

Economic lifecycle deficit in Nigeria, 2004-2016: Assessment and policy implications

**Olanrewaju Olaniyan, Adedoyin Soyibo, Akanni O. Lawanson and Noah
Olasehinde**

Presentation at the NTA Conference, 24 July 2018

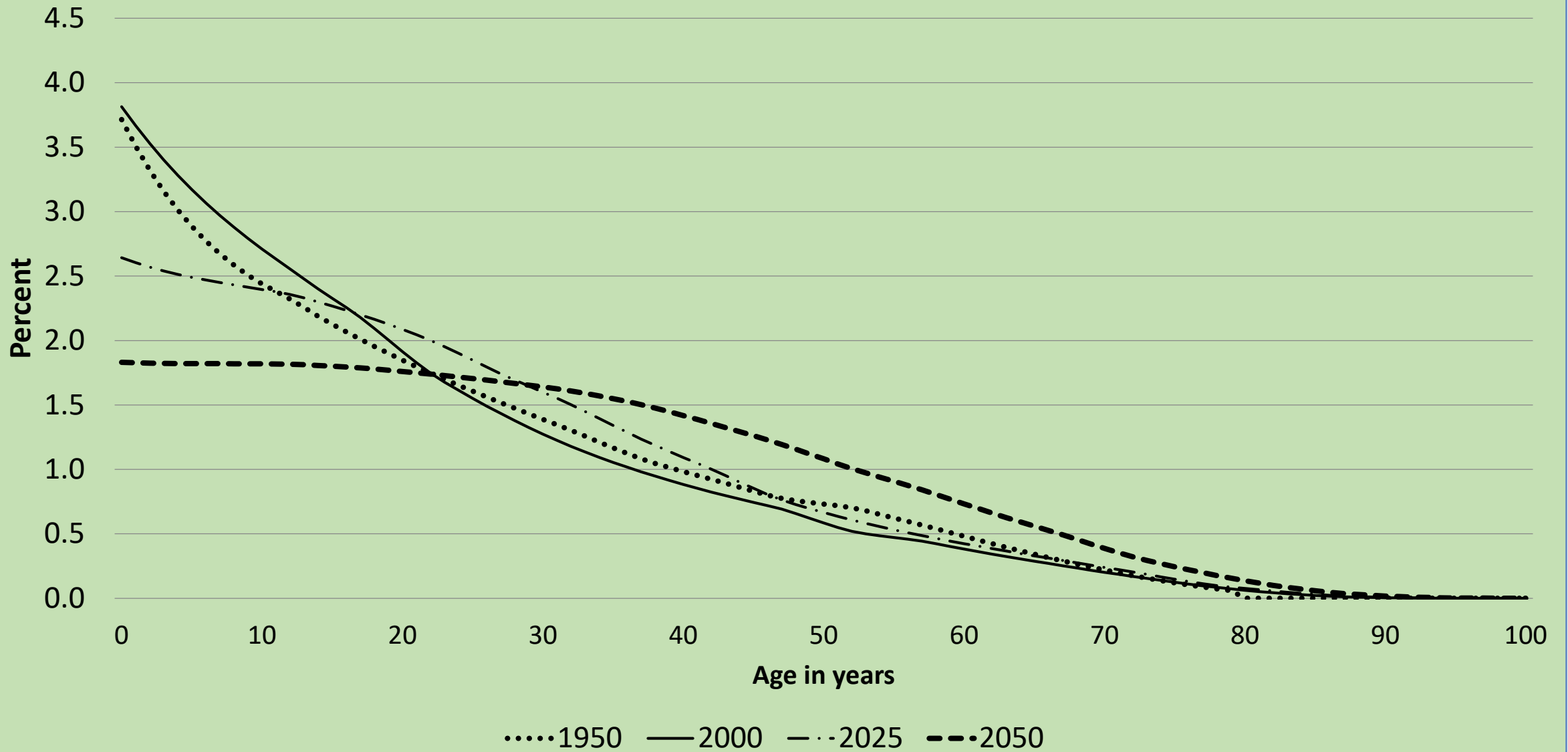
Introduction

- Nigerian population is more than 180 million (largest in Africa)
- Nigerian population is projected to become the third largest population in the world by 2050
- Population size has implications for both aggregate production and consumption

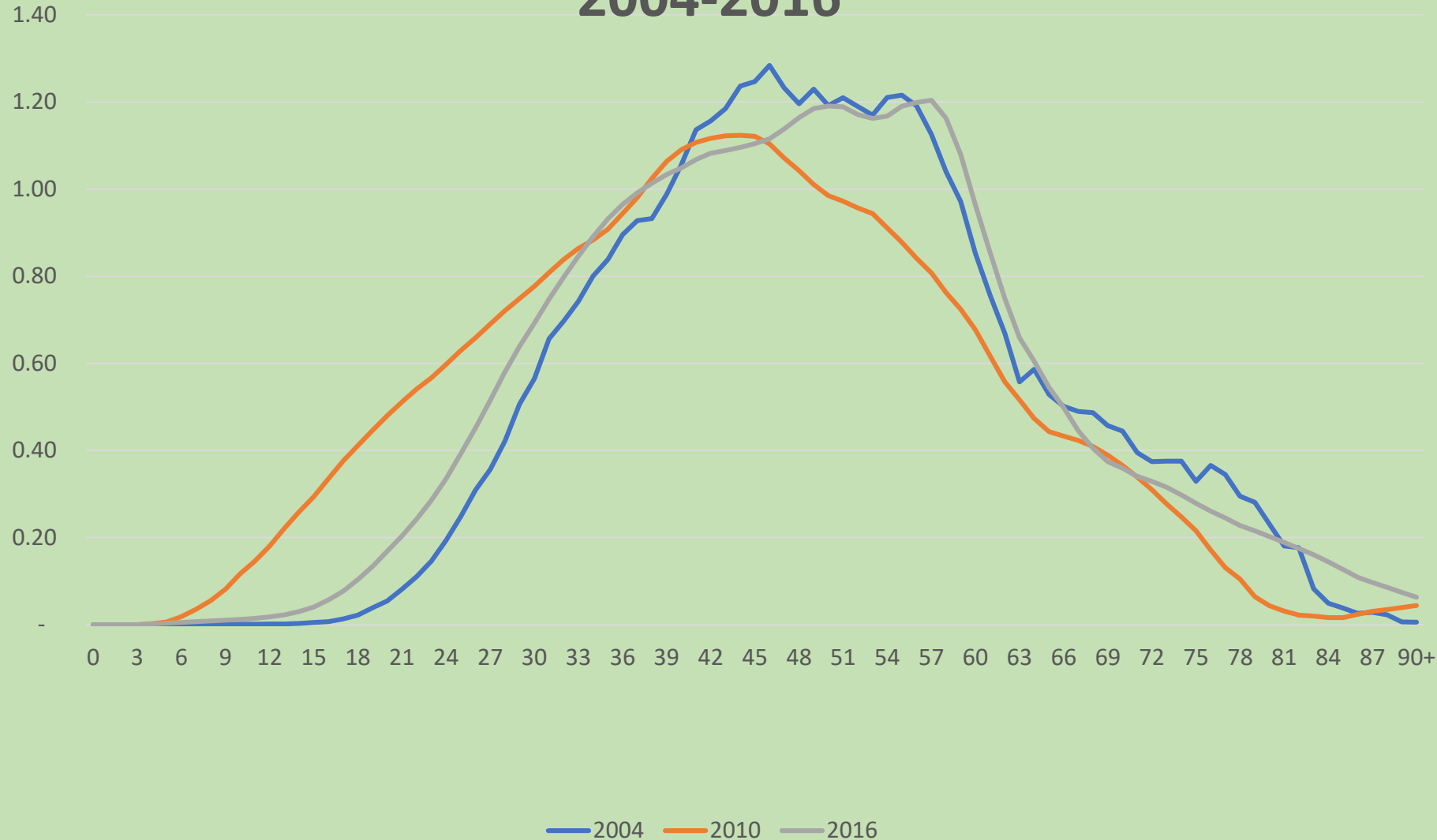
Economic lifecycle: The platform

- Economic lifecycle is fundamental feature of all economies
 - The young and the old consume more than they produce through their labor.
 - Prime-age adults produce more than they consume.
 - Large economic flows across age groups are the result.
- Decline in dependency ratios means that more of the incomes of the working age groups can be diverted to productive investments rather than being used up in the maintenance and upkeep of the non-productive part of the population

