

# Latin America and the end of the demographic bonus

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## Key messages



Latin America's social demography is experiencing important changes. Life expectancy is increasing and fertility is dropping: thus the 'demographic bonus' is ending. A renewed architecture of social expenditure, in line with the new population pyramid, is called for.



The components of the dependency rate are moving in opposite directions. While the one for children is falling, the one for old adults is increasing. The caring needs of older adults will surpass children, requiring more than a budgetary adjustment.



This new reality will require addressing the intrahousehold division of labor. It is presently unfair and economically inefficient that this burden disproportionately falls on women.



Older adults are prolonging their active labor life, but their working conditions are far from desirable. This is a symptom of the failure of pension systems: they are not fulfilling the promise of keeping people out of poverty after retirement.



With workers prolonging their active life, a renewed educational system will be required, focussing on lifelong learning in a digital world.

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## ■ Introduction

Life expectancy in Latin America is changing. Globalization and recent advances in health technologies are increasingly saving newborn lives and prolonging others'. As a result, life indicators are moving closer to developed nations. Fertility is dropping and child dependency rates are changing quickly. At the same time, adult dependency is increasing. The net effect of both is that we are living in the years with the lowest aggregate dependency rates. From now on, such dependency rates will increase, creating challenges for the half of the population that provides most care in our societies: women.

There are some challenges Latin America must address. The new generation of long-living old-adults need to finance their livelihood, and in the absence of good pensions, they are taking precarious jobs that hinder their wellbeing. This new reality creates an urgent need to rethink our education and public health systems. This brief is organised around three facts and three challenges. The discussion of challenges will put forward policy options that will be necessary to discuss.

## ■ The facts

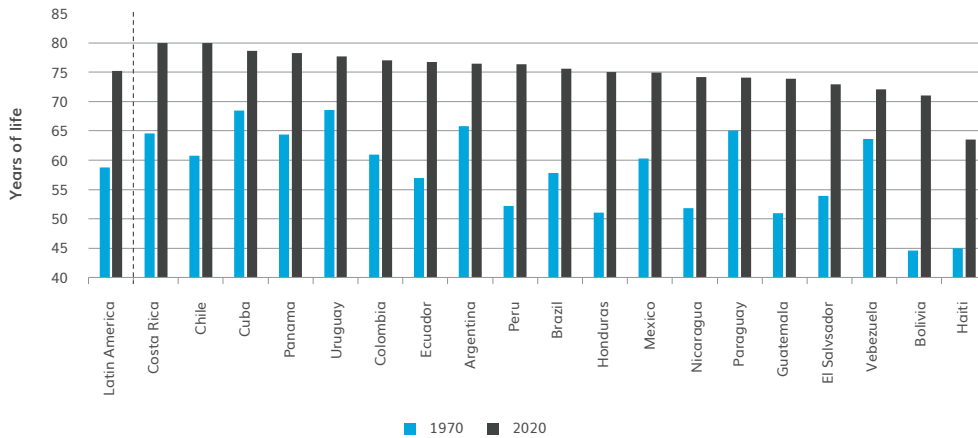
Average life expectancy at birth for Latin Americans in 2020 is 75 years. Half a century before, in 1970, the average was 59. In five decades, we have gained 16 years of life expectancy. These gains were independent from income increases and represented substantial welfare gains (Soares, 2009). During that time the gains in life expectancy in OECD countries were smaller. As a result, Latin American life expectancy indicators are now closer to theirs (OECD, 2019a).

■ **Nowadays females' average is at 78 while males is at 72. Fifty years ago, these numbers were 61 and 56, respectively.**

The gender differences in life expectancy have increased during this period. Nowadays females' average is at 78 while males is at 72. Fifty years ago, these numbers were 61 and 56, respectively.

There are country heterogeneities in gains. The countries in which improvement surpassed 20 years are Ecuador, Peru, Honduras, Nicaragua, Guatemala, and Bolivia. Bolivia improved life expectancy by 27 years during this time span, registering the highest improvement.

