

---

[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

López, Martha

Sarmiento Gómez, Eduardo

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:

Monday, 04 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.