

Ethiopia's Age Profiles of Labor Income and Private Consumption

Teferi Mergo

June 2, 2013

A. Background

- **Second largest African Country (95 million people)**
- **Has one of the highest TFRs (5.4), and population growth rates (2.9%)**
- **Proportion of urban residents (17%), growing by 3.8% per year**
- **Significant gap in fertility in urban and rural parts of the country (2005 I and E Survey)**
- **Expansive population pyramid: 45% under 15; 20% between 15 and 24; Median age 16.8**

A. Background

- **PCI: \$400 (PPP \$1100), less than the regional average (\$1250);**
- **Percent under the poverty line of \$0.6/day (1/3 of Tot. Pop.)**
- **Agriculture: 47% of GDP; 84% to Exports; 80% to Employment**
- **Formal Employment small fraction of total employment**
- **Gross Enrollment: Primary (95%); Secondary (<40%);**

A. Background (ctd.)

- **Child labor is very common**
- **Social Security is severely underdeveloped**
- **Expansive Population Pyramid**
- **Fertility is beginning to come down particularly in Urban areas**

B. Data

- **2005 Income and Expenditure Survey**
- **No Income Data**
- **Total Exp = Cons. Exp + Non-cons. Exp**

C. The Age Profile of Labor Income

**Use Total Family Exp. (TFE) As a Proxy for Total Family Income
Derived Labor Income from TFE as follows**

Identified individuals contributing to family Income (21%)

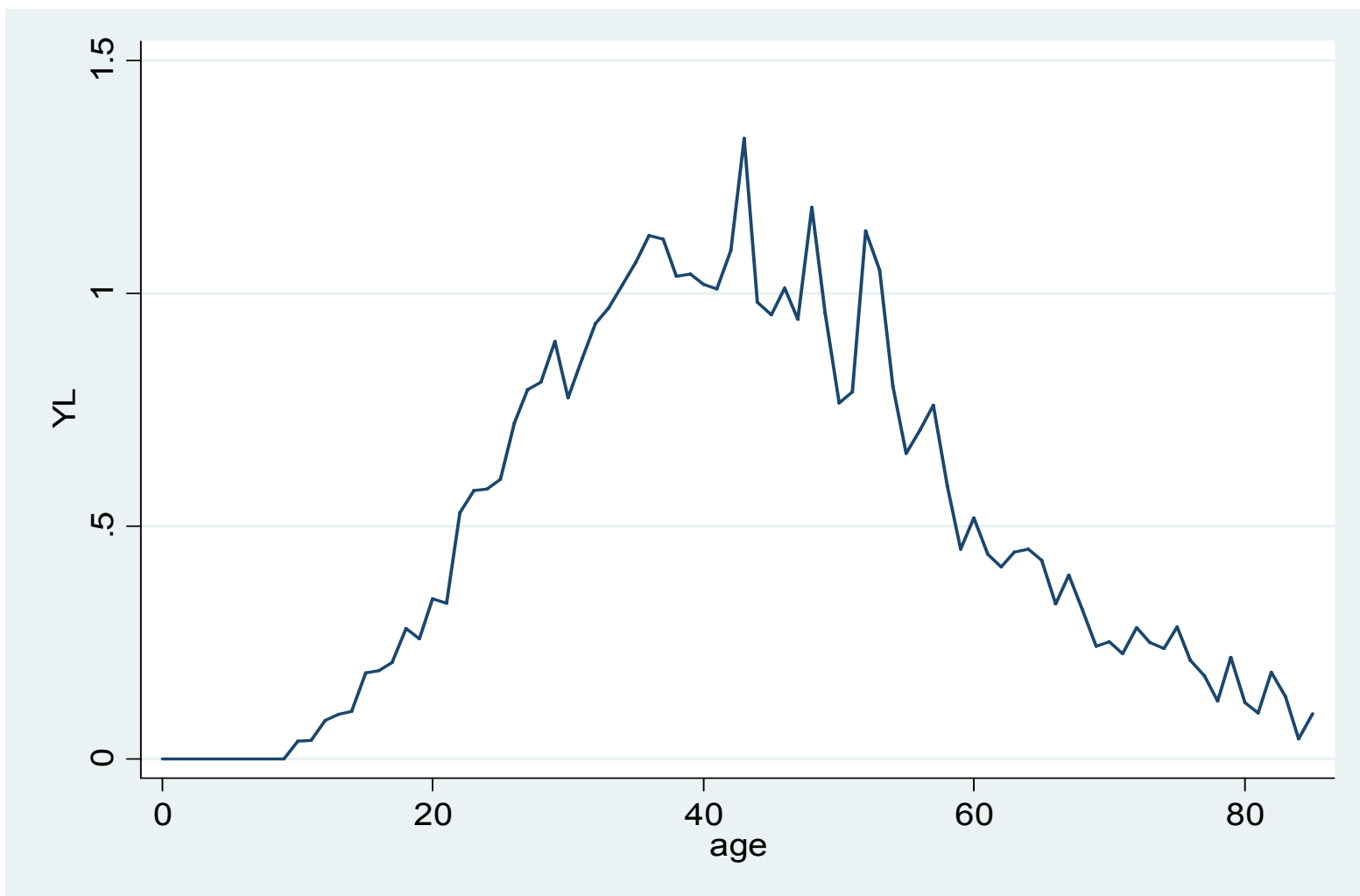
Divided these into two groups: Sole Bread Winners to their families (Group A), and the rest (Group B).

