Who finances youth consumption in the context of high youth unemployment? Evidence for Nigeria Using Overlapping Generations Model

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Abstract

This paper examines the structure of financing the consumption of youths in Nigeria. Nigeria is currently in the middle of demographic transition with the implications that the structure of the resource flows from the surplus of the working age group to the dependent age group keeps changing calling for the need to understand the dynamics of the consumption and income flows if the economic lifecycle deficit in the country will be adequately financed. The methodological approach was grounded on the theoretical tool of overlapping generation's model (OLG) and the analytical approach of the National Transfer Approach. The paper reveals that by year 2009, life cycle deficit is positive for Nigerians aged 29 to 60 years, and deficit for other age groups. The implication of this is that on the average, Nigerians younger than 29 years do not produce enough to finance their consumption. In order to finance this consumption, our results indicate that intergenerational transfers, both private and public, are the main sources of consumption for these unemployed youths. It is further revealed that while private transfers (intra-household) fund most of youth consumption, they enjoy limited public transfers which is skewed towards the elderly

Key words: National Transfer Accounts, intergenerational transfer, lifecycle deficit, youth unemployment
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Who finances the Consumption of the Unemployed Youths in Nigeria? Evidence Using Overlapping Generations Model

INTRODUCTION

The importance of employment, unemployment and employment generation cannot be overemphasised in any economy. Studies have identified that Nigeria has continued to fare poorly in this regard. Unemployment has been identified as one of the serious impediments to social progress. This is because it represents a colossal waste of a country's manpower resources by generating welfare loss in terms of lower output thereby leading to lower income and well-being (Raheem, 1993). The issue of unemployment has been addressed by many studies both for Africa as a whole and specifically for Nigeria (Vandemoortele, 1991; Umo, 1996 and Okojie 2003). It has also been suggested that the poor standard of living in many countries could be traced to high unemployment rates in such countries. It is in this wise that the need to tackling of unemployment problems to feature very prominently in the development objectives of many developing countries.

Unemployment is regarded as one of the main obstacles to development because in addition to being a colossal waste of manpower resources, it is also reflected in welfare loss, in terms of lower output, income and standard of living. Incidentally, despite being one of the largest oil producers in the world, Nigeria still remains one of the poorest countries in the world with low level youth employment levels and high unemployment rates. Various actions have been undertaken in order to improve employment in the country. Many of them form the core of the country's Poverty Reduction Strategy Paper (PRSP) called the National Economic Empowerment and Development Strategy (NEEDS) to empower the vulnerable.

The design of various development lans and agendas of government in Nigeria often have as its main thrust, the zeal to improve the quality of Nigerians significantly and create social safety nets for the vulnerable group of the population. It has been argued that the abundant human resources in the country, if adequately employed and combined with the enormous natural resources that the nation is endowed with; the nation should be one of the richest countries in the world. The country's problem has however been the inability to get the best from her human resources either by giving them employment and when given making sure that they are gainfully employed. The failure of this is reflected in the poverty status of the country which has not been encouraging.

The specifically designed anti-poverty programmes for generation of both self-employment and wage-employment in rural areas have been redesigned and restructured in 1999-2000 in order to enhance their efficacy/impact on the poor and improve their sustainability.

The large, and perhaps growing, number of unemployed youth is one of the most staggering problem facing both the developed and developing nations alike. On the average, and virtually everywhere, for every one unemployed adult, there are two unemployed young ones. This social menace is observed to have been caused by the unprecedented expansion of investment in youth education in that is not being matched by higher employment levels for this cadre of population. However, experience has shown that employment-friendly growth is essential, and targeted programmes can only provide complementary resources and cross-gap actions. Starting from this premise, the present paper seeks to examine; Youth unemployment, and underemployment in Nigeria.

With a population of 167 million people in 2011, Nigeria is the most populated country in Sub-Saharan Africa accounting for more than 20% of the region's population. This is expected to be an asset however, the high unemployment rate of 24% reveals the enormous loss in the potential productivity that can be obtained from this massive human resources. Human lifecycle ranges over three periods of childhood to adults and elderly. Within this lifecycle, different generations live together and interact with themselves. The lifecycle starts from the period of dependency in childhood to that of productive years and later to dependency period at elderly ages. The productivity of those in productive years determines the income and production within the economy. During these productive years, individuals are generally in surplus as their income outweighs their consumption expenditure. Nigeria is in the middle of demographic transition and every year, large cohorts of young adults are poised to add to the working-age population of the country. Despite the fact that much interest has been shown in the consequent growth of this age group, the size and circumstances of the potential gains from the increase on working age population remain under-explored. These gains represent what in the literature is called demographic dividend. On its face, countries experience an increase in the share of their populations concentrated in the working ages, this has a direct, favourable effect on per capita income. This is because people of working age are on average more productive than those outside this age group. Also, because workers save while dependants do not, a bulge in the working age ratio contributes to higher savings rates, increasing the domestic resources available for productive investment. However, when an individual in a productive year is unemployed, it means that he/she has no or limited income and thus experience lifecycle deficit.

