



An Application of the NTA Methodology to South Africa: Some Early Results



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Outline

- ▶ A brief overview of the South African socioeconomic context
- ▶ NTA Estimates
 - ▶ Labour income
 - ▶ Consumption
 - ▶ Lifecycle deficit and first demographic dividend
 - ▶ Public transfer inflows (and some outflows)
- ▶ Some issues going forward



The South African Socioeconomic Context



The South African Socioeconomic Context (2005)

Population of 47.9 million

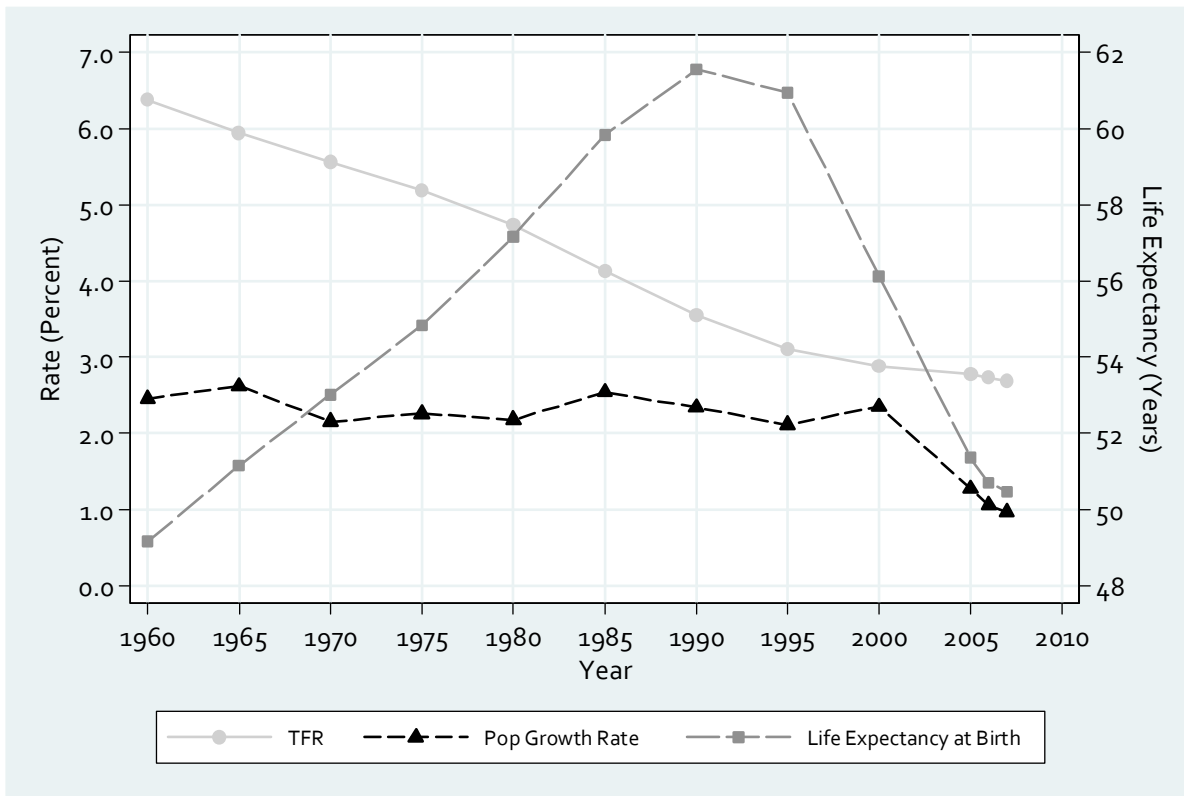
TFR of 2.78

Population growth rate of 0.9 percent ('04-'05), range of +1.1 to -0.4 percent across race groups

42% under 20 years

6% over 60 years

Rapid decline in life expectancy at birth due to HIV/Aids (-11 years)



South African Socioeconomic Context

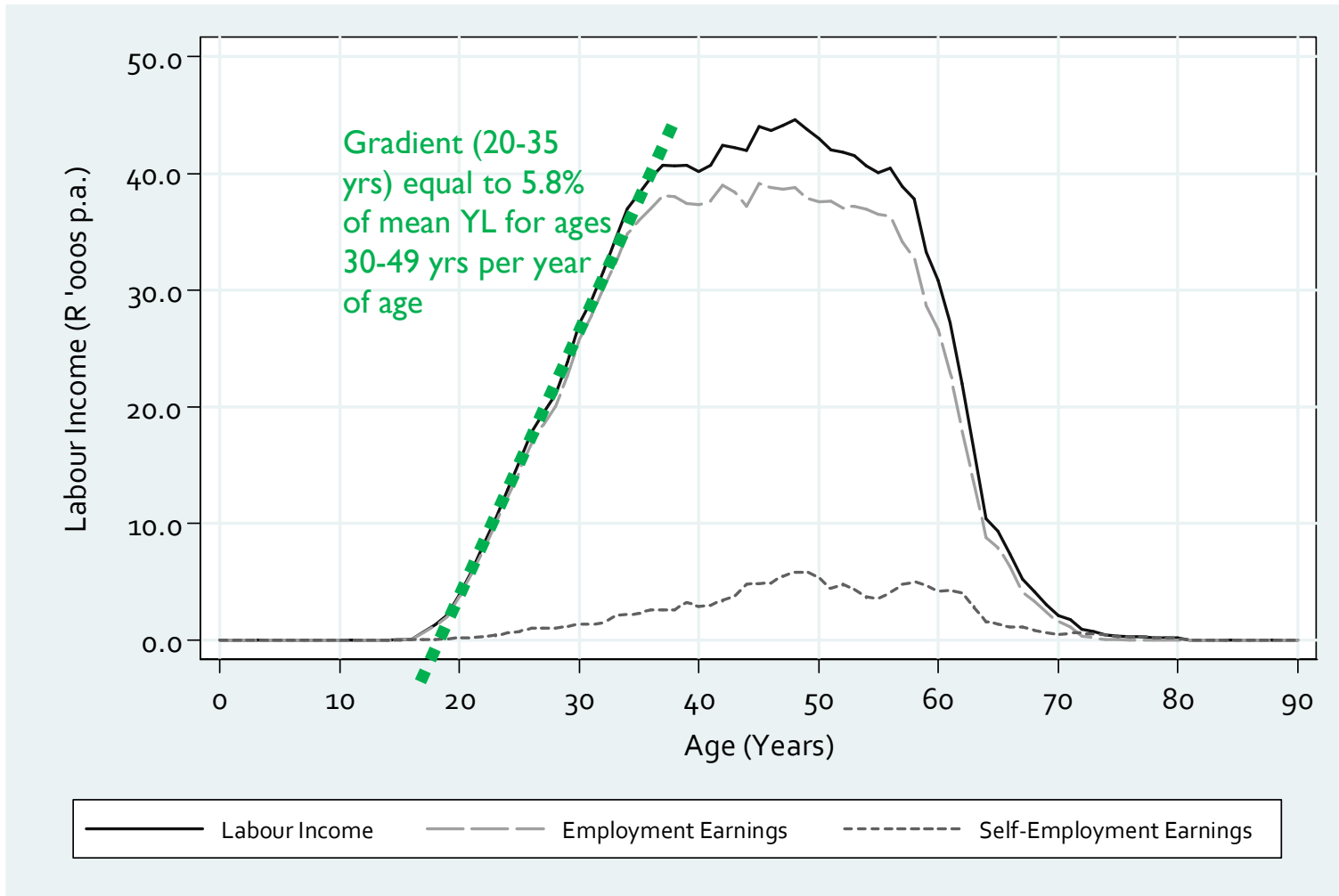
- ▶ Apartheid legacies in terms of education, skills and location contribute towards massive unemployment, poverty and extremely high inequality
 - ▶ Unemployment around 27% (narrow) or 39% (broad)
 - ▶ Gini coefficient of 0.65-0.70
- ▶ Massive state expenditure on education and health
 - ▶ 20.5% and 12.5% of non-interest spending
- ▶ Extensive system of social grants
 - ▶ 10.9 million recipients in 2005/06 (around 23% of population)
 - ▶ Old age: 2.1 million recipients, R820 per month
 - ▶ Child support: 5.7 million recipients, R190 per month
 - ▶ But virtually no protection for working age adults



