

THE NATIONAL TRANSFER ACCOUNTS FOR KENYA

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1. Introduction

- Fertility rate in Kenya has declined significantly over the past three decades from 8.1 in the early 1980s to a low of about 5.0 (KDHS 2003) .
- Kenya's total fertility rate is higher than the Africa's average TFR of 4.7 (UN 2007).
- Despite the decline in fertility life expectancy in Africa remains low, at 49 years (in Kenya, it's 50; in Nigeria, 44; and less than 40 in countries severely affected by HIV/AIDS).

Intro...

- The NTA framework can generate information that can be used to guide investments in human capital; to further reduce fertility and improve living conditions in the continent.

2. Estimates of NTA profiles using 1994 survey

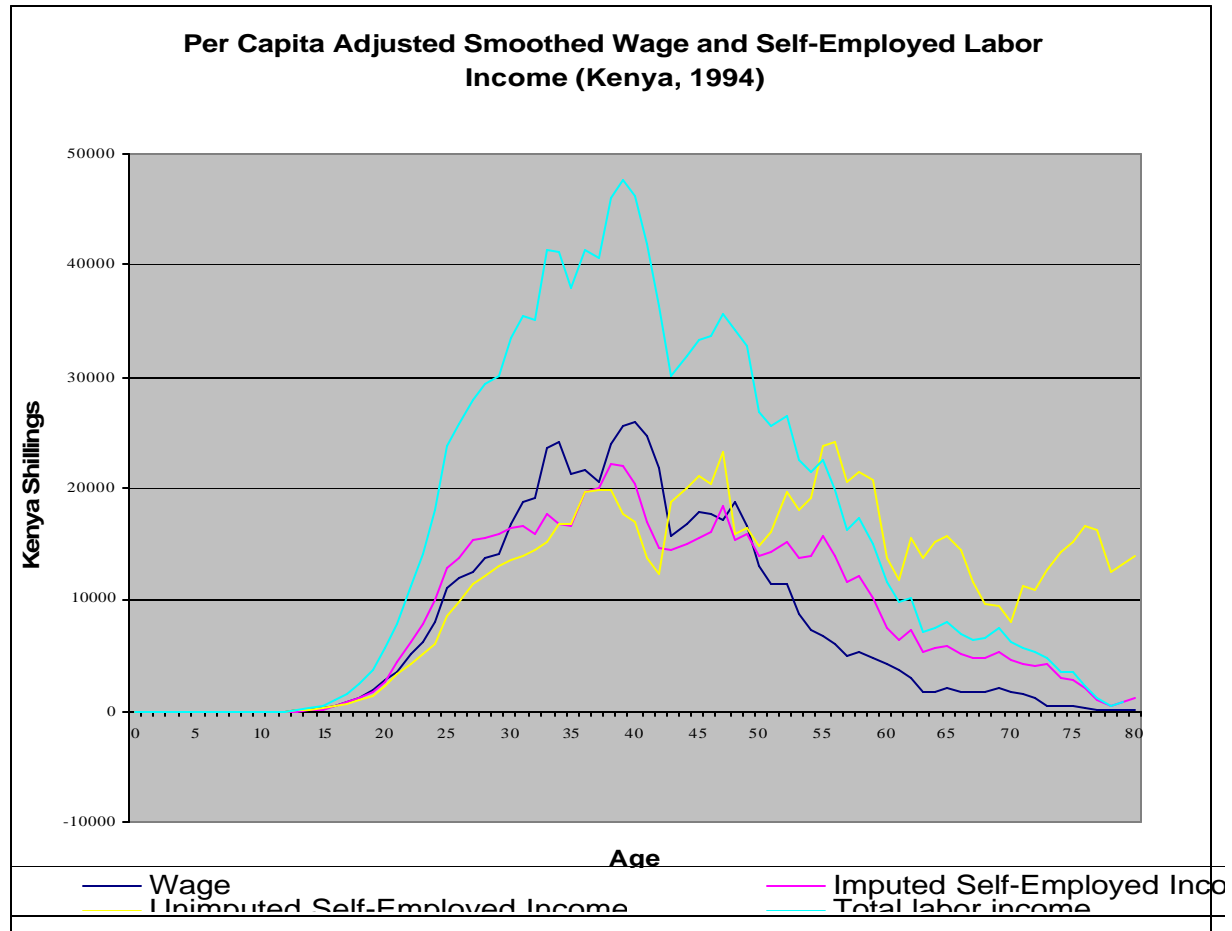
- Labor income profiles
- Public and private consumption profiles,
with macro controls
- Life cycle deficit
- Tax profiles

(Brief comparisons are made between
Kenyan and Nigerian profiles)

Labor income profiles

- Figure 1 below shows the labor income profiles for both the wage earners and non-wage earners in 1994.
- On average, earning of labor income in Kenya starts at an *early age of 18 years*.
- There is *no retirement in the self-employment sector, in* contrast to the situation in the formal wage sector, where wage income drops sharply after age 55.
- Maximum *mean* labor income is attained at around *age 40*.

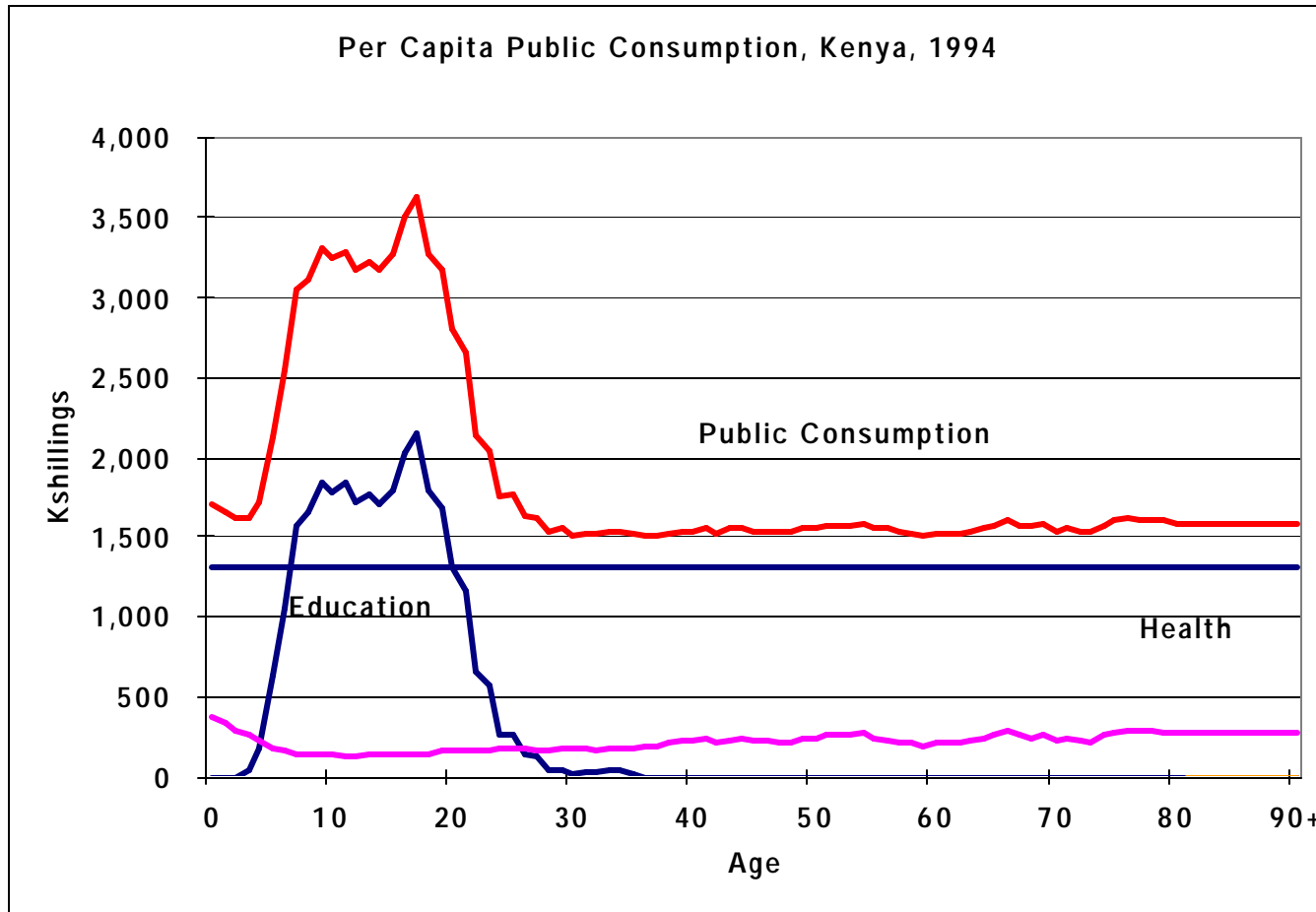
Figure 1: Labor profile (Kenya, 1994)