Population age structure in Nigeria, 1950-2050

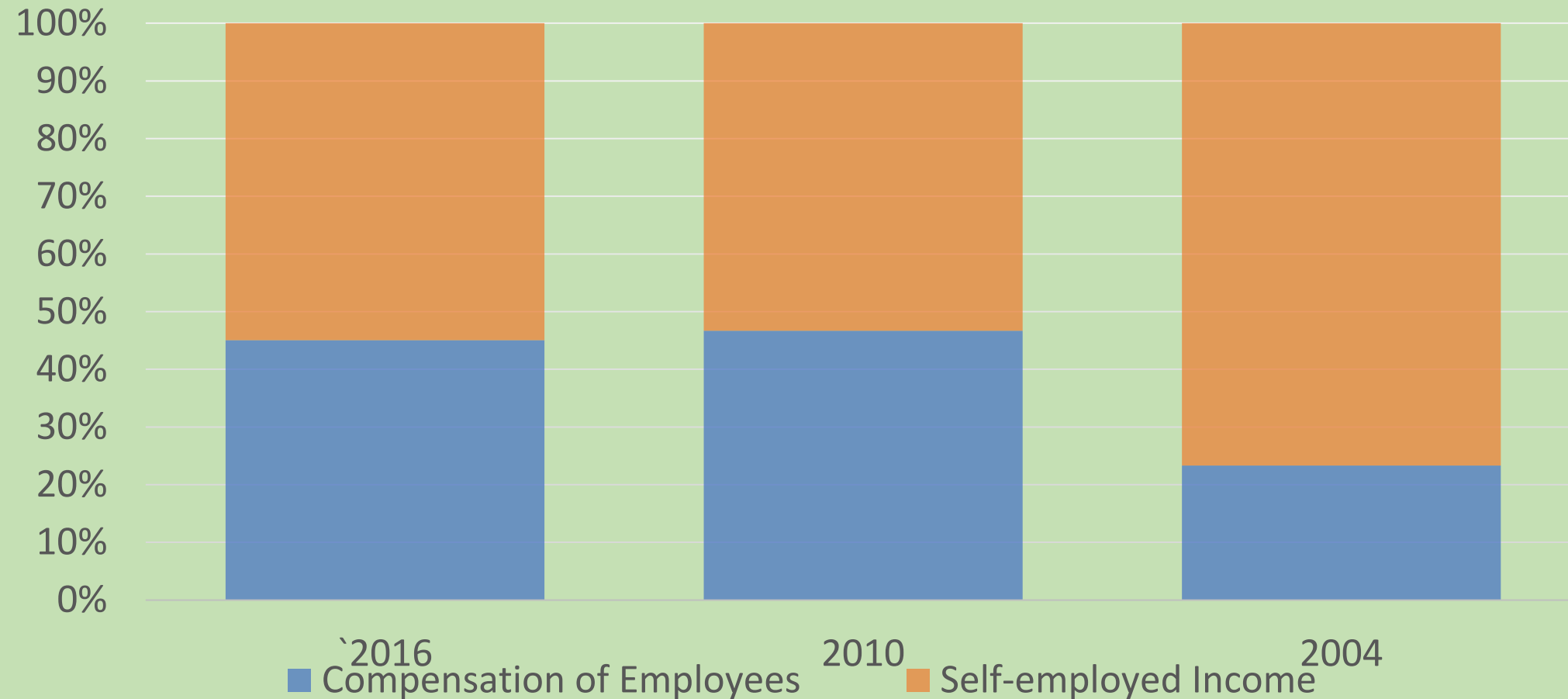


Profile of per capita labour income in Nigeria, 2004-2016



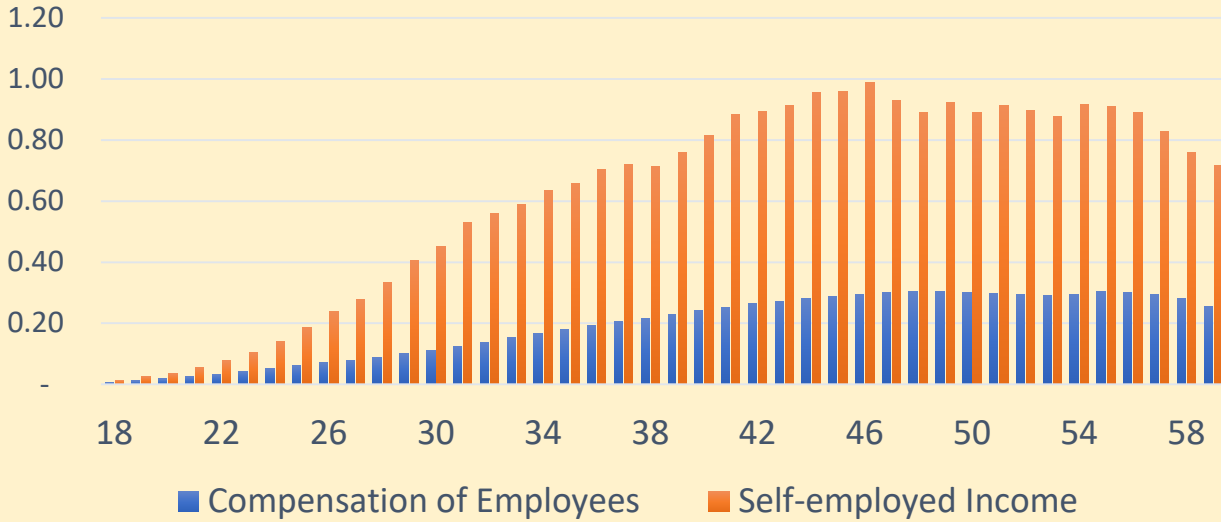
- Peak labour income higher in 2004 than in 2010 or 2016
- On average, more children are earning income and mostly from self-employment, indicating prevalence of child labour
- Consumption at all ages was higher in 2009 than 2004
- Highest labour income was at 46 years in 2004, 45 in 2010 and 58 in 2018

Proportion of per capita labour income in Nigeria, 2004, 2010 and 2016

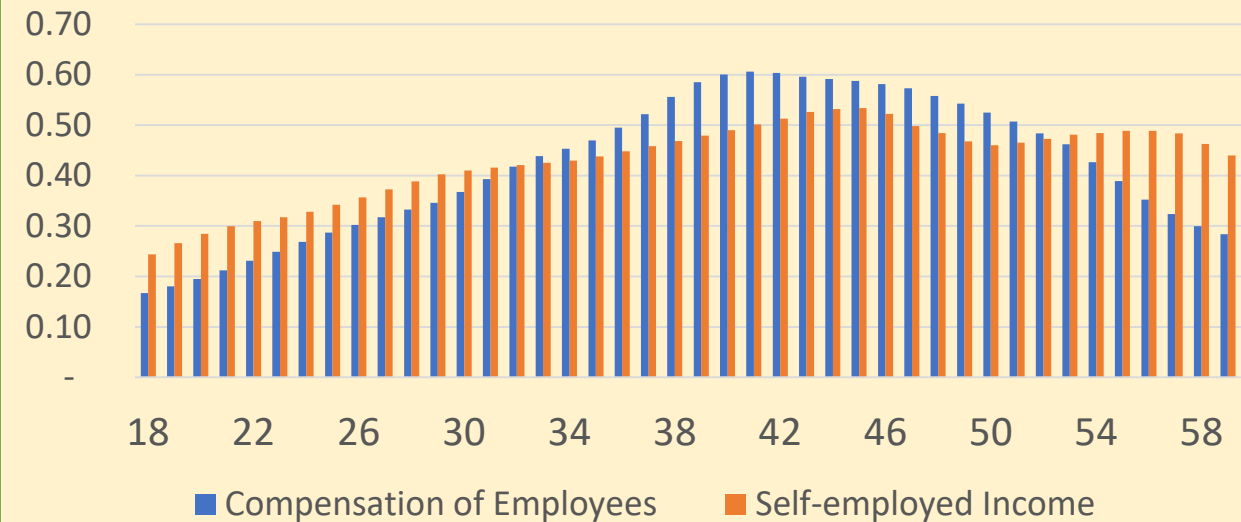


Proportion of wages in labour income is becoming more pronounced

Profile of per capita self employed and wage income in Nigeria, 2004



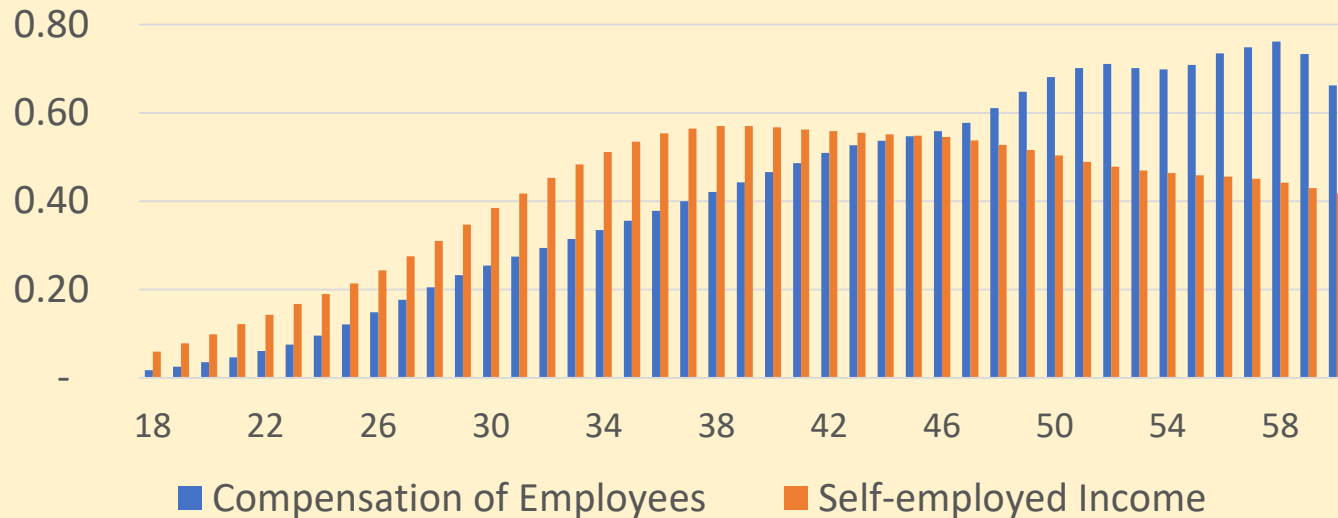
Profile of per capita self employed and wage income in Nigeria, 2010



