

**UN Commission on Population and Development 50th session**

**Changing population age structures and sustainable development**

**Panel discussion: Implementation of the Programme of Action of the ICPD, with emphasis on changing age structures and sustainable development**

**Speaking Notes**

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1. These notes summarize the basic concepts that I would like to share with participants at the event during the panel discussion. They do not represent a direct and complete transcript of what I intend to say, but a general overview of the main points.
2. I will focus my intervention in the area where I believe my experience gives me more space to contribute to a constructive debate: the links between population ageing, labor markets, and social protection systems.
3. Much has been written and discussed about the Demographic Dividend and the opportunities that this process brings to economic development. However, I think it is very important for policy makers and analysts to understand that the demographic dividend is just an opportunity, which may or may not be turned into growth by societies. This depends, among other critical issues, on their human capital dotation (i.e., on the coverage and quality of their education systems), female labor force participation (particularly, if they are employed in higher productivity, quality jobs) and, overall labor markets institutional arrangements. In other words, societies with high unemployment, high labor informality, and low labor productivity will not be able to benefit from the Demographic Dividend as much as they could (and should).
4. At the same time, as we all know population ageing makes unsustainable the traditional idea of pension systems fully replacing labor incomes at relatively young ages (late fifties or early sixties), as it still is the case in many countries. This is unsustainable in fiscal terms if the system is managed by the State but, more important, it is unsustainable in economic term, regardless of who manages the system and how it is designed. On one hand, societies cannot have the luxury of deciding that individuals become "old" at an arbitrary age, defined in many cases many decades ago, and consequently unable to continue a productive life. Populations, and jobs, are very heterogeneous, and technological change is increasing this heterogeneity. Some individuals may want (and their jobs may require) to retire earlier in life, but others are willing (and will increasingly be able to) continue working beyond the traditionally expected retirement ages. Forcing them to retire does not only affect their interests and rights, but it also destroys very valuable human capital that societies need to further development.
5. On the fiscal and economic front, many experts have shown concern about the implications on government finances of an aging population process, that results in less active workers paying contributions and more retirees receiving benefits. While the concern is valid, sometimes the solutions are insufficient. Reforming the systems to shift part of this costs to the private sector (either through formal pension services provided by the financial industry, or family arrangements), does not solve a serious underlying problem: the fact that society needs to support more elderly individuals with less active workers.
6. In this context, the policy challenge is simple: societies need to ensure that per capita output continues to grow at a reasonable pace, even in a context of population decline. While there is

no single solution to this challenge, we have a few clear principles that should be followed: First, retirement should be a right, not an obligation, for workers that are not able to continue their participation in the labor market. That implies that retirement rules should be more flexible than they currently are, offer incentives for workers to remain in the labor force, and provide adequate protection to all. Second, labor force participation should be as close as universal as possible, for individuals that have completed their education and until retirement. This implies creating opportunities for all, and particularly for women, eliminated discriminatory practices in the labor market and offering adequate care services for children and the elderly, as in many cases women are forced to stay at home as they don't have a reasonable alternative care provider. Third, as in any case we can expect to see a decline in the absolute number of workers in the next few decades, it is critical that these workers have the highest possible productivity. This implies, in turn, that education systems must be reviewed and reformed when necessary, to ensure wide coverage, quality, and relevance of contents, three very difficult challenges in developing countries around the world.