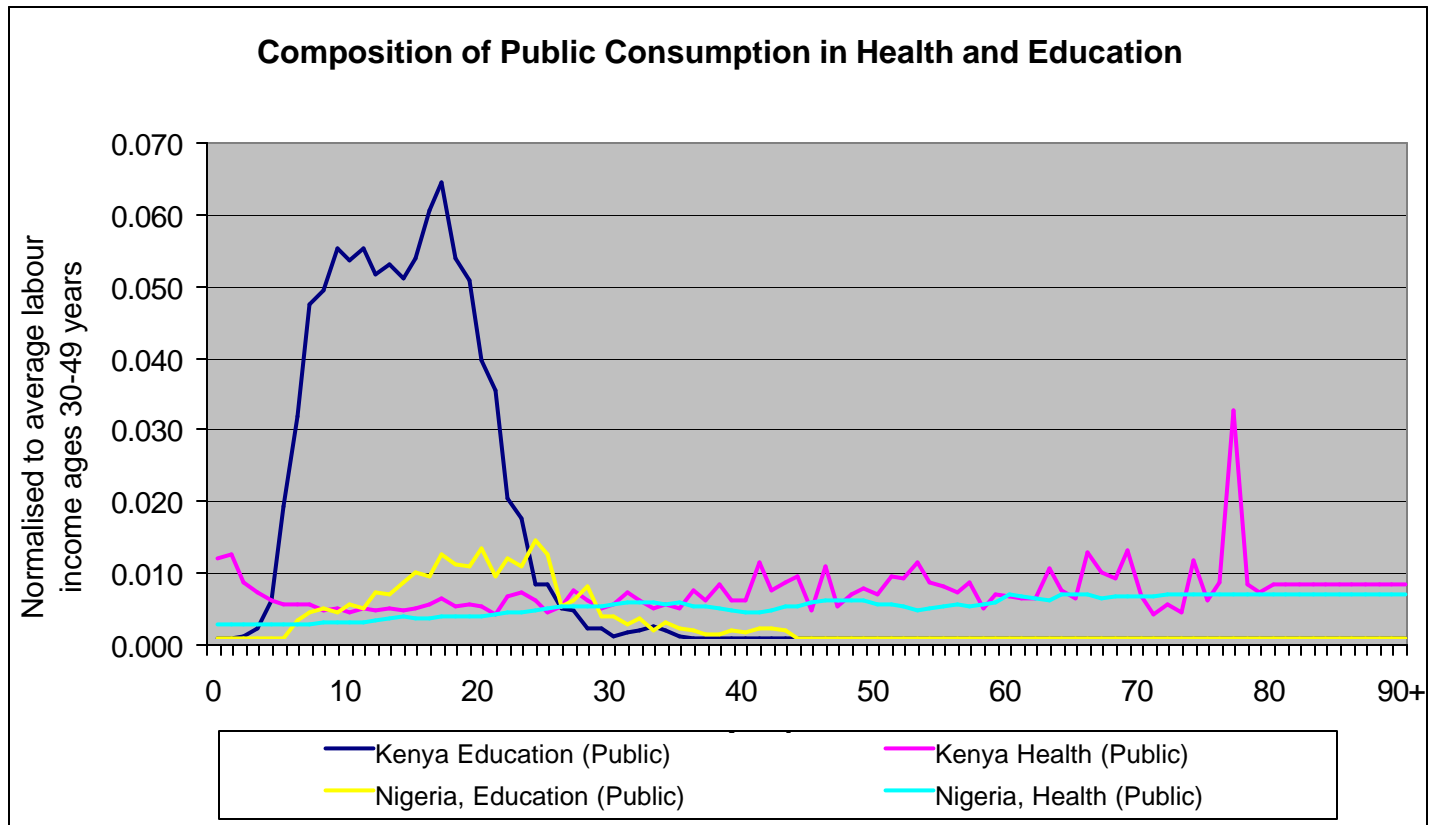
Public consumption age profile

- Figure 2 shows estimated profiles of per capita public consumption in education, health care and public other consumption.
- As expected, education expenditure is pronounced between the age of 3 and 25 years.
- Highest at between age 6 and 19 years, meaning at primary and secondary education levels.
- Public health consumption has the horizontal J-shape after age 20.
- Public other consumption has a horizontal age- profile. (Kenya's per capita public consumption > Nigeria's).

Figure: 2 Public consumption Profile (Kenya, 1994)



