

Chilean population decaying growth: a structural problem to be faced

As it is often said, population projections for future decades are now already written. And ours are not good. The best estimate coming from the Statistical Government Agency¹ is that Chile will converge to a 20 million population figure around 2040, with life expectancies at birth of 79 and 85 years for men and women, respectively and people below 15 years old will represent 17% of total population whereas people over 60 will amount to 25% of it. By 2010, the respective figures were 17 million inhabitants, life expectancies at birth were 76 and 82 years for men and women, respectively and people aged under 15 represented 22% of total population while people aged over 60 accounted for 13% of it. By 2025, for the first time in our history, older people over 60 will number more than younger people under 15. In the world, this same phenomenon will take place two decades later, by 2045².

Look to these projections again. There is a 3 year gain in life expectancies at birth, a 3 million increase in total population and a dramatic relative weight shift from young generations to older ones, the first ones losing 5 percentage points and the second ones gaining 12 percentage points of total population. It is this a convergence path to a present day Japan, which is already witnessing annual negative growth – minus 0.2% - in its population – 128 million -, with all the inherent economic and geopolitical weaknesses that process belatedly implies. Chilean population is growing today at 0.9% annually and will converge to a zero growth rate within a three decade period, not far away.

The main driver of this phenomenon lies in the abrupt fall of birth rates. In 1950, our annual birth rate was 3.6%; by 1995, it had fallen to half of it (1.8%) and by 2010 it was 1.5%. The peak number of children under 5 years old took place in 1995, amounting to almost 1.5 million. Since then, this age group has slowly gone down. By 2010 this age group was around 1.25 million children, equivalent to the number of children we had back then in 1975 when we had a total population of 10.4 million. We are already talking about 250.000 missing souls – and counting – whose not coming into existence we will regret in future years. Have no doubt about that.

Could we afford for more net immigration beyond the actual but negligible 6.000 persons per year to supply for this increasing gap? We could certainly make the effort, keeping our frontiers open to global immigration flows, but it will not work: the world as a whole is also moving in this slowing down and graying population path, with just a two decade time lag difference. That means increasing competition for a scarcer human capital input on a worldwide basis. As the price to attract foreign human capital will go up, our economic prospects, as far as human capital is concerned, will basically depend on the domestic generation of it, which should be made far more attractive to rightly face up to this challenge. It is here where public policies should not fail us again. Too many decades have gone idly observing this population evolution with no clear response to it, plainly but mistakenly accepting we were no longer young and were quickly adopting developed countries population patterns even before being so, with per capita incomes two thirds smaller. The costs of not looking and preparing beyond our immediate urgencies, no matter how distant they might be, are nonetheless real.

¹ INE: "Chile: Proyecciones y Estimaciones de Población. Total País. 1950 – 2050", 2004.

² UN: "World Population Prospects: The 2006 Revision", 2007.

It is the case that the sooner we change the trend in our population path, the better, assuming it is in our best interest to have a vibrant, globalized and prepared young nation again. A common sense assumption, let us hope.

How do we get into a country rich in human capital, in number and in quality? Education, health, labor, pension and tax and fiscal expenditure policies are all related to attain this objective. The essence of any of these policies should consider not only competitive supply of their services, demand subsidies focused on the poor, the availability of educational services early in children's life, pension policies consistent with longer lives and truly flexible labor markets – particularly at young 20's and old 60's - but also a net of taxes public expenditure clearly promoting larger families. There is no way around it and its cost will be whatever is needed to make possible the change of trend in our population path. Moreover and to avoid confusing signals, GDP figures during this decade will be reflecting the larger labor pool that was born in the 1990's but as time passes, will also reflect the dampening effect of a smaller number of workers coming thereafter.

Short term solutions are no answer to this population problem. It is under a long term and aggregate strategy involving multiple policy areas that a solution could work. It took time but at the end of the day almost half a century of central government support for population growth control had the intended and supposedly wise result, beyond income derived effects. Reversing that trend will also take decades, but the definitive policy change has to be made at some time and consistently maintained afterwards, no matter who or which coalition leads our country. This would be a national strategic choice, for economic and sovereign purposes.

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