

# **NTA in Russia. Current situation and projections**

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# Lifecycle deficit in Russia: Current (2013) situation

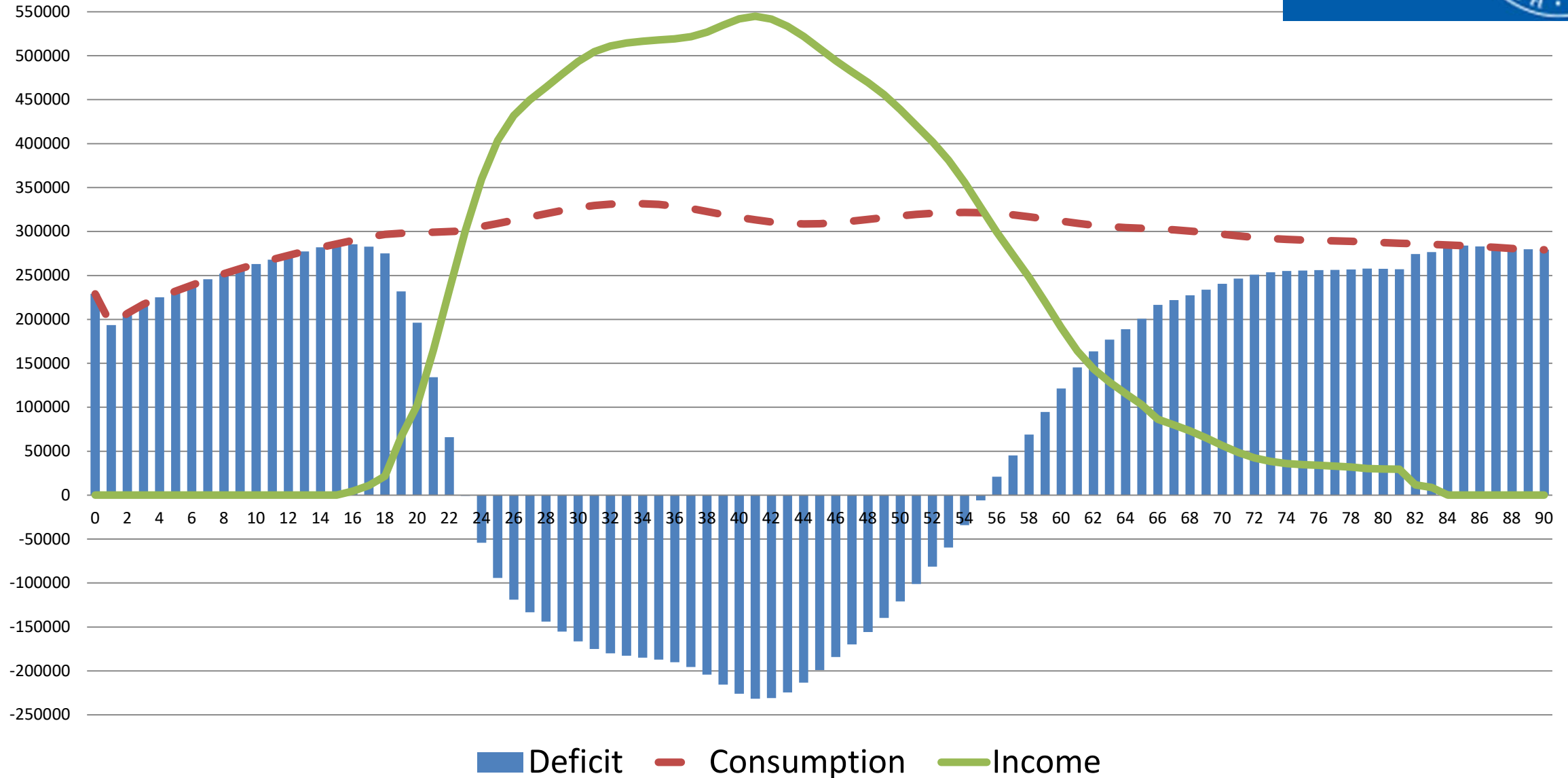
# Sources of information for NTA construction



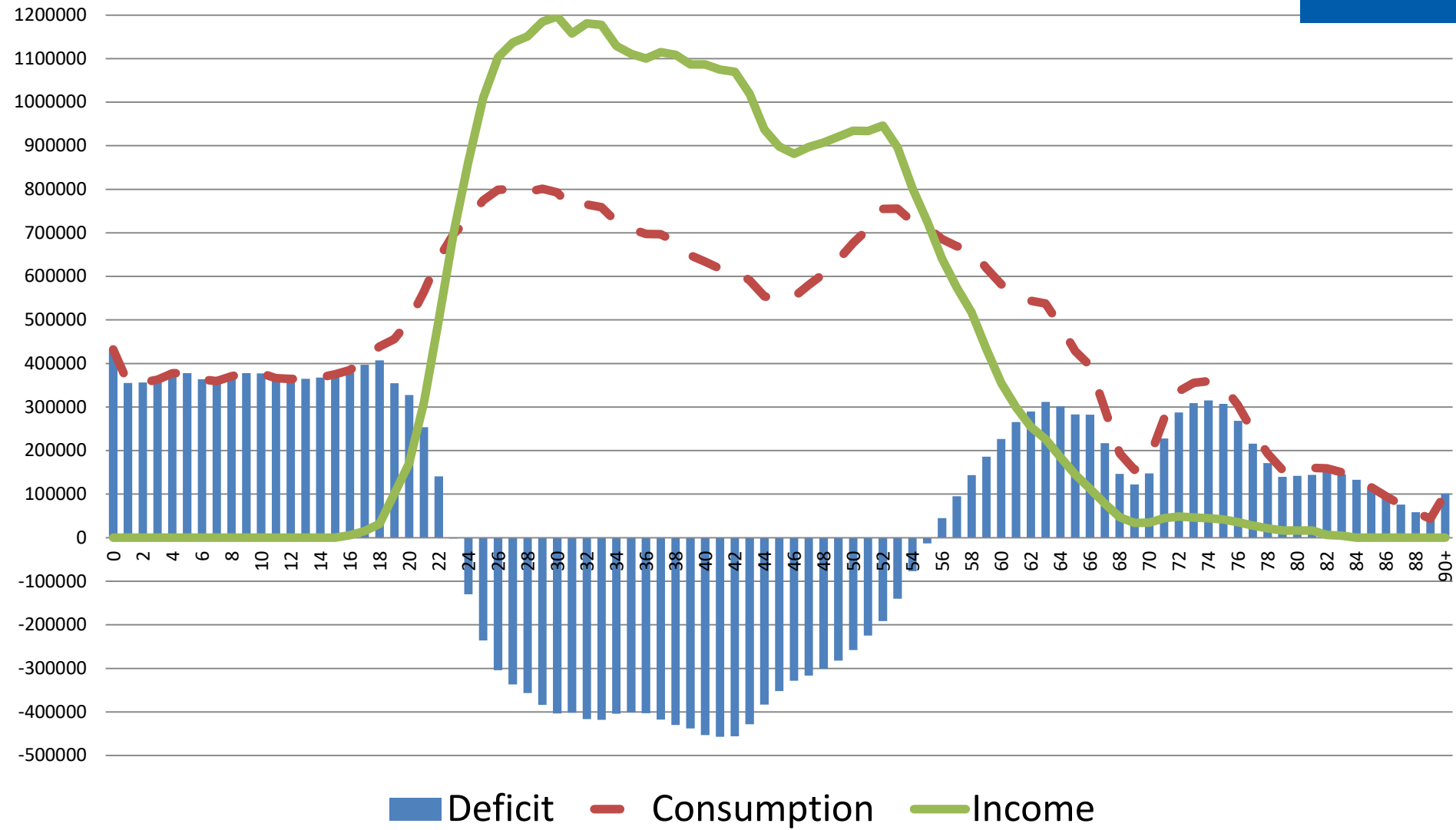
- **SNA (System of National accounts)** as macro level controllers  
*!! Floating to the international standards*
- **Household surveys:**
  - RLMS (semi-longitudinal) for the dynamics,
  - For recent years, Rosstat Social Programmes Participation surveys, education market observation and financial behaviour observation
- **Administrative data:** Federal budget, Treasury, Medical Insurance Fund; Some not available annually
- **Demographic projections**

# Annual Lifecycle deficit per capita, 2013 (RUB)

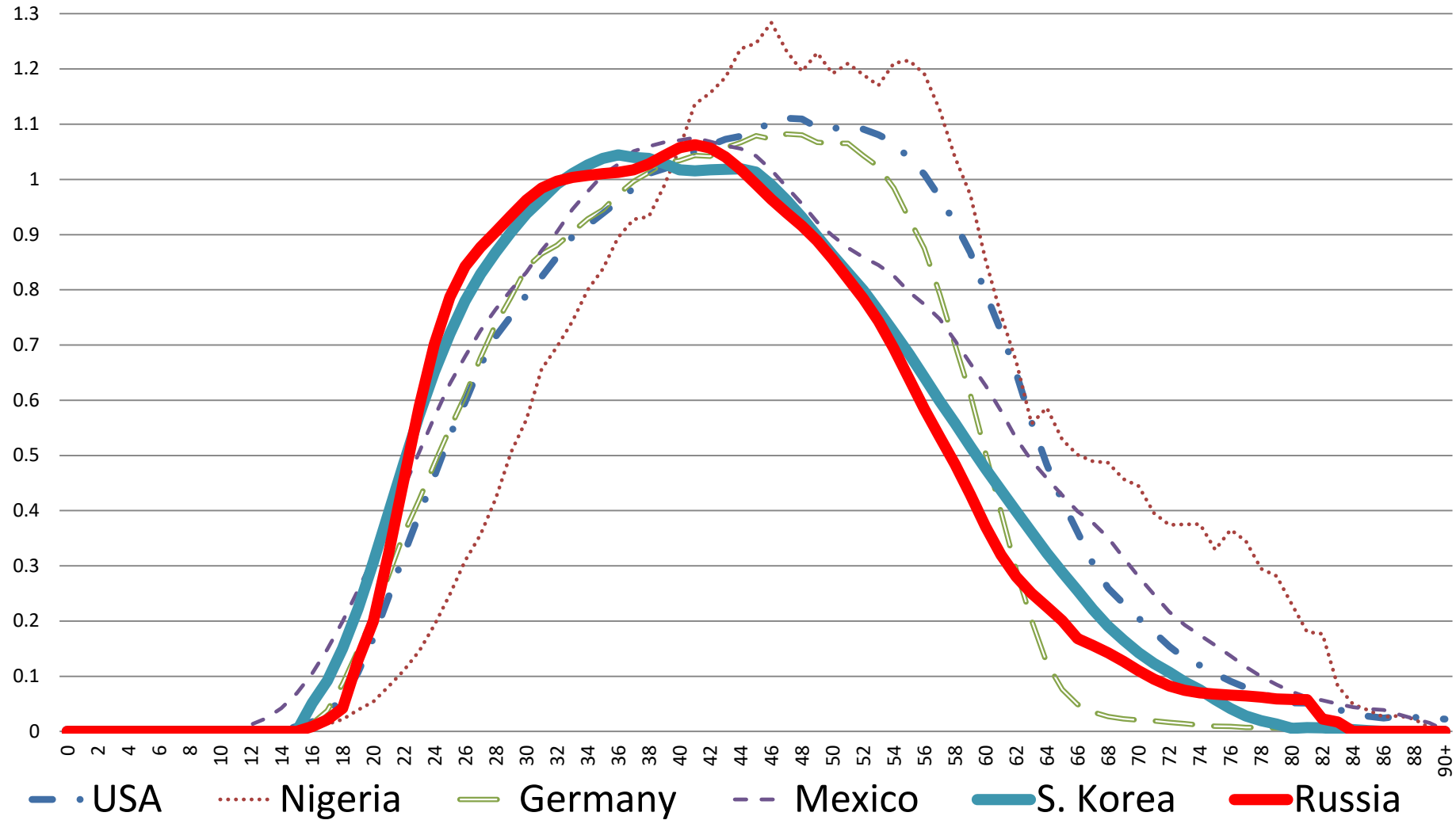
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# Annual Lifecycle deficit, 2013 (mln. RUB)



# Normalized labour income ([30-49] = 1) by different countries (2003-2013 гг.)

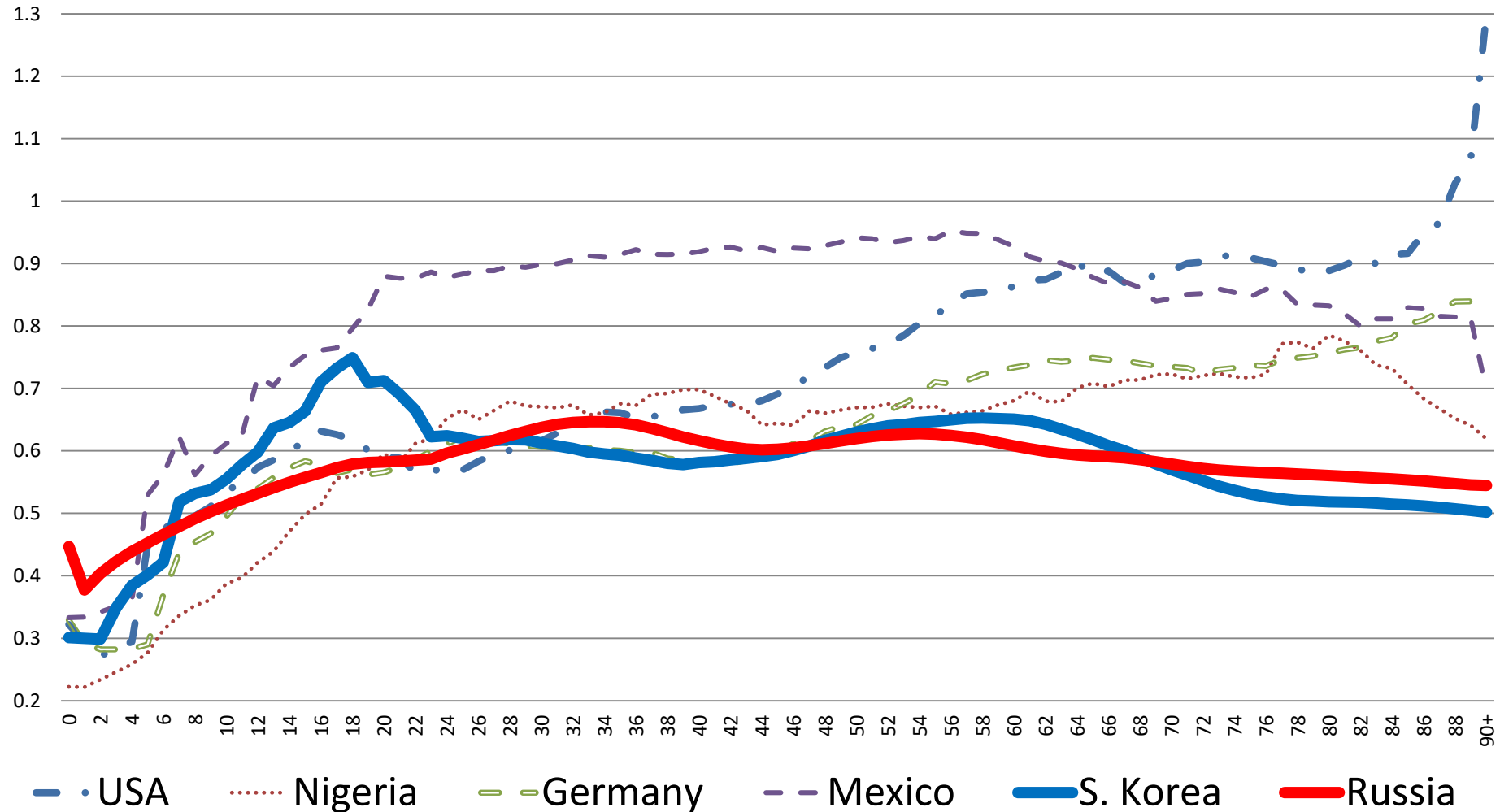


# Age of “net supporters”

Country (year)	Lowest	Highest
USA (2003)	25	60
Nigeria (2004)	31	62
Germany (2010)	27	57
Mexico (2003)	32	49
S. Korea (2000)	23	56
S. Korea (2010)	27	55
<b>Russia (2013)</b>	<b>22</b>	<b>56</b>