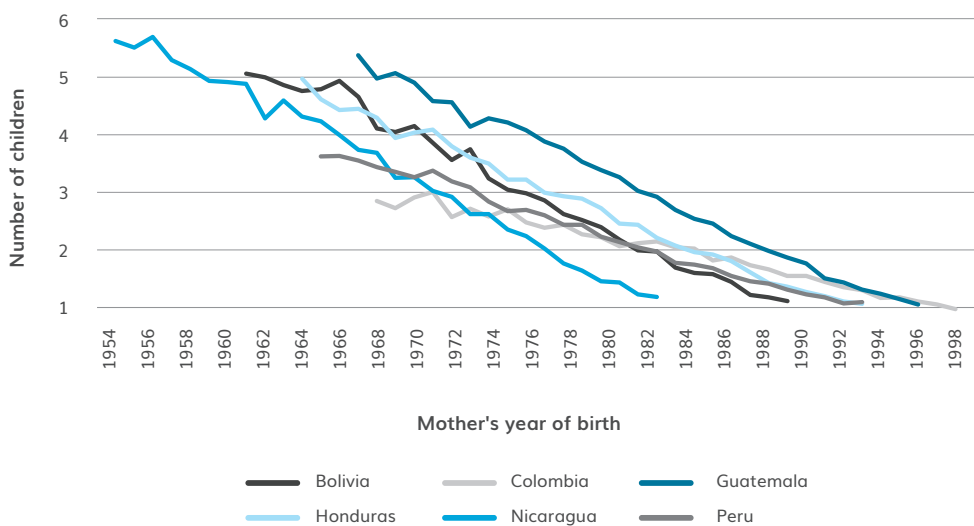
**Figure 1. Latin America: life expectancy at birth by country, 1970 and 2020**



Source: ECLAC - Statistics and indicators. Elaborated by the author.

Newborns are getting better healthcare. Their life expectancy at birth is substantially improving. A concurrent demographic change is shaping the statistics: fertility is dropping. In a sample of six Latin American countries with data on fertility available from the Demography and Health surveys (DHS), the number of children per mother dropped from 5 for those born in the 60s to 1 for those born after the 80s (ILO, 2019).

**Figure 2. Latin America: average number of children, by year of mother's birth and country (for women with at least one live birth)**

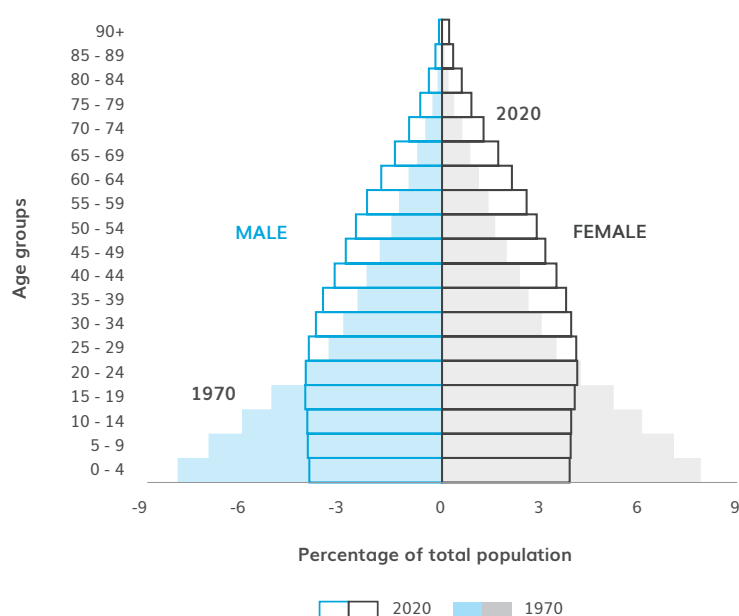


Source: ILO, 2019. Elaborated by the author.

The combined result of these social and demographic changes can be reflected in the changes to Latin America's population pyramid. The most drastic change is seen at the bottom with the younger population. The percentage of Latin Americans below age 20 has substantially

dropped. By 1970 they represented about one-third of the population; nowadays they are half of what they use to be. Additionally, while the old age population is increasing, it is not at the levels of the pyramids seen in Europe or the rest of the developed world.