Estimated 2 versions of the Earnings Equation for individuals in A

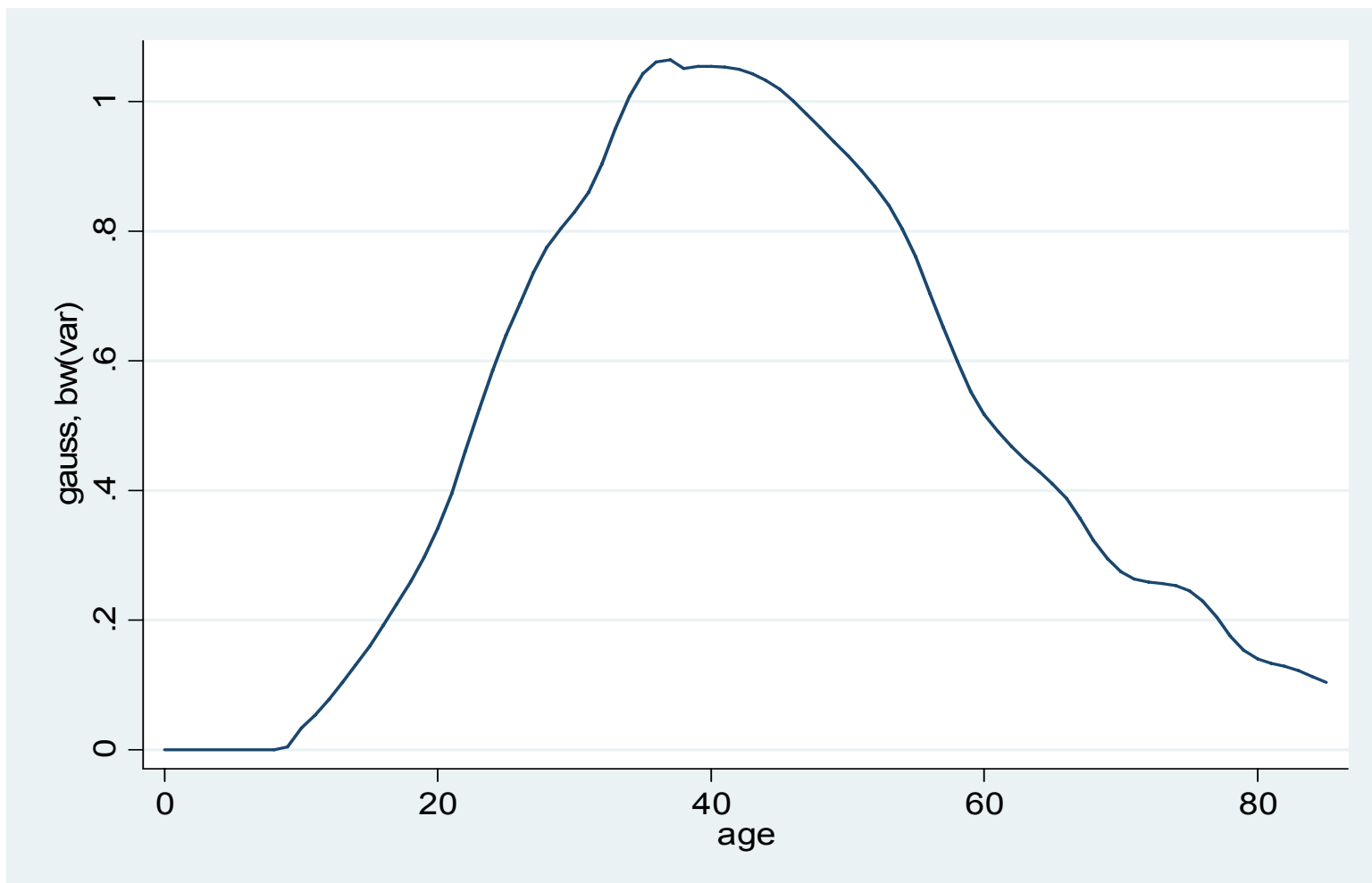
Predicted LY for Y earners in B, using estimated coefficients