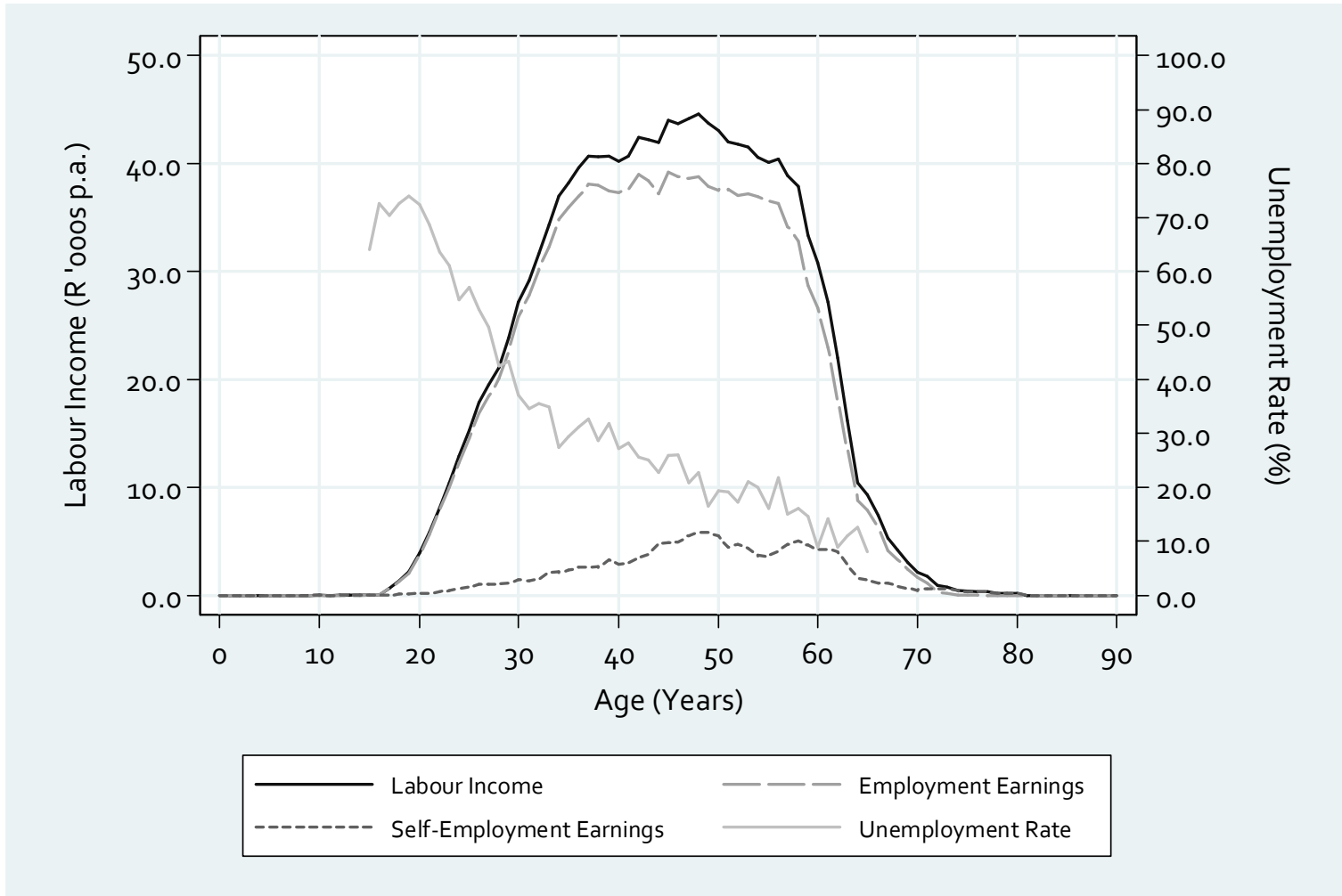
South Africa's Lifecycle Deficit



Labour Income



Labour Income and Unemployment



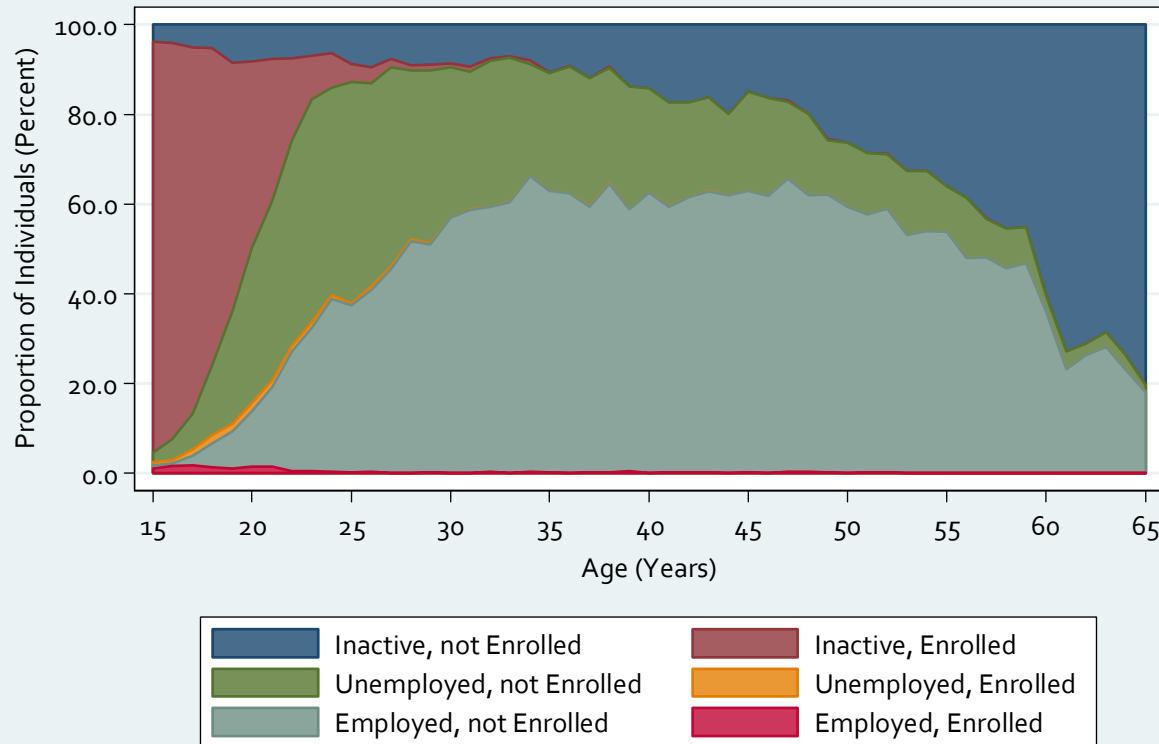
Does Involvement in Education Underlie the Slow Rise in Labour Income?

It does not seem so...

