

Shaping Social Protection in Africa: Update of National Transfer Accounts Estimates in Five African Countries

Germano Mwabu and Doyin Soyibo

7th Global NTA Meeting:

Population Aging and the Generational Economy

June 11-12, 2010

East West Center

Honolulu, Hawaii

Overview of African NTA

- National Transfer Accounts represent a new set of tools that reveal the age dimension of the African economy
- This presentation shows NTA results of the Five African NTA teams, including

Kenya

Nigeria

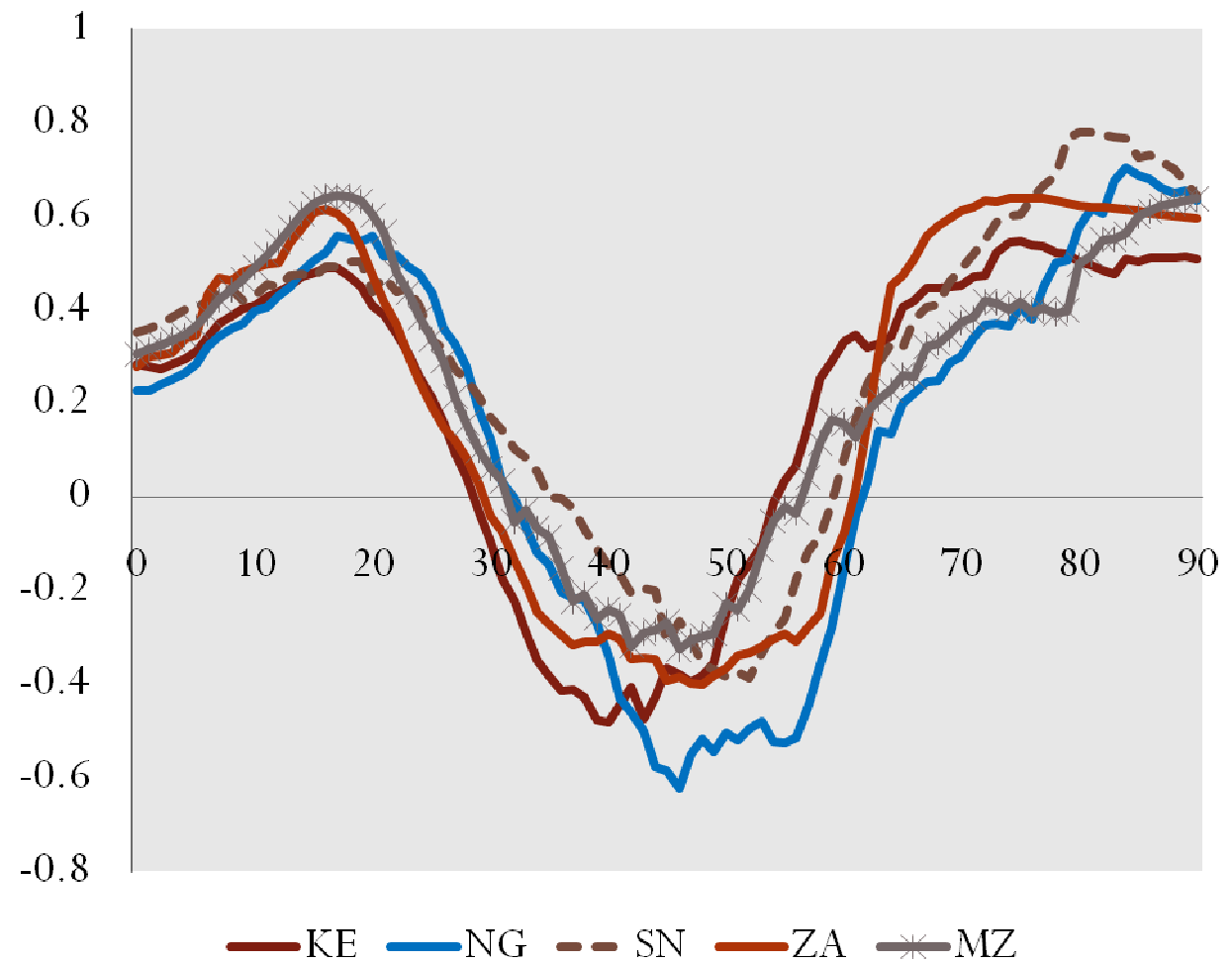
Senegal

Mozambique

South Africa

Economic Lifecycles in Africa

Variations in the lifecycle deficits among the five African NTA Countries



Economic Lifecycles in Africa

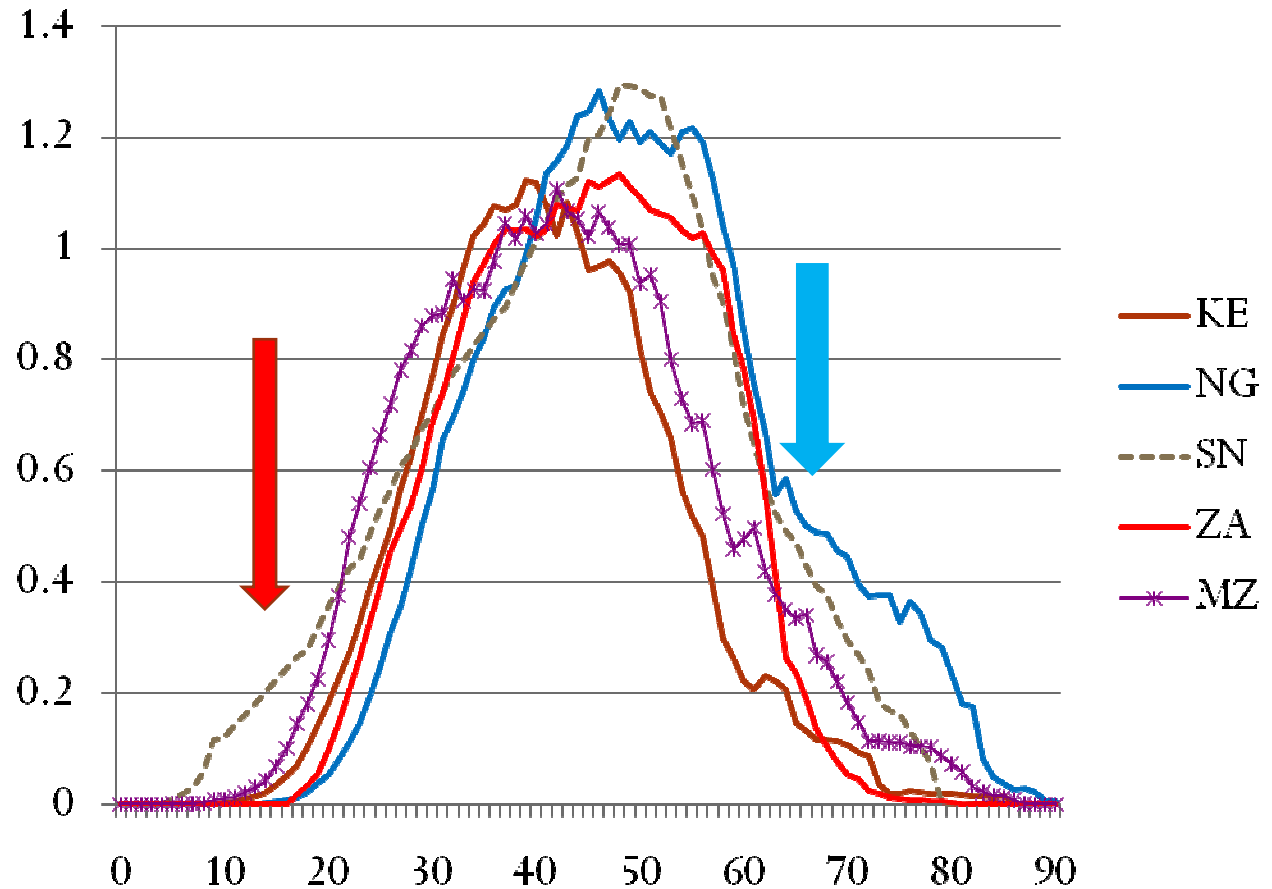
Country	1 st cutting age	2 nd cutting age	Total surplus years
Kenya (2004)	29	55	26
Nigeria (2005)	32	62	30
Senegal (2004)	35	60	25
South Africa (2004)	30	61	27
Mozambique (2008)	32	57	25

