

# "Intergenerational Transfers in Chile, with particular reference to Private and Public Education"

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Intergenerational Transfers, Economic Growth, and Public  
Policy"

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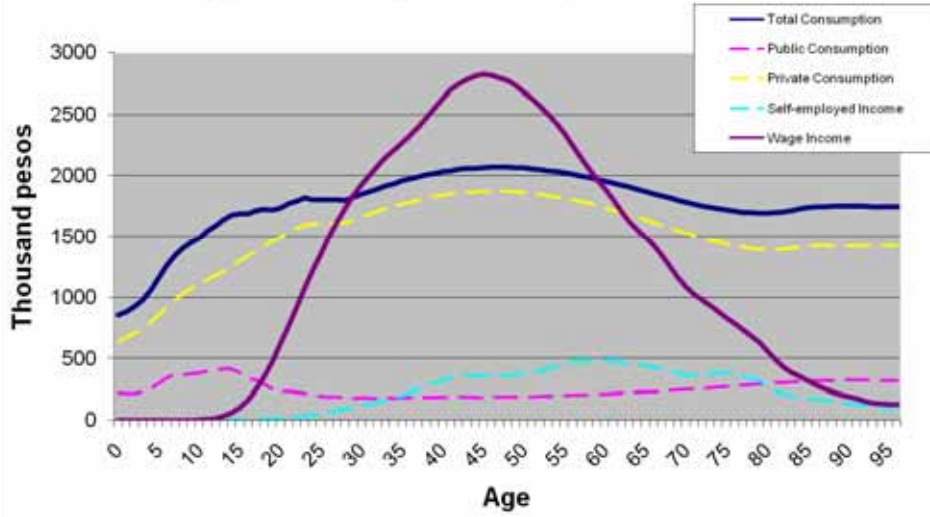
## Outline

1. NTAs for 1997: key results (full accounts, from Bravo and Holz, 1997)
2. Changes in the LCD and public accounts over 1987-1997
3. Private and Public Education consumption and transfers

