

NTAs for Chile 1987-2007 with special reference to Pensions and Education

Jorge Bravo

United Nations Population Division

Mauricio Holz

U.N. ECLAC/CELADE

Presentation at the Sixth annual meeting of the
National Transfer Accounts project,
Berkeley California January 9 and 10, 2009

Summary

1. Progress to date in the estimation of NTAs, methodological issues
2. Accounting and implications of the pension system reforms
3. Trends in public and private education

1. Progress to date

a) Estimates

- complete 1997 accounts; completing 1987; should get 2007 household expenditure survey soon
- 1987-2006 public transfers in advanced stage of construction

b) Analysis

October 2008 paper on 1987-1997 accounts: Bravo & Holz (2008)

Methodological issues

- Definition of “employers” as self-employed or dependent workers does make an important difference in the shape of the yL schedule (graph below);
- Who is assumed to be the recipient of Inter-household transfers makes a small difference in the age profile of private transfers (who makes the Inter-Hh transfer does not matter at all)

Methodological issues

- Treatment of taxes on copper (as a public income tax or royalty) affects the composition of government revenues but not significantly the overall age profile of public outflows;
- Need to clarify accounting of transitional “transfers” of recognition bonds on to individual accounts.

Main conclusions of Bravo & Holz (2008) paper on 1987-1997 results

- Private Ts are 1.5 times public Ts, and finance most (3/5) of the consumption for children; all adults are receivers and givers of private Ts, but the elderly do not rely on them to finance their consumption;
- Cash public Ts (pensions) represent 1/3 of all public Ts, and are the largest per-capita government program, but public spending in children and youth is about the same in the aggregate as in the elderly;
- Labor income and asset reallocations finance most of the consumption of adults until about age 63; net public Ts become the main source of income thereafter

Main conclusions of Bravo & Holz (2008) paper on 1987-1997 results (cont.)

- Over time, labor earnings has shifted toward older ages (peak shifted from early 40s to about age 50) and asset based reallocations have gained importance at the older ages;...
- But the net producer phase of the lifecycle has not expanded (remains at about 27 years, from age 27 to 54) because consumption at most ages, including the older adults, has also increased;
- However, the surplus public T life span has been stretched by about 6 years to about 40 yrs (now from age 21 to 61)