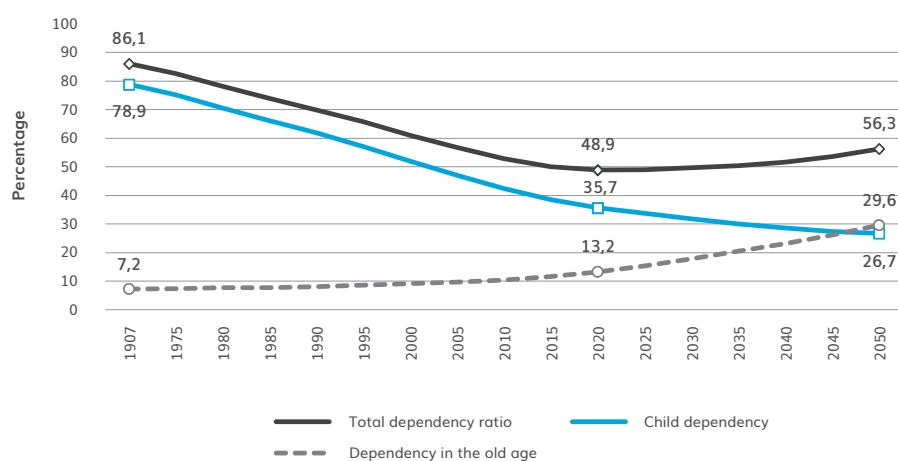
■ **Figure 3. Latin America: population pyramid, 1970 and 2020**



Source: ECLAC - Statistics and indicators. Elaborated by the author.

The dependency rate is defined as the number of dependents aged zero to 14, and over the age of 65, relative to the total population aged 15 to 64. It has been falling for children but slightly increasing for older adults over the last five decades. The aggregate result is that the dependency rate is dropping. But we are living at the precise moment of a turning point. Now the growth rate of adult dependency will surpass that of the decrease in child dependency in absolute terms. At this pace, by the year 2050, there will be higher adult than child dependency.

■ **Figure 4. Latin America: dependency rate, 1970-2050**

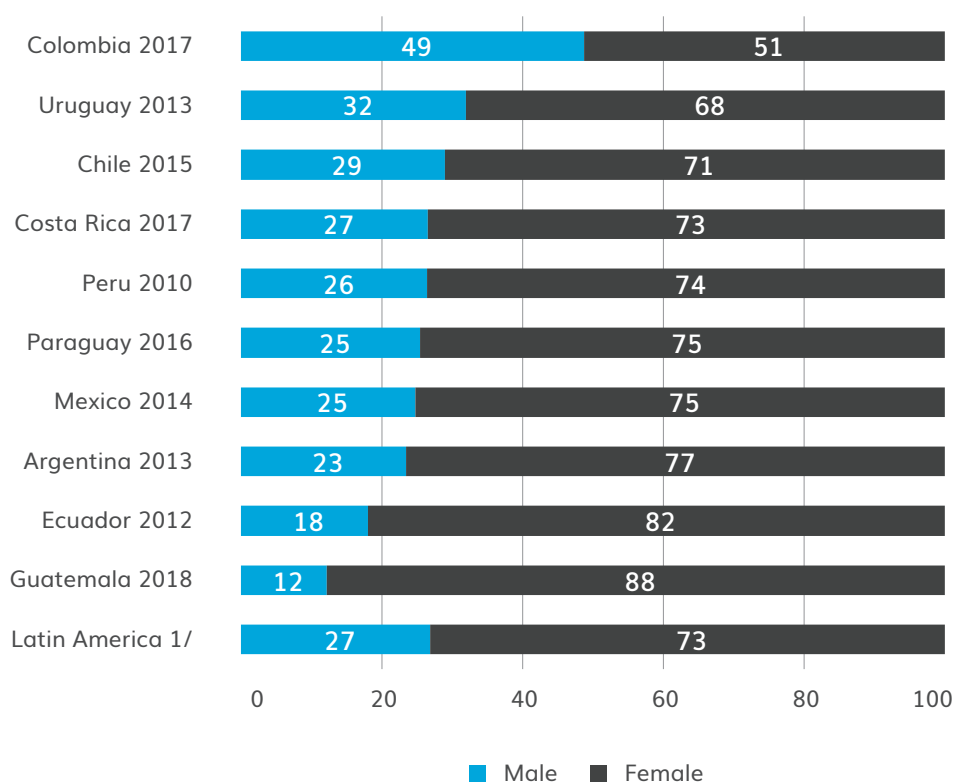


Source: ECLAC - Statistics and indicators. Elaborated by the author.