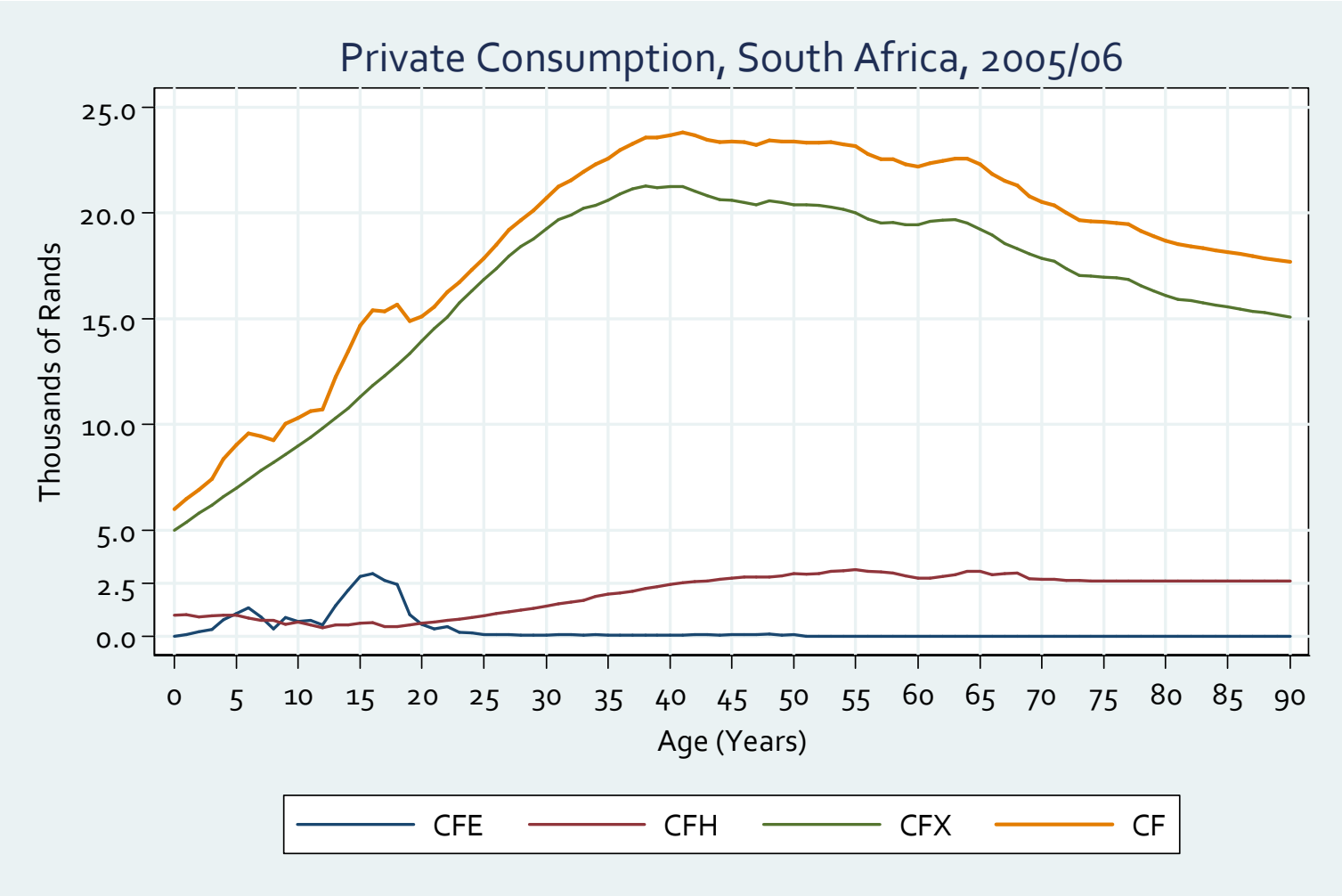
Inactive, enrolled drops off quickly as age increases

Employed, enrolled and not enrolled rises relatively slowly

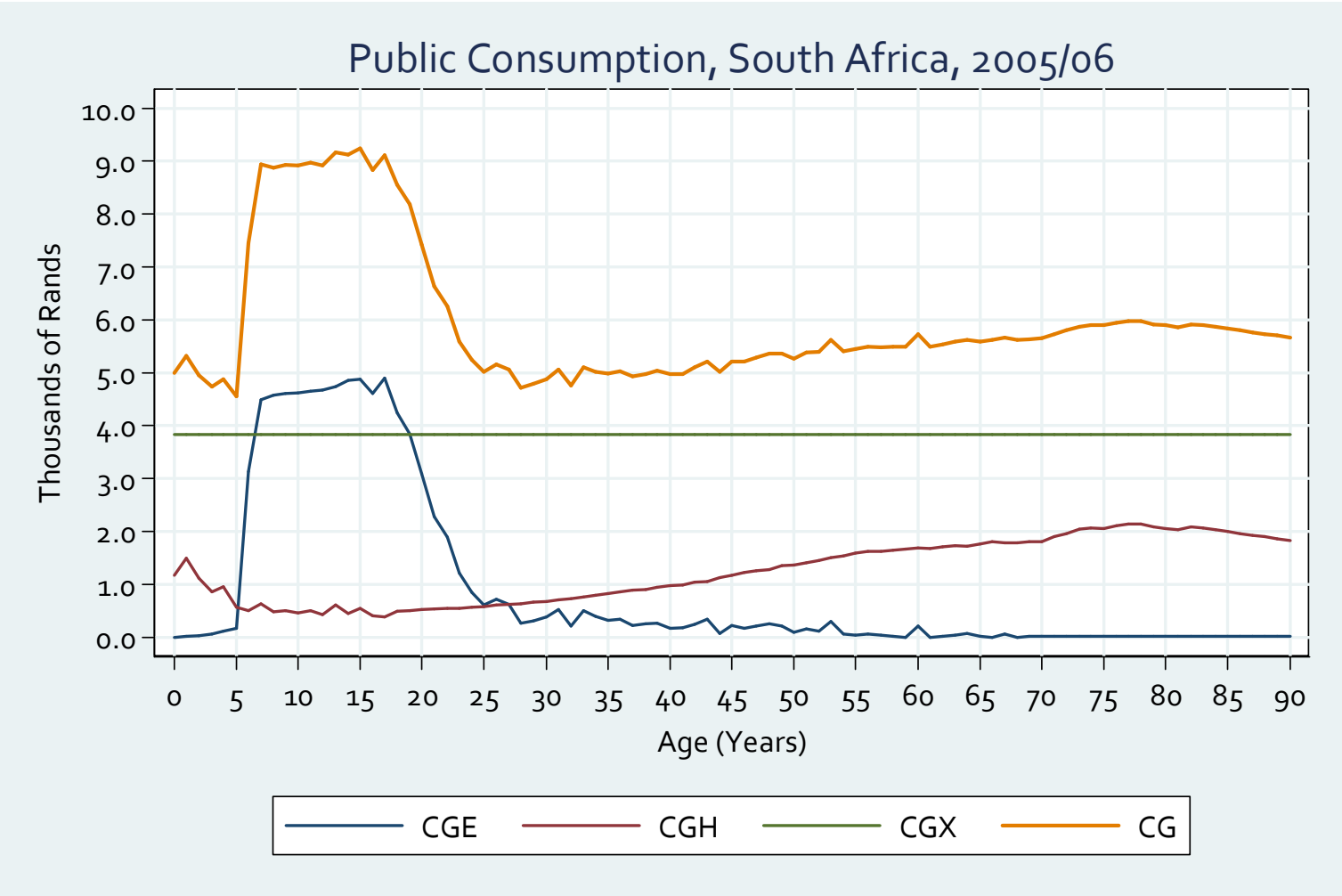
Unemployed (broad), not enrolled peaks at 50% at age 25



