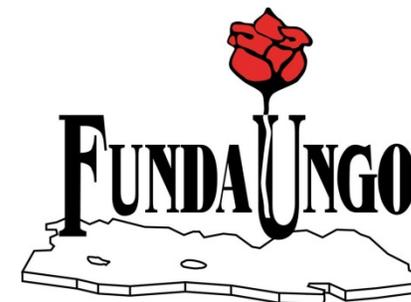




Life cycle deficit in El Salvador and  
other Latin American countries

June 2013

To estimate Life Cycle Deficit it was used NTA Methodology to some of latinamerican countries



### Life Cycle Deficit (LCD)

- Estimated to El Salvador (2010) and compared to Costa Rica (2004), Mexico (2004), Uruguay (2006), Brazil (2002), Chile (1997)

### Methodology NTA

- Allocate to every individual, through de micro data, the amount of resources correspondent
- Estimate the single age profile for each variable
- Adjust the profile to the macro data reported in National Accounts



**Data used to estimate El Salvador LCD its preliminary due to lack of official data**

# Agenda



## Introduction

### Consumption and its components

- Public and private consumption

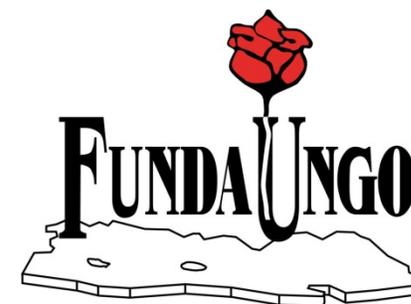
### Labor income and its components

- Earnings and self employment labor income

### Life cycle deficit

### Conclusion

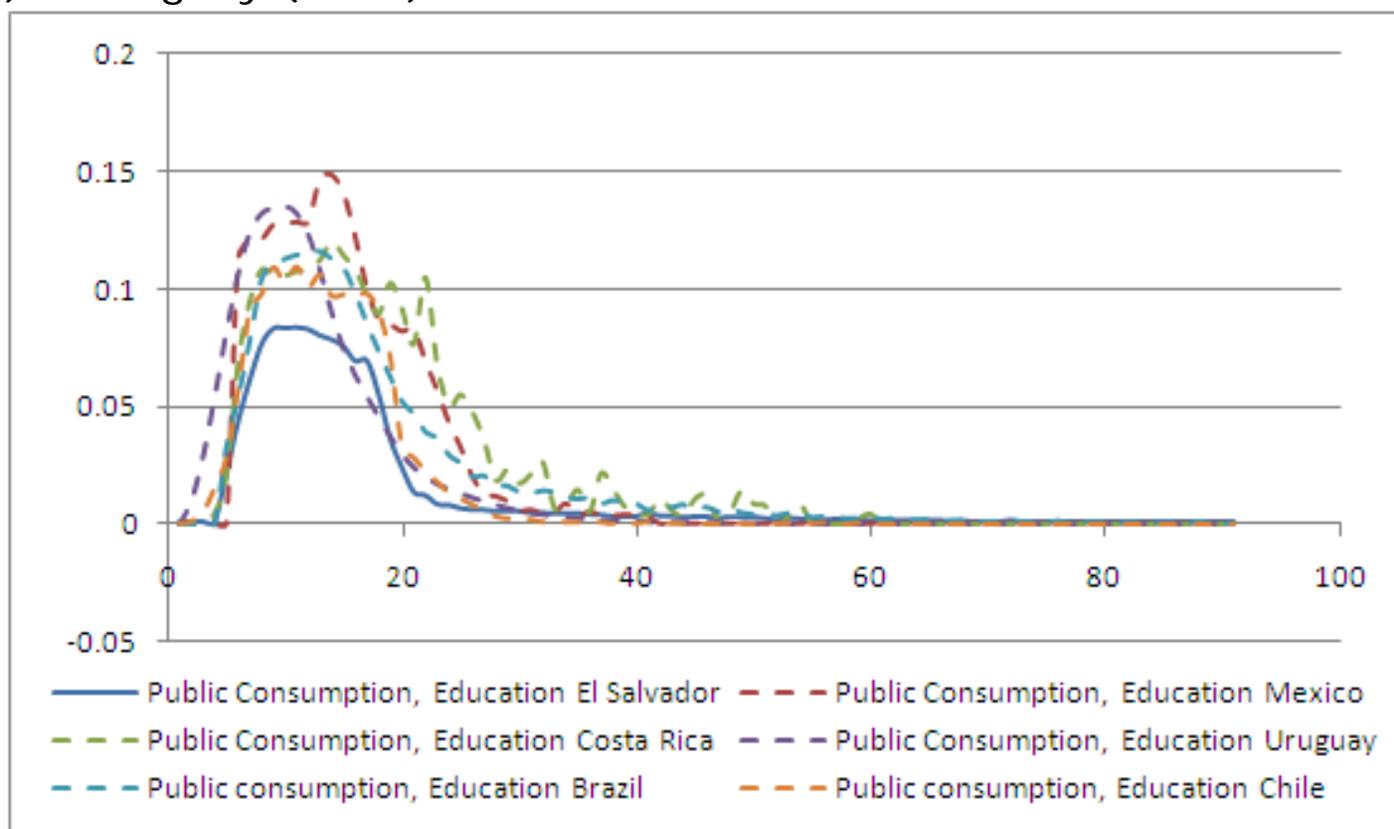
Public consumption in the early ages is largely defined by public consumption in education



Education

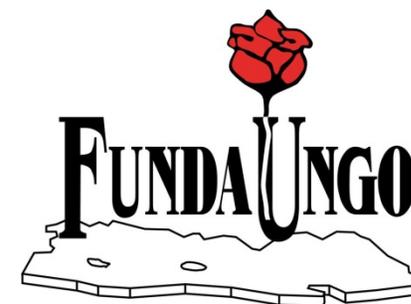
Public Consumption

- El Salvador (2010), Costa Rica (2004), Mexico (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