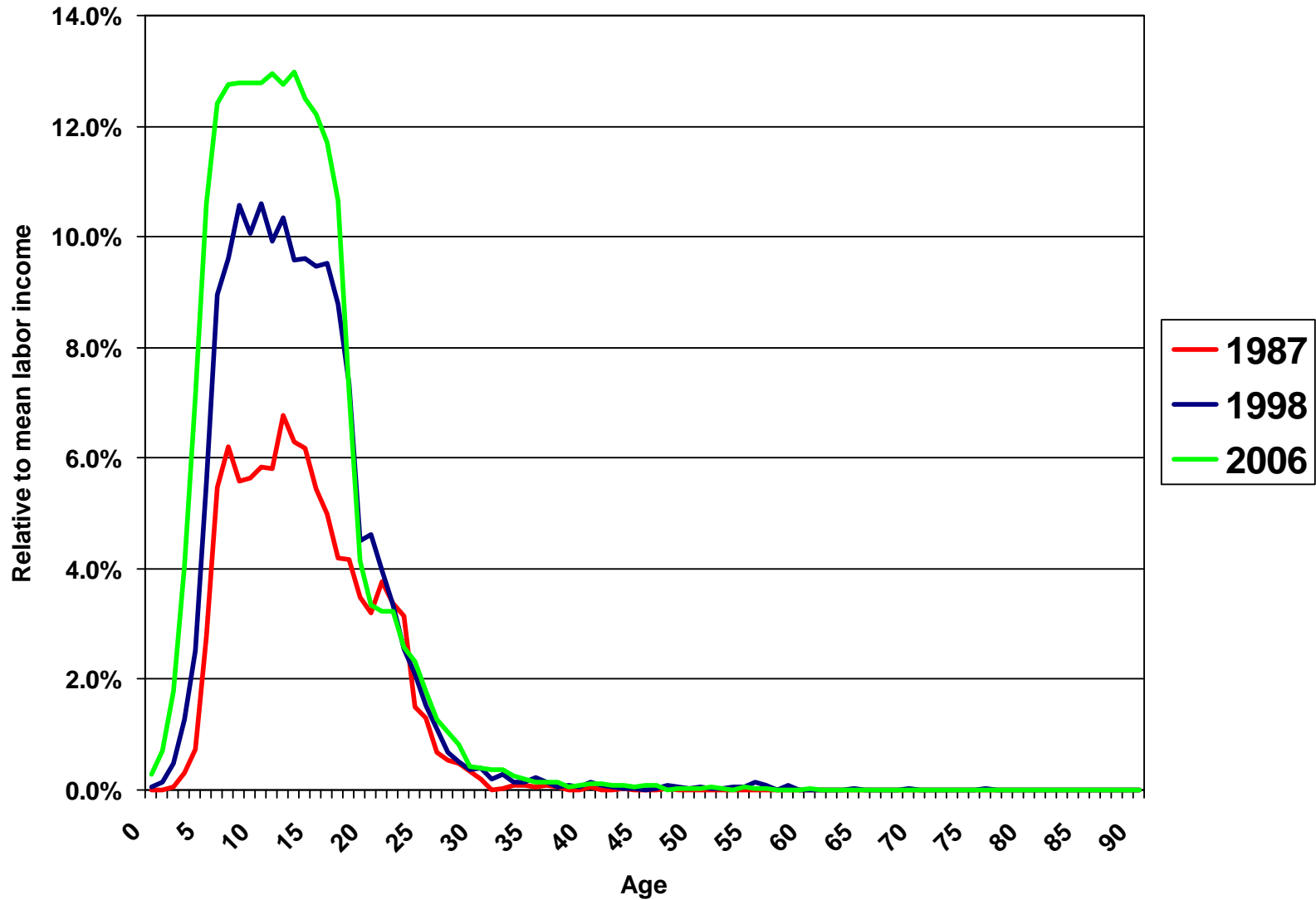
2. Pensions

- The 1981 reform generated transitional costs (residual pensions and recognition bonds) which are reaching a peak and will decline after 2010;
- The government has been running budget surpluses to pay off the transition costs and to finance public investment without increasing public debt, making room to finance a new 2008 reform and the expansion of other social programs

3. Public education

- There was an increase in the share of expenditures in Pre-School, Primary and Secondary education in total public education spending (transfers), and a decrease in the share of tertiary education.
- This shift was part of a deliberate strategy to invest more resources in levels of education with greater rates of social return...
- which is having considerable effect on the public and total per capita education expenditures for the recent generations of children and teenagers.