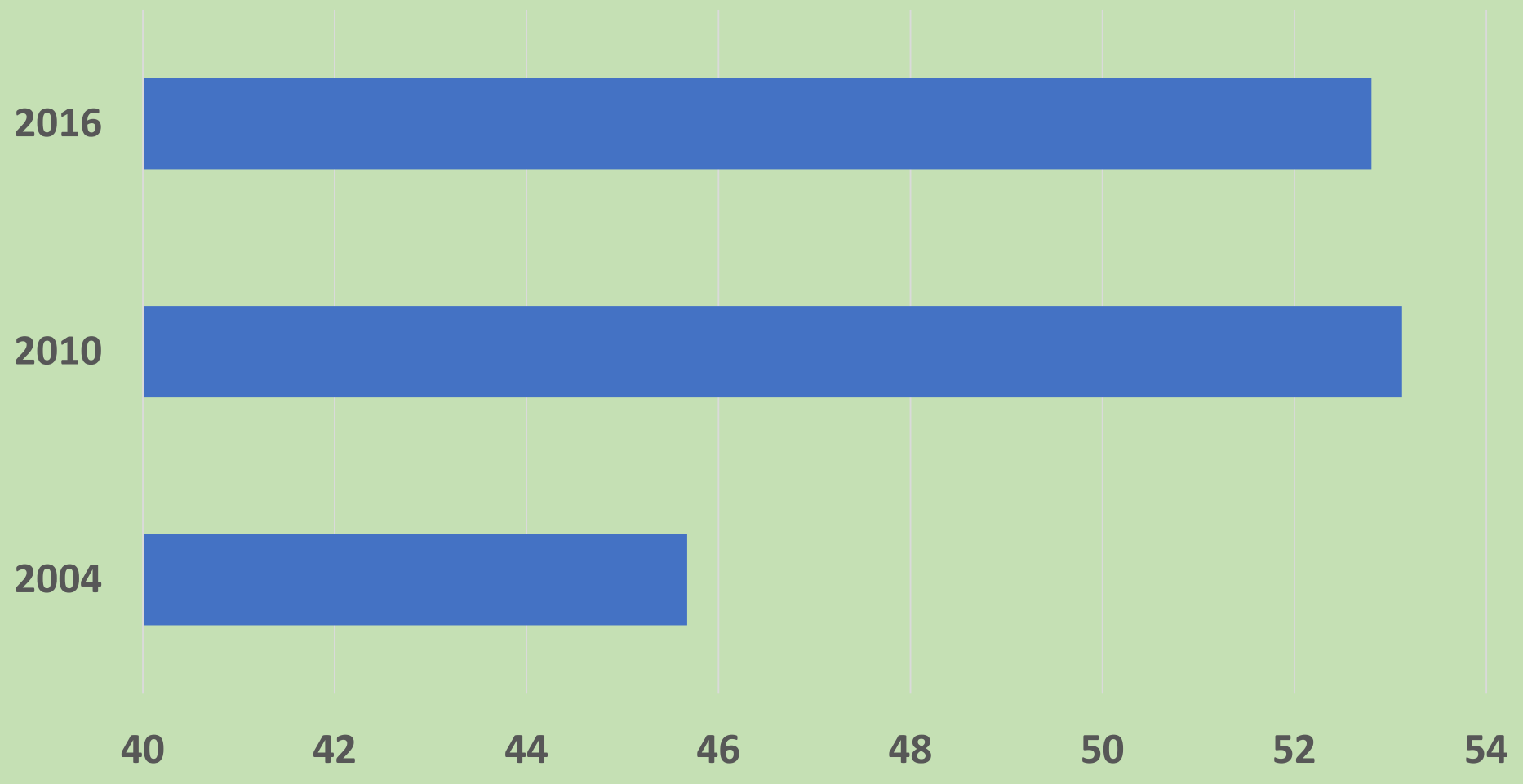
Changing structure of labour income between 2004 and 2016

Self-employed income is a large part of Nigeria's labour income
 Nigerians are entering into informal sector employment early and even the elderly continue working

Profile of per capita self employed and wage income in Nigeria, 2016

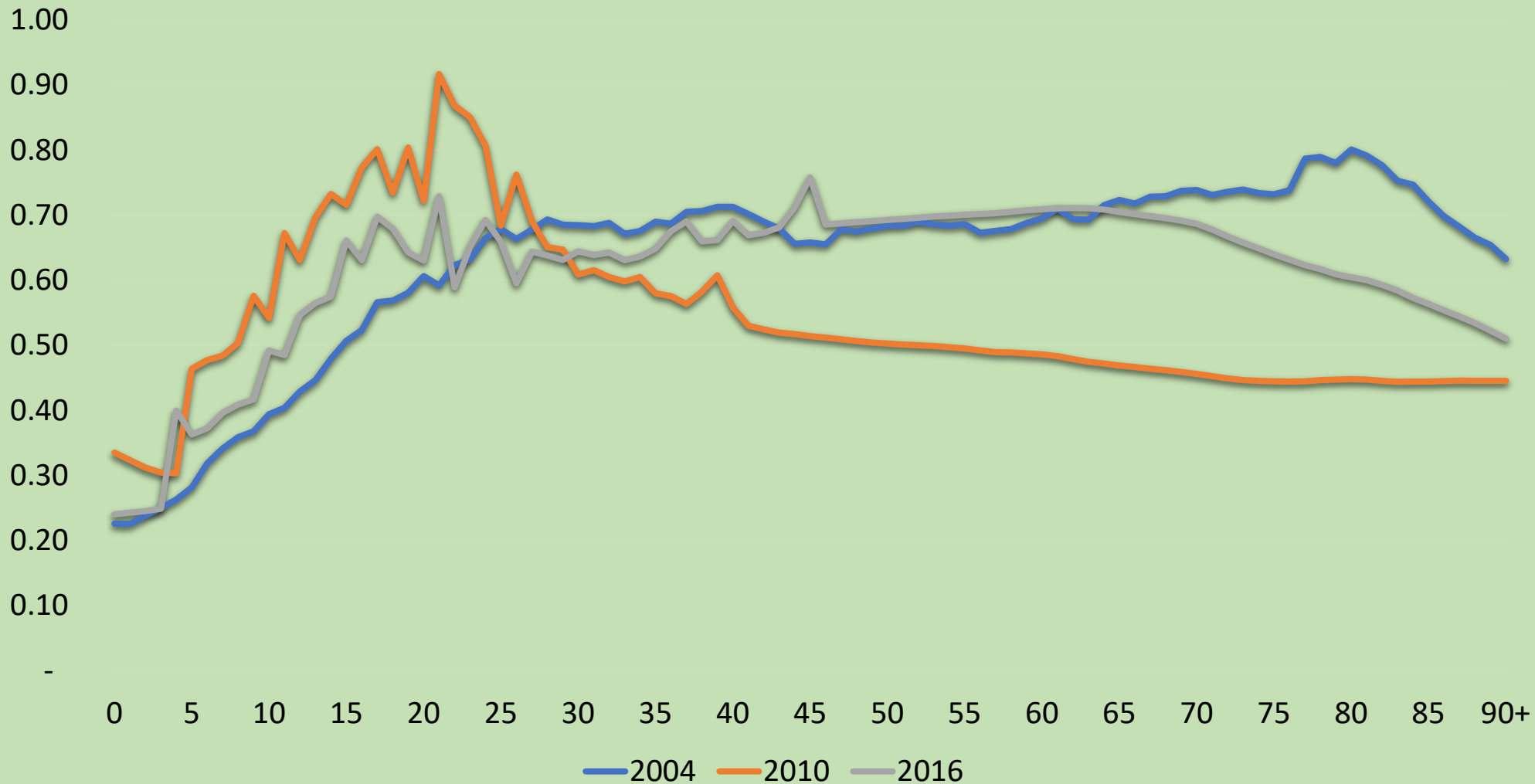


Share of labour income as a source of funding for consumption of individuals age 60 years and above