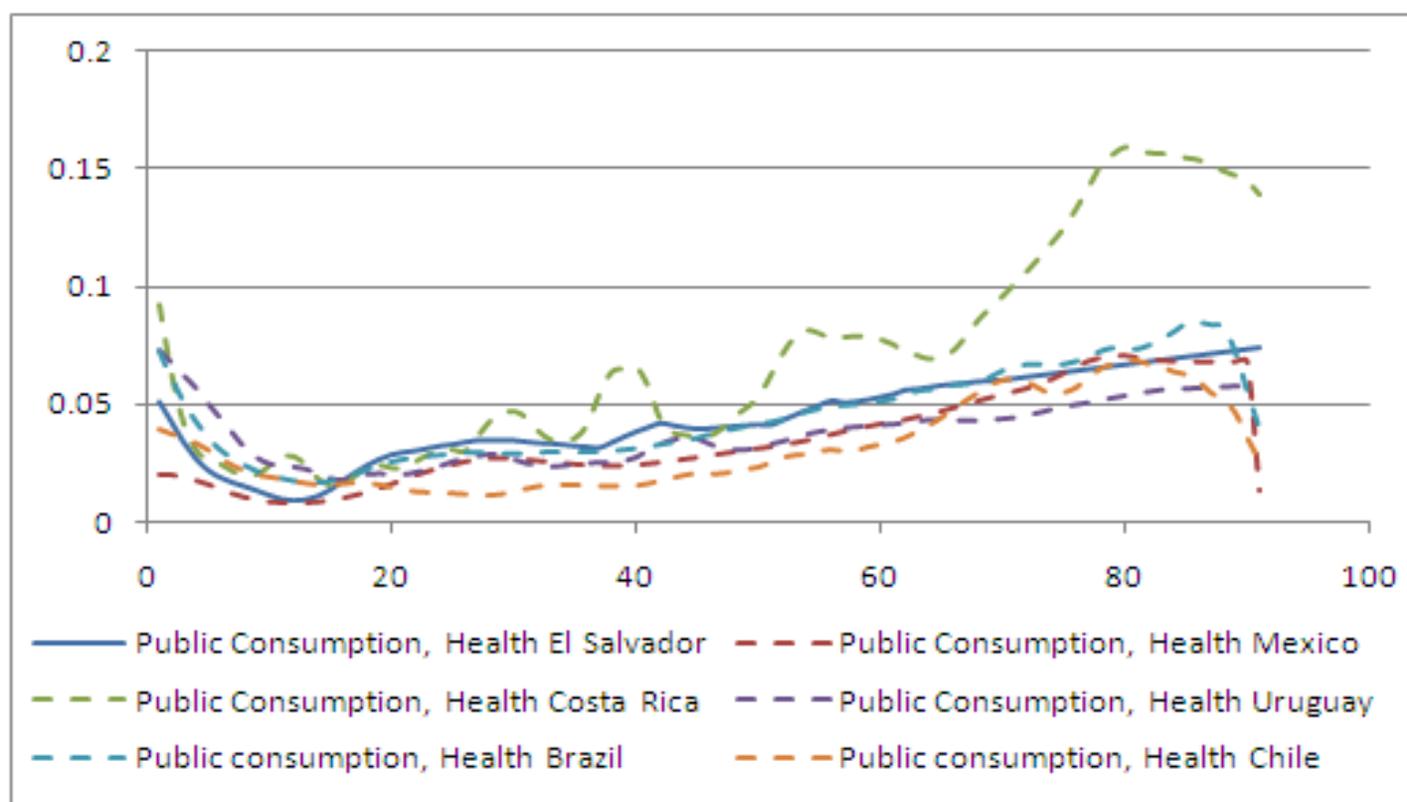
Public consumption on health in the early and late ages is significant in all countries



## Health

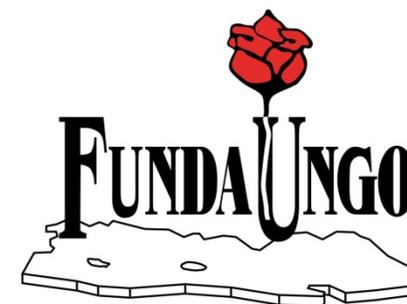
## Public Consumption

- El Salvador (2010), Costa Rica (2004), México (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

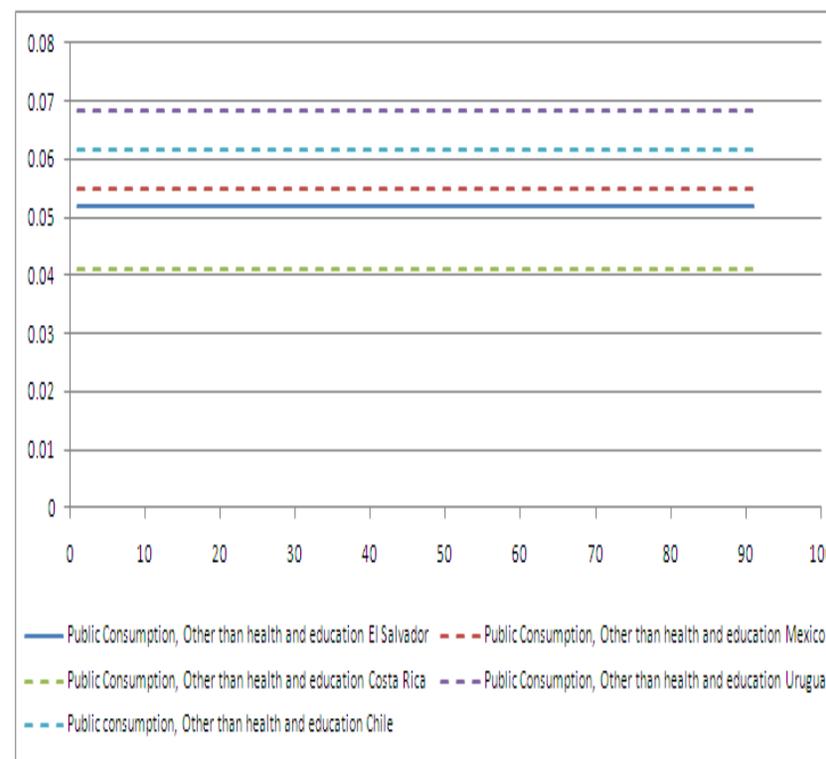
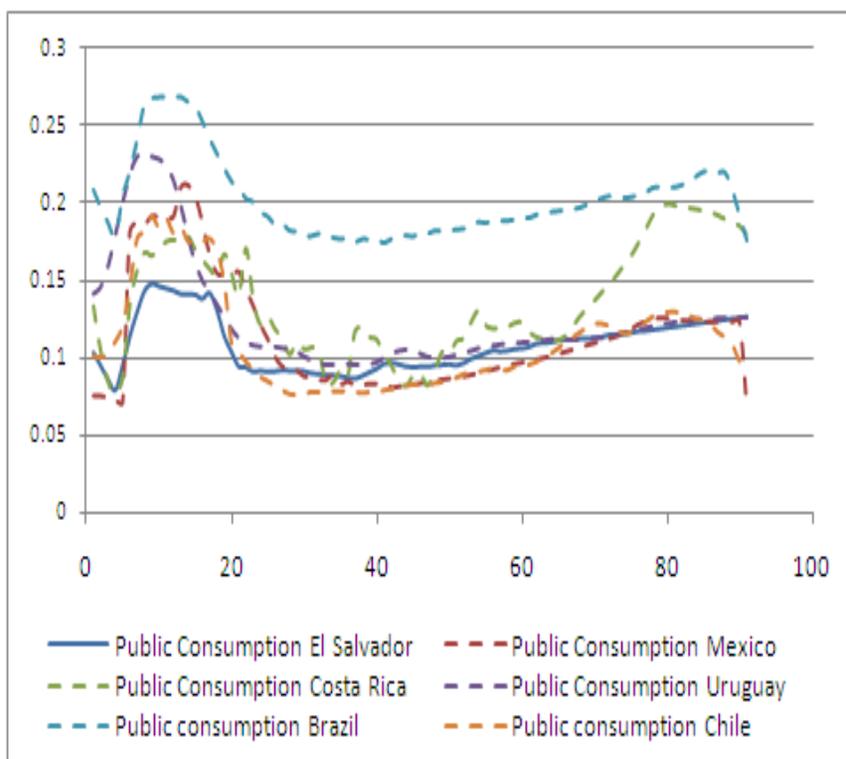
Public consumption shows a pattern that is closely associated with age



