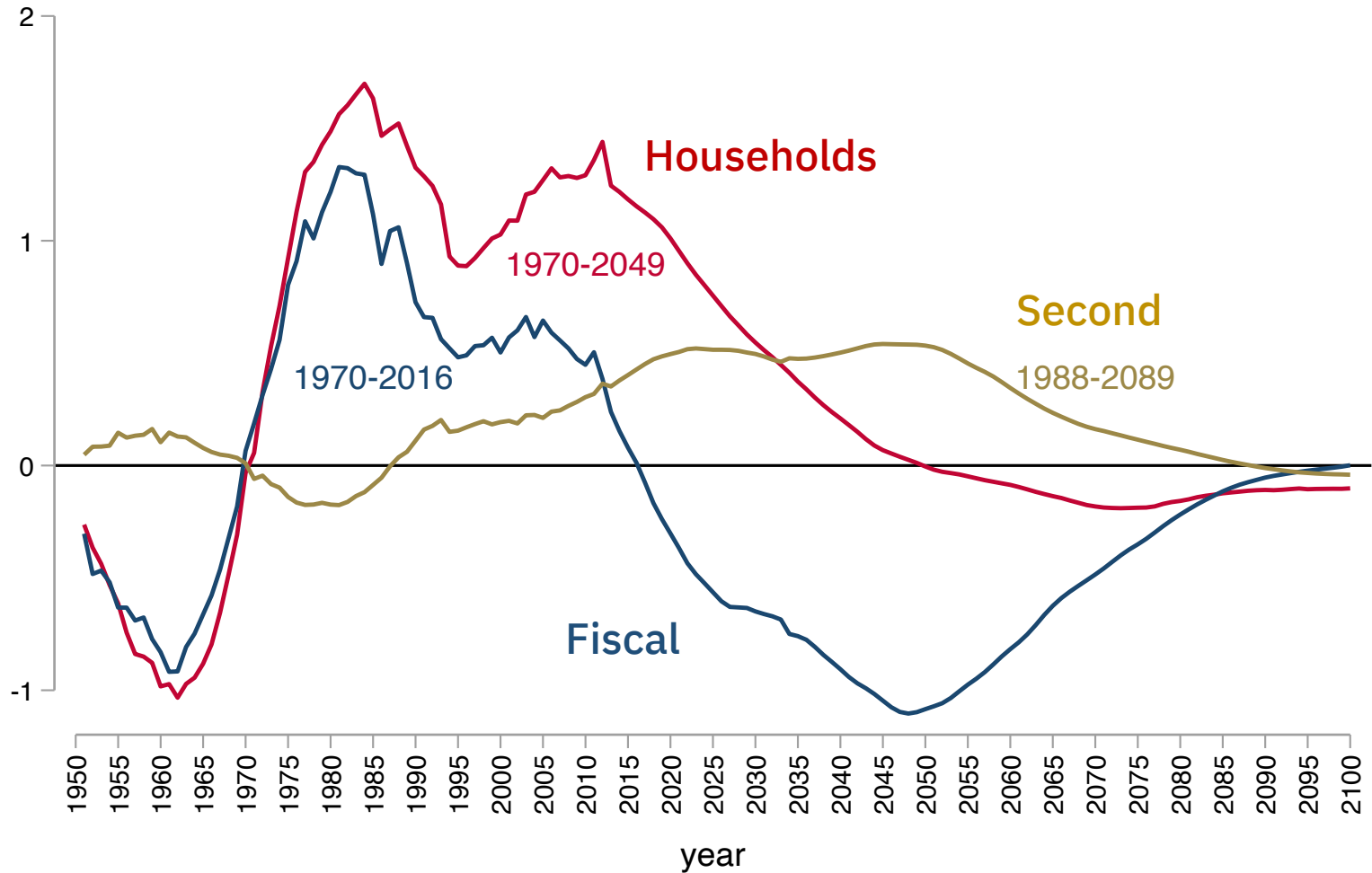


How elderly finance LCD?