These dependency rates dynamics have direct implications on intrahousehold dynamics. The increases in female labor force participation experienced in the last decades have been linked to fertility decreases, as well as corresponding changes in household size and composition (ECLAC, 2018; Arango et al., 2018).

Different household arrangements have allowed women to increase their labor markets involvement. On aggregate, however, the gender split of domestic chores is seriously unbalanced. Out of every four hours of domestic work in households, only one is performed by men, with the other three performed by women. This unbalanced gender distribution of domestic responsibilities does not match up with the gender distribution of labor responsibilities. Additionally, if women are living longer than men (fact 1), the disproportionate burden of unpaid domestic work on women presents a serious pending issue. This is true not only when considering the caring needs of the elderly. It applies to the whole intrahousehold division of labor.

■ **Figure 5. Latin America: gender composition of unpaid domestic work (percentage)**



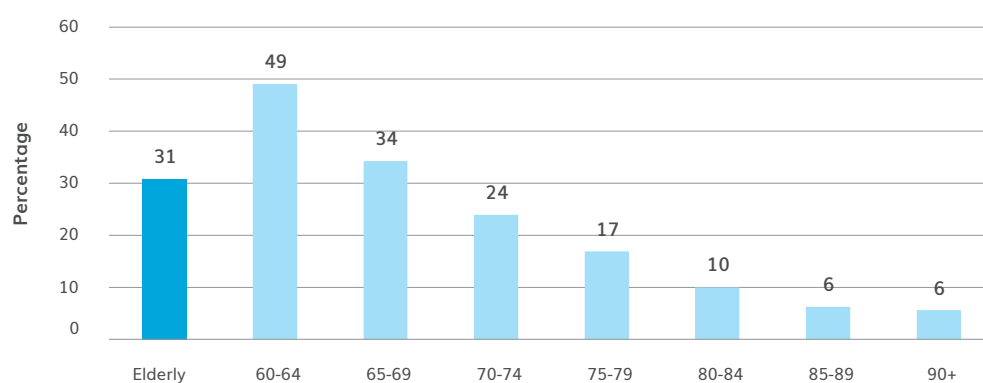
**Source:** Surveys of time use in the countries of Latin America and the Caribbean. Elaborated by the author.

**Note:** Data refer to the average of the total number of hours dedicated to domestic and care activities of all household members. Household members' ages vary by country: Argentina (18 years); Brazil, Paraguay and Uruguay (14 years); Chile, Costa Rica, Ecuador, Mexico, Guatemala; Peru (12 years); and Colombia (10 years).  
1/ Weighted average.

The retirement age in Latin America is between 60 and 62 years, with some gender differences by country (OECD/IDB/The World Bank, 2014). In most countries, an individual is considered an older adult after 60 years of age (MTPE, 2019).

Three out of ten older adults in Latin America are still working. An adult could decide to keep working beyond the retirement age for a combination of two reasons: (i) to maintain an active lifestyle, (ii) to make ends meet. While the first reason seems beneficial and healthy, the second does not seem so. The employment to population rate of older adults is decreasing with age but still, there is an alarming 6% of adults older than 85 who are still working.

■ **Figure 6. Latin America: adult occupancy rate by age, 2018 (percentage)**



Source: Home surveys of 16 countries in Latin America. Own elaboration.  
Elaborated by the author.

