

# Population Aging: Promoting Positive Policies

**Chile is among the most aged Latin American countries. The population over 60 years accounts for 2.6 million people, which is equal to 15.5% of the country. This will entail higher costs to the society in terms of health, social security and other issues connected with the maintenance of the elderly population. A public policy approach is required to promote active aging and greater integration of the elderly to the society, especially to the labor market.**

In Chile, as in more developed countries, the birth rate downward trend has exceeded expectations in past decades. This phenomenon –together with the life expectancy increase and lower mortality- has contributed to our population's aging. According to the CASEN Survey 2011, people older than 60 years reach 2.6 millions, that is, 15.5% of the country.

The aging degree of the Chilean population is reflected in the Aging Index, which has steadily grown, and it is defined as the number of people aged 65 and over per 100 youths under age 15. The Index went from a total of 35.4 in 1990 to 39.7 in 2000 and 73.9 in 2011; in other words, it has duplicated in two decades. On the other hand, it should be highlighted that the population over 80 years –considered the most

vulnerable among the elderly people- has doubled in this period, going from 1.3% in 1990 to 1.5 in 2000 and 2.6 in 2011.<sup>1</sup>

The trend shows that Chile is among the most aged Latin American countries, together with Argentina and Uruguay, where the elderly population accounts for 15% and 18%, respectively. Thus, we are approaching the European reality, where the elderly population reaches 24% in Sweden, 26% in Italy and 26% in Germany.<sup>2</sup>

### **Is it possible to reverse this phenomenon?**

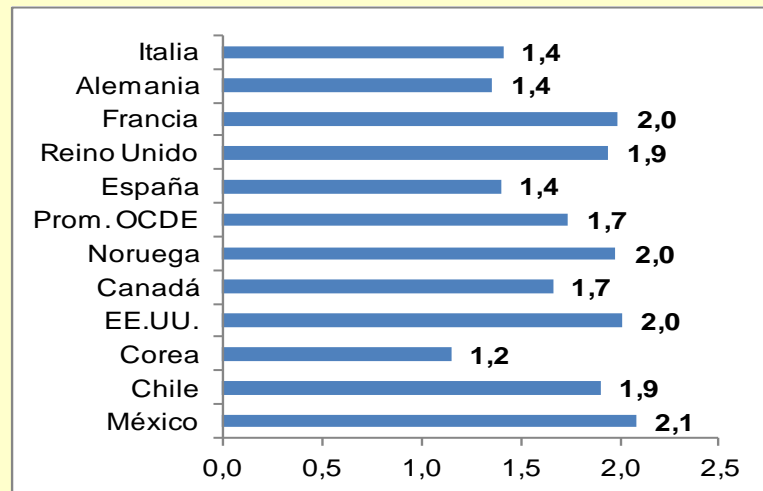
Population aging and lower birth rates are very difficult to reverse. Among the factors that influence the birth rate drop –as in more developed countries- the higher schooling levels and the incorporation of women to the labor market entail an aspirational change.

More educated women receive higher salaries and consequently the incentive to work grows, which leads to reduce the number of children or postpone the births. It should be mentioned that women's labor participation rate is not particularly high in our country, since it is equivalent to 47%. However, in the ages when the probability of getting pregnant is higher –between 25 and 44 years- this rate reaches 67%, according to the last Employment Survey of the National Statistics Institute (INE, in Spanish) and it is closer to the rates of the OECD member countries, where women's labor participation rates fluctuate between 60% and 70%.<sup>3</sup>

Currently, women in Chile have an average of 1.9 children. This figure is slightly higher than the OECD average (1.7 children per woman). Nevertheless, some OECD countries have very low birth rates, such as Italy, Germany and Spain (which have an average of 1.4 children) or Korea (average of 1.2 children), as shown in Chart 1).

Chart 1

### FERTILITY RATE: NUMBER OF CHILDREN PER WOMAN



Source: OECD 2011: Society at a Glance Social Indicators / Chile: INE 2010.