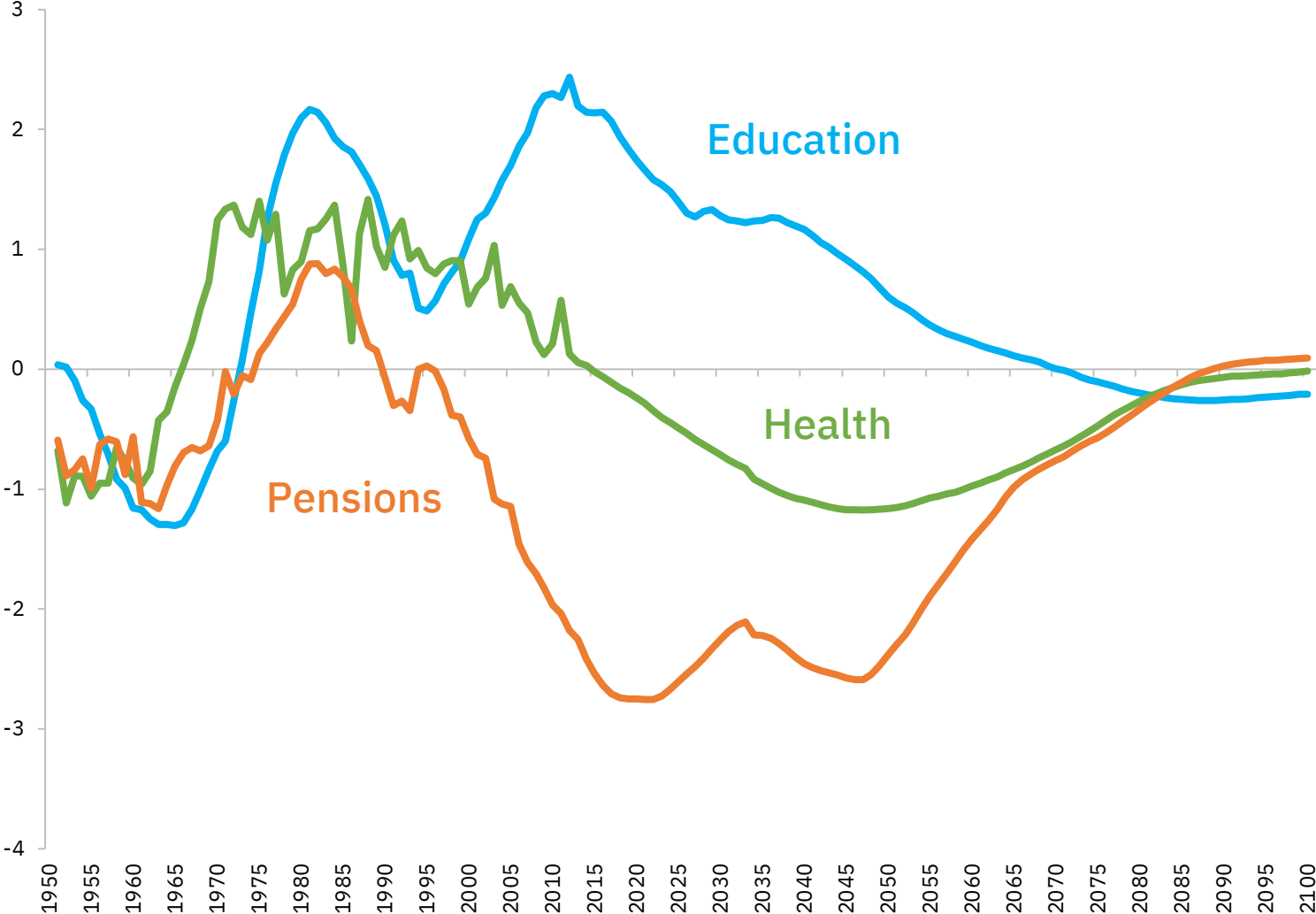


What are the implications of the structure of the generational economy?

Demographic dividends



Health, Pensions and Education Dividends



Fuente: Rosero-Bixby y Jiménez Fontana, 2017.

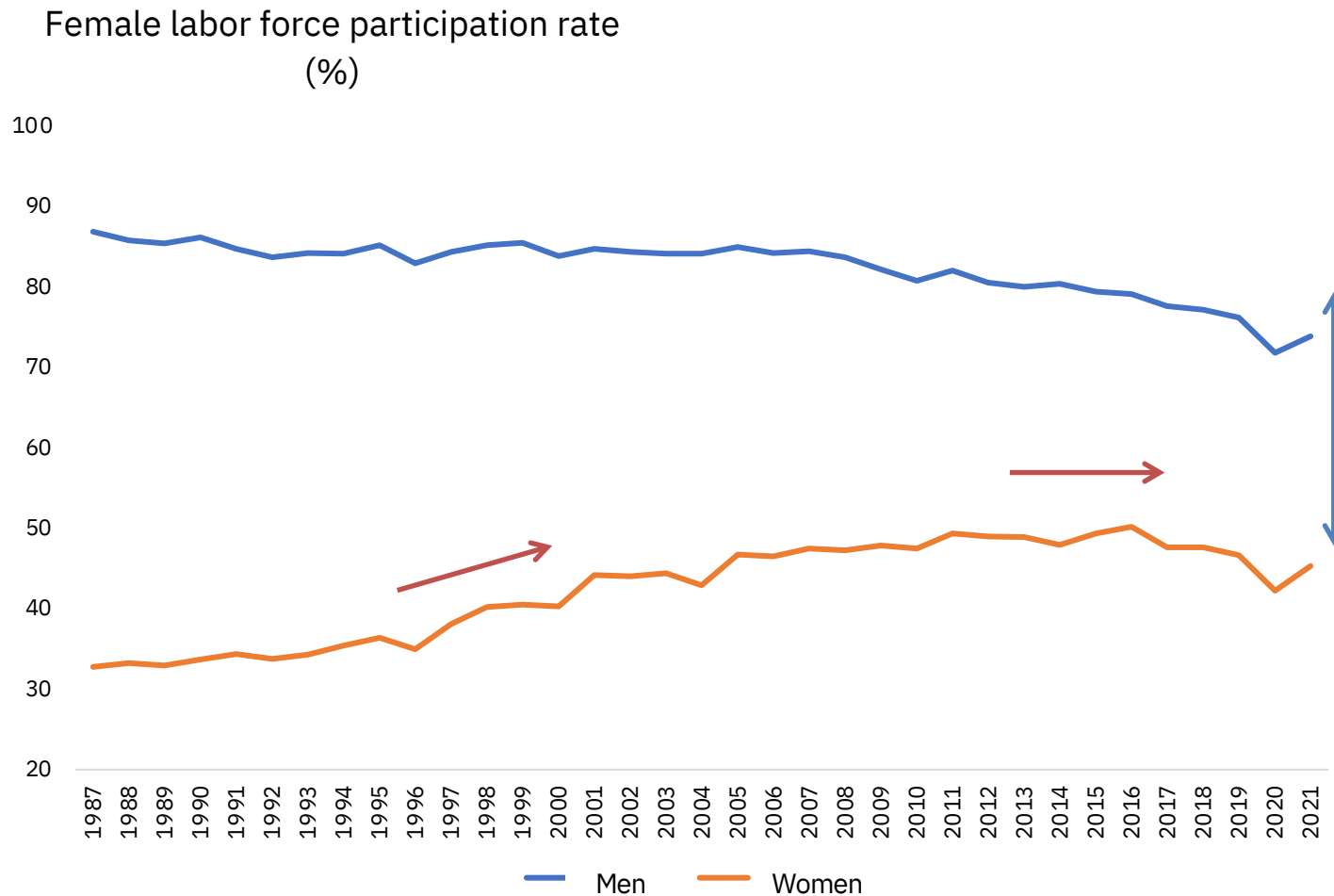
What can be done?

