

South African National Transfer Accounts

Implications for Policy

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Outline

- The South African Context
- The Lifecycle Deficit
- The Role of Transfers in South Africa
- Some Policy Implications
- Some NTA Implications

The South African Context

Key characteristic is stark inequalities

The South African Context

- Demography (2011)
 - Total population of 50.6 million (est.)
 - Life expectancy at birth: 54.9 (M) / 59.1 (F)
 - Infant mortality 37.9
 - Fertility: 2.35 children per woman (down 20% since '01)
 - 31% younger than 15 yrs, <8% aged 60 yrs+
 - HIV prevalence rate 10.6%; 5.4 million living with HIV; 16.6% of 15-49 year olds

The South African Context

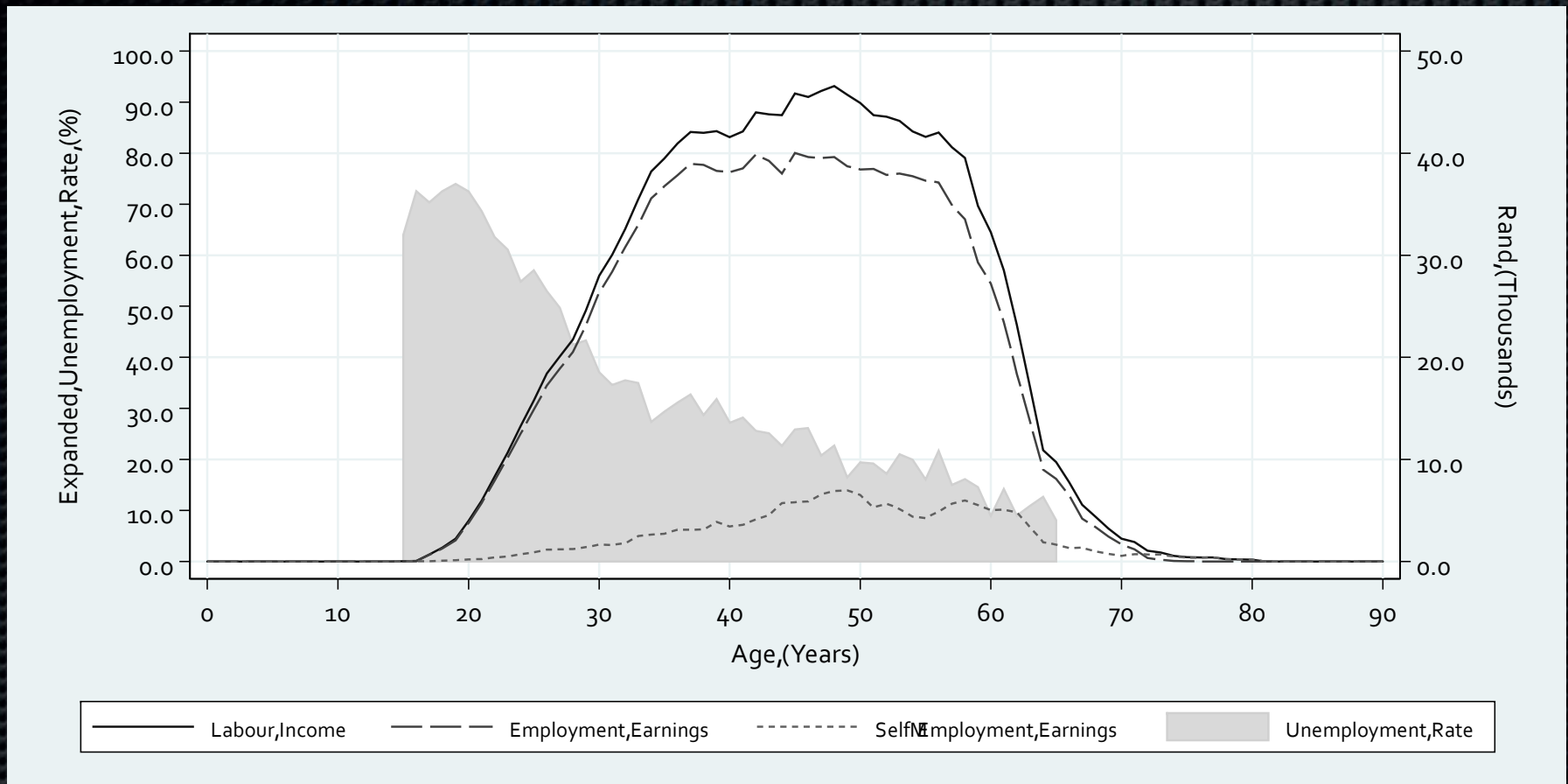
- Socioeconomic
 - Inequality: Socioeconomic outcomes (education, health, employment etc); opportunities; income; demography
 - Race often a good proxy
 - Unemployment: around 20-25% using ILO definition; up to 70% of young people using the broad definition; small informal sector
 - Poverty: High, but extreme poverty relatively low

The South African Context

- Social assistance and insurance (2005/06)
 - Long-standing non-contributory pension system, initially covering only whites; means-tested; 2.1 million beneficiaries (2005/06)
 - Disability grant: 1.3 million beneficiaries
 - Unemployment insurance, covering formal employed, but of limited duration (but most unemployed have never worked...)
 - Recent focus on children: CSG progressively rolled out since 1998/9; 7 million beneficiaries
 - Nearly 11 million beneficiaries vs. 4.5 million individual taxpayers

The Lifecycle Deficit

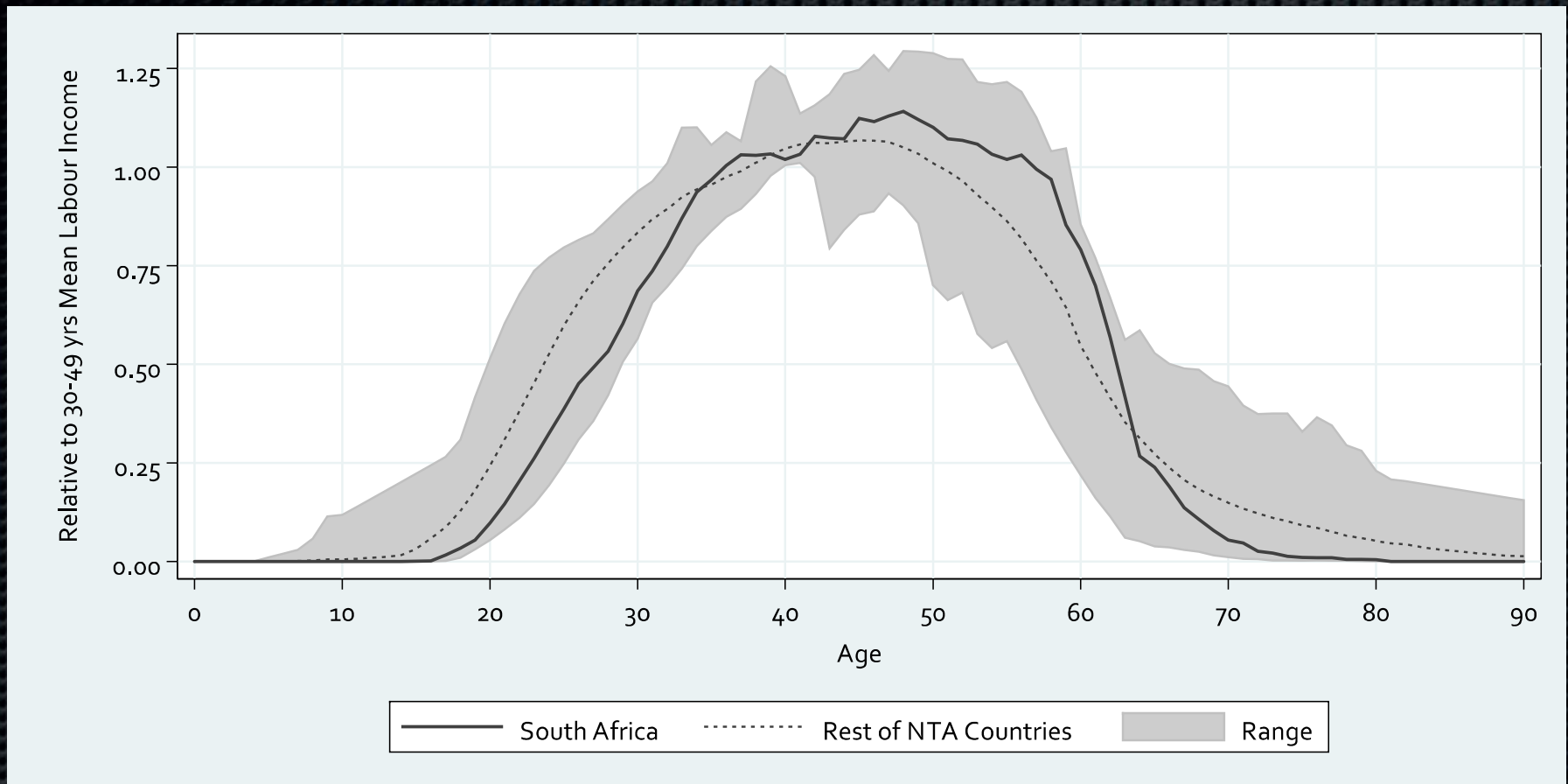
1. Impact of unemployment and old age pension
2. Consumption peak from 40 to 55 years
3. Relatively late surplus, but 'standard' duration