This paper examines the structure of financing the consumption of unemployed youths in Nigeria. Specifically, the paper aims at providing answers to the questions: What is the quantum of lifecycle deficit experienced by unemployed youths in Nigeria? In what ways are the deficits of these potential productive age group financed? What is the role played by intergenerational transfers from households and government in providing social protection to the unemployed youths in the country?

Providing answers to these questions are particularly important for countries such as Nigeria that are currently in the middle of demographic transition. This means that the structure of the transfers from the surplus of the working age group to the dependent age group keeps changing and we need to understand the dynamics of the consumption and income flows if the economic lifecycle deficit in the country will be adequately financed. Despite unabated interest among researchers in issues pertaining to intergenerational transfers in developed countries, little is surprisingly known about these issues in Nigeria.

SITUATION ANALYSIS OF NIGERIA

The working-age population defined as those with 15 – 69 age brackets is estimated to be above 74 million in 2006. The number of those in the labour force is estimated to be over 52 million, giving an average labour force participation rate of 70%. Therefore, the number of unemployed people in 2006 is 22.38 million with official unemployment rates of 10.0 and 15.1 for urban and rural respectively. With this, the country ranks among the nations with high unemployment rates in Africa. It is a common knowledge in Nigeria that female participation in the labour force is generally lower compared to men participation.

Sectoral dis-aggregation of the workforce reveals that the agricultural sector accounts for the largest share in employment at 57.9 percent. This is distantly followed by education sector accounting for 19.3 percent while Public Administration, Defence and Community

Social Services Sector 9.9 percent of the 2007 workforce. The remaining 12.9 percent were spread across the remaining sectors with manufacturing sector having poorly 1.5 percent.

Furthermore, there were more unemployed males in both urban and rural (57.5 percent and 64.1 percent) than females in both residences (42.5 percent and 35.9 percent) respectively. This implies that there are poorer female in urban centres than their rural counterpart and conversely, poorer male are more rural areas than in urban cities. In 2009, the unemployment rate had increased to 19.7 percent of the total Labour force. This reflects a sharp increase from 12.7 percent in 2007. And when disaggregated by residence, it was 19.2 percent in urban and 19.8 percent in rural. In spite of high and broad-based growth in recent years, particularly in the non-oil economy, unemployment has not fallen significantly since 2000. More significantly, youth unemployment has risen extremely in Nigeria (NBS, 2009).

The age group 15-24 had the highest rate of 41.6 percent, whereas the age group 45-59 had only 11.5 percent and age group 65-64 had 16.7 percent. This pattern was maintained when the rates were considered within the Urban and Rural sectors separately.

Table 1: National Labour Statistics

	2005	2006	2007	2008	2009	2010	2011
Total Population	138,468,013	140,003,542	144,483,655	149,107,132	153,878,560	159,288,426	164,385,656
Total Labour Force	56,170,672	58,933,891	61,249,485	62,946,096	64,960,371	65,170,629	67,256,090
Total Employment	49,486,362	50,329,543	52,307,060	53,567,128	52,163,178	51,224,114	51,181,884
Total Unemployment	6,684,310	8,604,348	8,942,425	9,378,968	12,797,193	13,946,515	16,074,206
Unemployment Rate	11.9	14.6	14.6	14.9	19.7	21.4	23.9

***Source*:** NBS (2010), NBS, 2007 and NBS 2011

Table 2: Unemployment rates in Nigeria by Age group and gender

	2009	2010	2011
15-24	41.6	25.2	33.7
25-44	17.0	20.7	22.4
45-59	11.5	19.9	18.0
60-64	16.7	21.3	21.4
Male	17.0	19.6	23.5
Female	23.3	23.5	24.3
National	19.7	21.4	23.9

***Source*:** NBS (2010), NBS, 2007 and NBS 2011

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

One the main macroeconomic goals of any nation is the attainment of full employment. When this becomes unattainable with a high proportion of citizens unemployed, the economy cannot be producing at optimal level and economic growth is hampered. Most of the production in the economy is done by the working population of which the youth forms majority. The youth is a prime age and is often defined as the period between ages 15 and 40 years old. The concept of youth unemployment refers to situation in which there is a wide unemployment among the young in the population of the country.