**Used the within-family-ratios of predicted LY to distribute TFE b/n
Income earners in B**

Labor Income Profile (Non-Smoothed)



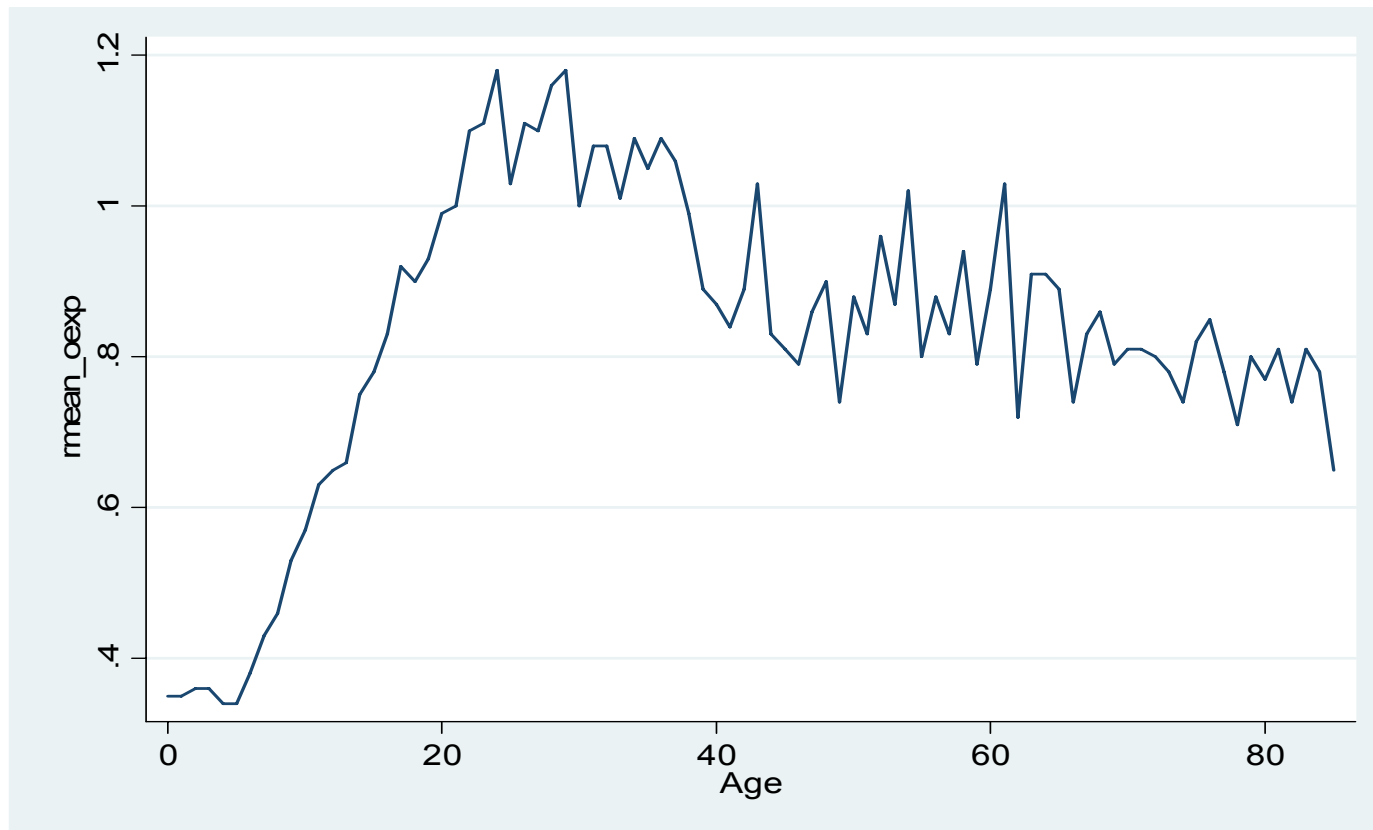
Labor Income Profile (Smoothed)