Gender dividend

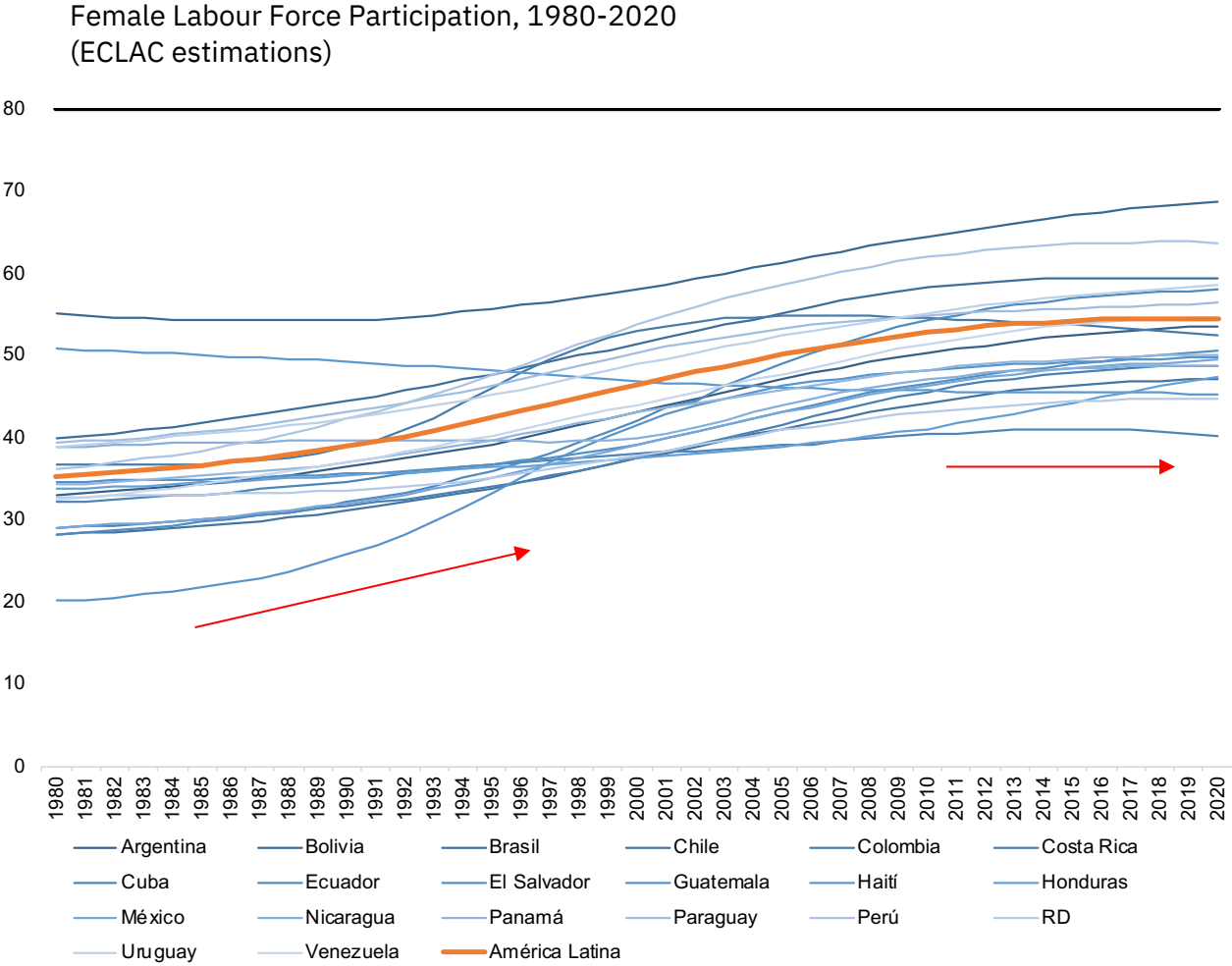
Potential opportunity for higher economic growth and productivity

Reduction of gender gaps in the labor market

Decrease in female labor force participation



Female labor force participation and the glass ceiling



Source: Jiménez-Fontana, 2021, using ECLAC database.