# 1. NTAs for Chile 1997

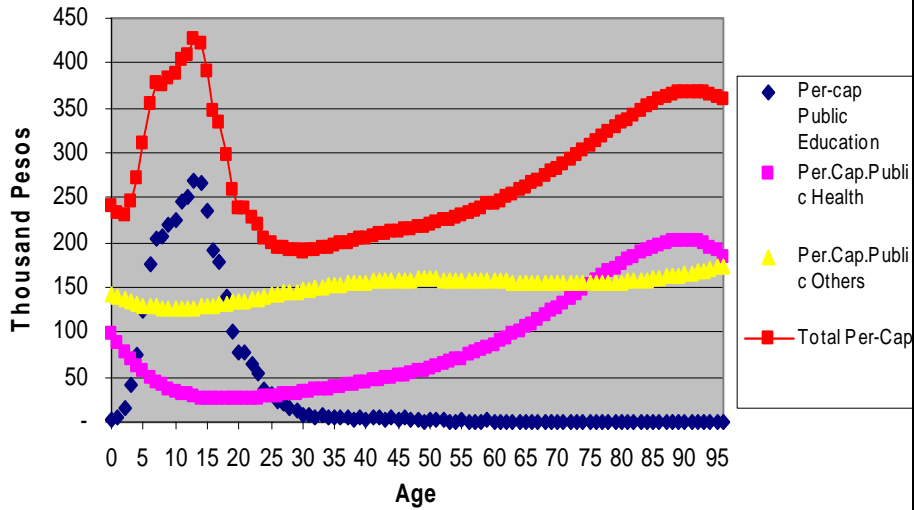
## a) Life Cycle deficit

Figure 1. Lifecycle Deficit, Chile 1997



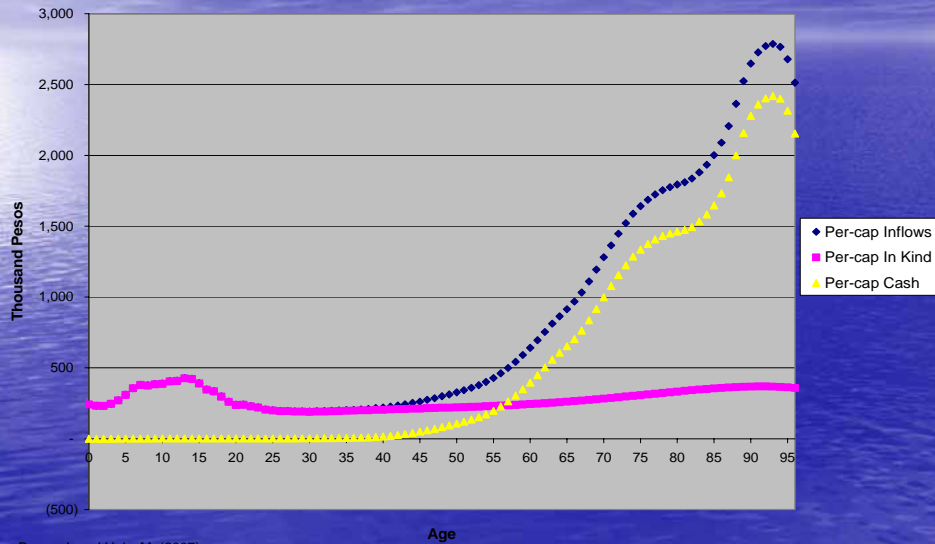
## b) Public Transfers IN-KIND Inflows

Per-Capita In kind Transfers (Scaled to NIPA Controls)



**b) Public Transfers**  
**CASH transfer Inflows**

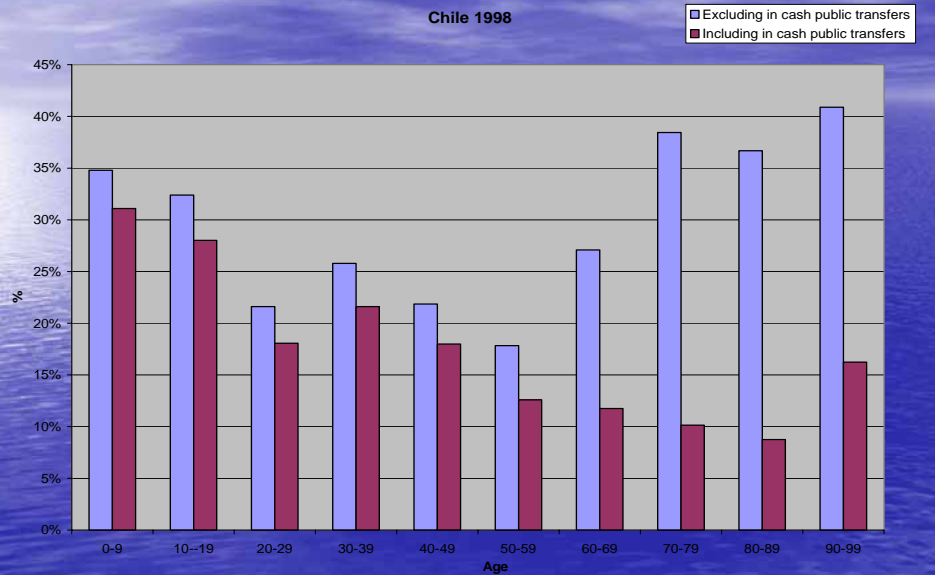
Figure 3. Per-capita Public Inflows, CHILE 1997



Bravo, J. and Holz, M. (2007)