Public Education Transfers in Chile

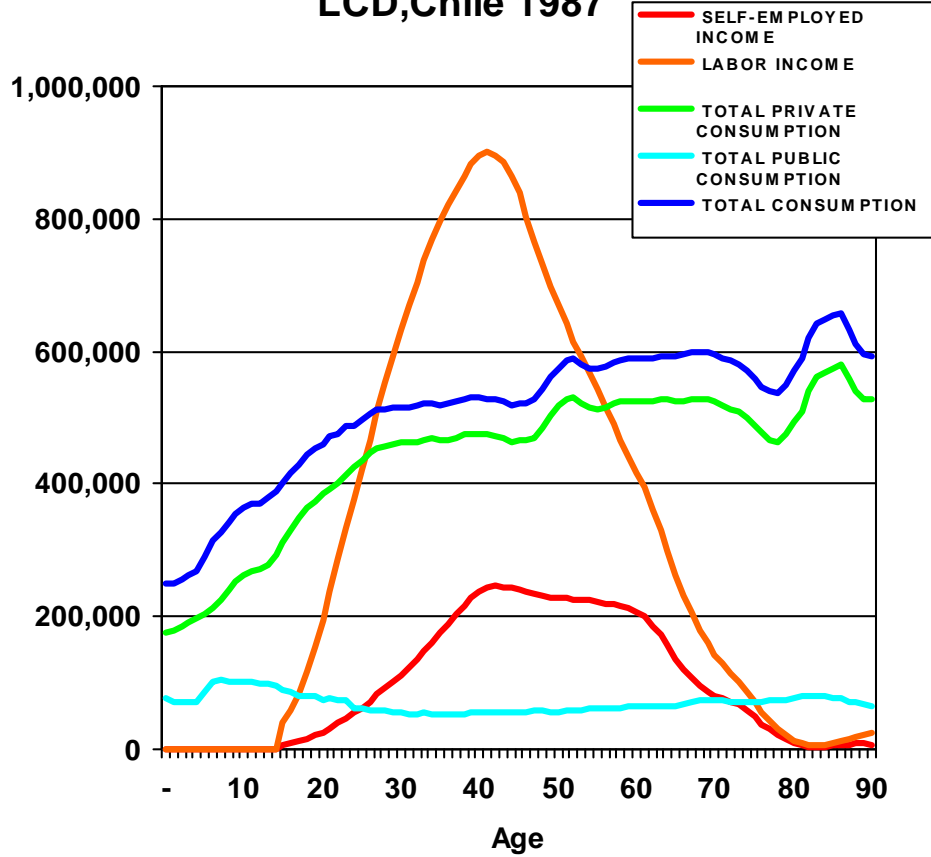


End of Summary

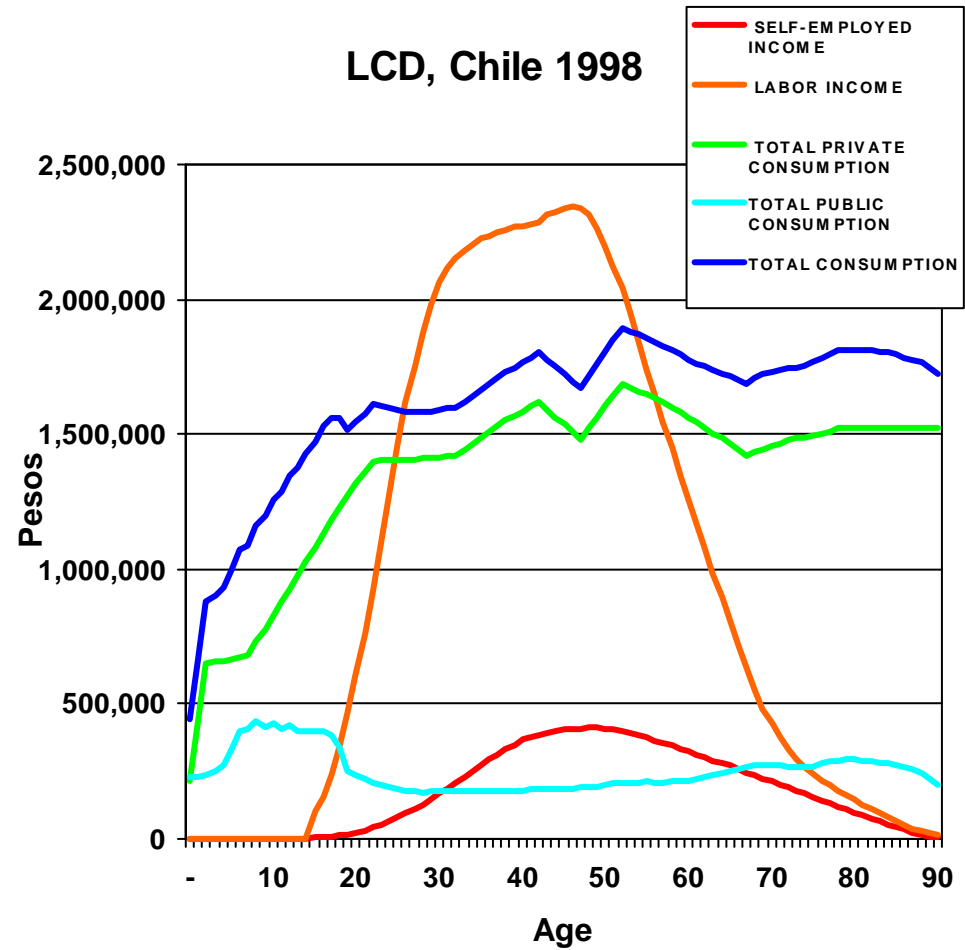
Life cycle deficit, Chile 1987-98



LCD, Chile 1987