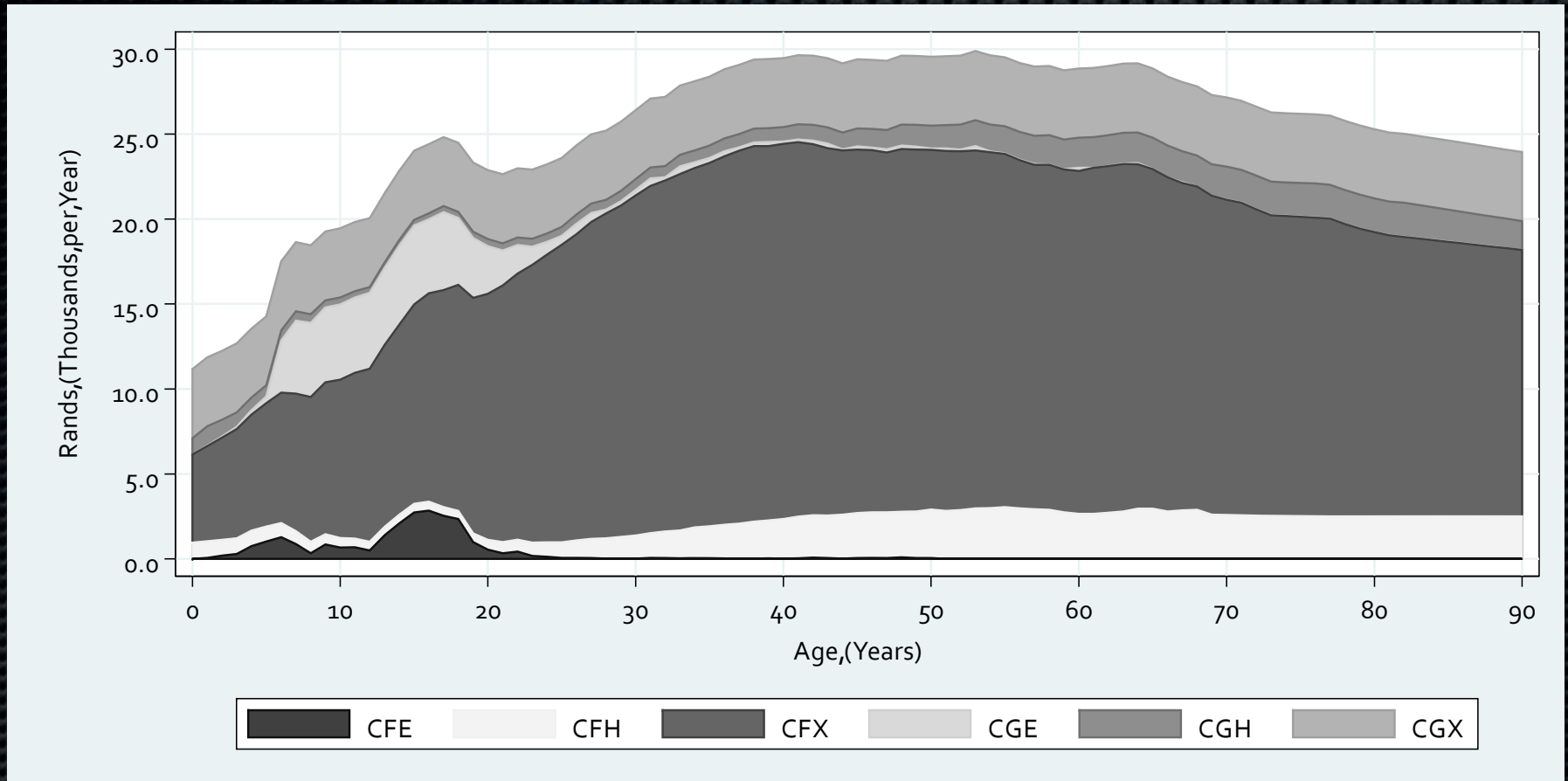
Labour Income

Late rise, steep decline

Low self-employment earnings

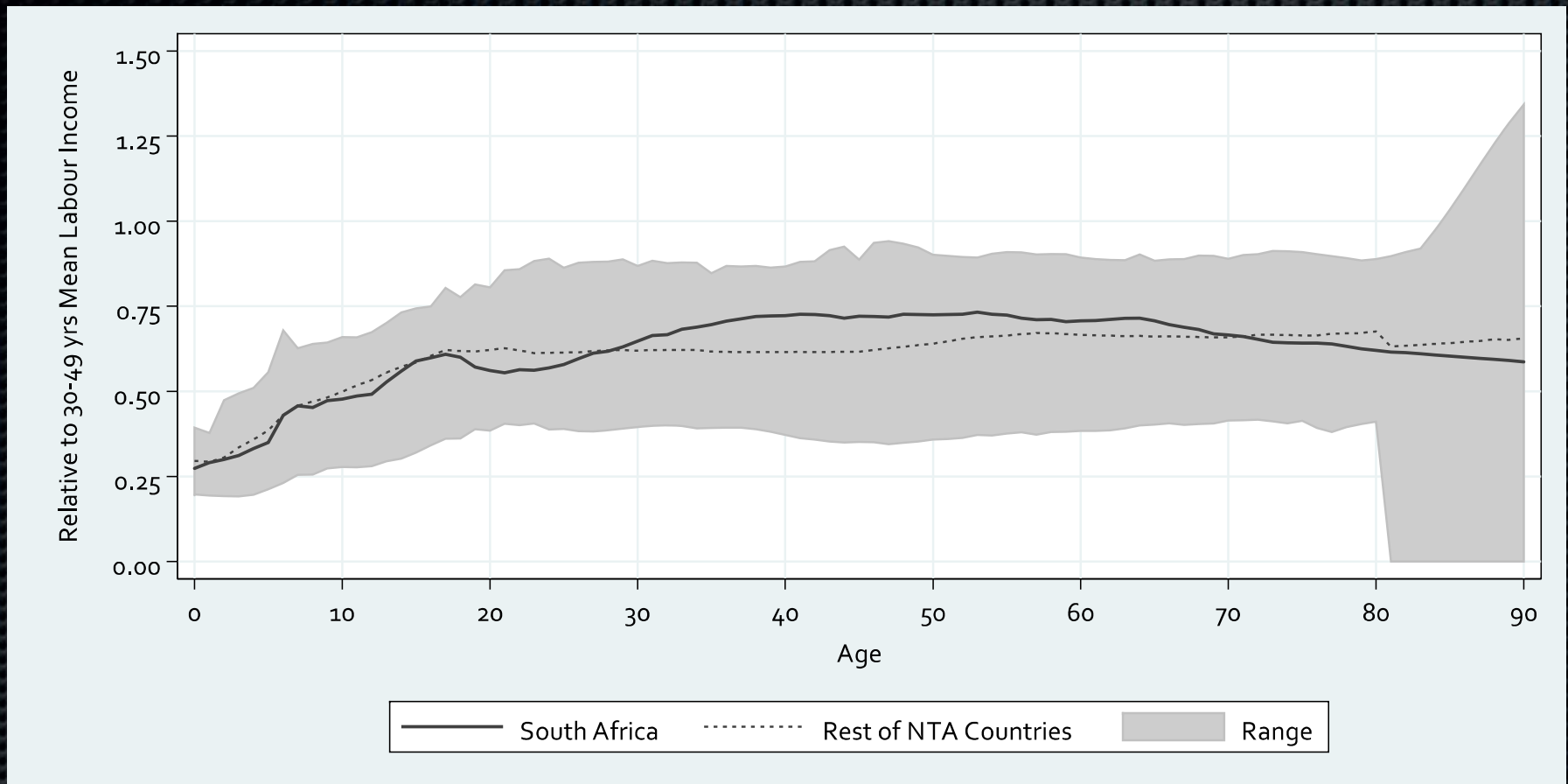


SA YL in comparison



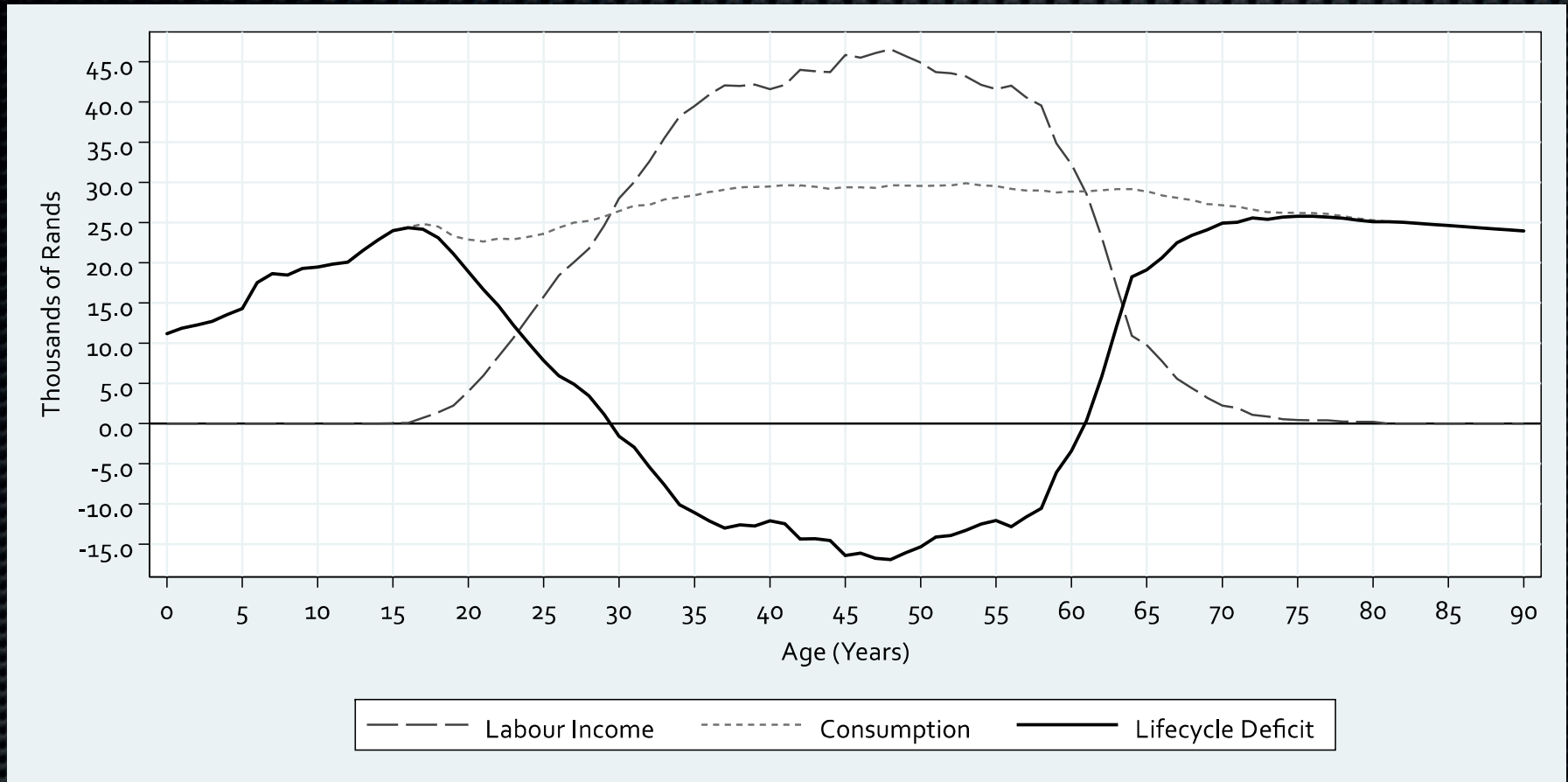
Consumption