1st Cutting age: the first lifecycle surplus age at which on average individuals turn to be net producers (produce more than they consume)

2nd Cutting age: the first lifecycle deficit age at which on average individuals turn to be net consumers again (produce less than they consume)

Labor Income

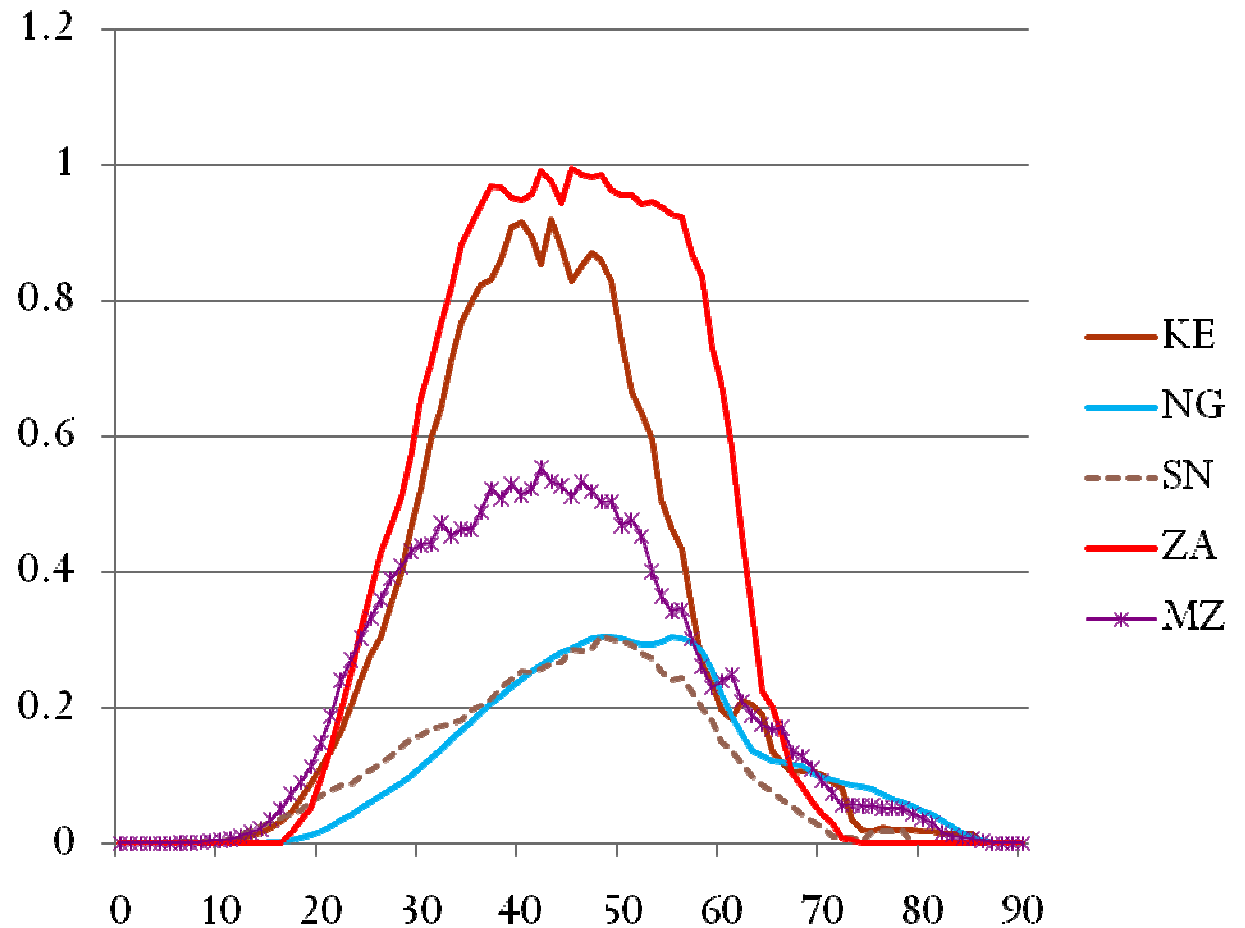
The African labor market is full of younger and older workers



Earnings

High earnings for South Africa and Kenya

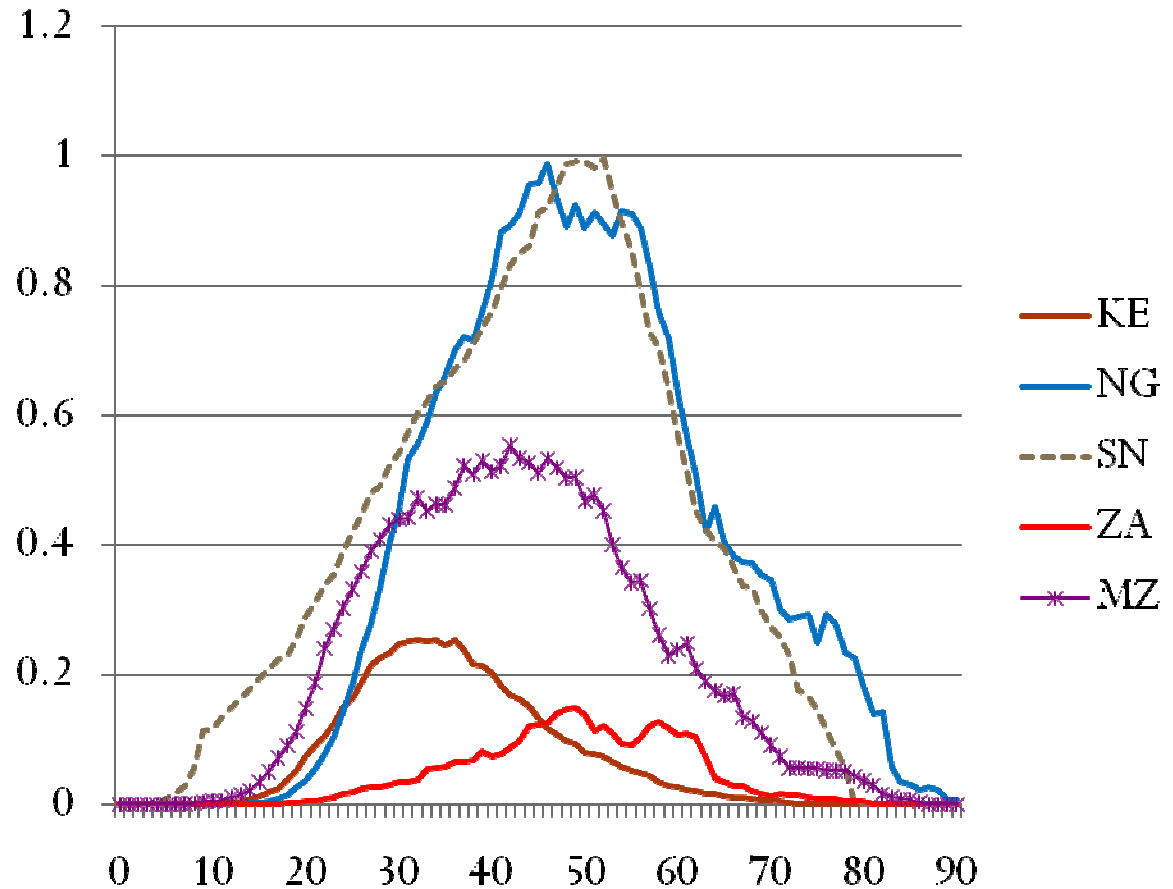
Why do workers in the formal employment receive much lower income in Nigeria and Senegal?