**Poverty-reducing effect of public cash transfers**

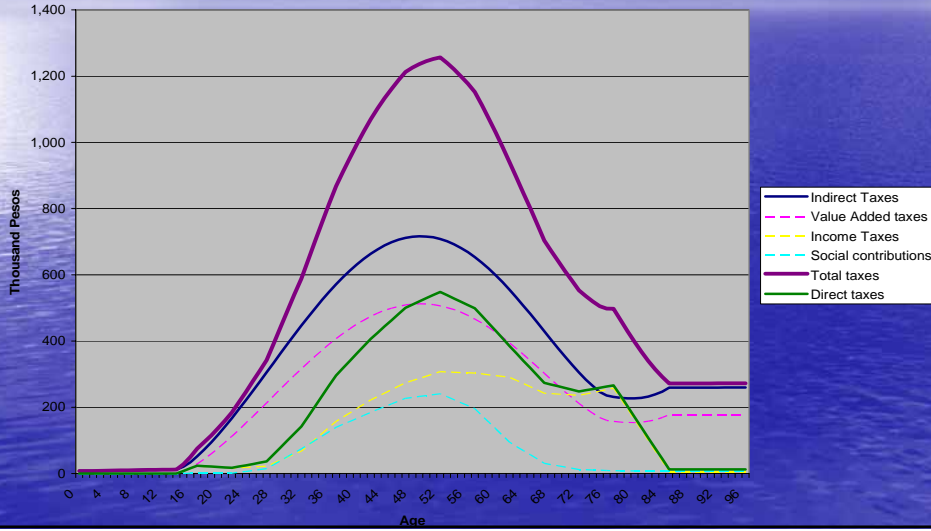
Chile 1998



Source: CASEN 1998

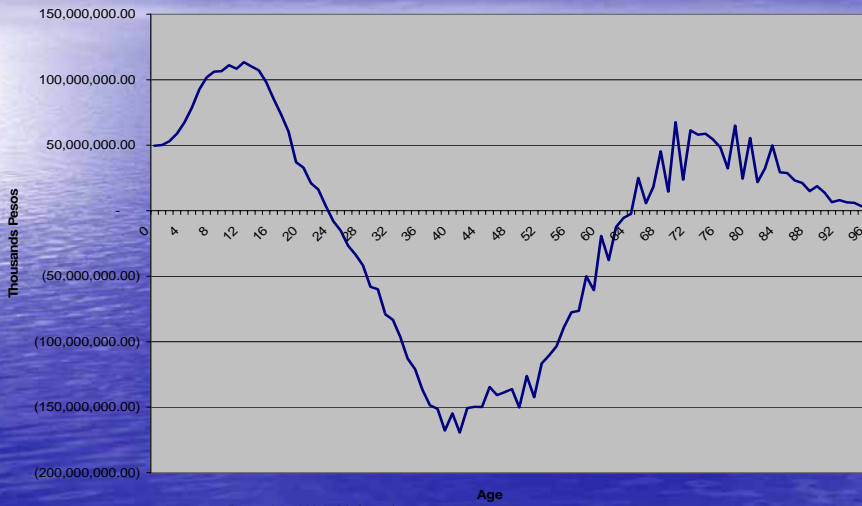
## ***b) Public Transfers*** ***OUTFLOWS/Taxes***

**Figure 5. Per capita Public Transfer Outflows (taxes), Chile 1997**



## ***Net Aggregate Public Transfers***

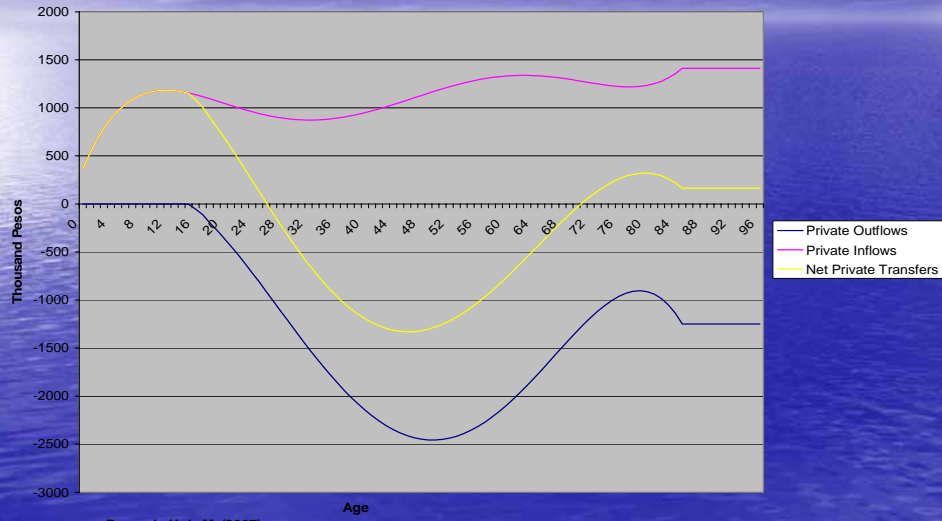
**Figure 6. Net Public Transfers, Chile 1997**