Youth Underemployment is a situation whereby a fresh graduate get a job in which he is under utilized by virtue of his academic qualification. Youth underemployment is very rampant in Nigeria, going by the reports on the level of Unemployment in Nigeria. Empirical studies in Nigeria revealed a situation of multifaceted nature of Unemployment. In fact, Adebayo and Ogunrinola (2006) noted that Unemployment and Underemployment is a persistent and growing problem in Nigeria. Underemployment is a condition where people's income are inadequate to support their basic needs, in terms of food, clothing and shelter (Oni, 2006)

The concept of Youth employment reflects the multidimensional nature of Unemployment in Nigeria. Youth employment refers to a situation where young graduates and fresh school leavers who are seeking for job gets a well paid job. In recent times, the incidence of youth unemployment in Nigeria has been cancerous and cutting across all age groups, educational strata and geographical regions (Onwioduokit, 2006). It should be noted that unemployment figures in Nigeria have been quite contentious as different figures are been reported from several quarters. Although, several explanations holds sway for these differences, but following Raheem (1993) and Ohiorhenuan (1986), the official figures published by the government only accounts for the open unemployment, while many who are disenchanted with searching for jobs, who refused to register are usually excluded. Thus unemployment figures are often underestimated. Further, another factor responsible for these underestimations include what Okigbo (1986,1991) observed to be the concept of adopted by the Nigerian Labour Force Statistical Survey, which exclude youths and people below the age of 15 and above 55 years of age and are actively working.

The determinants of unemployment can be viewed from three main strands of theories (Adebayo and Ogunrinola, 2006). These theories explain the causes of Employment, Underemployment and Unemployment. The theories are those of the classical, the Keynesians and the new micro economists. The classical theory is linked with work of Pigou, which rest on the microeconomic formulations of Walras' general equilibrium model. (Hughes and Perlman, 1984) while Keynesians associate Unemployment and underemployment to the deficiency in aggregate demand, the classical theory relates it to Institutional market impediments and the new micro-economists attributes the unemployment to poor information flow on attainable wage rates. It must be stated however, that these explanations are limited. According to Fourie (1989), these theories concentrate on cyclical and voluntary Unemployment while completely neglecting structural Unemployment. Consequently, he proposed and attempted to integrate the idea of structural and persistent Unemployment into the conventional model of aggregate demand and supply Fourie's argument is important because it provides a thorough opportunity for discussion in the problem of structural Unemployment which is absent in macro-economic theories and also highlighting the importance of long-run analysis of the economy. These determinants as noted has another limitation in that it does not account for the role of education, rapidity of population growth, the choice of factor intensity etc in the emergence of Unemployment and underemployment. These factors neglected play an important and major role in underemployment and Unemployment problem. Thus, in developing countries like Nigeria, there are wide ranges of determinants other than the demand deficient explanation. Hence, there are major differences between causes of Unemployment and underemployment in less and more developed countries.

As evaluated by Adebayo (1999) other causes or determinant of unemployment, Employment and underemployment among youth, revealed a diverse but mutually reinforcing factors such as rapid population growth, rapid expansion of educational system improper design of educational system to match education with employment opportunities, rural urban migration, the nature of production technique, government contractionary economic policies of the past as well as interstate movement in search of employment opportunities within the Nigerian labour market.

Todaro (1992) points out that high rate of urban Unemployment is as a result of continuous transfer of economic activities and youths from rural to urban areas. He also noted that enormous expansion in school enrolment, with a consequent increase in the number of school leavers seeking jobs, making new school leavers unable to get jobs. Other determinants are policies related and they are relevant to the extent that policies affect the pattern of whatever development takes place and its capacity to generate jobs. Thus, policies on taxation, wages, education land tenure, technology and host of others have an important impact because they either promote or hamper employment generation.

According to Okogie, (2003) youth unemployment in Nigeria have been identified to have both demand and supply factors which interact to determine youth unemployment, employment and underemployment as the case may be. Other identified factors include the following:

- Rapid population growth;
- Small private sectors who lack the capacity to employ large number of people. ;
- Rapid rural-urban migration, and

Inappropriate school curricula and poor quality education that is largely irrelevant to the needs of the labour market.