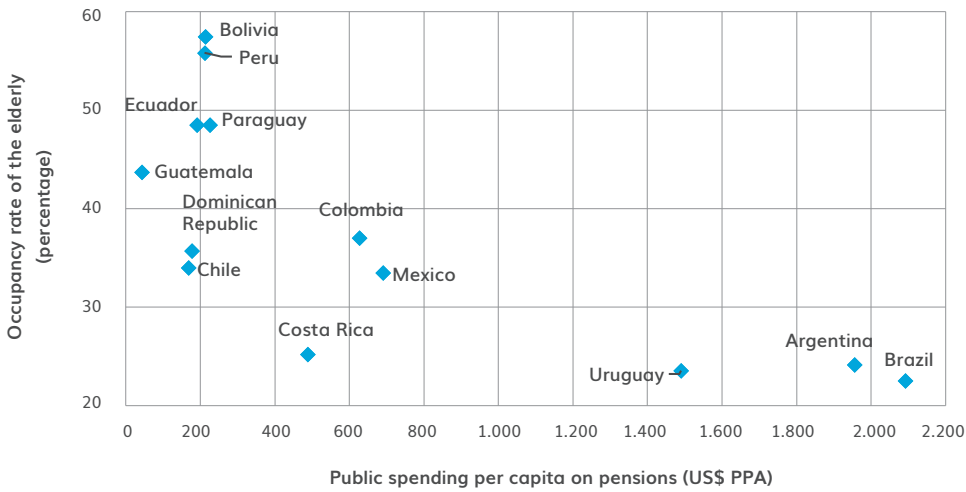
Note: Countries included: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay.

A simple correlation between public pension expenditure and adult occupancy rates would suggest that the second reason previously outlined is prevalent. However, this should be taken with a grain of salt. The privatization of pension systems across the region during the last decades of the 20th century moved countries towards much lower public expenditure on pensions. In fact, more than half of the countries in the region show very low per capita pension spending.

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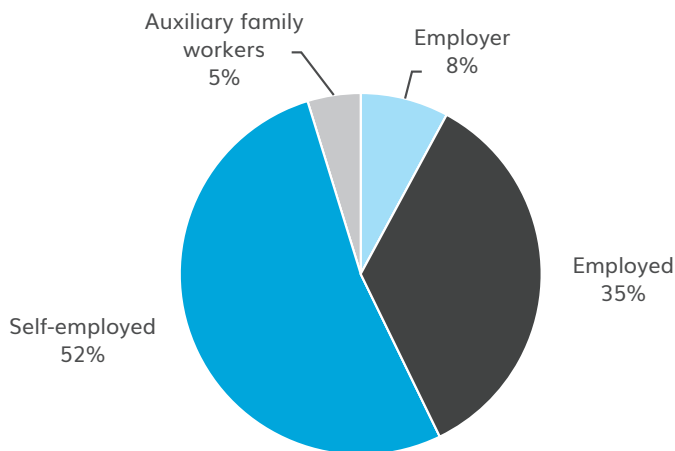
■ Figure 7. Latin America: per capita public spending (US\$ PPA) in pensions and occupancy rate for older adults, 2018



Source: Ministries of finance and social provision, Central banks, IFM (World Economic Outlook Database, October 2018) and home surveys of 13 countries in Latin America. Elaborated by the author.

Employment conditions are not the best. Half of older adults working are self-employed, with lower social security coverage (perhaps not the case for those who managed to get coverage through their job at prime-age years), lower productivity, and lower labor earnings. This rate is higher than the younger population. The tendency during the last decades has been towards increasing labor force participation for older adults, especially women (who are living longer). At the same time, self-employment has been on the rise, while the rate for employees has been dropping (Paz, 2010).

