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Aruba's Demographics and Its Potential Impact on the Labor Market and Output

Olga Bespalova, Justin Matz, Toyosi Oyo, and Marco Arena

SIP/2025/156

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Aruba's Demographics and Its Potential Impact on the Labor Market and Output

Prepared by Olga Bespalova, Justin Matz, Toyosi Oyo, and Marco Arena*

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December 2025

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ABSTRACT: Historically, Aruba benefited from population growth that expanded the labor force, thereby boosting productivity and fostering economic growth—a phenomenon known as the "demographic dividend". However, declining fertility rates and a rapidly aging population are altering the balance between the economically active working population and those dependent on them. This study analyzes recent demographic trends and their potential impact on the labor markets and medium-term growth. Then, it discusses policies that could help to increase labor force participation (LFP) and reduce bottlenecks on further growth.

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SELECTED ISSUES PAPERS

Aruba's Demographics and Its Potential Impact on the Labor Market and Output

Kingdom of the Netherlands—Aruba

Prepared by Olga Bespalova, Justin Matz, Toyosi Oyo, and Marco Arena[1]

[1] The authors would like to thank the Aruban authorities and representatives of the private sector for their comments in the presentation of this analytical work, as applicable during the Article IV Consultation Discussions.

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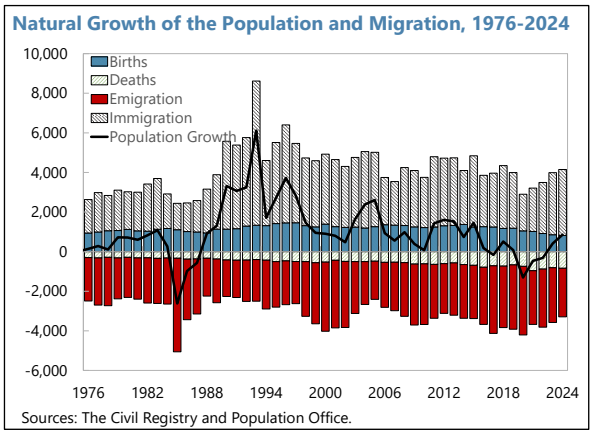
Aruba's Demographics and its Potential Impact on the Labor Market and Output[2]

Historically, Aruba benefited from population growth that expanded the labor force, thereby boosting productivity and fostering economic growth—a phenomenon known as the "demographic dividend". However, declining fertility rates and a rapidly aging population are altering the balance between the economically active working population and those dependent on them. This study analyzes recent demographic trends and their potential impact on the labor markets and medium-term growth. Then, it discusses policies that could help to increase labor force participation (LFP) and reduce bottlenecks on further growth.

I. Stylized Facts on Demographics Trends in Aruba

1. Although Aruba has experienced fluctuations in birth rates in the past, a slow and steady decline in fertility rates has been evident, particularly, since 2017. In fact, the birth rate, measured as the number of births per 1,000 people, reached a historic low of 759 in 2024.[3] . Additionally, Aruba's the population is aging swiftly, with the cohort aged 65 and older increasing from approximately 7 percent in 1990 to over 19 percent by end of 2024. Given the small size of Aruba, these substantial demographics shifts would exert pressure on Aruban society and its economy (Central Bank of Aruba, 2022).

2. Aruba's population growth has significantly slowed in recent years. Declining fertility rates coupled with lower inward migration have notably reduced population growth. While the island's population has nearly doubled since 1960, most of that growth occurred before 2010. In fact, from 1989 to 1993 Aruba had one of the fastest growing populations in the world with average growth rates over 5 percent. Economic opportunities at the refinery and Aruba's emergence as a tourist destination attracted many foreign workers during the late 1980s and 1990s, and population increased by nearly 40 percent from 1990 to 2000. This growth rate slowed to 13 percent in the early 2000s and further declined to 7.8 percent in the 2010s. Since the onset of the pandemic, population growth has stagnated, as birth rates have declined to historic lows and inward migration has diminished. Currently, the primary drivers of population change in Aruba are immigration and emigration flows.

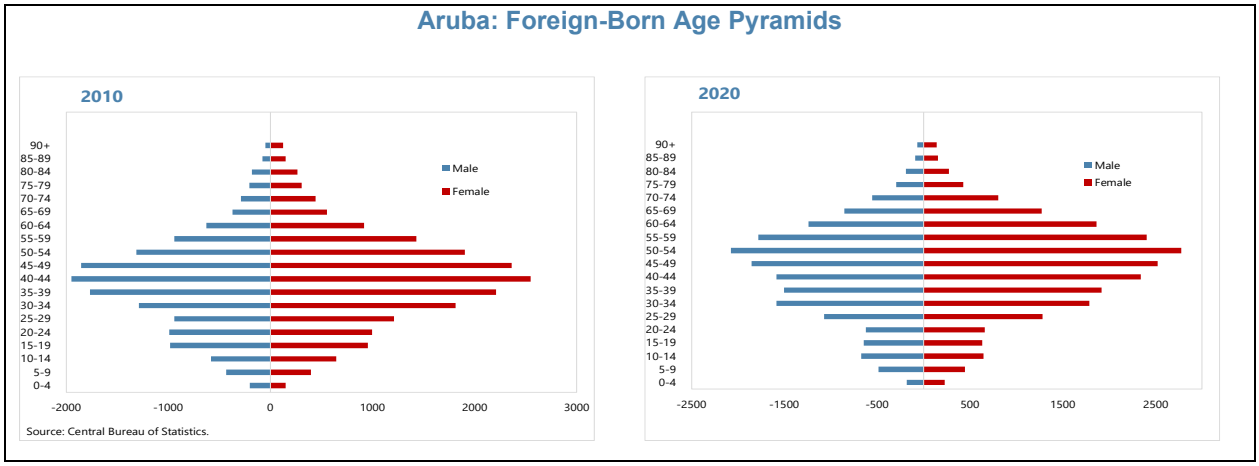


3. As of end-December 2024, 39.5 percent of Aruba's population was foreign-born. As of 2024, foreign-born women represented approximately 56 percent of the migrant population. Foreign-born populations, while primarily of working age and younger than Aruba-born population, are also getting older.

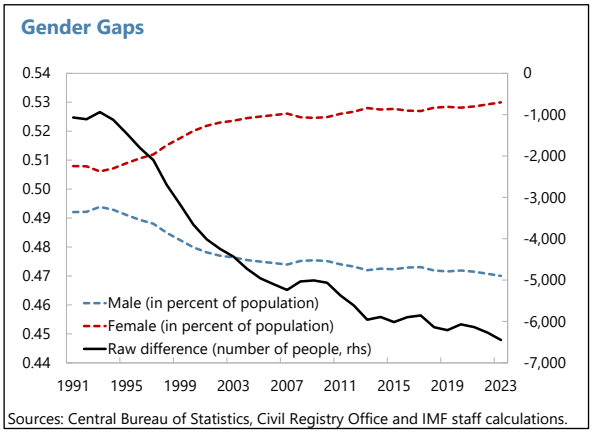
[2] Prepared by Olga Bespalova, Justin Matz, Toyosi Ojo, and Marco Arena.