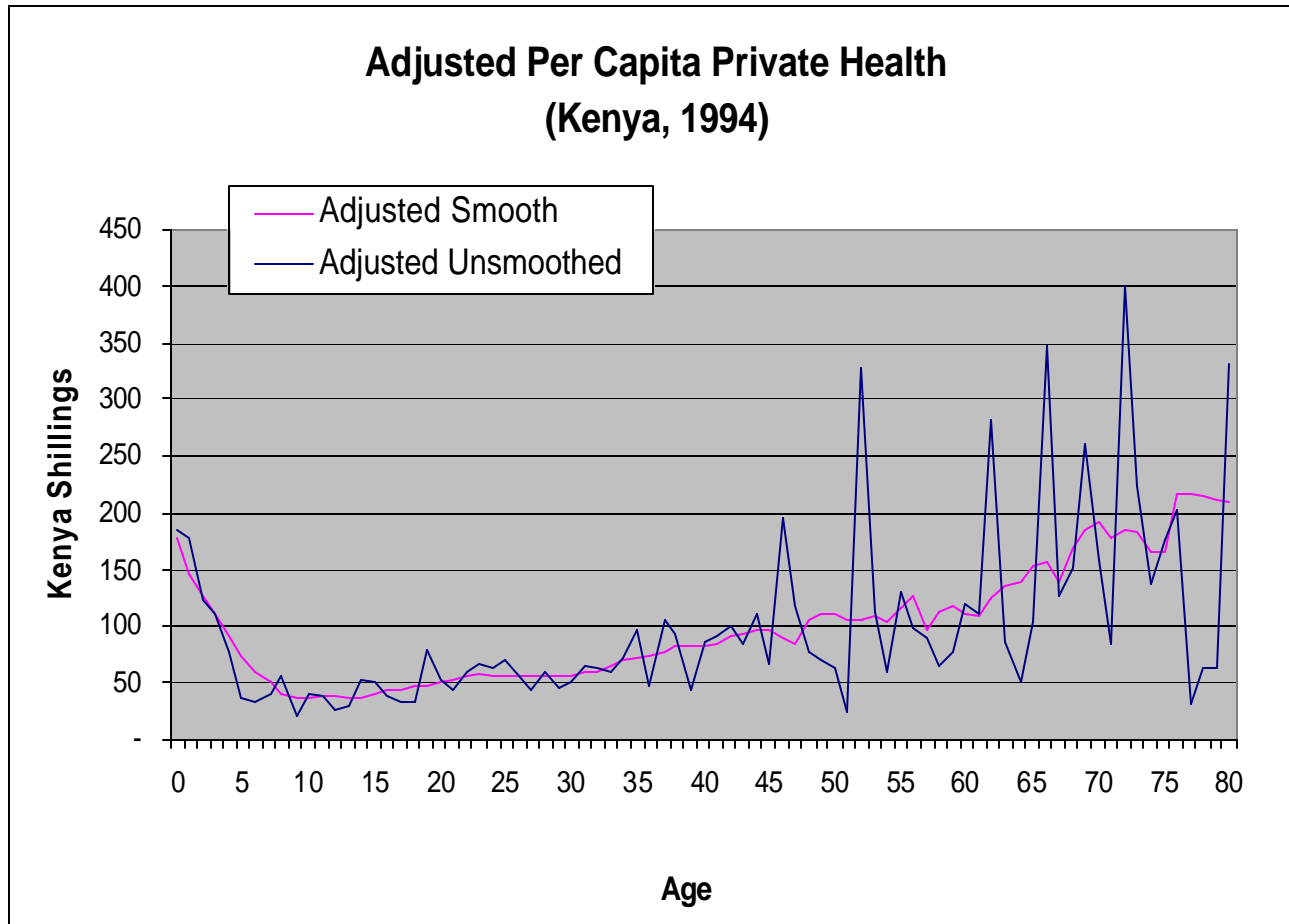
Public consumption Kenya and Nigeria



Private health consumption Profile

- Private health consumption has a horizontal a *J*-shape.
- Children below the *age of 10 are more likely to be sick and to seek medical care* relative to individuals at other age groups.
- Private health consumption increases sharply from *age 45* due to incidence of age-related ailments.

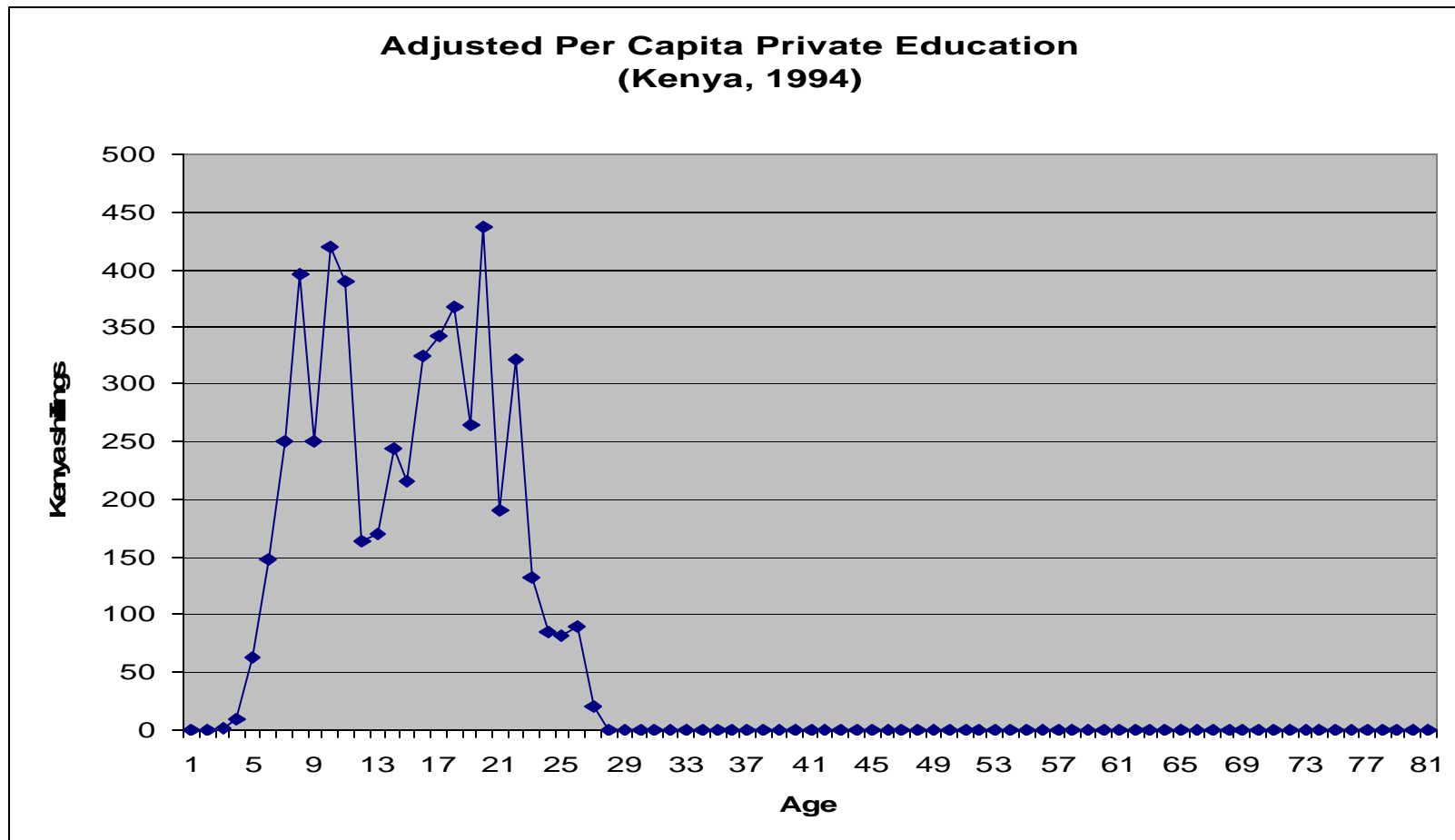
Figure 3: Private health consumption Profile (Kenya, 1994)



Private Education profile

- The dip at *age 13* in Figure 4 could be associated with an influx of students from private primary school to government secondary schools.
- The sharp rise *after age 13* is related to private spending in private secondary schools and colleges.