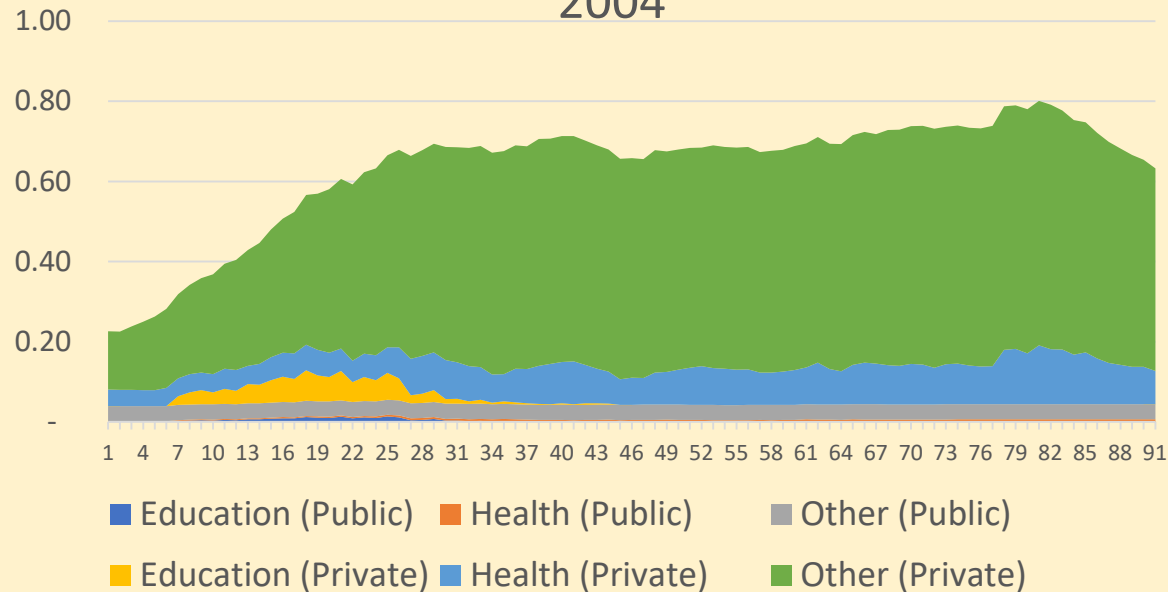
More elderly in Nigeria are relying on Labour income to finance their consumption. This has implications for the role of asset income and transfers as sources of financing for the Nigerian elderly.

Per capita consumption profile for Nigeria, 2004, 2010 and 2016

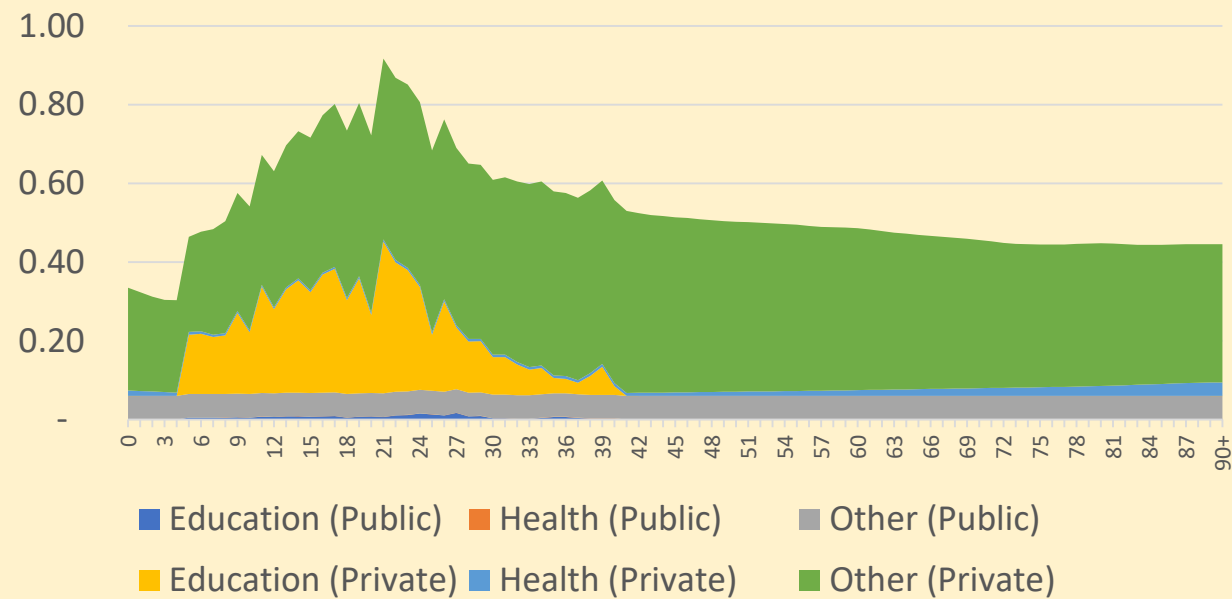


Per capita consumption of the elderly has gone down over the years

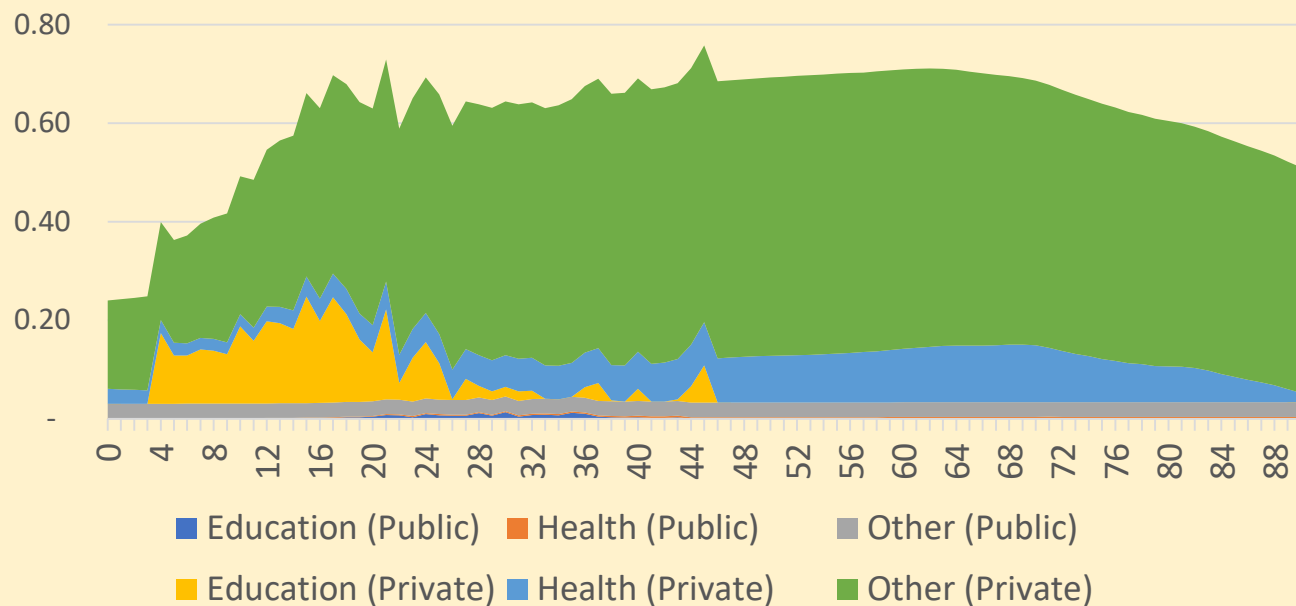
Composition of per capita consumption, 2004



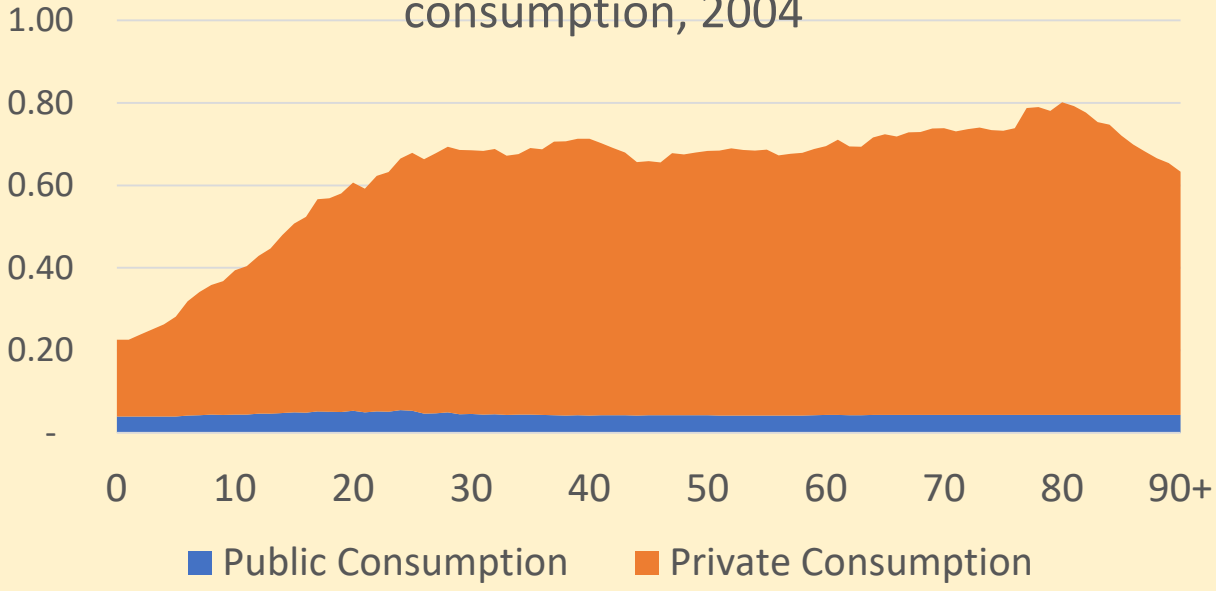
Composition of per capita consumption, 2010