Self-employed Income

High income from the informal sector for Senegal and Nigeria

Different in the peak age for self-employed income in Kenya (younger) and South Africa (older)



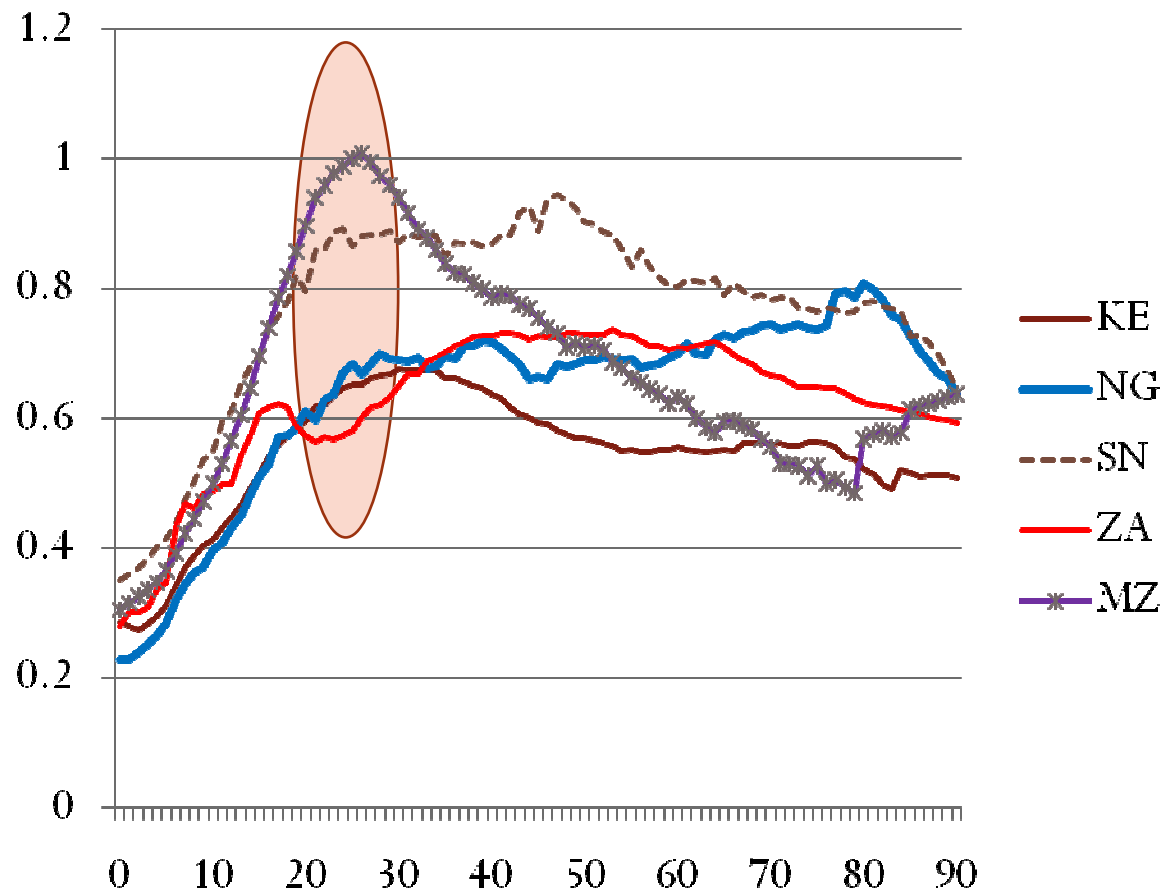
Ratio of Earnings and Self-employed Income in Total Labor Income

	Kenya (2004)	Nigeria (2005)	Senegal (2004)	Mozambique (2008)	South Africa (2004)
Earnings (wages)	76	23	20	37	91
Self- employed	24	77	80	63	9