■ Figure 8. Latin America: older adult workers by occupational category, 2018 (percentage)

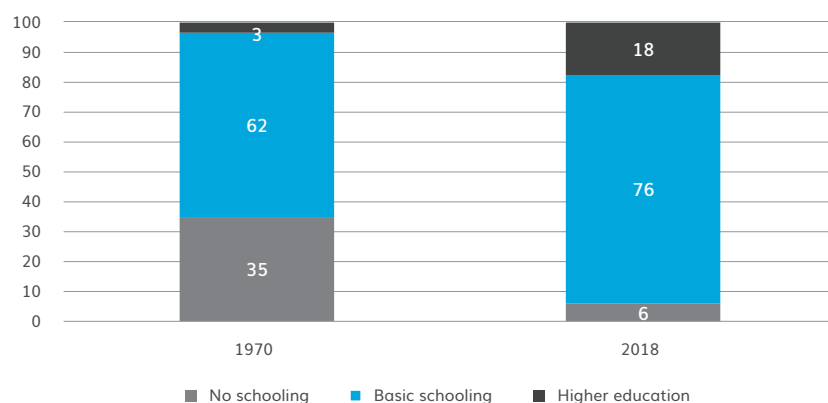


Source: Home surveys of 16 countries in Latin America. Elaborated by the author.

Note. Countries included: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay.

During the last five decades Latin Americans have gained 16 years of life expectancy (from 59 to 75). But during the same time only 4 years of education has been gained (from 7 to 11). Interestingly, most progress in education is seen at the bottom of the distribution. The percentage of Latin Americans with no education moved from 35 % by 1970 to only 6 % today. There are also some gains at the top of the distribution (people with tertiary education) but this improvement is smaller than the former.

■ **Figure 9. Latin America: Population 25 years and older by schooling achievement, circa 1970 and 2018**



**Source:** UNESCO - Statistical database. Elaborated by the author.

**Note:** Countries included: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay.

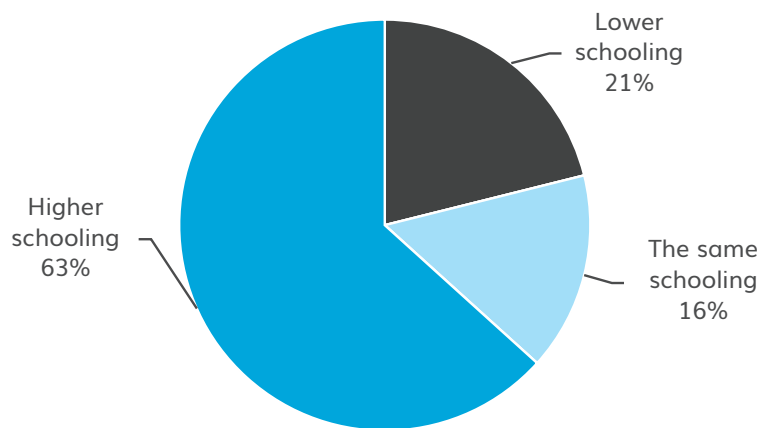
We are living in a generation where offspring surpass the educational achievements of their parents. Out of six Latin Americans today, around four achieved more schooling than their parents; one achieved the same; and one achieved less. There is undeniably progress in schooling.

Beyond the extra schooling our new generations are receiving, there is still a pending challenge. The World Bank has coined this challenge as the "learning crisis" of our era. Children are attending more years of schooling, but they are not necessarily learning more (World Bank, 2019). In standardised tests, Latin American countries underperform in comparison with the rest of the world. The learning gap between Latin American and OECD countries is equivalent to a full year of schooling (IADB, 2019). The PIAAC test shows that Latin American working adults also have lower skills development than adults in OECD countries (OECD, 2019b). More schooling without more learning is a wasted opportunity.

People are living more but not studying much more. Even worse, people are not learning more. What do adults do with their extra years of life out-of-school? They are mostly working and retiring with such additional time. Given we are working more, this raises some questions about the future of work and education.



■ Figure 10. Latin America: distribution of children by education level to the head of household, 2018 (percentage)



Source: Home surveys of 16 countries in Latin America. Elaborated by the author.

Note: Countries included: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay.

## ■ Policy challenges and options

The new shape of our population pyramid necessitates **rethinking social expenditure** and the design of public policies in the region. Considering the vulnerability to pandemic menaces, governments should move towards different patterns of health investments (R&D, infrastructure, public health, inter alia). The early days of the coronavirus global pandemic made clear how important science is. **Investments in science** should clearly be prioritised.