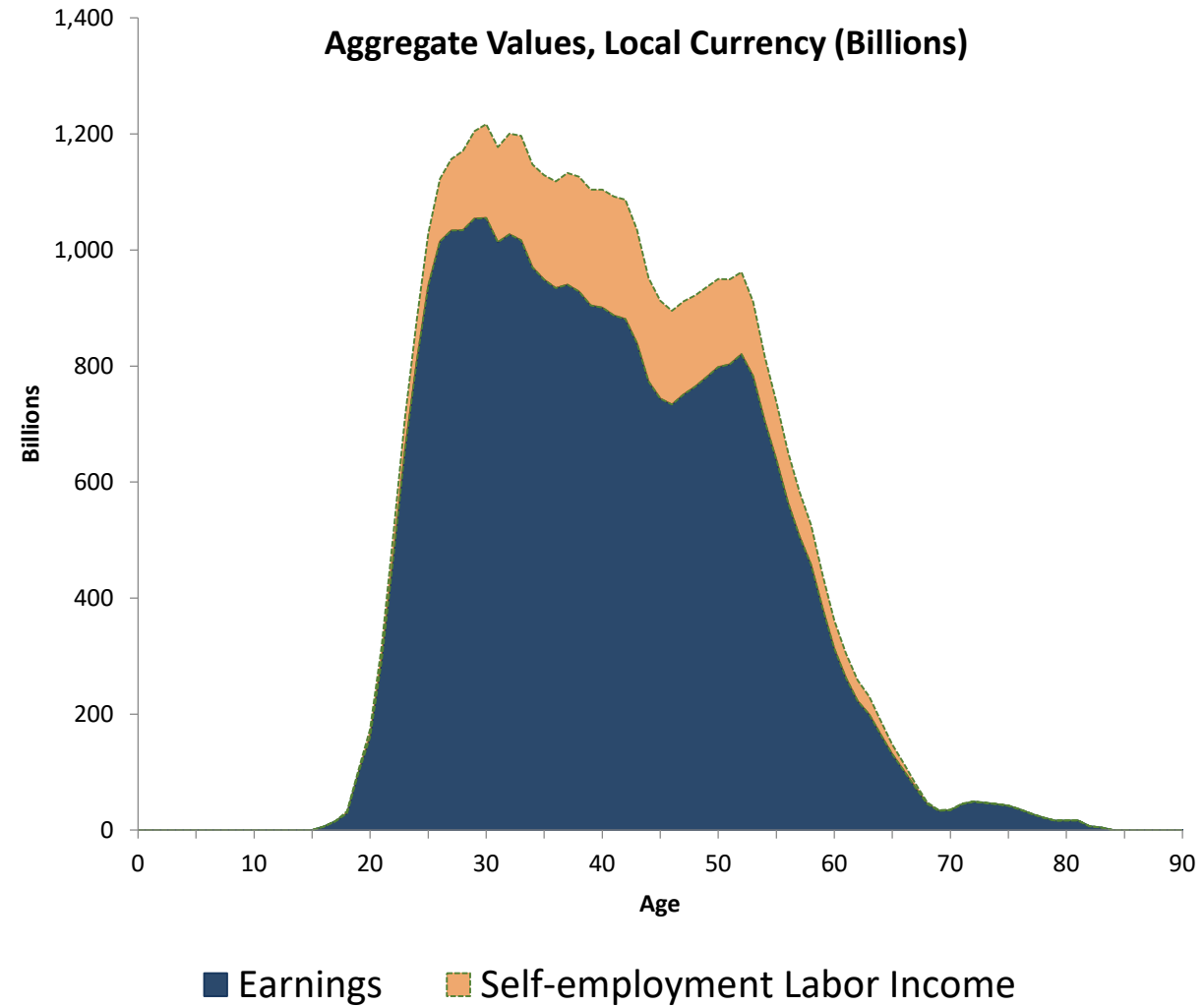
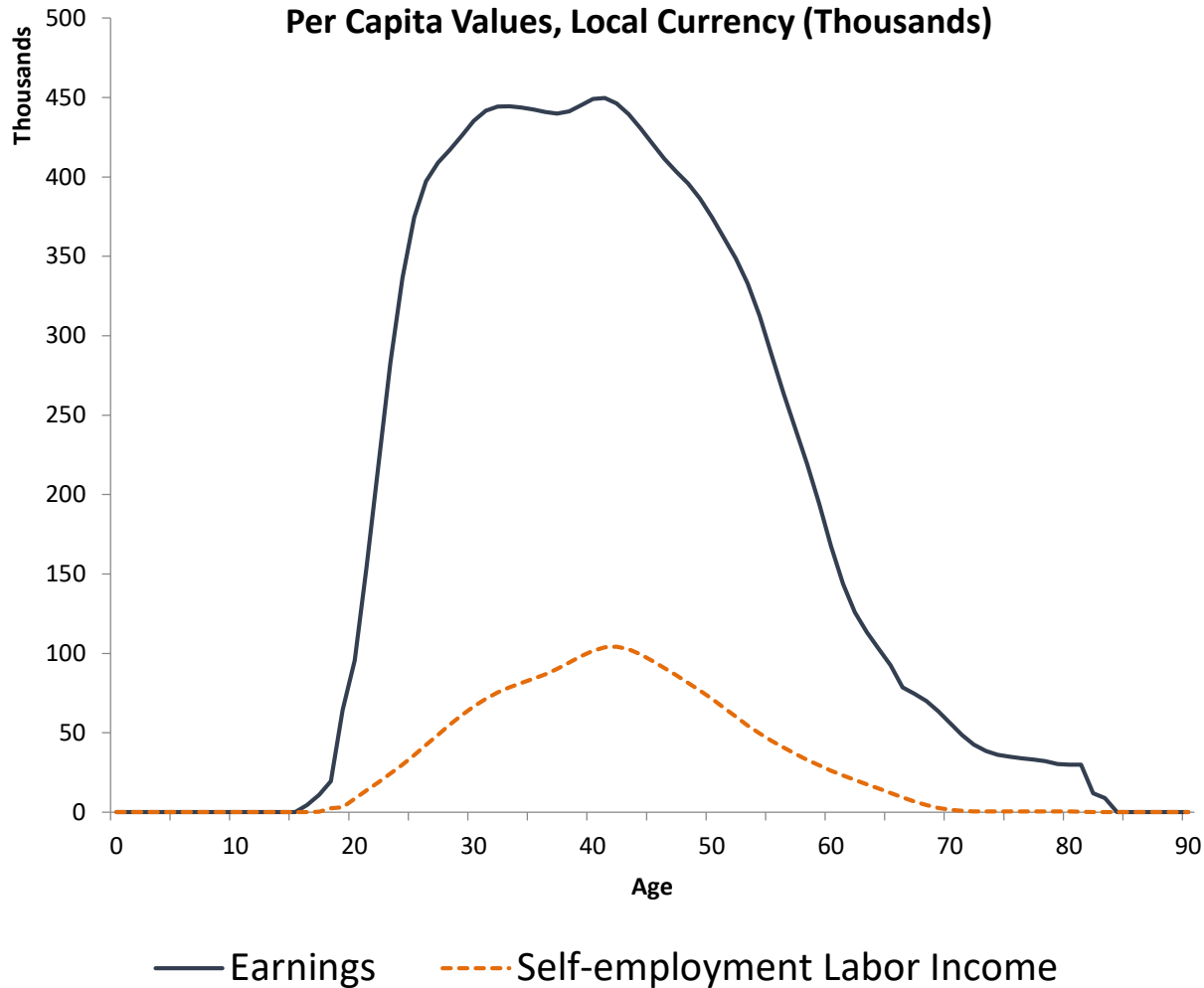
Source: [www.ntaccounts.org](http://www.ntaccounts.org) NTA Data

# Normalized consumption ([30-49] = 1) by different countries (2003-2013 гг.)

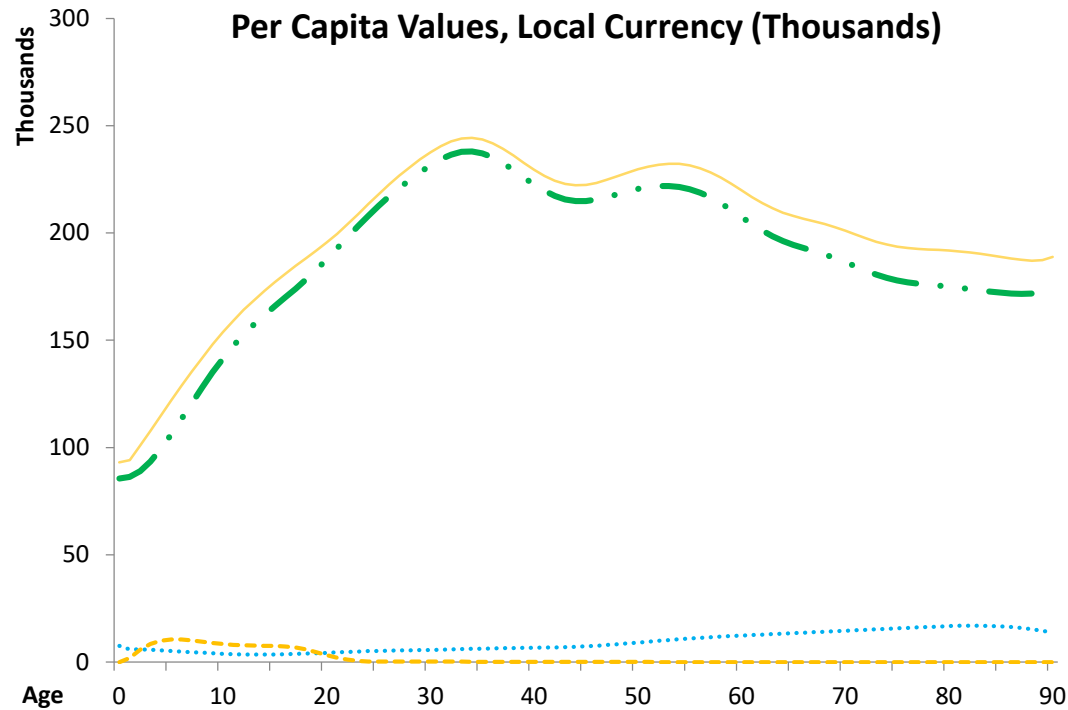




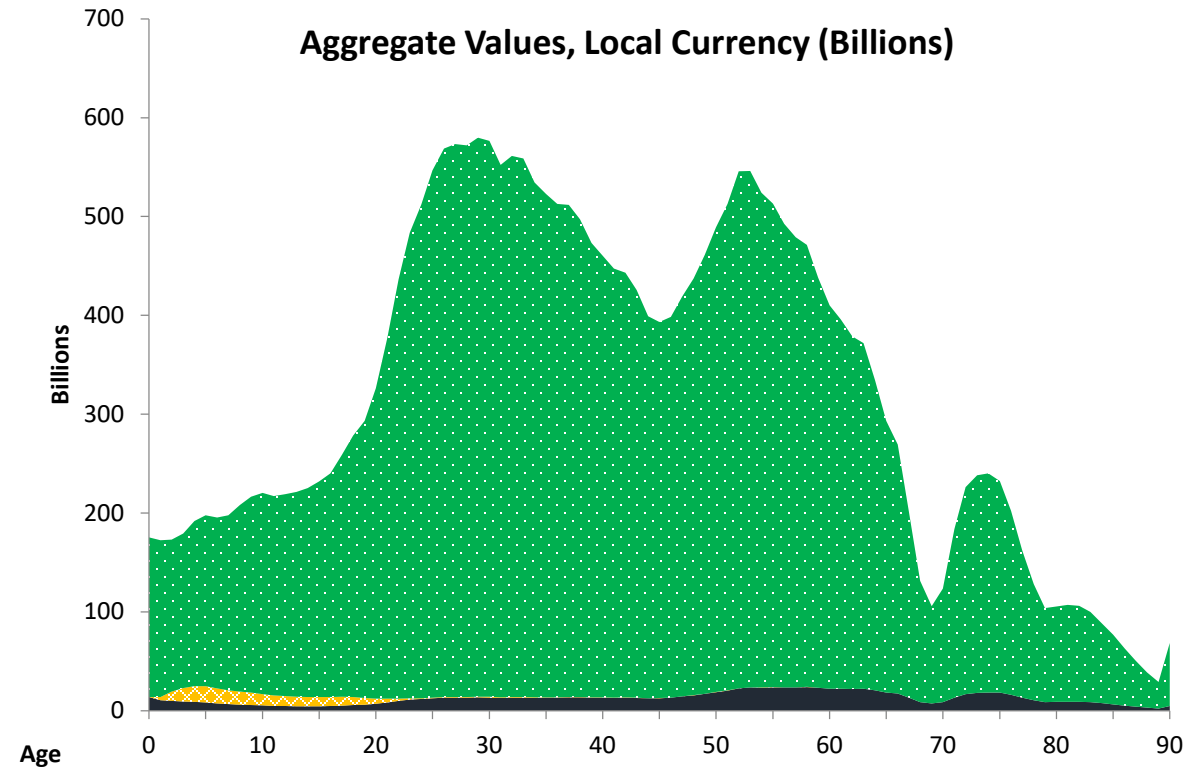
# Labour income structure



# Consumption structure (private)

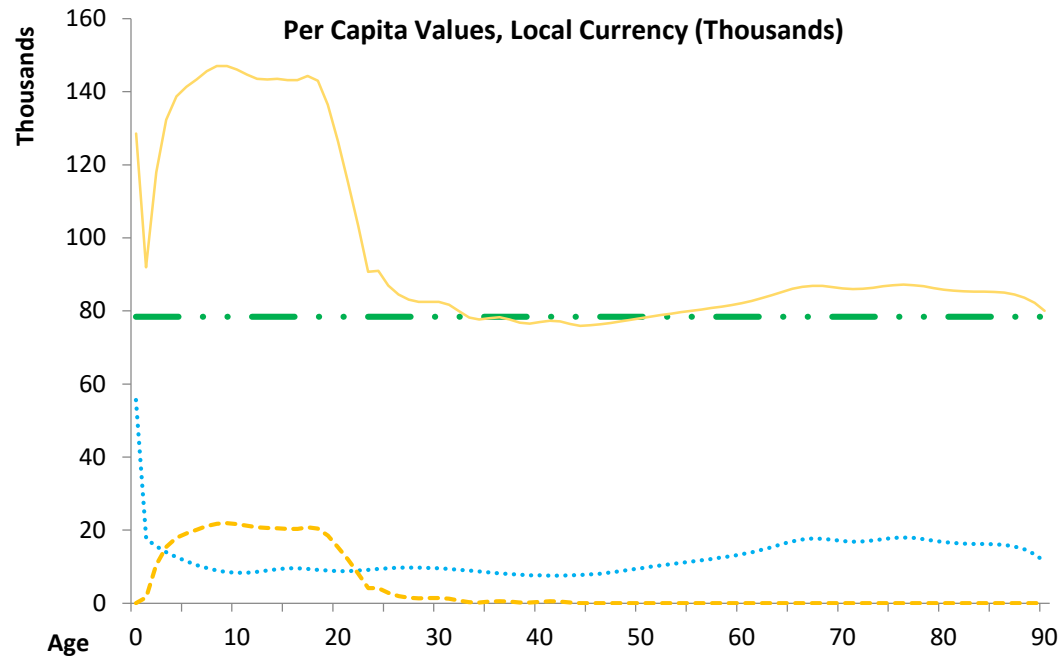


- ..... Private Consumption, Health
- - - Private Consumption, Education
- · - Private Consumption, Other than health and education
- Private Consumption

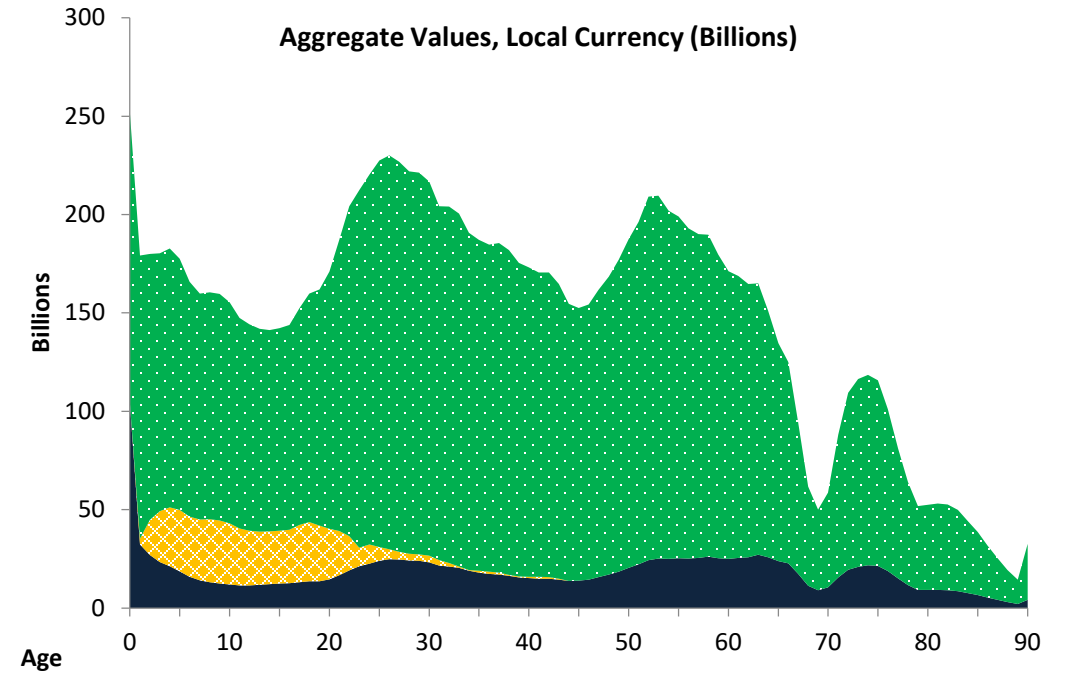


- Private Consumption, Other than health and education
- Private Consumption, Education
- Private Consumption, Health

# Consumption structure (public)



- ..... Public Consumption, Health
- - - - Public Consumption, Education
- ..... Public Consumption, Other than health and education
- ..... Public Consumption



- Public Consumption, Other than health and education
- ▨ Public Consumption, Education
- Public Consumption, Health

# Characteristics of the Russia lifecycle deficit



- Relatively “young” income profile
- Low consumption at older ages
- Relatively low entrepreneurial activity concentrated at middle working ages
- High public consumption