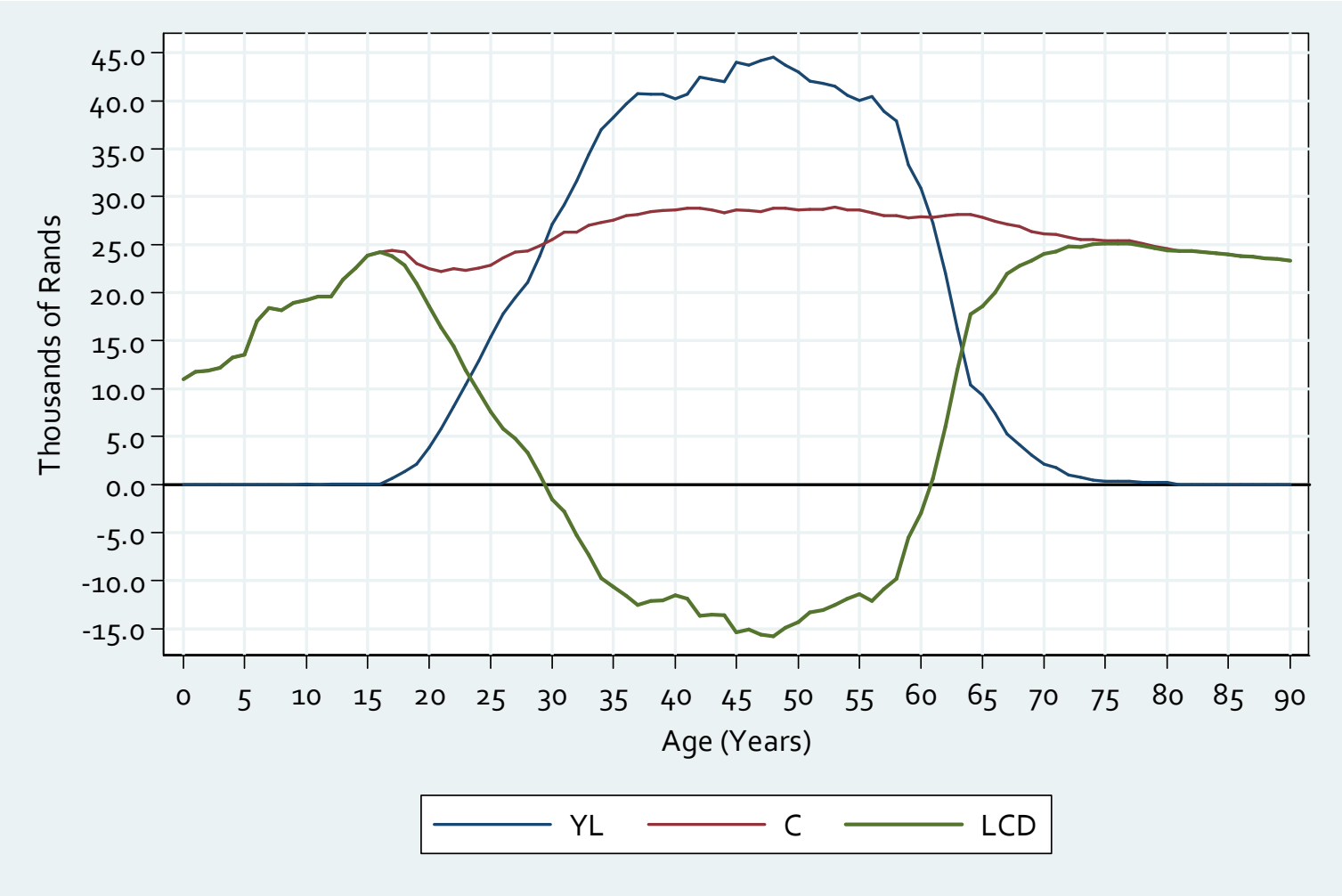
Private Consumption



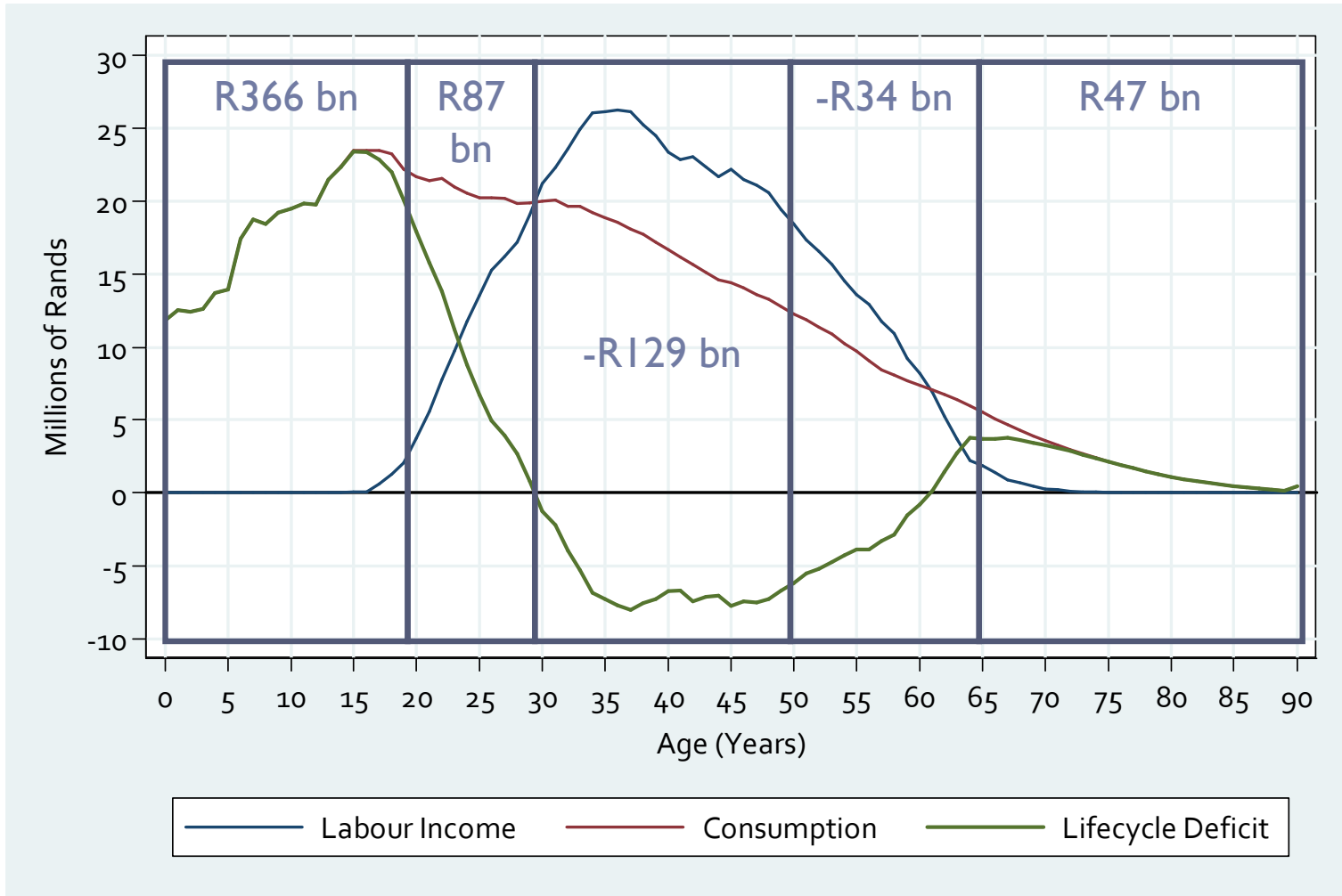
Public Consumption



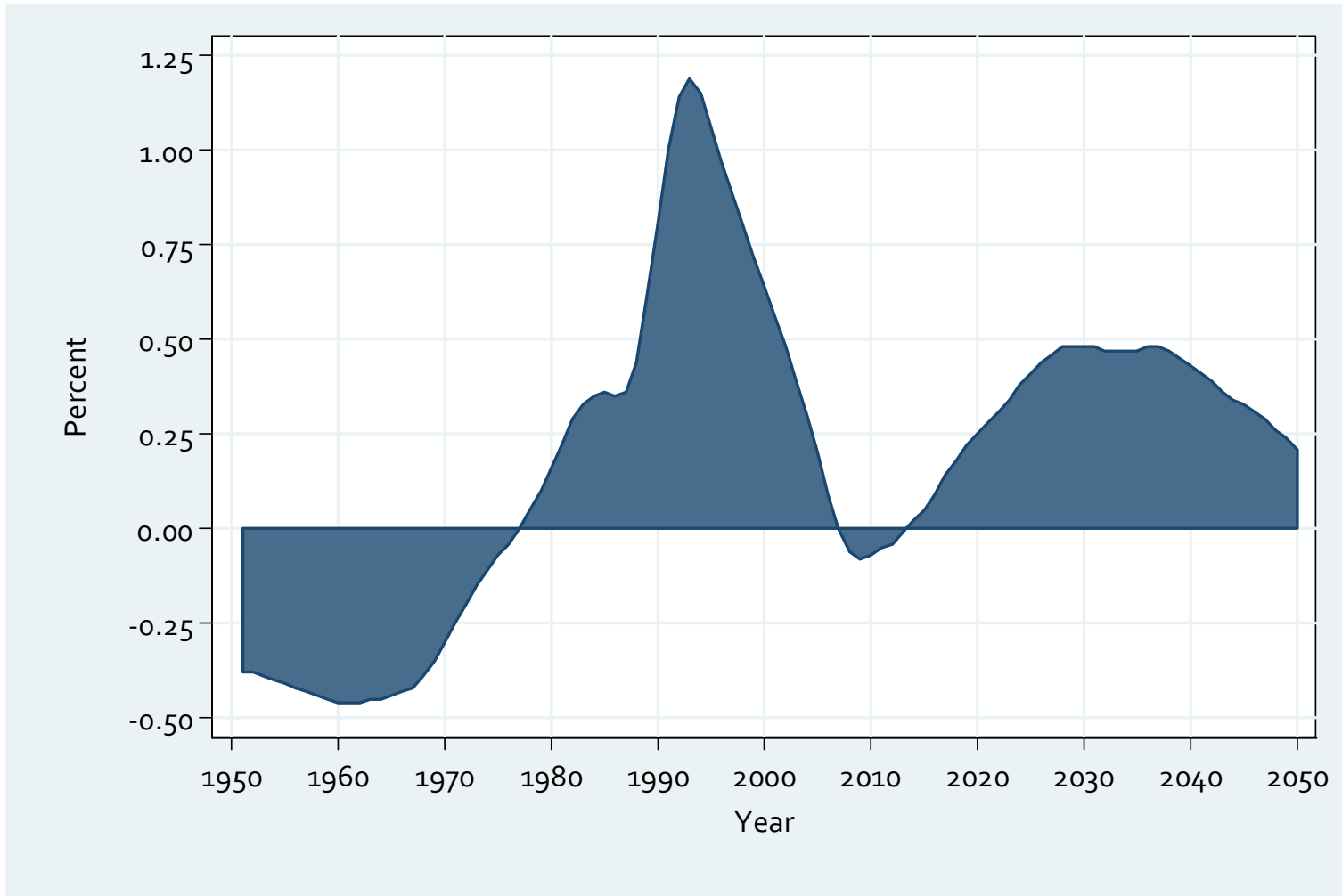
Lifecycle Deficit (per capita)



