

Is the Demographic Dividend being wasted? Differential prospects by geopolitical zones in Nigeria

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

Department of Economics

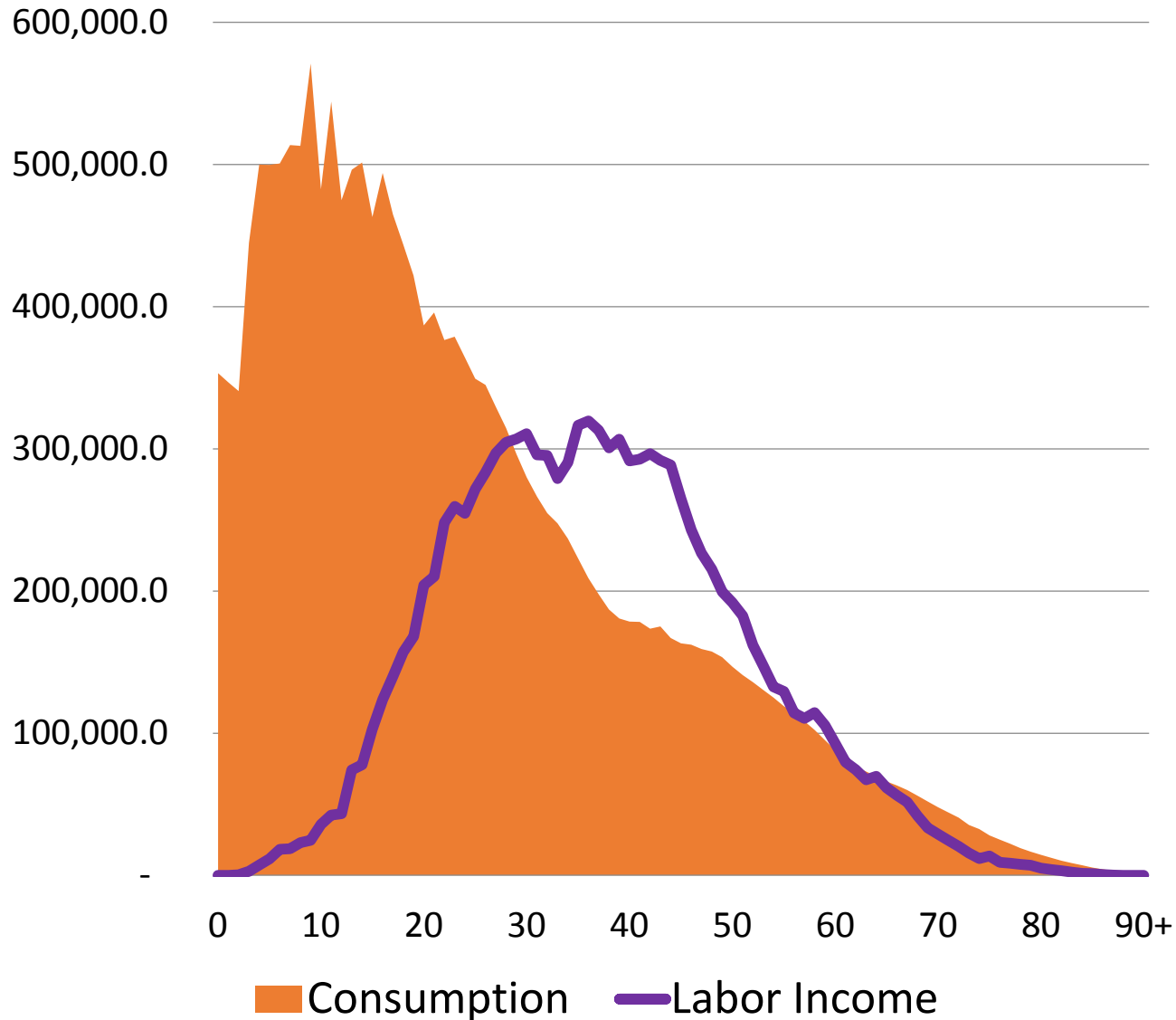
University of Ibadan

Ibadan, Nigeria

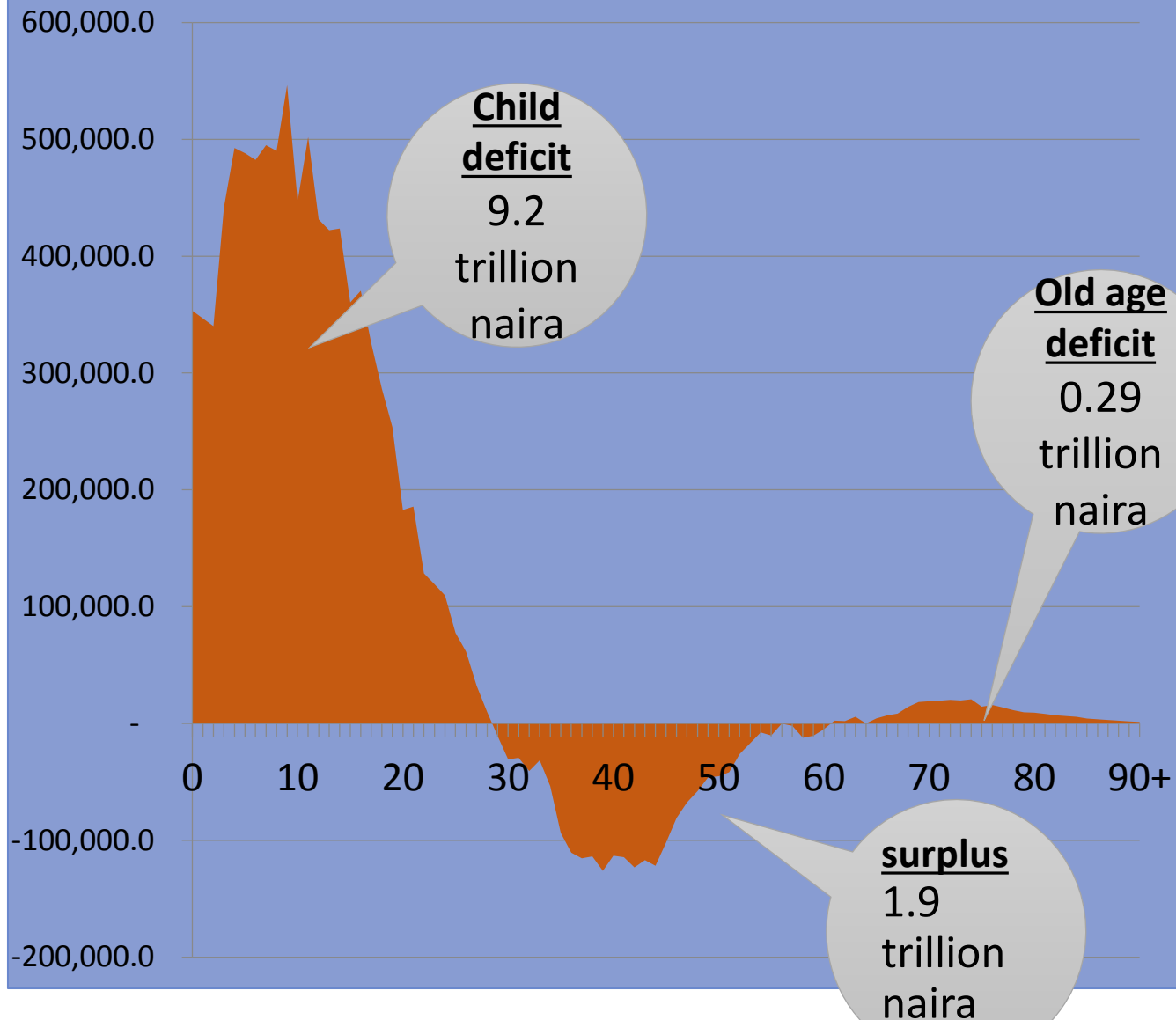
Introduction

- 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

Age profile of total income and consumption in Nigeria, 2009