# Income and Consumption by aggregated age groups (2013)

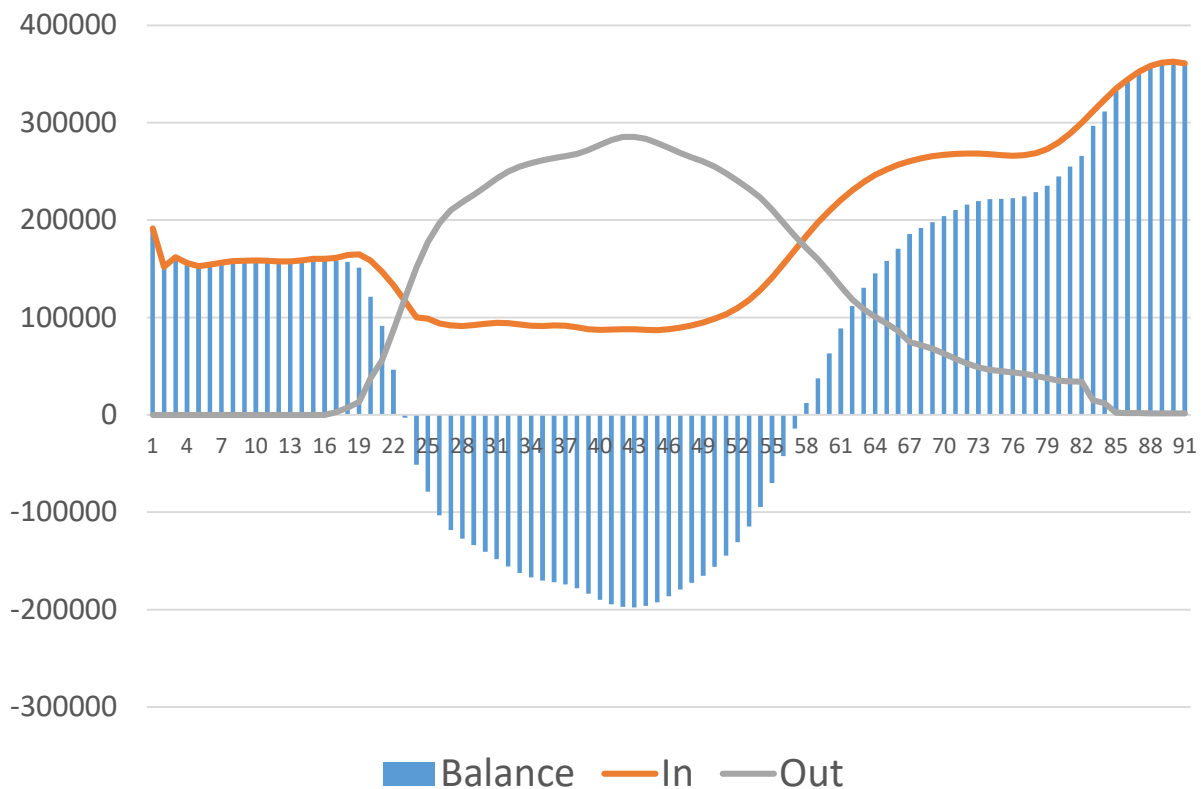
	All	0-19	20-64	65+
<b>Total (annual, bln. RUB)</b>				
Deficit	3 473	8 303	-9 282	4 452
Consumption	43 010	8 460	29 259	5 290
Income	39536	157	38 541	838
<b>Per capita (annual, RUB)</b>				
Deficit	24 203	275 335	-98 063	238 047
Consumption	299 706	280 553	309 137	282 854
Income	275 502	5 219	407 201	44 807

# Transfers covering the deficit: Russia 2013

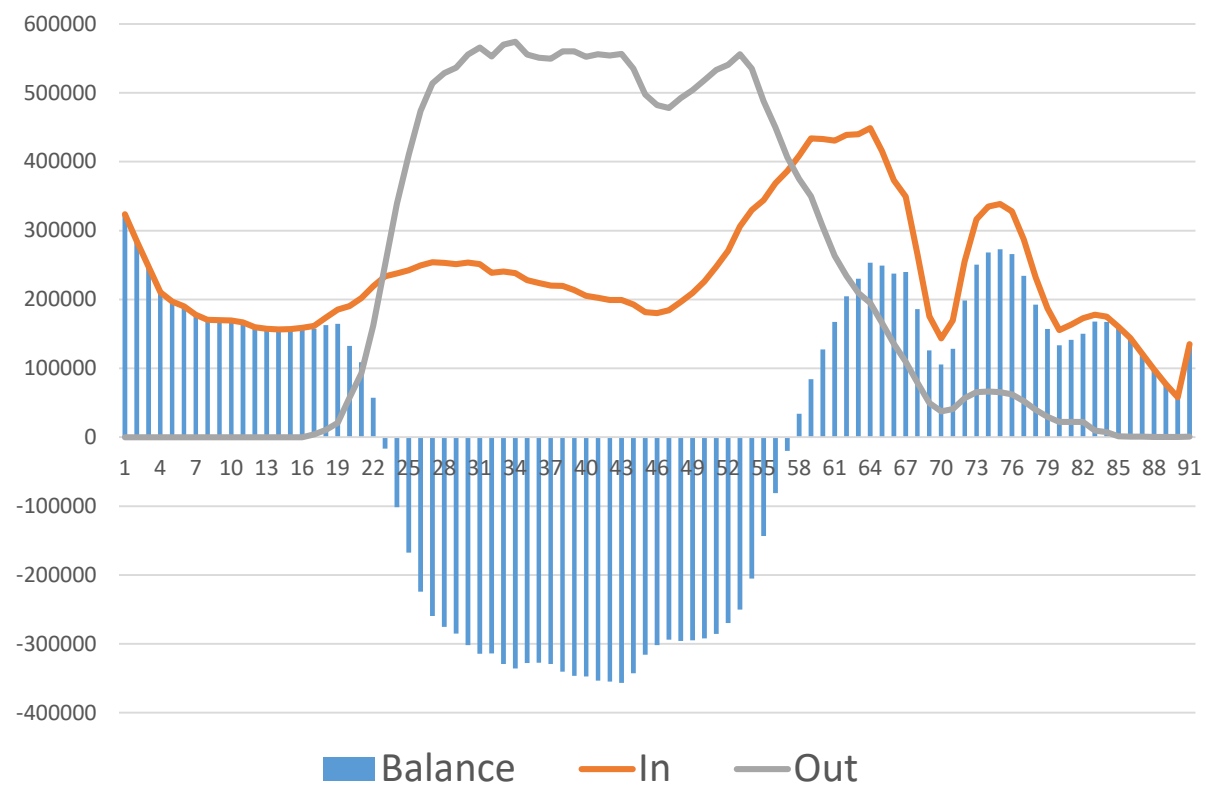
# Public transfers



### Per capita, RUB



### Total, mln. RUB

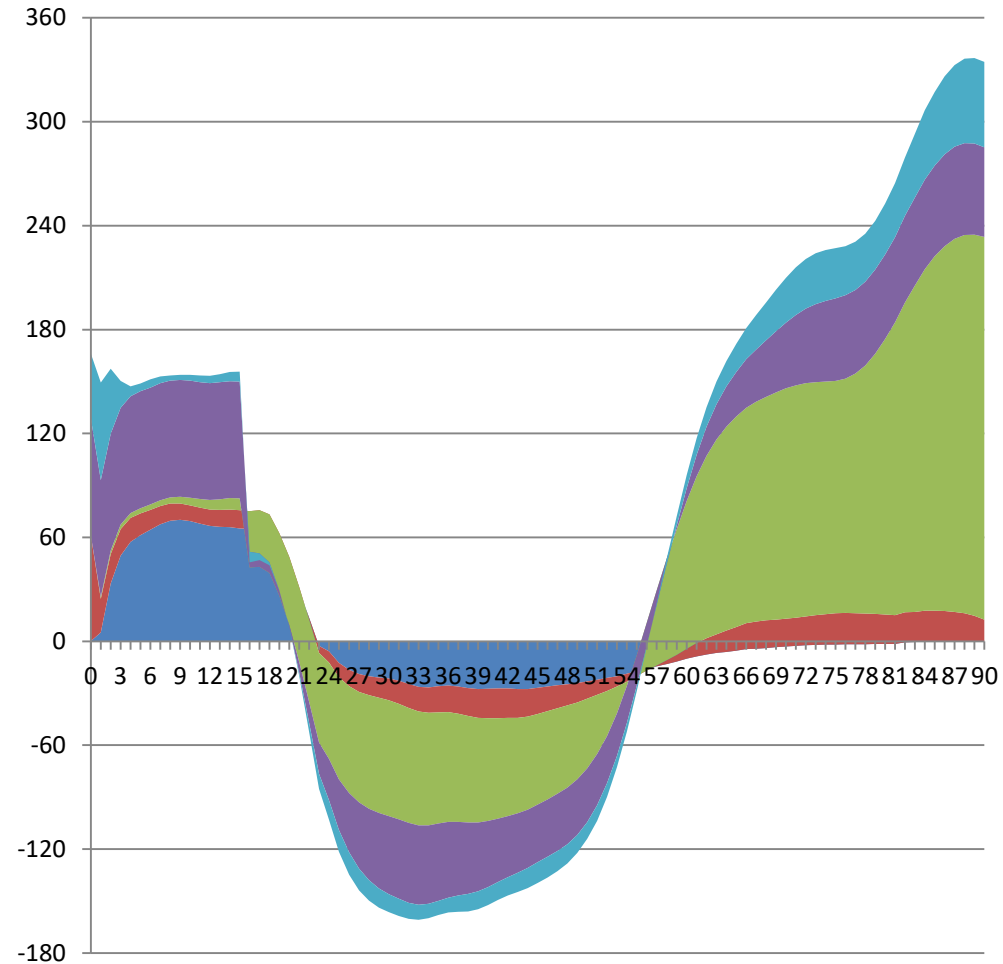


# Public transfers, by main category

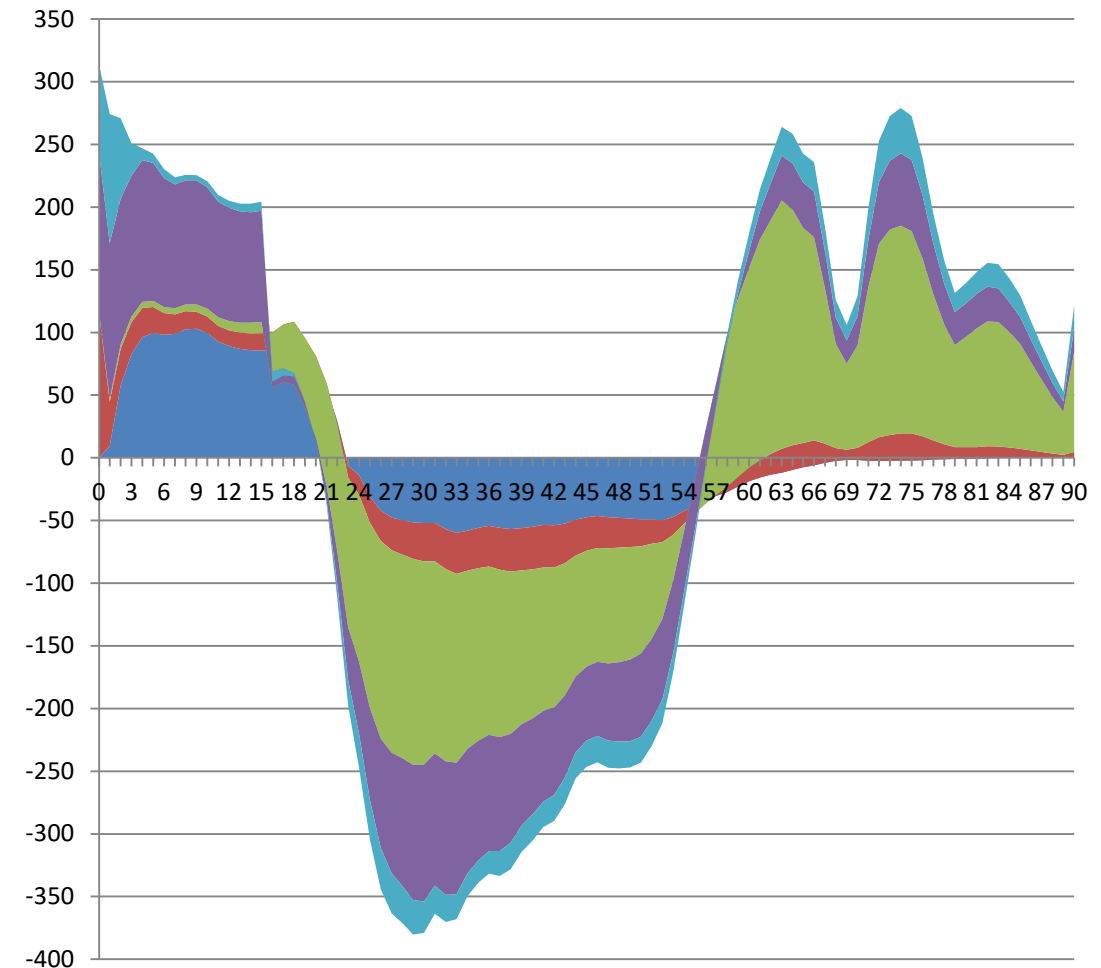


Per capita, th. RUB

Total, bln. RUB



- Others (in cash)
- Others (in kind)
- Pensions
- Health
- Education





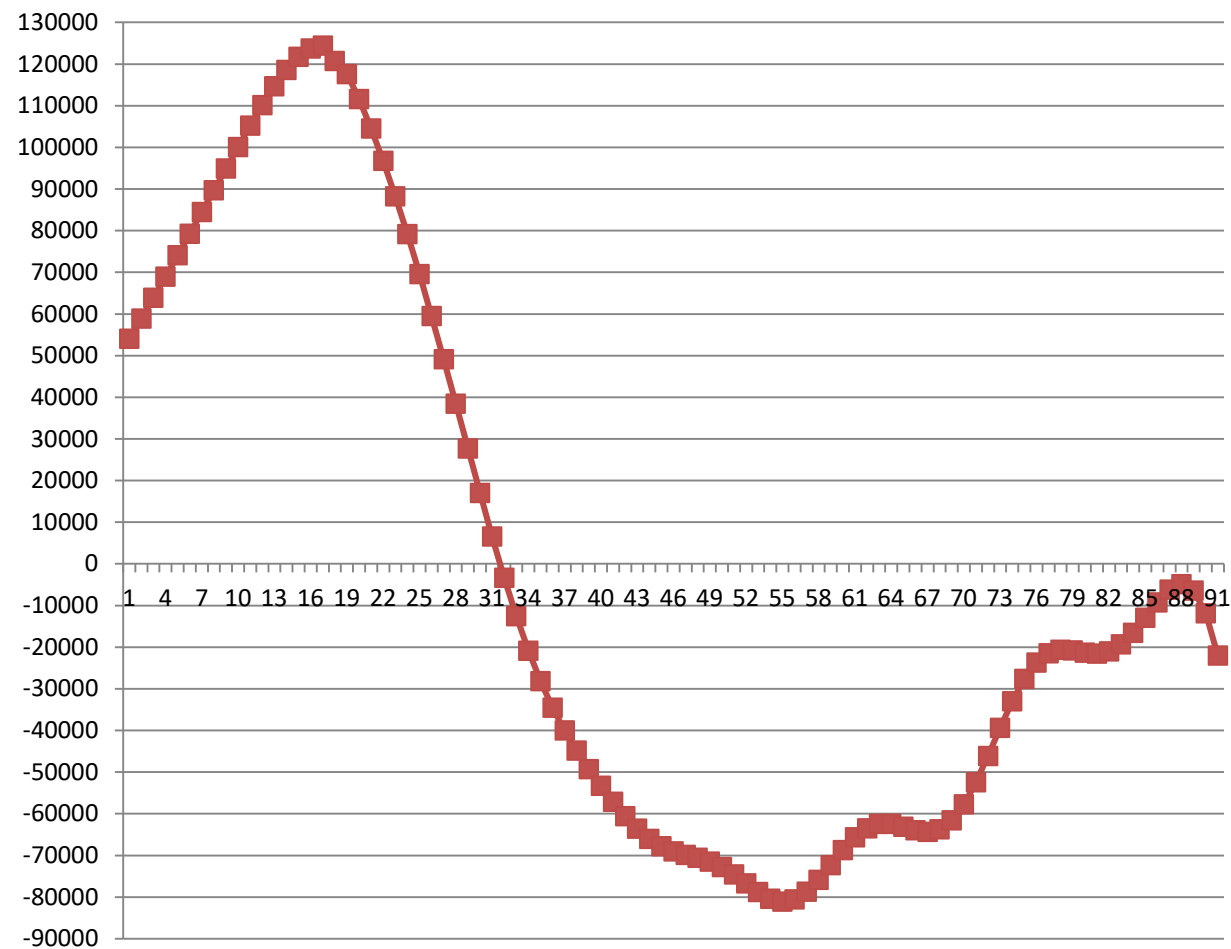
# Characteristics of public transfers

- Children receive benefits (important, but not large in comparison with EU)
- Growing pensions for people age 80+ (still not so visible for the whole population due to low survival rates and waves)