[3] Data from the Civil Registry and Population Office indicate that the number of births per 1,000 women fell from 20.69 in 1972 to 18.78 in 1980, 18.17 in 1990, 14.26 in 2000, 11.94 in 2010, and is currently 7.59. Per UN statistics, in 1950, Aruba's Total Fertility Rate (TFR) was 5.83 children per woman, in 1960 it was 4.57, in 1970 it was 2.97, in 1980 it was 2.20, in 1990 it was 2.35, in 2000 it fell below replacement to 1.85, in 2010 it was 1.86, in 2020 it was 1.66, and is currently 1.60.

Among all migrants, working-age females (ages 15-64) comprise 46 percent, while working-age males account for 36 percent, with children (5 percent) and overaged 65 (14 percent) making up the rest. By end-2024, 22 percent of inward migrants either returned to Aruba or came from other Dutch Caribbean islands. The remaining migrants were foreign-born, mainly in Venezuela (19.7 percent), Colombia (19.6 percent), and the Netherlands (14.6 percent.) While immigrants fill in vacancies in the growing tourism sector, Arubans emigrate to the Netherlands and other advanced economies, with many young Arubans leaving to study abroad and staying there for work, contributing to a "brain drain." In the past decade, an average of around 3,000 Arubans emigrated each year, with a peak during the pandemic in 2020. Emigrants born in Aruba or the former Netherlands Antilles accounted for 53.5 percent of all de-registrations in 2024.



4. The evolution of population pyramids illustrates the shifts in age distribution. In 1960, the population distribution resembled a classic pyramid; however, by the 1990s, it had transformed into a bimodal distribution, reflecting the baby boom and its subsequent echo. The median population age increased from just 23.9 years in 1960 to 42 years in 2020[4]. The proportion of women increased from 51 to 53 percent over 1960-2024. The Aruban population would be trending towards a female majority, especially in older age groups. The current population pyramid, with a narrower base and baby boomers approaching or entering retirement age, presents critical challenges for Aruba's economy due to a shrinking labor force and increased demand for healthcare and social protection stemming from an aging population.

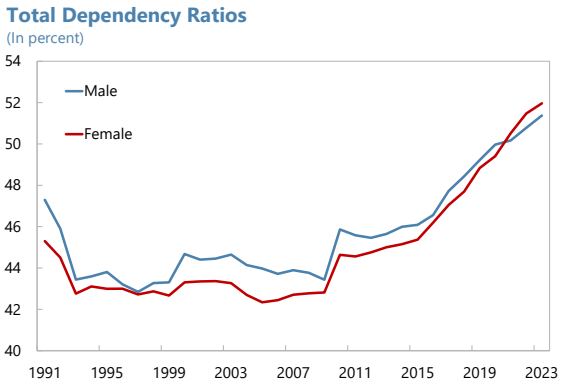


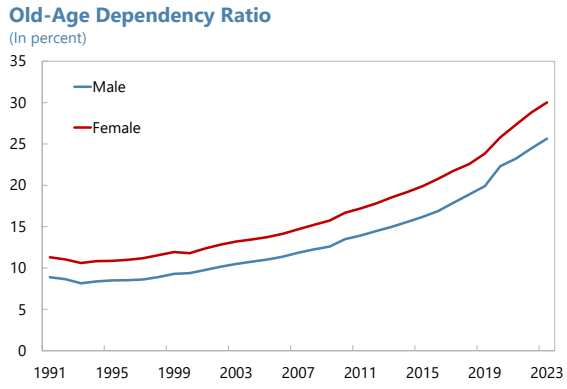
[4] Source: Census 2020 Results, webpage of the Central Bureau of Statistics Aruba.

Source: Central Bureau of Statistics.

5. Aruba's aging increases dependence on the working age population to support the healthcare and elderly services. After hitting a low of 42.8 in 1997, the *total dependency ratio*[5] stayed at 43-45 percent until the mid-2010s, began rapidly rising in 2016, and surpassed 50 percent in 2021. The primary driver of the total dependency ratio is the *old-age dependency ratio*, which has risen from 10.6 in 2000 to a record high of 28.9 in 2024 (Figure 4). Meanwhile, the *child dependency ratio* has declined from 33.3 in 2010 to a historic low of 22.9, reflecting a lower total fertility rate (TFR). This burden is even higher for women.

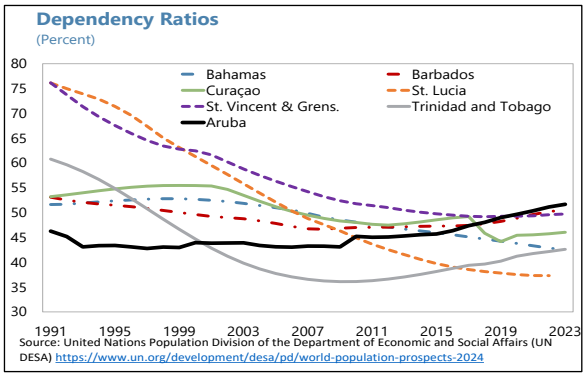
[5] The *total dependency ratio* is defined as a sum of the *old dependency ratio* (age group 65+ divided by age group 15-64) and the *child dependency ratio* (age group 0-14 divided by age group 15-64).





Sources: Central Bureau of Statistics, Civil Registry Office and IMF staff calculations.

6. While other countries' pyramids show a baby boom followed by an echo, it is not as pronounced as Aruba. Aruba's bimodal distribution pattern is only partially seen in other countries, indicating that this dynamic may be driven by immigration inflows (see ¶4). However, all the selected regional peers have a population pyramid with a narrow base, indicating future age-related pressures. Aruba seems to be on the frontier when it comes to an overall aging population. Aruba and Trinidad and Tobago's dependency ratio is already rising, while in many other regional peers it is only levelling off (Curaçao, Bahamas, Saint Lucia, and St. Vincent and the Grenadines). Fertility in the Caribbean is dropping at a more moderate rate than it dropped in Aruba.