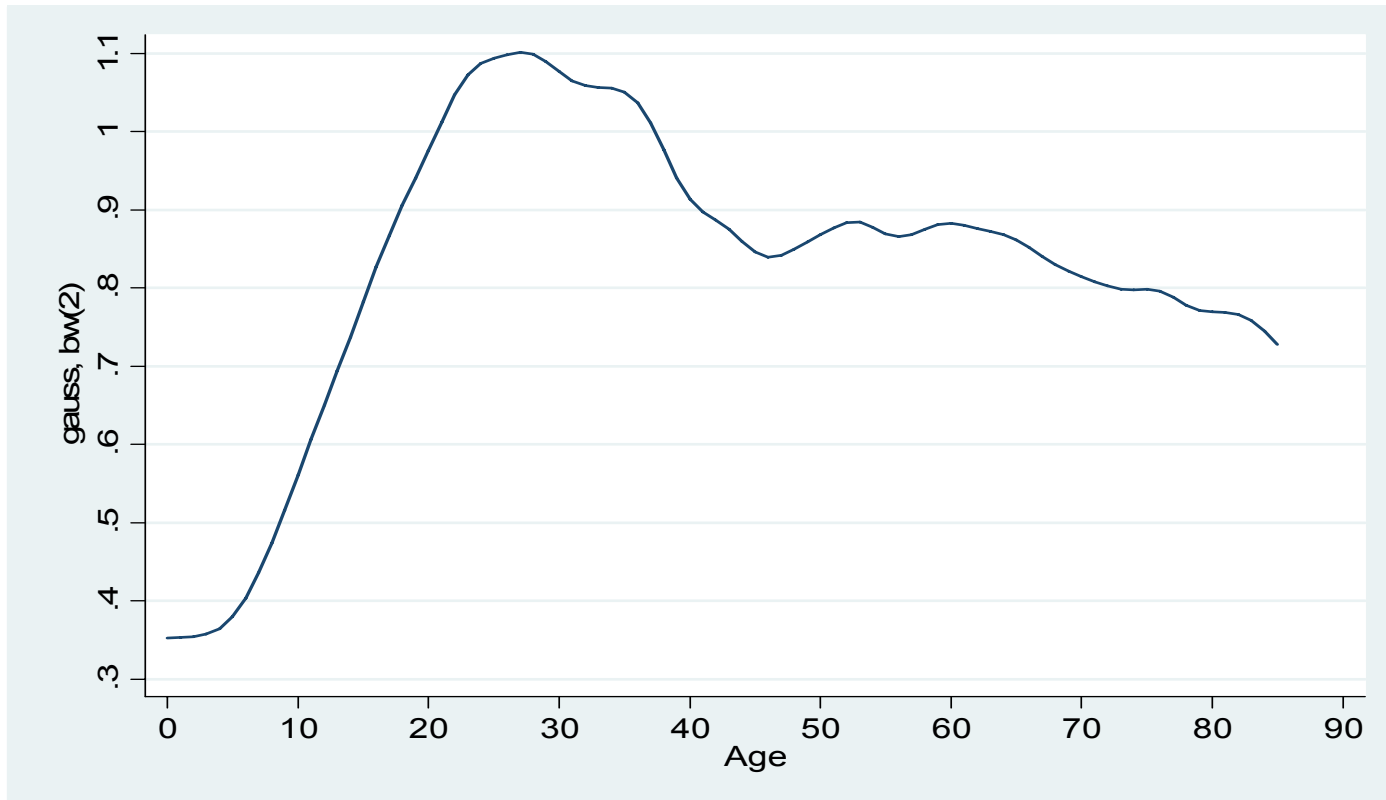
III. Age Profile of Private Consumption

- Consumption Peaks early on (Ages 24 – 28)
- Declines with age beginning in the early 30's =) Poverty concentrated in older age groups; (Possible Explanations?)
- Younger cohort benefitting from more recent economic boom