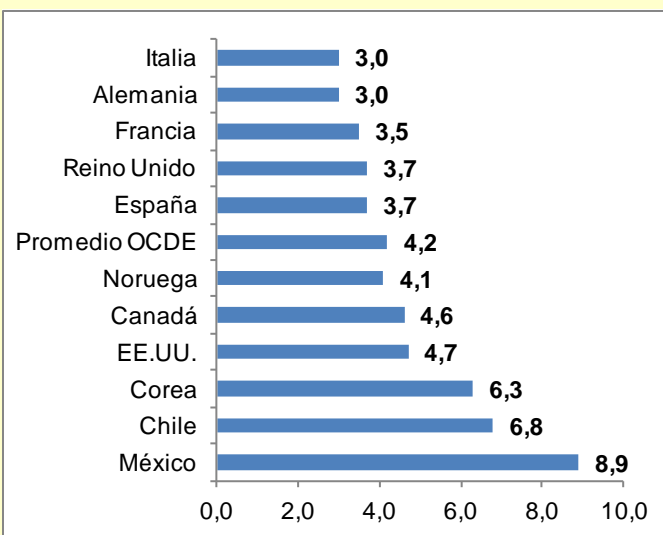
European countries have not been able to reverse the birth rate drop, not even with all the social subsidies of the Welfare State model which supports working women through child care, parental allowances and other benefits.

An indicator which confirms the population aging, as estimated by the OECD, is given by the elderly maintenance rate which reflects active versus inactive population and which measures how the active population (20-64 years) has to support the elderly above 65 years. In our country, this

rate is 6.8, still quite higher than the OECD average of 4.2. However, this organism estimates that that by 2050, the indicator will drop in Chile to 2.5 and it will be similar to the OECD average. This means that the active population shall support the elderly increasingly more (see Chart 2).

Chart 2

ECONOMICALLY ACTIVE / INACTIVE RATE  
(POPULATION 20 – 64 YEARS / POPULATION 65 YEARS AND OVER)



Source: OECD 2011: Society at a Glance Social Indicators.

### What policies can be encouraged?

The aging of the population in our country will have consequences in the future. The young labor force shall increasingly maintain a higher number of elderly people. Therefore, we shall have to reconsider many of our labor, social security and health policies: for example, retirement at a later age, people remaining longer in the labor market, and living in a more healthy way and more integrated to the society.

One of the main policies that can be encouraged is active aging incentives. It has been demonstrated that they help elderly people grow older in a more healthy way. It is also important to gradually create a different vision in the society concerning the work capacities of elderly people and to be more willing to integrate them in the labor market.

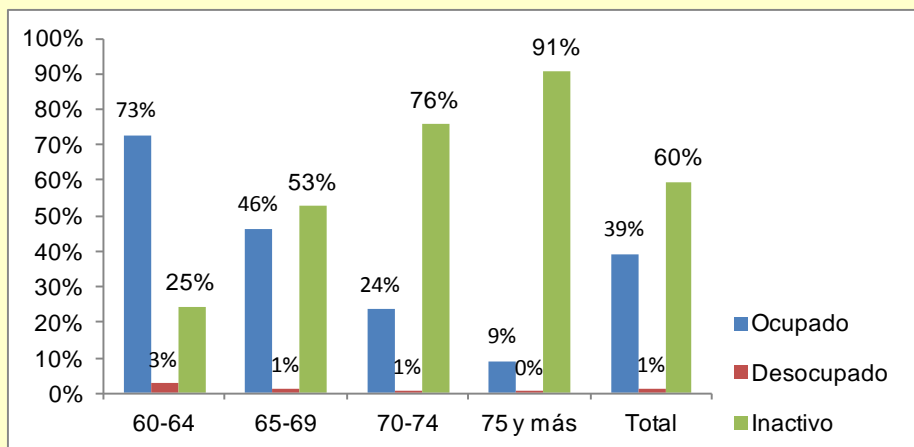
In Chile, according to data of the CASEN Survey, nearly 75% of the adults above 65 years are inactive. In other words, they are not working for several reasons: they have retired, they have stopped working or they have never worked. This is the case for many women who chose to stay at home and take care of the family. From the total of inactive elderly, 68% is retired.