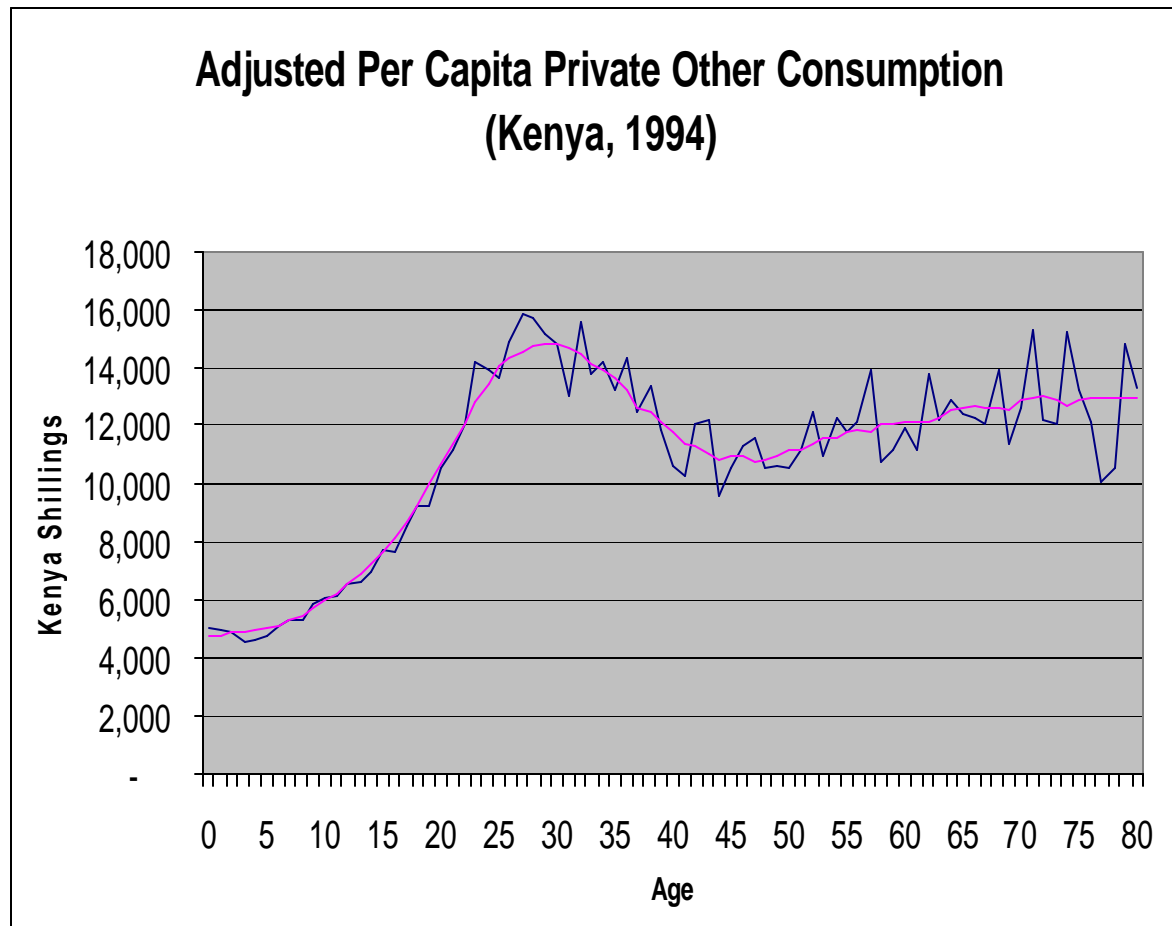
Figure 4: Private education consumption expenditure



Private *other* consumption profiles

- This has a pronounced hump at ages 25-39 years.
- After formal school, most individuals at that age bracket are in wage or mixed employment.
- Demand for durable goods and food is also likely to be high.

Figure 5: Private *other* consumption expenditure



Total Private consumption profile

- Private consumption between ages *10-23* is driven by private education and other consumption.
- After *age 23*, the total private consumption consists of private health and other consumption, as private education expenditure ceases.
- Kenya private per capita consumption < Nigeria