Youth unemployment has been a source of great interest because high unemployment rate for those within the productive age can stall the long term development of a country (Bloom et al 2010). This is because it limits the ability of such country to reap demographic dividend. Two forms of demographic dividends were identified in the literature. The *first demographic dividend* measures the increase in *per capita* income due to the rise in the share of working-age population characteristic in a demographic baby boom. The subsequent ageing process can also originate a *second demographic dividend* if capital accumulation is incentivized to meet this challenge. In this second case, population ageing could produce a permanent increase in capital (Mason, 2005; Lee and Mason, 2006; Mason and Lee, 2006). The second dividend arises because the increase in income *per capita* driven by the first demographic dividend allows –usually helped by an increase in longevity– for an increase in savings that might also foster productivity growth (Mason, 2005 and Cutler *et al.*, 1990)7. This *second demographic dividend* is not as direct as the first. Besides, it is very much dependant on the way in which intergenerational transfers are financed. The demographic dividend, caused by the changing age structure resulting from the demographic transition, is realized through other factors. Chief among these factors is the productivity of the labour force, and related to this is the level of human resources (via better or higher education).

The theoretical analysis of reallocation of resources across different ages and transfers, in particular, has been done under many frameworks in the economic literature. A common framework that is often utilised is the overlapping generations models (OLG) framework. The OLG framework presents economic activities that take place where different generations of people coexist and make some kind of deals with one another. It is a response to the seminal works of Samuelson (1958) and Diamond (1965). Most advanced macroeconomics textbooks now explore macroeconomic theory from OLG framework. The framework has been used in analysing optimal population growths, economic fluctuations among others. However, most of the analysis based on OLG framework makes many strong assumptions that are difficult to rationalise in national economic systems. For example, some of the models make the assumption that life cycle is divided into two broad age groups which do not include the child dependency age-group. This assumes that life cycle starts at labour market entry and ends with old age dependency (Lee 1994). This compromises the adequacy of policy prescriptions from such models because child dependency is an important stage of the economic lifecycle. This is because children can be costly in times of child birth and childrearing, which broadly defined, can include the period of higher education of children. In order to address some of the issues raised by the omission of children from OLG framework, Becker and Murphy (1988) developed a theory linking parental transfer decisions to the development of the welfare state. They submit that there is a socially optimal amount of investment in children in which parents' adequate investment in the education of children would be made up to the point where the rate of additional year of education would equal to the rate of return on an additional unit of capital.

A more comprehensive way of dealing with intergenerational coexistence, and transfers within the economic lifecycle is by using the NTA framework. NTA is an accounting system for measuring intergenerational transfers at the aggregate level in a manner consistent with National Income and Product Accounts (Bommier and Lee, 2003; Lee, 1994).

METHODOLOGY

The theoretical analysis of reallocation of resources across different ages and transfers, in particular, has been done under many frameworks in the economic literature. A common framework that is often utilised is the overlapping generations models (OLG) framework. The OLG framework presents economic activities that take place where different generations of people coexist and make some kind of deals with one another. Within this framework, this paper attempts to use the National Transfer Accounts (NTA) methodology to investigate how intergenerational transfer finances lifecycle deficit of the unemployed youths in Nigeria. NTA is an accounting system for measuring intergenerational transfers at the aggregate level in a manner consistent with National Accounts. The framework provides estimates of economic flows across age groups, which takes two forms of asset reallocations and transfers and distinguishes the institutions involving the transactions of governments and privates. The economic lifecycle measures how consumption, labor productivity, and hence economic dependency vary with age.

NTA documents the means by which those with lifecycle deficits (e.g. young and old who produce less through labour than what they consume) draw on those with lifecycle surplus (e.g. generated during working ages who consume less than what they produce through labour) (Narayanan, 2011). The methodological framework utilised in this paper is motivated by the National Transfer Accounts methodology. The process of estimating the age profile of consumption and income is the basis for the economic lifecycle deficit equation in the model. Life-cycle deficit (which is the difference between consumption and labour earnings at each age) is defined as in equation 1.

$$\underbrace{C - Y_l}_{\text{Lifecycle deficit}} = \underbrace{\underbrace{Y_A - S}_{\text{Asset-based reallocations}} + \underbrace{\underbrace{\tau_g^+ - \tau_g^-}_{\text{Net public transfers}} + \underbrace{\tau_f^+ - \tau_f^-}_{\text{Net private transfers}}}_{\text{Net transfers}}}_{\text{Age reallocations}} \quad (1)$$

The equation states that lifecycle deficit is financed by a combination of net transfers and asset based reallocations. In the framework, inflows to individuals of any given age consist of labour income (Y_l), income from assets (Y_A), and transfer inflows from the public sector (τ_g^+) and the private sector (τ_f^+). Outflows consist of consumption (*C*), investment (*I*) in capital, credit and land, and transfer outflows to the government (τ_g^-) and to the private sector (τ_f^-). The equation above is obtained by rearranging terms in the basic *Inflows = Outflows* identity and by noting that saving *S* equals investment *I*. Thus, the equation(1) asserts that the difference between consumption and production, known as the *lifecycle deficit,* must necessarily be equal to *age reallocations* made up of *asset-based reallocations* and *net transfers.* This paper provides estimates of *LCD* made up of differences in consumption and labour income allocated by age group only. This is based on the fact that the economic lifecycle measures how consumption, labour productivity, and economic dependency vary with age

