Ethiopia’s Age Profiles of Labor Income and Private Consumption

Teferi Mergo

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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