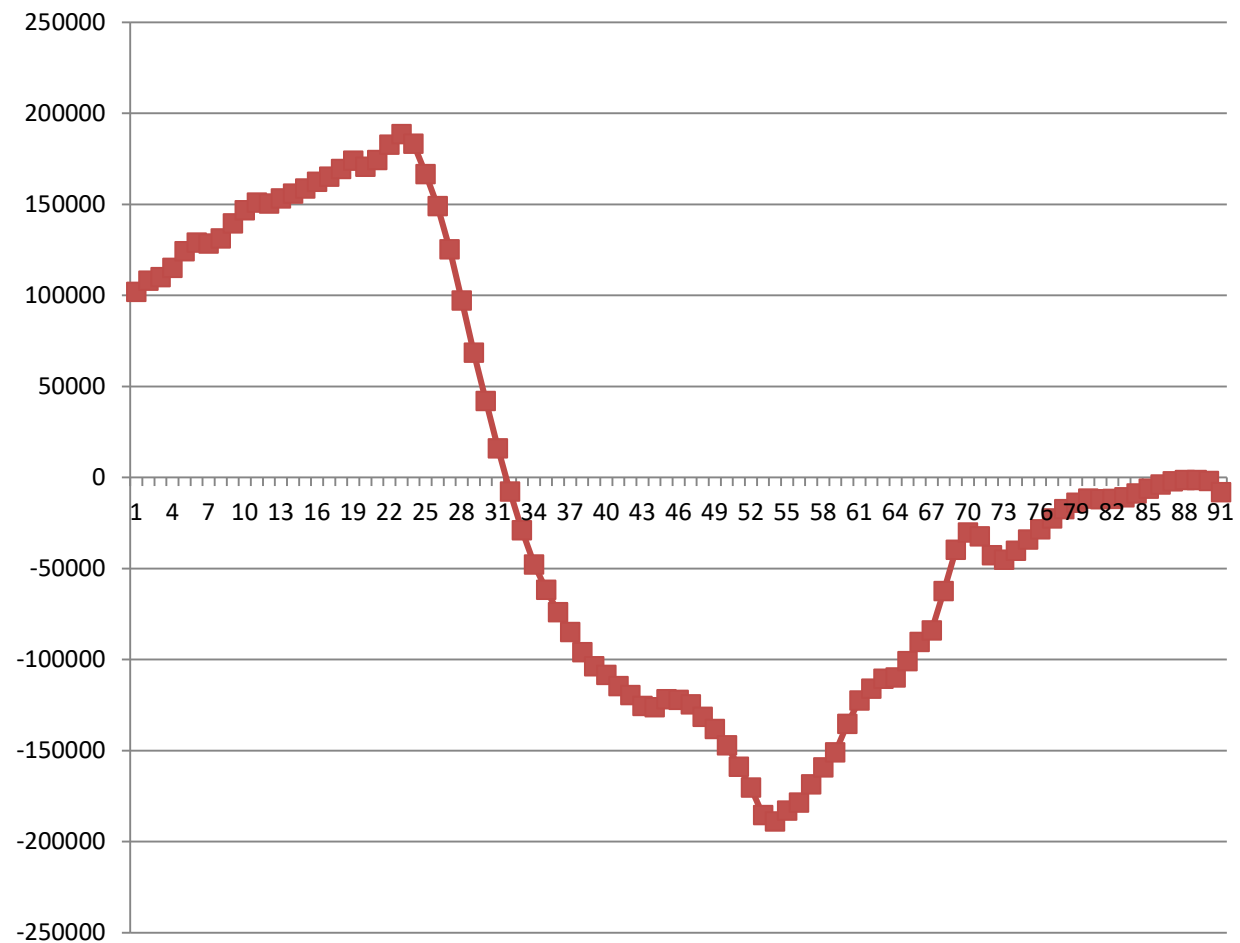
# Private transfers



## Per capita, th. RUB



## Total, bln. RUB



# Characteristics of private transfers

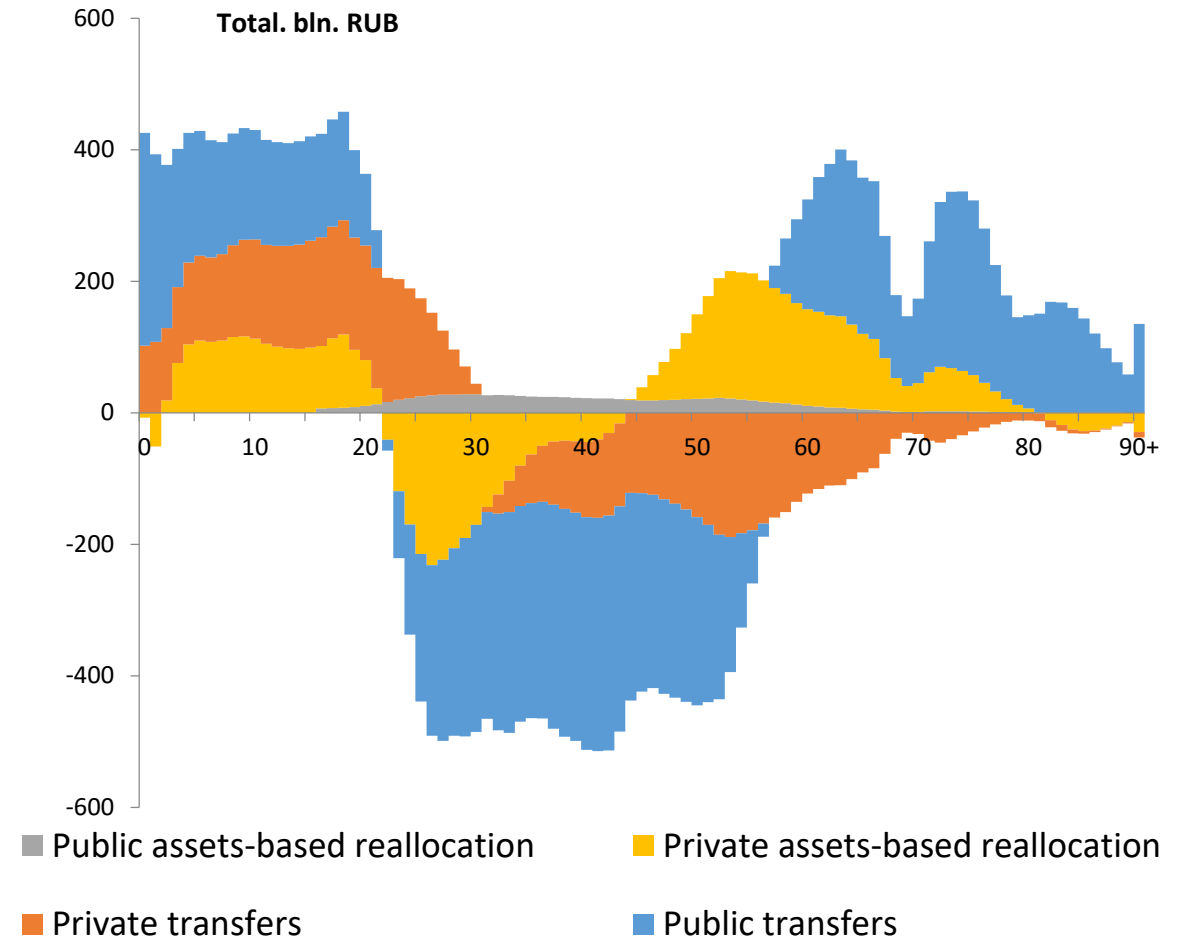
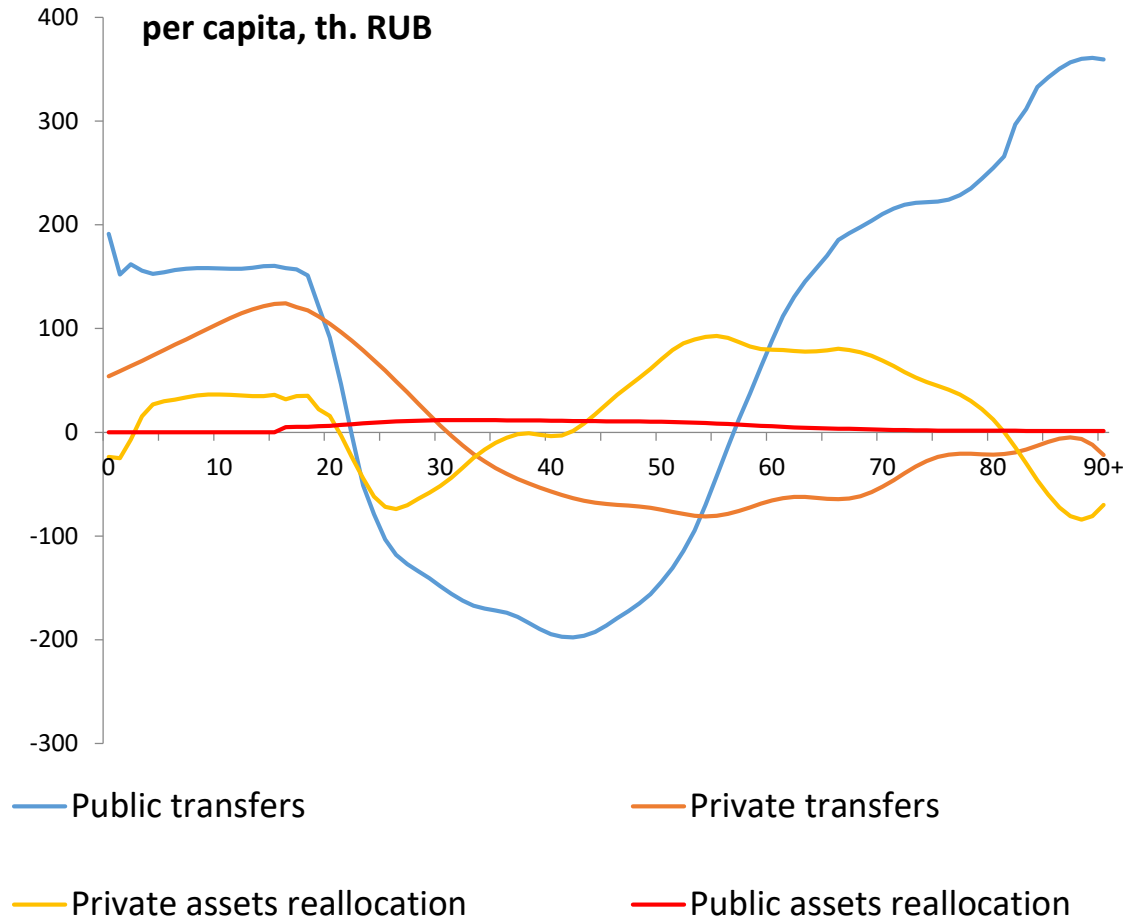
## Inter-household transfers:

- After age 40-44, conversion from acceptors to donors, with a peak of acceptance at 20-29 (young families with children)
- The special role of the oldest categories as important donors (selectivity)

## Intra-household transfers:

- Main donors younger population (until 25-29) and oldest (75+)
- Plateau for the children (18-)

# Sources to finance the deficit



# Resource reallocation between generations, 2013

## Total (bln. RUB.)

Indicators	Total	0-19	20-64	65+
Transfers	-298	7 587	-11 626	3741
Public	245	4 741	-8 899	4403
Private	-543	2 846	-2 727	-662
Assets reallocation	3 772	715	2 345	711
<b>Assets income</b>	<b>14 055</b>	<b>290</b>	<b>13 107</b>	<b>659</b>
Saving	10 284	-425	10 762	-53
<b>Lifecycle deficit</b>	<b>3473</b>	<b>8303</b>	<b>-9282</b>	<b>4452</b>

## Per capita (RUB)

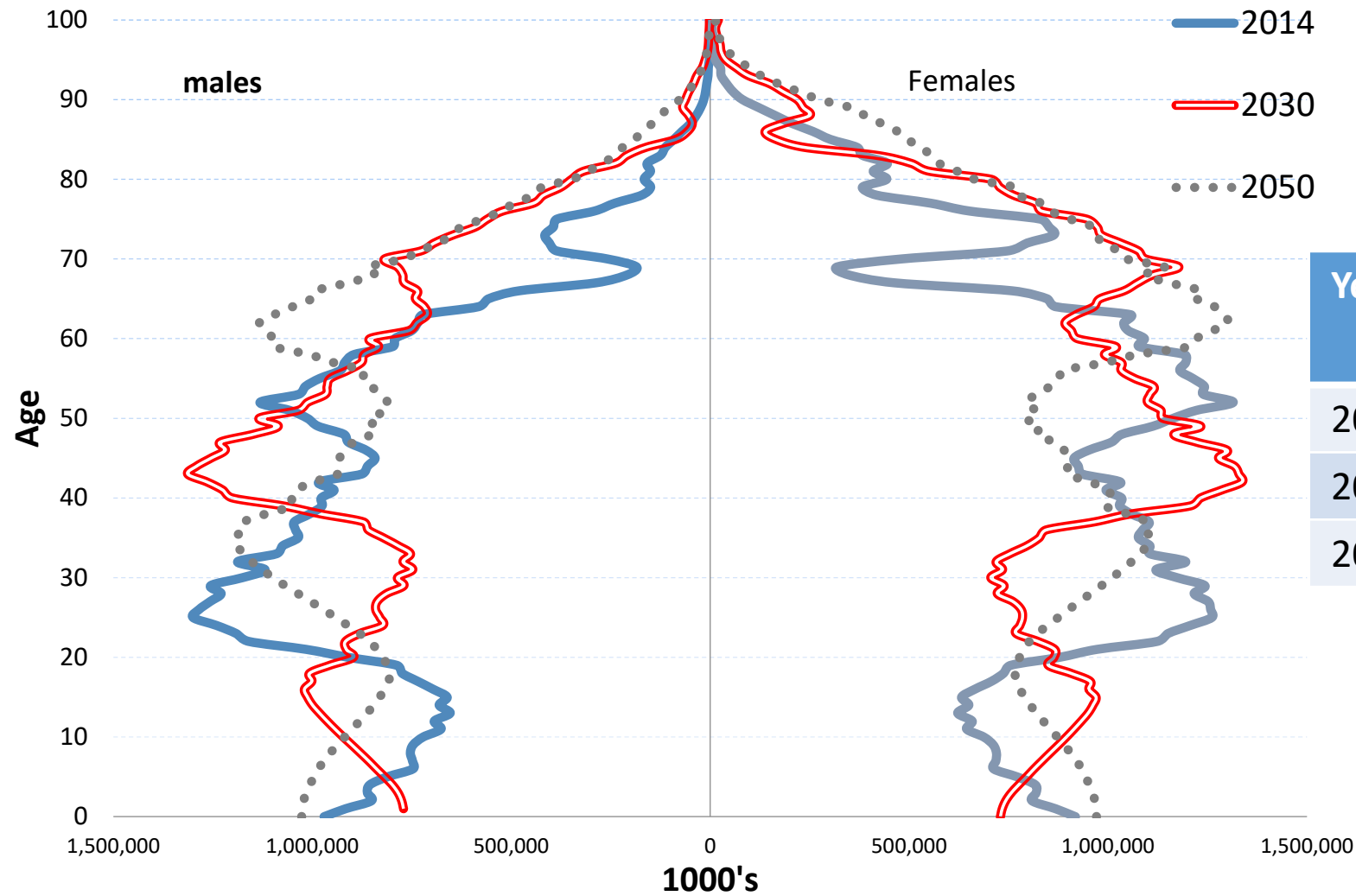
Indicators	Total	0-19	20-64	65+
Transfers	-2 078	251 615	-122 837	200 008
Public	1 707	157 236	-94 024	235 405
Private	-3 785	94 379	-28 812	-35 397
Assets reallocation	26 281	23 720	24 773	38 039
<b>Assets income</b>	<b>97 945</b>	<b>9 620</b>	<b>138 483</b>	<b>35 207</b>
Saving	71 664	-14 100	113 709	-2 832
<b>Lifecycle deficit</b>	<b>24 203</b>	<b>275 335</b>	<b>-98 063</b>	<b>238 047</b>

# Lifecycle demographic projections: Russia

# The main challenges

- Demographic structure with waves
- Young pension age (55 and 60 plus different special retirement categories)

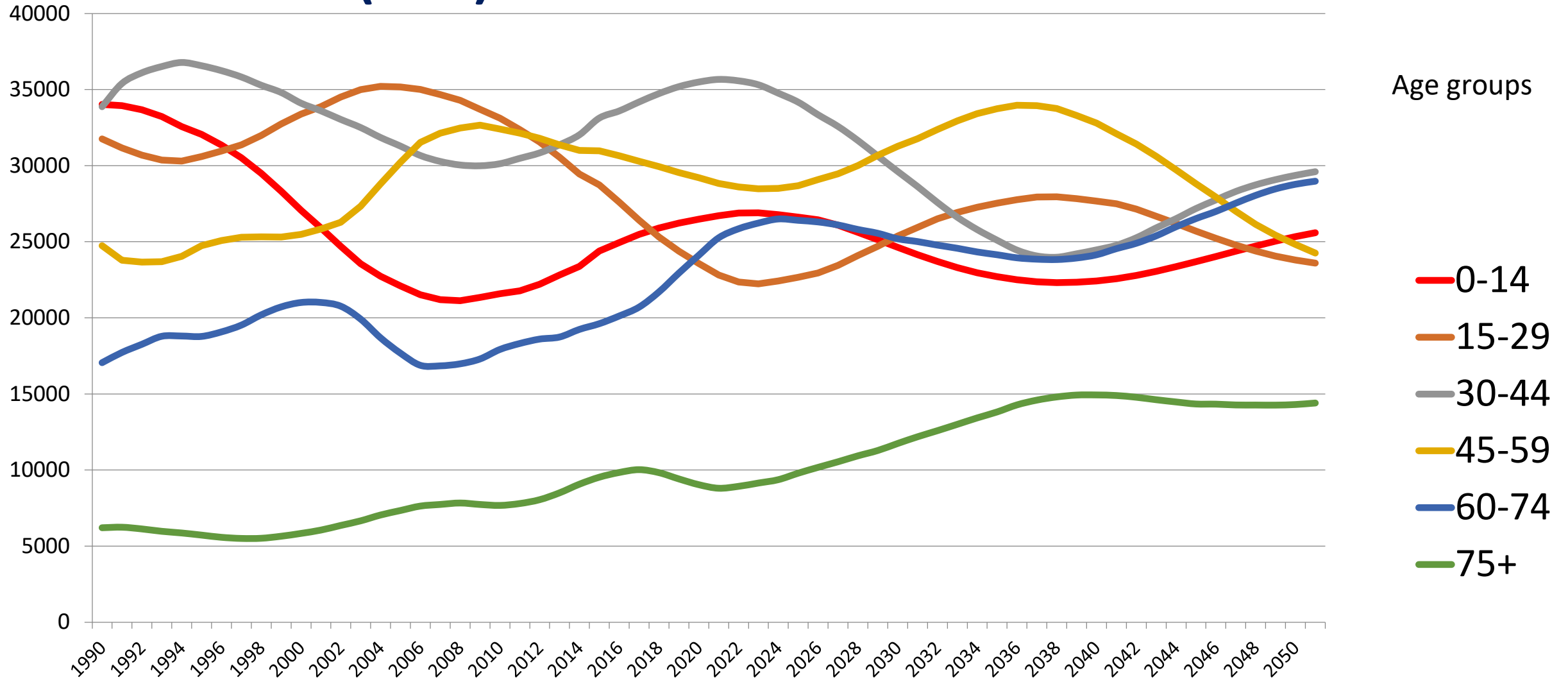
# Russian population pyramid: Waves and ageing



