

Introduction to National Transfer Accounts

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Effective Use of Data for Policy Making on Ageing

5-6 December, 2017

Chiang Mai , Thailand



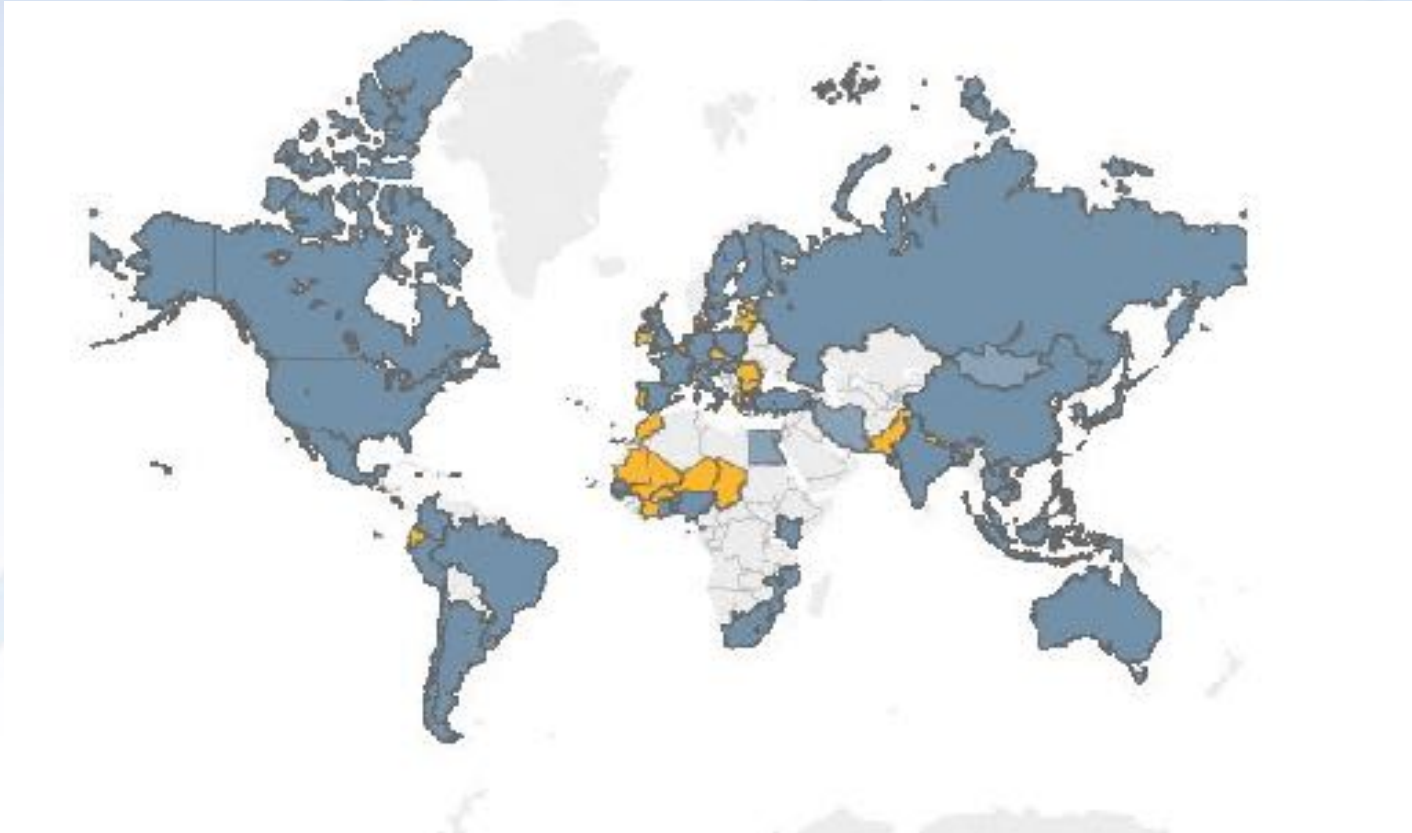
Questions

- How population change influence the economy?
- How benefits of demographic dividend are shared by population? (disparities among population)
- How much today's elderly remain in the workforce, and how much do they earn?
- How families and governments meet the needs of elderly people who consume more than they produce?
- And what does the future hold?
- What public policies can be pursued to influence the outcome?