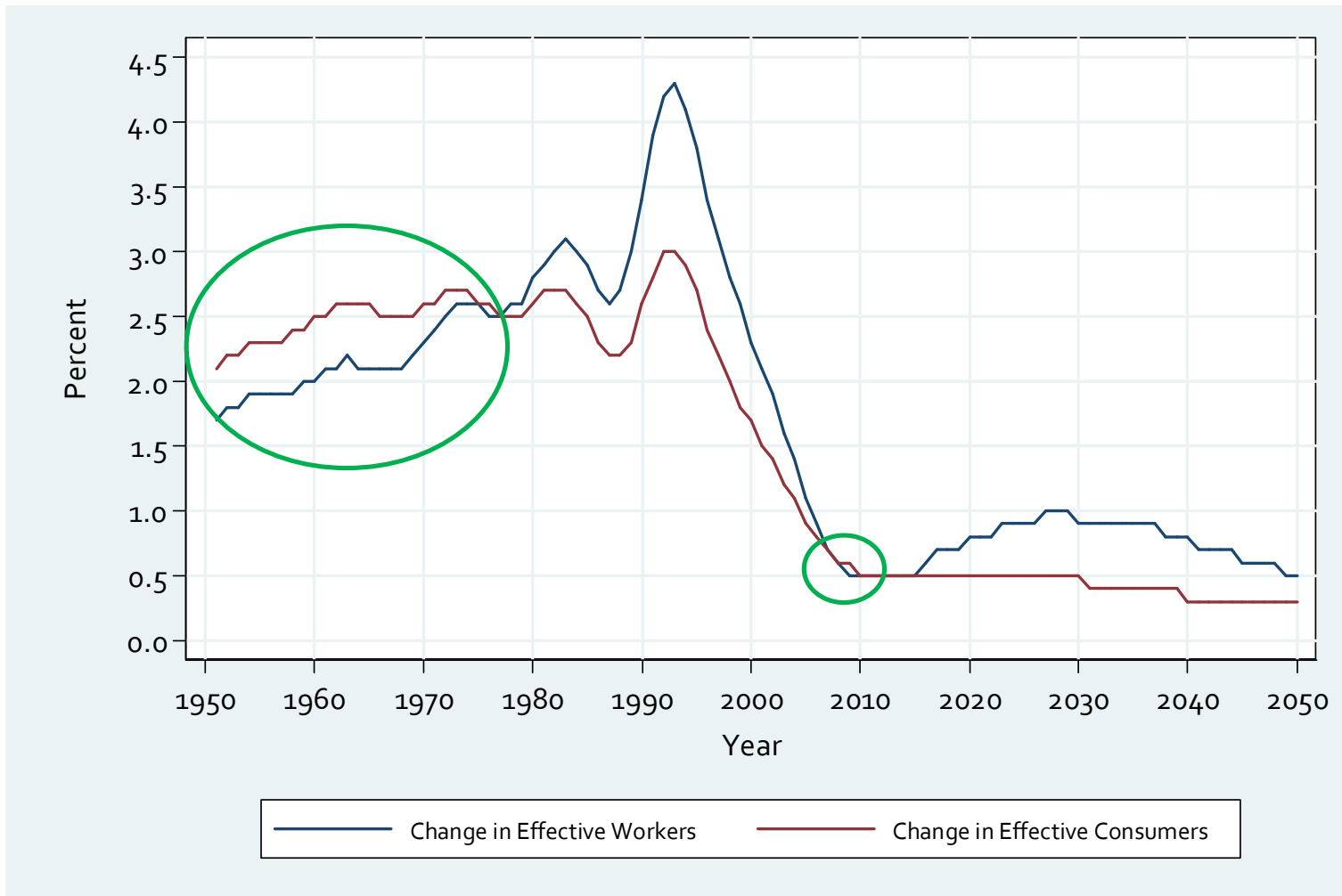
Lifecycle Deficit (aggregate)



First Demographic Dividend



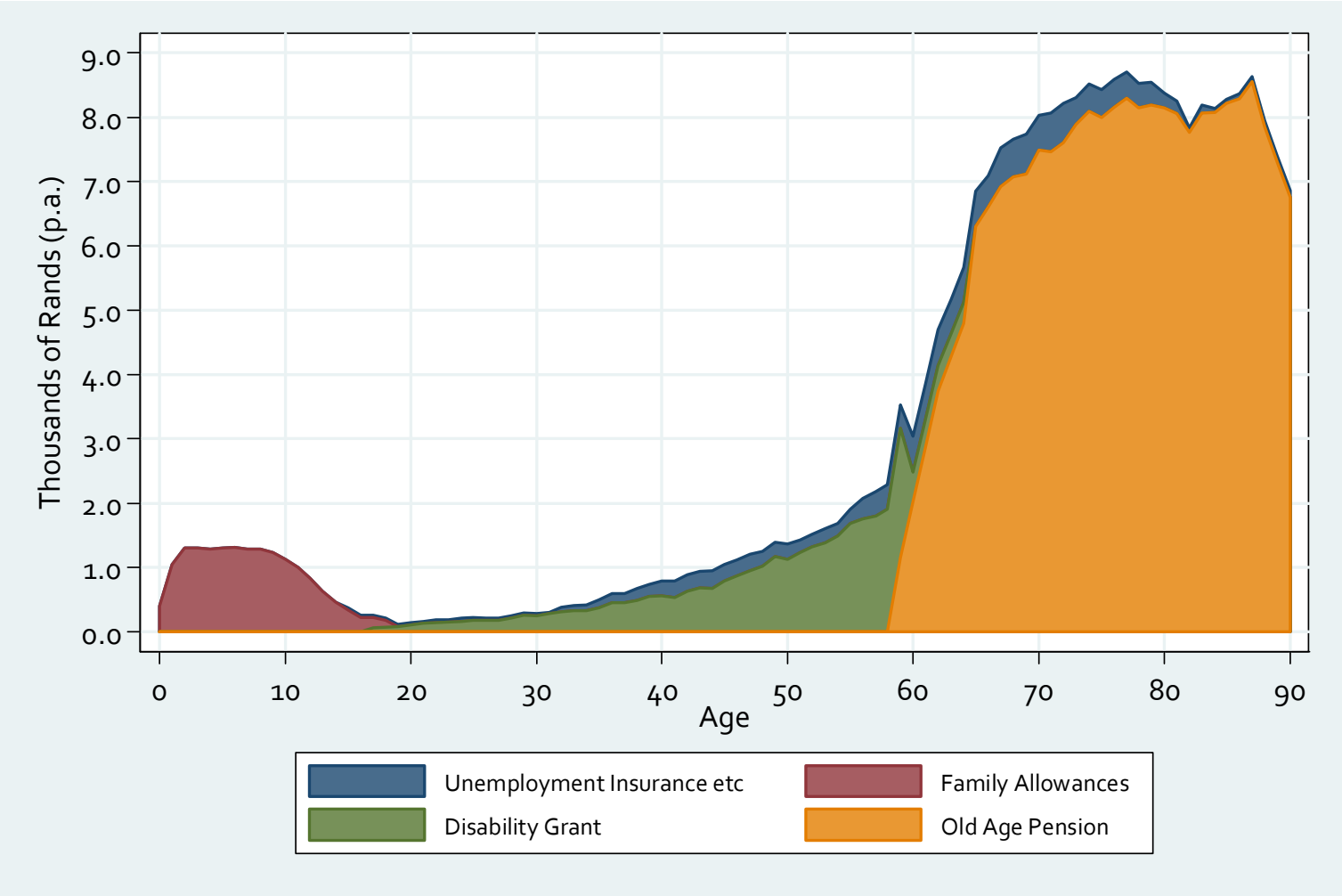
First Demographic Dividend Disaggregated