Education for young, health for older
 Declining C from mid-50s



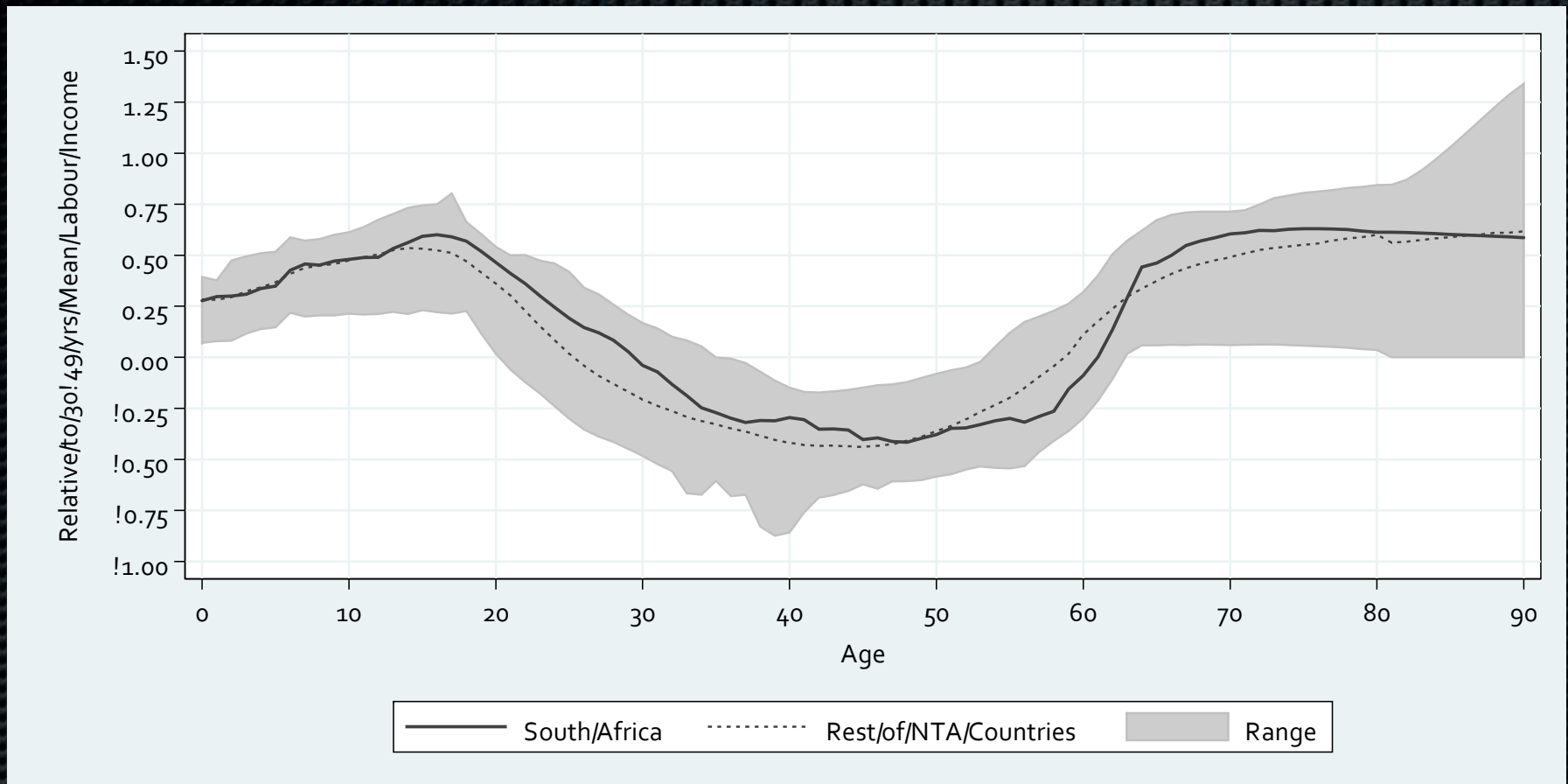
Consumption

Education for young, health for older
 Declining C from mid-50s



Lifecycle Deficit (per capita)

Surplus from 30 to 60 (31 yrs)