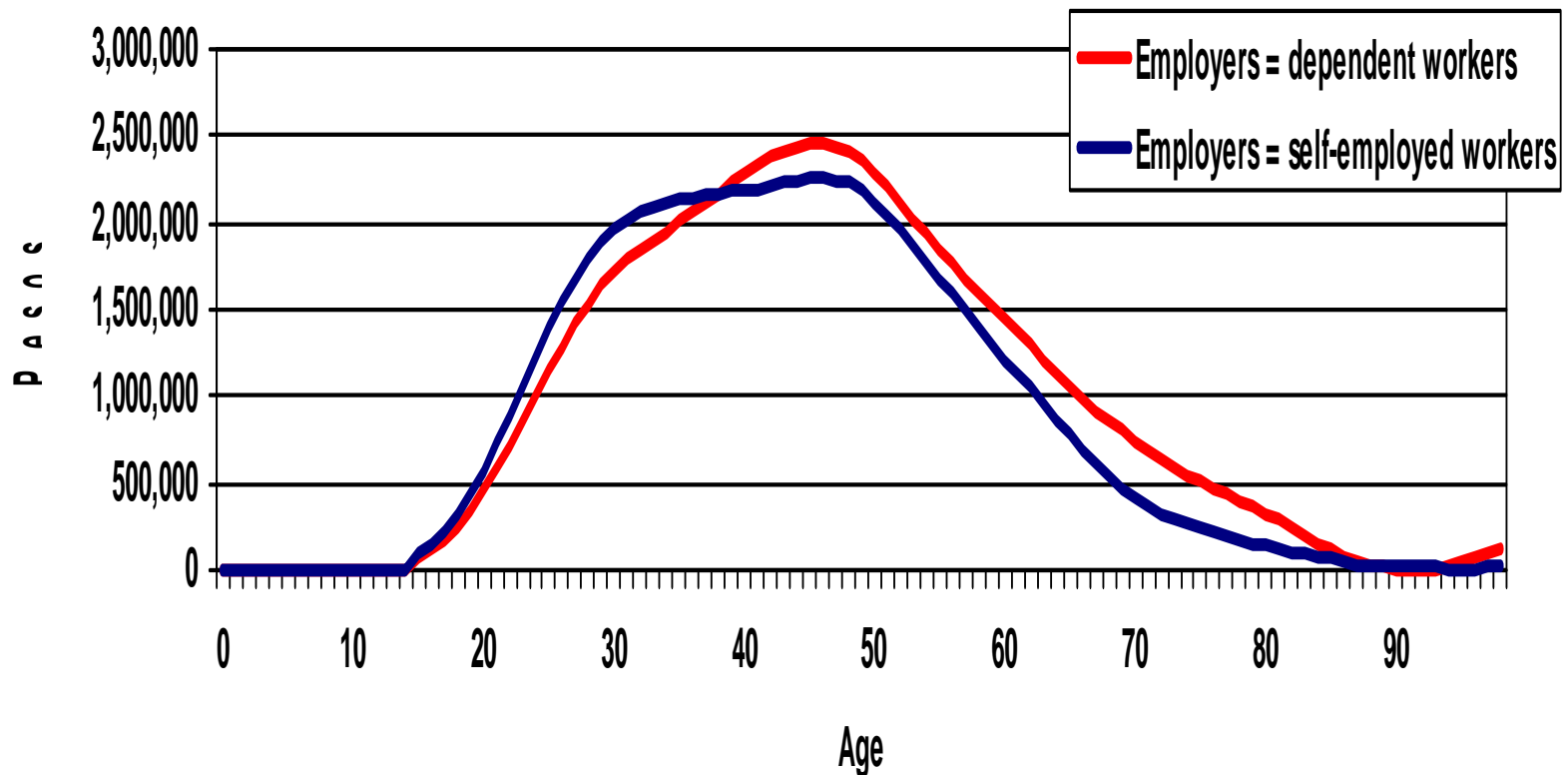
LCD, Chile 1998





Labor Income estimation

- The definition of “employers” as employees or self-employed workers affects significantly the labor income profile (data for 1997)*