*Bravo J and Holz M. (2007)*

### c) Private Transfers

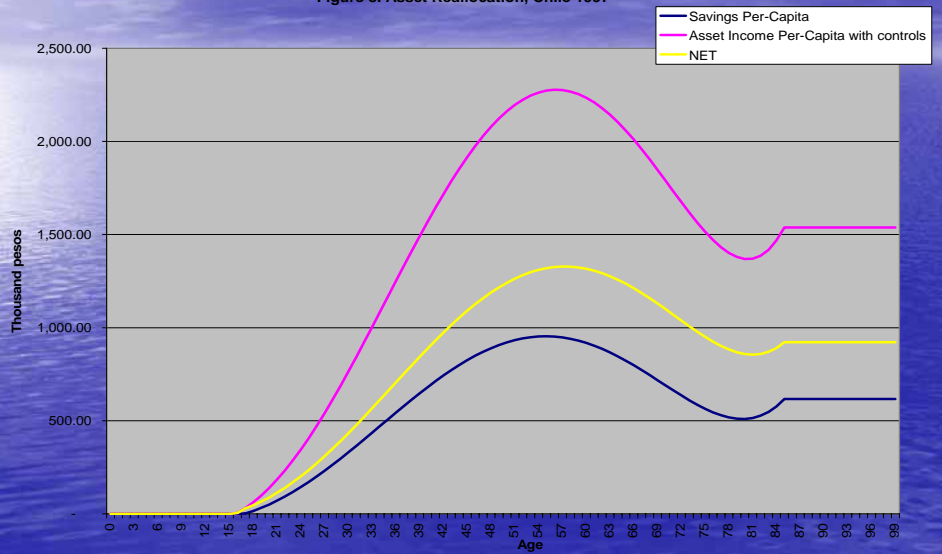
Figure 7. Net Private Transfers, Chile 1997



Bravo, J. Holz, M. (2007)

### d) Asset Reallocations

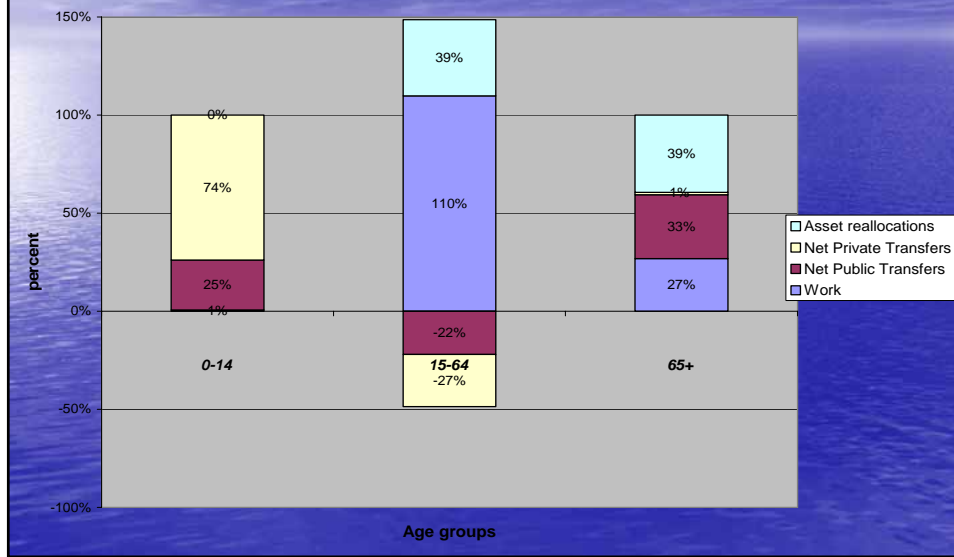
Figure 8. Asset Reallocation, Chile 1997



Bravo, J. Holz, M. Chile (1997)