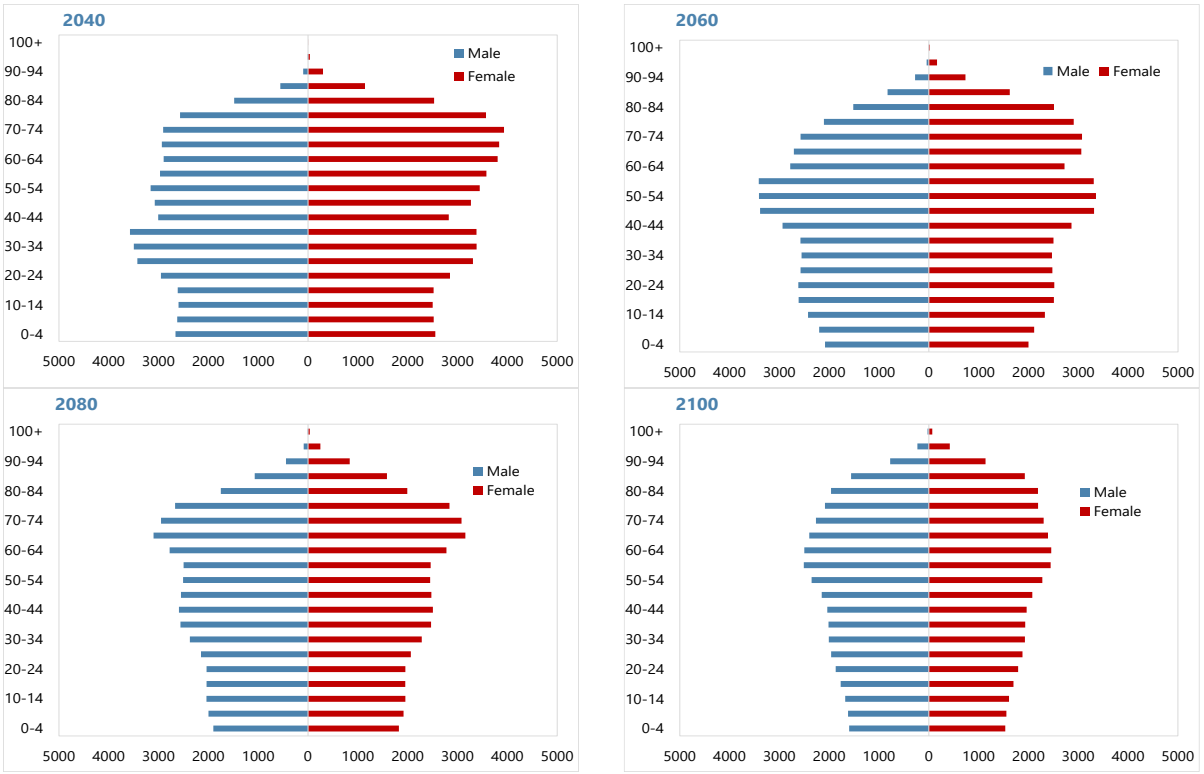
7. United Nations (UN) baseline projections suggest that the population of Aruba will peak in the coming years before beginning to decline. According to UN projections[6], the Aruban population is expected to reach its peak and subsequently decline during the latter half of this decade under all but a "high fertility scenario". The median fertility, or baseline, scenario indicates a potential population decrease of 11 percent by 2100. The UN's low fertility scenario predicts a decline of 36 percent. Only the UN's high fertility scenario results in population growth through the century's-end. As low fertility rates are difficult or have proven expensive to reverse[7], the higher fertility scenario could be seen as unlikely. An absence of population growth

[6] The baseline scenario uses the UN's medium scenario projections, which uses mean fertility and mortality and median net migration data to project population gender-age cohorts. The low and high scenarios differ with respect to the level of fertility. In the high (low) scenarios, total fertility will reach 0.5 births above (below) the medium-term scenario. There mortality and migration assumptions are the same in the medium, high, and low scenarios.

[7] See Sobotka, Matysiak, and Brzozowska, (May 2019). "*Policy responses to low fertility: How effective are they?", UNFPA Working Paper No. 1* https://www.unfpa.org/sites/default/files/pub-pdf/Policy_responses_low_fertility_UNFPA_WP_Final_corrections_7Feb2020_CLEAN.pdf, Bergsvik, Fauske, and Kaldager Hart (October 2021), "*Can Policies Stall the Fertility Fall? A systematic Review of the (Qausi-) Experimental Literature*". Population Development and Review. https://doi.org/10.1111/padr.12431, Brainerd, E. (2014). *Can government policies reverse undesirable declines in fertility*?. IZA World of Labor 2014: 23 doi: 10.15185/izawol.23 and Stone (2020). *Pro-Natal Policies Work, but they come with a hefty price tag*. Institute for Family Studies. https://ifstudies.org/blog/pro-natal-policies-work-but-they-come-with-a-hefty-price-tag.

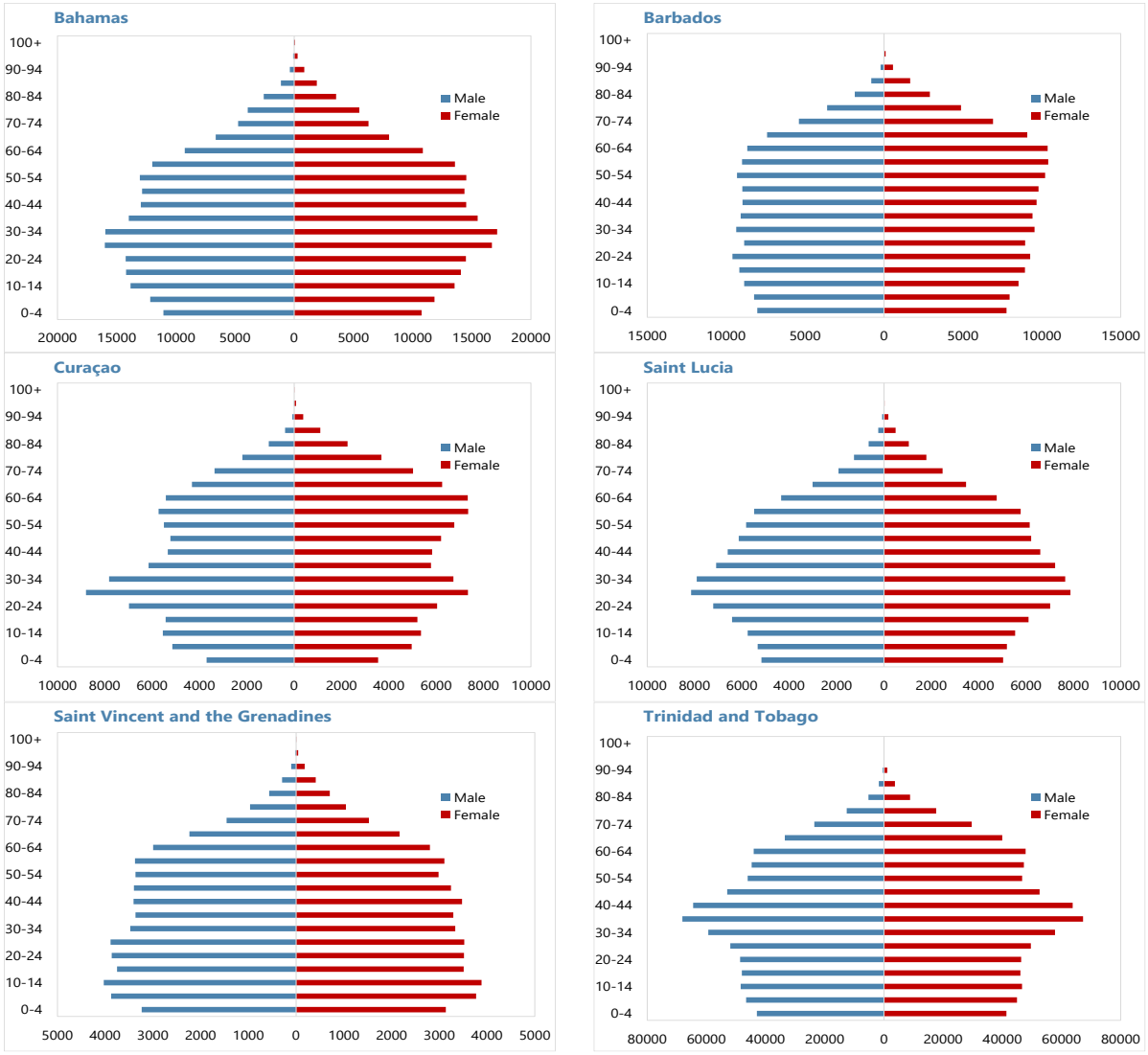
would signify a definitive end to the “demographic dividend.” Under the baseline scenario, the total dependency ratio is projected to reach 60 percent around 2030, 70 percent by 2038, and 80 percent by 2053, and surpass 100 percent around 2077.

