

# The South African Generational Economy: NTA and Inequality

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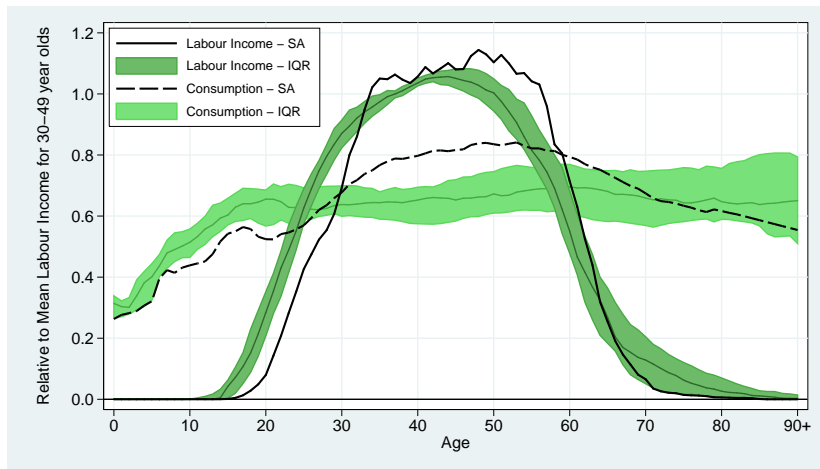
# National Transfer Accounts (NTA)

NTA flow identity:

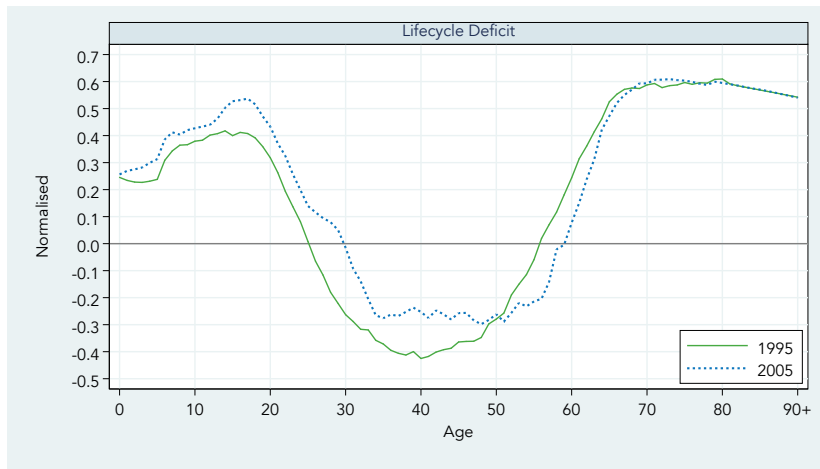
$$\underbrace{C(\mathbf{x}) - Y^l(\mathbf{x})}_{\text{Lifecycle Deficit}} = \underbrace{\tau^+(\mathbf{x}) - \tau^-(\mathbf{x})}_{\text{Net Transfers}} + \underbrace{Y^A(\mathbf{x}) - S(\mathbf{x})}_{\text{Asset-based Reallocations}}$$

- ▶ Inflows equal outflows: for all individuals, for all age-groups, in aggregate
- ▶ Shapes from survey data; levels from national accounts, administrative data
- ▶ For consumption, transfers: private, public
- ▶ Means across all individuals within cohorts

# Labour Income and Consumption, 2005



# The Lifecycle Deficit, 1995 and 2005



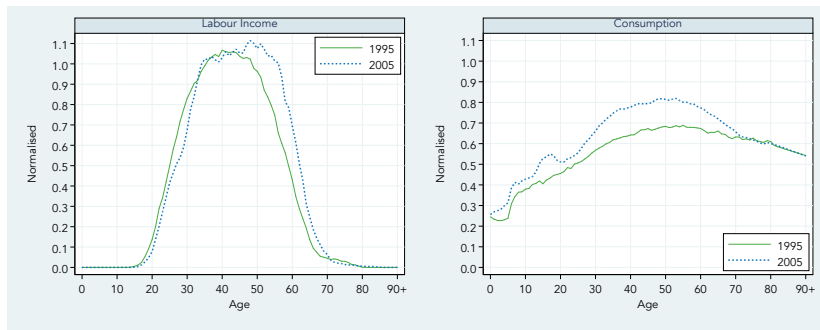
# The Lifecycle Deficit, 1995 and 2005

Three key features:

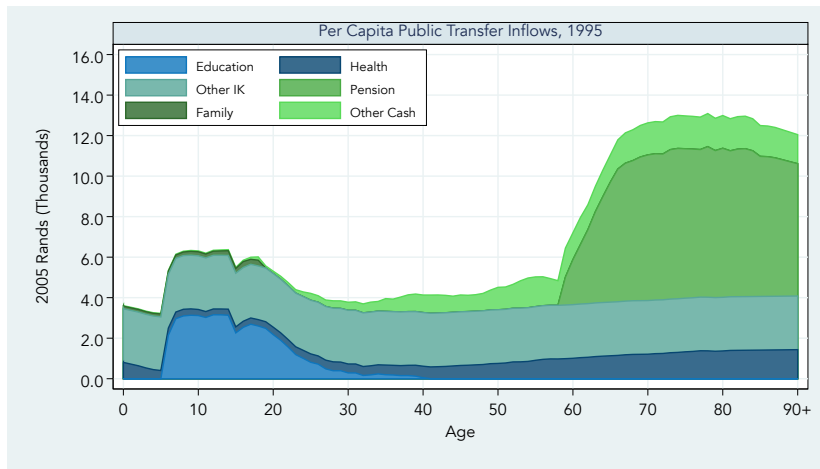
- ▶ Transition to surplus occurs later in 2005; surplus period unchanged at 30 years
- ▶ Flattening of peak surplus, related to flatter labour income curve in 2005
- ▶ Higher deficit for younger cohorts in 2005, but little change in post-retirement cohorts

# The Lifecycle Deficit, 1995 and 2005

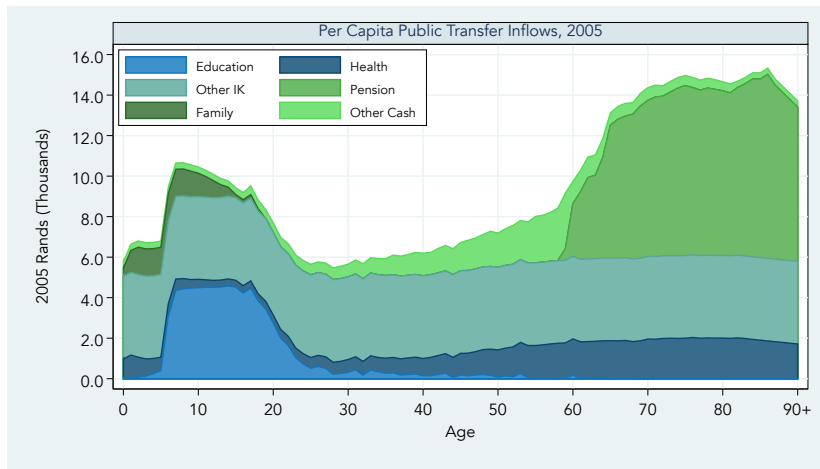
Changes in LCD driven by rightward shift of labour income profile, raised consumption for cohorts under 70



# Public Transfer Inflows, 1995



# Public Transfer Inflows, 2005





# Financing Consumption

	Total	0-19 years	20-29 years	30-49 years	50-64 years	65+ years
1995						
Labour Income	78.3	2.5	88.9	157.5	96.5	8.2
Transfers	-0.6	100.1	9.6	-89.0	-68.2	-11.3
...Public Transfers	-0.5	31.6	-3.5	-24.4	-23.9	-2.1
...Private Transfers	-0.1	68.5	13.1	-64.6	-44.3	-9.2
Asset-Based Realloc.	22.3	-2.6	1.5	31.5	71.7	103.1
2005						
Labour Income	70.5	1.2	61.2	130.0	111.4	12.3
Transfers	-2.5	96.8	27.5	-72.6	-80.2	-24.6
...Public Transfers	-2.0	41.3	1.4	-29.6	-34.2	-0.9
...Private Transfers	-0.4	55.6	26.0	-43.0	-46.0	-23.7
Asset-Based Realloc.	32.0	2.0	11.4	42.6	68.9	112.3

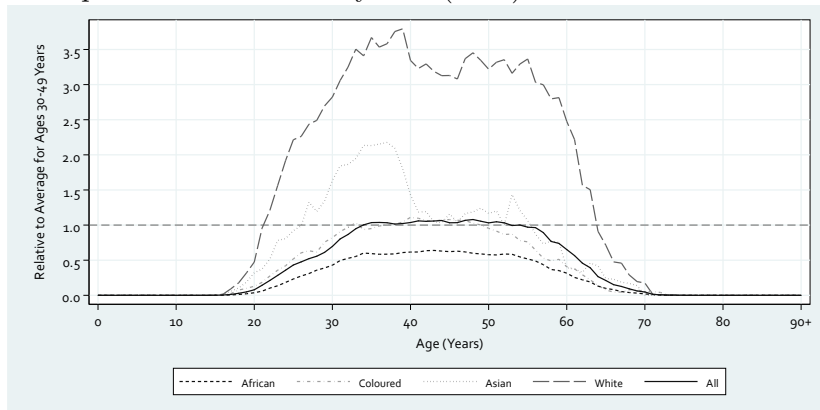
# NTA and Inequality

- ▶ NTA focuses on age: age-based ‘inequalities’ at a given point in time; repeated cross-sections can reveal lifetime inequalities between different cohorts
- ▶ But inequality represents a challenge for NTA estimates:
  - ▶ NTA for total population/economy
  - ▶ NTA is calculated using means (and medians do not work), so ‘strange’ results
  - ▶ Implications for projected fiscal support ratios if demography is correlated with age

New research into sub-group NTAs: race (SA), socioeconomic status (Latin America), geography (China), gender (global)

# NTA and Inequality

Example: Labour income by race (2005)



# NTA and Inequality

## Example: Labour income by gender (1995)