Figure 6: Total private consumption profile

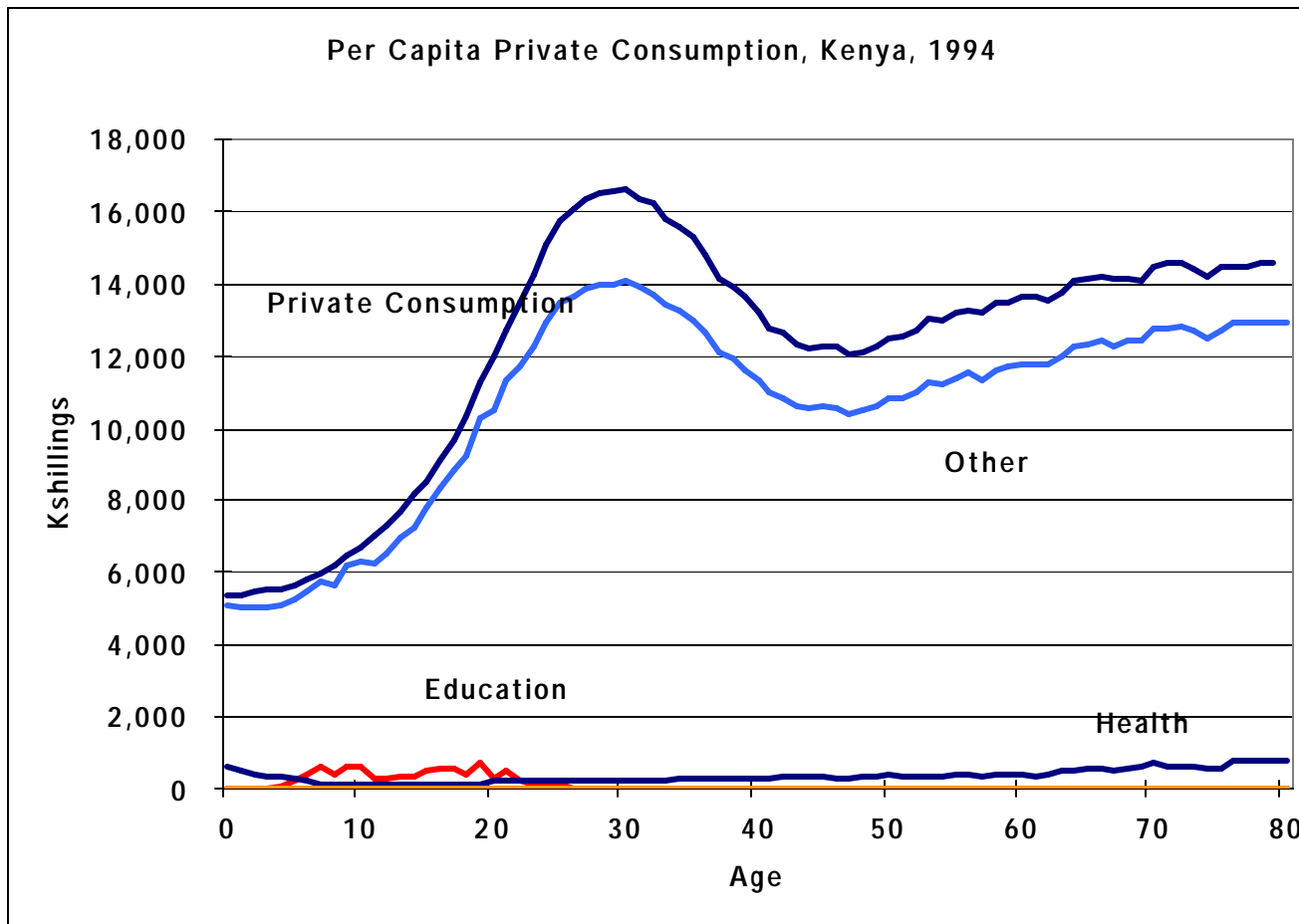


Figure 7: Private consumption Kenya and Nigeria

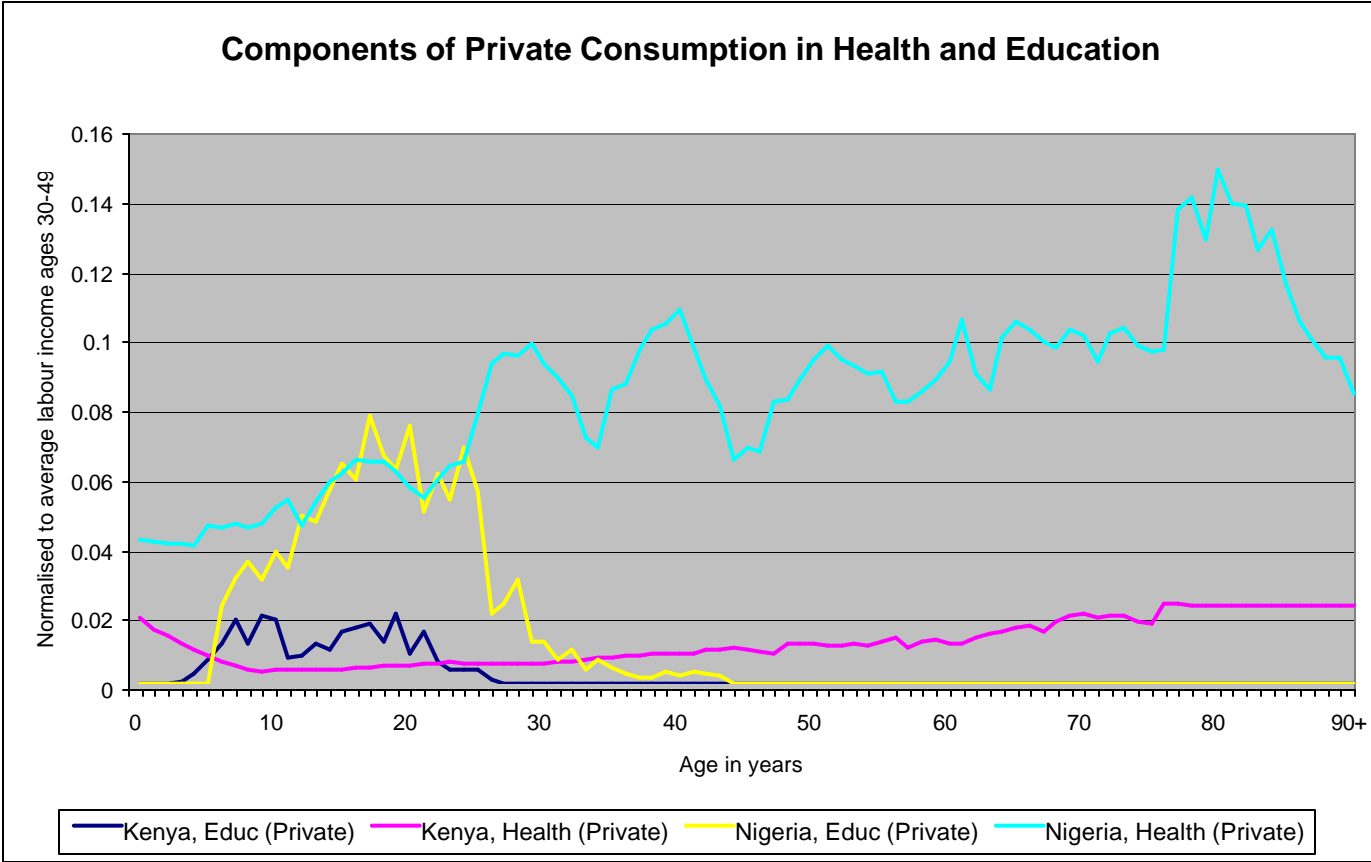
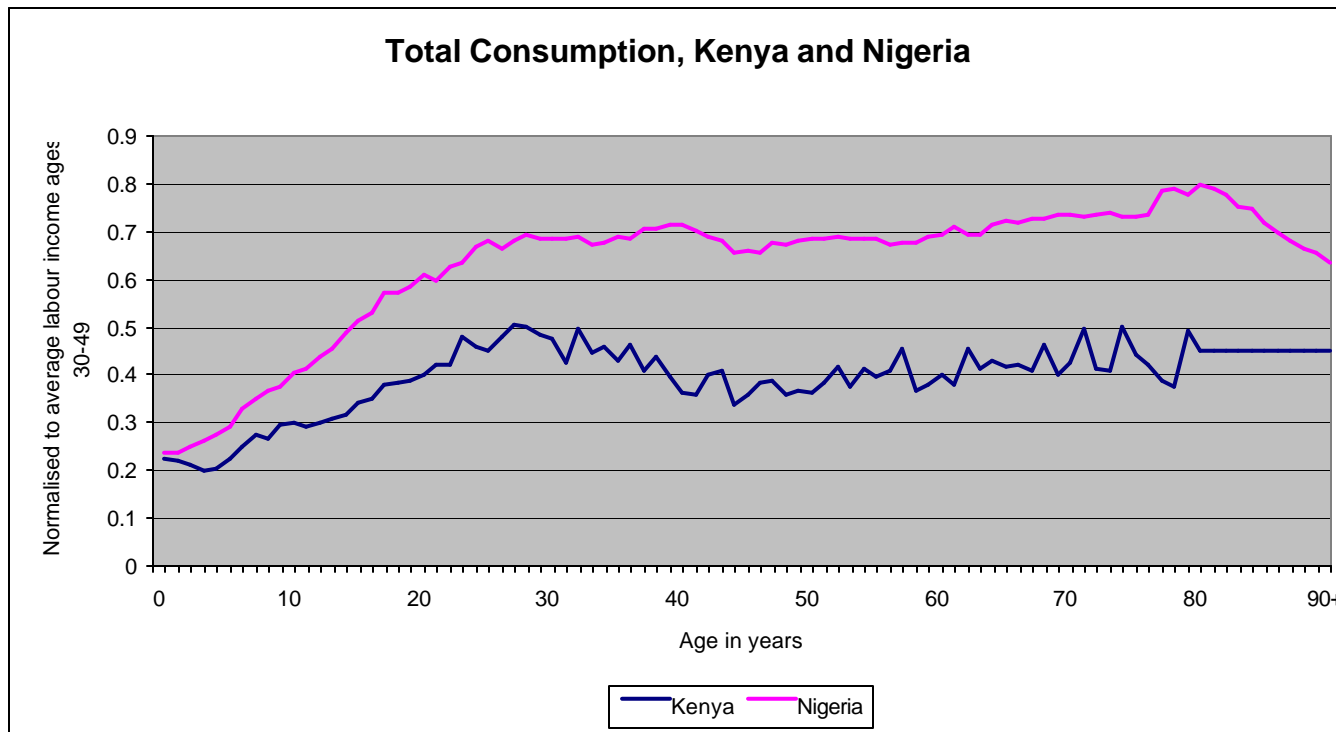