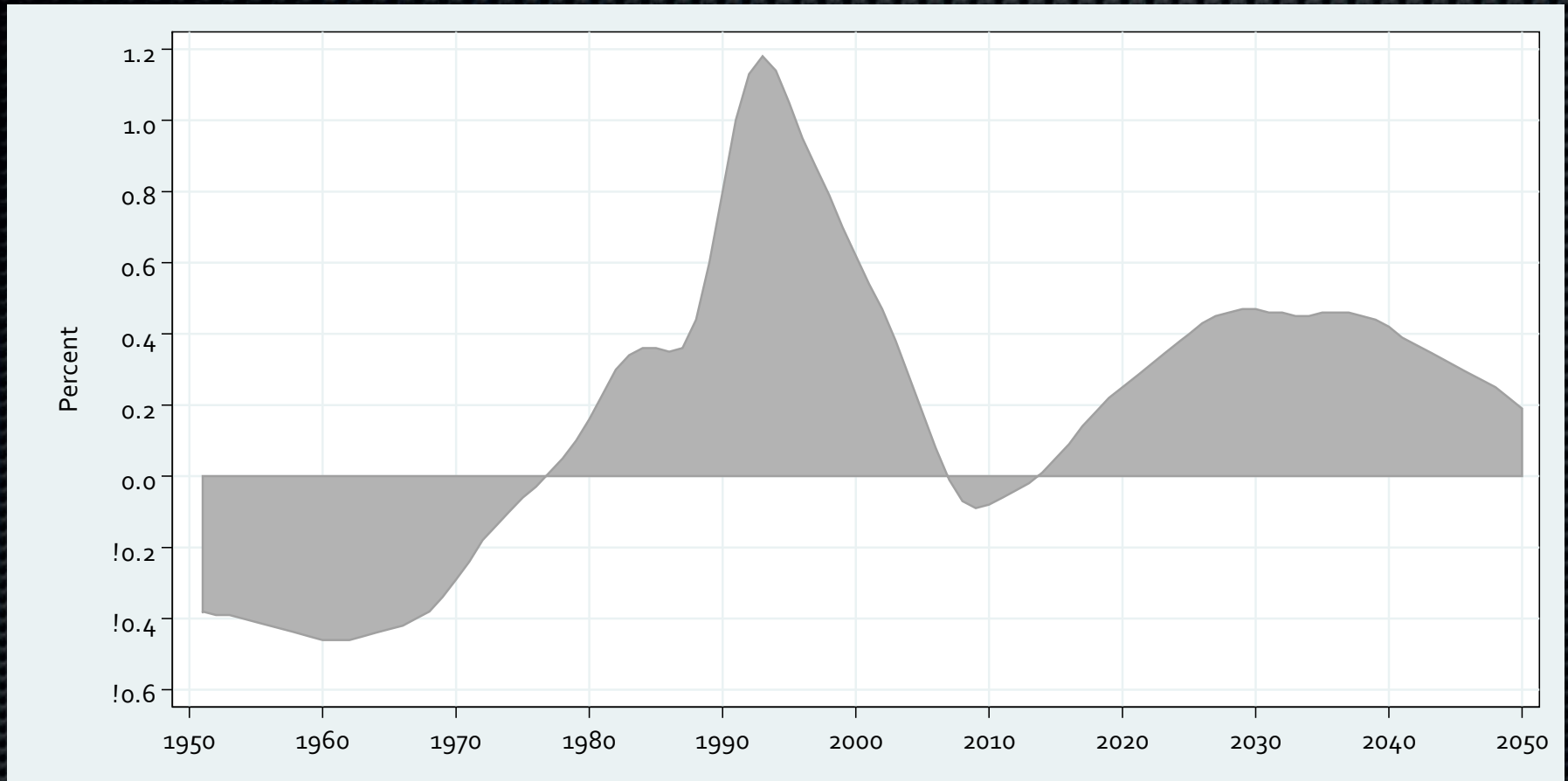


SA LCD in comparison

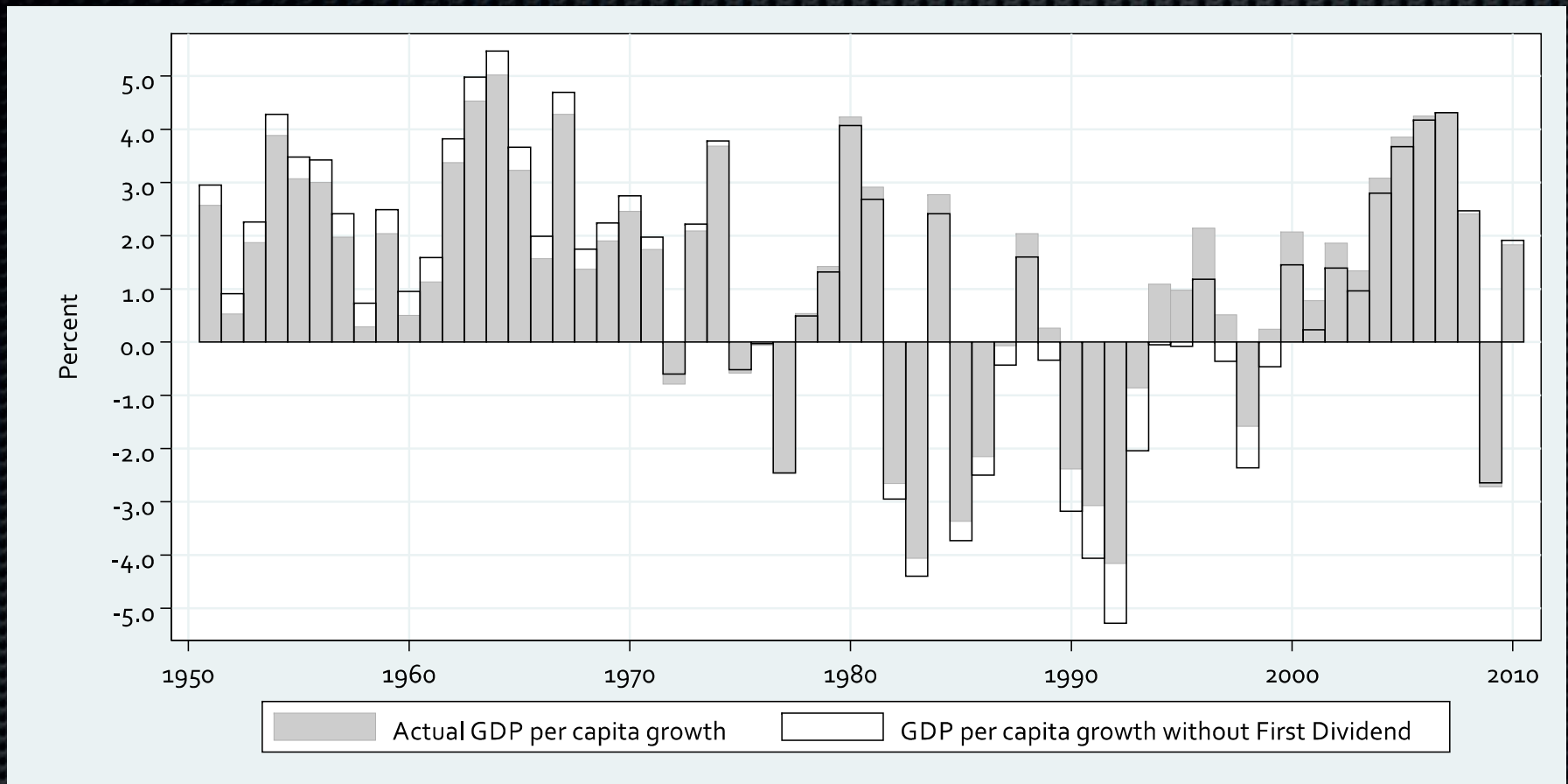
	TOTAL	0-19	20-29	30-49	50-64	65+
LCD	336.4	110.5	26.4	-40.4	-10.9	14.4
C	1126.5	33.4	18.8	30.7	12.2	4.9
CF	820.8	27.1	19.7	34.5	13.5	5.2
CG	305.7	50.3	16.5	20.4	8.8	4.0
YL	790.1	0.5	15.6	60.9	22.1	0.8
Pop.	100.0	42.2	18.6	25.1	9.8	4.2

Aggregate LCD Components

(Total: R billions)
(Rest: % share)



First Demographic Dividend



First Demographic Dividend

Worst growth performance
coincided with positive dividend

The Role of Transfers in South Africa

Social protection

Circular labour migration

Household fragmentation

Social Protection

- Focus is on alleviation of poverty; 3.5% of GDP
- Elderly covered to varying degrees since early 1900s
 - Valued at 30% of per capita GDP (2005)
 - Means-tested
 - **But:** Concerns around impact on household formation in presence of high unemployment, HIV, migrant labour; dilution of grant

Social Protection

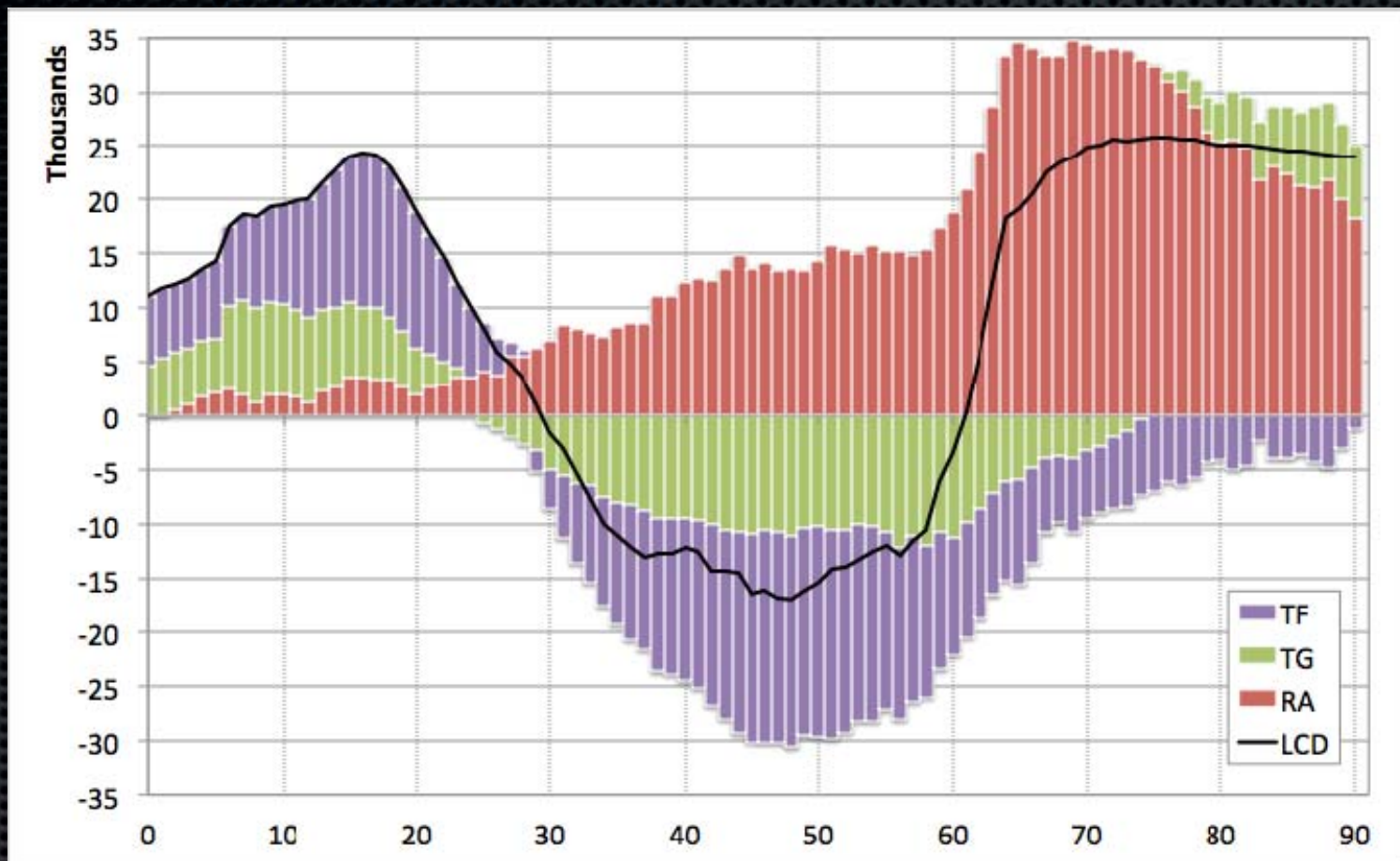
- Various programmes historically directed towards children, but largely consolidated in child support grant during 2000s
 - Valued at less than 7% of per capita GDP (2005)
 - Grant 'attached' to children
 - **But:** Concern (amongst certain sectors) that CSG may encourage pregnancy amongst young women, particularly given high unemployment