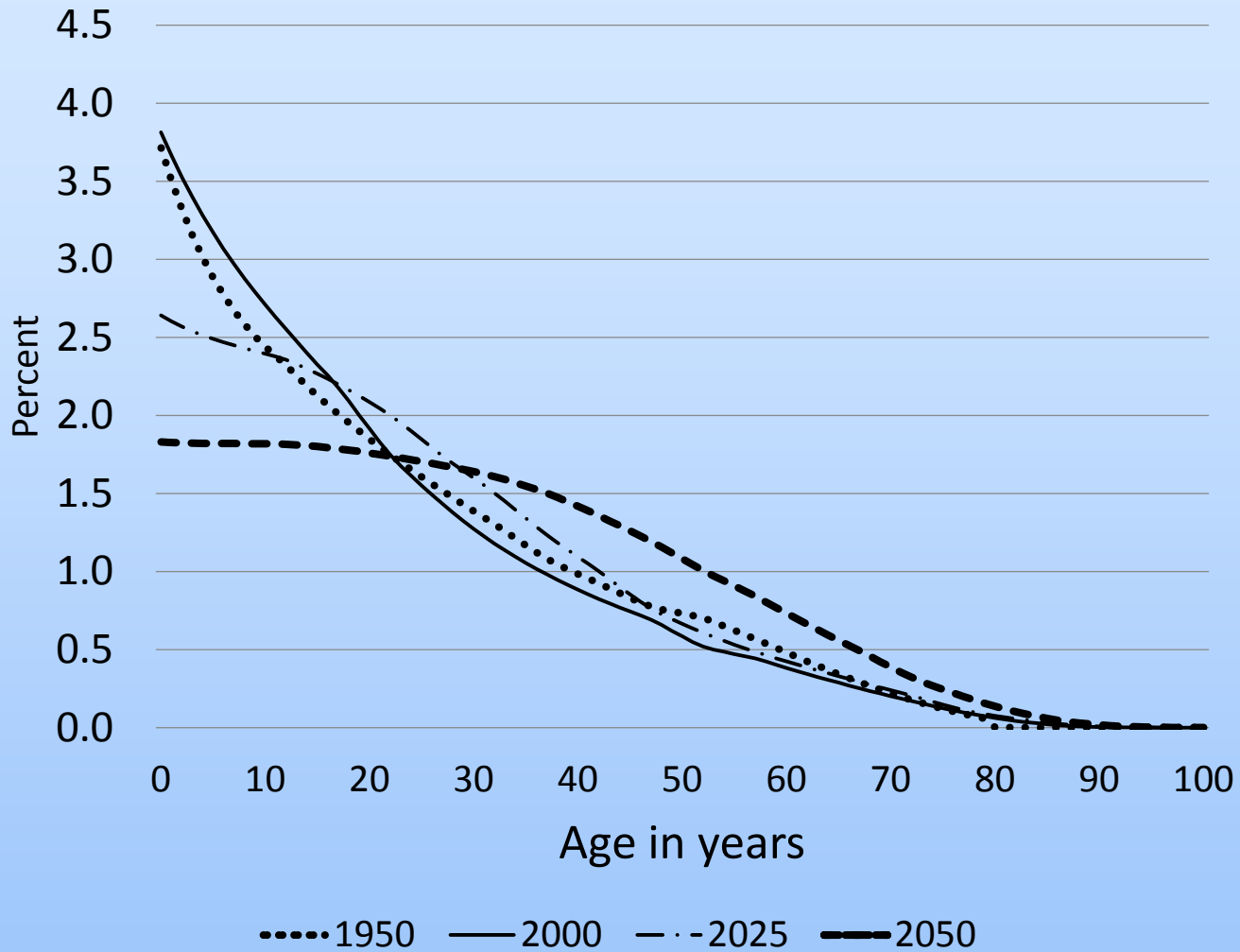
Aggregate lifecycle deficit in Nigeria, 2009



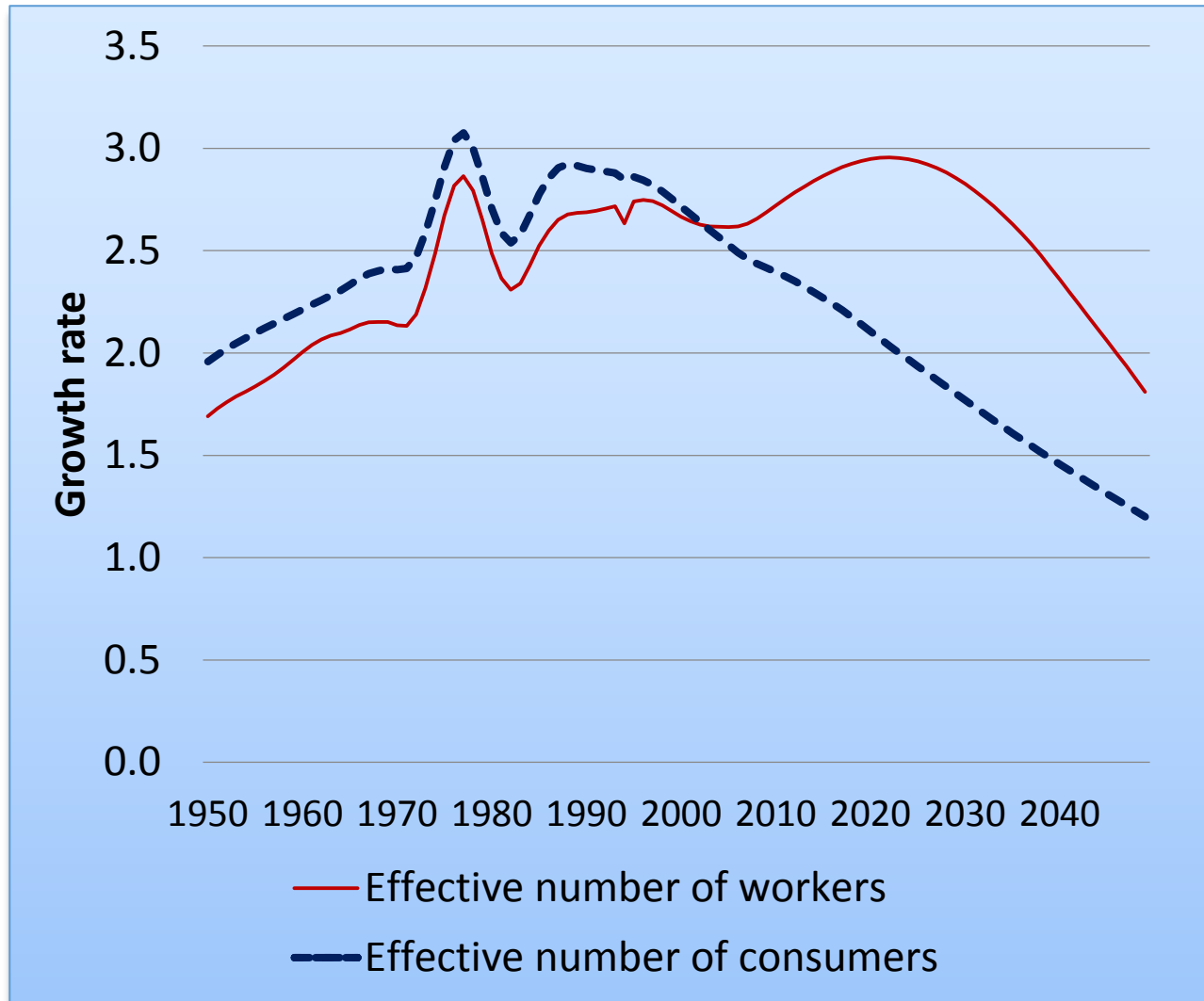
Magnitude of deficit and surplus in Nigeria, 2004 and 2009 (N '000)

	2004	2009
Young age deficit (YAD)	4,798,136	9,206,489
Old age deficit (OAD)	189,794	280,381
Total deficit (YAD+OAD)	4,987,930	9,486,870
Total surplus for surplus ages	1,313,895	1,875,824
Lifecycle deficit	- 3,674,035	- 7,611,046