Aruba: United Nations Baseline Population Pyramid Projection



Source: United Nations Population Division of the Department of Economic and Social Affairs (UN DESA)
https://www.un.org/development/desa/pd/world-population-prospects-2024

Aruba: 2023 Population Pyramids of selected Caribbean Countries



Source: United Nations Population Division of the Department of Economic and Social Affairs (UN DESA)
https://www.un.org/development/desa/pd/world-population-prospects-2024

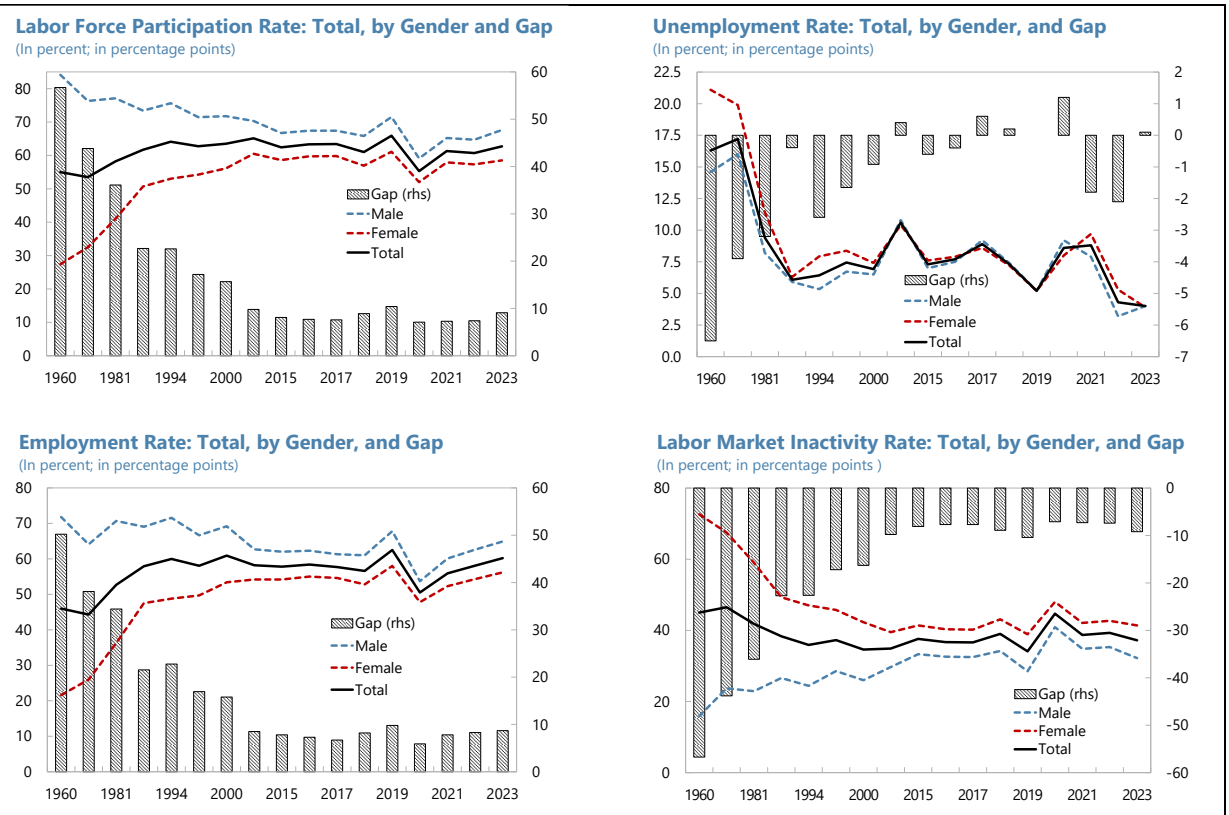
B. Stylized Facts on Labor Markets in Aruba[8]

8. The labor force participation rate (LFP) in Aruba has slightly declined post-pandemic, with gender gap broadly unchanged over the past decade. From 1960 to 2000, total LFP rose from 55.0 to 65.4 percent, reflecting substantial gain in gender parity, driven by a sharp rise in female LFP[9], which overcompensated for a decreased male LFP. However, since 2000, male and female LFP have moved in parallel, with the gender gap at around 9 percent in 2023.

[8] All definitions align with the International Labor Organization (ILO). See Table 1 in the Annex and ILO (2023).

[9] The mean child-birth age increased from 27.8 to 29.1 years over 2014- 23.

9. The unemployment rate (UR) in Aruba has declined significantly. The overall UR declined steadily from 1960 to 1991 and then fluctuated around 7.5 percent. Most recently, the UR reached historically low values – 4.3 percent in 2022, 4.0 percent in 2023, and 4.3 percent in 2024. The latter was also the case for both female and male unemployment rates. The gender gap in UR also narrowed significantly through 2010, eventually oscillating around zero.

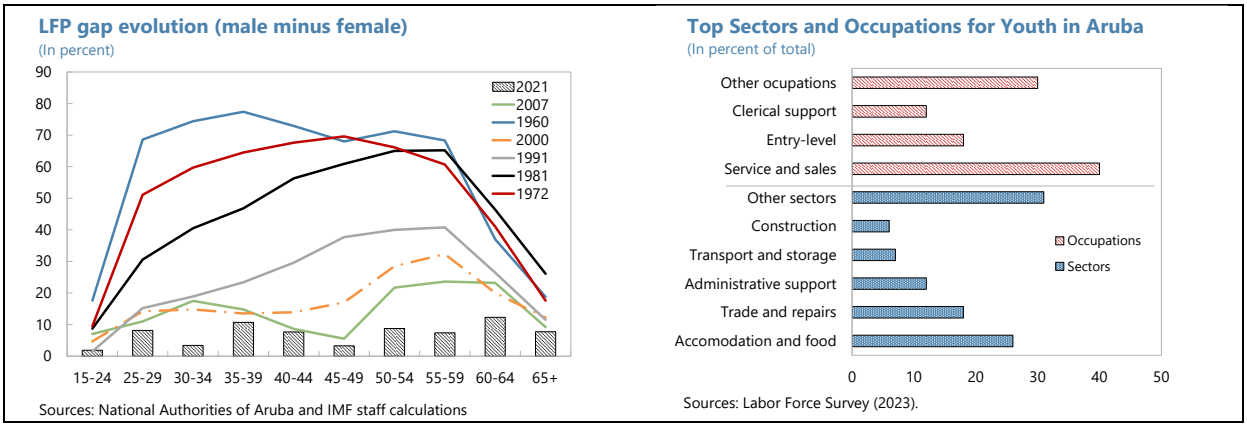


Sources: National authorities and IMF staff calculations.