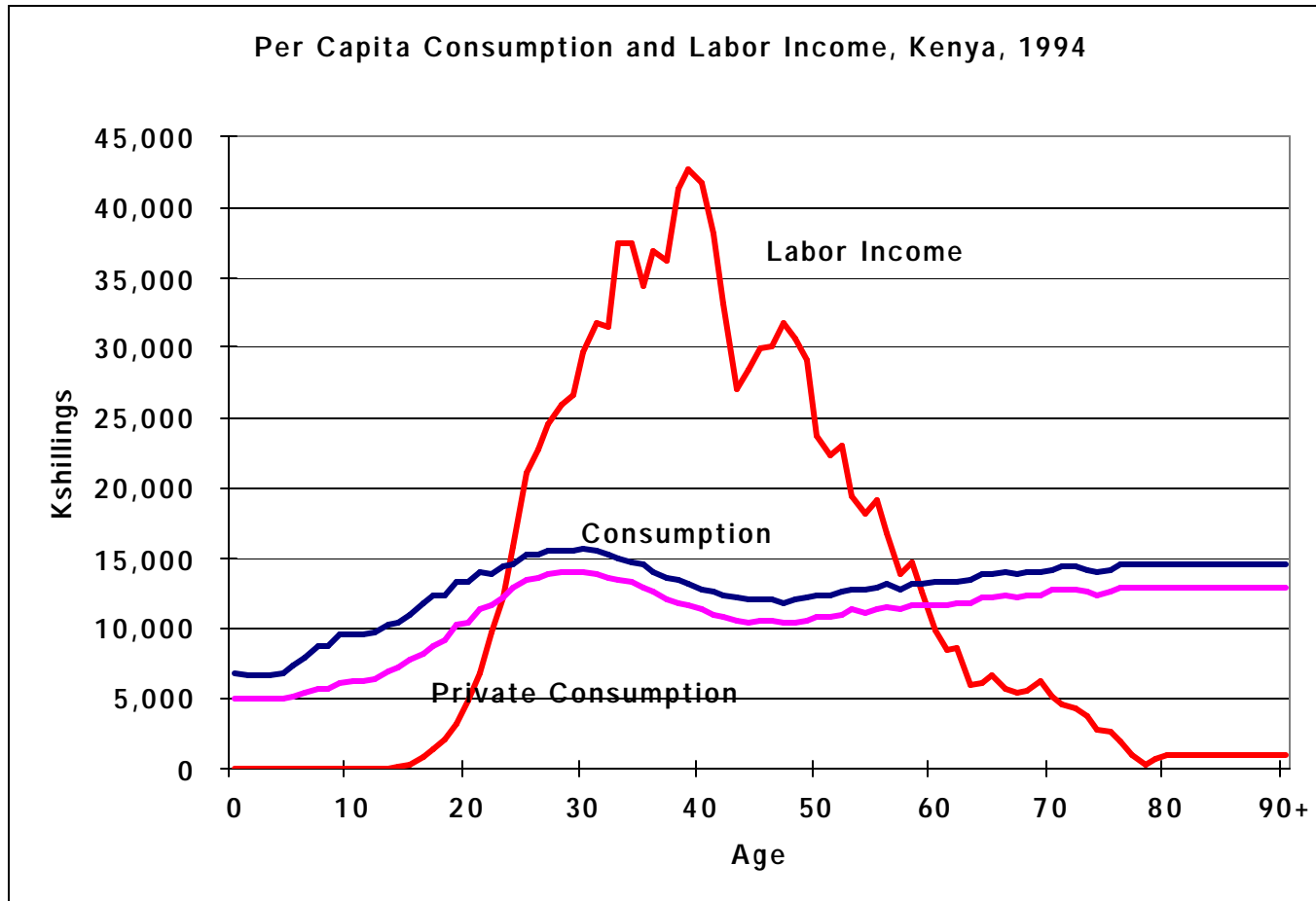
Figure 8: Total consumption Kenya and Nigeria



Total consumption vs labor income profiles

- Compares total labor income and total consumption.
- Difference between the per capita income earned by individuals and their corresponding per capita consumption in 1994, by age.
- Surplus or deficit consumption.

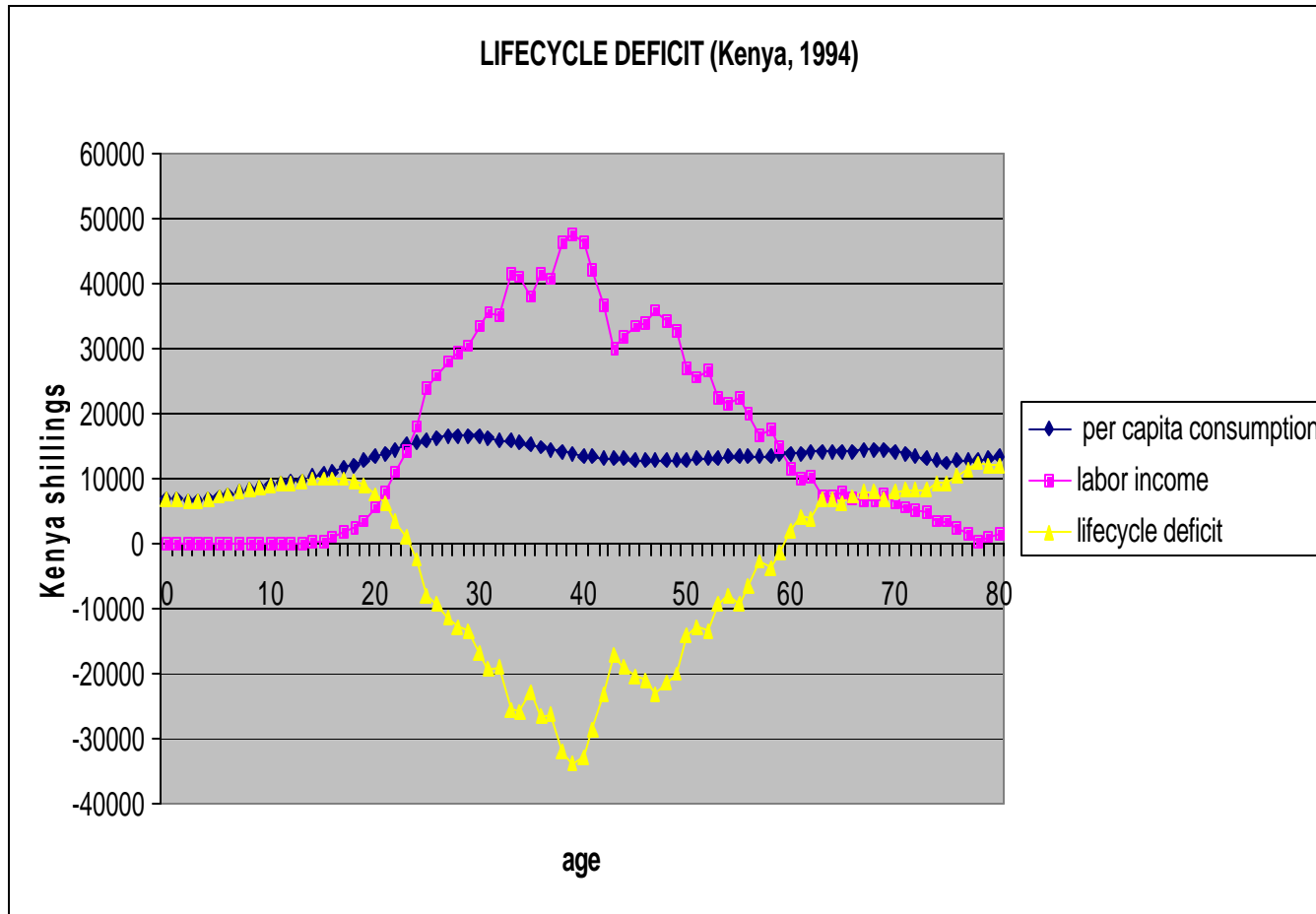
Figure 9: Total consumption vs. Labor income, Kenya