- Is it because the increasing rural-urban migration is by these people, and the less driven are staying behind?
- Are the well-off not transferring enough to older parents?

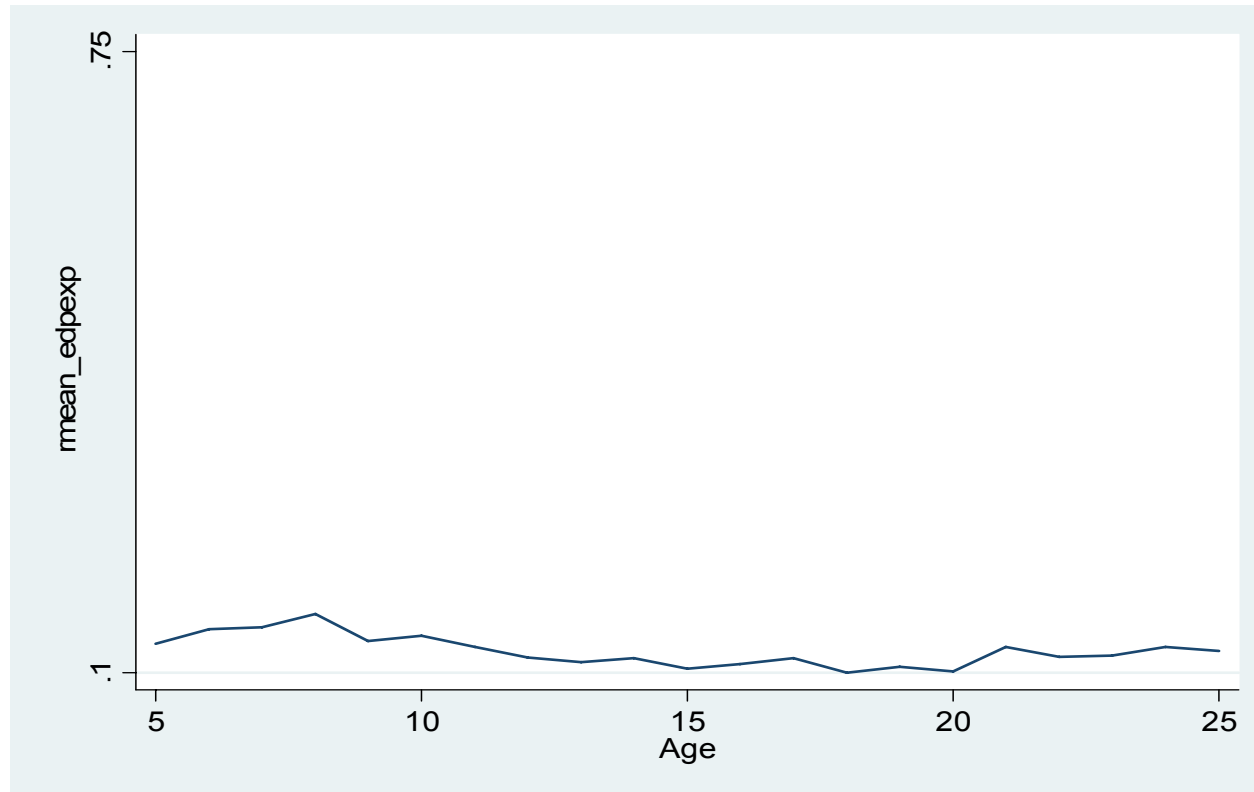
Other Private Consumption Profile (Non-Smoothed)



Other Private Consumption Profile (Smoothed)



The Profile of Pvt. Expenditure on Education



The profile of Pvt. Expenditure on Health