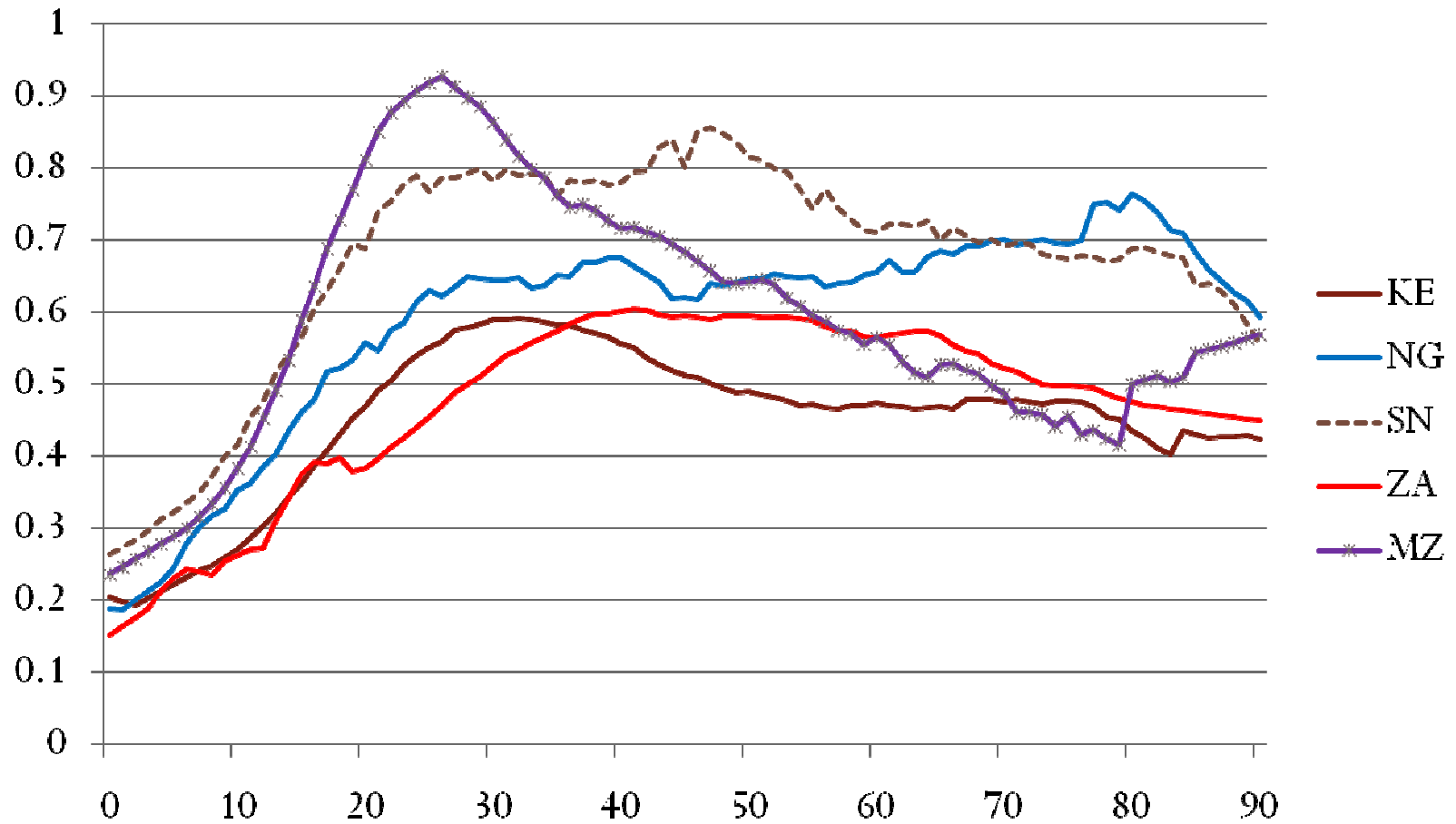
Consumption

High consumption by young adult workers for all countries, especially Mozambique

Consumption tends to decline with age, except for Nigeria



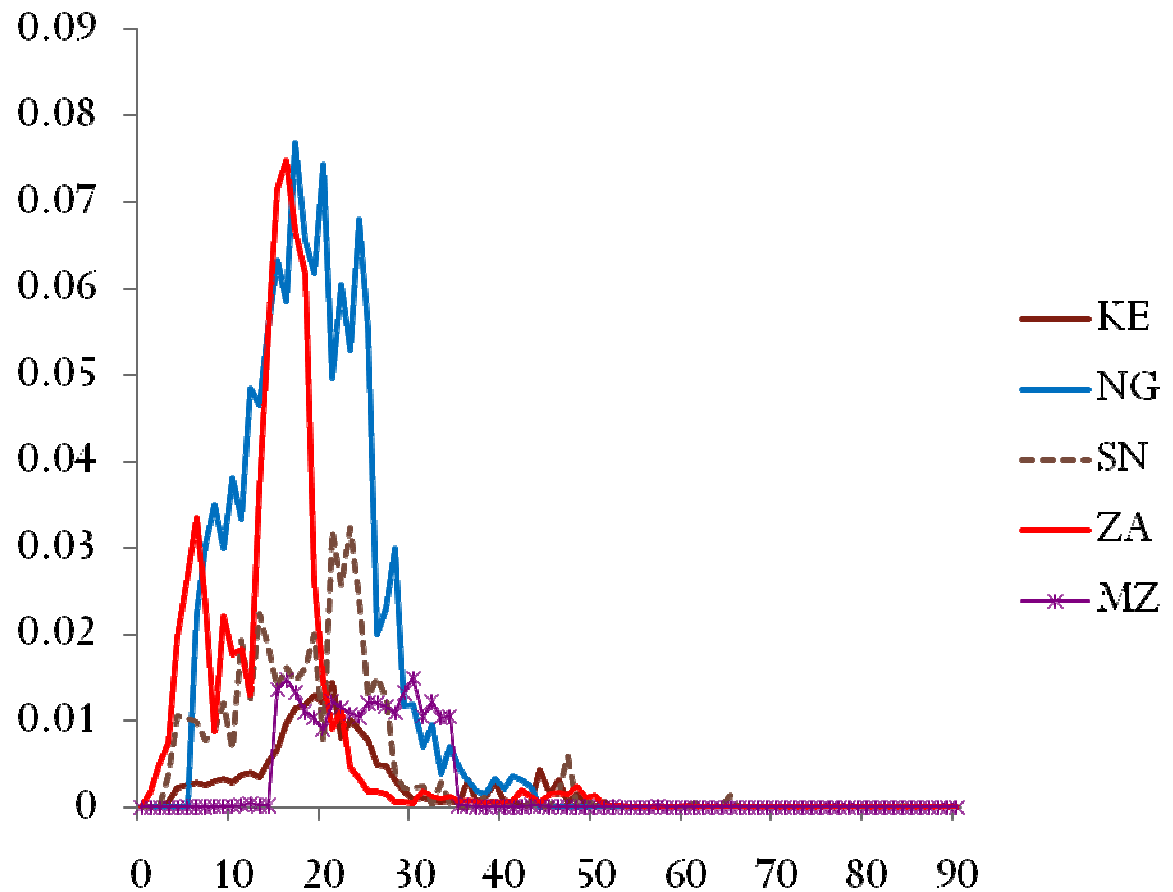
Private Consumption



Private Education Consumption

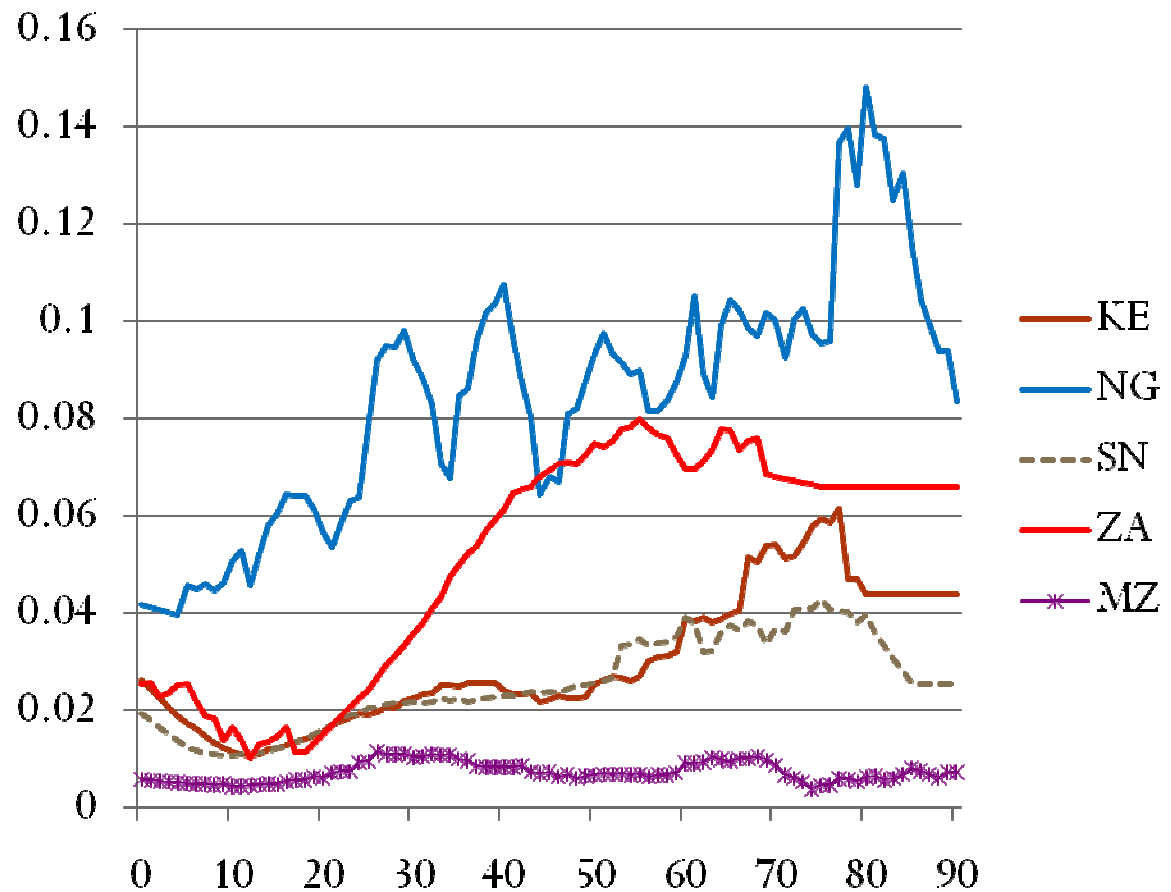
High private consumption spending for **South Africa** and **Nigeria**