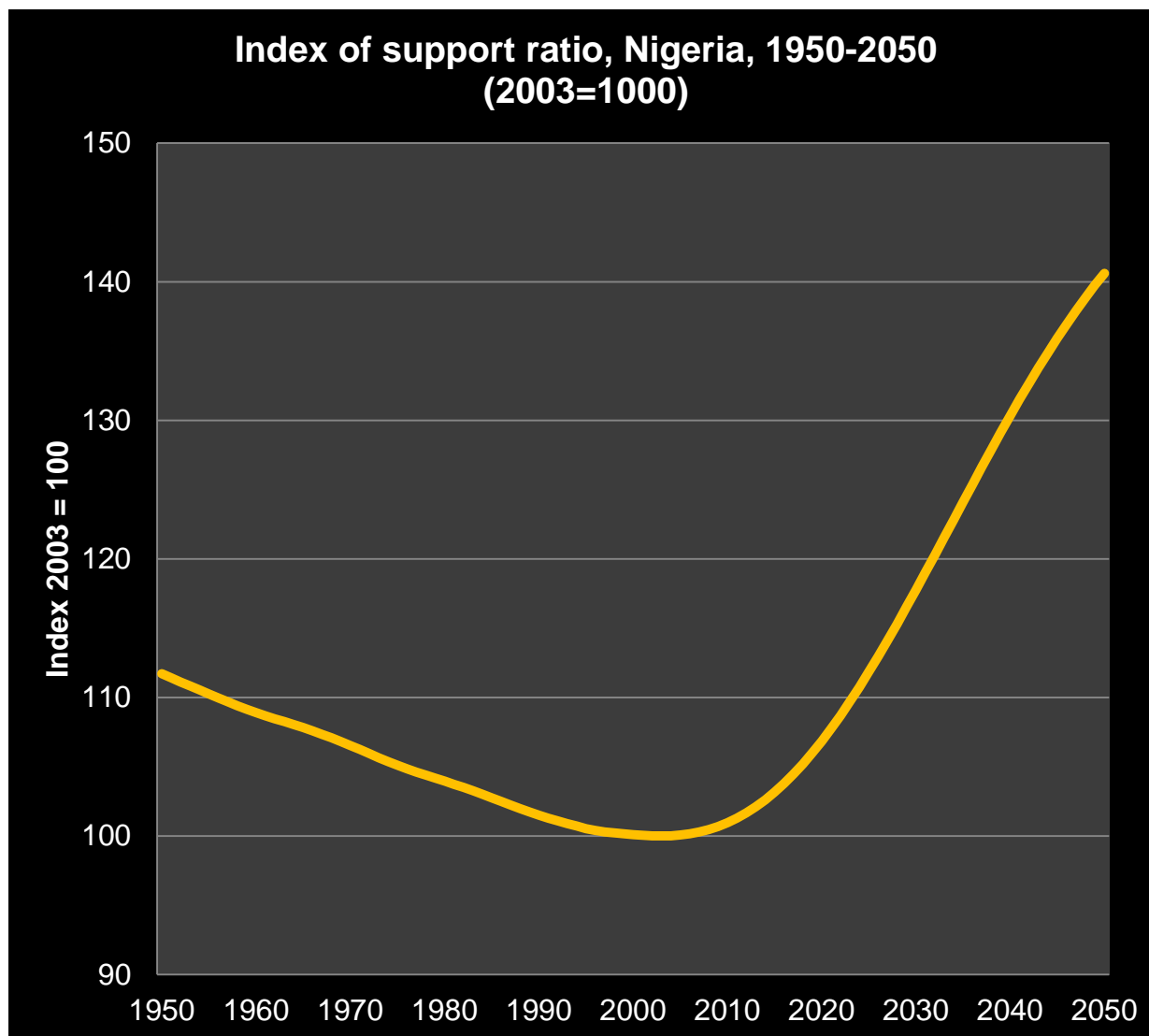
Figure 1: Population age structure for Nigeria, 1950-2050



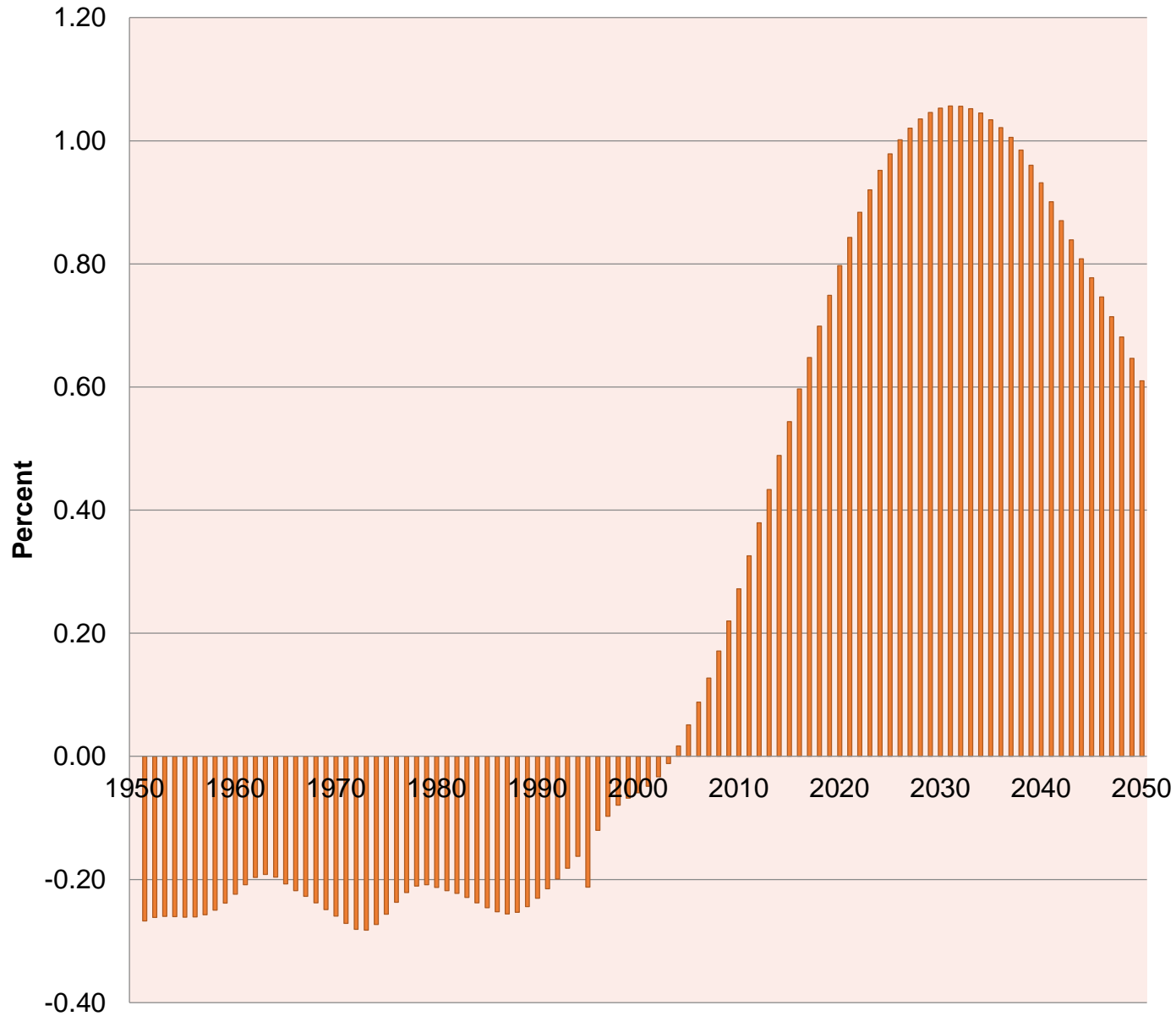
Nature and pattern of the Demographic Dividend: Growth rates of effective consumers and effective producers, 1950-2050