Most significant efforts: National Transfer Accounts (NTA) approach

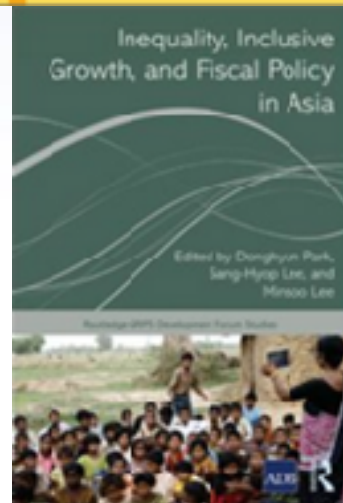
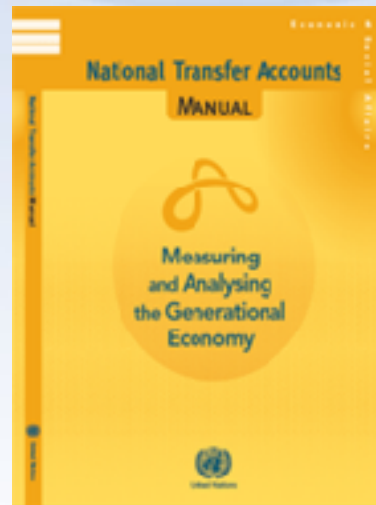
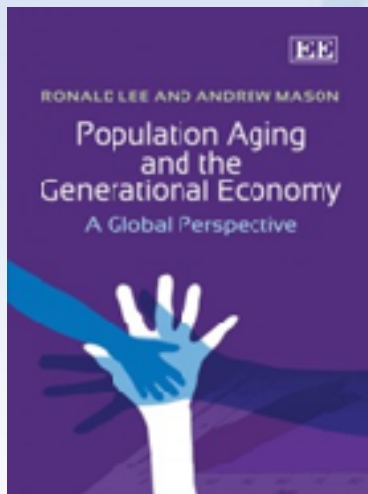
- Quantifies how each age groups acquires and uses economic resources (comprehensive output)
- Integrating population into economy (Constructed using population estimates, surveys, administrative records, macroeconomic data)
- Consistent with UN System of National Accounts (implication on macro-economy)

60+ NTA countries



www.ntaccounts.org

Recent publications, free downloads (see ntaccounts.org)



ECONOMIC GEOGRAPHY

Is low fertility really a problem? Population aging, dependency, and consumption

Ronald Lee,^{1,2} Andrew Mason,^{3,4*} members of the NTA Network

Longer lives and fertility far below the replacement level (2.1 births per woman) are leading to rapid population aging in many countries. Many observers are concerned that aging will adversely affect public finances and standards of living. Analysis of newly available National Transfer Accounts data for 40 countries shows that fertility well above replacement would typically be most beneficial for government budgets, however, fertility near replacement would be most beneficial for standards of living when the analysis includes the effects of age structure on families as well as governments. And fertility below replacement would maximize per capita consumption when the cost of providing capital for a growing labor force is taken into account. Although low fertility was indeed a challenge for government programs and very low fertility undermines living standards, we find that moderately low fertility and population decline favor the broader material standard of living.

Economic behavior, abilities, and needs vary strongly over the human life cycle. During childhood and old age, we consume more than we produce through our labor; the gap is made up in part by relying on accumulated assets. It is also made up through intergenerational transfers, both public and private, that shift resources from some generations to others with no expectation of direct repayment. Private transfers occur when parents rear their children and when older people assist their adult children or receive assistance from them. Public transfers include public education, publicly funded health care, public pensions, and the taxes to pay for these programs. Because of these economic interdependencies across age, fertility rates that are falling or already low will drive rapid population aging in economies around the world. Forty-eight percent of the world's people live in countries where the total fertility rate (TFR) was below replacement, about 2.1 births per woman for 2005 to 2010. The TFR is 1.5 births per woman in Europe and 1.6 births per woman in Japan (1). With fertility this low, population growth will give way to population decline, and population aging will be rapid. The median age of the Southern European population, for example, is projected to reach 50 years of age by 2040 as compared to 45 in 2010 and 37 in 2000 (2). In 2003, governments in 302 countries reported that population aging was a "major concern," and 56 countries had enacted policies intended to raise fertility (3).

This is a remarkable reversal from decades of concern about the economic and environmental consequences of high fertility and rapid population growth (4). Should we now be alarmed about low fertility, population decline, and population aging? Should governments encourage their citizens to bear more children to balance the dramatic future increase in the number and proportion of elderly?

