Key results

Population ageing is one of the main driving forces behind the wave of pension reforms across the world in recent years. The old-age support ratio is an important indicator of the pressures that demographics pose for pension systems. It measures how many people there are of working age (20-64) relative to the number of retirement age (65+). At the moment, there are just over eight people of working age for every one of pension age on average.

LAC countries have been ageing for some time, but generally at a slow rate: between 1950 and 1980, the average support ratio decreased from 13.4 to 10.2. However, the decline in the more recent period has been slower, with the fall from 10.2 to 8.4 taking 30 years. From 2010, population ageing is expected to accelerate. By 2030, the support ratio is projected to reach 5.0 and fall further to under 2.5 by 2060.

In 2010, the demographically oldest LAC country was Uruguay, with a support ratio of only 4.0. Argentina was next at 5.3, followed by Barbados at 6.1, with Chile and Jamaica being the only other countries under seven.

The youngest countries were Belize and Guyana, with support ratios of 12.8 and 15.4 respectively, followed by Haiti and Honduras, both around 11.0. Another three countries, namely Bolivia, Colombia and Nicaragua all have support ratios above 10.0.

The evolution of support ratios depends on mortality, fertility rates and migration. As shown in the previous two indicators, LAC countries have seen continual increases in life expectancy, which most analysts forecast to continue in the future (with particular impact on old-age mortality). This trend, together with the continuous decline in fertility will result in an increase of the percentage of older people and the number of pensioners.

There have also been substantial declines in fertility, which, of course, will reduce the relative size of cohorts of workers entering the labour market. Since the babies have already been born, we know the scale of the change in the number of people of working age for the next two decades. For example, fertility rates are already below the replacement level in countries like Costa Rica, Brazil or Chile, meaning that new generations will be smaller than those of their parents. In the future, however, there is a great deal of uncertainty over how fertility rates will evolve.

For the LAC region as a whole, the decline in the support ratio is forecast to continue at a reasonably steady rate in the future. There is, however, predicted to be a considerable convergence between LAC countries, with demographically younger countries ageing more rapidly. By far the most rapid population ageing among LAC countries will be in Guyana. The support ratio is projected to drop from the aforementioned 15.4 in 2010 to 8.9 by 2030 and 4.5 by 2060. Guyana will move from being the youngest country in the LAC region to the fourth youngest in 2060.

The other LAC countries that are currently demographically young – Belize, Haiti and Honduras – will also age relatively rapidly. Like Guyana, they will remain among the youngest LAC countries in 2060, with support ratios of 3.1 in Belize, 4.7 in Haiti and 3.4 in Honduras. Only Guatemala at 4.9 and Bolivia at 4.8 are projected to have a higher ratio by 2060.

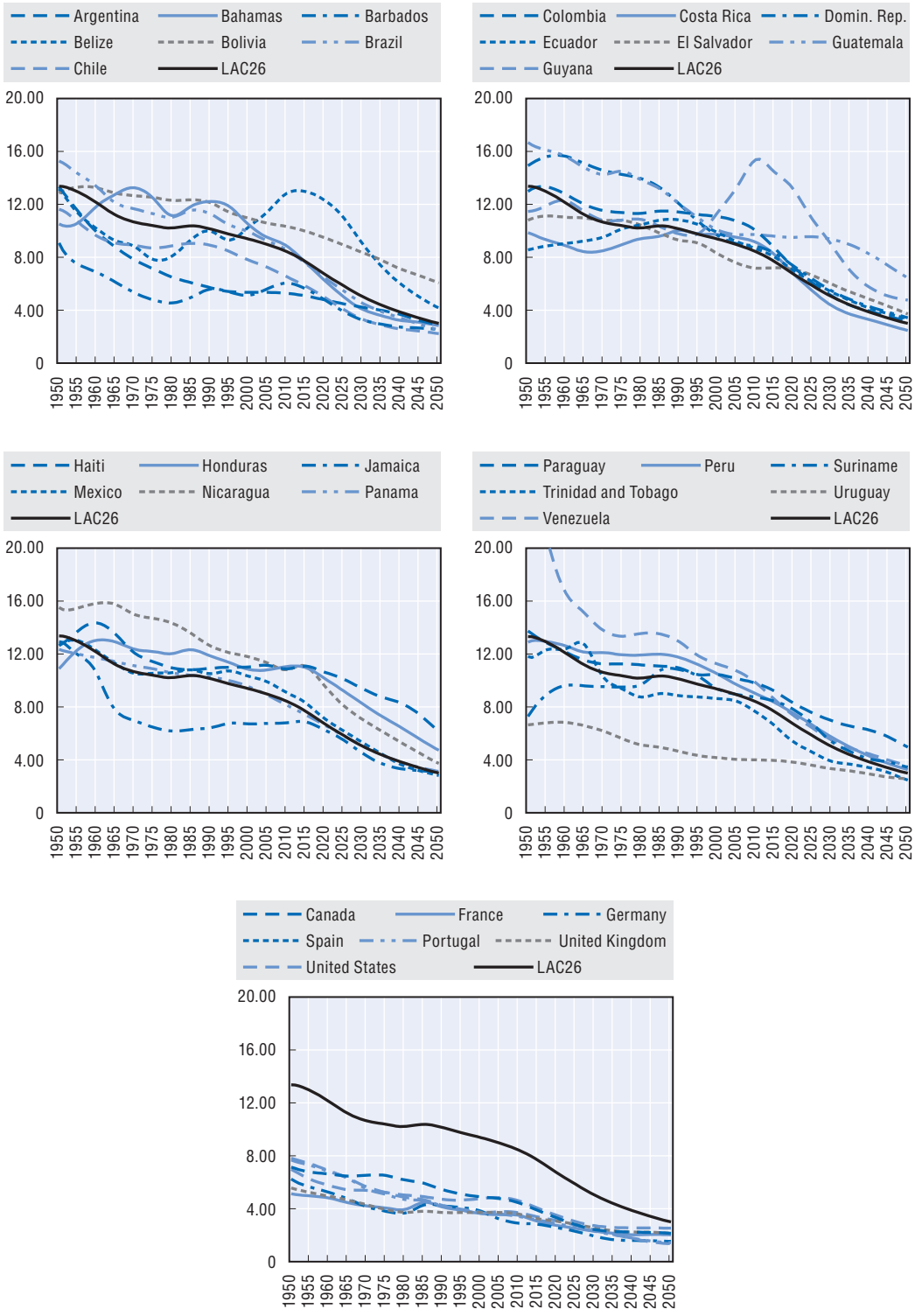
By 2060 18 of the countries in the region are forecast to have a support ratio of less than three with Chile lowest at 1.8, followed by Costa Rica at 1.9 and Brazil at 2.1.

This support ratio can be misleading for the LAC region. Not all individuals of retirement age are actually working, and in the region many countries allow for retirement benefits well below the 65-years-old threshold. Also, there are many elderly with no access to pensions, given the contributory nature of these programmes.

Definition and measurement

The projections for old-age support ratios used here are based on the most recent "medium-variant" population projections. They are drawn from the United Nation, *World Population Prospects – 2012 Revision*.

2.4. Old-age support ratios – historical and projected values, 1950-2050



Source: United Nations, *World Population Prospects – 2012 Revision.*

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