The Demographic Dividend is shaped by the structure of the support ratio

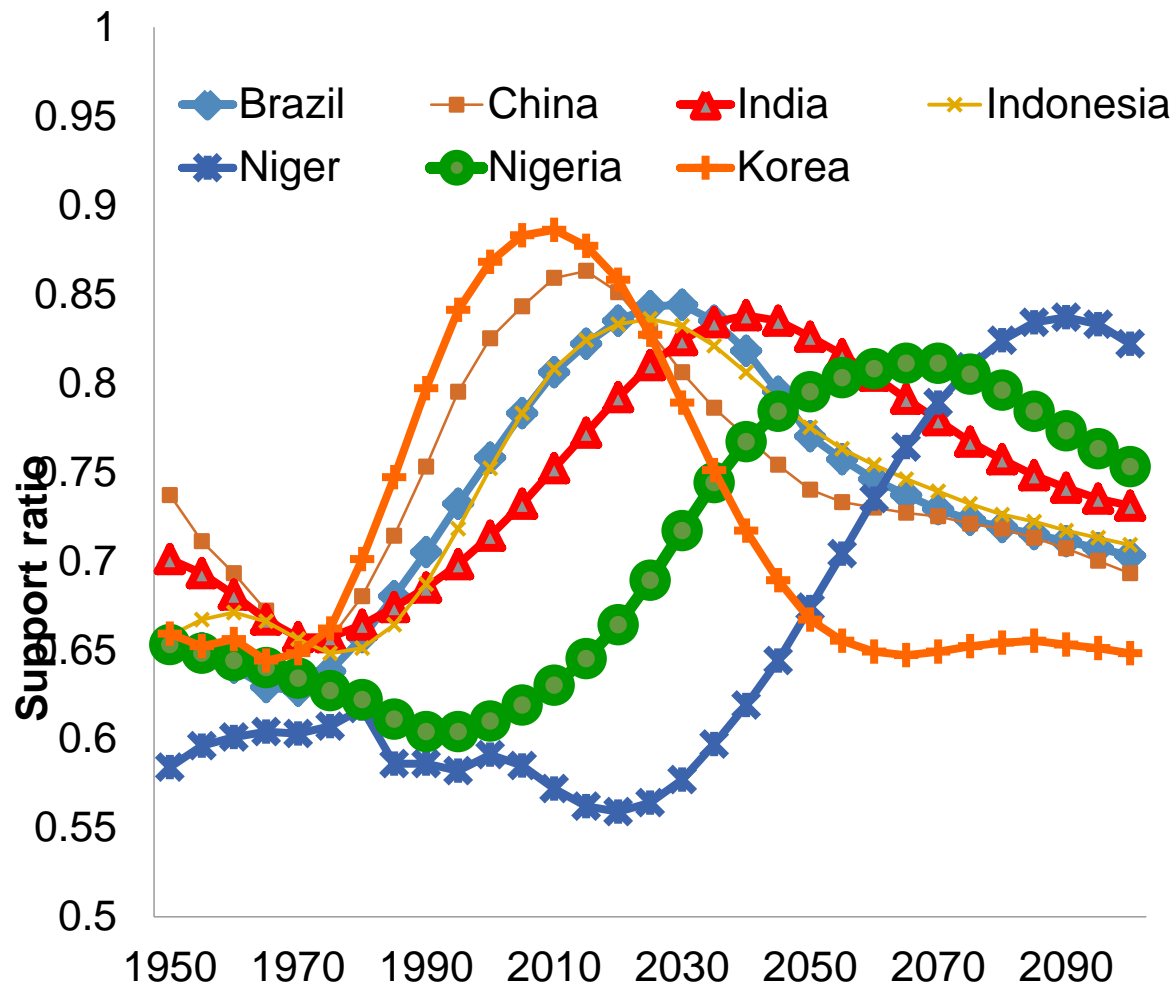


First Demographic Dividend (growth rate of support ratio), Nigeria 1950-2050



Source: Olaniyan et al, 2011

One key feature of Nigeria's support ratio is that the take-off is very slow



Source: Mason et al. 2010. *Population and economic progress in Nigeria*. Background paper for the NGN project.

Nigeria's demographic dividend

- **Timing and gains of the Dividend**
- Since 2003, the dividend has turned positive and shall remain positive till 2050
- The prospect is for the dividend to reach its peak in 2031 and 2032 before it starts to decline
- The contribution of the dividend is expected to increase over the years and will contribute as much as 18 percent to economic growth by 2030 and about 10 percent to GDP growth in 2050, given persistence of the current average growth
- It should be noted, however, that the dividend is transitory and will end at some point in time
- The first dividend should last for 57 years; by around 2060, demographic change will become a drag on the economy

But the context of Nigeria is not homogenous

- A federal country with 36 states and 774 local government areas
- For administrative convenience the country is divided into six geopolitical zones
- Diversity in population growth and age structure
- Diversity in poverty and prosperity
- This create issues for capitalizing on the demographic dividend
- Like many developing countries, the best opportunities many times turn out to be the biggest challenges
- A more difficult question: “Is the demographic dividend being wasted?”, i.e. Window of Opportunity of Demographic Disaster?

Incidence of poverty by sector and zone, 1980-2010 (%)

Levels	1980	1985	1992	1996	2004	2010
National	27.2	46.3	42.7	65.6	54.4	69.0
ZONES						
North Central	32.2	50.8	46.0	64.7	67.0	67.5
North East	35.6	54.9	54.0	70.1	72.2	76.3
North West	37.7	52.1	36.5	77.2	71.2	77.7
South East	12.9	30.4	41.0	53.5	26.7	67.0
South South	13.2	45.7	40.8	58.2	35.1	63.8
South West	13.4	38.6	43.1	60.9	43.0	59.1