Circular labour migration

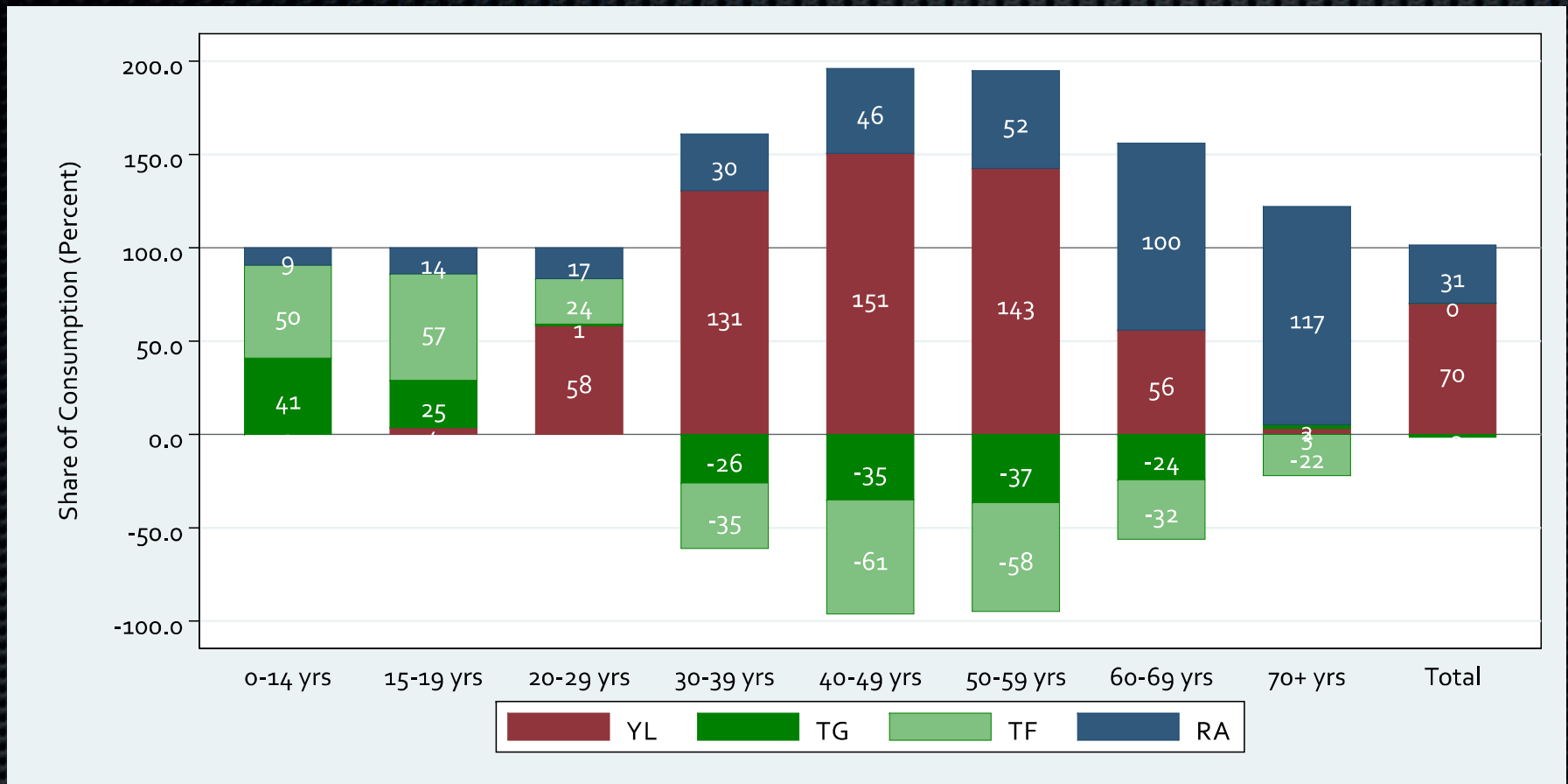
- Originated with the rise of mining in South Africa starting in 1860s, but particularly after 1890
- 'Institutionalised' by racist land ownership policies during the 20th century, particularly under apartheid
- Men and women; leave family homes (typically in rural areas), live and work in urban areas for most of the year, returning to family home for holidays
- Strong remittance connections (cash and in-kind)

Household fragmentation

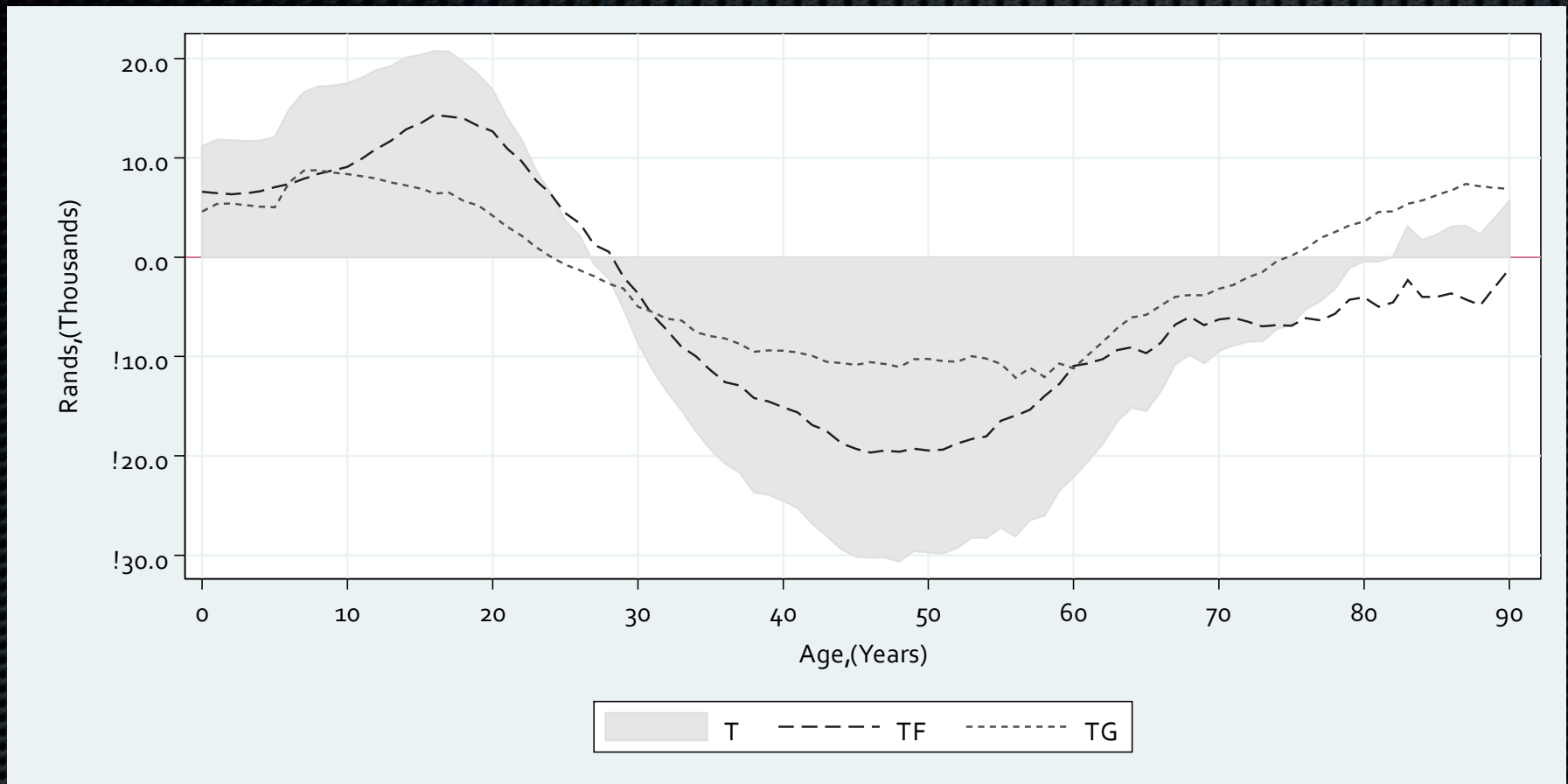
- Destructive impact on households of HIV/Aids
- Rising rates of orphanhood, leading to child-headed households and 'skipped-generation' households
- Also, preference amongst some to send young children back to rural areas
- **Against this backdrop, expect to see significant private transfers from old to young (and mid to old, for young)**