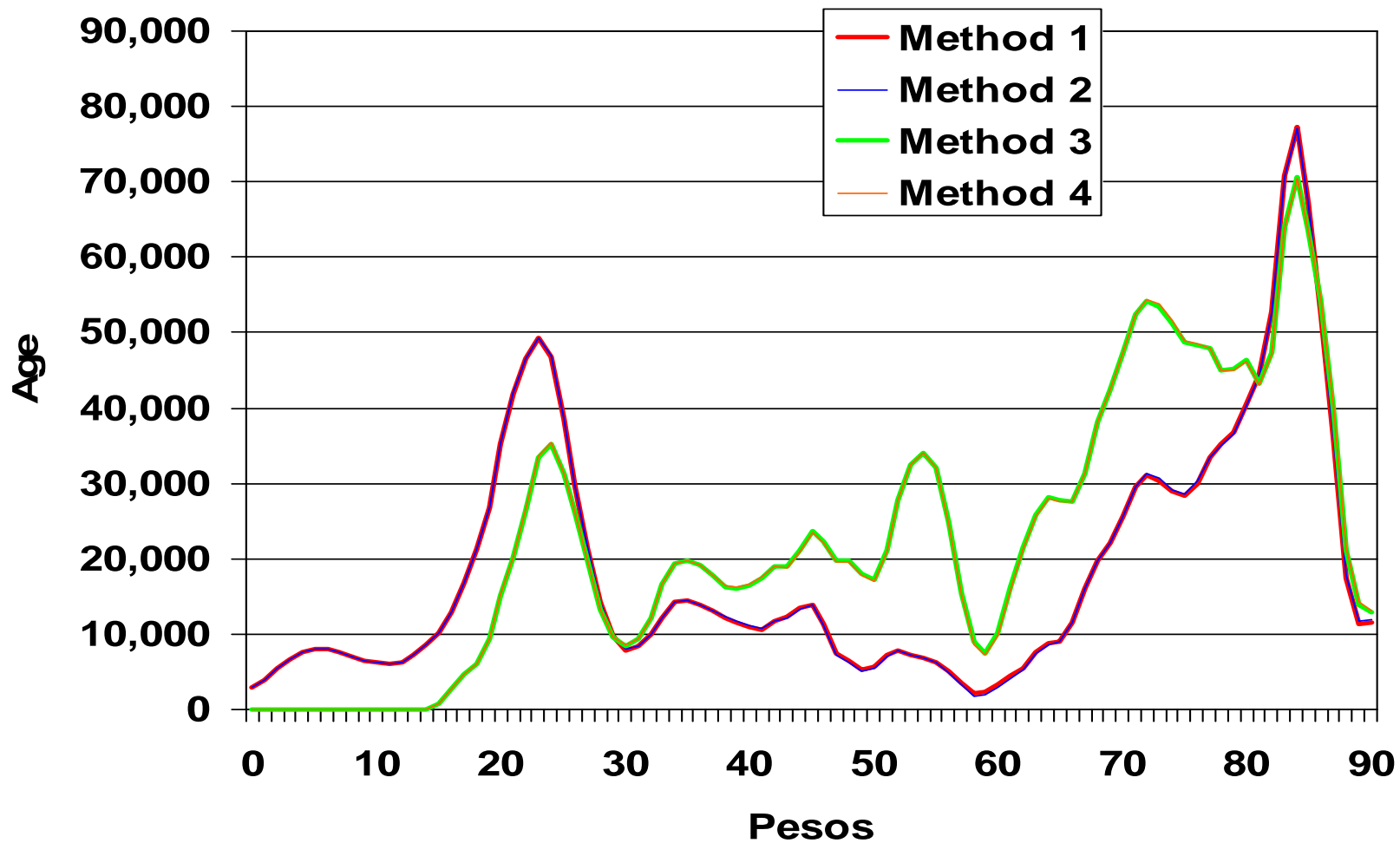
Inter-household Private Transfers

Four methods/variants:

1. The person declaring an inter-household transfer is the recipient. Only the heads of the households not receiving an inter-household transfer, give inter-household transfer
2. The person declaring an inter-household transfer is the recipient. *All* the household heads give inter-household transfer
3. **The household head is the recipient of the inter-household transfer. Only the heads of the households not receiving an inter-household transfer give inter-household transfer (*method retained for uploaded data*)**
4. The household heads is the recipient of inter-household transfers. *All* the household heads give and inter-household transfer

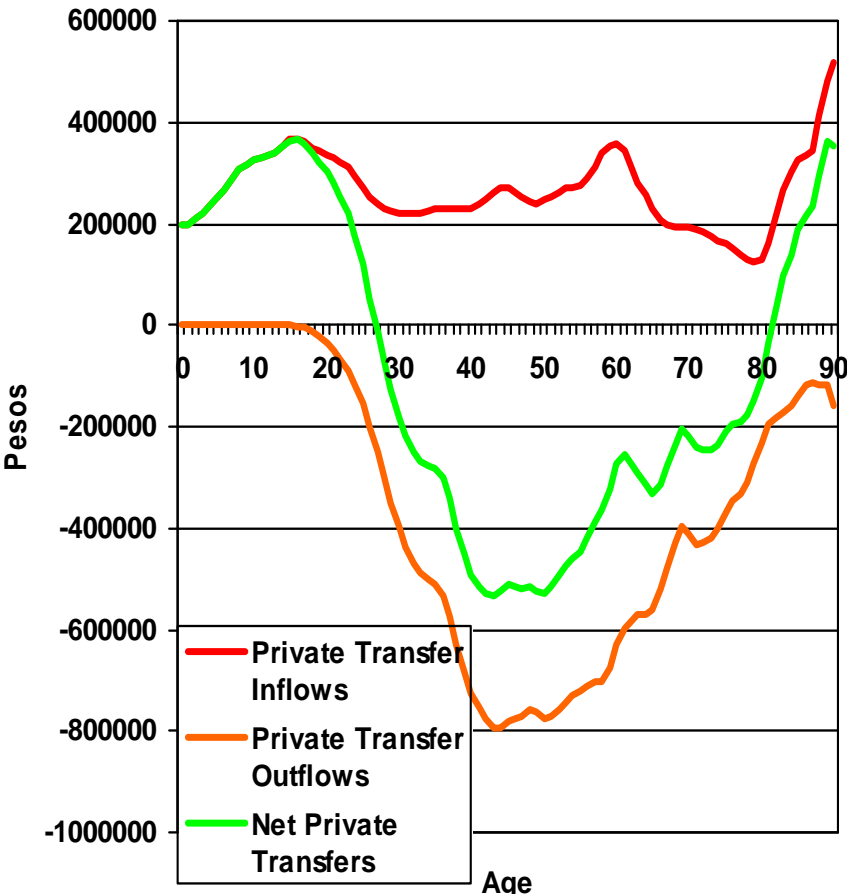
Inter-household Private Transfers

Chile 1997

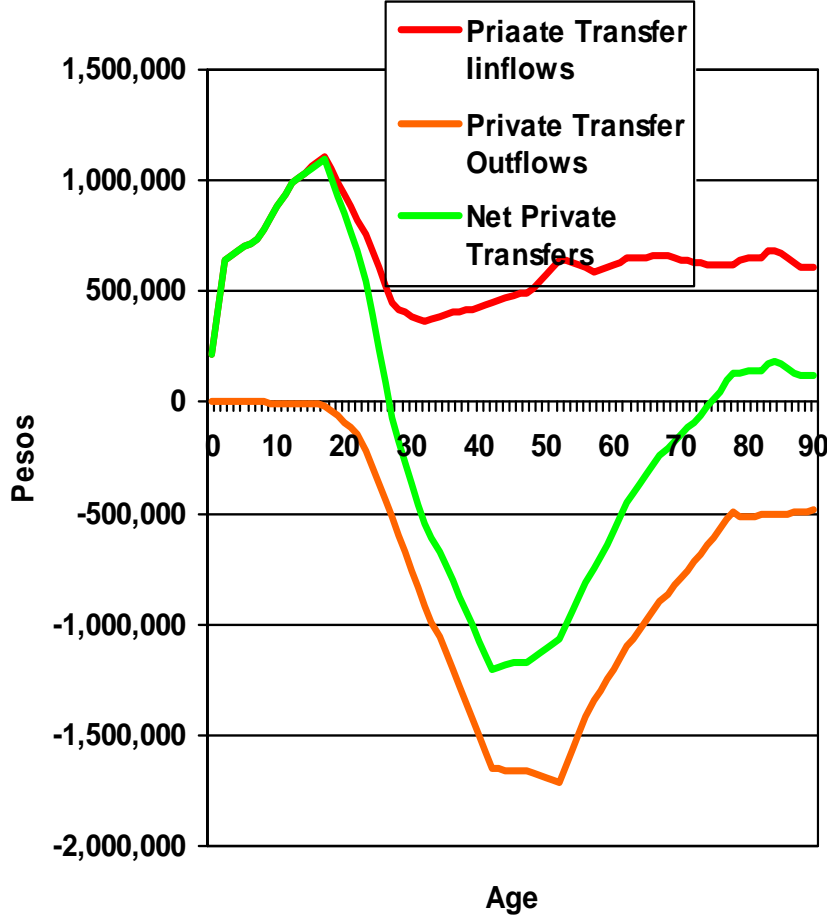