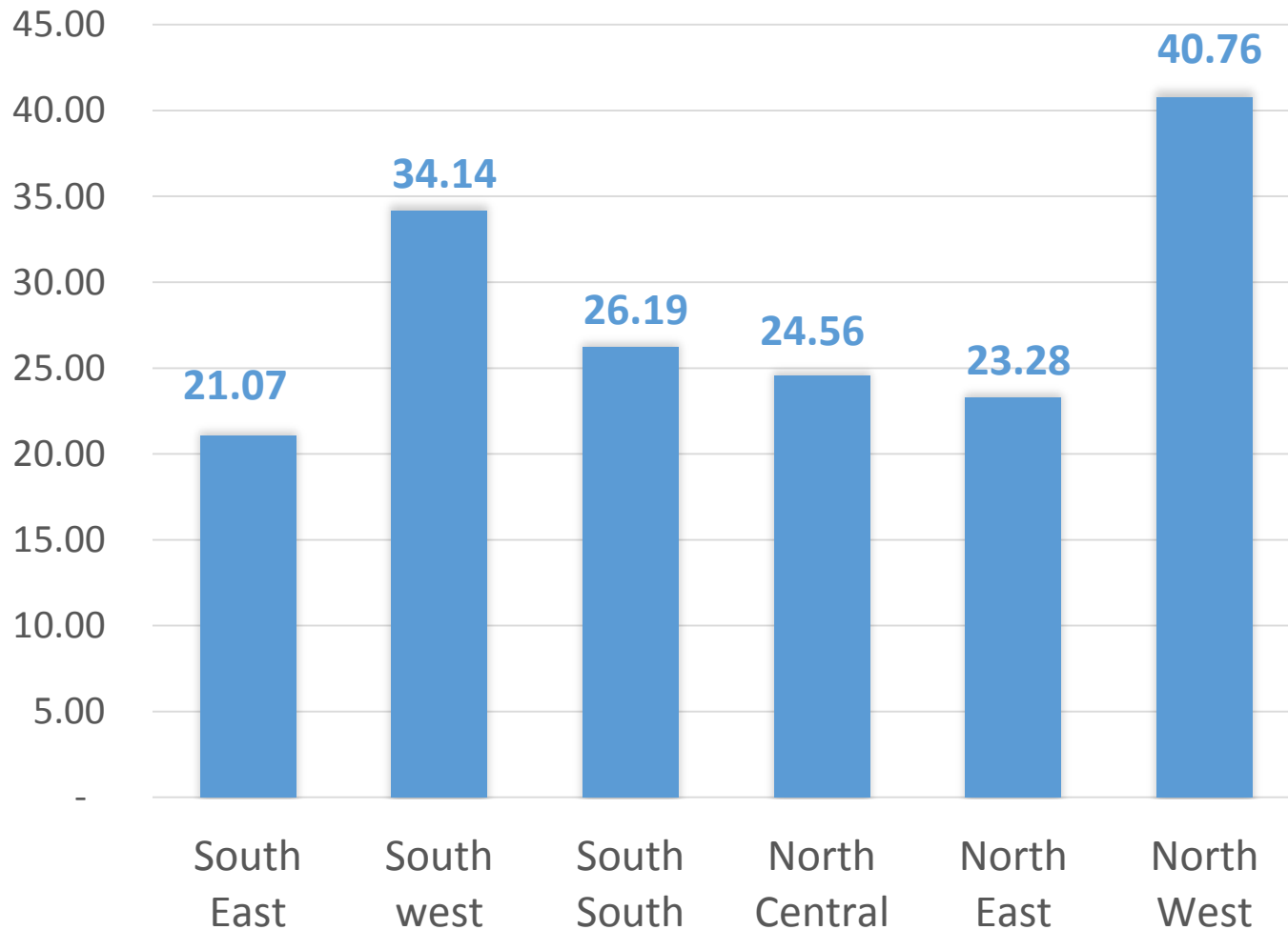
Inequality

Levels	1985	1992	1996	2004	2010
National	0.43	0.41	0.49	0.42	0.45
Urban	0.49	0.38	0.52	0.41	0.43
Rural	0.36	0.42	0.47	0.42	0.44
Zonal					
North Central	0.41	0.39	0.50	0.44	0.42
North East	0.39	0.40	0.49	0.41	0.45
North West	0.41	0.43	0.47	0.40	0.41
South East	0.44	0.40	0.39	0.38	0.44
South South	0.48	0.39	0.46	0.39	0.43
South West	0.43	0.40	0.47	0.41	0.41

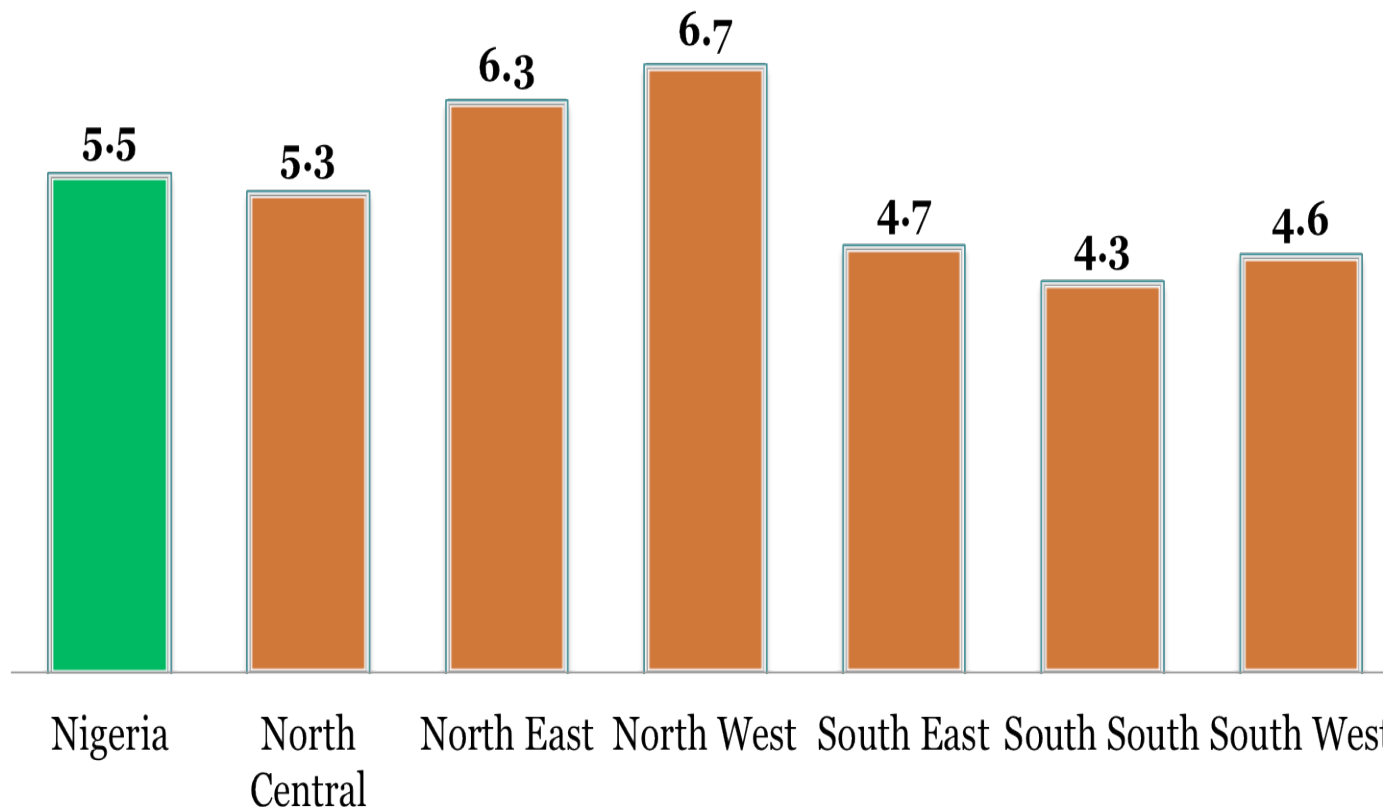
Will the dividend be wasted?

- The issues
 - Fertility transitions in the geopolitical zones
 - Human capital development
 - Labor market
 - Macroeconomic government policies