Among the people over 60 years who work, 77% are salaried and the rest works on their own account. Additionally, most of them -86.5%- declares to work full-time or more.

The activity condition of people over 60 years conceals many differences, according to sex and age groups, as can be appreciated in Charts 3 and 4. In the first place, the older the person, the more the occupation level of men and women decreases, which is logic given the greater physical and psychological difficulties faced by people as they grow old. Among the group of men aged between 60 and 64, the occupation level is high -73%-; instead, in women of this group, occupation accounts for 29% and inactivity for 70%. In the group aged 65 to 69, the occupation of men falls to 46% and inactivity increases to 53%; among women, occupation is 16% and inactivity 83%. In the group aged 65 to 69, the occupation of men falls to 46% and inactivity increases to 53%; among women, occupation is 16% and inactivity 83%. Most of the elderly people above 70 years are currently inactive.

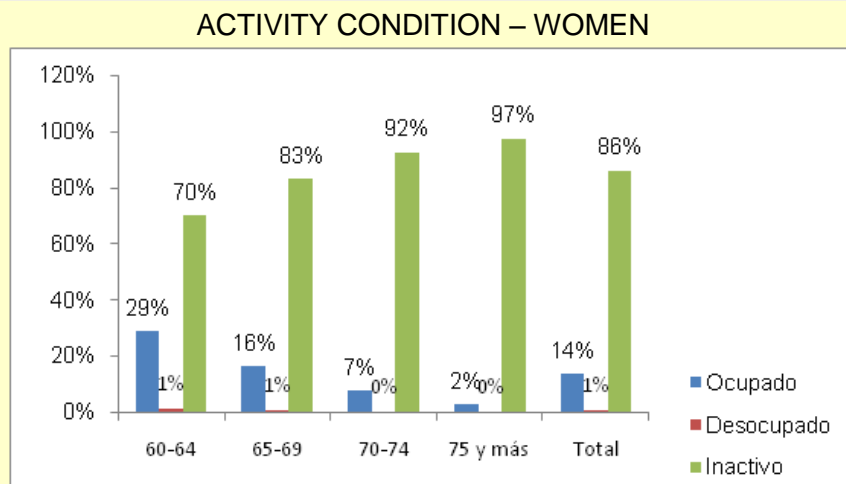
Chart 3

### ACTIVITY CONDITION – MEN



Source: CASEN Survey 2011.

Chart 4



Source: CASEN Survey 2011.

One way of encouraging greater labor participation is to promote part-time employments. Our legislation allows making this type of contracts which are favorable to the work demand of people above 60 years. However, these contracts are not used much, since the great majority of elderly people who work do it on a full-time basis. A different vision is required from Chilean employers, as in other economies which have integrated elderly people in employments of retail, supermarkets, touristic services, public service offices, etc. An option for those who are retired and have public or private health coverage would be to allow part-time contracts exempt from the payment of health contributions, replacing it by a work accidentability insurance, and review other aspects, like the exemption from unemployment insurance payment and indemnities.

### In brief...

- Birth rates drop and our population ages. This will entail higher health and social security costs.
- It is hard to reverse this population phenomenon in Chile. A public policy vision is required that encourages active aging and greater integration of the elderly population to the society, especially the labor market.

<sup>1</sup> Estimates according to CASEN Survey 2011.

<sup>2</sup> ECLAC Demographic Observatory 2011 and OECD data 2011.

<sup>3</sup> INE, National Employment Survey, May-July 2011.