The NTA estimates utilised in this paper were constructed using data from various sources including 2009/ 2010 Harmonised National Living Standard Survey (NLSS) of households that were collected between 2009 and 2010 by the National Bureau of Statistics (NBS). The sample design was two-stage stratified sampling. At the first stage, from each State and the Federal Capital Territory (FCT, Abuja), clusters of 120 housing units called Enumeration Area (EA) were randomly selected. The second stage involved random selection of 5 housing units from the selected EAs. A total of 600 households were randomly chosen in each of the States and 300 from the FCT, summing up to 21,900 households in all (FOS, 2003). The survey probed into household expenditures, income sources, health, education, social capital, employment issues and household income transfers among others. Macro data were obtained from the Abstract of Statistics (2006) both of the National Bureau of Statistics as well as the Central Bank of Nigeria(CBN) Annual Report and Statement of Accounts, 2007. In particular, NIPA data were used to construct the aggregates on public and private consumption, labour income (compensation of employees plus a portion of mixed income), which were used as aggregate controls.

RESULTS AND FINDINGS

The 2009 National income data of the country was analysed to take into consideration the age structure within the country. Specifically, the aim was to identify the proportion of income and consumption earned and consume by the different age group within the country. The difference between income and consumption in the country will indicate whether the country can finance all her consumption from labour income. Where labour income exceeds consumption, there is lifecycle surplus and if otherwise, there is lifecycle deficit. After obtaining the aggregate labour income and consumption for the country, we obtain for each age group in order to identify the age groups that are in deficits and those that are in surplus. Table 3 presents the lifecycle deficit in Nigeria in 2009. While the total labour income in 2009 was 11.5 trillion naira, the total consumption by both government and private sector amount to over 19 trillion naira. This indicates that Nigerians cannot fully finance her consumption only from labour income as the country has a lifecycle deficit of more than 7 trillion naira

Table 3: Structure of Lifecycle Deficit in Nigeria, 2009

	Amount
Consumption	**19,148,008**
Government Final Consumption	**1,434,785**
Education	**264,529**
Health	**62,267**
Other	1,107,989
Private Consumption Expenditure	**17,713,223**
Education	2,996,350
Health	1,899,225
Other	12,817,649
Labour Income	**11,529,479**
Compensation of Employees	1,028,876
Self-employed Income	10,508,086
LIFECYCLE DEFICIT	**(7,618,529)**

The inability of total consumption means that other sources should be available to finance it. As indicated in our model, equation 1, consumption is also financed through public and private transfers as well as asset reallocations. The structure of the transfers is that both the private sector and the public sector transfer fund from the surplus to deficit age groups. Given the structure of the economy, in the aggregate, public transfer is zero, this is because of our assumption that all public transfer inflows are also distributed to the citizens as outflows (Table 2:. However, for each age group, there could be positive or negative public transfer flows. This is based on one of the core functions of government which is to re-allocate resources from the non-poor to the poor in a sustainable manner. Hence, all public sectors try to reallocate resources from te surplus age groups to the deficit age groups.

Table 4: Structure of Public Transfer in Nigeria, 2009

	Amount
Net Public transfer Flows	0
Public Transfer Outflows	**-1,434,785**
Tax on Labour	(491,250.46)
Tax on Capital	(696,067.66)
Tax on consumption	(714,178.10)
Surplus/Deficit	489,344
ROW	-22633.06
Public Transfer inflows	**1,434,785**
Education	264,529
Health	62,267
Other	1,107,989

In addition to public transfers, individual consumptions are also financed through inter and intra household transfers. Our model treats individuals as separate entities who can receive transfers either from other individuals outside the households and./or also from individuals within the households. In this wise, it is assumed that dependent members of a household receives transfers from the productive members of the households through intra household transfers. Like the public transfer, intra household transfer within the household is zero in the aggregate as all resources add up within each household. However in the case of inter household transfers, there is the possibility that the net inter household flows might not be equal to zero. This is because of the funds for remittances. Our results reveal that a large proportion of funds are transferred within the household to make sure that members of the household sustains their consumption especially by transferring funds from income earners to non-income earners. Table 3 presents the structure of intra-household transfer in Nigeria.