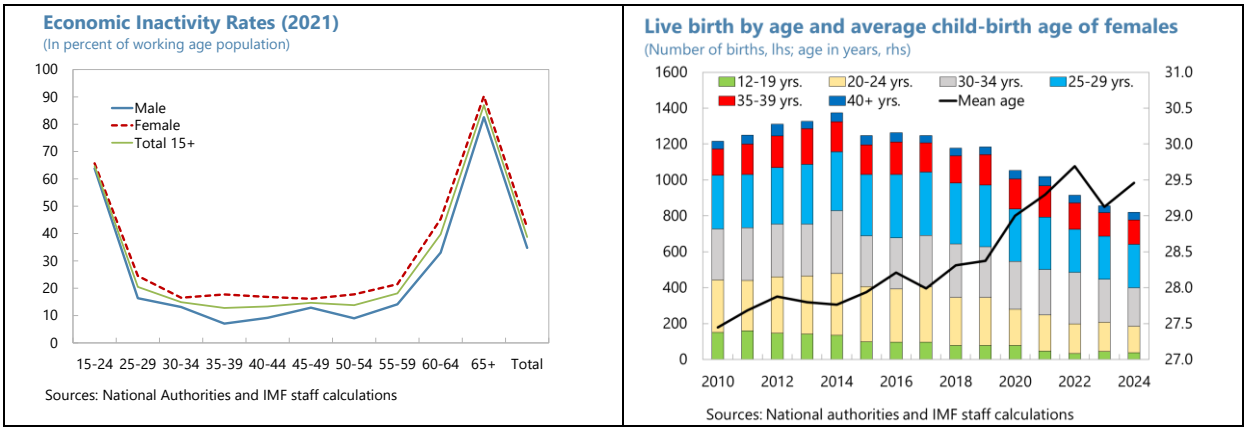
10. Employment rate (ER) declined during pandemic, but it has been recovering since then. The ER registered an increase from 1972 to 2000, driven by a steady increase of female ER. During 2000-2018, the ER for both genders registered a slight decline. In 2019, the ER increased for both genders, reaching the highest levels of the past two decades. However, the ER registered a significant decline during the pandemic and started to recover since 2021. Still, the ER gender gap remains over 9 percent. While inactivity in the labor market has declined from 39.3 percent in 2022 to 37.2 percent in 2023, it is still above pre-pandemic levels.

11. Youth engagement in the labor market has improved. The hospitality sector continues to be a major employment source for youth, followed by trade and repairs, administrative support, logistics, and construction. Top occupations for youth include entry-level, clerical, services, and sales positions. Youth LFP (15-24 years old) increased to 40.2 percent in 2023, from 35.0 percent in 2022. The percentage of young people not active in the labor market, receiving training or education, the so-called NEET rate (Not in Employment, Education, or Training) for 2023 is 7.8 percent. In 2019, it was 10.7 percent, and in 2022 7.4 percent. Youth UR increased from 9.9 percent in 2022 to 11.1 percent in 2023, while remaining below the pandemic peak (25.9 percent in 2020). The top four reasons for this increase in youth UR are: (i) recent entry

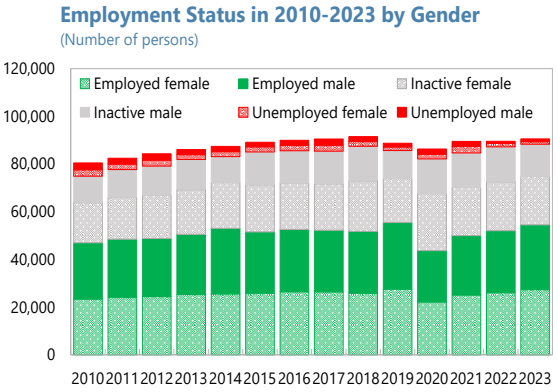
to job market (25 percent), inability to work full-time (13 percent), inability to find a job (10 percent), and lack of required diplomas (6 percent)[10].

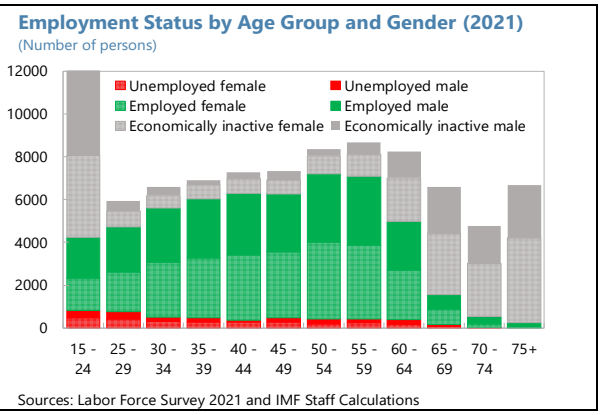


12. Employment status by gender and age provides additional insights on the Aruban labor market. The inactivity rates are consistently higher for females than for males, at all age groups. Before the pandemic, over 2015-2019, male inactivity rate averaged at 32.2 percent, compared to 40.8 percent among women. In 2020, due to the pandemic, inactivity peaked to 40.9 (48.0) percent for men (women). By 2022, the inactivity decreased to 36.5 and 43.3 percent for men and women, respectively. By age cohorts – based on the detailed results of the 2021 LFS – the highest inactivity rates are observed among youth (due to their continued education) and elderly (starting at age of 60). Female inactivity rates are noticeably higher for ages 35-44 and 50-59, which could be due to the child and elderly care roles, or due to the difficulties to re-enter the labor force. The average age of the child-bearing women in Aruba increased over 2010-24, from 27.4 to 29.5 years old, with about a fifth of women giving birth at 35 or older.



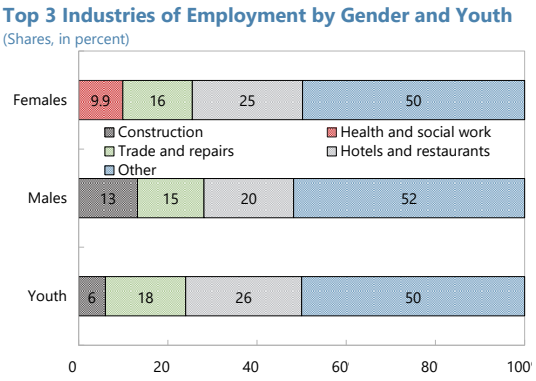
[10] See Results of the Labor Force Survey of 2023 | Government of Aruba