Other

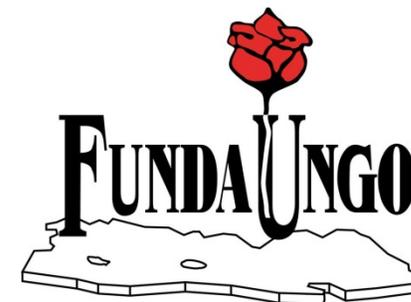
Public Consumption

- Other than education and health & total public consumption
- El Salvador (2010), Costa Rica (2004), México (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

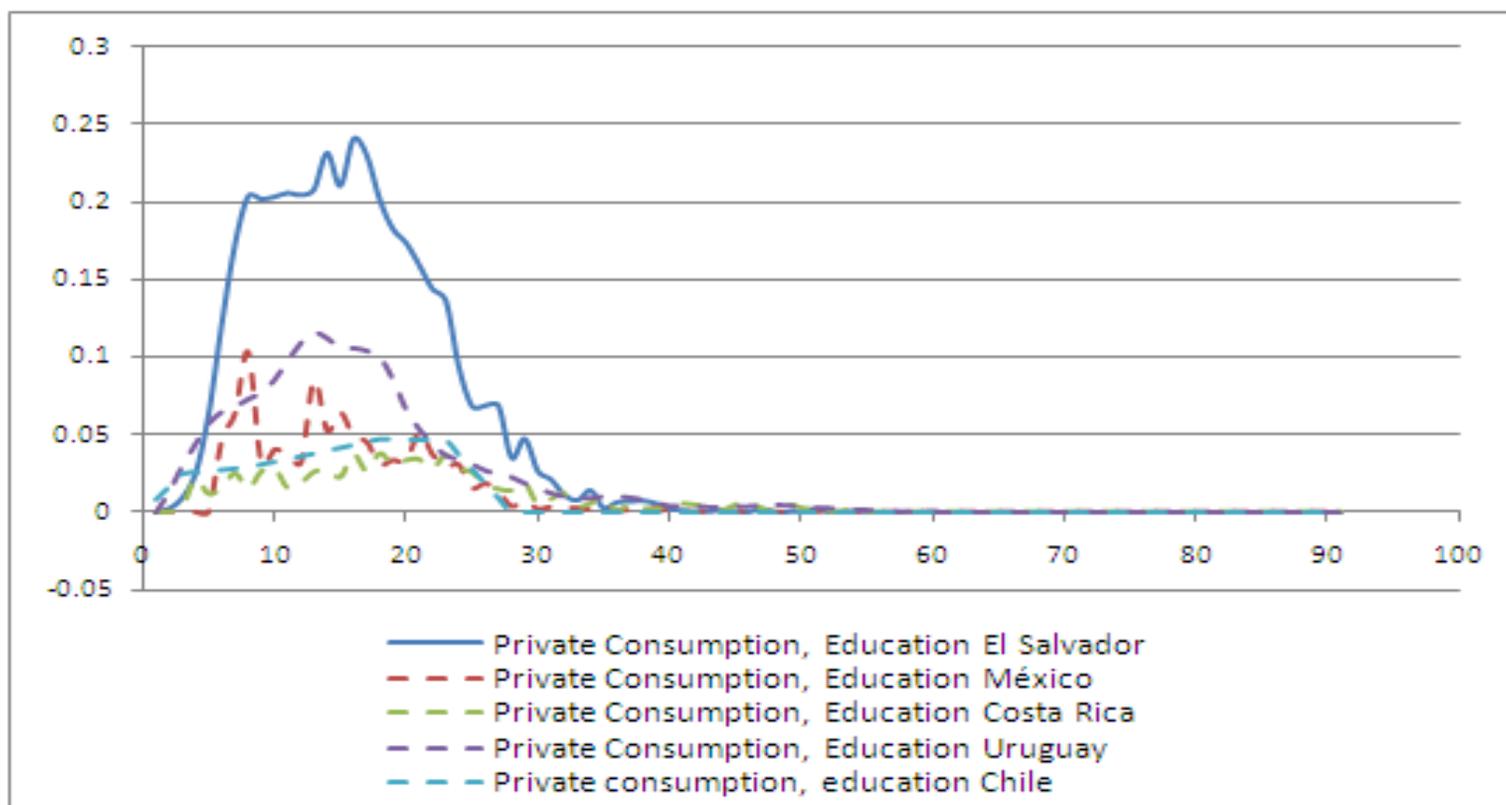
In El Salvador, education is funded largely by the private