Table 5: Amount of Intra household transfer flows (N'm)

Financing of intra-household transfer	Amount
Education	1,313,922
Health	2,999,701
Saving	26,358
Other	15,533,258
TOTAL Intra-Household Transfer flows	19,873,239

However, the national estimates masked what happens to different age groups in terms of their consumption and how they are financed. We therefore disaggregate consumption and income by age groups in the country in order to identify the age groups that are in deficit and those that are in surplus. This has implications for the actual dependent in the country. It has been argued that the children and elderly are the dependents with many studies choosing the age range 0-15 years for child dependency and those aged 60 years and above as old age dependency. This paper argues that in developing countries such as Nigeria where youth unemployment is high, and coupled with fact that many youths might enter the labour market much later due to education, the economic dependency period might be different. In essence, we define that a particular age group is dependent if that age group cannot earn enough labour income that will finance its consumption.

Figure 1 presents the age profile of total consumption and labour income in Nigeria in 2009.

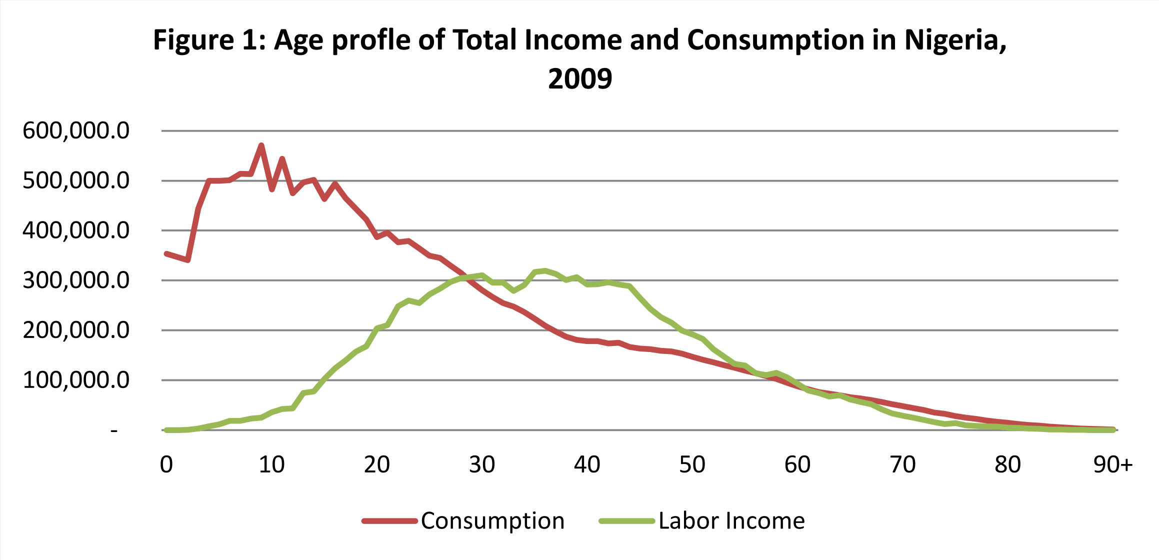

Figure 1 reveals the structure of dependence in Nigeria in 2009. It reveals that life cycle deficit is positive –a surplus– for Nigerians aged 29 to 60, and deficit for other age groups. This is in contrast to the estimates for 2004 where the surplus occurs for those aged 33-63 years old. The implication of this is that on the average, Nigerians younger than 29 years do not produce enough to finance their consumption. The main factor responsible for this is the high unemployment rate. In order to finance this consumption, our results indicate that intergenerational transfers, both private and public, are the main sources of consumption for these unemployed youths. It is further revealed that while private transfers (intra-household) fund most of youth consumption, they enjoy limited public transfers which is skewed towards the elderly.