### e) Finance of Consumption

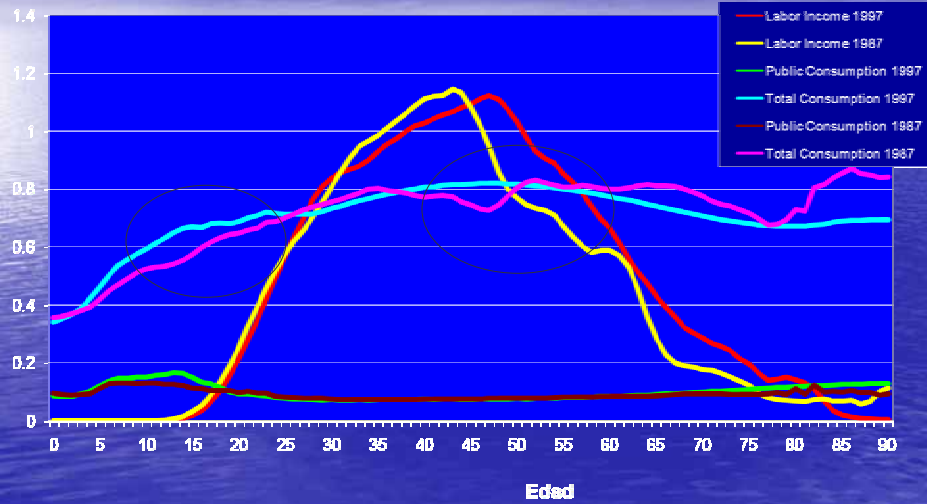
Figure 9. Finance of Consumption, Chile 1997



For more details on the 1997 methods,  
results and analysis, see Bravo and Holz  
(1997)