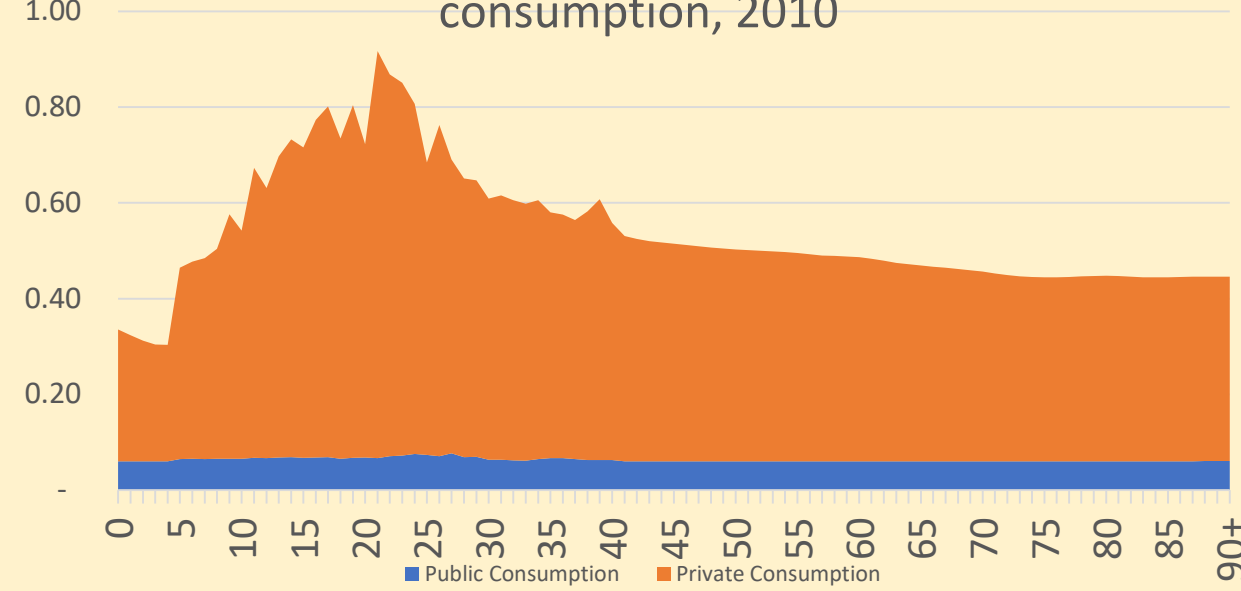
Composition of per capita consumption, 2016



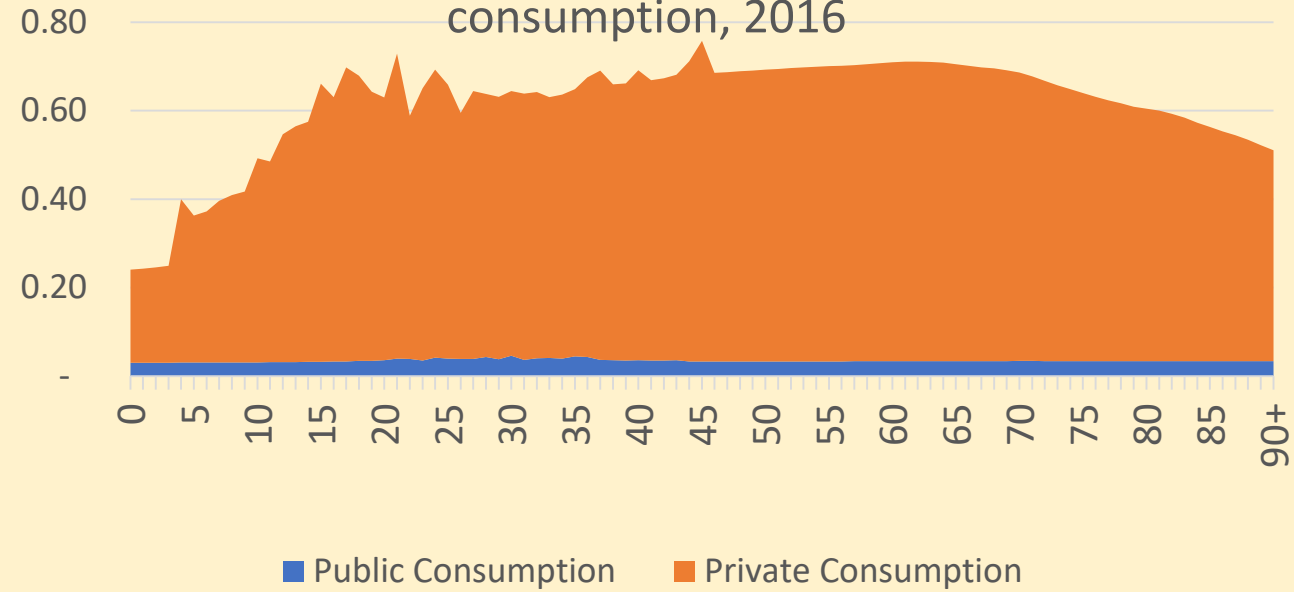
Public and private proportion of per capita consumption, 2004



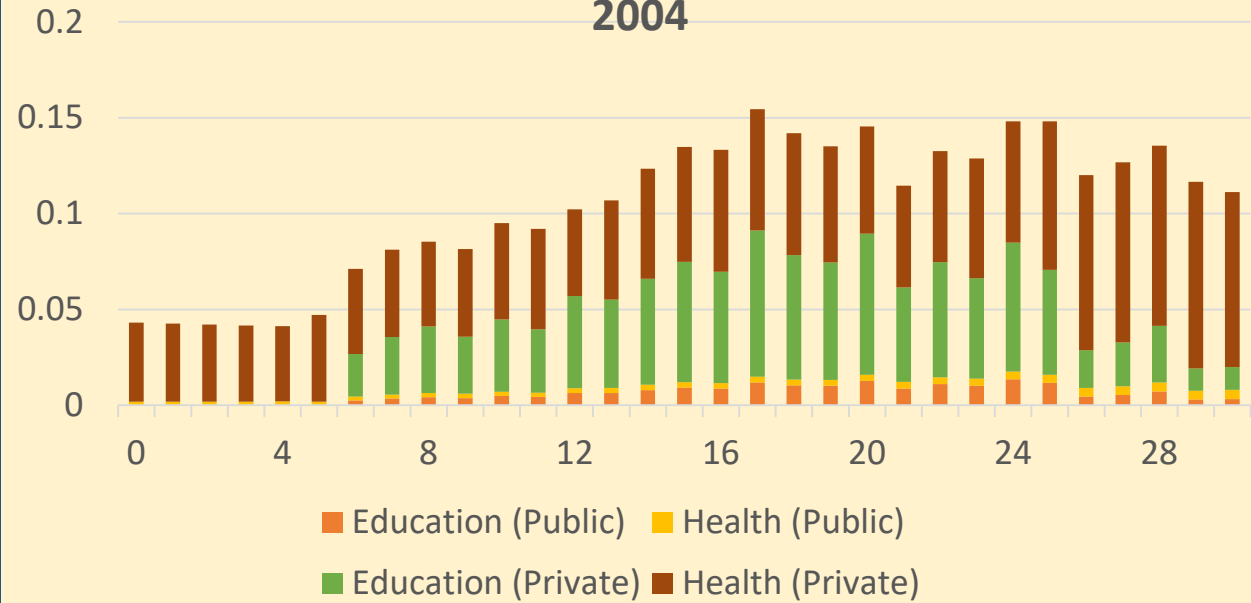
Public and private proportion of per capita consumption, 2010