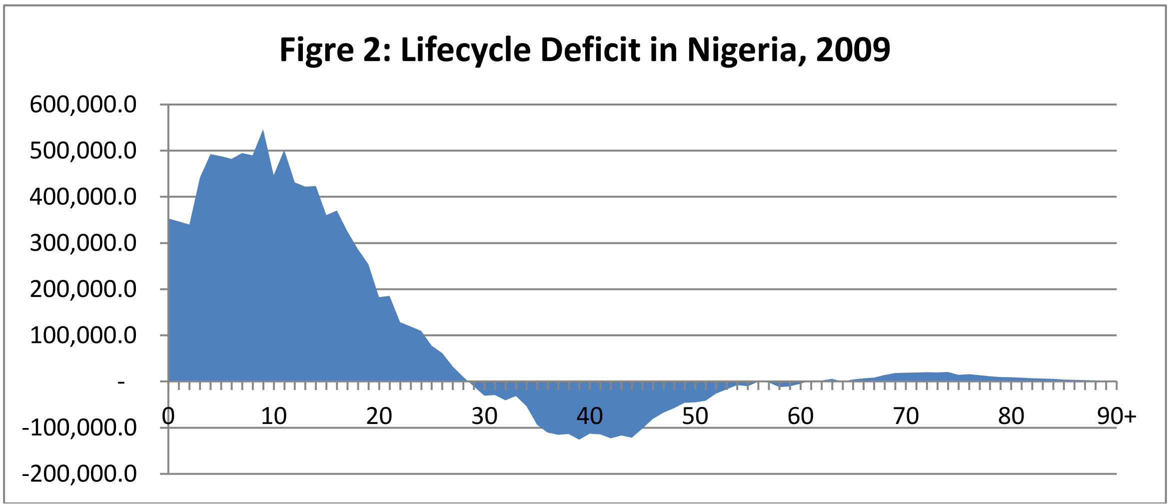

Figure 2 presents the lifecycle deficit for the country. The figure indicates that child age deficit accounts for 97% of total lifecycle deficits. While total deficit is 9.3 trillion naira, old age deficit s only 280 million naira representing 3 percent of the deficits. The situation is especially interesting because total labour income for the year at 1. 9 trillion naira can only finance 20 percent of the total deficits

Financing consumption and lifecycle deficits of the Youths

This paper identifies the youths as those aged 15 – 44 years. This range is chosen to coincide with the classification used in the computation of unemployment by age in the country. Our estimates are however presented for three groups within this age range which are 15 – 24; 25 – 34; and 35 -44 year olds. This is also done because of our assumption that the labour force participation rates differ by these age groups. Table 6 shows that the financing of consumption of the youths varies by the age group. For the 15-24 year olds, their labour income can only cover 45% of their consumption while for the 25-34year olds and the 35-45 year olds, labour income can only cover 100.5 and 161 percent of their consumption expenditures respective. While the younger youths have to depend on other sources of finding for their expenditure, the older youths (34-45 year olds) have 60 percent more of their income that they can spend on either asset accumulation or as transfers to the dependent age groups.

Table 6: Consumption and Forms of Consumption finance for the Youths in Nigeria, 2009

	15-24 years	25- 34 years	35- 44 years
Consumption	4,190,218	2,920,867	1,869,863
Labour Income	1,867,871	2,935,490	3,018,126
Private Asset-based Reallocations	- 2,963,743	- 581,073	2,279,846
Public Asset-based Reallocations	- 108,182	- 137,004	- 154,110
Public Transfers	143,115	- 64,567	- 157,871
Inter-household Transfers	181,259	652,262	926,115
Intra-household Transfers	5,069,897	115,759	- 4,042,243

Note: negative signs mean outflows and positive signs mean inflows

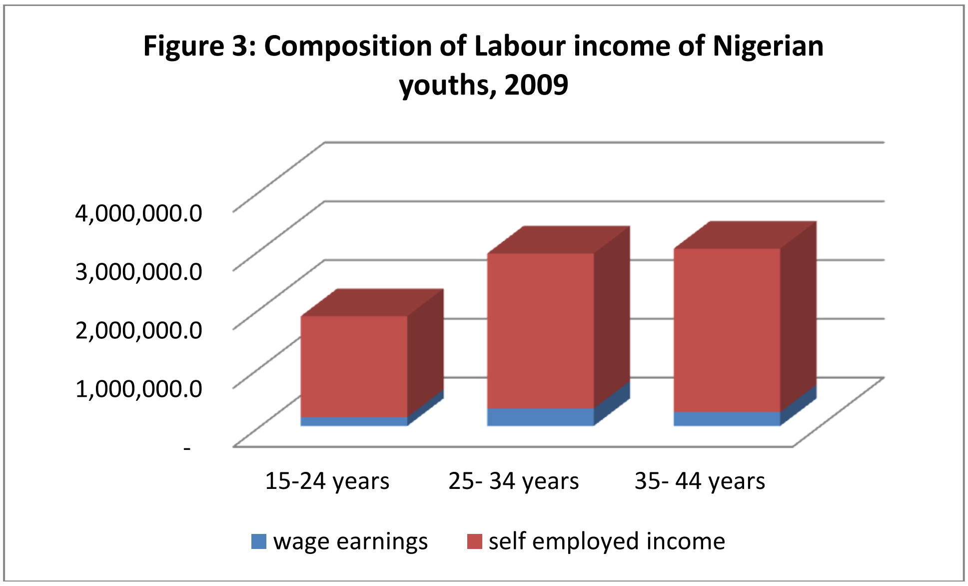

Figure 3: Composition of Labour income of Nigerian youths, 2009

Life cycle deficits for age groups are financed through age reallocations. Two types of age reallocations are distinguished in NTA; transfers (public and private) and asset-based reallocations (public and private). Transfers can be inflows or outflows. Public transfers are through direct and indirect taxes or by cash transfers. Private transfers are done through inter or intra household transfers. Asset-based reallocations are in form of asset income (public and private) less savings(public and private).