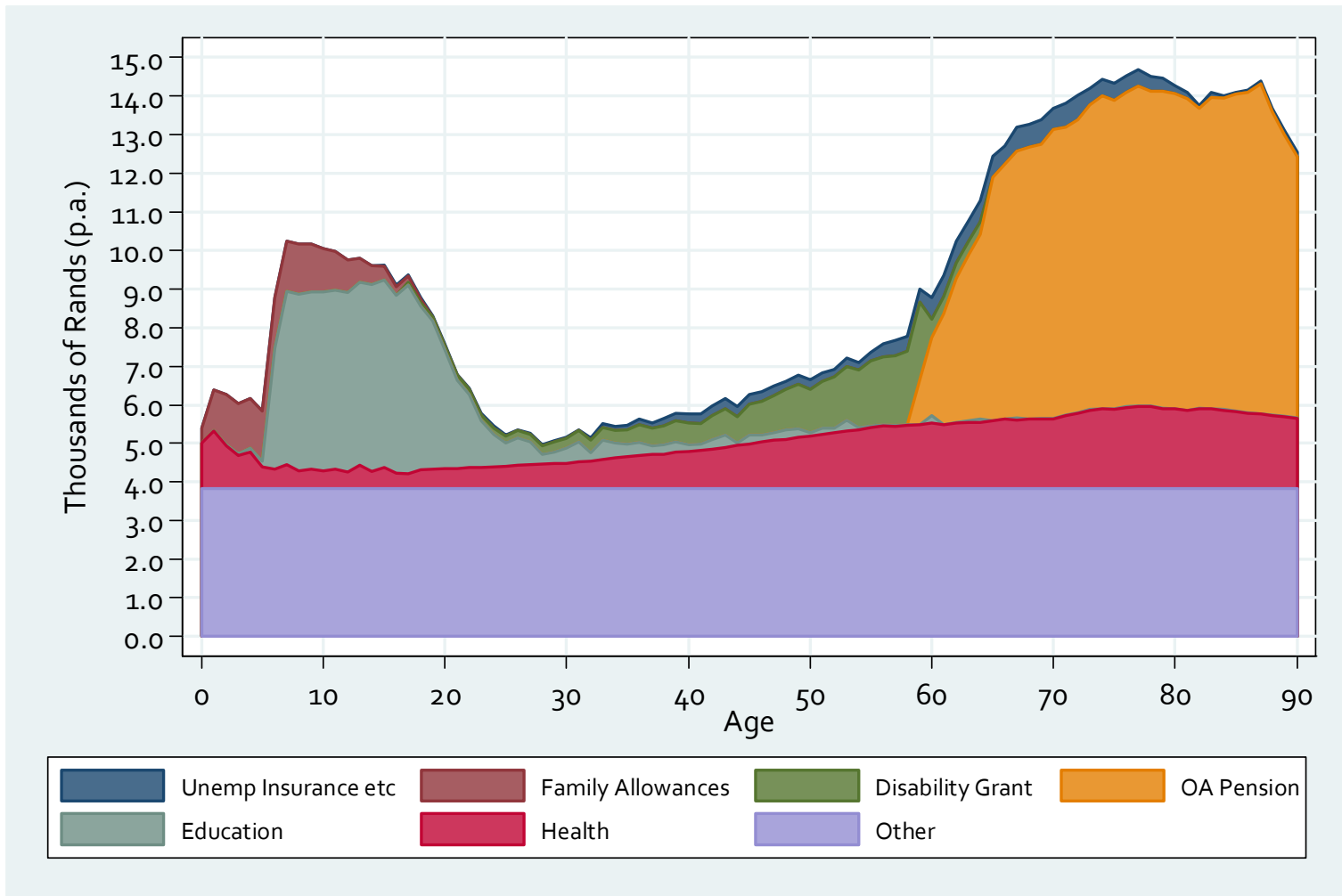
Public Transfers



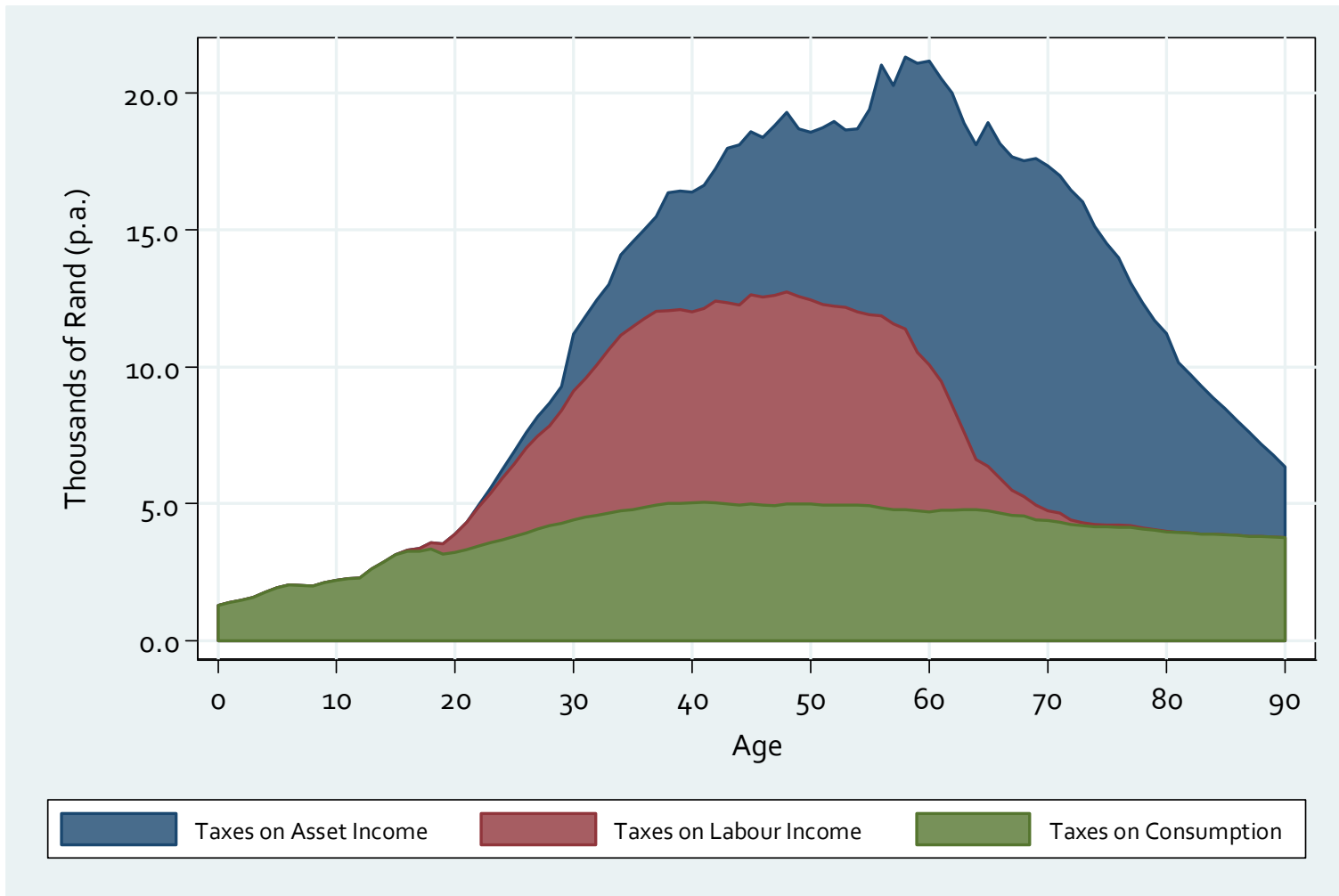
Public Transfers Inflows, Cash



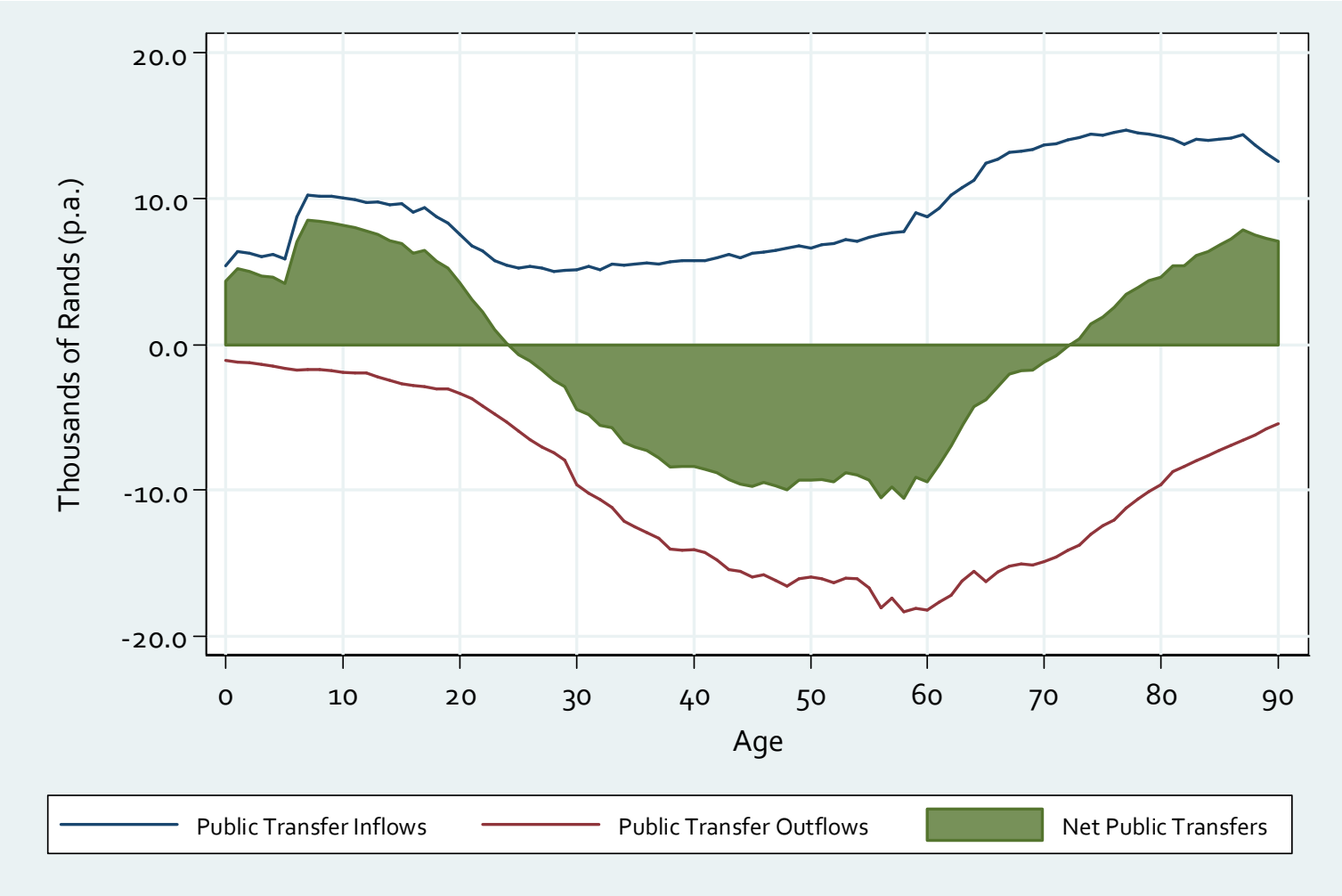