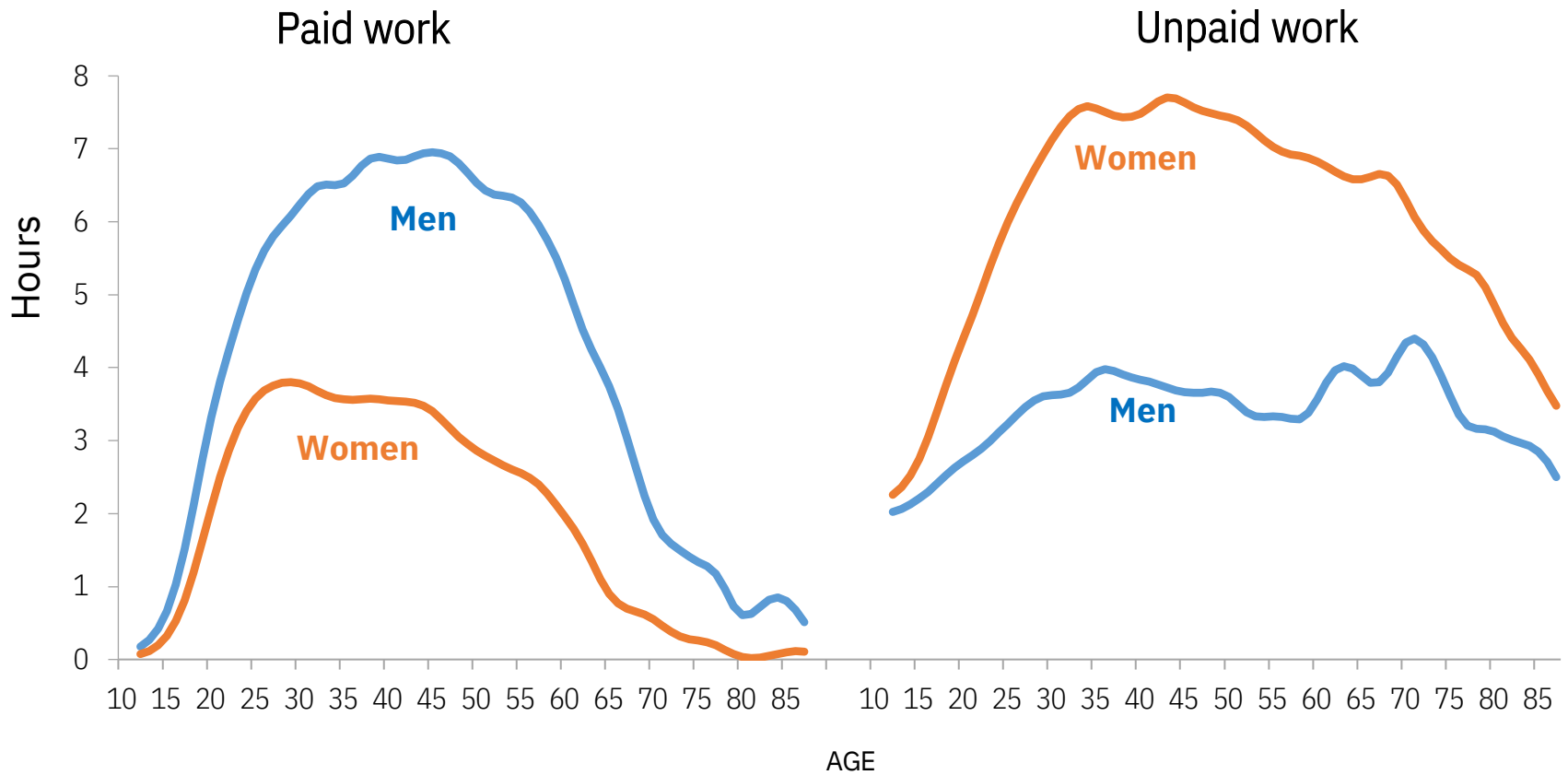
What obstacles prevent improvements of female labor force participation?