## Education

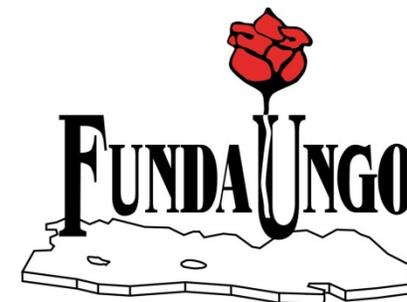
## Private Consumption

- El Salvador (2010), Costa Rica (2004), Mexico (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

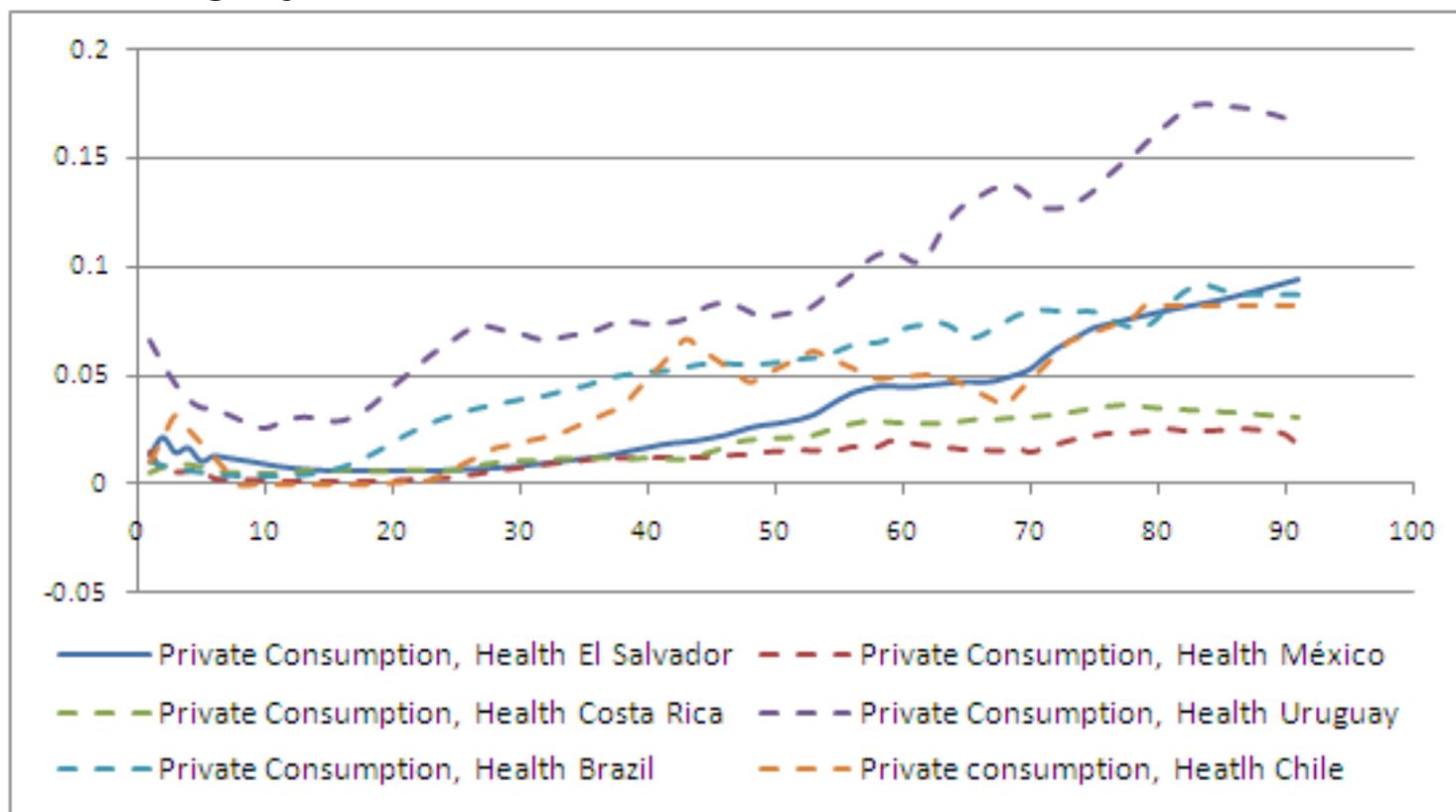
Private consumption in health is larger in Uruguay than the other countries compare



## Health

## Private Consumption

- El Salvador (2010), Costa Rica (2004), Mexico (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

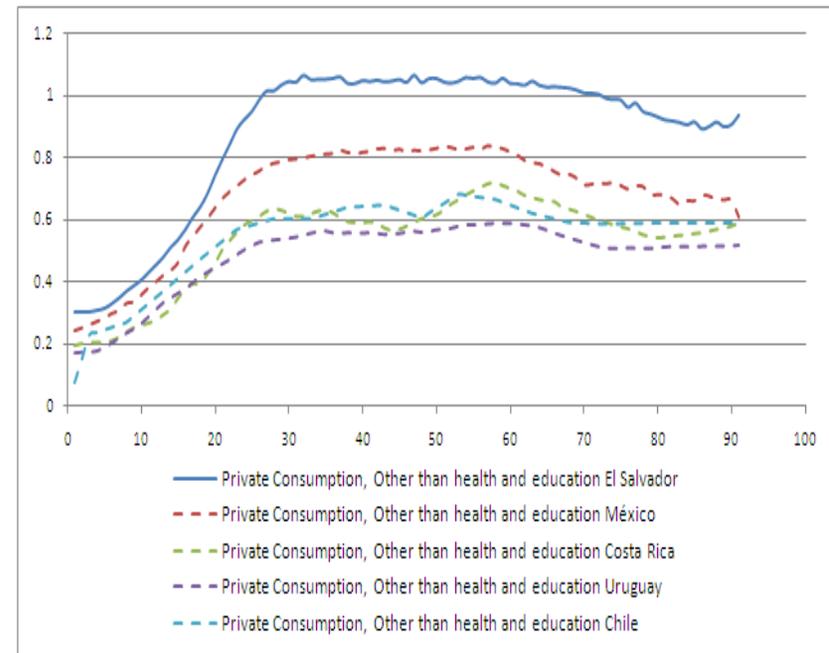
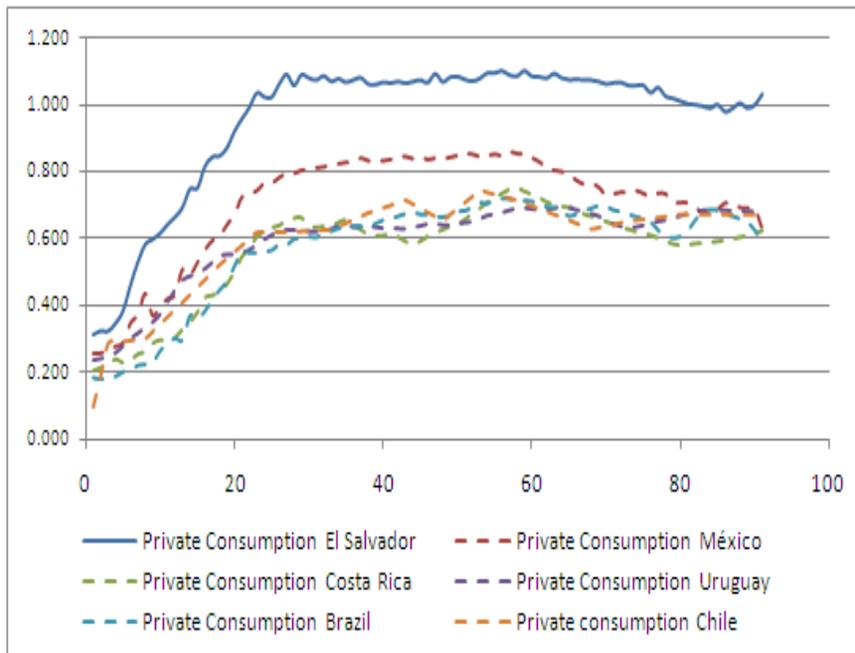