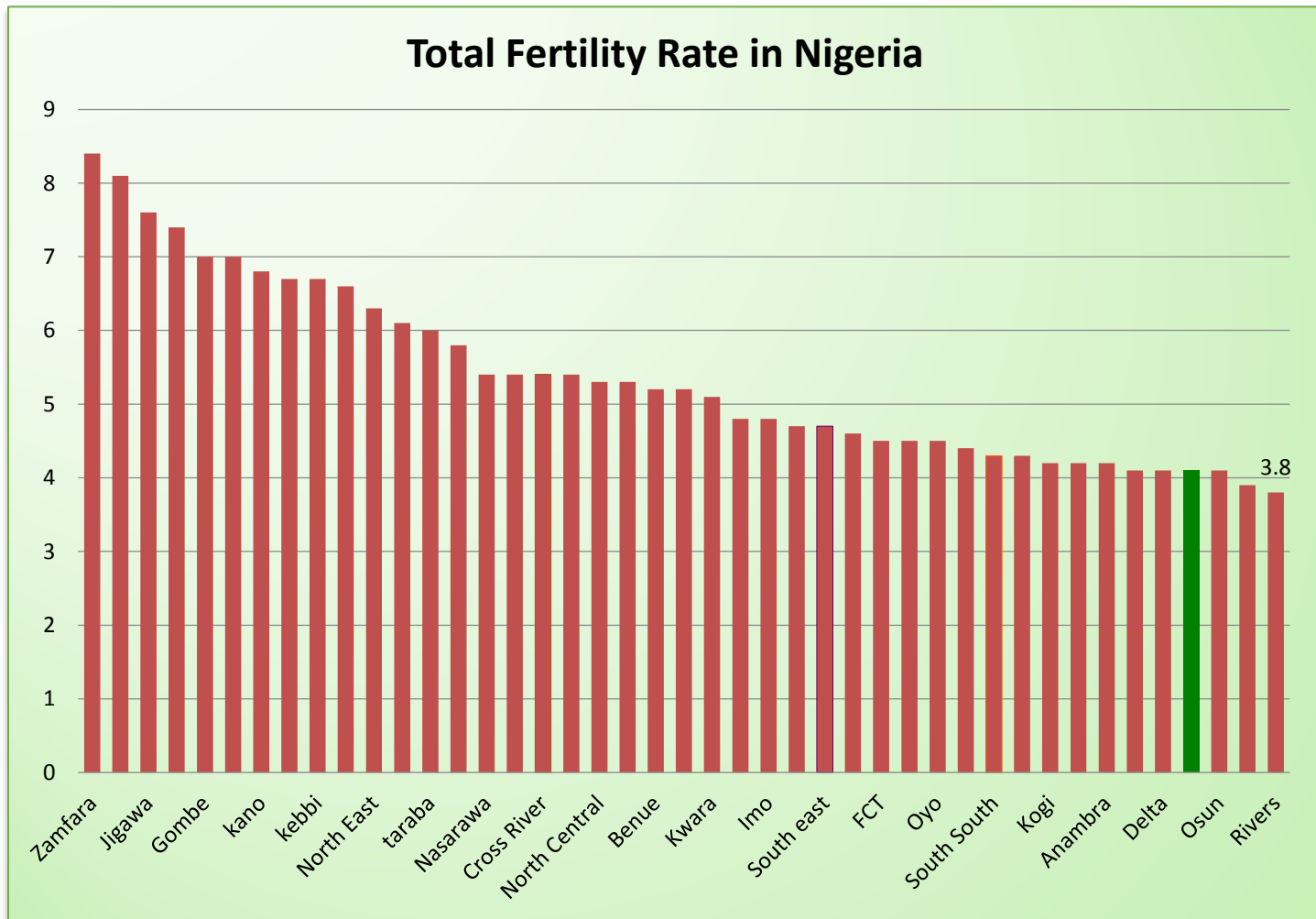
POPULATION OF THE SIX GEOPOLITICAL ZONES IN MILLIONS, 2015



Total Fertility Rate in Nigeria, 2013



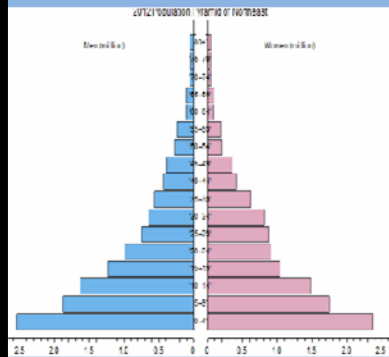
National Population Commission (NPC) [Nigeria] and ICF International. 2014. *Nigeria Demographic and Health Survey 2013*. Abuja, Nigeria, and Rockville, Maryland, USA: NPC and ICF International.



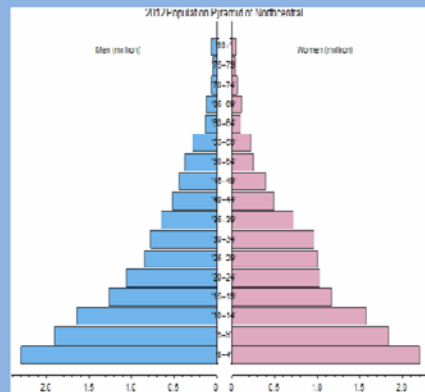
National Population Commission (NPC) [Nigeria] and ICF International. 2014. *Nigeria Demographic and Health Survey 2013*. Abuja, Nigeria, and Rockville, Maryland, USA: NPC and ICF International.