Private education spending for **Kenya** and **Mozambique** is relatively low

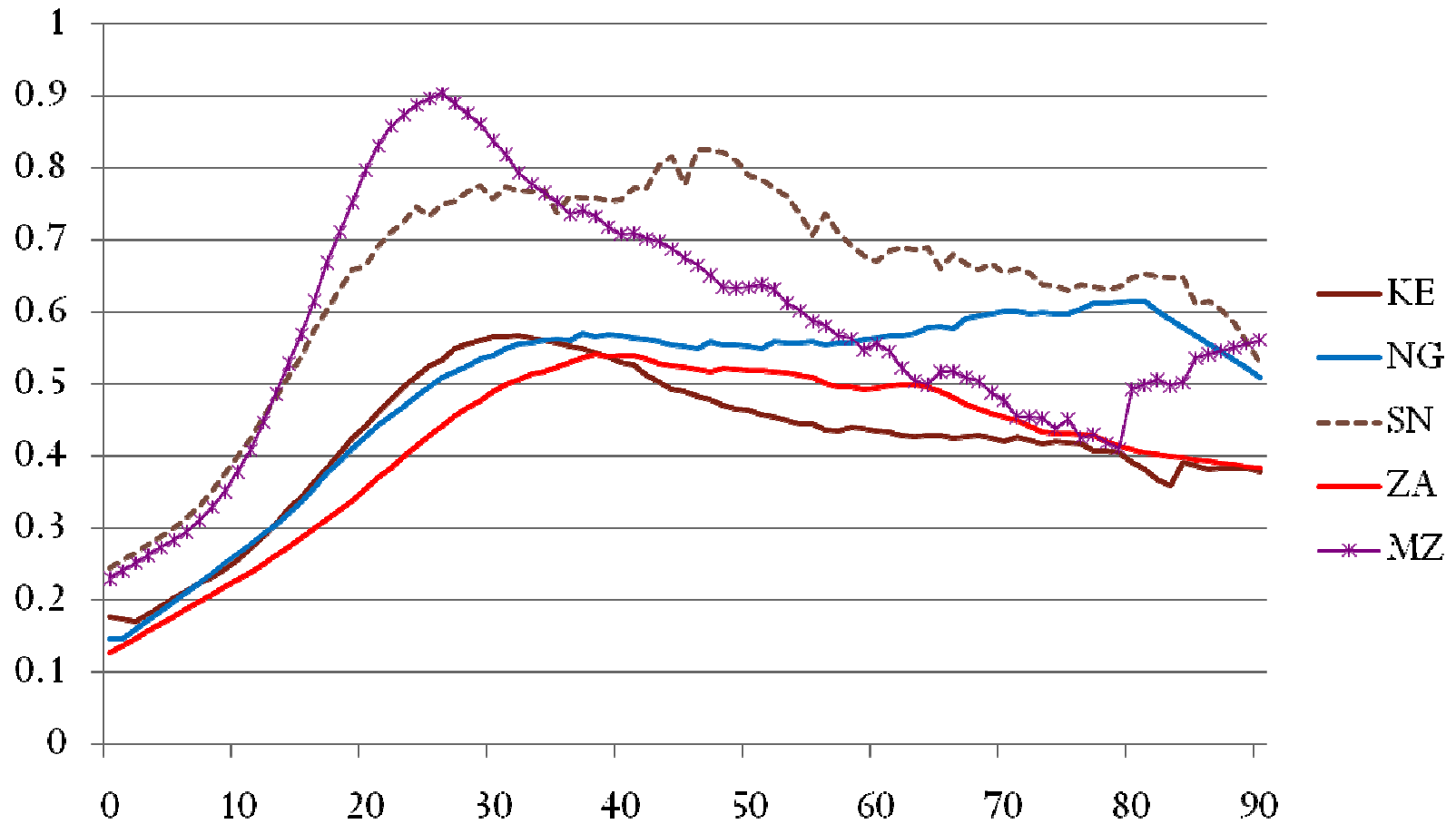


Private Health Consumption

Similar to private education consumption, **South Africa** and **Nigeria** appears to have high private health spending