Private consumption peaks in the ages at which the individual is more productive

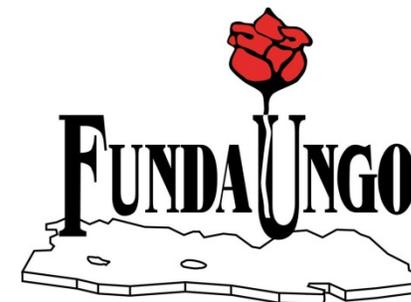
Other

Private Consumption

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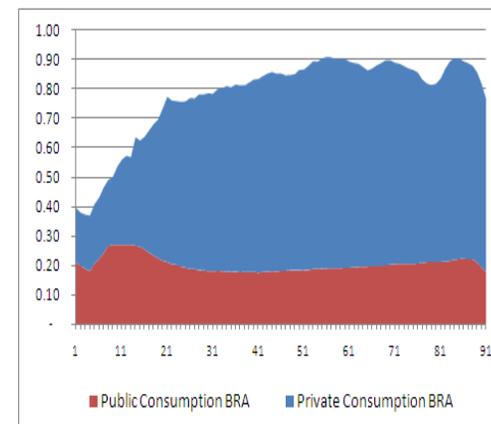
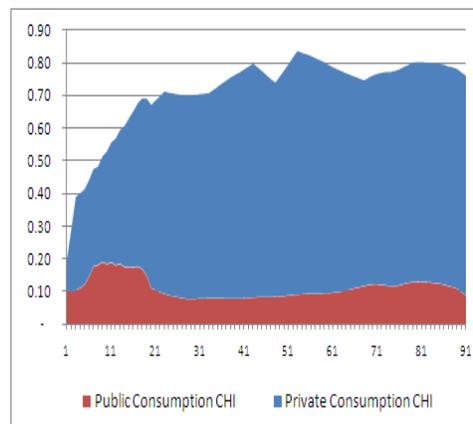
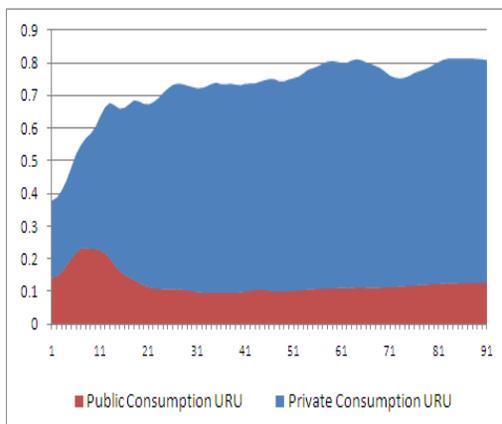
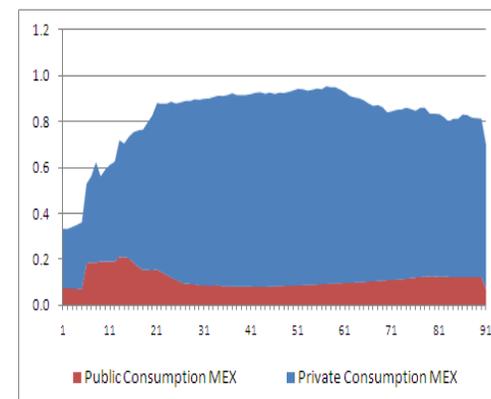
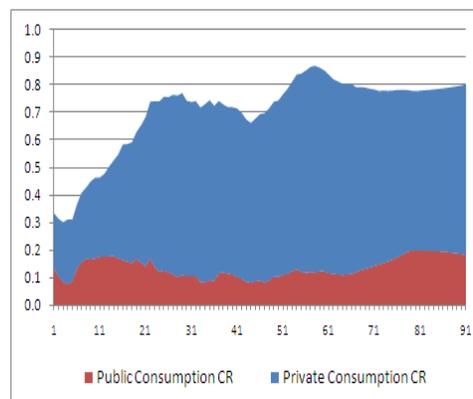
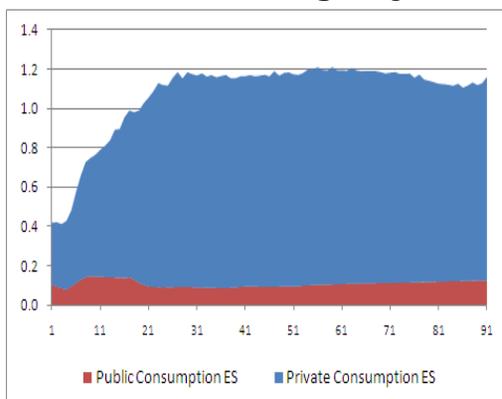
Private consumption is the largest component (74%) of total consumption



**Total**

**Public & Private Consumption**

- El Salvador (2010), Costa Rica (2004), México (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of nationals NTA teams, various years.