Identifying an optimal population policy is likely to be impossible for several reasons. First, children yield direct satisfaction and impose

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2014 November Beijing (10th Global NTA meeting)



1st Regional Meeting on NTA in Asia (2005 NUPRI, Japan, China, India, Indonesia, the Philippines, Taiwan, Thailand)



2010 December Hua Hin (Vietnam, Cambodia, Lao PDR)



2014 February, Pattaya Regional Meeting on NTA in Asia

Regional Meeting on National Transfer Accounts in Asia
24-25 February 2014, Amari Orchid Pattaya



Thematic Areas

Themes	Cambodia	China	India	Indonesia	Lao PDR	Pakistan	Philippines	Thailand	Vietnam
Inequality (gender, socio-economic, geographic)	✓		✓	✓	✓		✓	✓	✓
youth (education / employment policy)	✓				✓	✓	✓	✓	✓
ageing and social protection policy			✓			✓	✓	✓	✓
health policy			✓			✓			
labour force structure / occupational status			✓	✓	✓				
public vs. private consumption					✓				✓

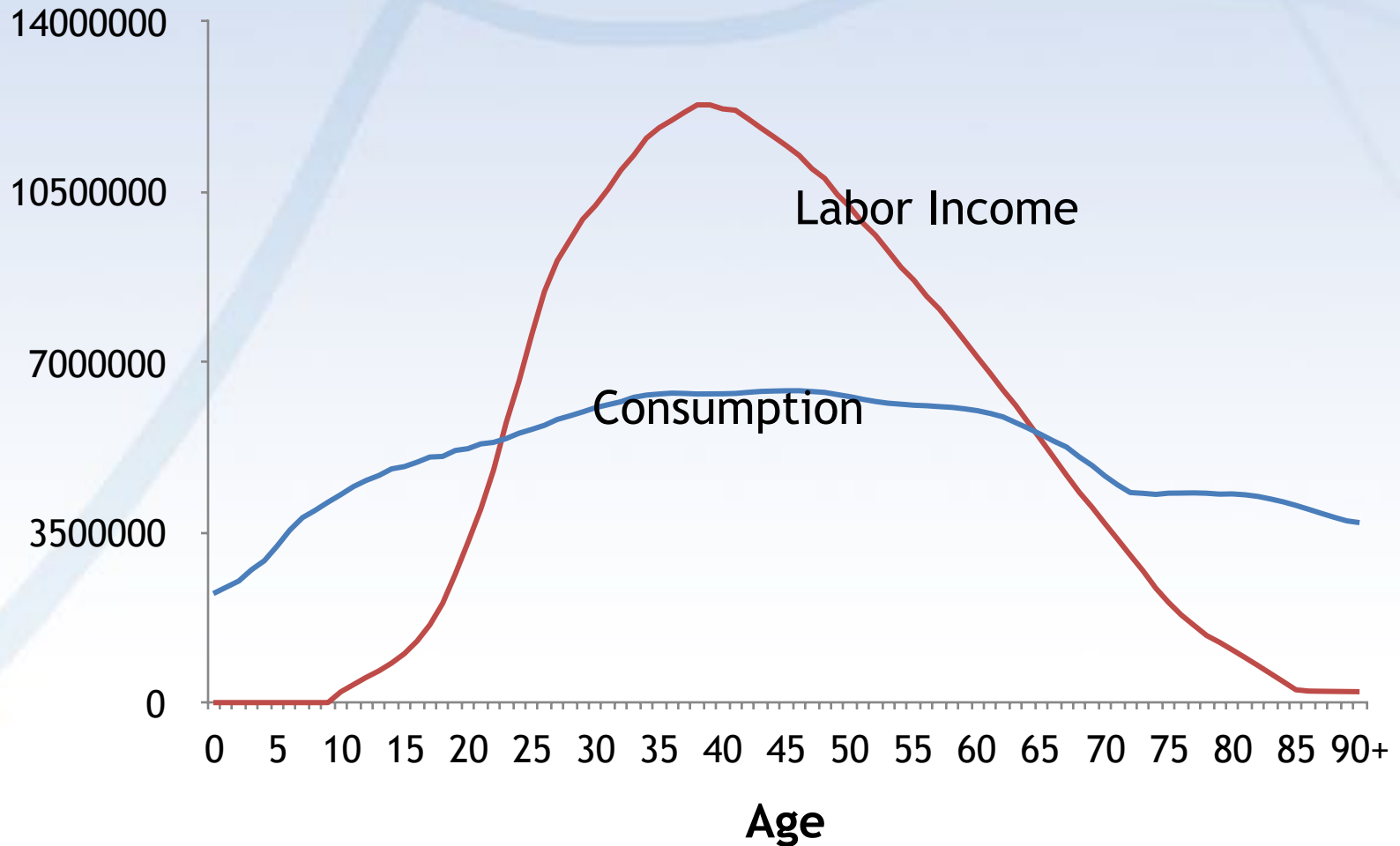
Needs

Themes	Cambodia	China	India	Indonesia	Lao PDR	Pakistan	Philippines	Thailand	Vietnam
Capacity development	✓		✓	✓	✓	✓			
Technical training	✓		✓		✓	✓	✓		
Higher level technical training		✓						✓	✓
Guidance on policy development	✓	✓			✓		✓	✓	✓