Women face a triple barrier

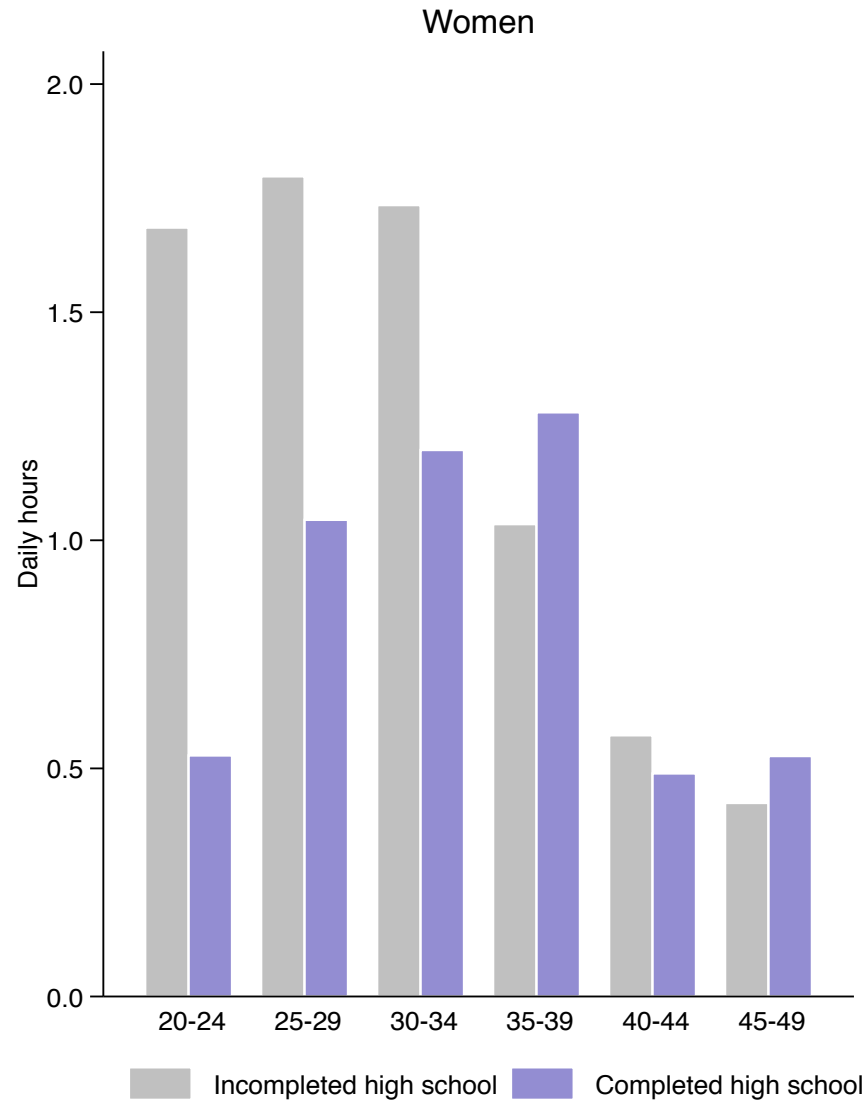
- **Insertion (participation LF)**
- Selection (acceso to employment)
- Income