Public Transfer Inflows, Cash & In-Kind



Public Transfer Outflows (Taxes)



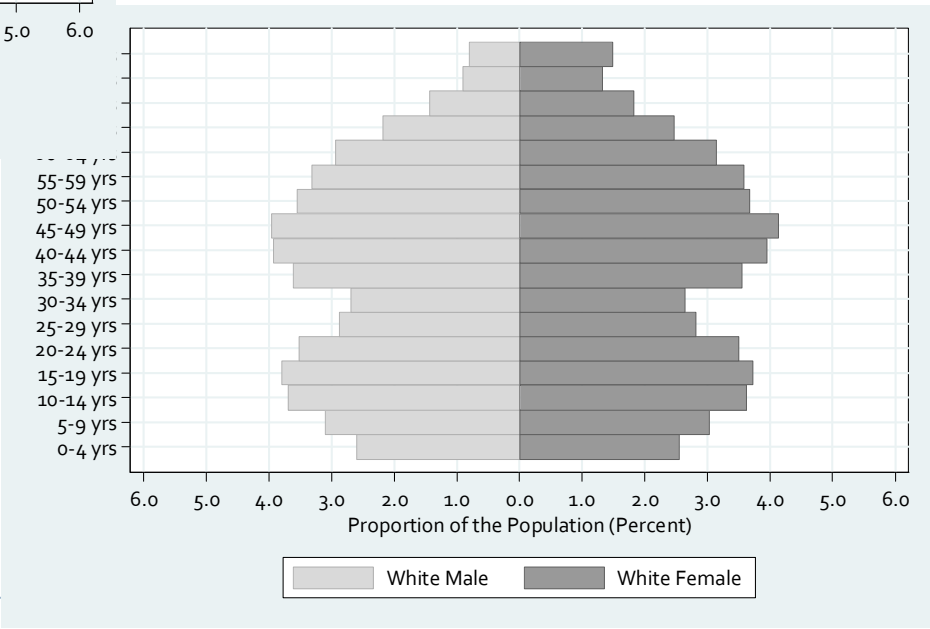
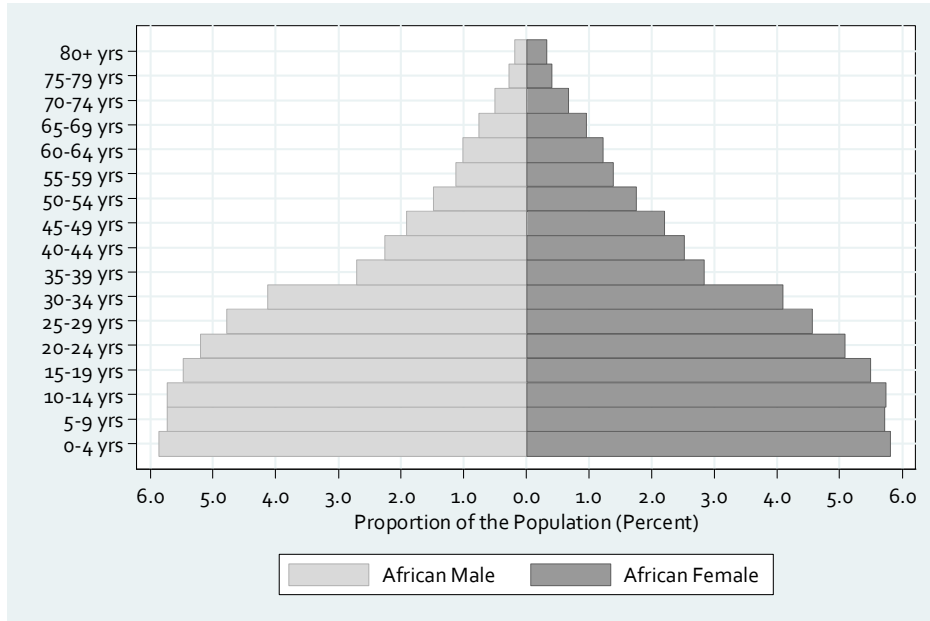
Public Transfers