Year On 1.01	0-14	15-59	60+
	percentage		
2014	16,2	64,2	19,6
2030	16,7	58,3	25,0
2050	17,3	53,3	29,4

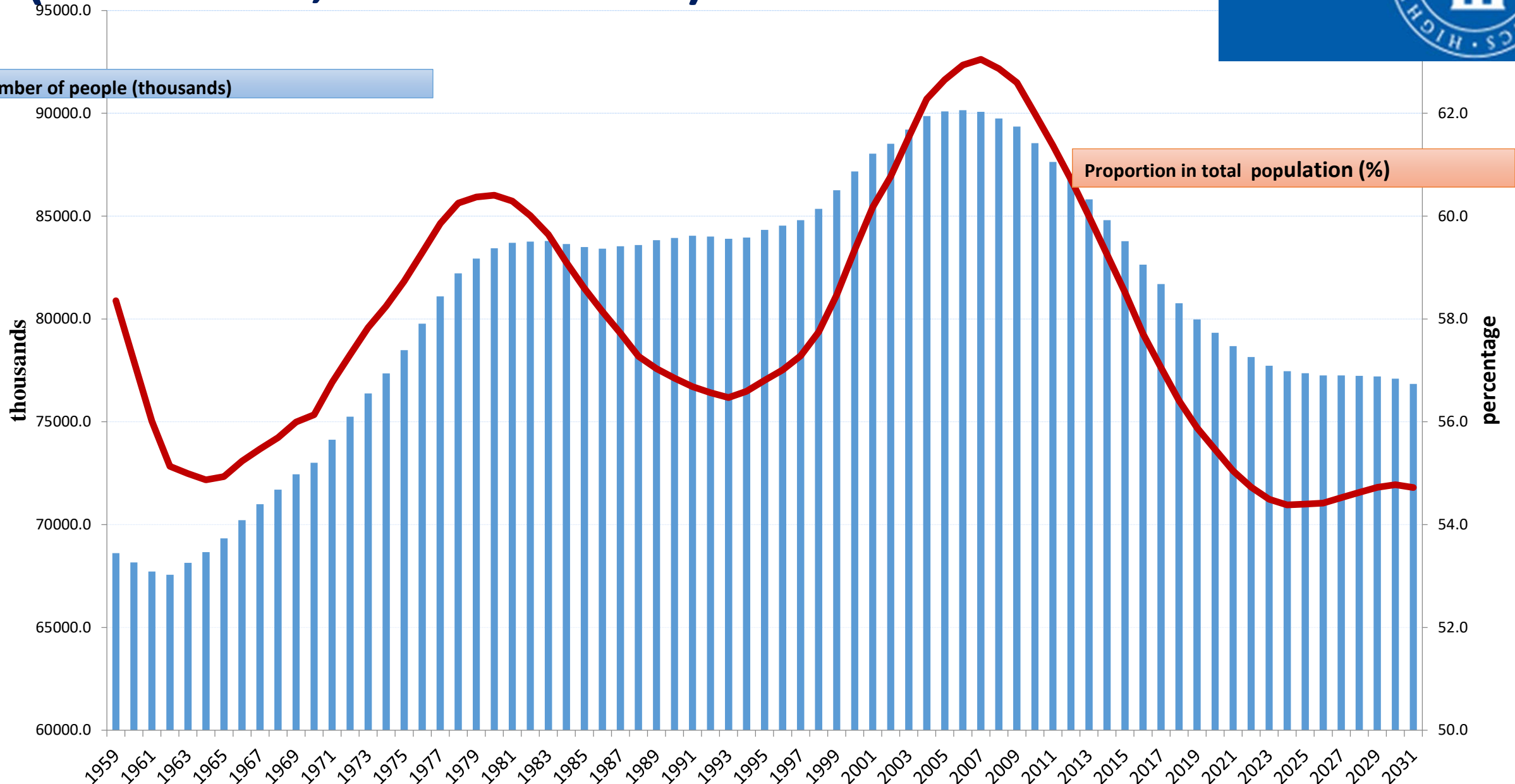


# Important characteristics of population dynamics in Russia by age groups, 1990-2050 (mln): Fluctuations

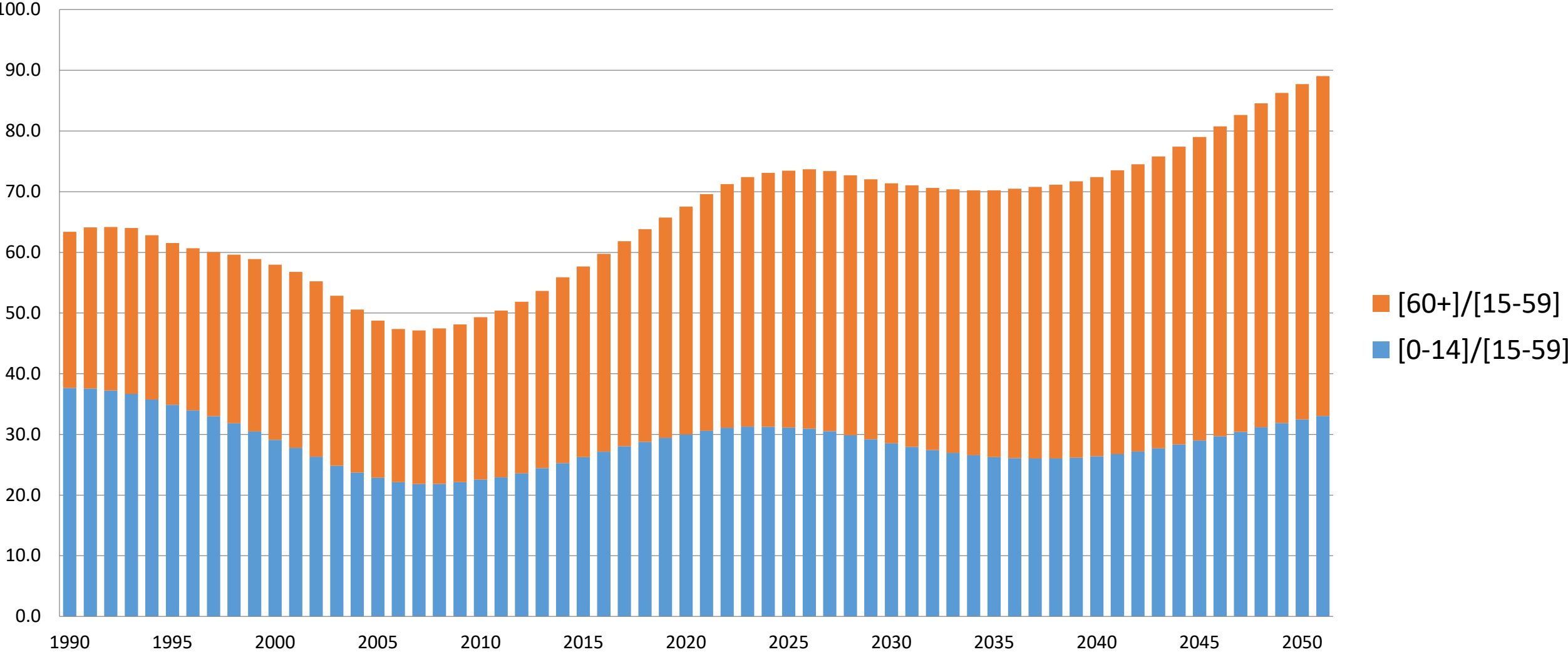


# Population in working ages, Russia, 1959-2031 (men 16-59, women 15-54): Several dividends

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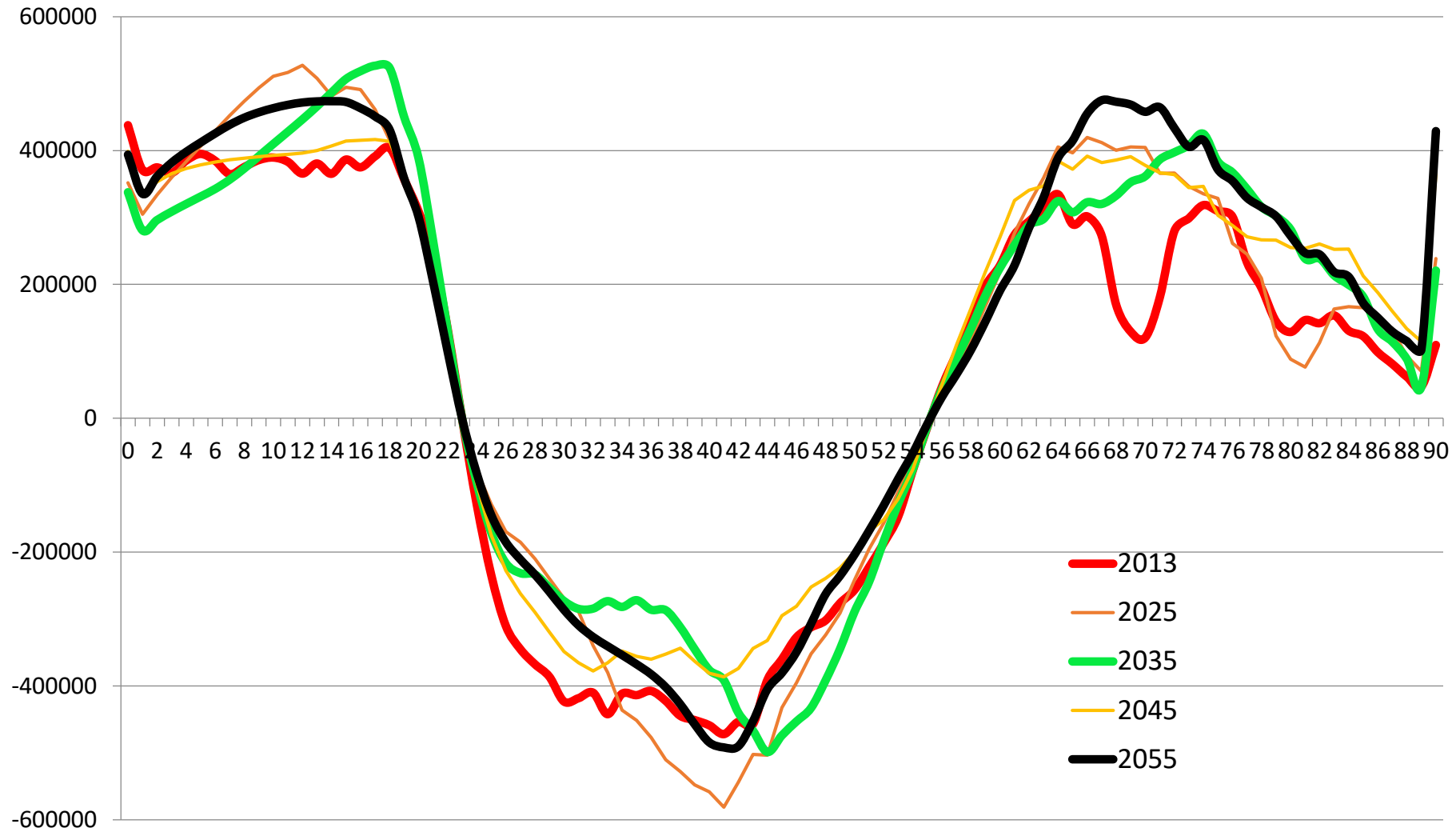


# Ratio of dependent young (0-14) and old (60+) to working-age population (15-59) per 100: Tendency towards ageing



# Russian deficit projections: Prices and per capita figures for 2013

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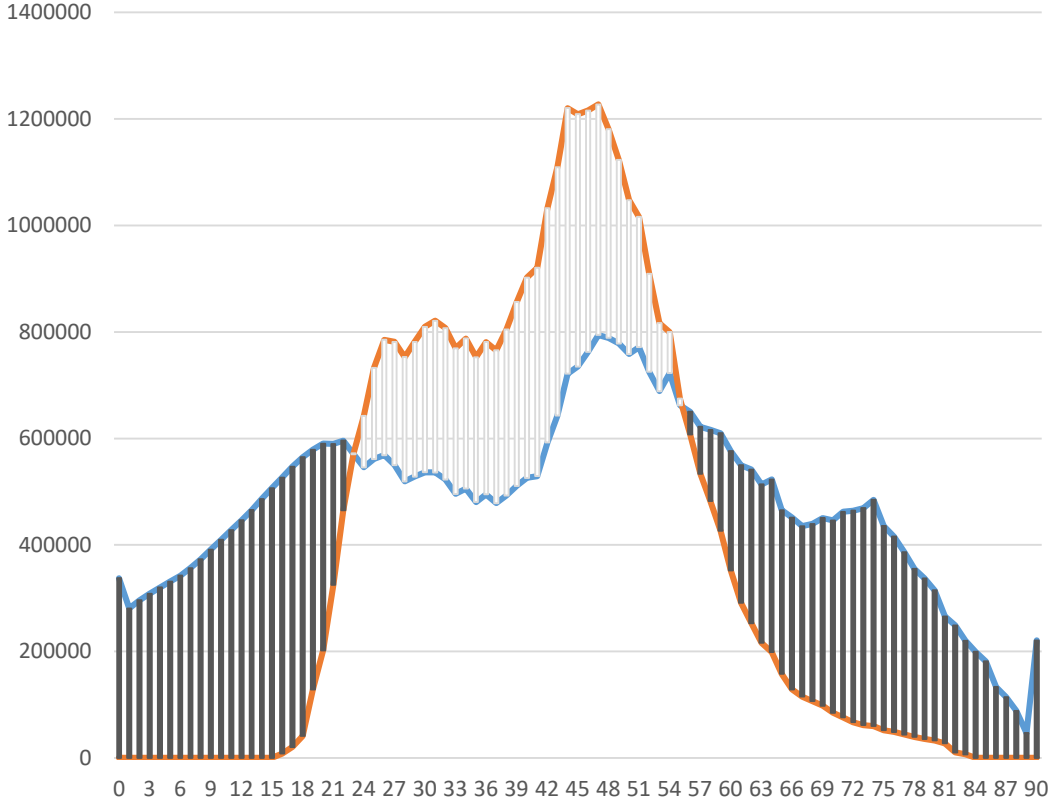
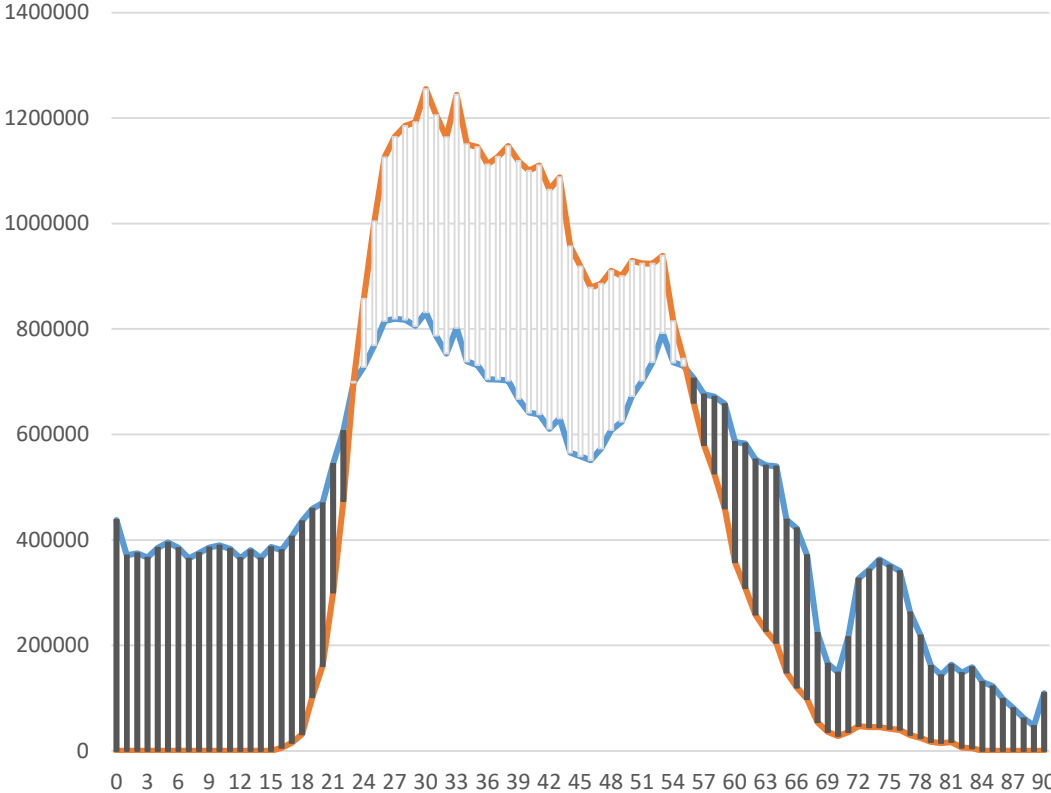