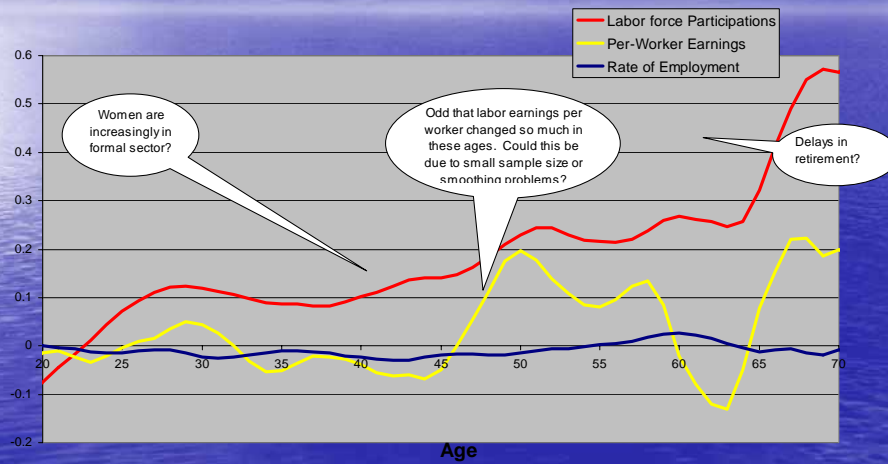
## 2. Life Cycle Deficit 1987-1997

Life Cycle deficit Relative to Average Labor Income (30-49), 1987-1997

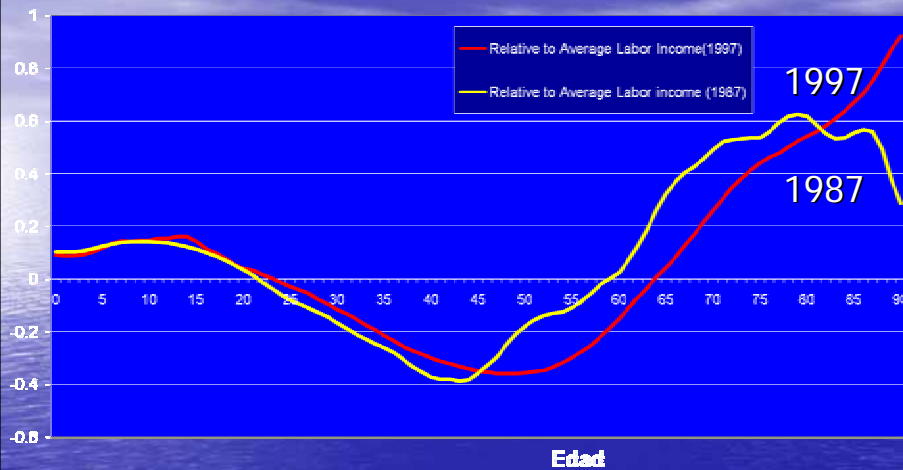


## Explaining the Change in the Labor Income profile 1987-1997

Decomposition of Change in Per-Capita Labor Income 1987-1997



## Net Public Transfers 1987-1997



Fuente: Bravo and Holz (2007)

	EprTg+	EprTg-
1997	65,1	53,1
1987	62,9	50,4

## 3. Private and Public Education in Chile Theory

- Investment in education affects Income Inequality: it may increase it (Becker and Chiswick 1958), or help to reduce it (Psacharopoulos 1966), depending on the interplay of demand and supply factors
- If the **Demand** factors (ability, time preference for earnings) do not correlate with those affecting the **Supply** (family wealth and public resources), then *even youth with high abilities will under-invest in education, and the distribution of income will reflect the access to the supply of resources for investment* (Becker 1958)

## Theory

- On the other hand, if Demand and Supply are positively correlated, *then the distribution of income would reflect the distribution of abilities and time preferences in the population*
- A general normative prescription is that public resources/policies should serve to improve the allocation of resources, allowing the differences of investment in education to be dependent only on abilities and time preferences

## Other policy implications of theory

Psacharopoulos (1993) "Return to investment a Global Update"

Given real-world credit constraints,

- Public Resources should flow mainly to preschool and primary education
- Private Resources should flow to some secondary and higher levels of education

## In Chile

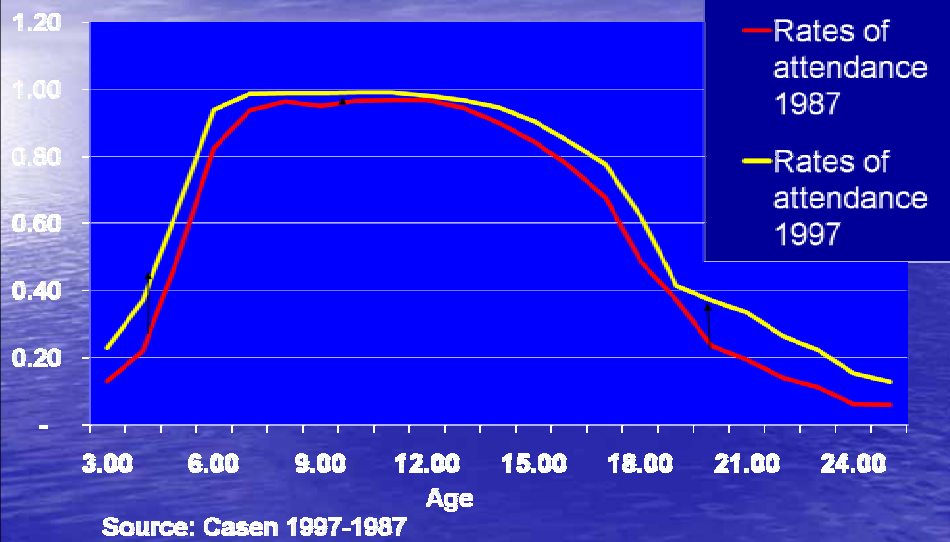
### Two important Reforms

- **1981 Reform (aimed at improving efficiency)**
  - Decentralized and introduced Voucher System
  - Stimulated creation of Private Universities and instituted much greater private co-payments in Public Universities
- **1991 Reform (aimed at improving equity)**
  - Introduced incentives to improve the quality of schools serving lower socioeconomic groups
  - Expanded student loan programs for higher education, targeting poor students with high abilities