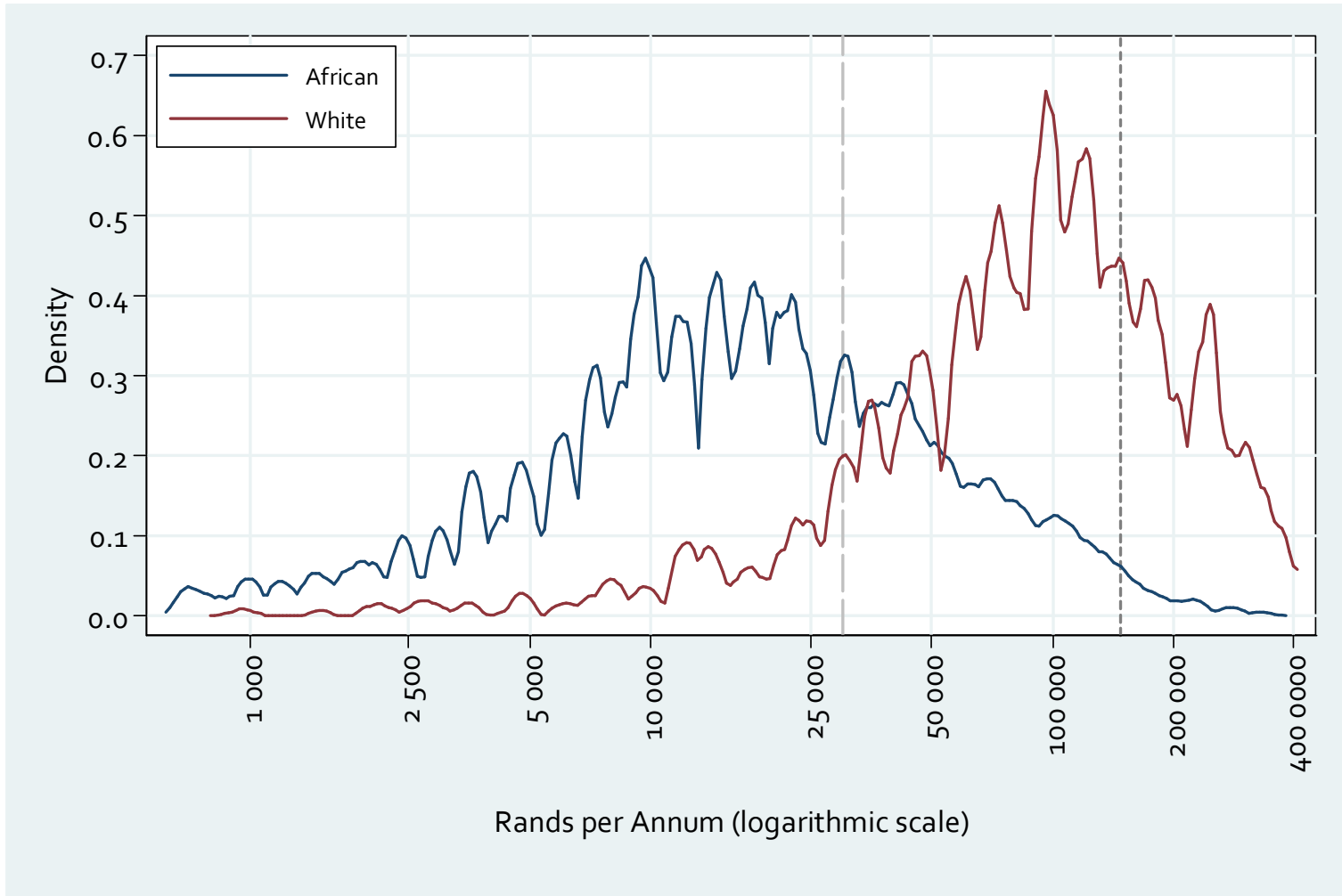
Some Issues Going Forward



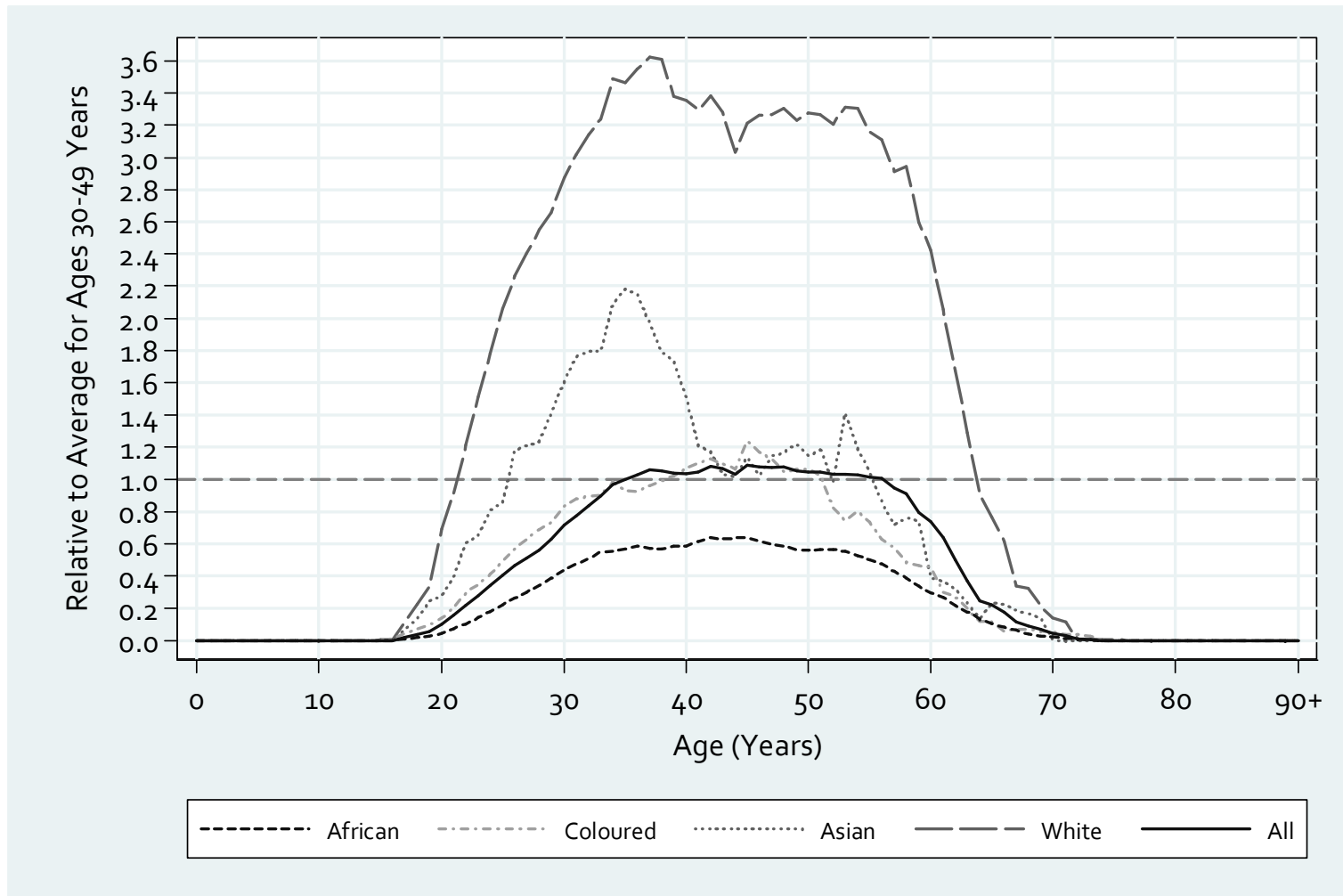
Differing Demographics



The Impact of Inequality



Racial differences in labour income



Racial differences in private education spending