# Income-consumption age profile, 2013 and 2035 (projected)

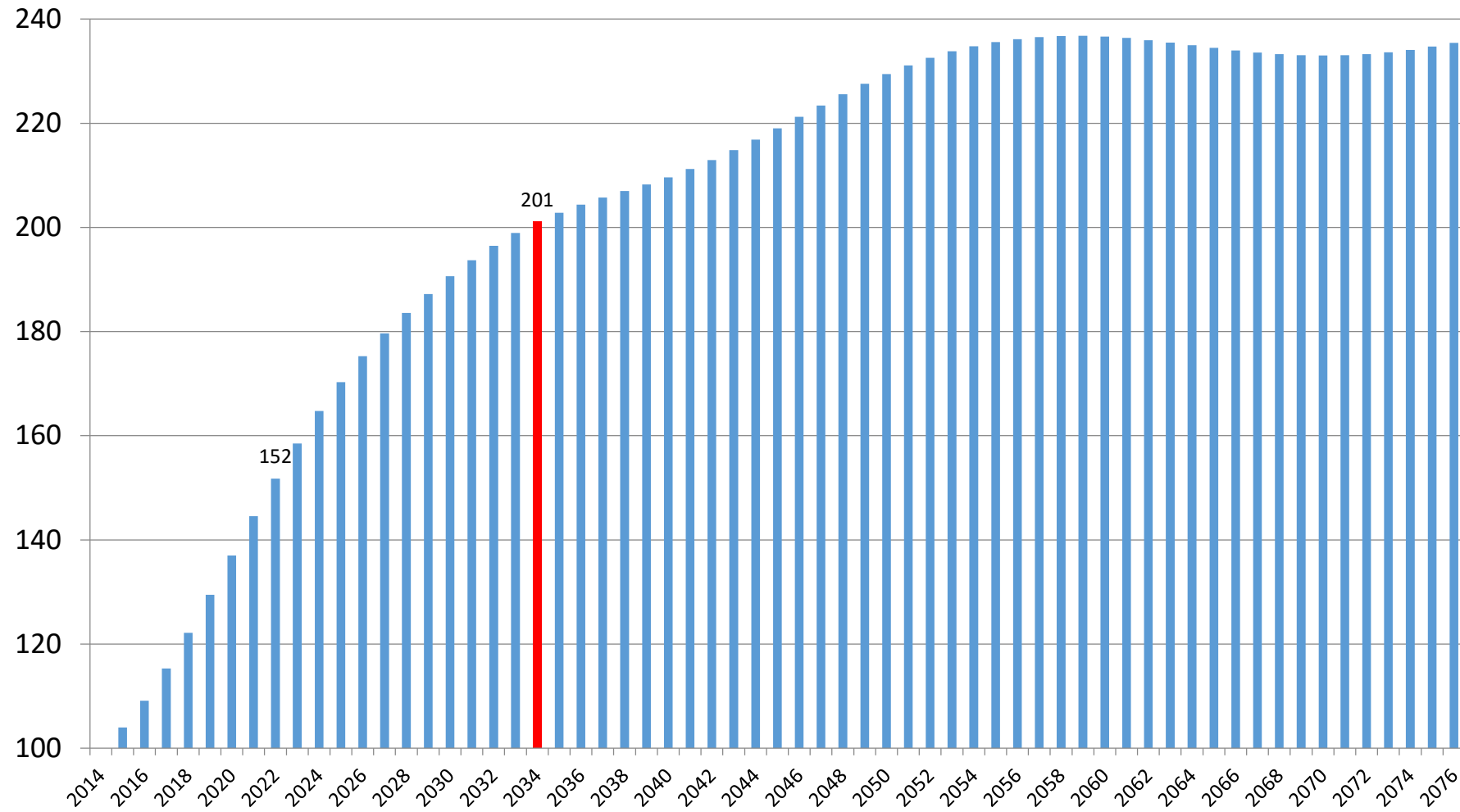


2013

2035



# Life circle deficit growth (2013=100): 2022 1.5 growth, 2034 2 times, mid-2050s stable “old society” picture



# Solution

- Pension reform: Since 2019 retirement age increases, with 6-months increases up to 65 (for men) and 63 (for women)
- High conflict and expected tax avoidance behavior

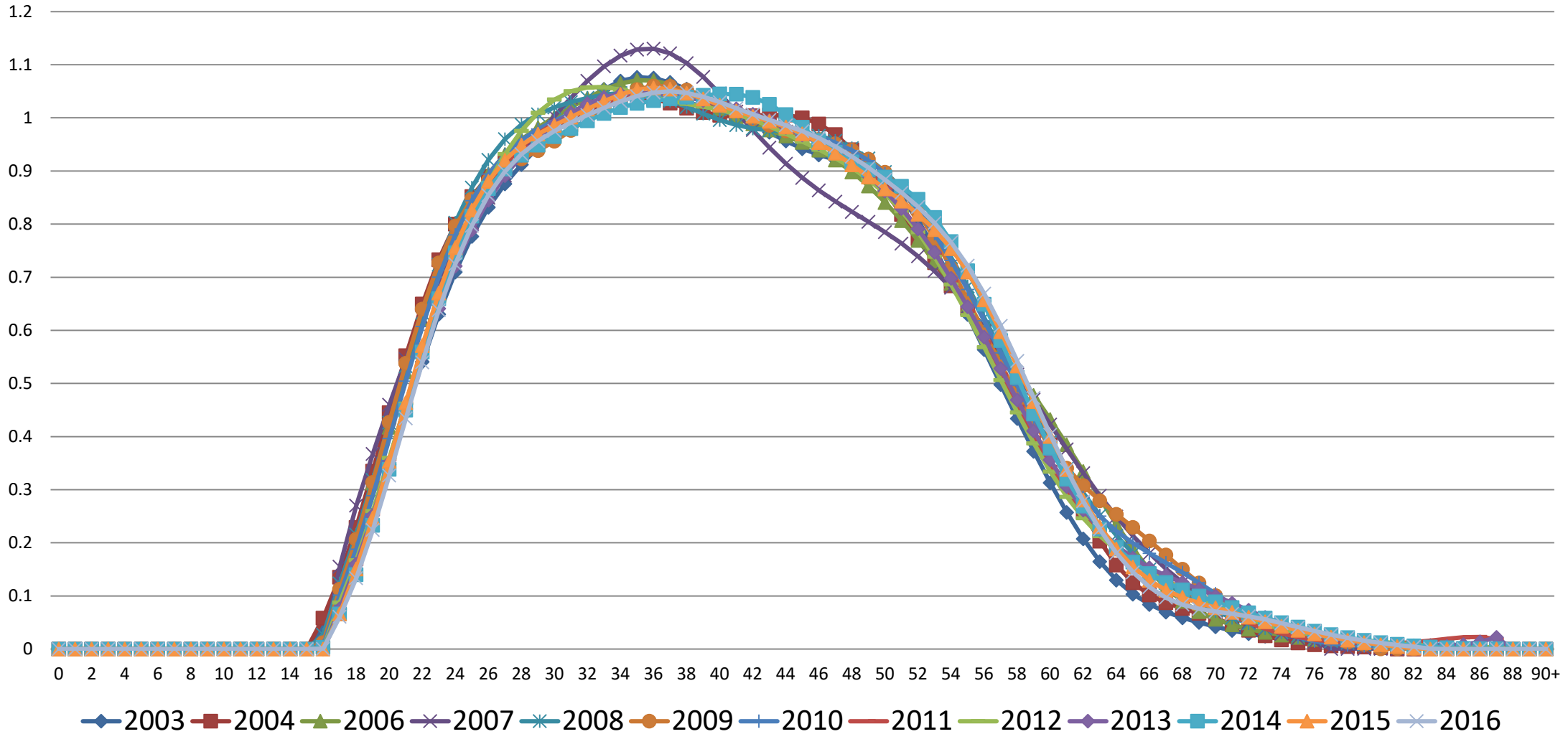
# NTA projections

## Assumptions

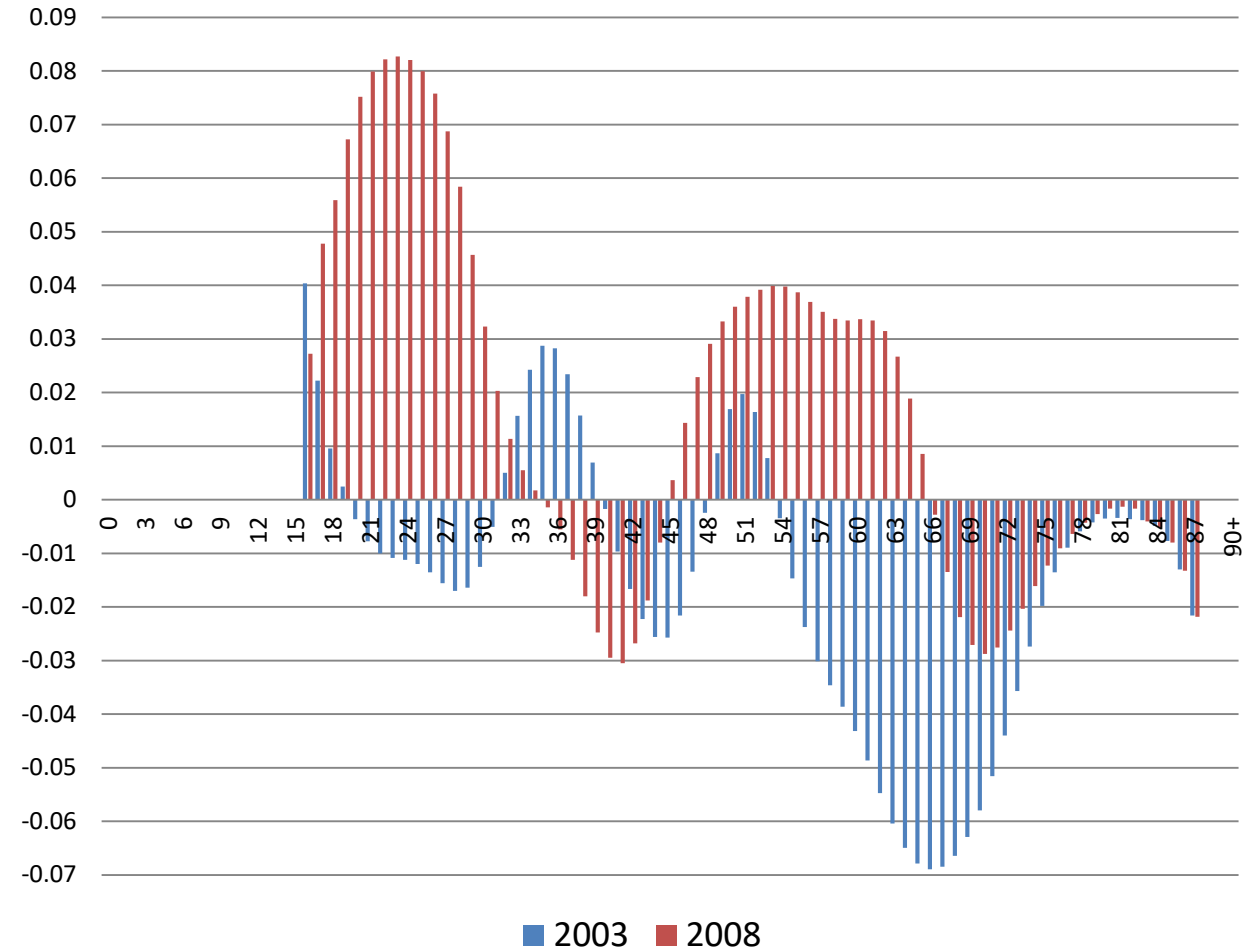
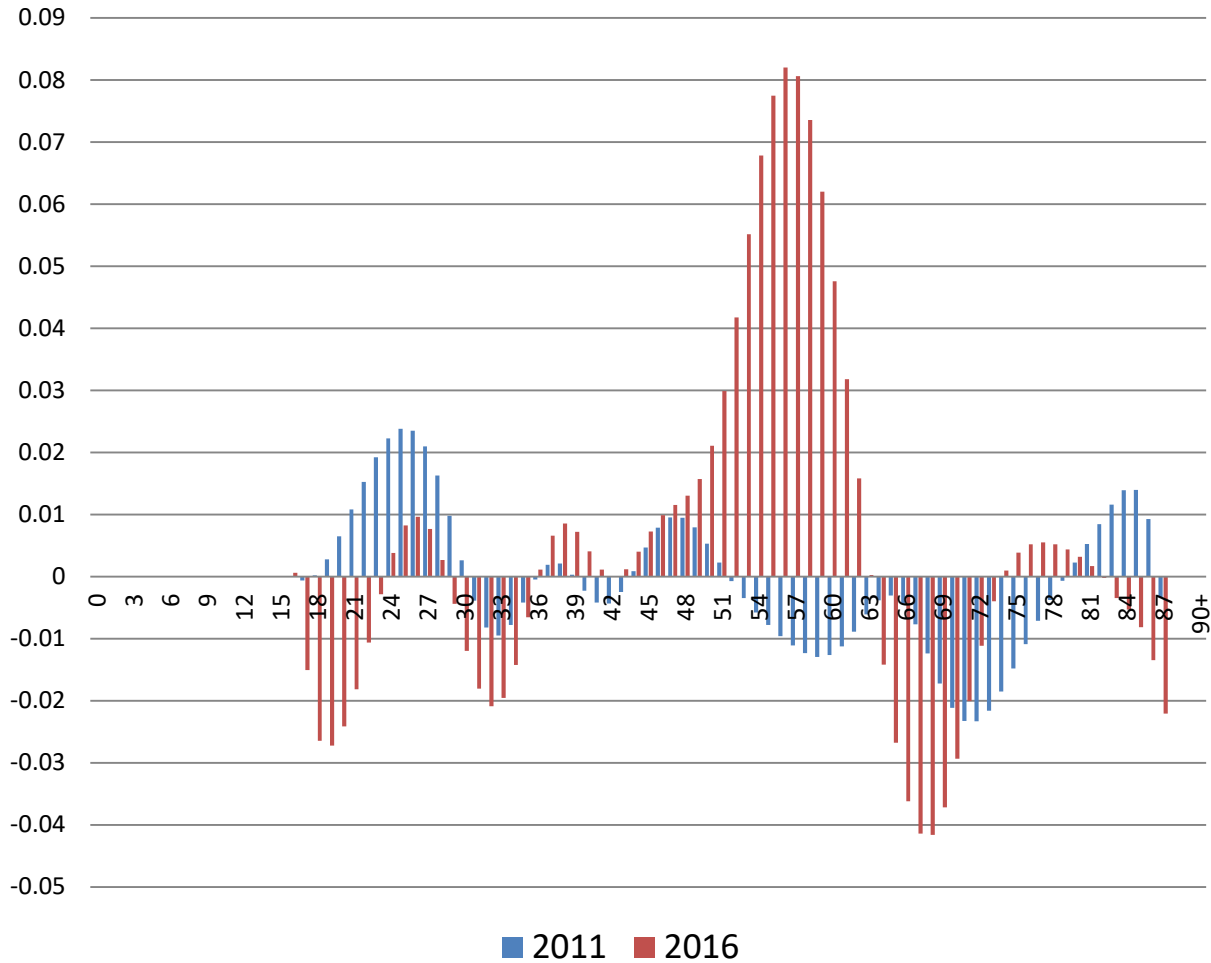
- The models take into account low levels of elderly consumption and their role as donors in the private transfers system
- Labour income age profiles?