Life-cycle Deficit Profile

- In Kenya, child dependency *ends at around age 23* while old age dependency *starts at around age 60*.
- The surplus life cycle period is between *ages 23 and 60 years*.
- LCD peaked at age 40.

Figure 10: Life-cycle Deficit, Kenya



Life-cycle deficit...

- The surplus labor income is transferred across individuals through households, governments, and through non government organizations.

Figure 11: Life-cycle deficit...

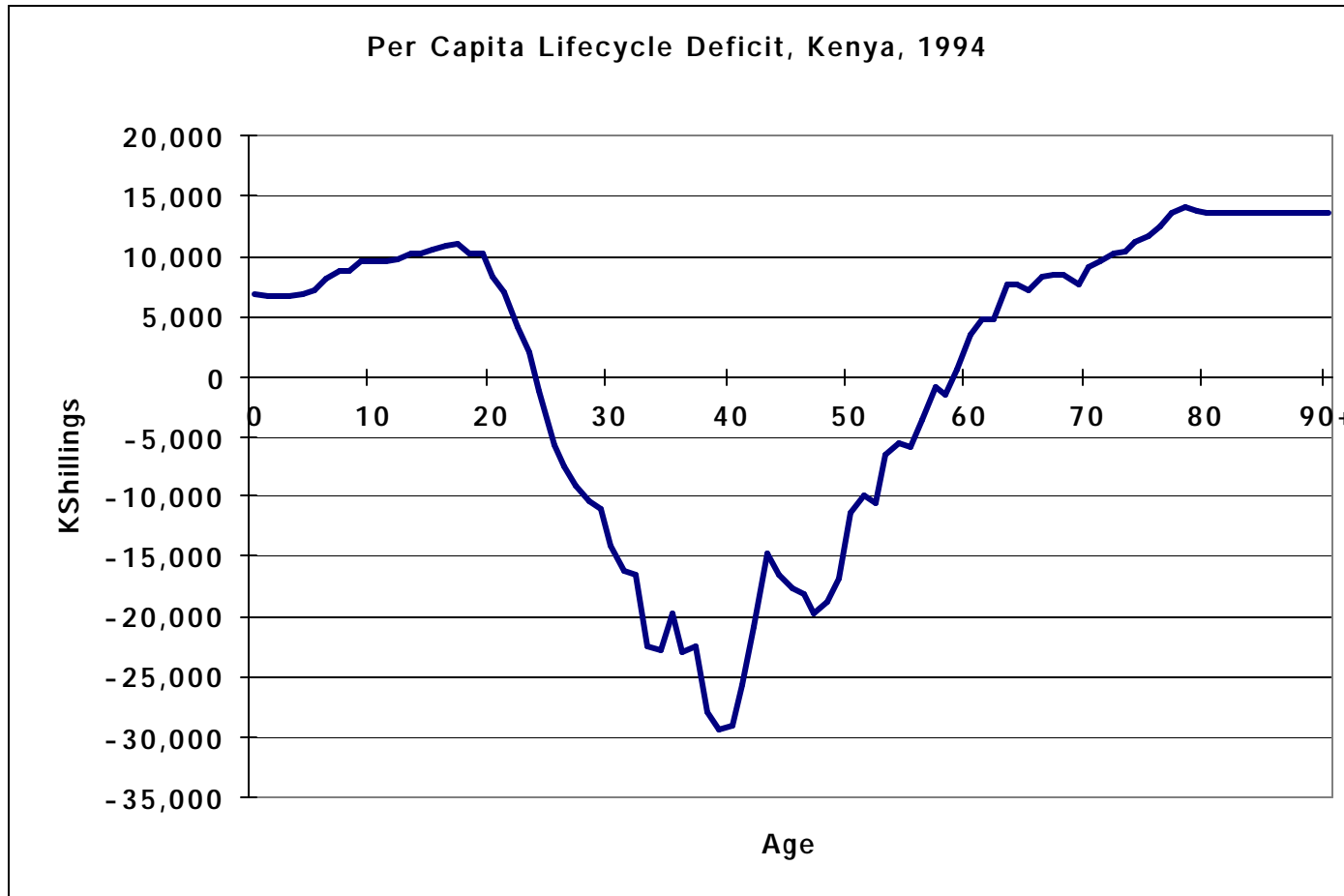
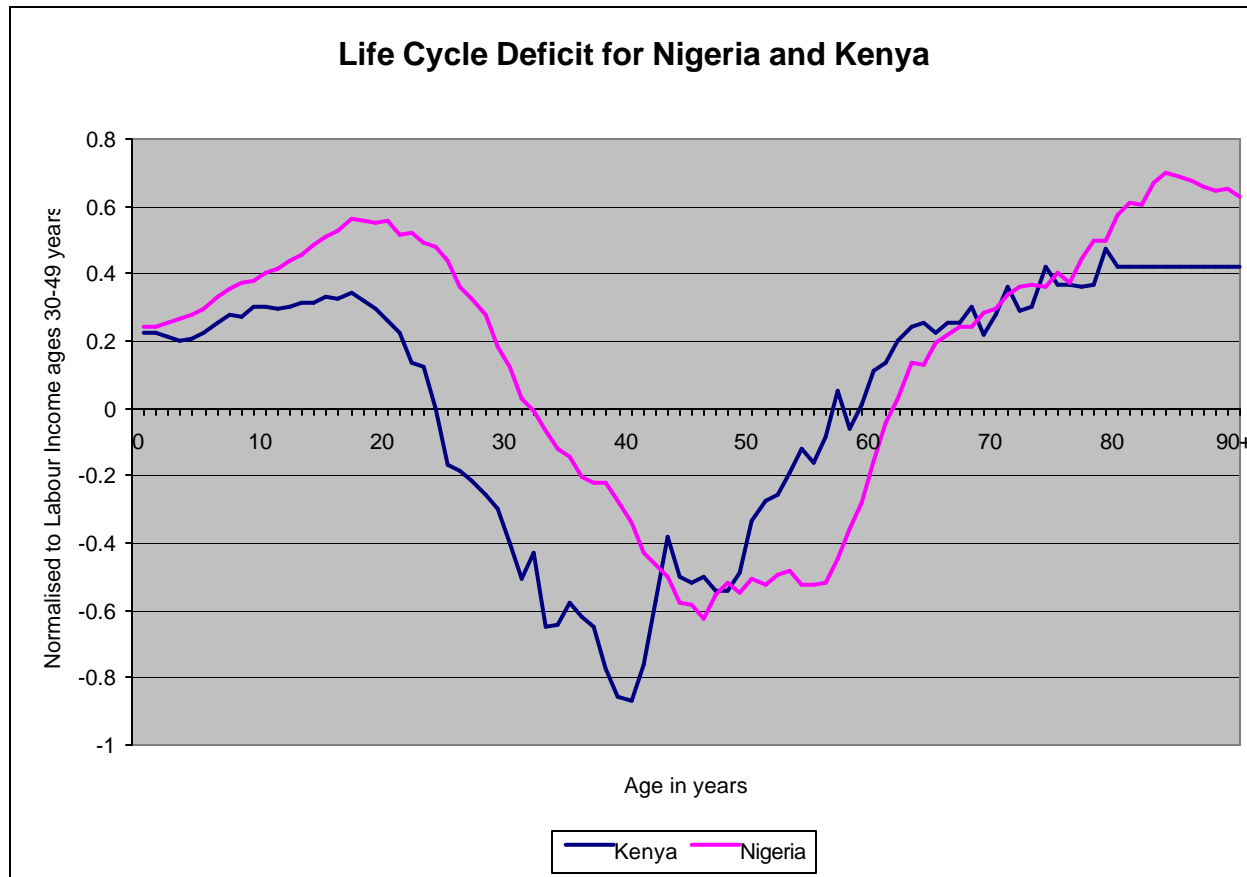