Gender gaps in the time spend on unpaid work



Women with a lower educational level spend more time doing childcare

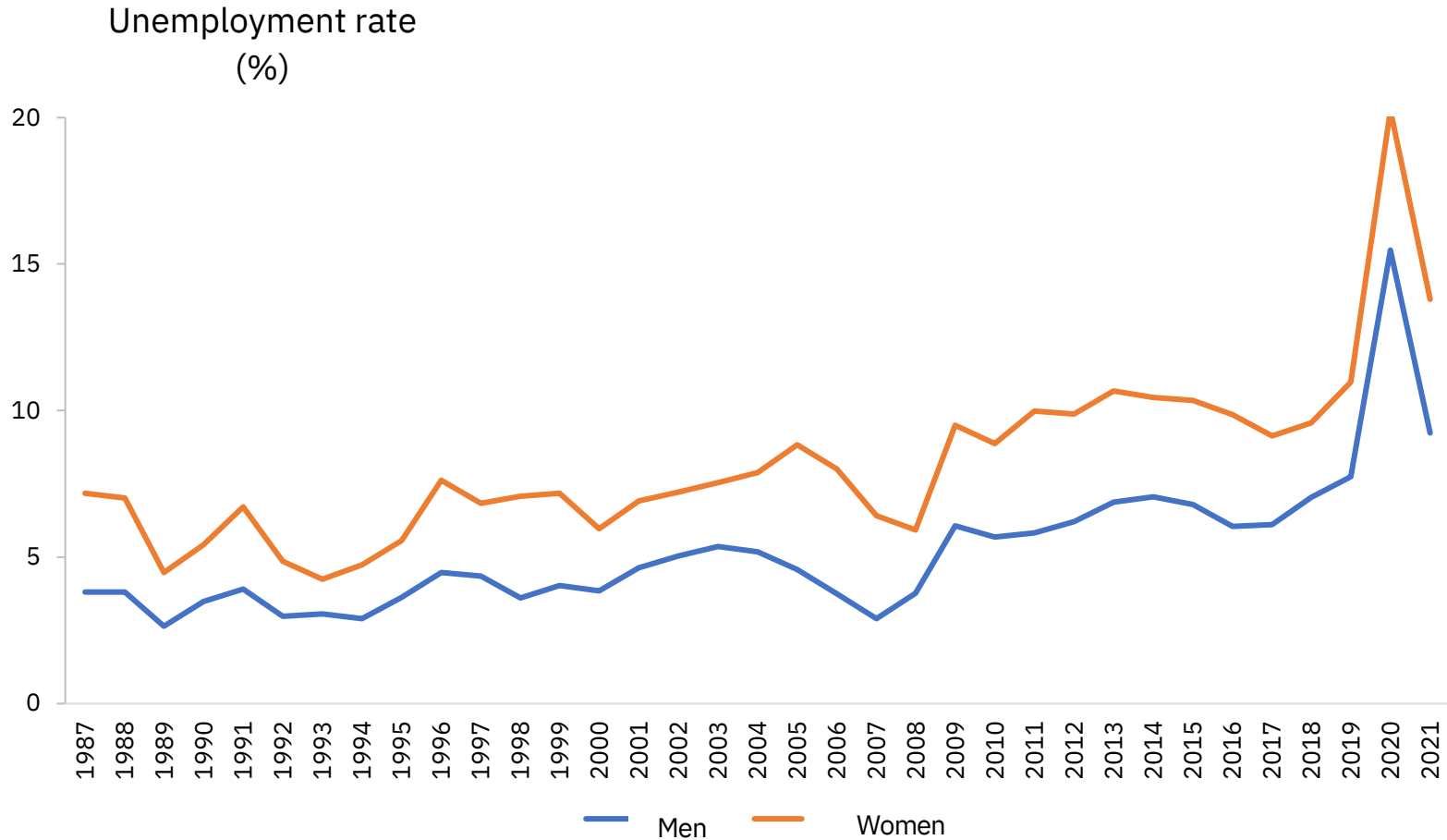


Women face a triple barrier

- Insertion (participation LF)
- **Selection (access to employment)**
- Income



Women have higher unemployment rate

