Borradores de Economía - Considerations on the proposal to reduce the weeks of contributions to retire in Colombia: what 12 million data say

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Publication Date: Monday, 4 of March 2024 **Abstract**

Recently, a proposal has been put forth in Colombia to reduce the required minimum number of weeks of contributions to retire from 1,300 to 1,000 weeks for citizens who reach the age of 65. This document analyzes this proposed reduction of weeks, taking into account the preferences of individuals, and the fiscal costs that this represents. To this end, the behavior of individuals in the current pension system and some fiscal calculations are analyzed. Information from the Integrated Contribution Settlement Form (PILA), an econometric technique of binary probit variables and fiscal effect estimates, are used. In the cross-sectional probit study, the results indicate that the age of contributors has a positive effect on the probability of belonging to the public system, in the same way as salary. The results show how agents in the current system contribute to the private system and retire in the public system. The reduction of weeks of contributions would have a high fiscal cost, 1.13% of the annual product, and would also be inequitable since the benefit can be granted to high-income people without meeting the current requirements of weeks. It is not recommended to reduce the number of weeks of contributions.

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