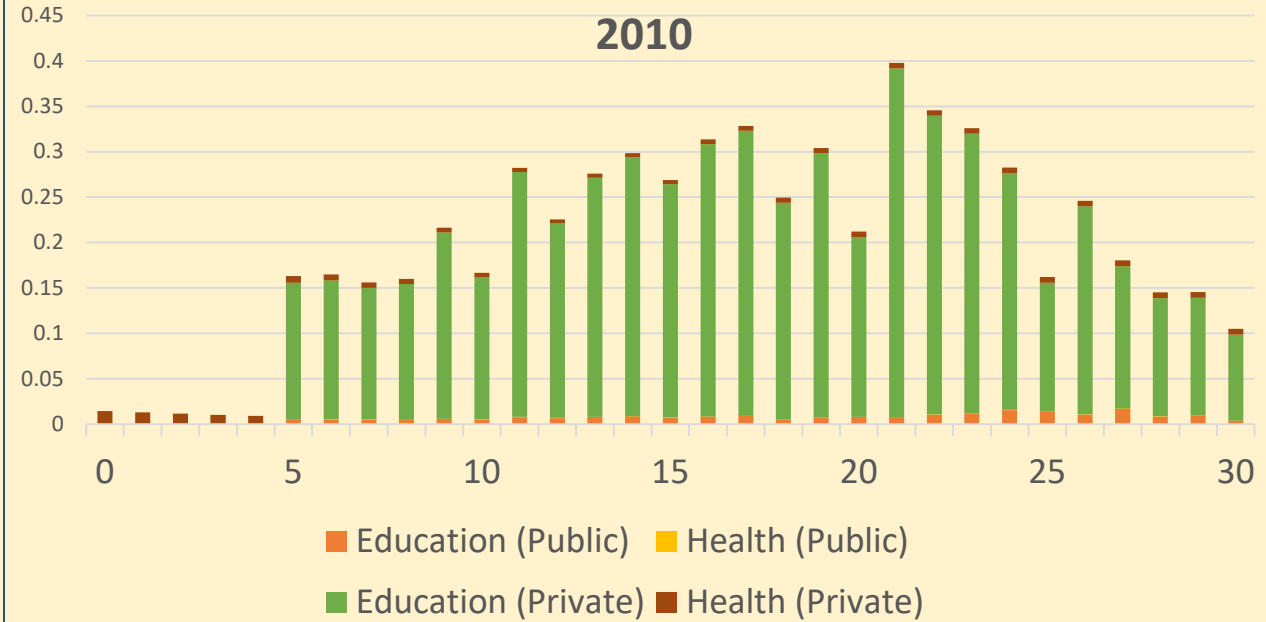
Public and private proportion of per capita consumption, 2016



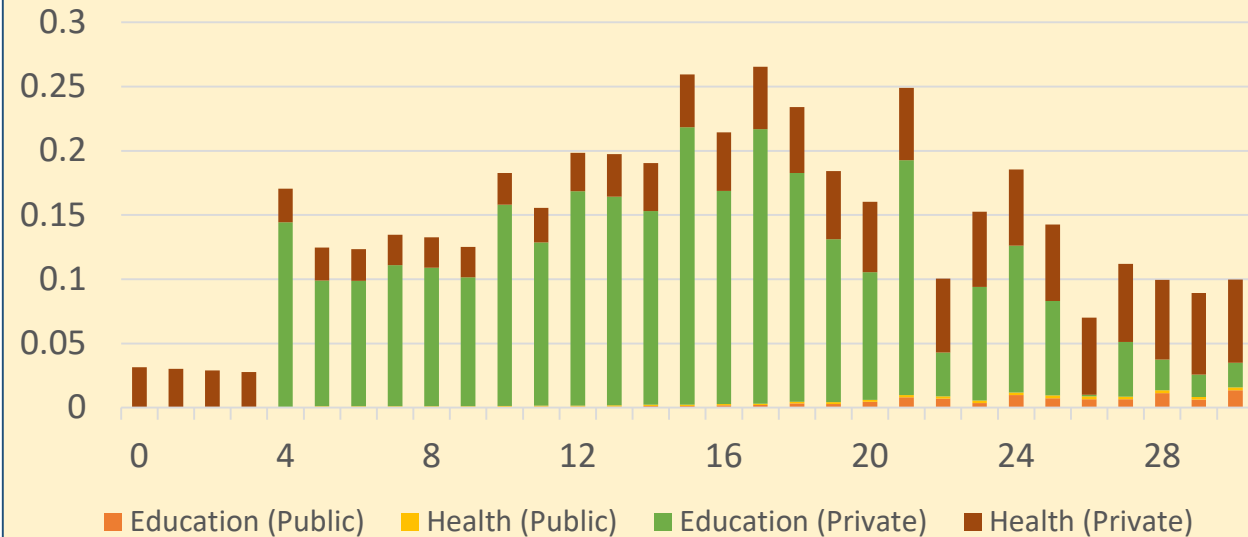
Per capita health and education consumption,
2004



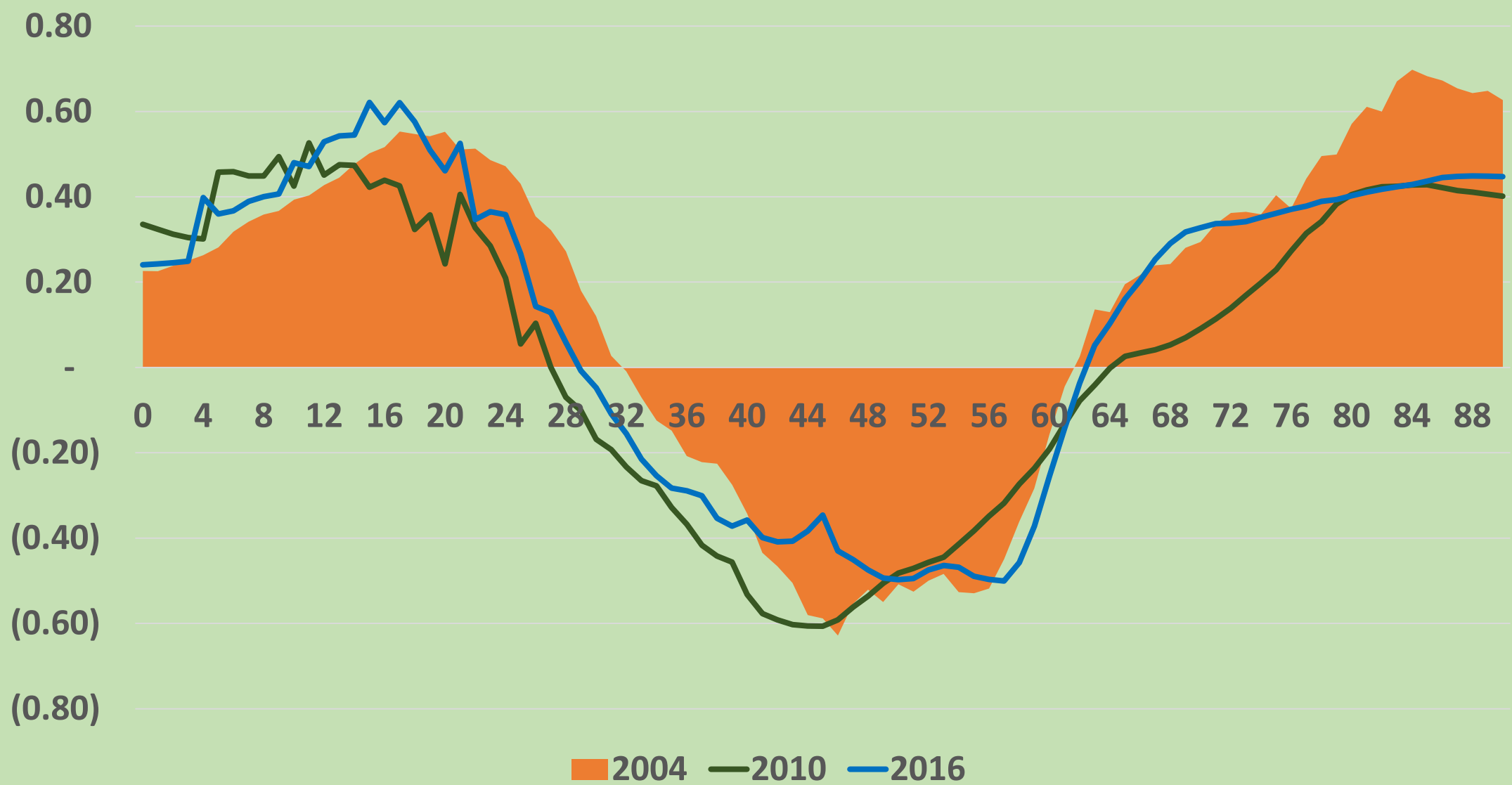
Per capita health and education consumption,
2010