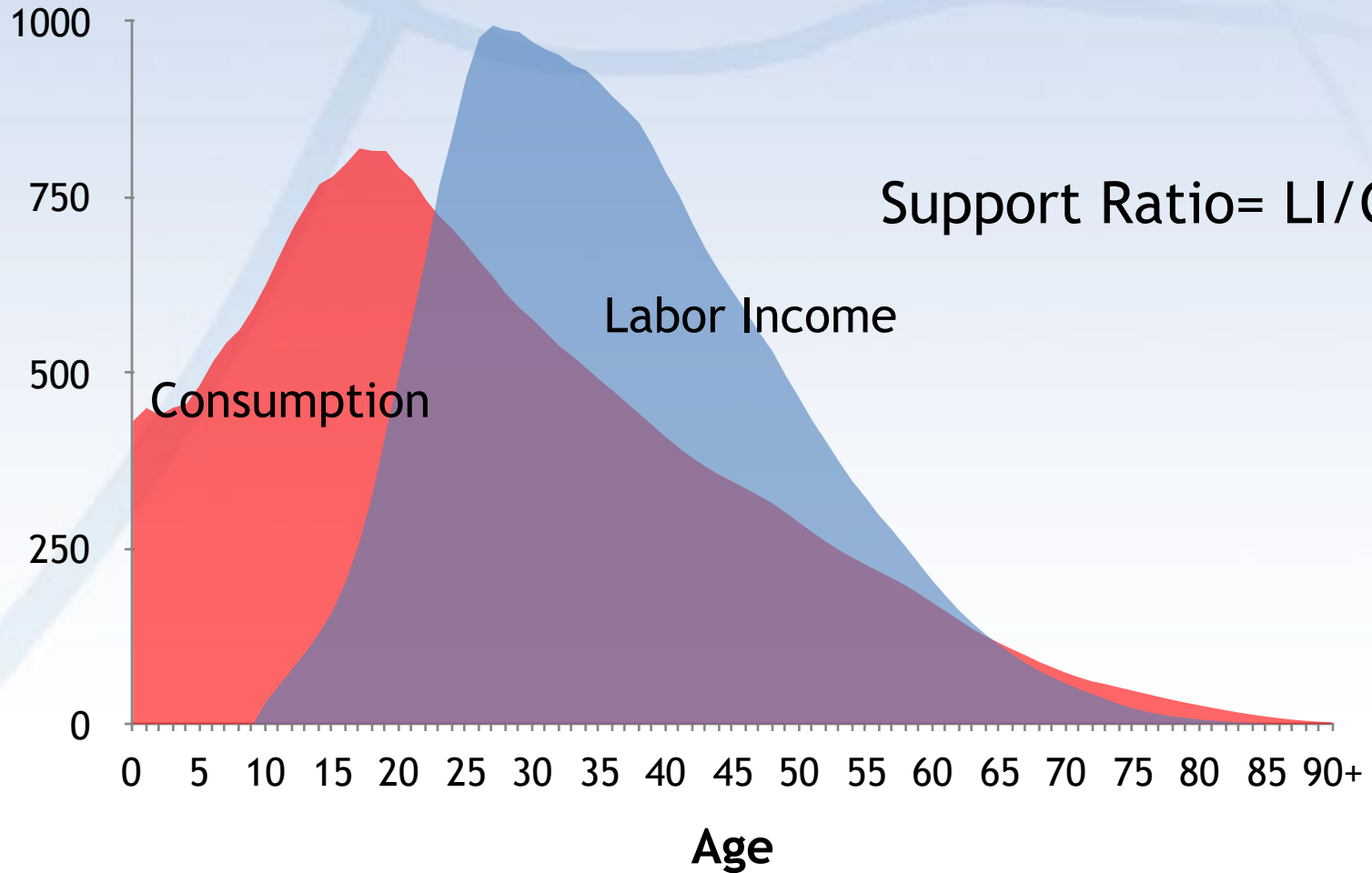
(2015-2017) Training, Country Visits, Policy Advocacy