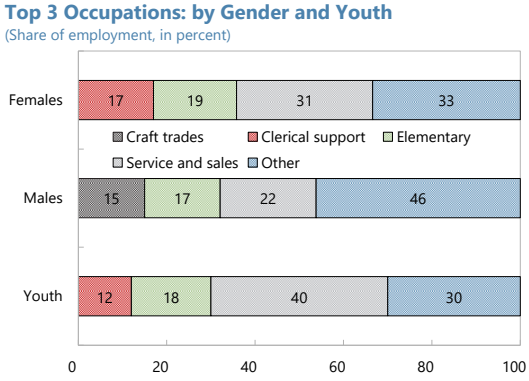


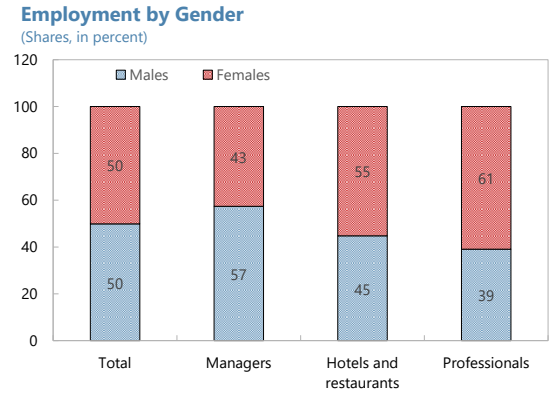


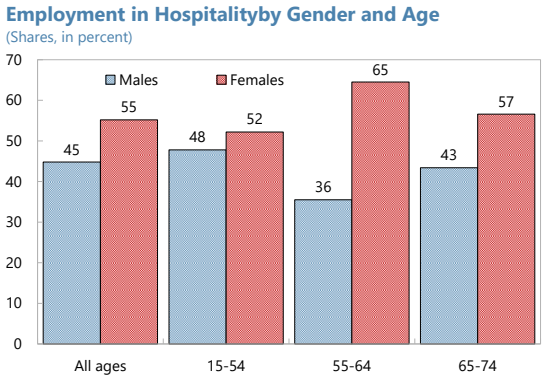
Sources: Labor Force Survey 2021 and IMF Staff Calculations

13. The 2023 Labor Force Survey (LFS) reveals major economic sectors and occupations. Men dominate as managers, while women – in professional and hospitality roles. The "trade and repairs" sector is the second largest employer for both genders, followed by construction for men and "health and social work" for women. Service and sales occupations comprise almost a third of female and over a fifth of male employment. Elementary occupations rank second, followed by craft trades among men.





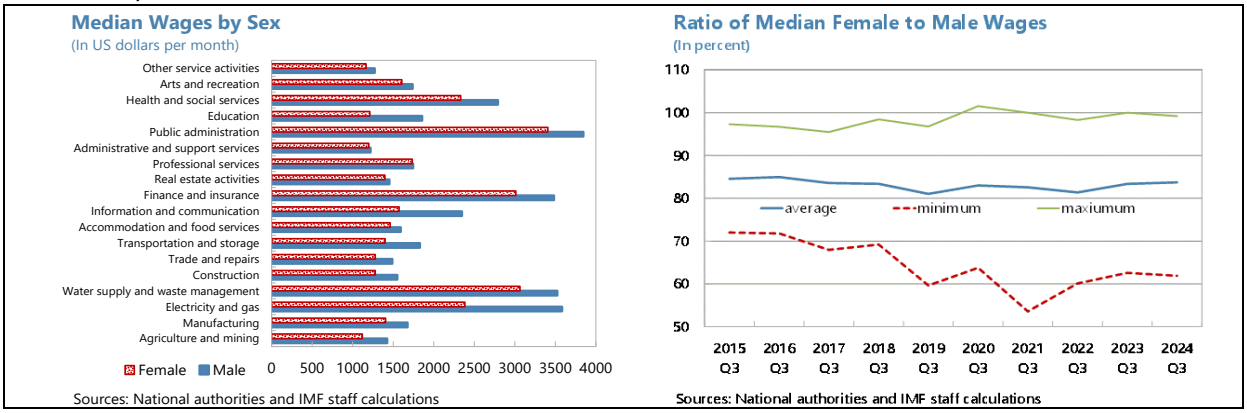




Sources: National authorities and IMF staff calculations.

14. Analysis of the formal sector salaries' data shows heterogeneity by industry and sex. In 2024, monthly minimum wage stood at 1109.61 USD (about 55 percent of average wage) for general employees and

517.68 USD (around 25 percent of average wage) for domestic workers[11]. As of 2024q3, average salary in the formal sector (information from Social Security-SvB) was at 2,623 USD for men and 2,171 USD for women, indicating a wage gap about 17 percent. Education, IT, electricity and gas are sectors with a wage gap over 30 percent, while real estate, professional, administrative services have the best wage parity. The best paying sectors are public administration, finance and insurance, utilities, health and social services.



C. Impact of Demographic Dynamics on the Labor Market and Output

15. To analyze the impact of demographic trends on the labor market and output, first, we produce population projections. We use several scenarios prepared by the United Nations (UN)' World Population Prospects, differing in assumptions about fertility, mortality, and net immigration rate (Table 1). We project gender-age cohorts applying growth rates from each scenario to the 2024 population structure from the CBS and aggregate them into the total and working age population.

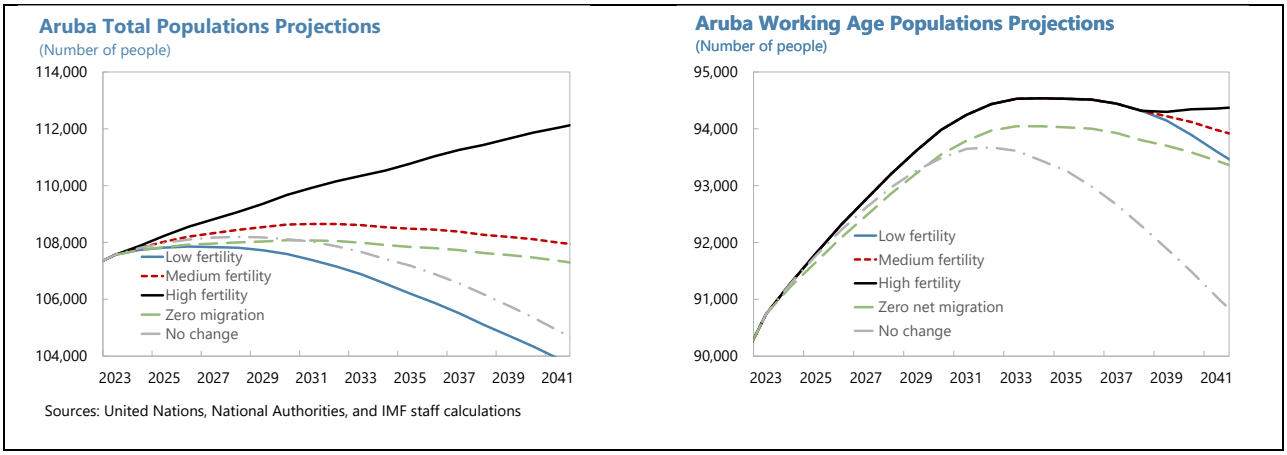
Table 1. Summary of the UN Population Scenarios

Scenarios	Fertility	Mortality	Net migration	Peak of total population	Peak of working age population
Medium	Mean	Mean	Median	2031	2034
High	High	Mean	Median	None	2034
Low	Low	Mean	Median	2028	2034
No change	Constant[11]	Constant	Median	2028	2032
Zero net migration	Mean	Mean	Zero from 2024	2030	2034

16. Most scenarios indicate a future decline in population. In the "no change" scenario, total and working age population would begin declining as early as 2029 and 2032, after peaking in 2028 and 2031, respectively. In the "zero net migration", the peaks would occur in 2030 and 2034. The "low" and "medium" fertility scenarios project the total (working age) population to decline after peaking in 2028 (2034) and 2031 (2034) respectively. The "high fertility" scenario predicts continued growth in total population, with the working age population peaking in 2034 and beginning to decline between 2035-38, with the trend reversal in 2039, as those born in 2024 enter the labor force. Comparing the "no change" and "zero migration" scenarios, the

[11] General employees work in various sectors (public and private) without a specific focus on household or personal services. Domestic employees, provide cleaning, cooking, childcare, and other personal services within a household.

