

[Download](#)

Keep in mind

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor

Julián Andrés Parra-Polanía

Jorge Llano

Santiago Leon

Iván Leonardo Urrea Rios

The series [Borradores de Economía \(Working Papers on Economics\)](#) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date

Thursday the 20th of April, 2023

Abstract

In this paper we extend the economic model used in Parra et al. (2020) to incorporate two significant groups that were not included in the original analysis: people who are retired with pension equivalent to the minimum wage and those who do not fulfill pension requirements and therefore get a refund of their contributions (in either of the two main retirement schemes). Our results show a similar outlook to that described by Parra et al. (2020): if the Colombian pension system remains in its current state, it will face a substantial increase in the tax burden in the next decades, mainly due to the large subsidies granted in the pay-as-you-go scheme and the deterioration of the payment capacity of this scheme due to population aging. In the absence of other modifications in the pension system, two socially desirable changes would generate an important increment of its fiscal burden: i) an increase of pension coverage (for instance as a result of an increase of formal employment) and ii) the recognition of real returns to those who do not meet pension requirements in the pay-as-you-go scheme.