Per capita health and education consumption,
2016



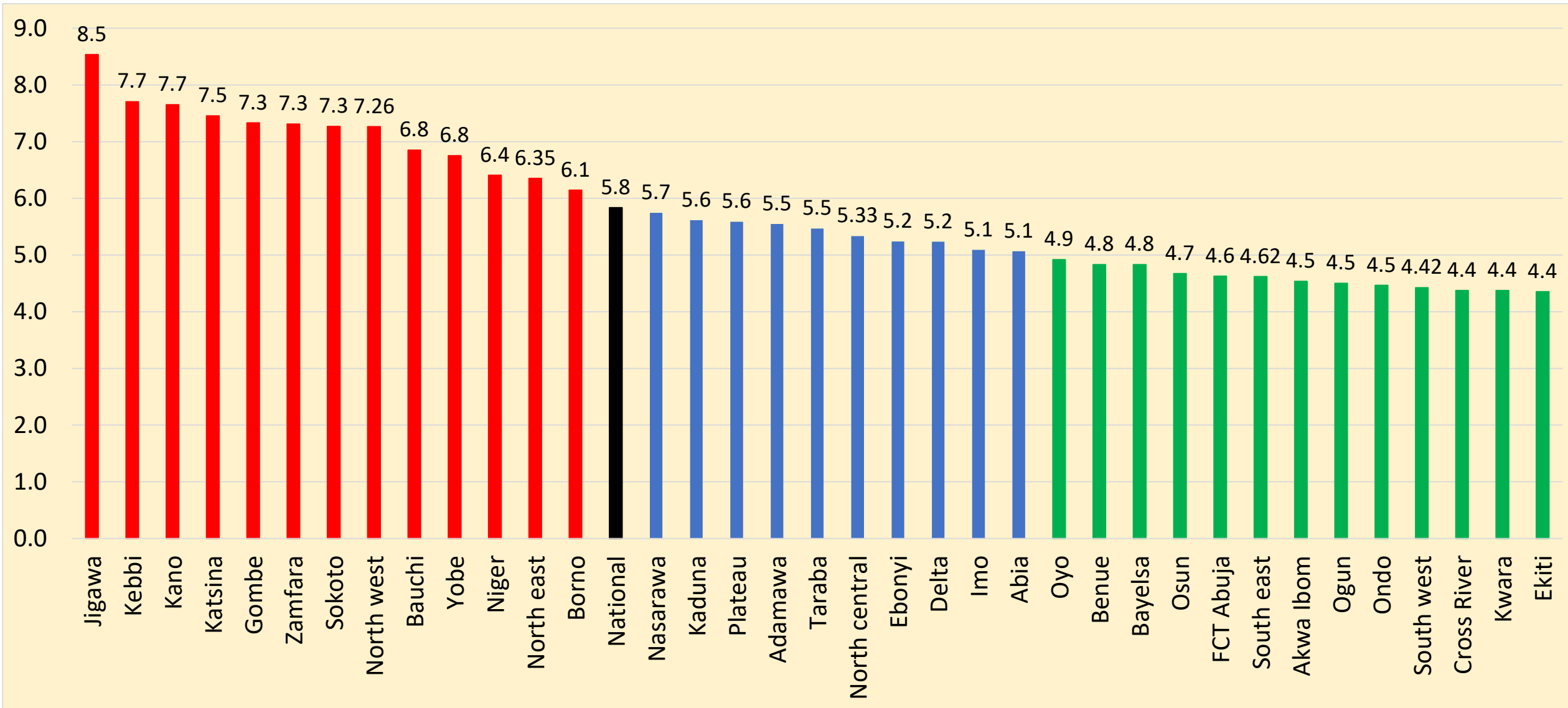
Lifecycle deficit in Nigeria, 2004, 2010, 2016



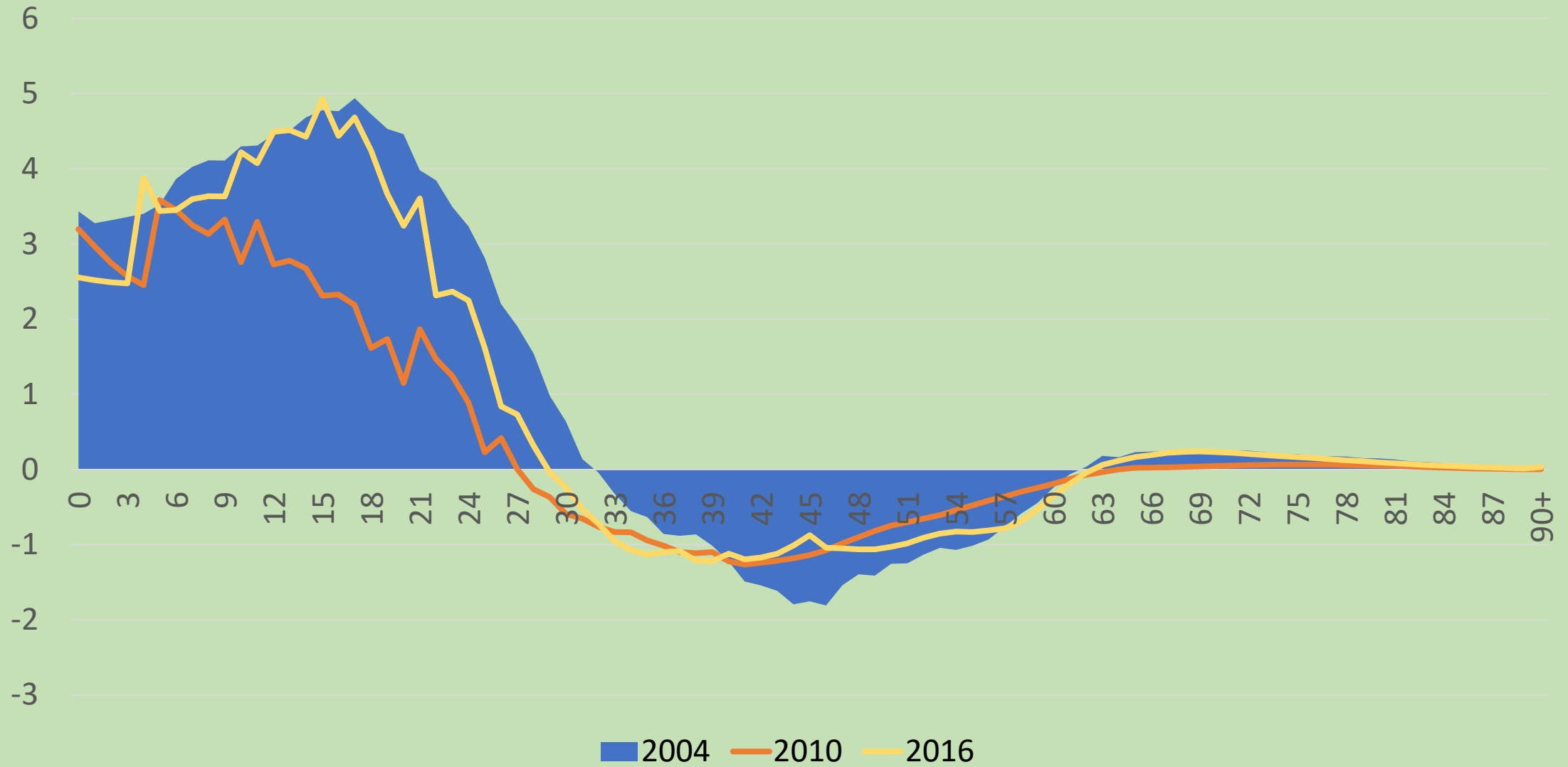
Trend of lifecycle deficit, 2004, 2010, 2016

	2004	2010	2016
Young age deficit (YAD)	4,798,136	18,469,646	43,928,536
Old Age deficit (OAD)	189,794	288,424	1,630,071
Total deficit (YAD+OAD)	4,987,930	18,758,070	45,558,607
Total surplus for surplus ages	1,313,895	7,734,982	13,699,408
Lifecycle deficit	-3,674,035	-11,023,088	-31,859,199

Policy implication: Lower fertility to reduce child deficit

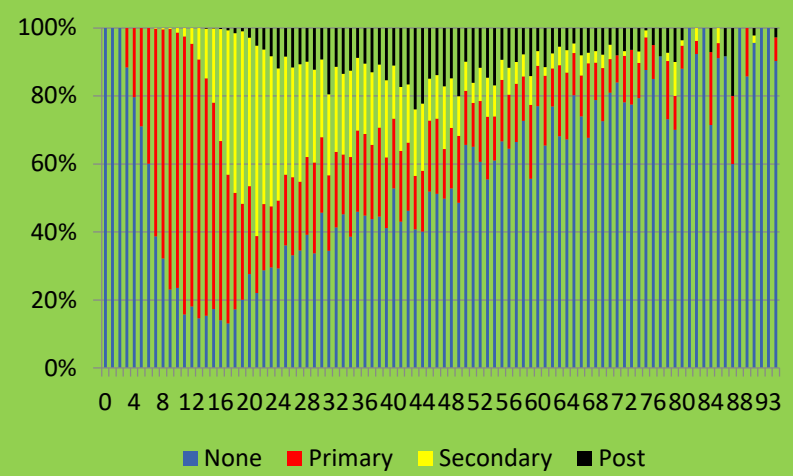


Aggregate lifecycle deficit, Nigeria 2004, 2010, 2016

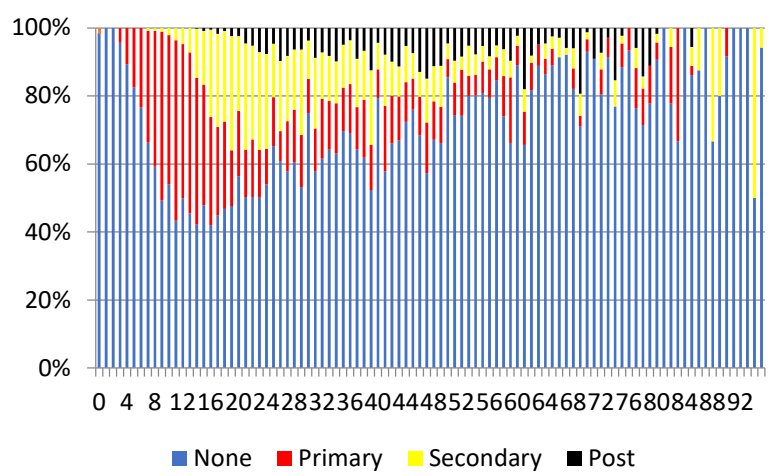


Policy implication: Address inequality in educational attainment in Nigeria's geopolitical zones