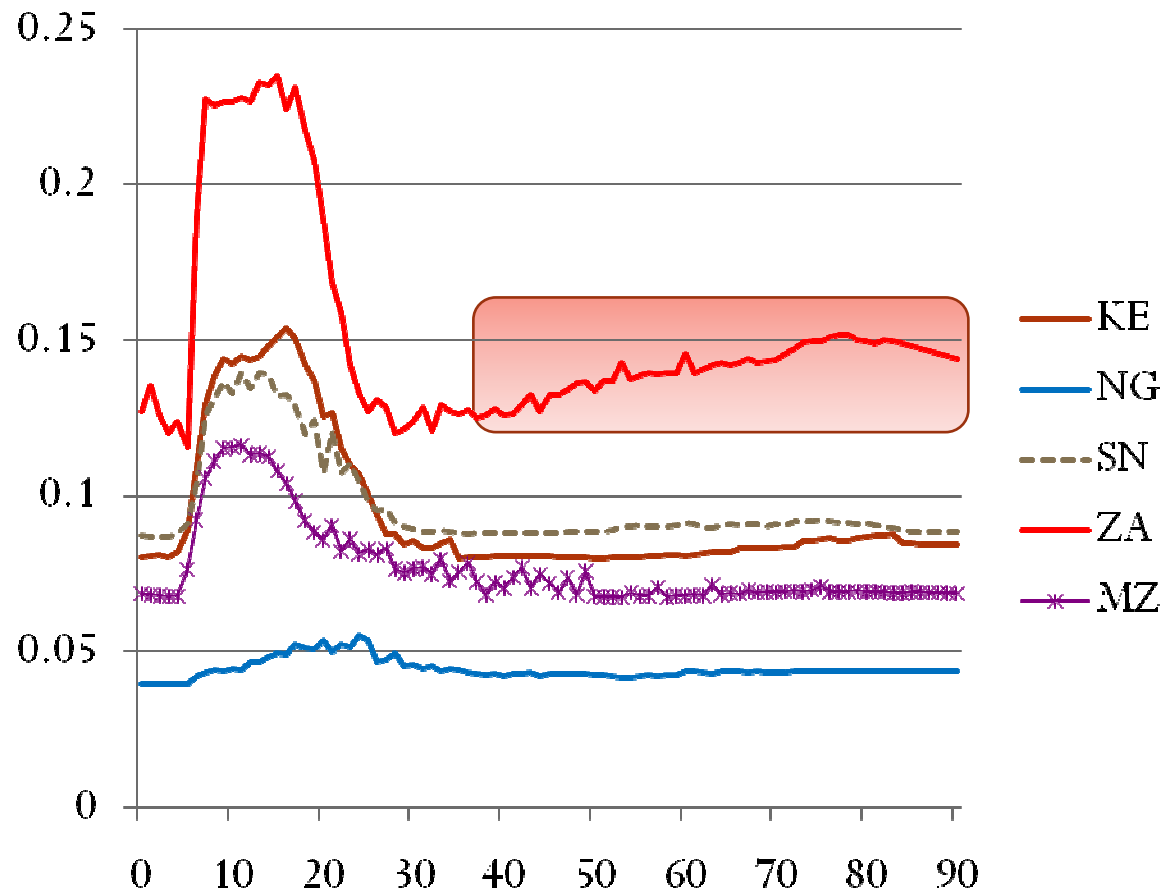
Private Other Consumption



Public Consumption

All countries, except **Nigeria**, have high public consumption for Children

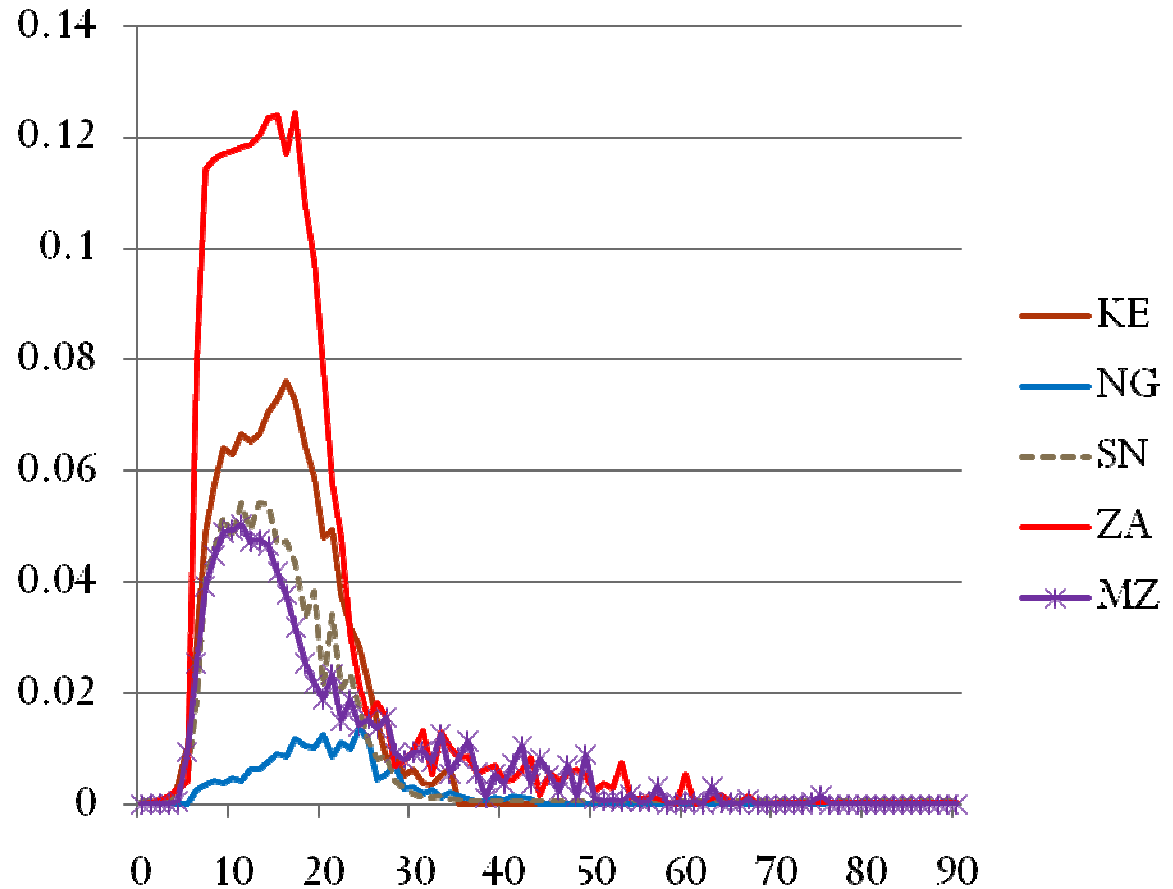
Only **South Africa** shows an increase in consumption by the elderly



Public Education Consumption

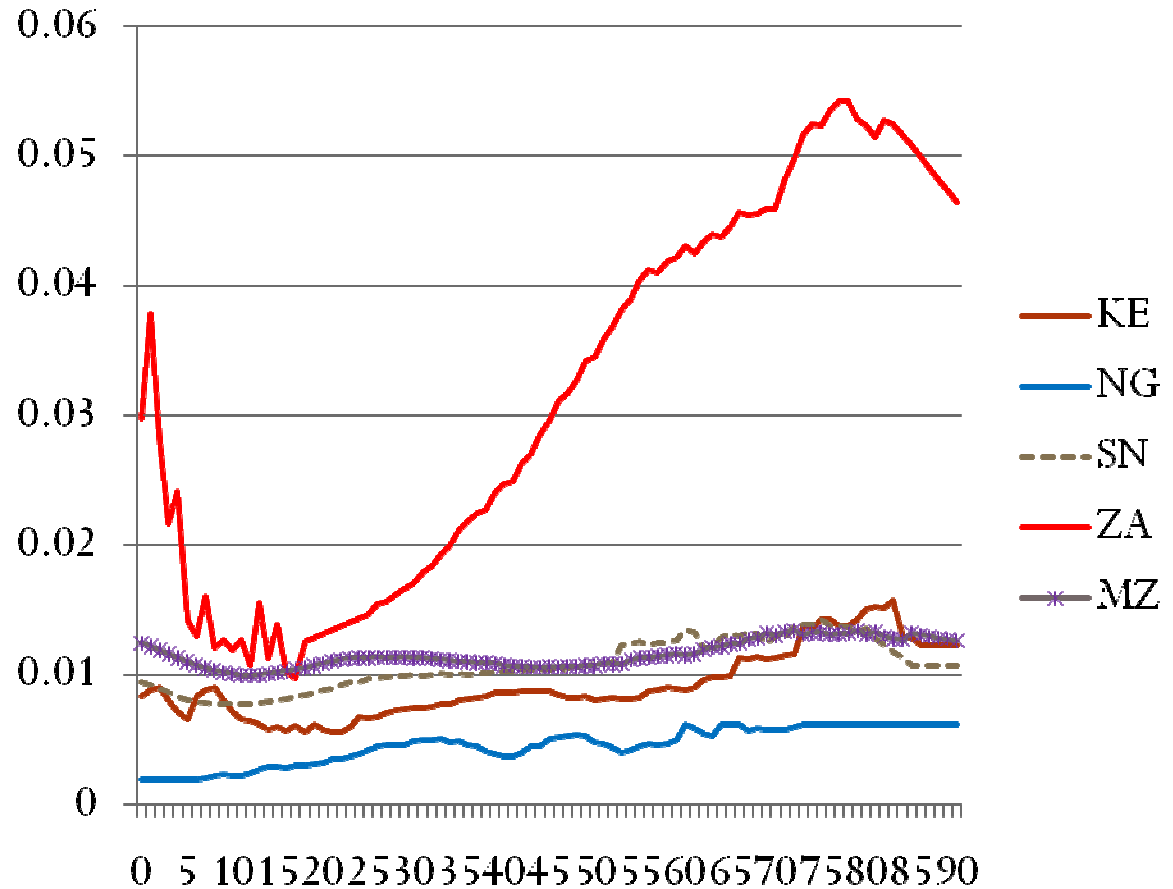
Nigeria has low public education consumption