# Agenda



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Consumption and its components

- Public and private consumption

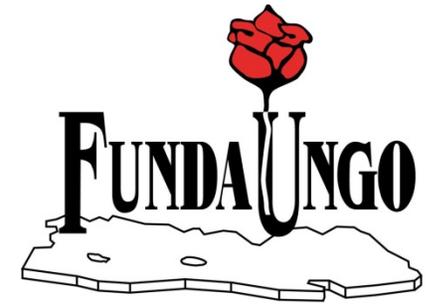
Labor income and its components

- Earnings and self employment labor income

Life cycle deficit

Conclusion

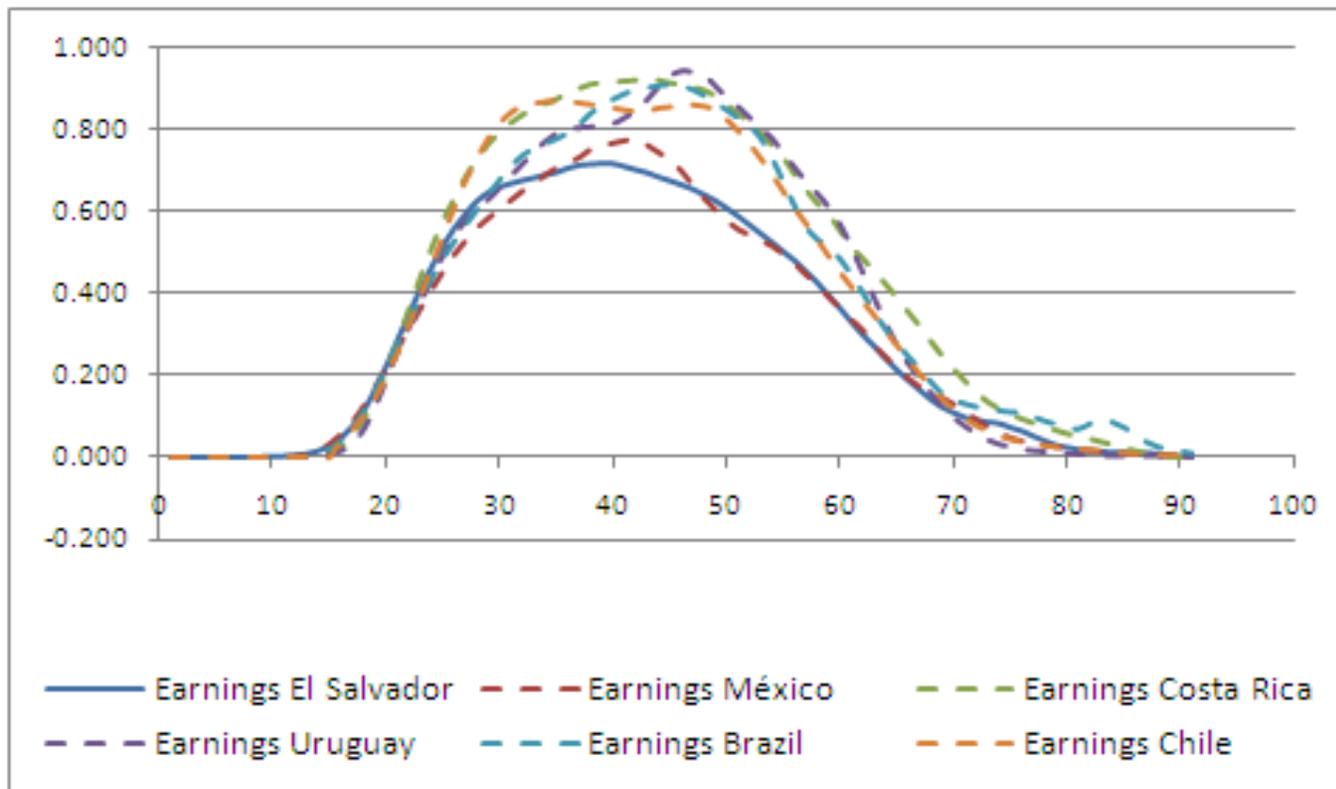
In El Salvador and Mexico earnings are comparatively lower than those experimented by the other countries



## Earnings

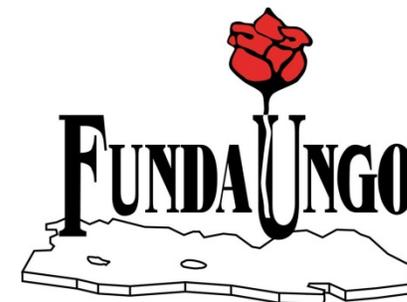
## Labor Income

- El Salvador (2010), Costa Rica (2004), Mexico (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