Population pyramid by geopolitical zones in Nigeria, 2012

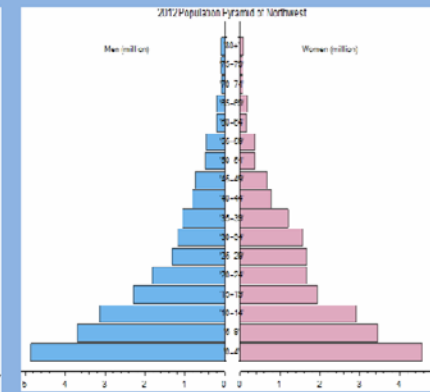
North East



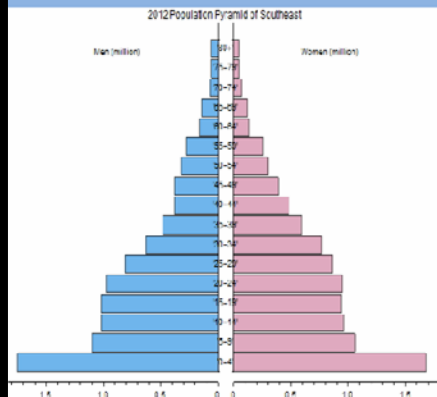
North central



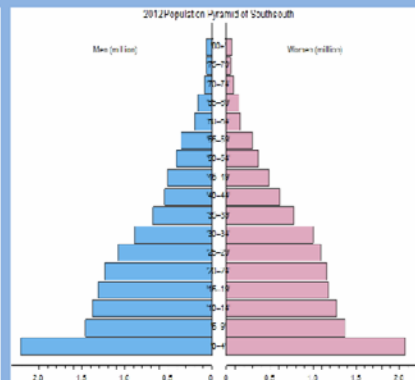
North West



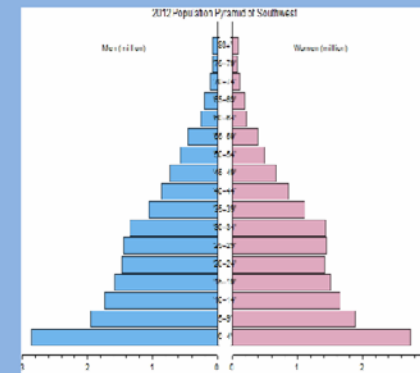
South East



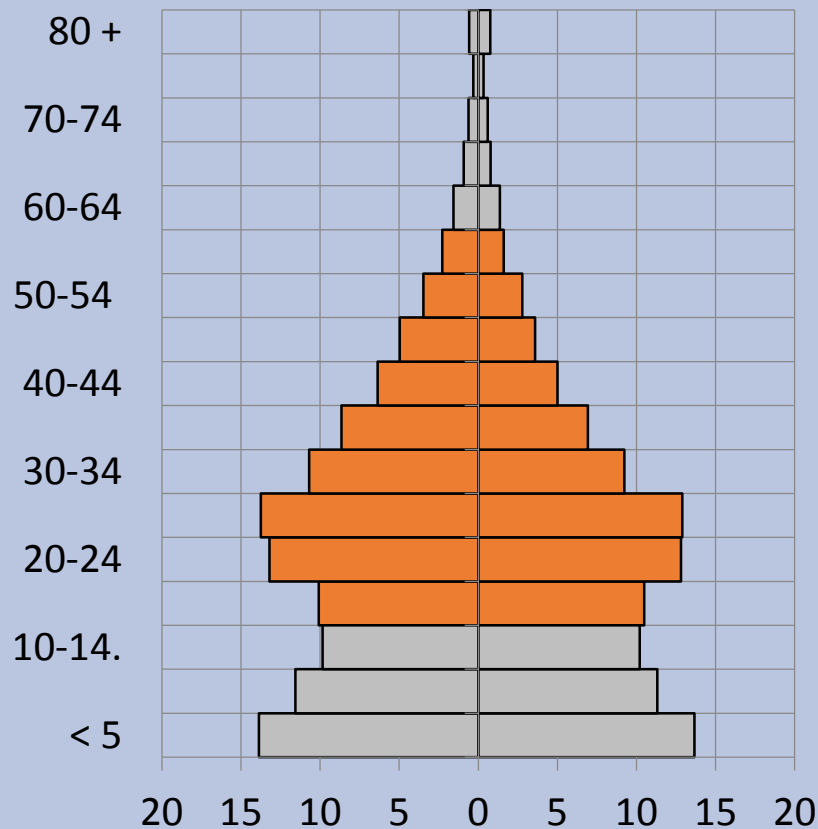
South South



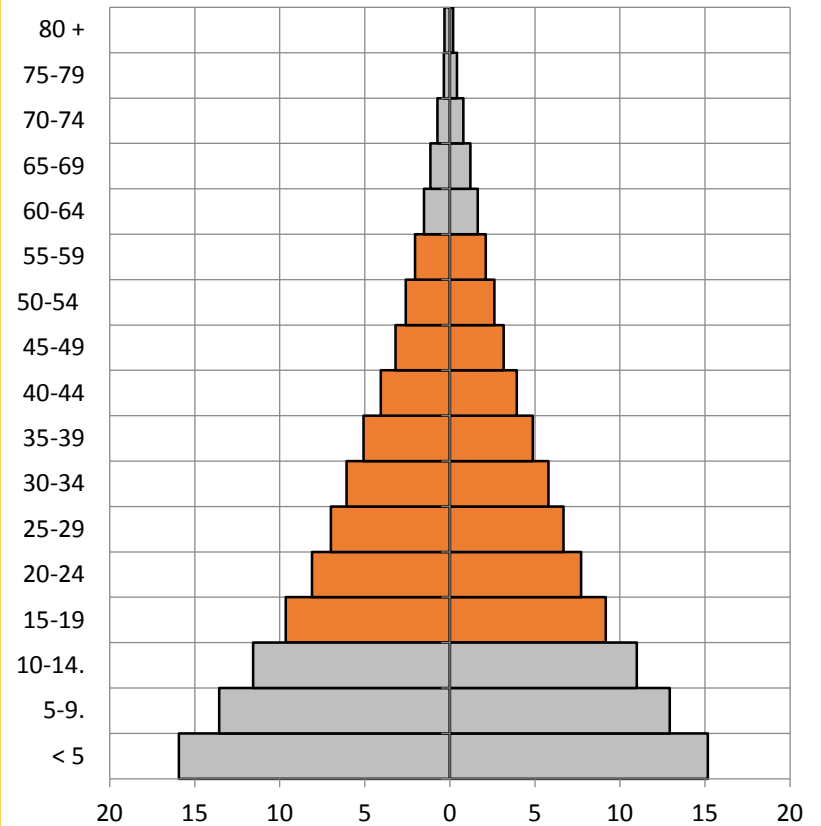
South West



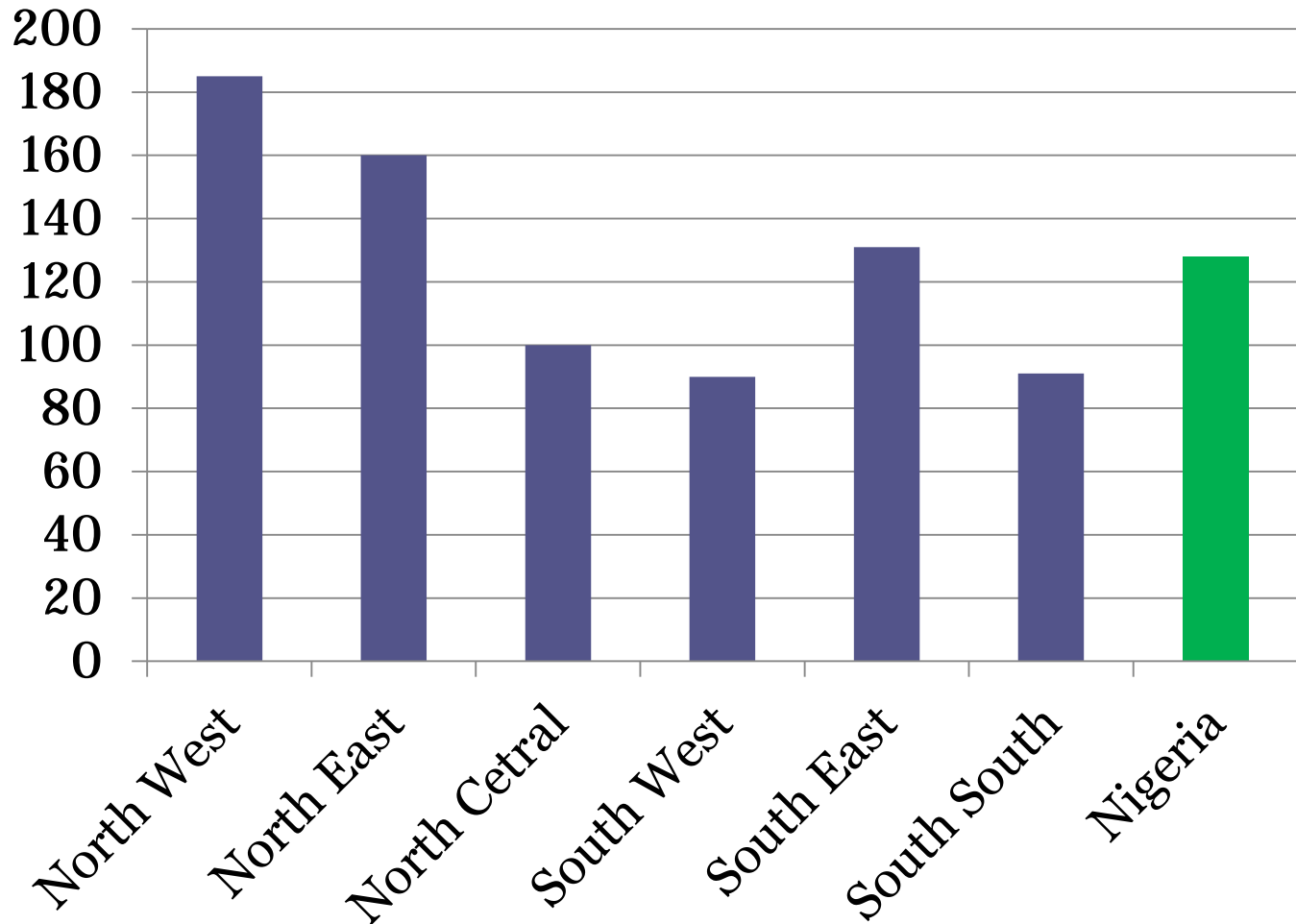
Lagos State Population Pyramid, 2015



Nigeria Population Pyramid, 2015



U5 mortality across Geopolitical zones, 2013



National Population Commission (NPC) [Nigeria] and ICF International. 2014. *Nigeria Demographic and Health Survey 2013*. Abuja, Nigeria, and Rockville, Maryland, USA: NPC and ICF International.

Fertility transition appears slow...

- **The speed of fertility transition is key**
 - Lower fertility can increase the resources available to save and invest, both in physical capital and in the health and education of children
- The pace of fertility decline has followed different rates in different zones:
 - For many zones, the dependency ratio has just begun declining although at a very slow rate. This will slow down the reaping of the demographic dividend
- **The Northern zones are experiencing substantial population growth with high youth population** and limited resources
- In the south, many of the young population are already entering working age and need to be integrated into the economy
 - Without increase in available employment opportunities to match skills and number of young workers, a high unemployed and underemployed youth population can lead to demographic doom

Issues from fertility transition...