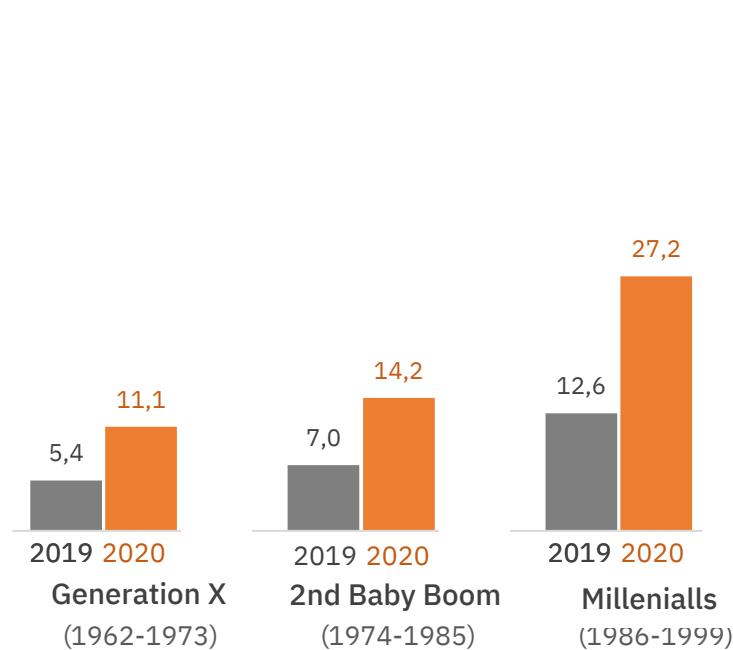


Young women with low educational level were the most affected

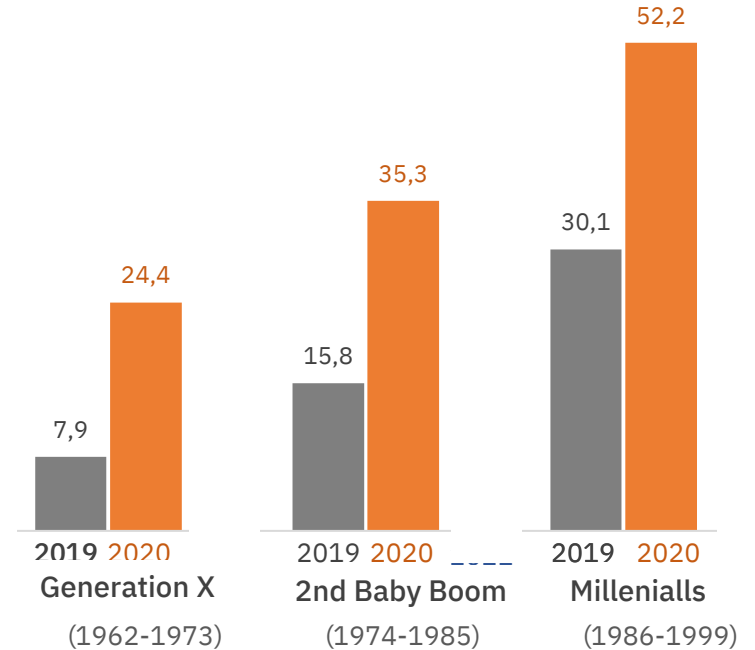
Unemployment rate, low skilled workers.
II trimester, 2019-2020

2019-2020

Men



Women



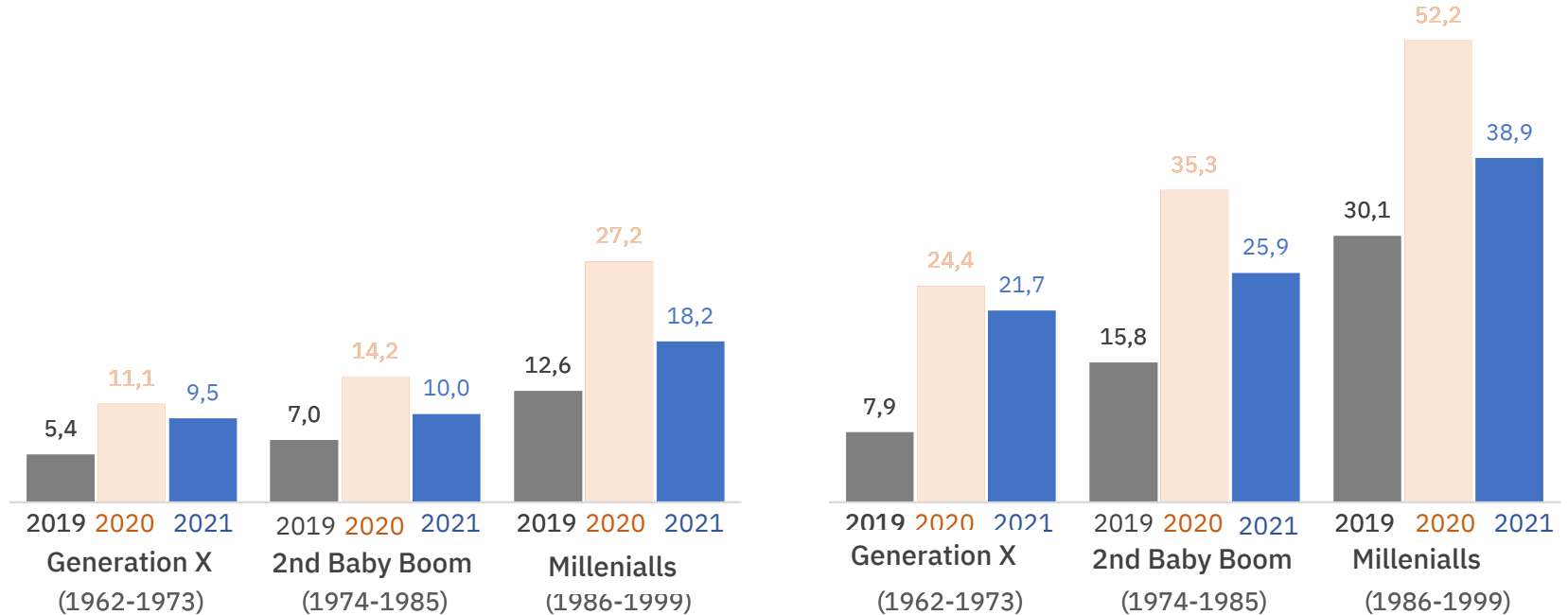
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2021