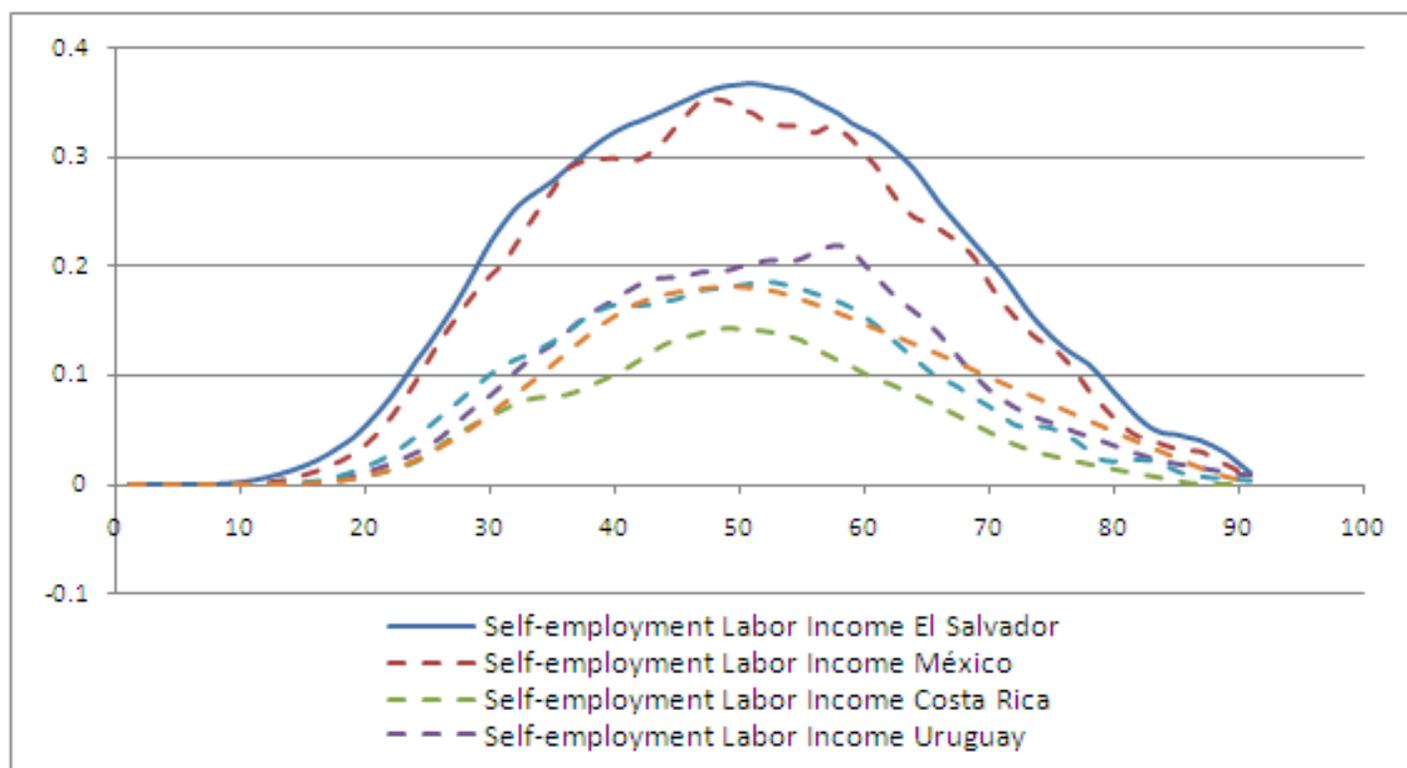
El Salvador and Mexico present the higher level of self-employment income



Self  
Employment

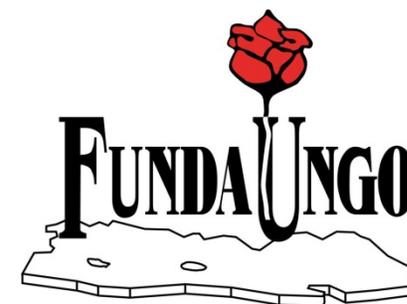
Labor Income

- El Salvador (2010), Costa Rica (2004), Mexico (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

The maximum self-employment income is reached later in life than earnings



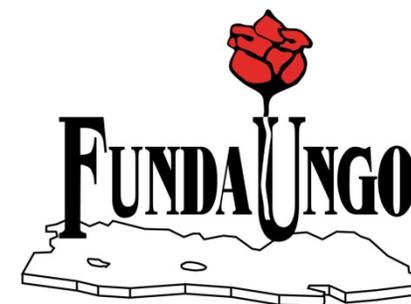
Max levels

Labor Income

- El Salvador (2010), Costa Rica (2004), Mexico (2004), Brazil (2002), Chile (1997) & Uruguay (2006)

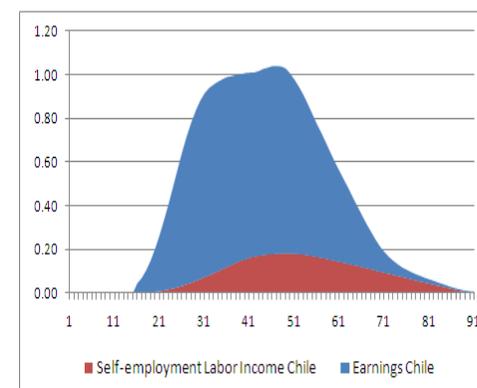
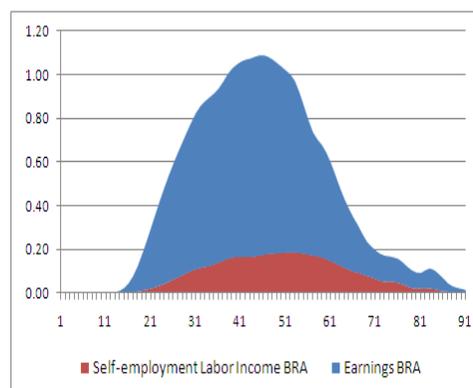
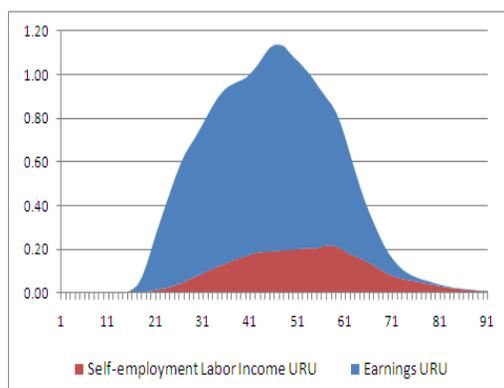
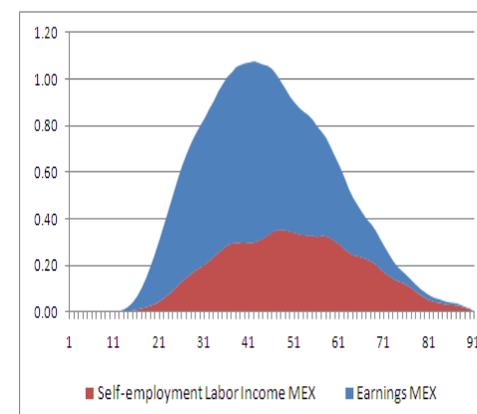
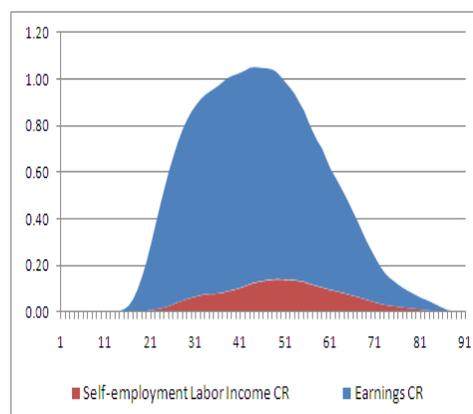
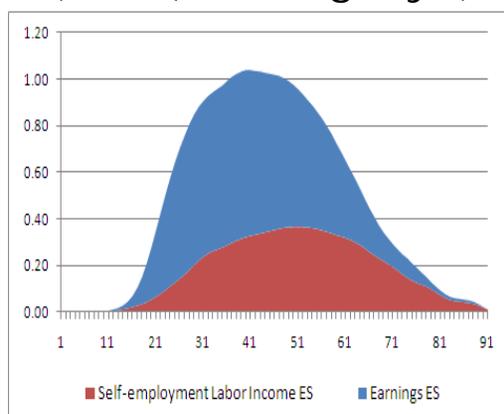
Country	Earnings	Self-Employment
	Max	Max
El Salvador	38	50
Costa Rica	42	48
México	41	47
Uruguay	42	54
Chile	35	48
Brasil	44	51