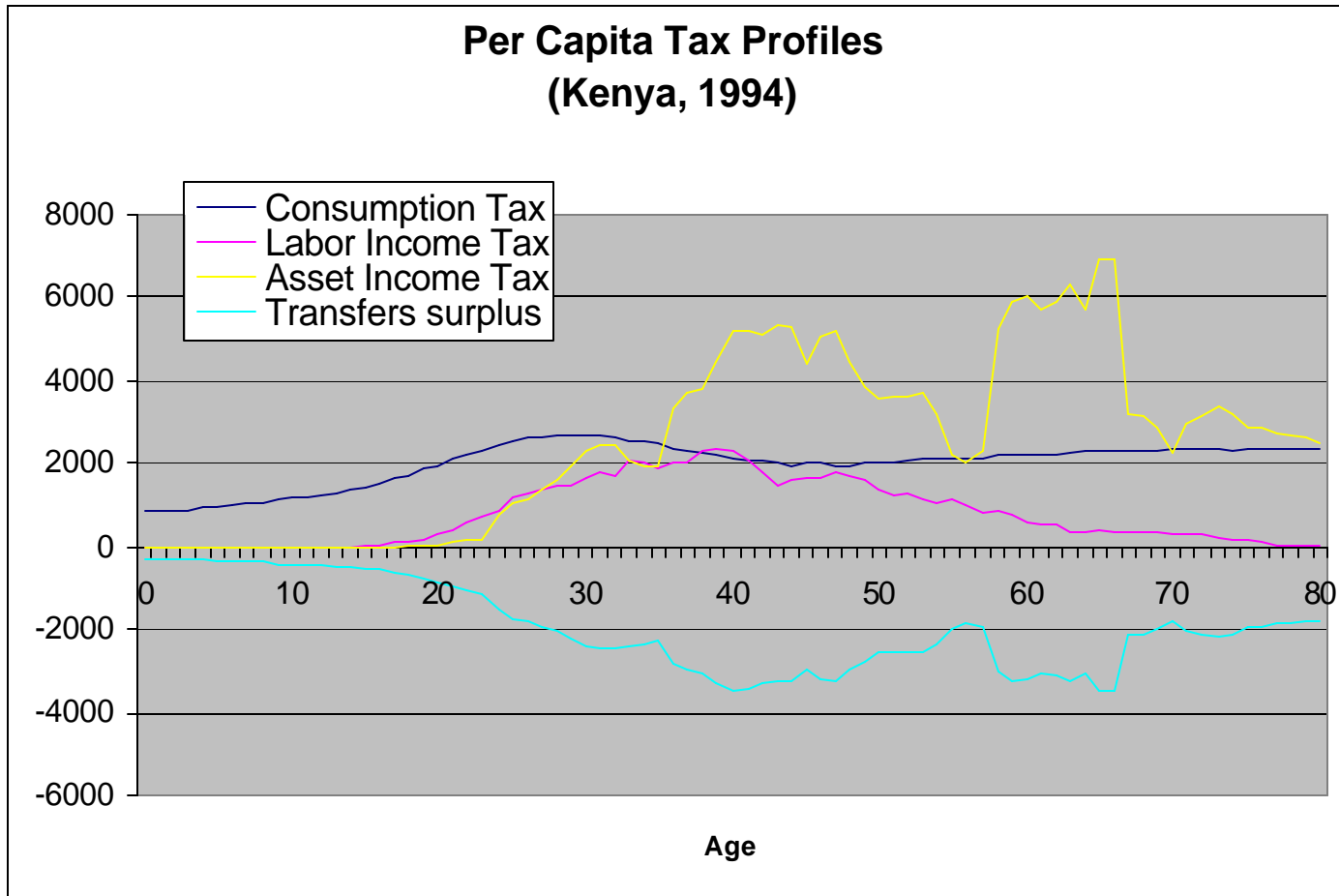
Figure 12: Life cycle deficits, Kenya and Nigeria



3. Tax profiles

- The asset income tax profile is pronounced after age 25.
- Dip in the asset income tax profile between ages 50 and 57 could be due to asset re-allocation by household heads through the disposal of assets to finance private consumption.
- The consumption tax follows the consumption age profile.
- At early ages (ages 1-20), the government transfers surplus is driven by consumption tax, while at age 20-57, the three taxes determine the size of the transfer surplus.

Figure 13: Tax profiles, Kenya



Conclusion and further work

Conclusion

- NTA is an essential tool for generating the information required to design national social protection systems.
- It can show how much the government should spend on health, education and other basic needs at different ages.
- It could guide investments in reproductive health or in institutions that empower an economy to earn demographic dividends.

Conclusion...

- Further work
 - Refining of tax profiles
 - Estimation of intra and inter household transfers
 - Asset-based reallocations
 - Constructing NTA using household data from other years (1997, 2005, 1992? 1982?)

Thank you.