Men

Women

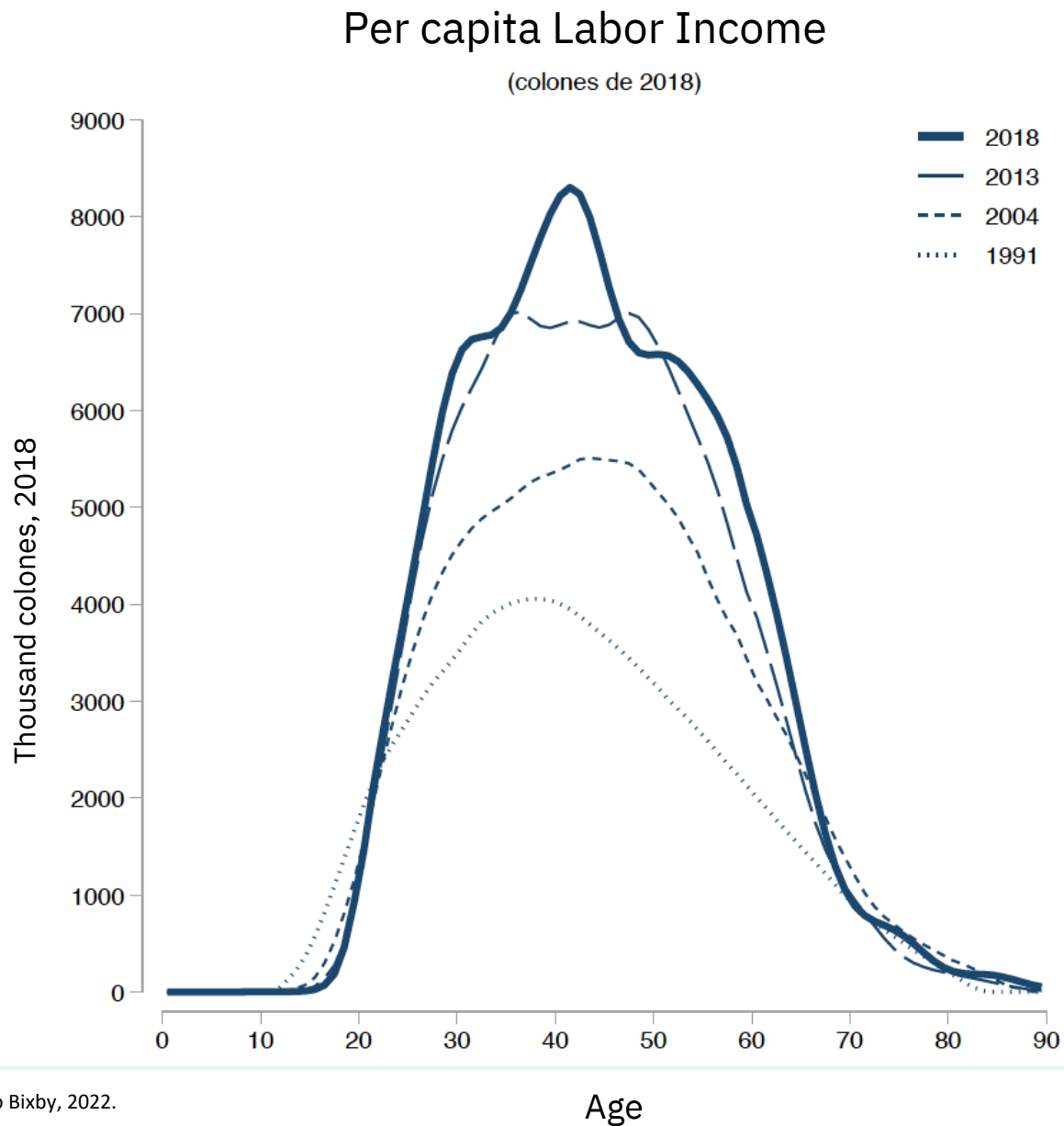


Women face a triple barrier

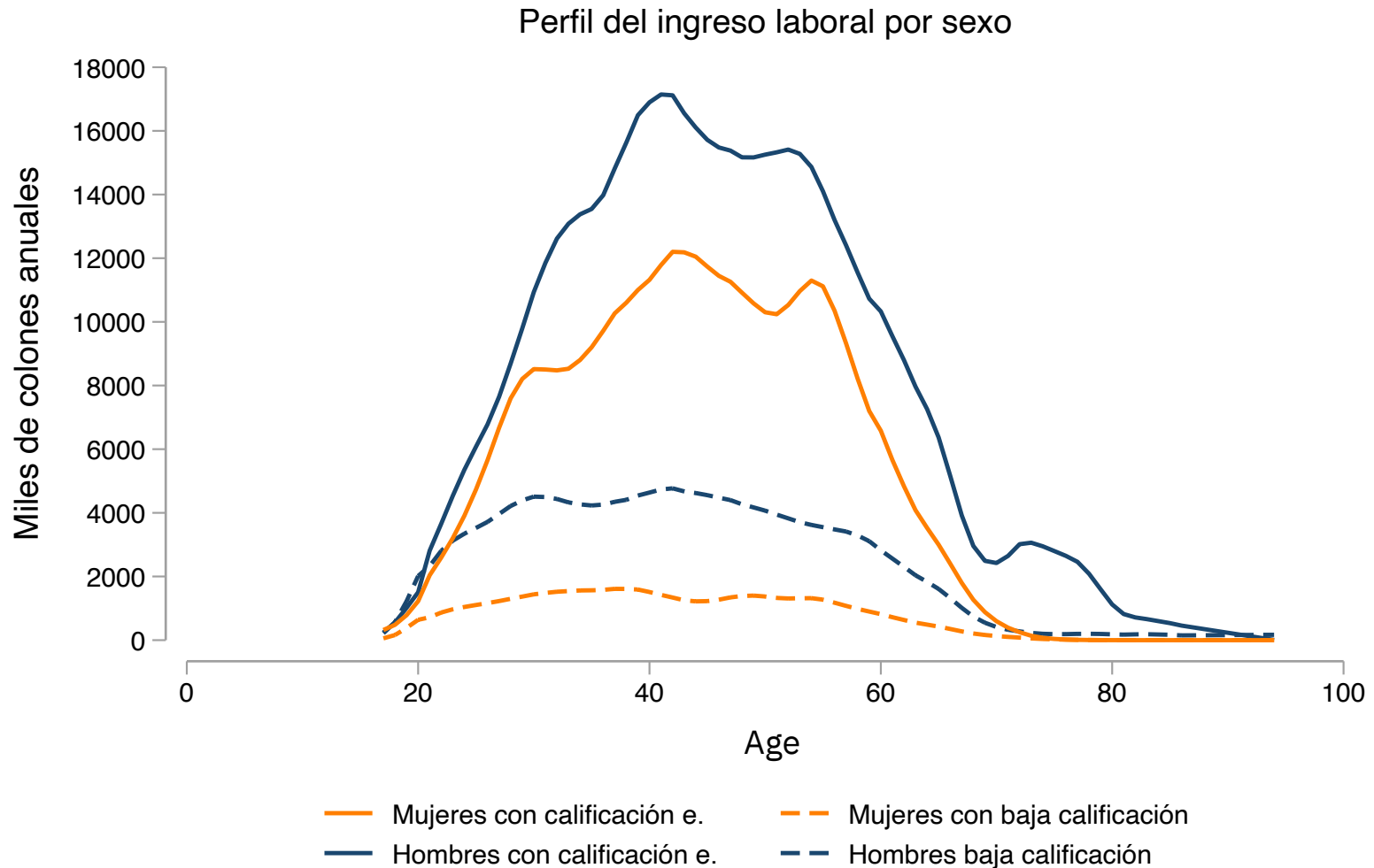
- Insertion (participation LF)
- Selection (access to employment)
- **Income**




Evolution of labor income in Costa Rica



Per capita labor income by sex and education





Increasing female labor participation is a **potential** opportunity for economic growth and productivity

Evidence: no significant **improvement** is observed in the reduction of **gender gaps**



- Costa Rica did not take advantage of the first demographic dividend.
- Demographic trends and projections: rapid change on population age structure was expected
- LCD and transfers depend on demography, but also on public institutions.
- No significant reform has been done to improve sustainability of pensions and public health services
- Fiscal unsustainability of the social contract
- The challenges of population aging were well known for more than two decades.

- The difference is that 10 years ago we talk about opportunities of the demographic change, now we have the old challenges (worsen) and some new ones:
 - Public debt: 63% of GDP
 - Unemployment rate higher than 10% for more than 10 years
 - 45% of labor informality
 - Disconnection between labor market and public transfers
 - Very low fertility rate
 - Greater gender gaps
 - Erosion of citizen trust in democratic values and principles (Alfaro, 2022).

- Difficult times to expand public policies and to cut benefits
- Government needs to do more with less money
- No ‘market solution’: we need public policies
- We are getting older with more gender inequality, without getting any richer.

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- Public childcare services are not universal (mostly for poor people in some parts of the country)
- To have success on the labor market and reduce the gender gaps we need education policies and childcare networks
 - Includes private sector: childcare, subsidies, reduce gender discrimination, wfh,...
- Who are going to take care of elderly?
- Are we losing the opportunity of a gender dividend?