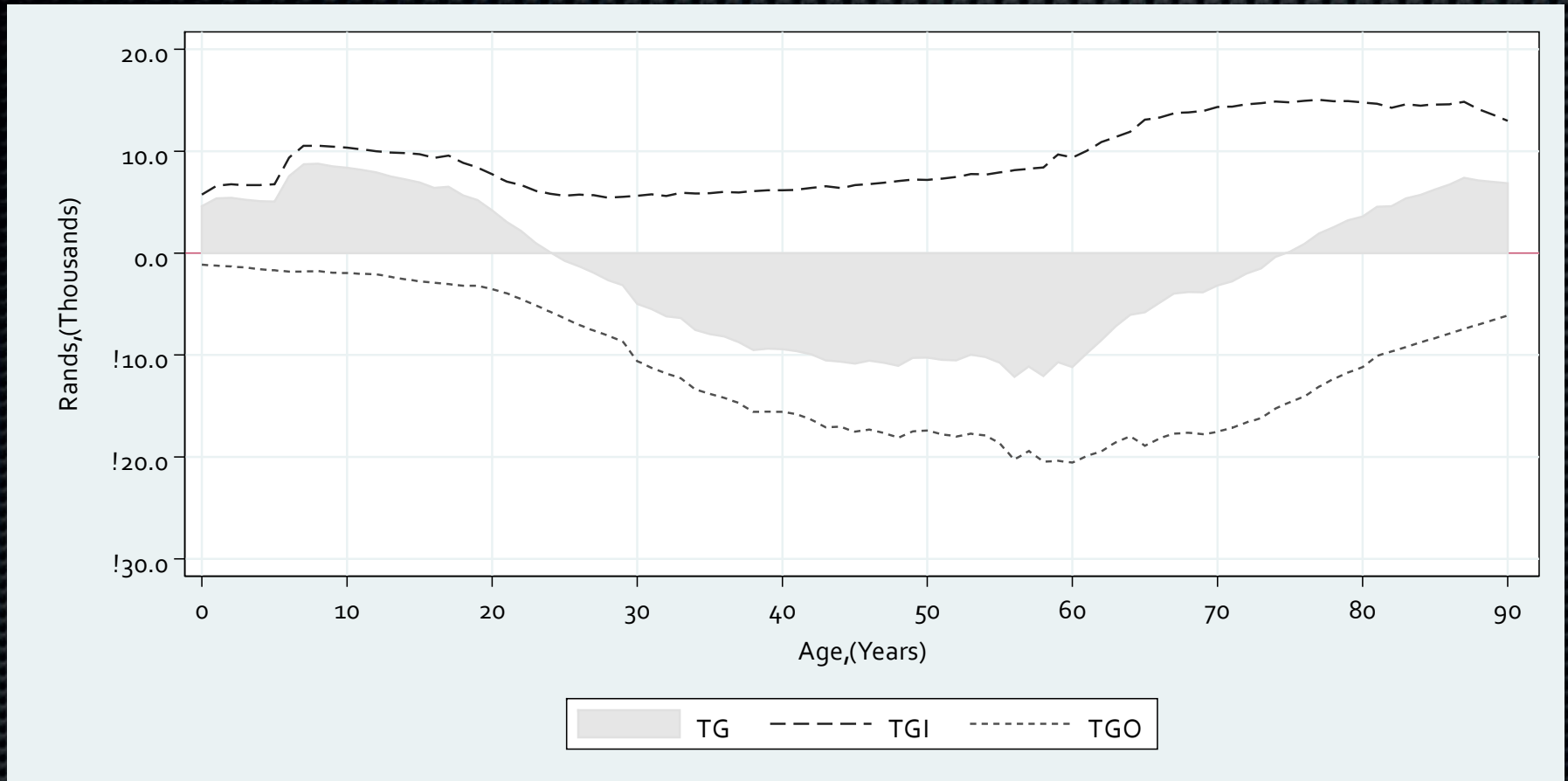
Per capita reallocations



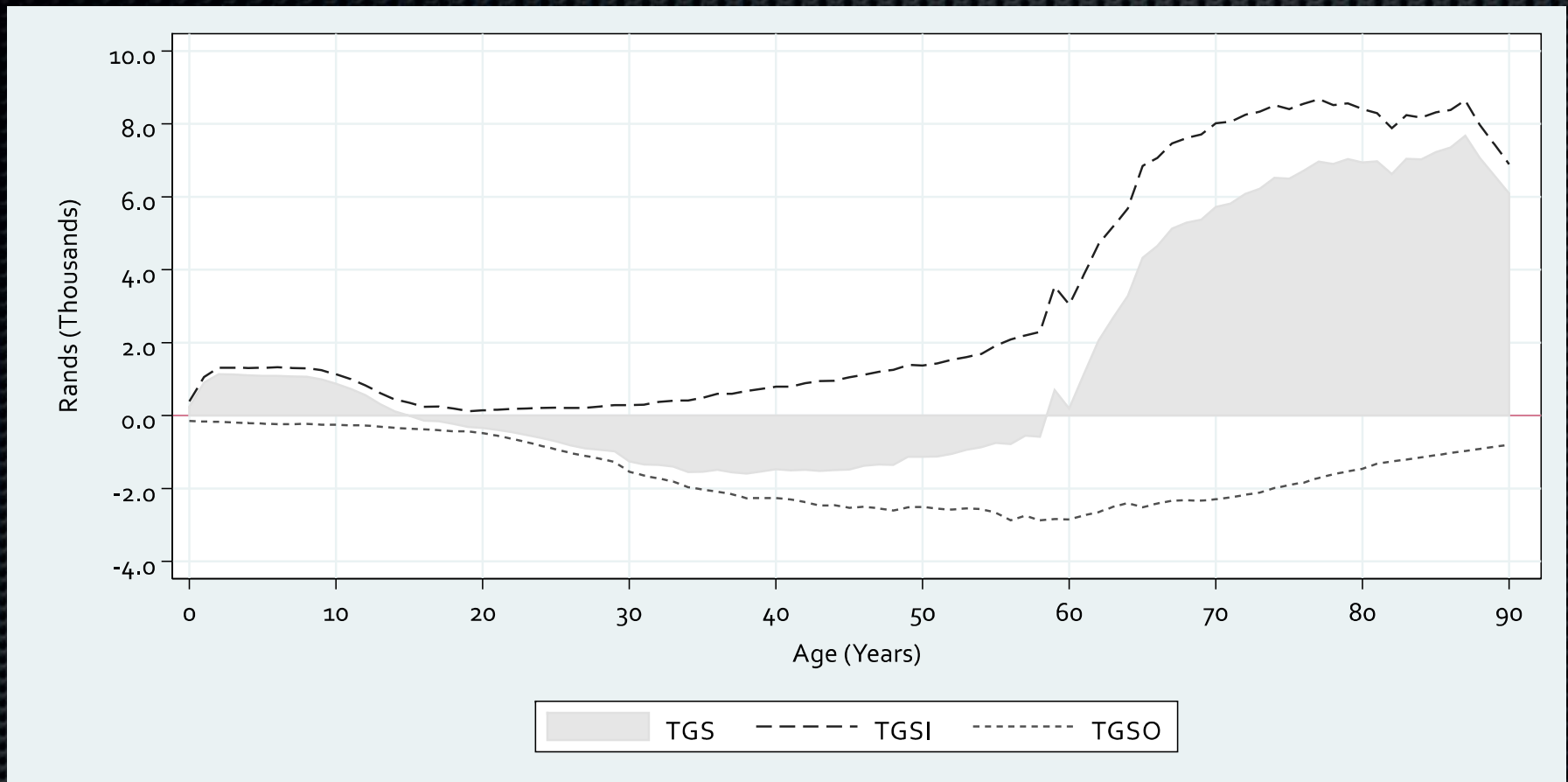
Financing Consumption



Transfers

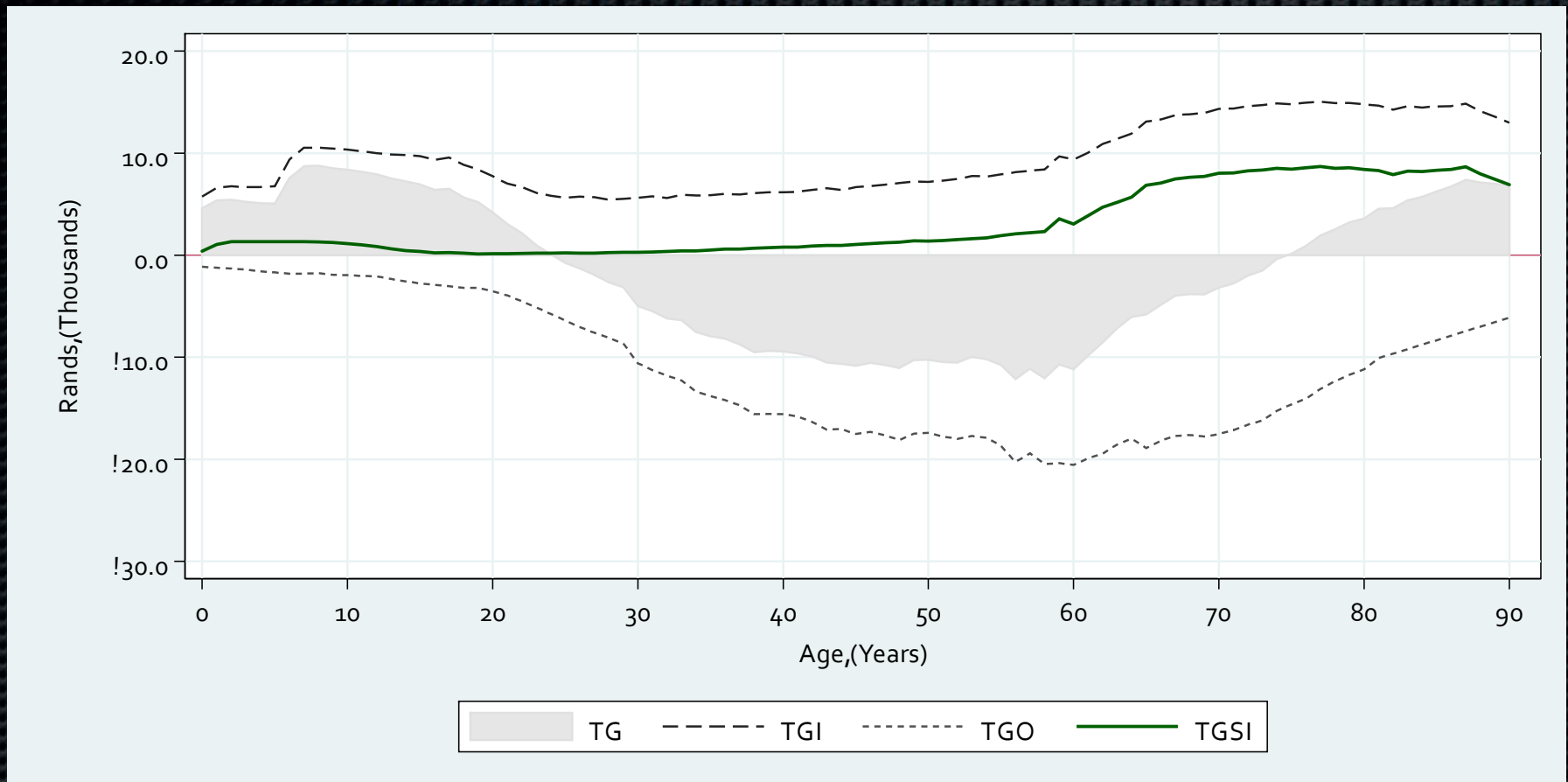


Public Transfers



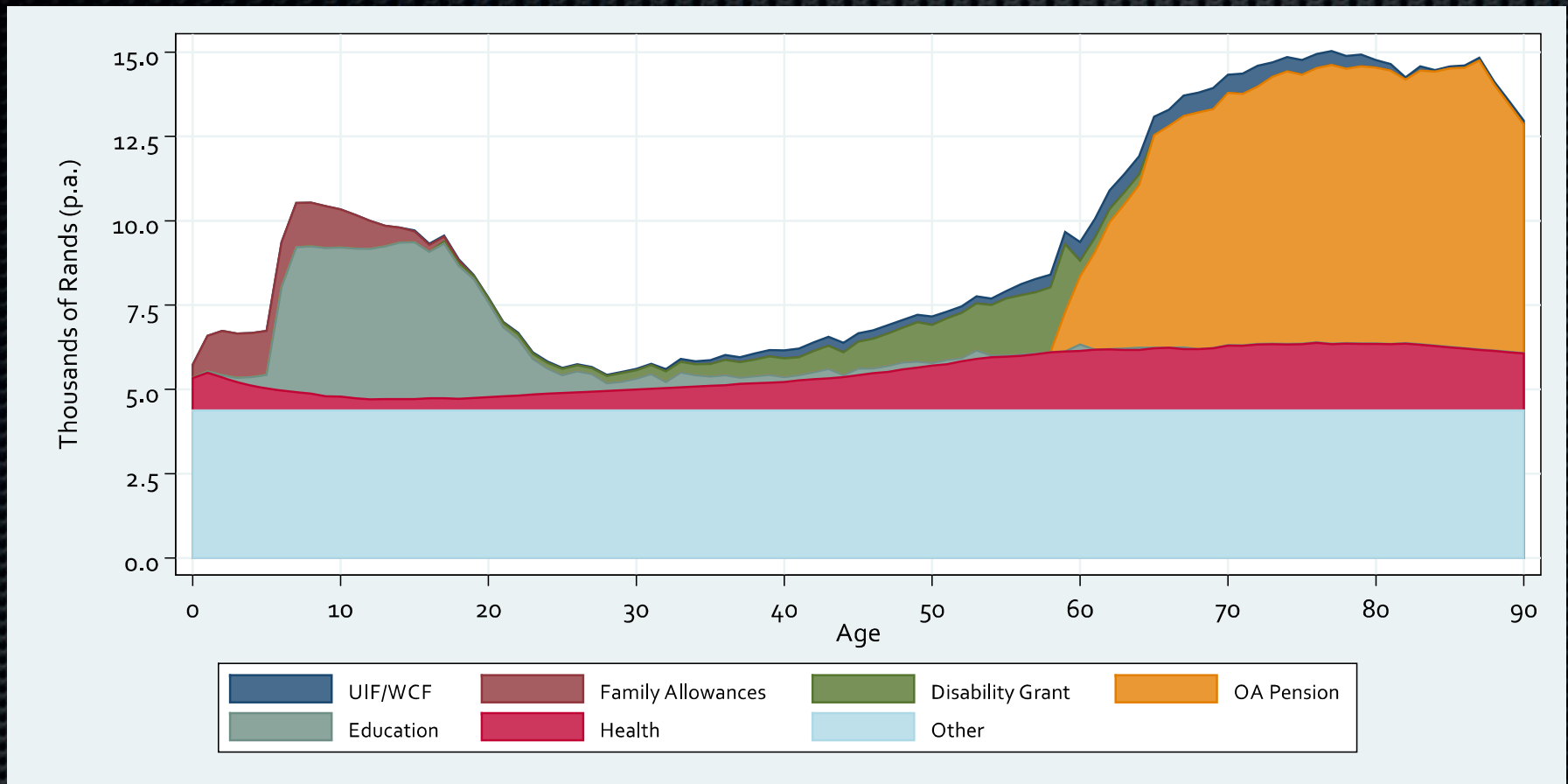
Social Protection Transfers

CSG, OAP, DG
and UIF/WCF

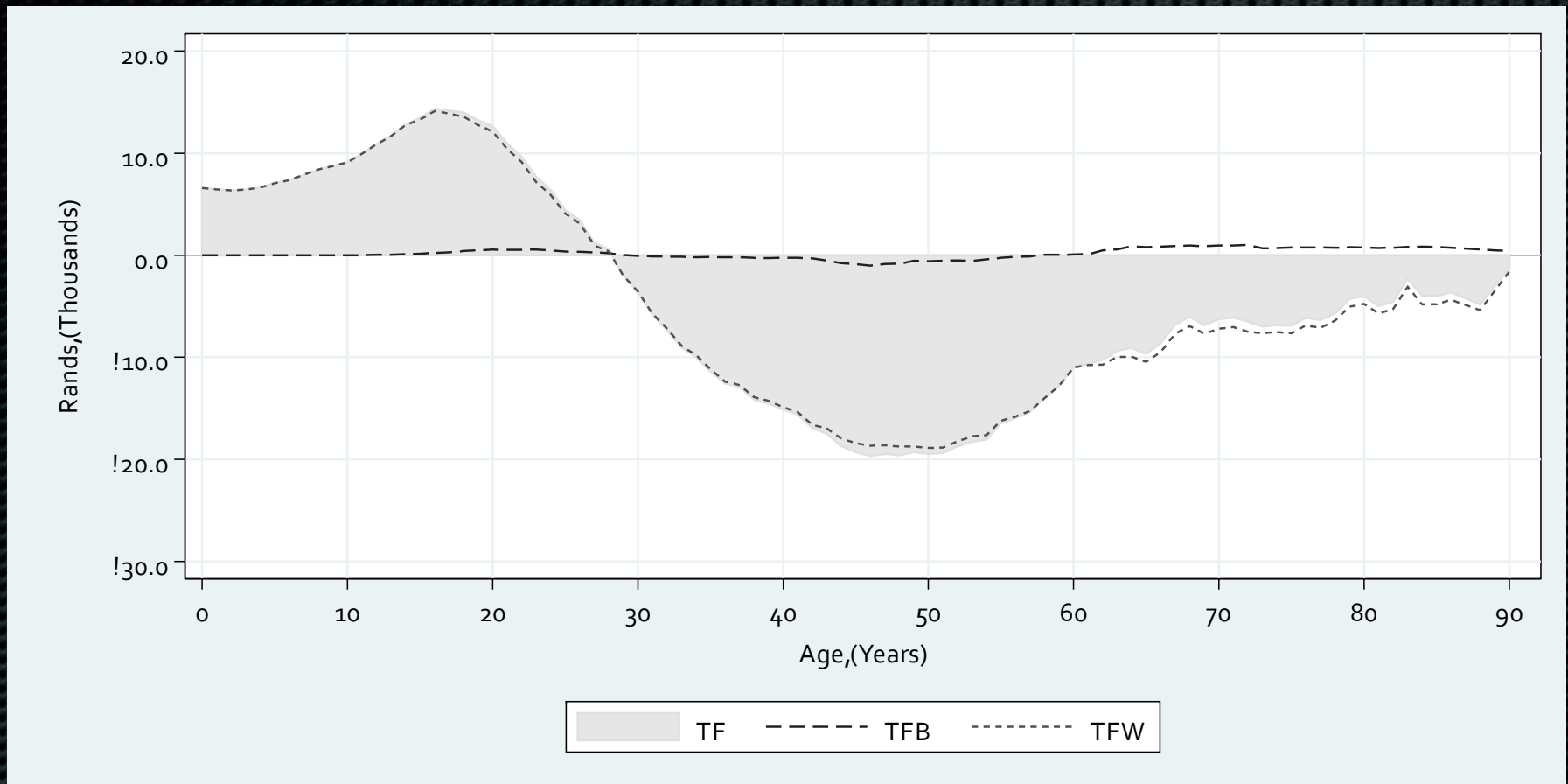


Public Transfers

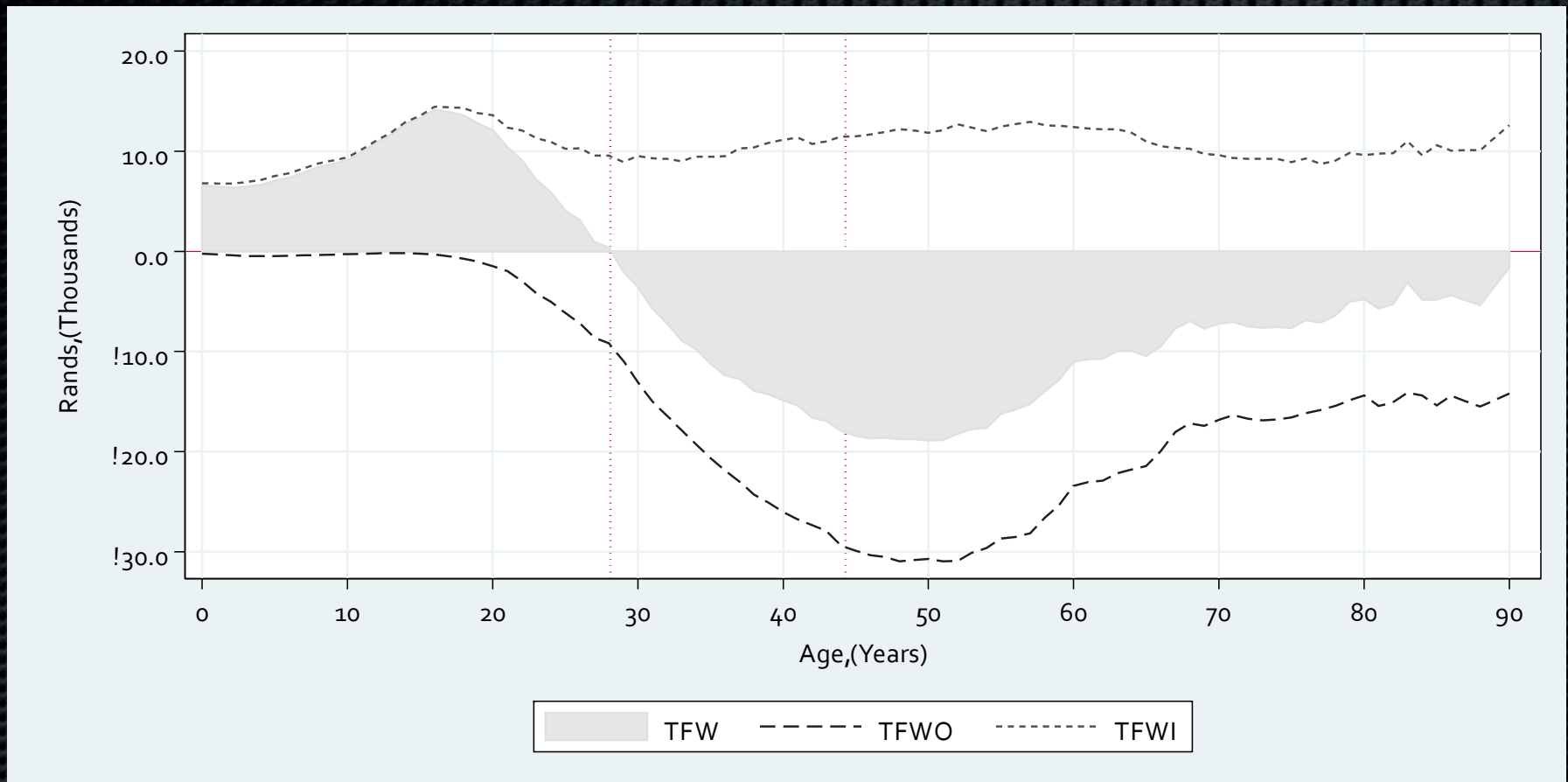
Old-age pension a significant factor for elderly



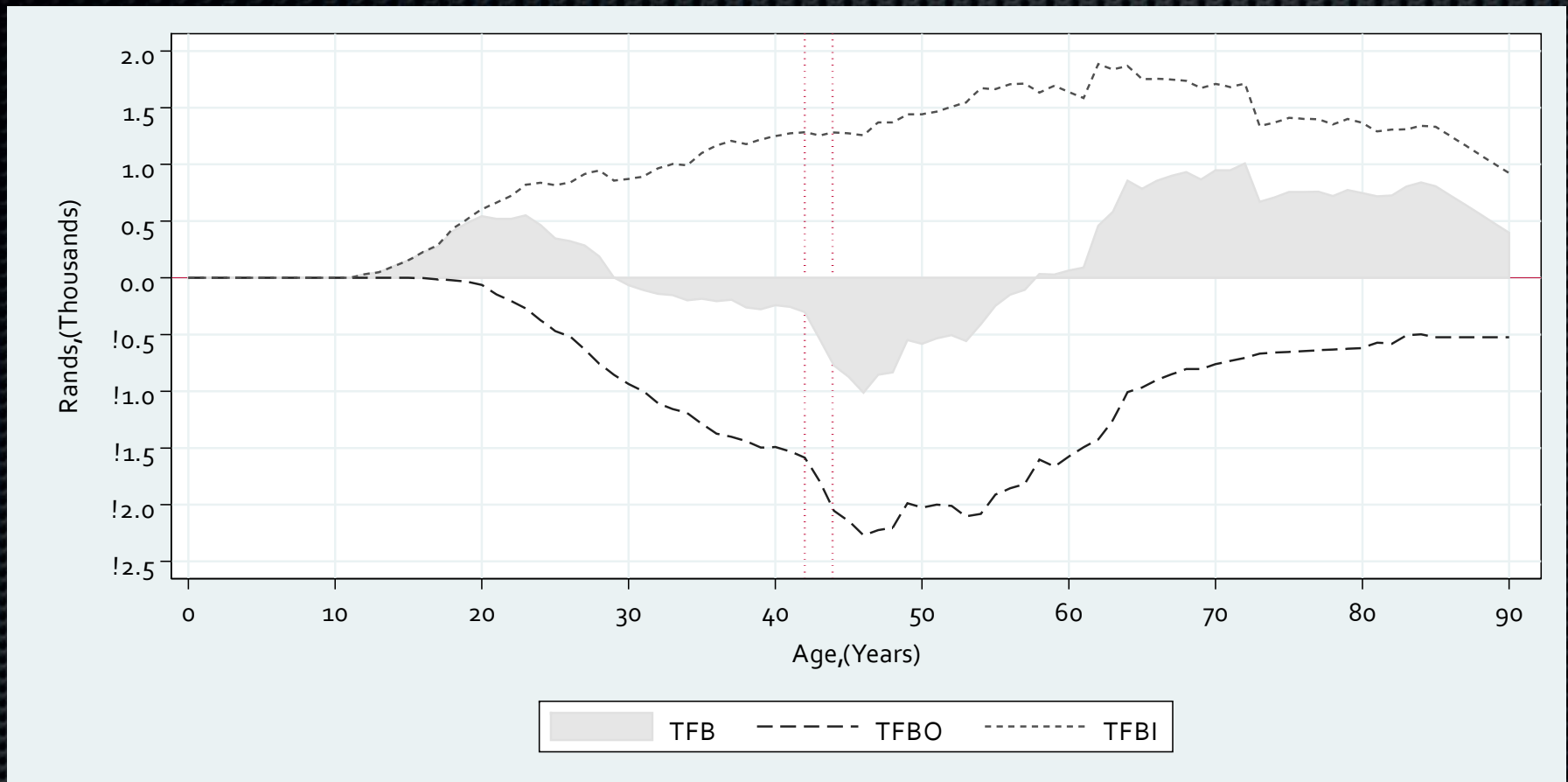
Cash and Inkind Public Transfers



Private Transfers



Intrahousehold Transfers



Interhousehold Transfers

Some Policy Implications

Labour market needs addressing

Role of social grants

Dilution of OAP?

Need to understand 'skipped-generation' households

Some Policy Implications