Per capita flows, Lao PDR 2011



Aggregate flows, Lao PDR 2011

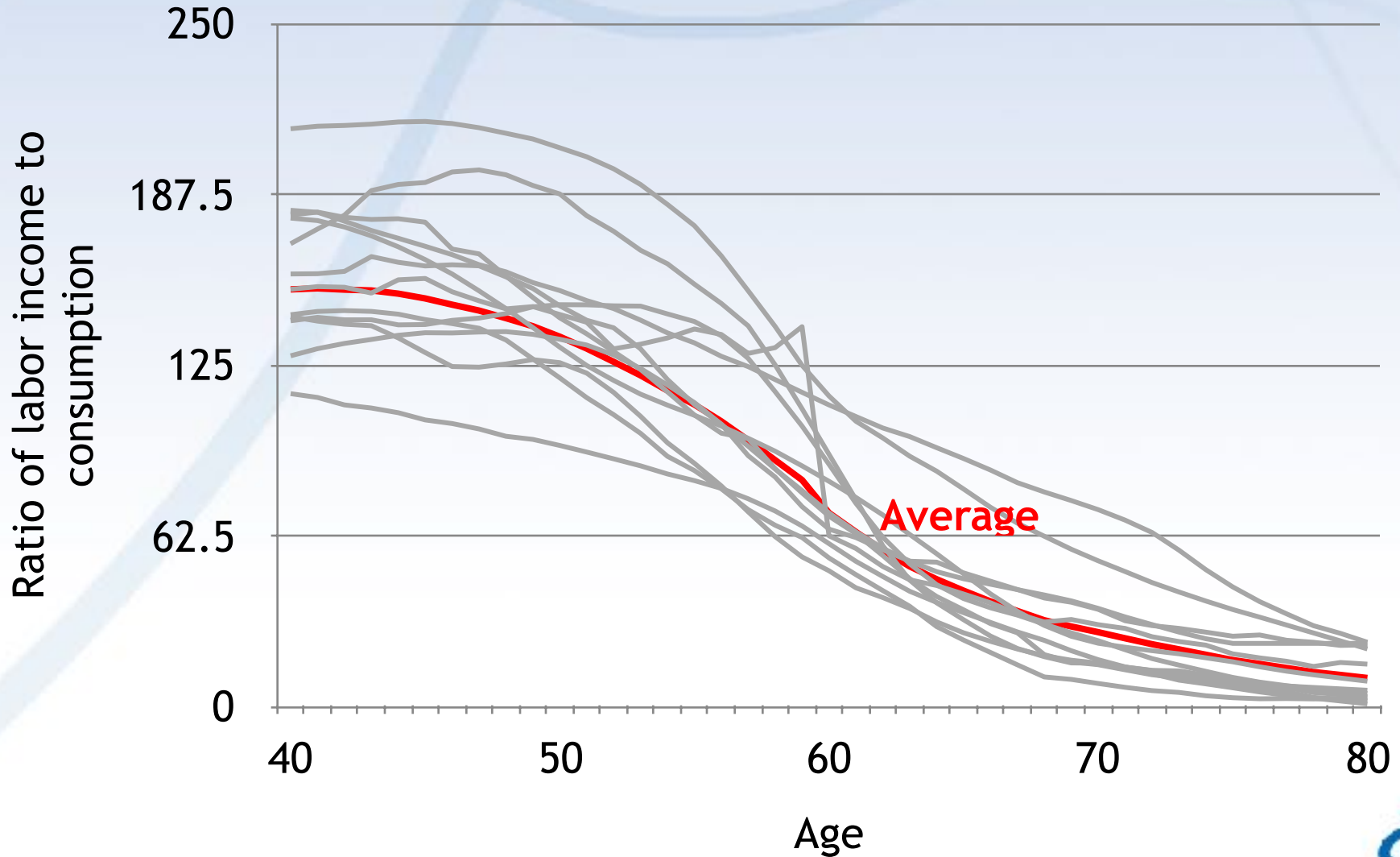


Annual change in support ratio (%)

	2015-2035	2035-2055
Bangladesh (BGD) 2010	0.38	-0.25
Cambodia (KHM) 2009	-0.02	-0.28
China (CHN) 2007	-0.93	-0.65
India (IND) 2004	0.29	-0.11
Indonesia (IDN) 2012	0.13	0.01
Iran, Islamic Republic (IRN) 2011	0.46	-0.53
Lao PDR (LAO) 2012	0.67	0.14
Malaysia (MYS) 2009	0.33	-0.33
Maldives (MDV) 2010	0.10	-1.23
Nepal (NPL) 2011	0.98	-0.24
Philippines (PHL) 2011	0.13	-0.02
Thailand (THA) 2011	-0.46	-0.49
Vietnam (VNM) 2012	-0.58	-0.44