Figure 4: Financing of Consumption by Youths

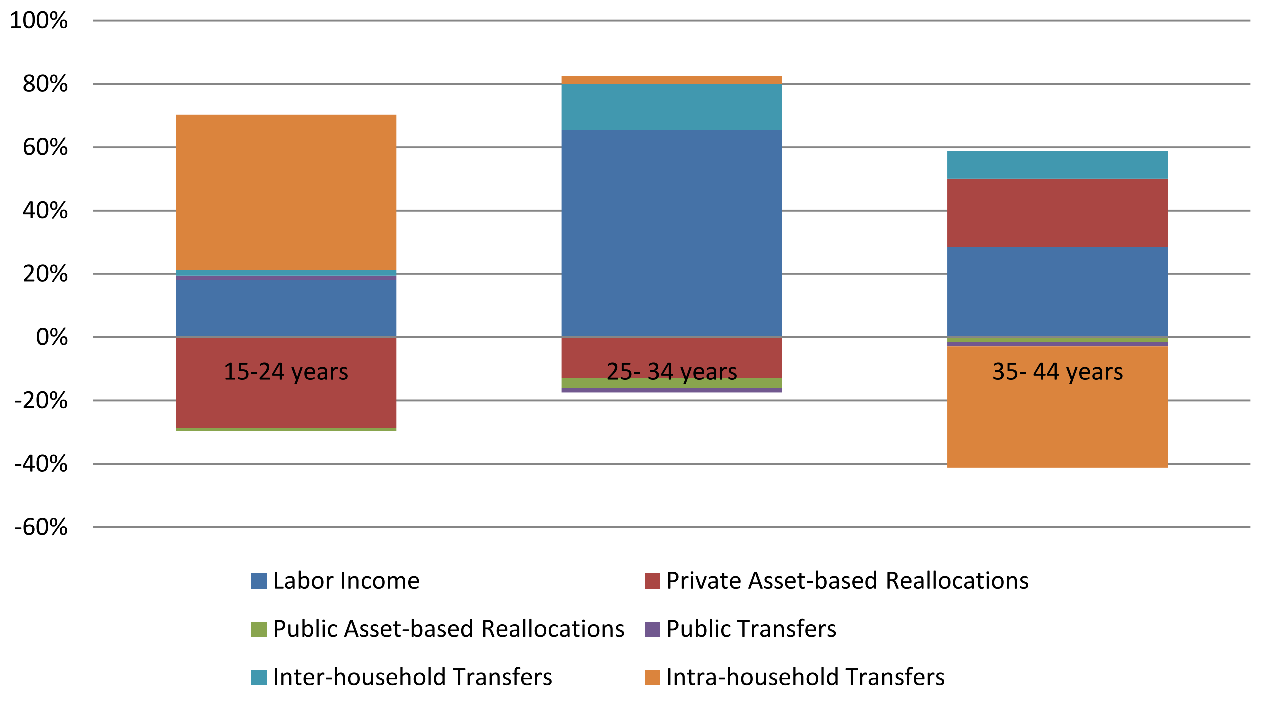

Figure 4 presents the structure of financing of expenditure by Nigerian youths in 2009. As revealed by the figure, there are differences in the structure of financing by the various groups of youths. For example while the dominant source of finance for those within age group 15- 24year olds, the dominant source of financing for the 25-34 year olds is the labour income. Interestingly, those within this age group also have a large proportion of their finances going to other age groups in the form of household transfers.

CONCLUSION AND POLICY IMPLICATIONS

This paper provides empirical evidence to show that different age groups within a country have different ways of financing their expenditures. This becomes very important in the presence of high youth unemployment. Unfortunately, there appears to be few protection for those that are vulnerable in this regards. In fact, there a total absence of unemployment benefits in Nigeria. There is no formal public sector social support for the elderly in Nigeria. Social protection in Nigeria, is dominated by familial support through intra and inter-households transfers. Indeed, the elderly still made a lot of transfers for their education and health expenditure of their grandchildren, This places a lot of burden on poor households, worsening their conditions.

Our estimates have indicated limited government assistance to the people in funding deficit in their consumption expenditure. Government in Nigeria therefore needs to relieve its citizenry of this high burden on households; because continuing in this situation belies the stewardship role of government. Accordingly, it is recommended that Nigeria should implement formal social protection policies for the unemployed.

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