- Labour market needs addressing
 - Impact of demographic change on economic growth
 - SA entering a 40+ year period of positive first dividend, with a peak decade in the 2030s
 - Unemployment significantly erodes the gains
 - Youth unemployment significantly delays YL rise
 - Education and labour market policies implemented today key to harnessing full benefit

Some Policy Implications

- Role of social grants
 - CSG accounts for 10-18% of CF amongst children aged 1-10 yrs; equivalent to 25-40% of CGE for children aged 6-10
 - OAP accounts for 30-40% of CF amongst 66-75 year olds, and slightly higher amongst older
 - State is making significant contribution to both young and elderly (poor)

Some Policy Implications

- Dilution of old age pension? Not clear...
 - TFWO significant for 70 yrs+, but TFWO p.c. too large to be OAP HHs
 - BUT: TFWEO (2.5% of TFWO) and children are rare in wealthy elderly households so these transfers may be coming from poor “skipped-generation” households ... or this could be ...

Some Policy Implications

- Evidence that there may be strong interhousehold transfers targeting children
 - Particularly considering small number of child-headed households
 - Need to understand transfers amongst 'skipped-generation' households (and elderly households with working age adults but no/little YL)

NTA Implications

- OAP is invisible when looking at financing of C
 - TGSI represent one-third of LCD for those over 65 years, yet $TGI > TGO$ only after age 75
 - Recipients of pension are NOT those with the large TGO
- YL inequality,
 - **Sub-group estimates...**

NTA Implications