# Russian income distribution model is sustainable ([30-49] = 1)



# If we compare normalized income in 2013 with the other years

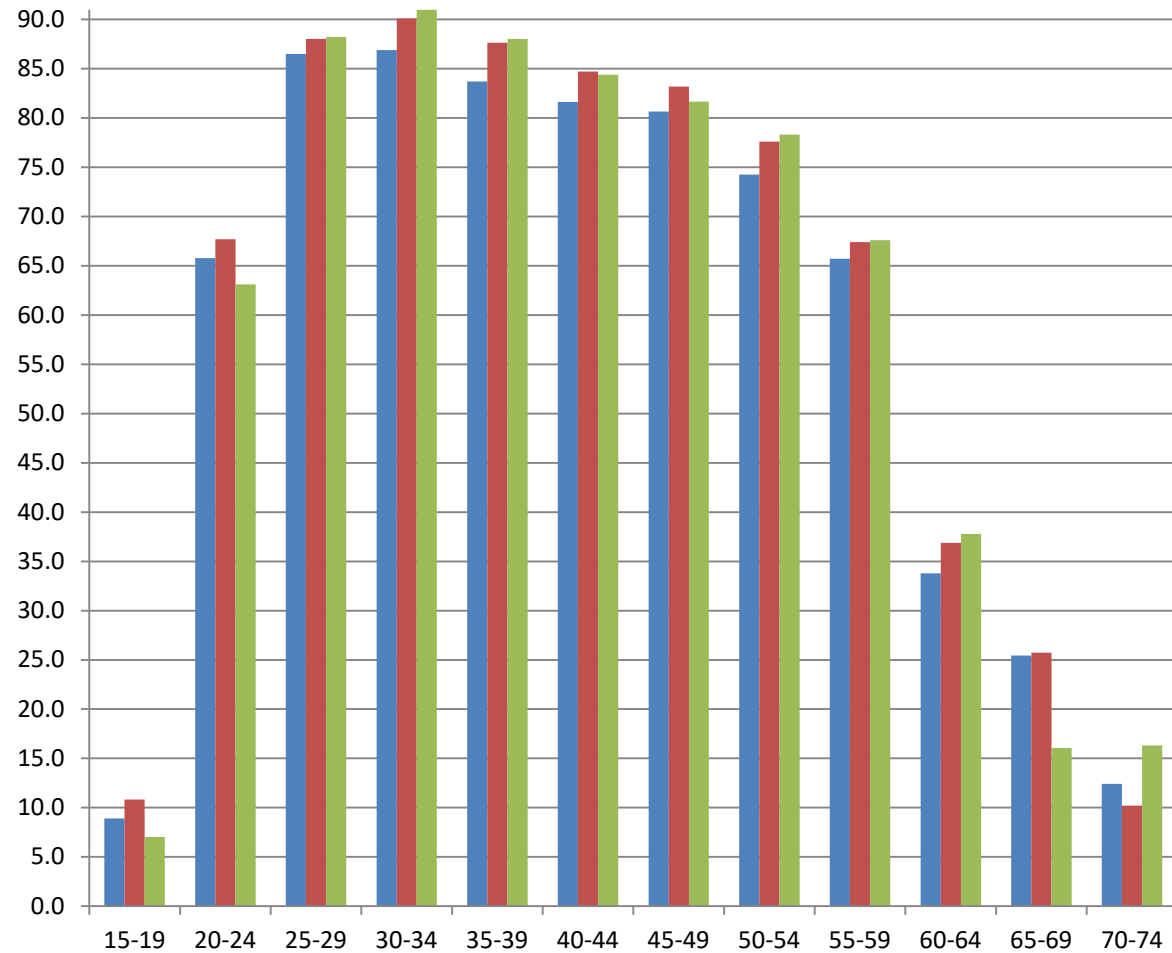


# Age profile manipulation?

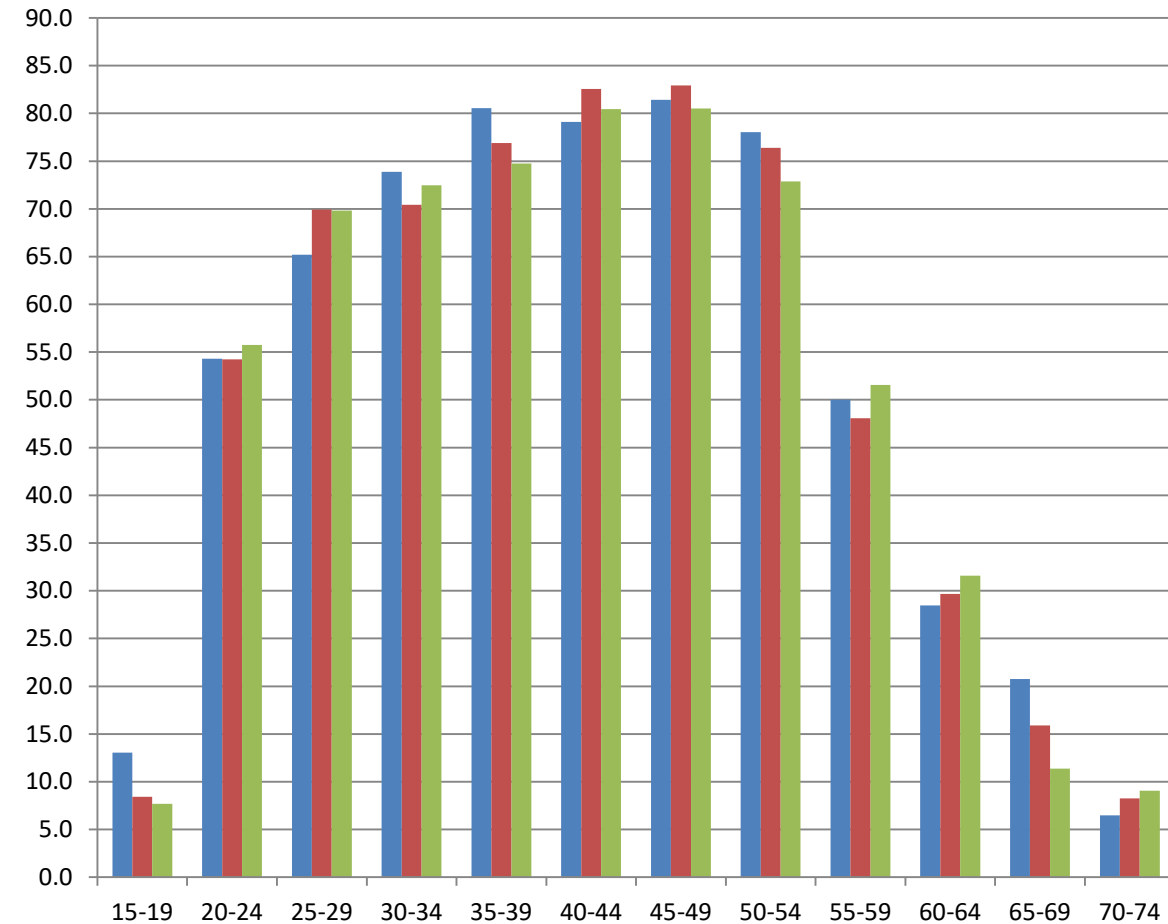
- Salaries at the early pension ages (becoming pre-pension) are still relatively low
- If we look at the models with changing retirement age, the effect will be unclear
- Possible that the demographic projections were not so accurate

# Employment, by 5-year age groups

## Male



## Female



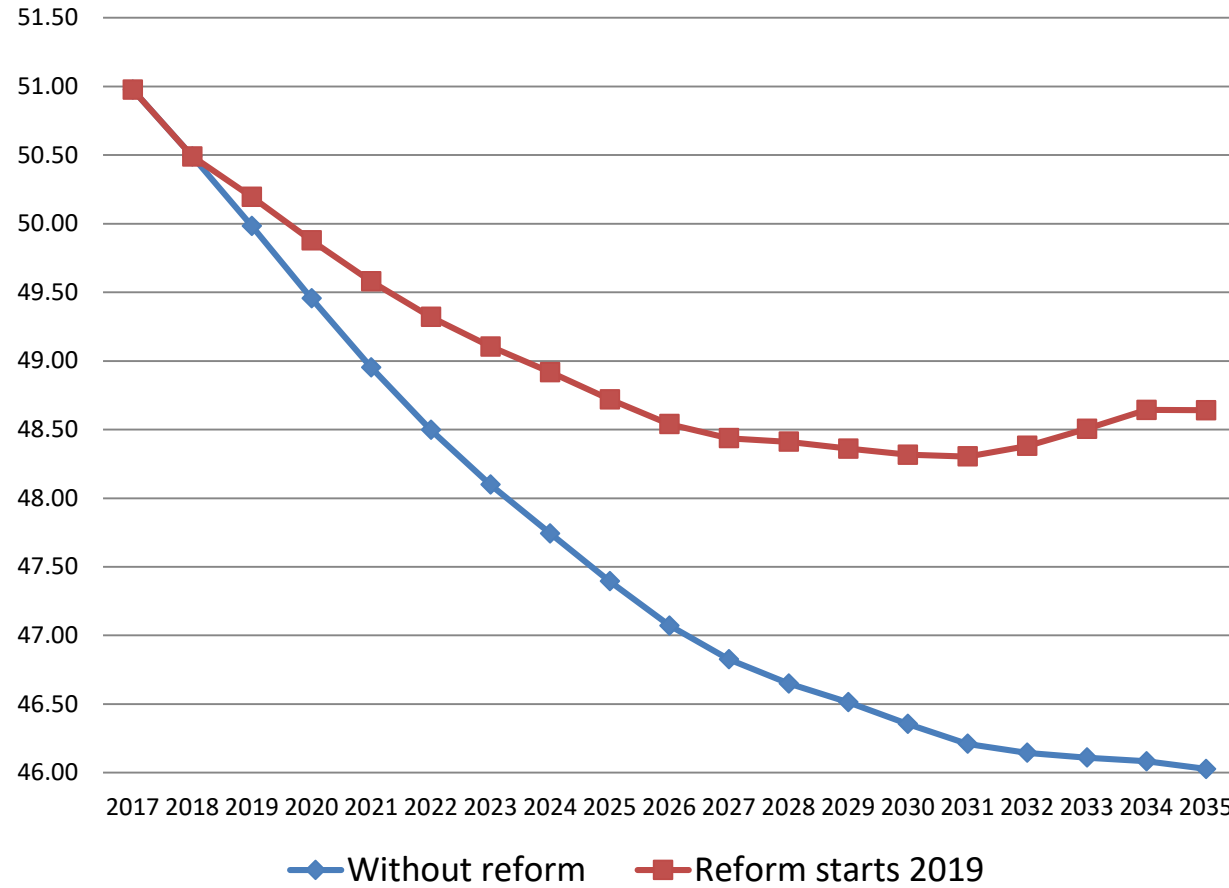
■ 2011  
■ 2013  
■ 2016

# Effects on labour force participation

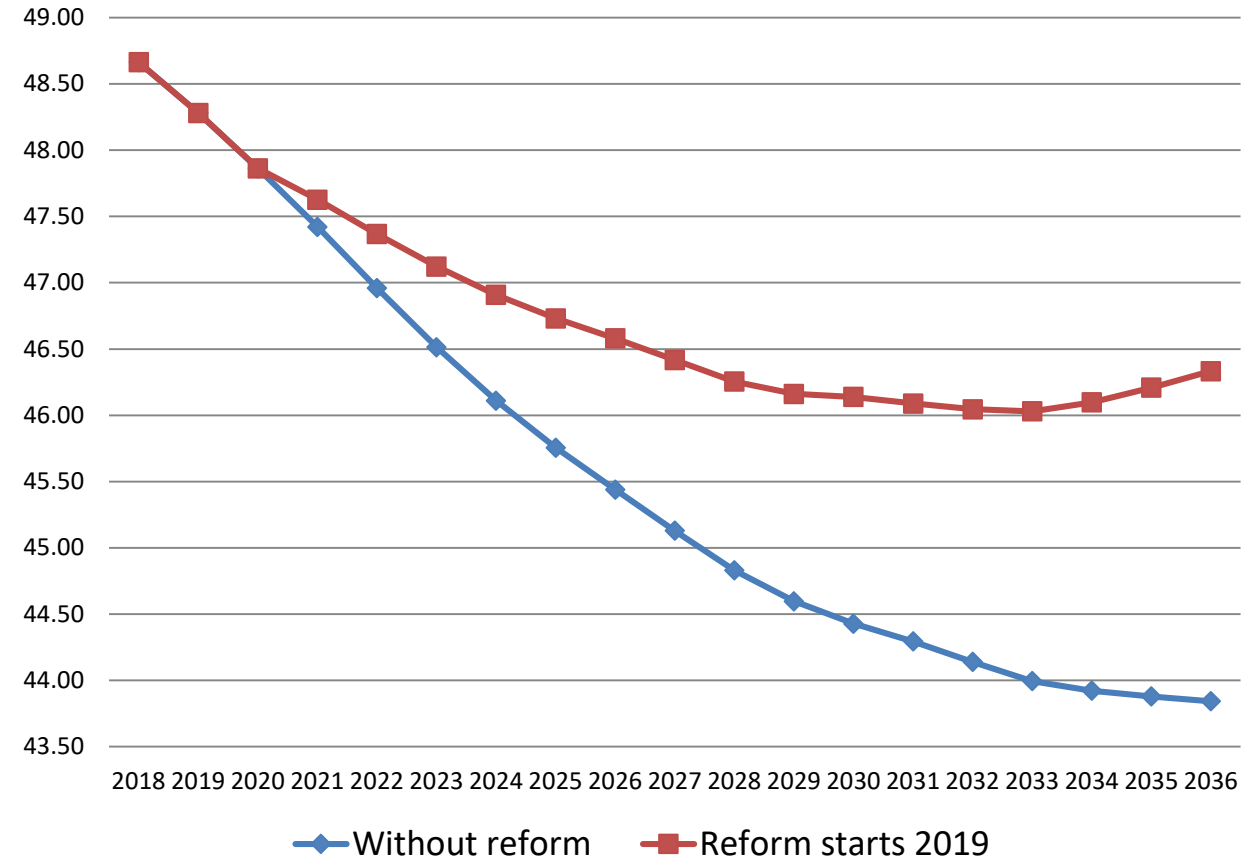
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## Active age population, %