As documented, the new population pyramid is already imposing fiscal pressures on financing pensions for the growing old age population (ILO, 2018a). This is no magician's act: you reap what you sow. It is necessary to **invigorate investments on safety nets for the elderly**, regardless of the architecture of pension systems. If all seem to be failing it is because none receive adequate funding.

The new shape of the population pyramid also requires **rethinking education systems**. The percentage of the school-age population has almost halved, but the overall population is still growing. As a result, there is a heterogeneous profile of school-age children and youth. In some countries the number is still growing while in others it already started to decline. But, sooner or later, countries in Latin America will think it unnecessary to build schools or hire new teachers. The focus on education should not be in quantity anymore. It should move towards quality.

Latin America can still take advantage of the last years of our demographic bonus and use it to **advance gender equality** (ECLAC, 2018). It would be useful to recognise, and find better ways of sharing, unpaid domestic work. This would reduce the disproportionate burden on women (ILO, 2018), and would require change at the macro and micro levels.

At the macro level, there is room to introduce policies that openly **recognise currently invisible** work (with older adults and children) in official accounts. The first step of recognising this invisible work should be to change the way we perceive productive and reproductive labor. Then, extra steps towards the appropriate recognition work would include providing social protection for it.

At the micro level, it seems that some nudges could inspire more male involvement in domestic chores (ILO, 2019). In related areas, such as partner violence, some nudges have been used effectively. This includes the use of instant messages through smartphones, the use of comparative information (about the behavior of neighbors and peers), on bills, and the transmission of role models to open mass media (La Ferrara et al., 2012; Garnelo et al., 2019). The current coronavirus shutdown is a good opportunity to **involve men more in domestic activities** and balance the distribution of chores.

Many countries in our region still show coverage deficits in social protection. This happens regardless of the architecture of pension systems in place (defined contribution, pay as you go or defined benefits, public or private). It has been estimated that around 40 % of the population are either uncovered or have insufficient income (ILO 2017; ECLAC/ILO, 2018b). This, at least partially, explains the need of the adult population to keep working under vulnerable conditions.



**The current coronavirus shutdown is a good opportunity to involve men more in domestic activities and balance the distribution of chores.**



It has become necessary to tackle the challenge of **reforming pensions systems** in Latin America. A design that satisfies the needs for universal coverage with reasonable pensions must be found. This is unpopular as it highlights the necessity of augmenting the contributions. Where would the additional funding come from? Taxing labor markets generates undesirable effects (informality and misallocation). It is time for a deep and practical discussion about funding it from different sources, such as consumption (Levy, 1994, 2017). Such discussion should have the clear goal of arriving at a proposal that satisfies all parties involved.

Within some age ranges, the evidence shows that labor productivity does not decline with age (PHO, 2015). However, the older population

feels discriminated against in most of the region (UNDP, 2019). There is room for **improving the working conditions of the adult population**. Nonetheless, continuous updating of core competencies in a fast-changing labor market will be a challenge.

Tackling the learning crisis will require a comprehensive set of policies on multiple fronts: the teaching profession, infrastructure, management, use of technology, and many others (World Bank, 2018). But for this policy brief, there is an issue upon which some reflection is needed. With the expansion of working life and concurrent dynamics in the labor markets, it will soon be more common to see people changing careers. Also, the skills content of professions are changing more rapidly today. For these two reasons, educational systems will need to adapt in order to receive mid-career individuals back into their classrooms.

Such adaptation should involve exploring new modes for the delivery of education, with appropriate participation of public and private agents. The notion of **lifelong learning** will become increasingly more common for new generations. The sort of adaptations required include deepening the use of distance learning (in combination with presential learning) and adapting curricula in modular ways to labor market fluctuations. As a matter of fact, this is something that has also been precipitated by the current coronavirus pandemic. Distance learning is one of these elements of the future that suddenly dominate our present. The use of technology also comes with the promise of democratising access, making quality education available for the have-nots.

Some decades ago, somebody in their early 50s was closer to the end than to the beginning of her/his career. This situation, with the extra years we are living and working, has reversed. Latin Americans are now having the opportunity to explore updates and career changes at an age that was not previously an option. We need an educational system up for that challenge.

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