Children and elderly consumption relative to adults ages 25-64

Supporting consumption: Labor income



Economic Security in Old-Age

- Family transfers
- Public transfers
 - Public pension, healthcare
- Asset-based Reallocations
 - Interest, dividends, rent from personal assets
 - Home
 - Dis-saving

Evolution of old-age support system

Assets / Saving

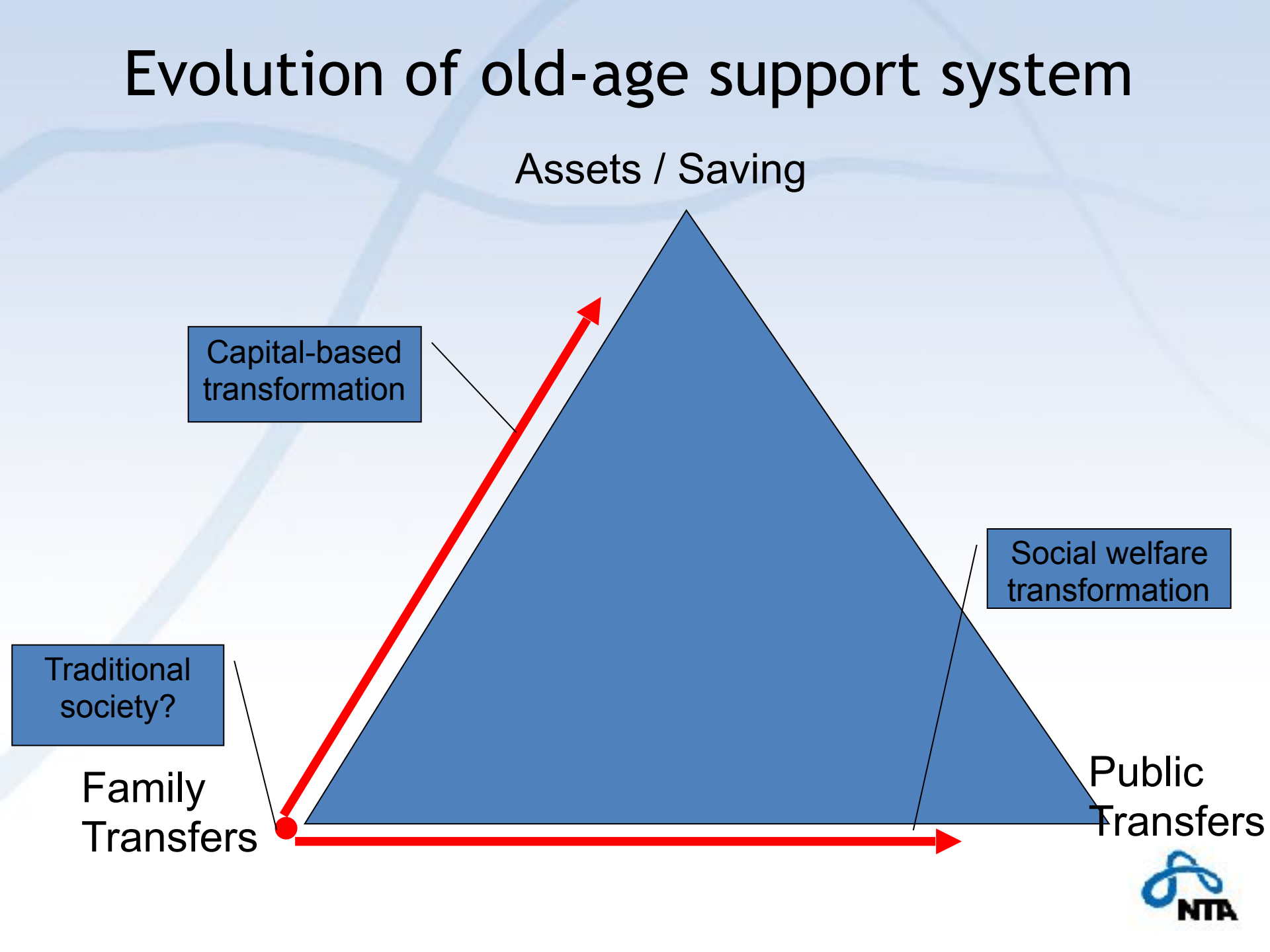
Capital-based transformation

Social welfare transformation

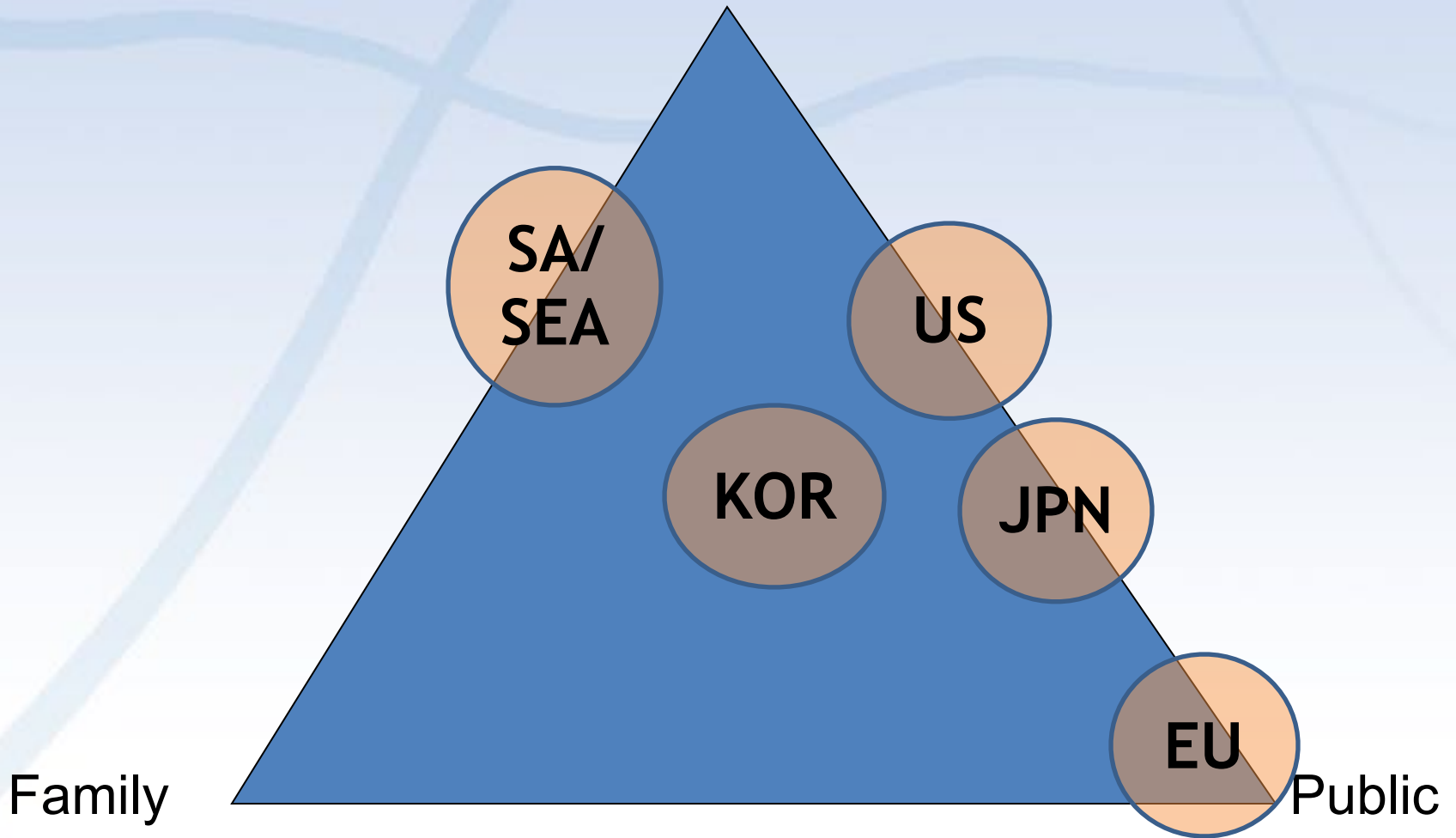
Traditional society?