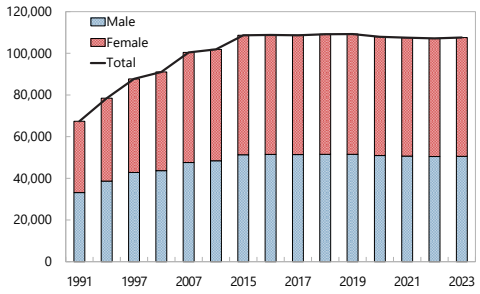
former would result in slightly higher total and working age population sizes through 2029, but the latter would start dominating from 2030 onward due to a modestly positive net migration rate, whereas constant fertility and mortality rates (at 2024 levels) would lead to fast population declines.



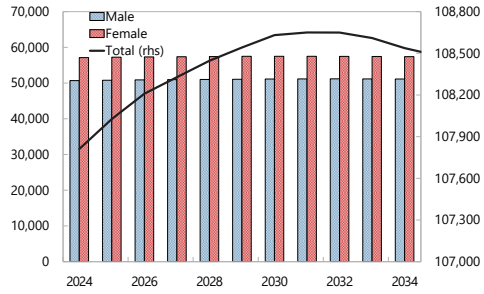
17. Future demographic changes would restrict available labor resources in the baseline scenario. We project labor market indicators using the "medium fertility" population scenario. We assume no change in policies, keeping the LFP rate for each gender at 2023 levels, and applying the UR consistent with the macroeconomic framework. Then, we calculate the labor force size, followed by the numbers of unemployed, employed, and economically inactive.

Figure 1. Aruba: Impact of Potential Demographic Changes

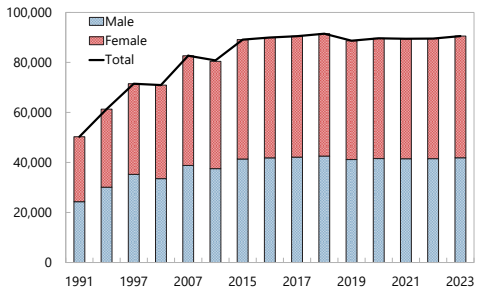
Total Population: Historical Gender Struture
(Number of persons)



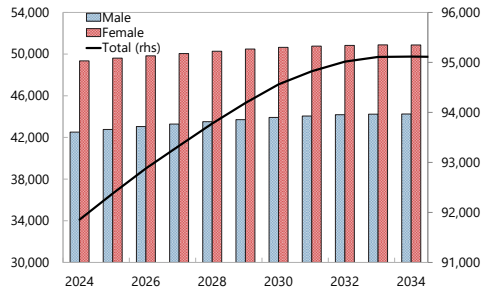
Total Population: Projected Gender Struture
(Number of persons)



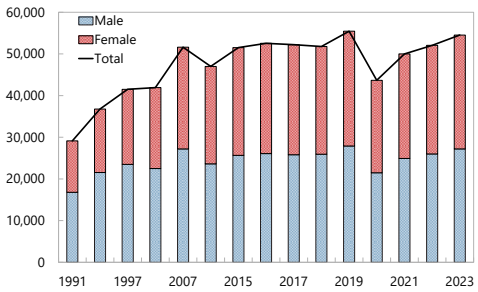
Working Age Population: Historical Gender Structure
(Number of persons)



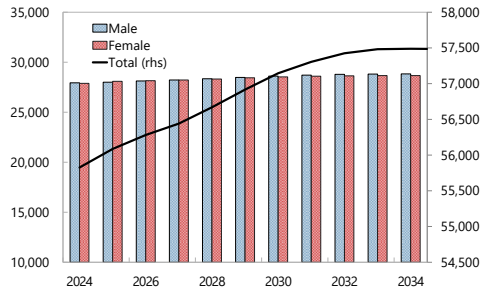
Working Age Population: Projected Gender Structure
(Number of persons)



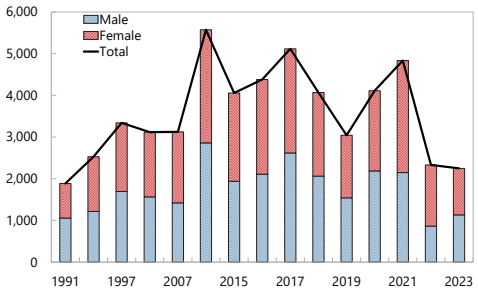
Employment: Historical Gender Structure
(Number of persons)



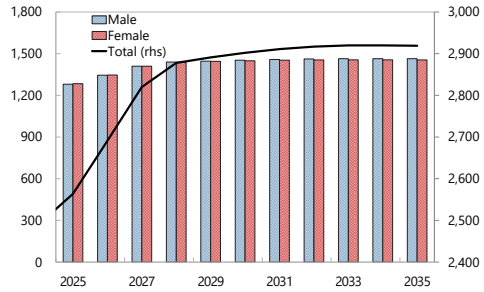
Employment: Projected Gender Struture
(Number of persons)



Unemployment: Historical Gender Structure
(Number of persons)



Unemployment: Projected Gender Structure
(Number of persons)



18. We construct alternative labor market projections and estimate potential employment gains under different counterfactual scenarios:

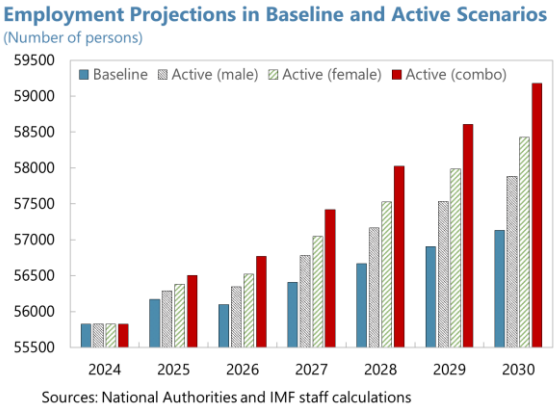
In the baseline scenario, employment growth would slowly decline, becoming flat by 2030. The LFP rate would be unchanged from 2024, at 68.3 percent for males and 59.3 percent for females, implying the gap of 9.0 percent, and 63.5 percent LFP overall. Over 2024-2030, the total number of employed would increase by 1304 persons (679 males and 625 females) or 2.3 percent (2.4 percent for males and 2.2 percent for females), driven by the growth in working age population, all else is given.