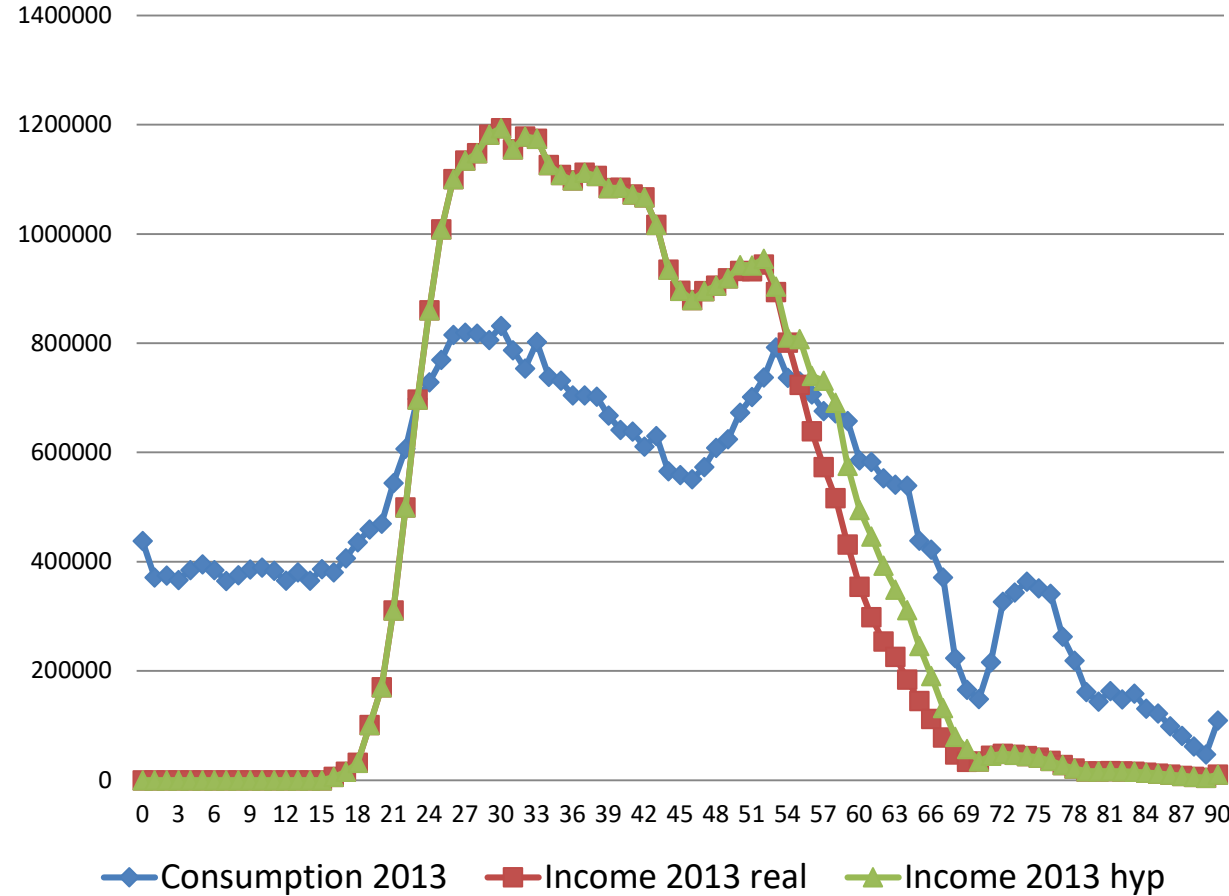


## Employed population, %

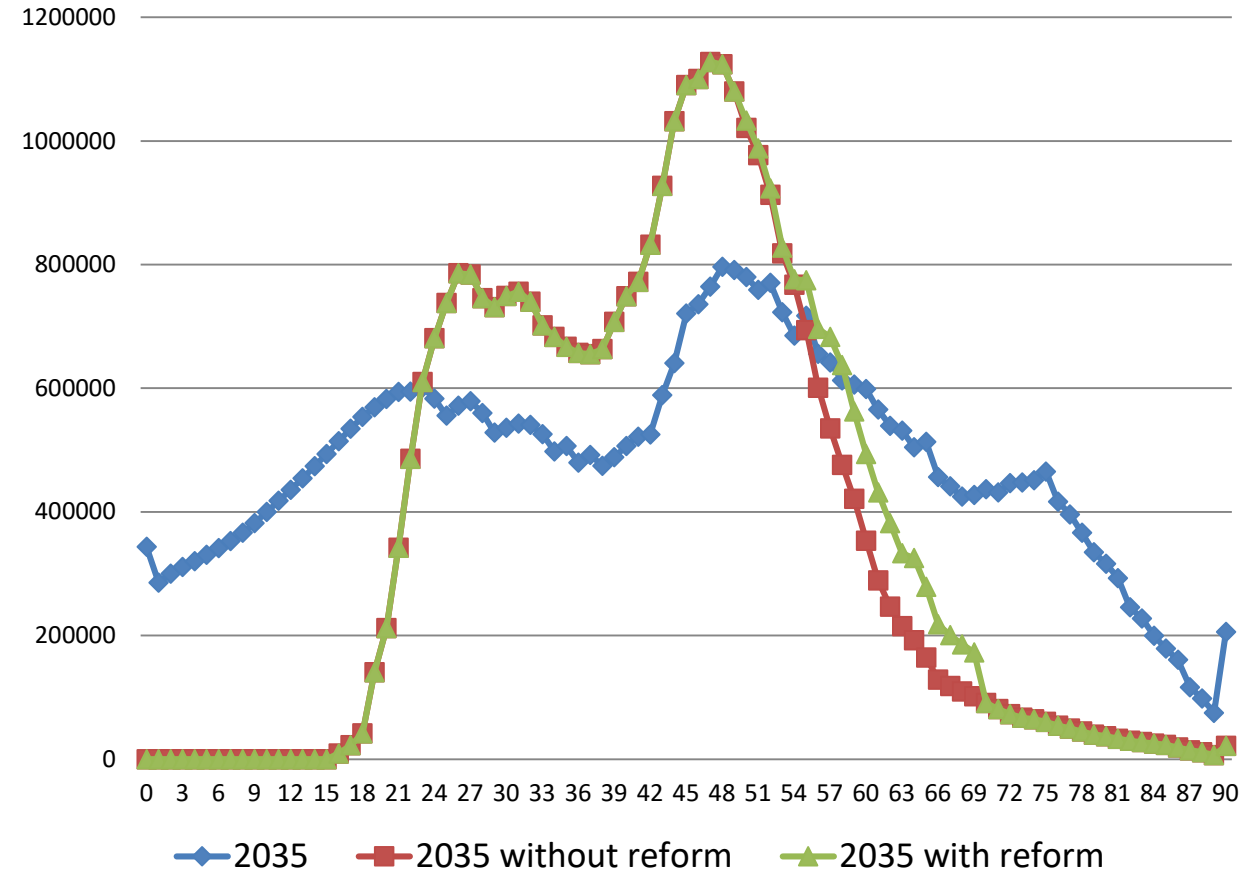


# NTA effect: The age of deficit will shift from 55 to 59

2013



2035

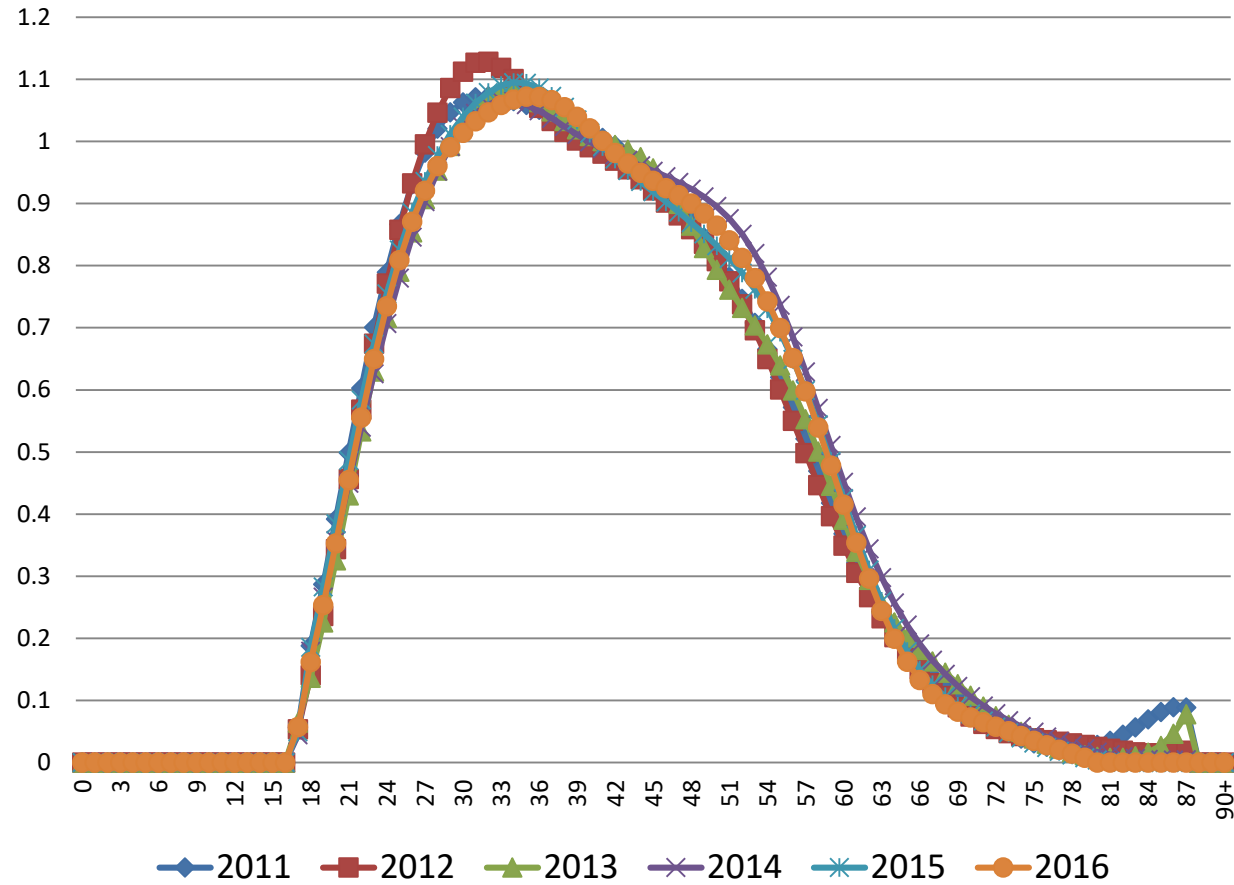


# Additional opportunities

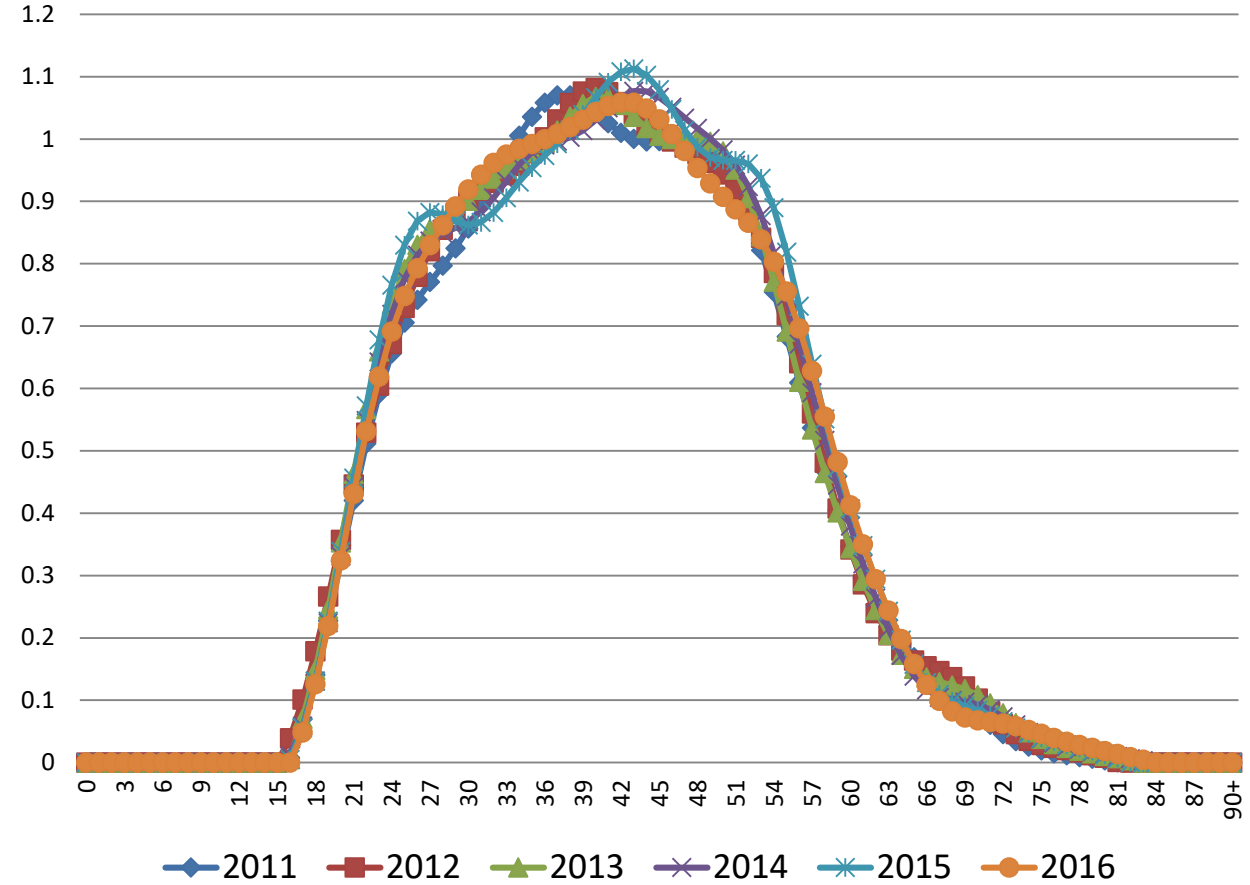
- Consumption?
- Salaries?

# By gender, labour income

## Male



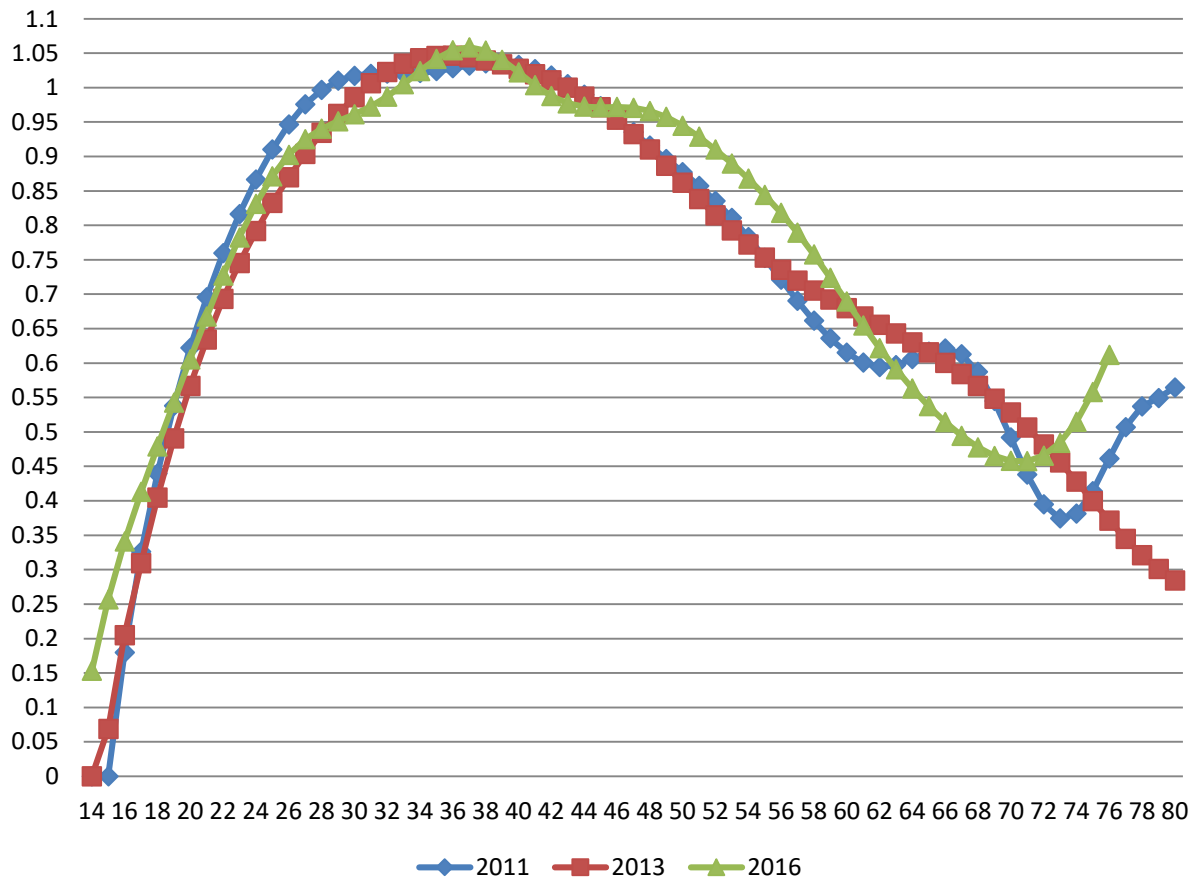
## Female



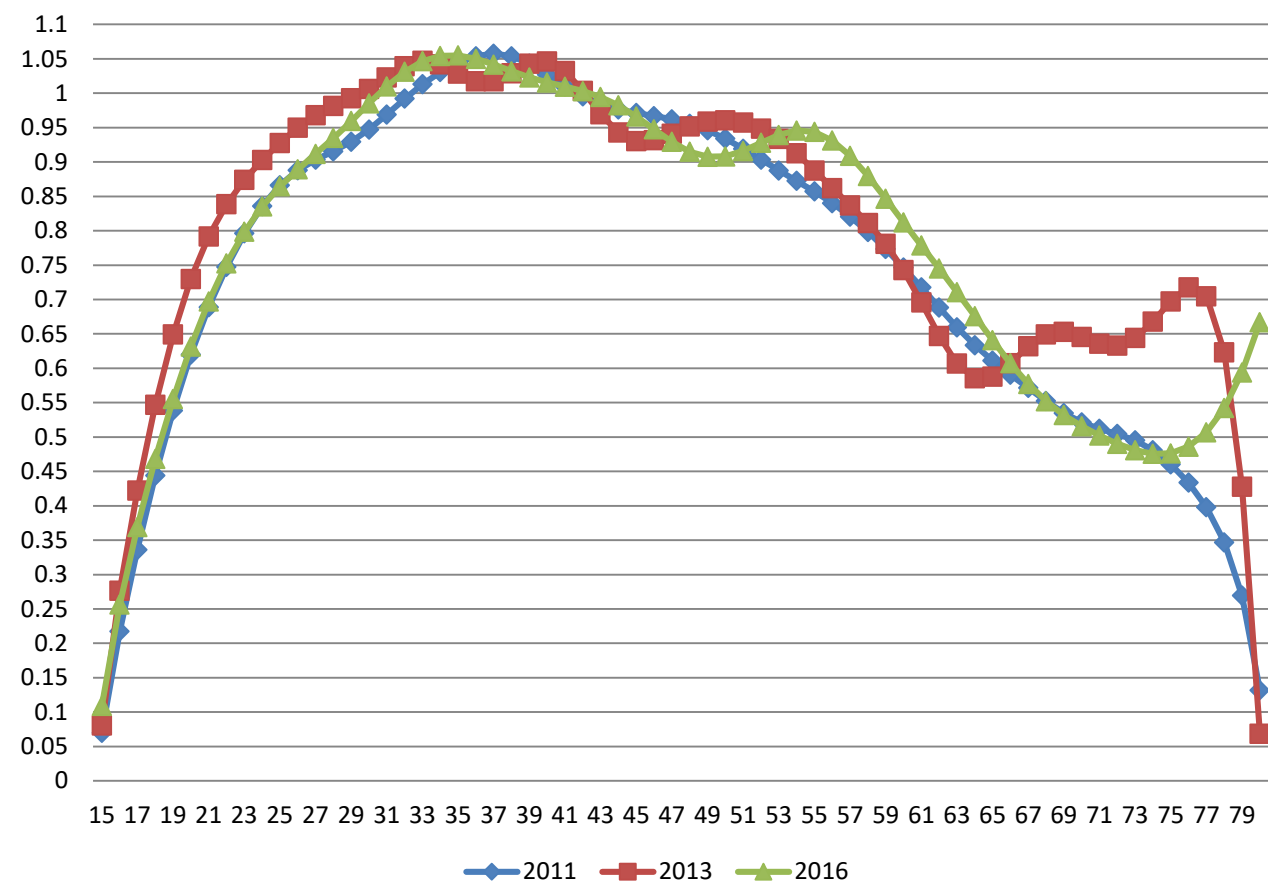


# Salary dynamics

## Male



## Female



# Salaries and labour income

- There is a tendency to shift income toward older ages
- For women, age 50-54 looks like the new salary peak, but their labour force participation declines at this age
- The penalty for older workers (1990-early 2000s) does not exist (or at least is not clearly pronounced)
- There is a high heterogeneity

# Conclusions

## *Current situation*

- The Russian lifecycle deficit is shifting to younger ages
- The lifecycle deficit is covered mainly by assets (public assets), but the role of older generations in private transfers is high
- The lifecycle deficit in Russia is moderated by relatively low levels of consumption for older persons

## *Near future*

- The lifecycle deficit is expected to double in less than two years
- Under these conditions, the level of consumption at older age and distribution will be under pressure
- The pension age increases as of 2019
- The growth in employment rates should be followed by higher salaries at older ages
- Personal savings and property income for the younger generations should be crucial factors in the new model