Family Transfers

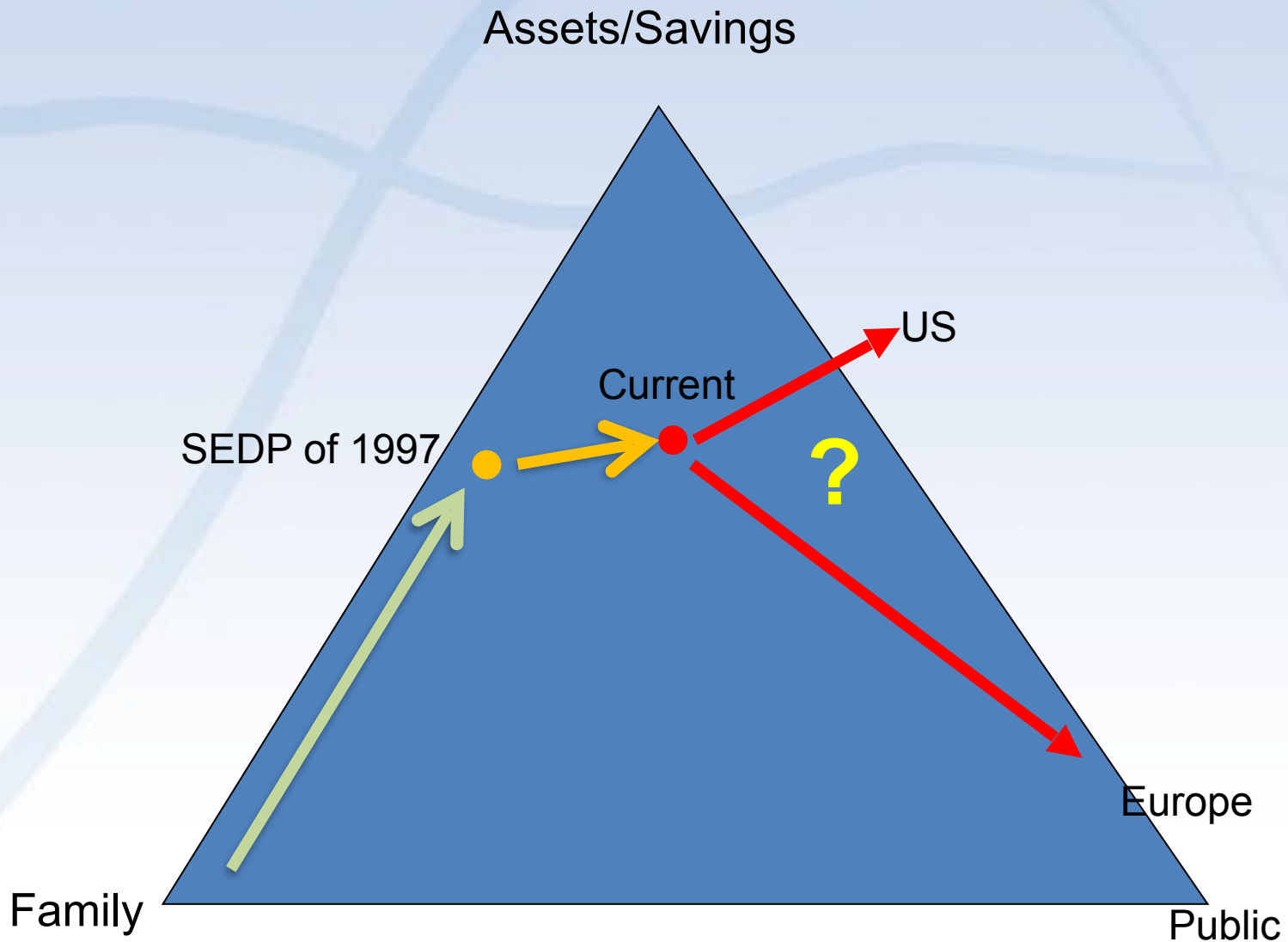
Public Transfers



Assets/Savings



Evolution of Old-Age Support System



Evolution of Thailand Support System

Why old-age support systems matter so much in Asia

- The importance of support system will increase substantially in coming years in Asia.
 - Population aging is expected to be very rapid in the region.
 - Many Asian countries are experiencing rapid change in support system.
 - Many Asian countries are getting old before they get rich.

Options for future change in Asia (1)

- Work more?
 - Appropriate, but may not be sufficient to meet the challenges, especially in Asia.
 - Increasing productivity and female labor force participation might be more important in Asia than elsewhere.
- Increase family transfers?
 - Family transfers have been important support systems in Asia. But it is deteriorating.
 - Not clear whether young people want to provide this and older people want to rely on this.

Options for future change (2)

- Increase public transfers?
 - Maybe inevitable.
 - Projections based on the “current system” suggest that public transfer system will not be terribly onerous.
 - Keeping public programs at a reasonable level will be crucial to develop sustainable systems.
- More reliance on capital accumulation
 - Human capital & asset/savings
 - Implication on growth
 - Need to develop a system to facilitate.

Policy Recommendations

- The negative effect of population change can be offset by
 - An increase in productivity (via effective education and training)
 - Utilizing female, youth, and elderly labor force
 - Encouraging saving and investment to create employment
 - Avoiding excess reliance on transfers to support consumption.
 - Population policy (immigration)

Conclusion: Why NTA?

- Our socio-economic systems are being tested by unprecedented changes in population ageing
- Essential that policy be informed by the best possible data linking population and the economy.
- NTA is....
 - Data improvement and research
 - Capacity building
 - Tool for policy making and policy advocacy

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