Note that private education for Nigeria is high



Public Health Care Consumption

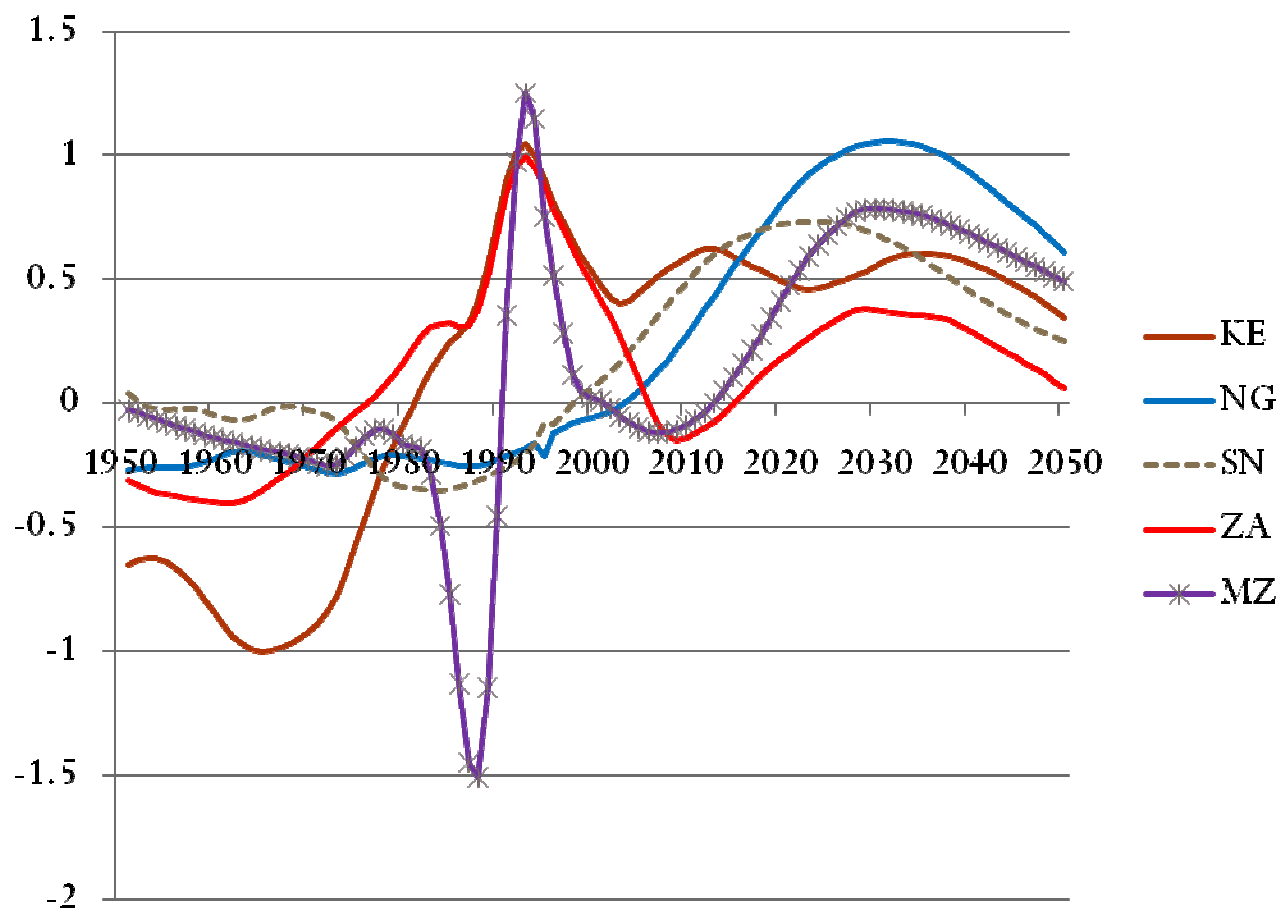
Only **South Africa** has high public health care spending



Change in Age Structure and African Economy: First Demographic Dividend

Currently, all countries are enjoying the demographic dividend (with small pause in **South Africa** and **Mozambique**)

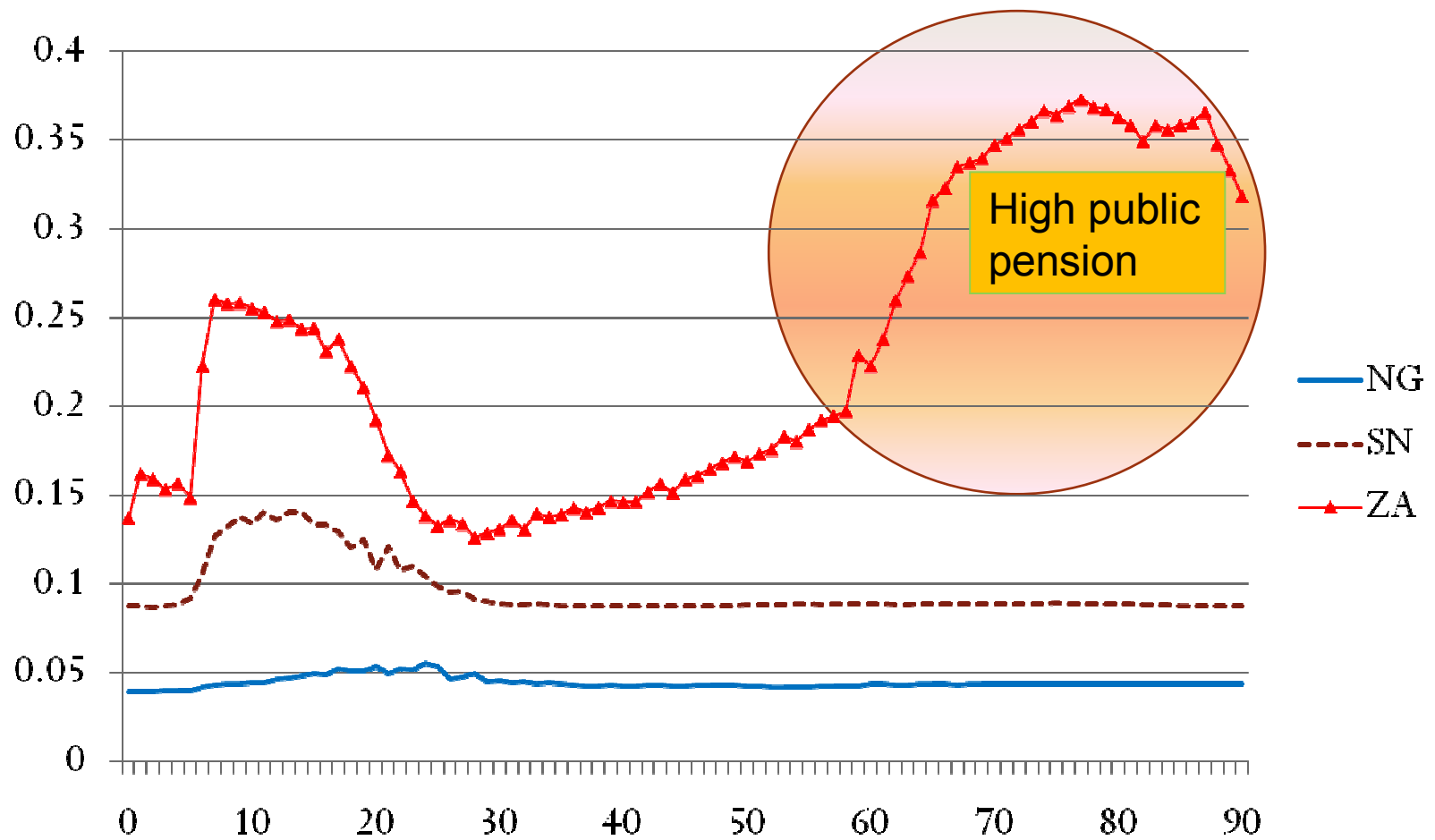
However, the dividend is expected to reach the peak by 2030 and end soon after 2050