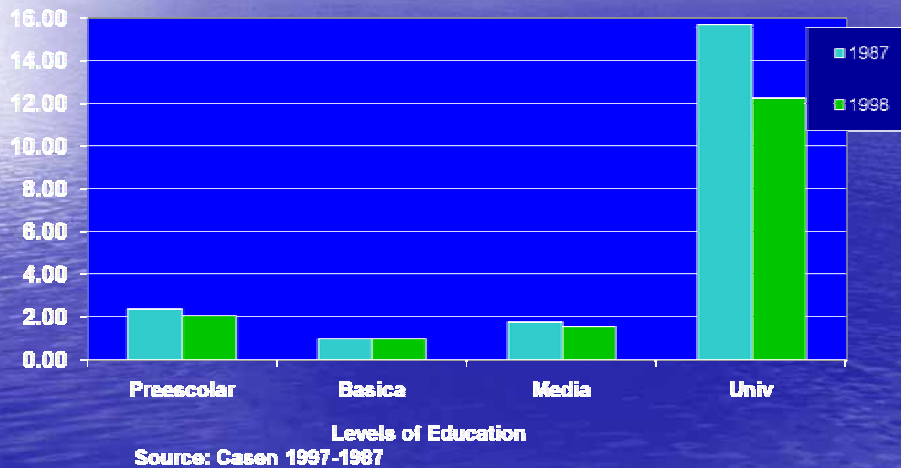
### Public and private Gross Rate of Attendance. Chile 1987 and 1997



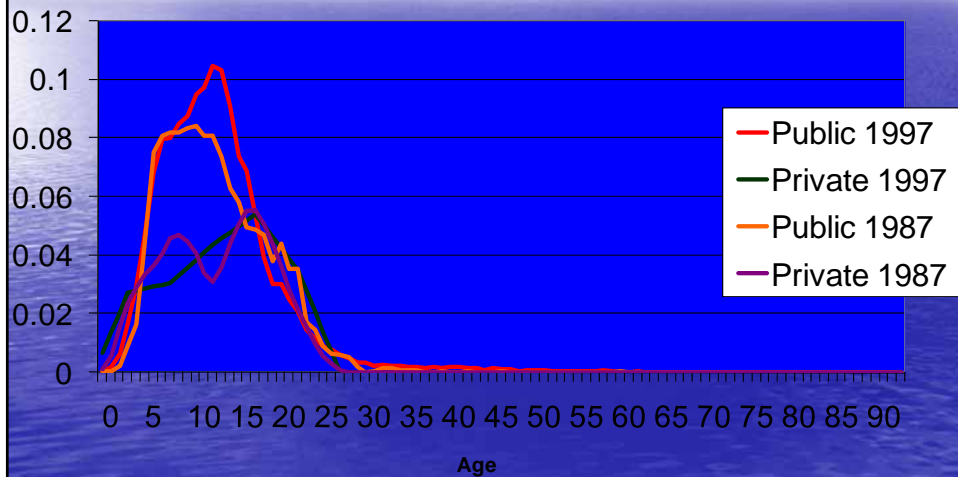
## School Attendance rates by Age, Chile



## Relative rates of attendance (richest to poorest quintile), Chile 1987 and 1997



## NTA Estimates of Education Consumption Chile (relative to average total consumption)



## Hypotheses

(explored in on-going work)

- The recent trends in education consumption by age, level and public/private flows do not seem to be going in the direction prescribed by theory, and...
- Public programs can do much more to improve efficiency in resource allocation and to contribute to reduce income inequality (effects quantified with use of NTA series and policy projection scenarios)

## Conclusions

- Over 1987-1997, Chilean workers have increased labor income generation until later ages; they have extended their net producing lifetime by 8 years, and are net tax payers until 4 years later than before
- Per capita public transfers toward children are relatively modest, especially by comparison to those received by the elderly, who have substantially lower poverty rates.
- The elderly finance a large share (40%) of their consumption with Asset reallocations. Public transfers contribute 1/3, and labor income another 1/4. The elderly do NOT rely on net private transfers, but all adults are both (gross) givers and receivers
- Public transfers in education for children and youth, could help to improve overall resource allocation, reduce income inequality and to fuel present and future economic growth