North Central



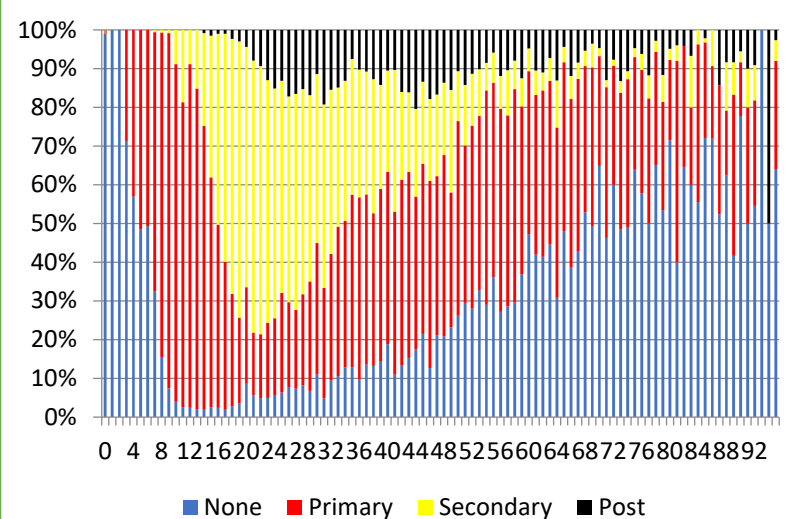
North East



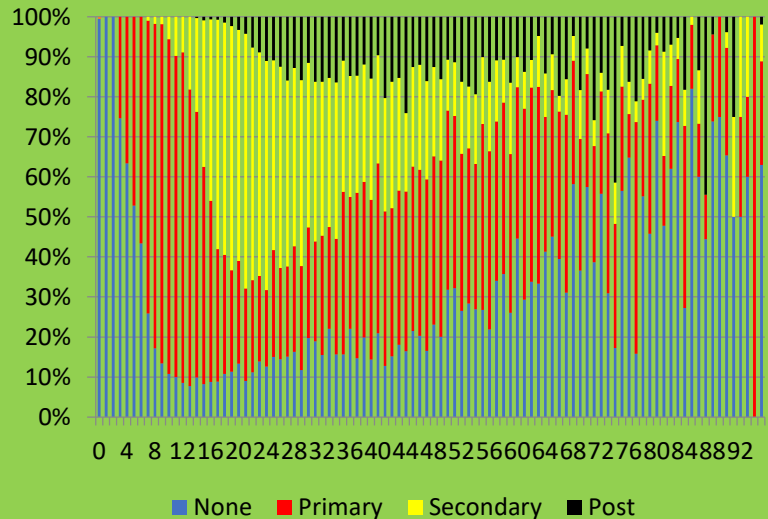
North West



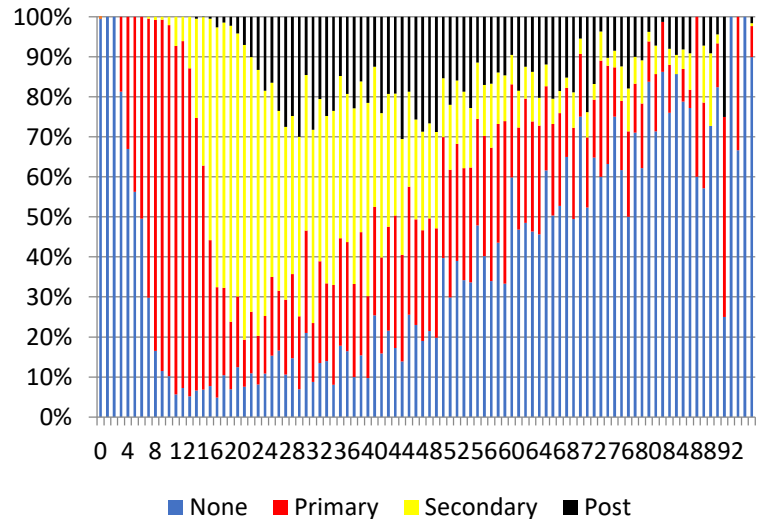
South East



South South

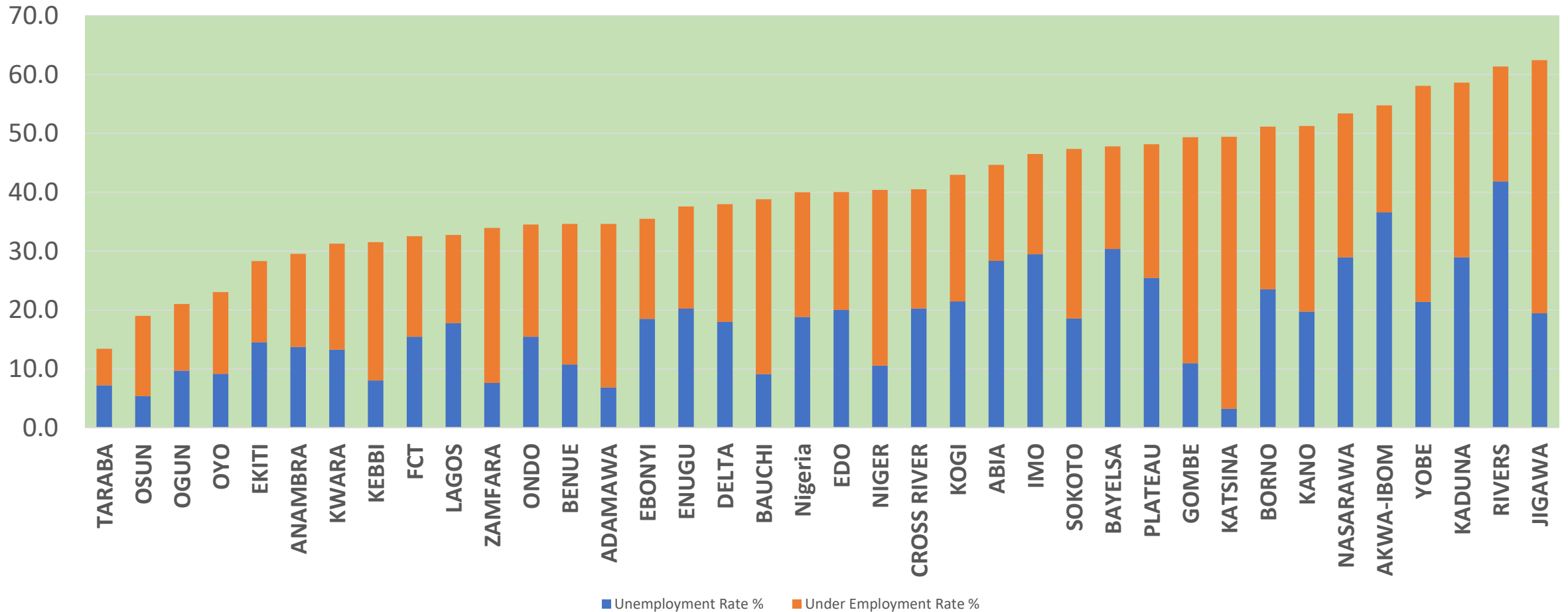


South West



Policy implication: Address unemployment and underemployment

Unemployment and underemployment in Nigeria by state, 2017



Policy implications

- The potential for a demographic dividend in Nigeria will be directly linked to a decline in birth rates that shifts the population's age structure away from a pattern dominated by large numbers of dependent children.
- Nigerian children and youths must have access to adequate and quality education and healthcare that will build their human capital so that they can find employment and contribute to the development of the country. Public sector financing of human capital for children must be addressed.
- These investments will achieve maximum economic impact if they are accompanied by a robust job market. If young adults can find productive employment, they will be able to enjoy higher consumption, invest in their own children, and set money aside for the future.
- Policies must be in place that support old age by giving workers adequate incentive to save and invest and thus prolong the demographic dividend. However, most citizens who are outside formal employment are not captured by any social insurance system.

Thank you