Income from self-employment has a large share of total labor income in El Salvador and Mexico



## Labor Income and its Components

- El Salvador (2010), Costa Rica (2004), México (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

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Consumption and its components

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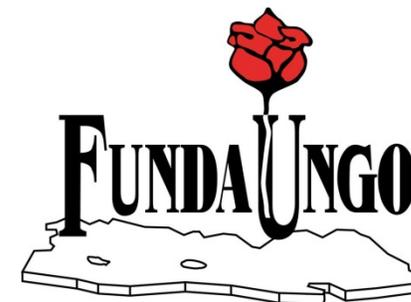
Labor income and its components

- Earnings and self employment labor income

Life cycle deficit

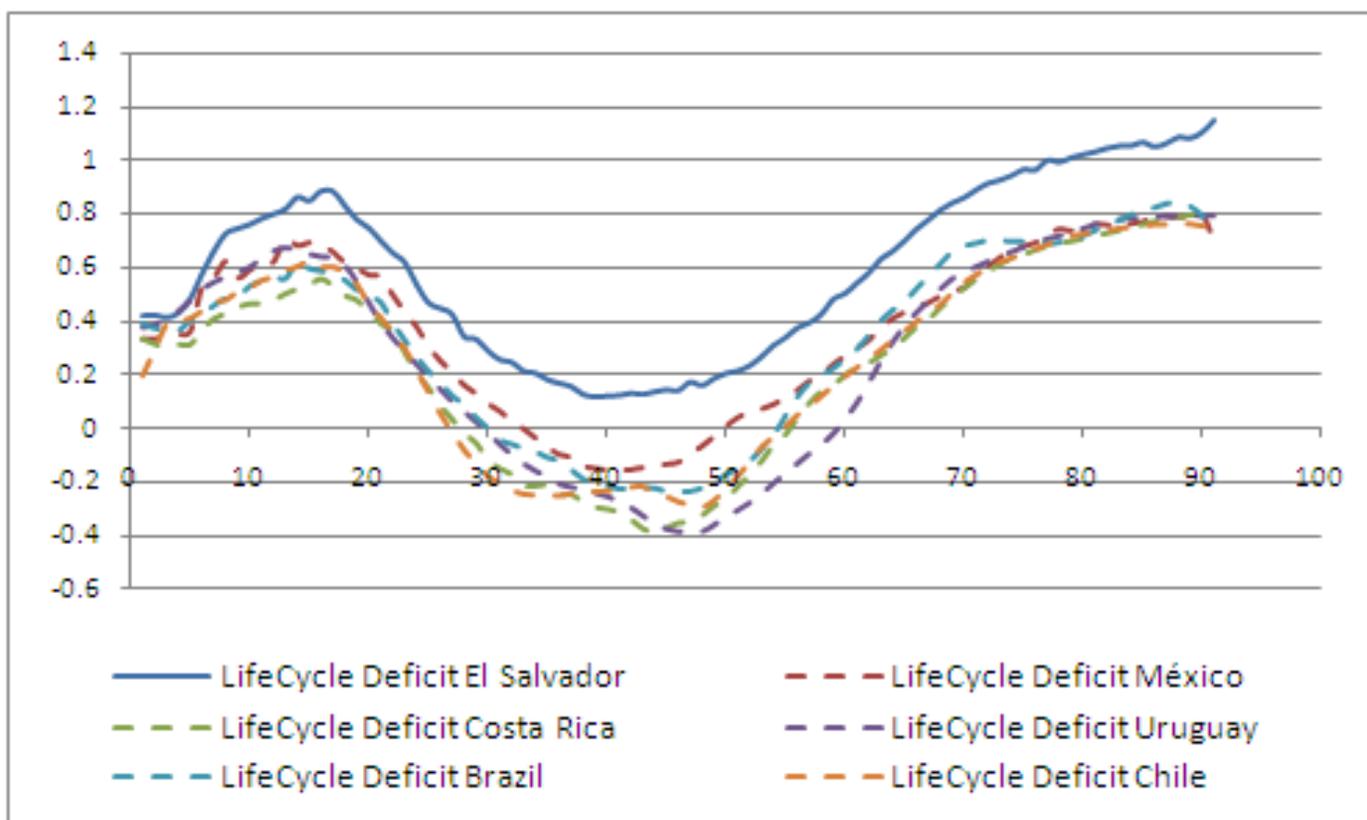
Conclusion

For El Salvador lifecycle deficit has only positive values



## Life Cycle Deficit

- El Salvador (2010), Costa Rica (2004), México (2004), Brazil (2002), Chile (1997) & Uruguay (2006)



Source: Authors' calculations based on Córdova et al (2012) and estimations of national NTA teams, various years.

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Consumption and its components

- Public and private consumption

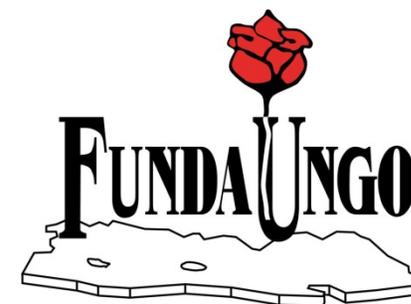
Labor income and its components

- Earnings and self employment labor income

Life cycle deficit

Conclusion

In the case of El Salvador the life cycle deficit has only positives values



## Main Conclusions

- In the period of greatest productivity and highest labor income, public consumption tends to be relatively low.
- Private consumption represents 74% of total consumption for all the countries analyzed
- Self-employment income has a big importance in El Salvador (37% of total labor income) and Mexico (34.8% of total labor income)
- For El Salvador consumption is always higher than labor income regardless of age
- An hypothesis that could explain this is that the important flow of remittances (16% of GDP) received by households sustain the high level of consumption compared to labor income