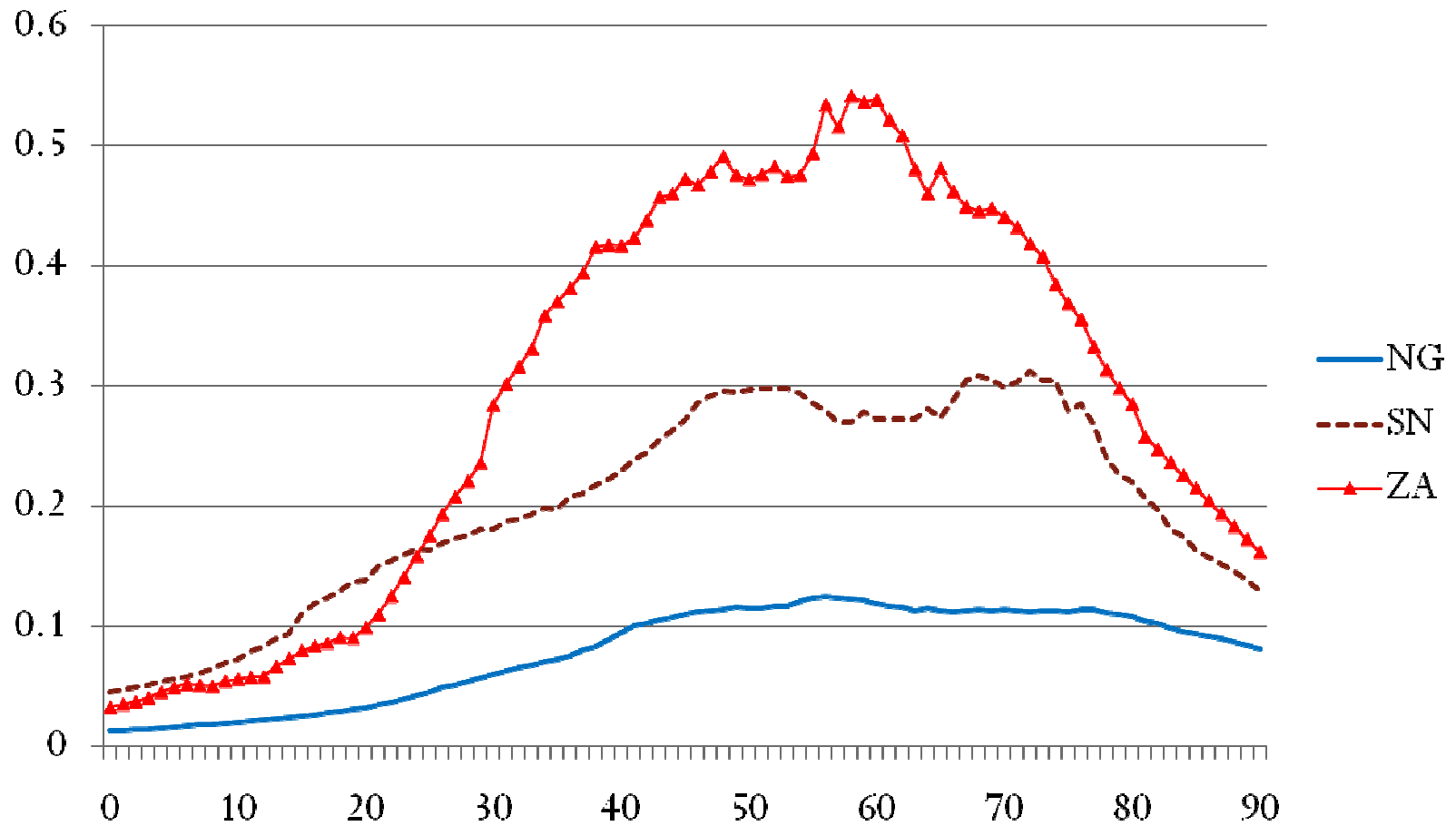
Public Transfers in Africa

- Almost all countries do not have public cash transfer inflows, except for South Africa
- Indirect taxes, direct tax on individual income and corporate income are estimated by age
- Public transfers for Senegal (2004), Nigeria (2005) and south Africa (2004) are presented

Public transfer inflows



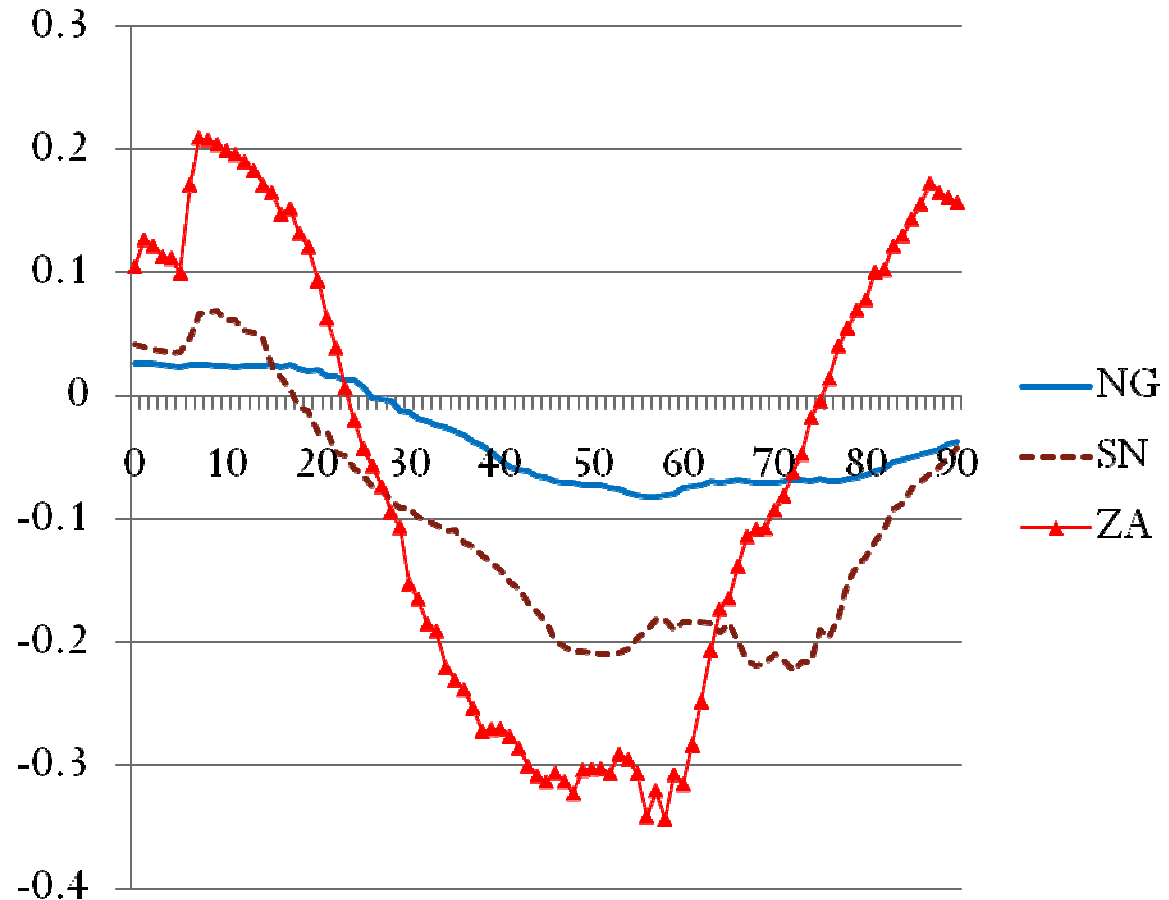
Public transfer outflows



Net public transfers

Children receive net public transfers

There are few programs in Nigeria and Senegal that benefit the elderly, resulting in negative public transfers



Discussion and Conclusion

- Younger and older workers earn relatively low income in Africa. The elderly remain in the labor market, mostly in the informal sector.
- Education and Health consumption by both the private and, particularly, the public sector for most countries in Africa is relatively low
- Demographic transition in Africa will generate economic growth for several more decades.
- However, human capital investment for children is required in order to capture full benefit of demographic dividend when these children enter the labor market in the near future.

Thank you

Acknowledgement

- We would like to thank AERC and IDRC for generous support for this workshop
- Special thank to East West Center for a being such a wonderful host

References

- Older and Poorer? How sharing among generations could improve wellbeing (forthcoming). Globalization, Growth and Poverty. IDRC
- Population Aging and the Generational Economy (Forthcoming), edited by Professors Ronald Lee and Andrew Mason (Edward Elgar)
- National Transfer Account Website: www.ntaccounts.org