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

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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

- 1950
- 2000
- 2025
- 2050

Age in years

Percent

0 10 20 30 40 50 60 70 80 90 100

Percentages for different age groups in Nigeria from 1950 to 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 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

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

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
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 of the elderly has gone down over the years.

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<th>2004</th>
<th>2010</th>
<th>2016</th>
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<tr>
<td>Young age deficit (YAD)</td>
<td>4,798,136</td>
<td>18,469,646</td>
<td>43,928,536</td>
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<tr>
<td>Old Age deficit (OAD)</td>
<td>189,794</td>
<td>288,424</td>
<td>1,630,071</td>
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<tr>
<td>Total deficit (YAD+OAD)</td>
<td>4,987,930</td>
<td>18,758,070</td>
<td>45,558,607</td>
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<td>Total surplus for surplus ages</td>
<td>1,313,895</td>
<td>7,734,982</td>
<td>13,699,408</td>
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<td>Lifecycle deficit</td>
<td>-3,674,035</td>
<td>-11,023,088</td>
<td>-31,859,199</td>
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Policy implication: Lower fertility to reduce child deficit
Policy implication: Address inequality in educational attainment in Nigeria’s geopolitical zones
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