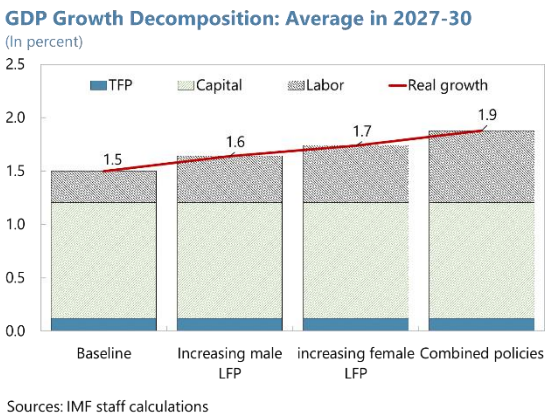
Bringing the female LFP to 62 percent by 2030, to reduce the gap with male LFP by 30 percent. This would require about 0.45 percentage point increase per annum in female LFP. As a result, female employment would increase by an additional 4.8 percent or 1295 persons over 2025-2030, on top of the gains in the baseline. Total employment gain would be 2599 persons or 4.7 percent over 2024-2030, with male employment and female employment growing by 2.4 and 6.9 percent, respectively.

Raising male LFP by 0.3 percent per annum, bringing it to 70.1 percent by 2030. This would increase male employment by 754 persons or 2.7 percentage points over 2024-30, compared to the baseline. Total number of employed would grow by 2058 persons or 3.7 percent over 2024-2030, with 5.1 and 2.3 percent growth for males and females, respectively.

Combining the two policies above, overall LFP would reach 65.8 percent, with the gender gap shrinking to 8.1 percent. As a result, total employment would increase over 2024-2030 by an additional 2728 people, or 2.7 percentage points relative to the baseline). Total employment gain would be 2728 persons or 6.0 percent over 2024-2030, with male and female employment growing by 5.1 and 6.9 percent, respectively.

19. Increasing LFP would help to raise economic growth. Under the baseline scenario, labor would contribute to GDP growth by about 0.4 percent. Assuming the same baseline projections for capital and total factor productivity (TFP), the individual counterfactual scenarios aiming at increasing LFP for men would increase medium-term growth by additional 0.14 percentage points of GDP relative to the baseline, while boosting female LFP could add another 0.24 percent of GDP growth. The combined scenario would increase medium-term output by 0.38 percentage points by 2030.





D. Policy Options

20. Falling fertility rates and an aging population are reshaping the ratio of those who work to those who depend on them. This shift implies that, all else being equal, economic growth in the future will likely be lower due to the anticipated reduced contribution from the working-age population. Moreover, the aging demographic presents challenges in providing adequate healthcare and support for the elderly, as well as in maintaining the sustainability of current social insurance schemes.

21. Policies to encourage labor supply and reduce labor market frictions need to be considered to increase LFP and facilitate resource allocation. Expanding access to formal labor markets through more integrated approaches and deepening active labor market policies would be important to incentivize labor participation and/or reduce unemployment rates, especially among the vulnerable populations. Establishing an online job database, job search assistance (CV advice, interview preparation), vocational training[12] and internship programs, creating a center for job seekers to receive personalized job matching services, CV preparation advice, and interview preparation, and digital skills training would be important steps. Given that skill mismatches appear to be a key obstacle for effectively integrating young people into the labor force, providing vocational training or other short-cycle programs can help integrate both inactive and unemployed into the labor force by equipping them with job-ready skills in a short time. Investing in retraining and reskilling will support labor reallocation to new sectors and enhance long-term employability, with a focus on embedding digital skills, entrepreneurship competencies and financial education in the national education system. Promoting youth and female entrepreneurship could help job creation. Given the relatively low level of tertiary education participation, improving educational outcomes may also be important in responding to the demographic transition (CBA, 2024). Flexible work options backed by unemployment insurance could enhance the Aruban business and investment climate. Given the aging work force, programs that encourage older workers to remain in or re-enter the workforce can improve LFP among the older age cohorts.

22. To increase female LFP, policies that improve the availability and affordability of childcare and elderly care, within the limits of the fiscal rule, and mitigate asymmetries in parental benefits may reduce

[12] *Enseñansa pa Empleo* (Education for Employment), founded in 1988, offers a range of courses aimed at enhancing labor market knowledge and opportunities, including computer skills, labor law, and various vocational programs.

constraints for some women. More flexible work arrangements that allow work patterns to adapt to family needs (consideration could be given to flexible parental leave) would also facilitate participation (Ahn and others 2019) and contribute to formalizing work (Samaniego de la Parra and others 2024). Also, policies that encourage the involvement of women in careers for which skill shortages are more acute, such as STEM careers, can increase the returns of education for women and might have a substantial impact on female labor participation by making working outside the home more profitable (Berniell and others 2024). School curriculum and job centers can also promote female entrepreneurship and financial literacy.

23. Integration of migrants could further boost Aruba's labor force and contribute to the solvency of its social security and healthcare programs. Allowing young, skilled immigrants to fill vacancies could raise contributions to social security and healthcare programs. The ongoing formalization of undocumented migrants already in Aruba will contribute to strengthen the labor market. To encourage formal participation in the labor market, the social insurance system could consider offering migrants (or returning Arubans) the right to repurchase lost years between ages 15 and the pension age or require a minimum of paid in taxes to be eligible for the program.

Annex I. Data Sources and Methodological Notes

Table 1. Aruba: Definitions used by the International Labor Organization (ILO)

Concept	Formula according to ILO (2023)
Working Age Population	Total population aged fifteen years and older.
Labor Force	Labor Force = Employed + Unemployed
Employed	Total number of people who are engaged in productive activities for pay or profit.
Unemployed	Total number of people who are actively seeking work but are not currently employed.
Unemployment Rate (UR)	UR = (Unemployed / Labor Force) × 100
Employment Rate (ER)	ER = (Employed / Working Age Population) × 100
Labor Force Participation Rate (LFP)	LFP Rate = (Labor Force / Working Age Population) × 100
Inactive Population	Inactive=WAP-LF
Inactive Population Rate	Inactive Population Rate = (Inactive Population / Working Age Population) × 100

[1] ILO. (2023). Concepts and definitions in labor statistics. Retrieved from https://ilostat.ilo.org/methods/concepts-and-definitions/
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[4] CBA_Key-labor-indicators-1960-2023: ER, UR, LFP, inactivity rates for 1960, 1972 ,1981, 1991, 2000, 2010, 2015-18*, 2019**, 2020, 2021-23*
[5] Labor Force Survey 1997
[6] Developments of Aruba's Labor Force (2015)
[7] DAO Highlights Youth Employment Data
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[9] CBS …Population-by-age-category-and-sex-1991-2024-3rd-QTR.xlsx
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[10]Centrale Bank van Aruba. Annual statistics digest (2023)
[11] Aruba AW: Unemployment: National Estimate: Female: % of Female Labour Force | Economic Indicators | CEIC.
[12] Aruba AW: Labour Force Participation Rate: National Estimate: Female: % of Female Population Aged 15+ | Economic Indicators | CEIC.
[13] Census 2010 – Central Bureau of Statistics.

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