Net Private Transfers, Chile

NET PRIVATE TRANSFERS, Chile 1987

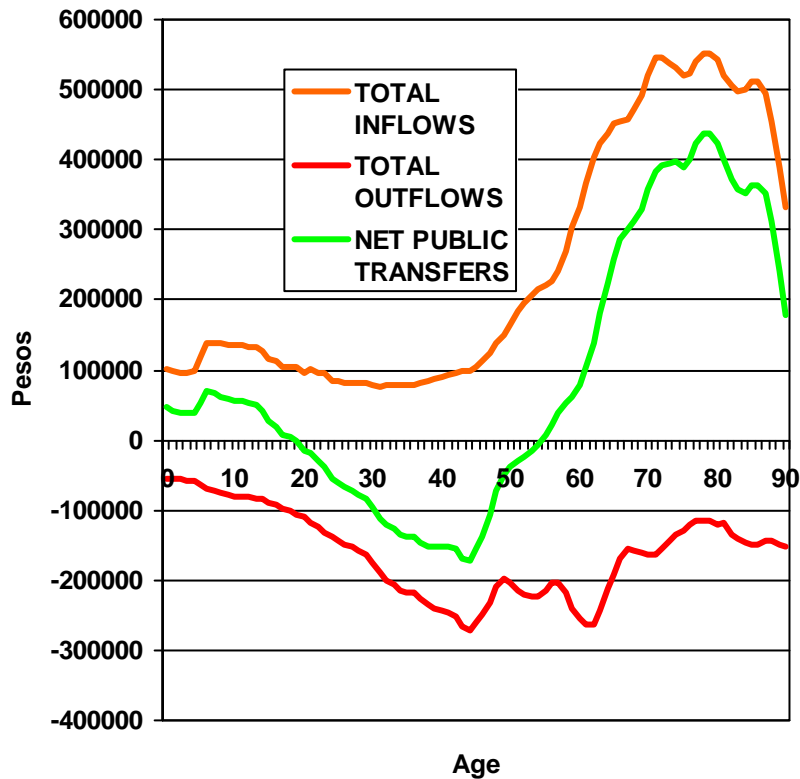


NET PRIVATE TRANSFERS, Chile 1998

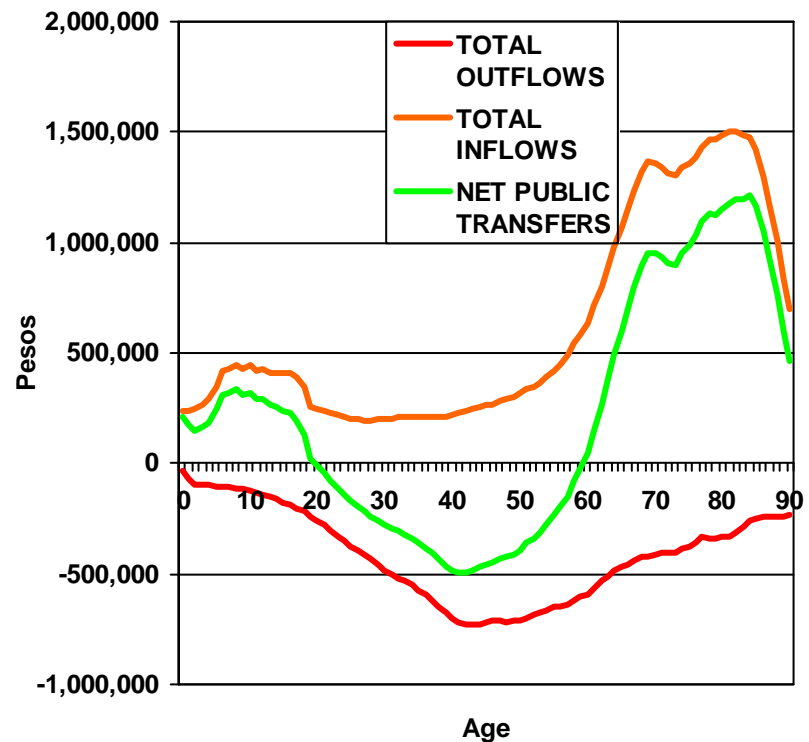


Net Public Transfers, Chile

NET PUBLIC TRANSFERS, Chile 1987



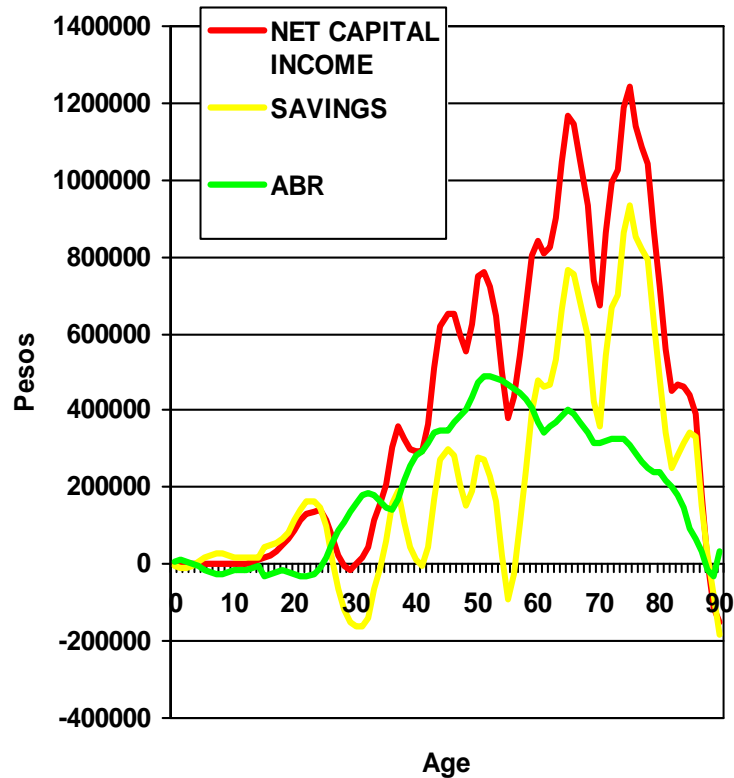
NET PUBLIC TRANSFERS, Chile 1998





Private asset based reallocations, Chile

ABR, Chile 1987



ABR, Chile 1998