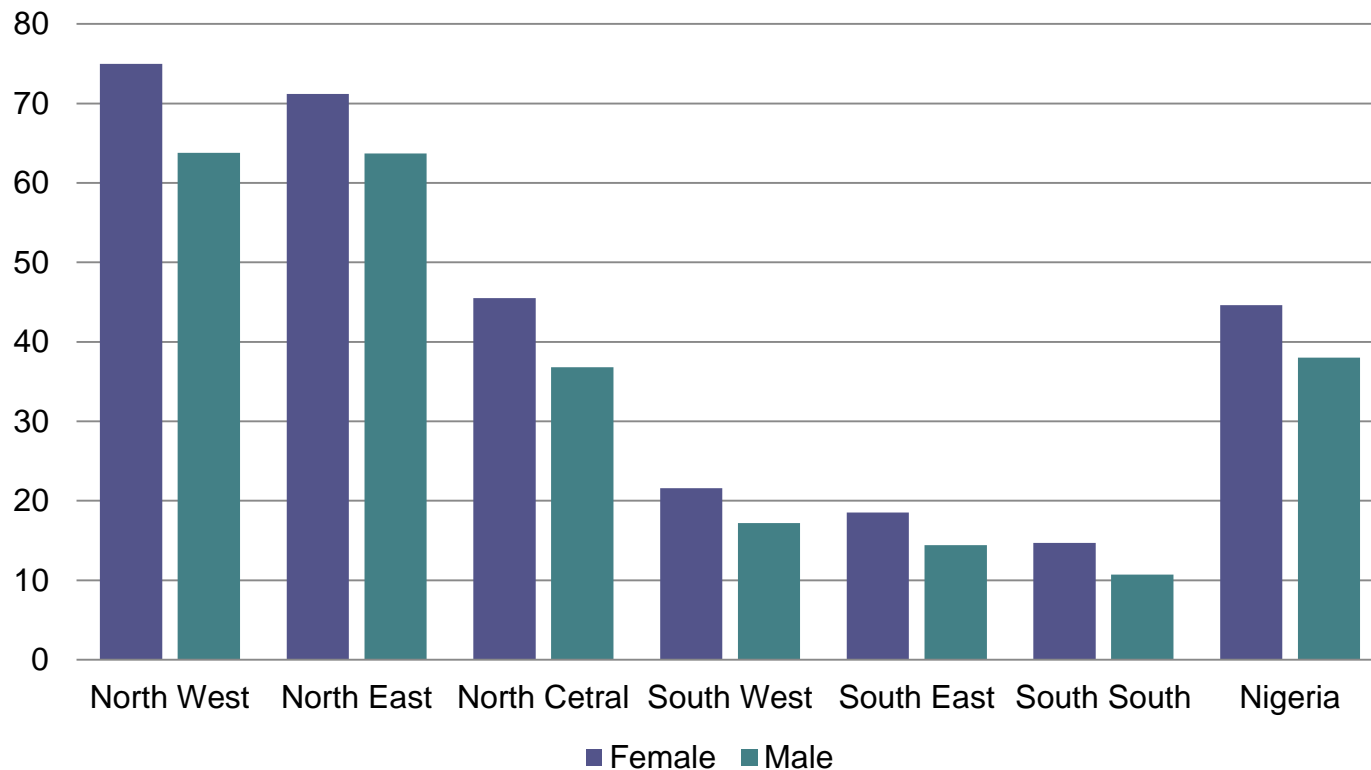
- **Inequality can be a reality**
- Changing age structure must free up resources for productive investment across the board, or else the southern geopolitical zones that are at the forefront of the fertility decline will benefit more than the northern geopolitical zones, thereby worsening inequalities
- The earlier and more rapid fall in fertility in the southern states can increase the head start that these regions have in economic conditions and become even more of a handicap to the north where fertility transition appears slower to begin
- Inequality can be more severe in the long run as the second demographic stage sets in
- Children from low-fertility geopolitical zones will be more productive than their peers from high-fertility zones since they should have had more invested in their education and health just because there were fewer of them

Human capital investments

- Quality of human capital investment in education and health for children

There is a need for an expanded and more educated workforce

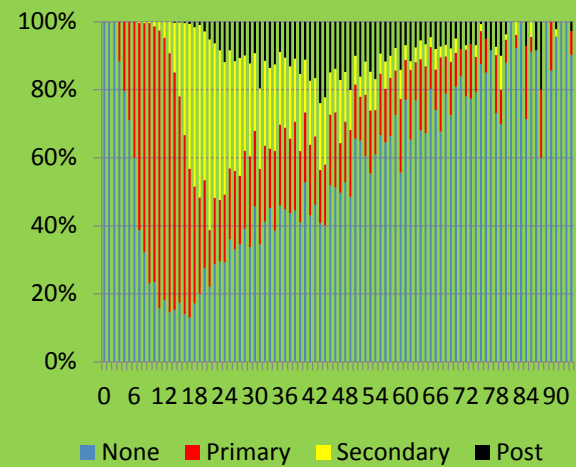
Proportion of adults aged 15 and above with no formal schooling, 2008



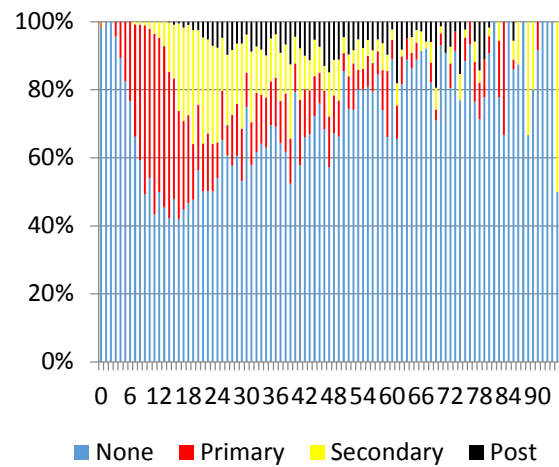
Calculated from the 2008 National Health and Demographic Survey (NDHS)

Educational attainment by age in Nigeria's geopolitical Zones

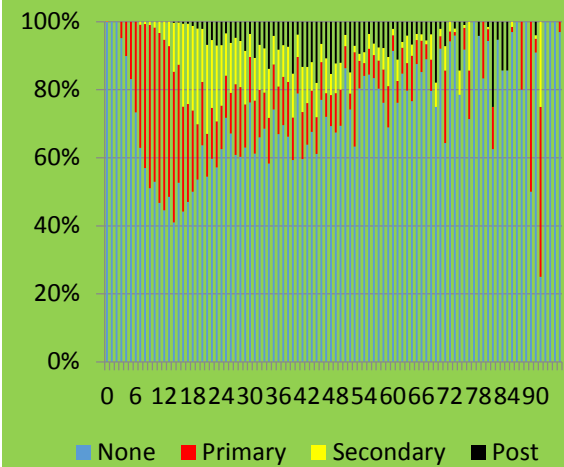
North Central



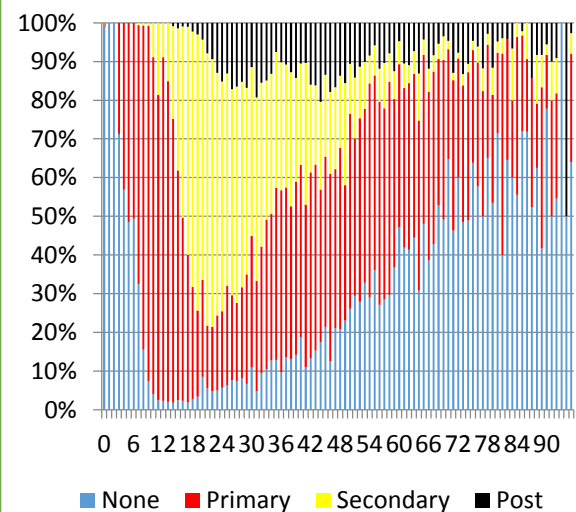
North East



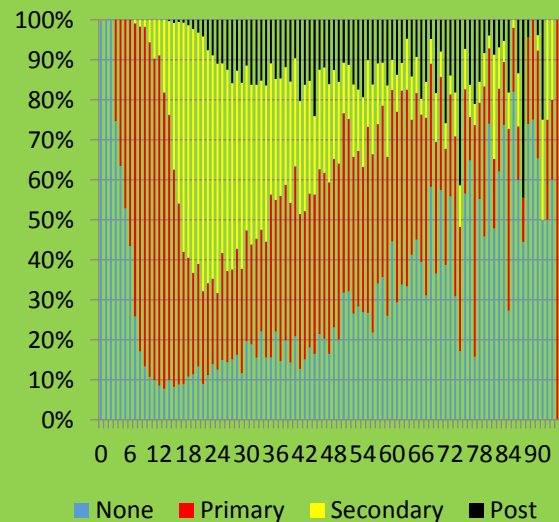
North West



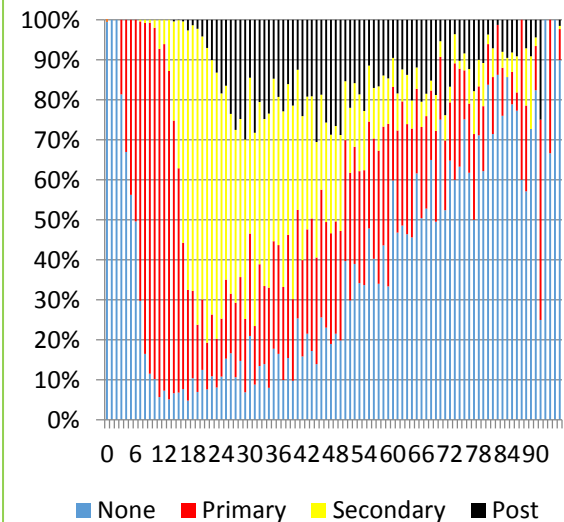
South East



South South



South West



Issues from the human capital investment differentials

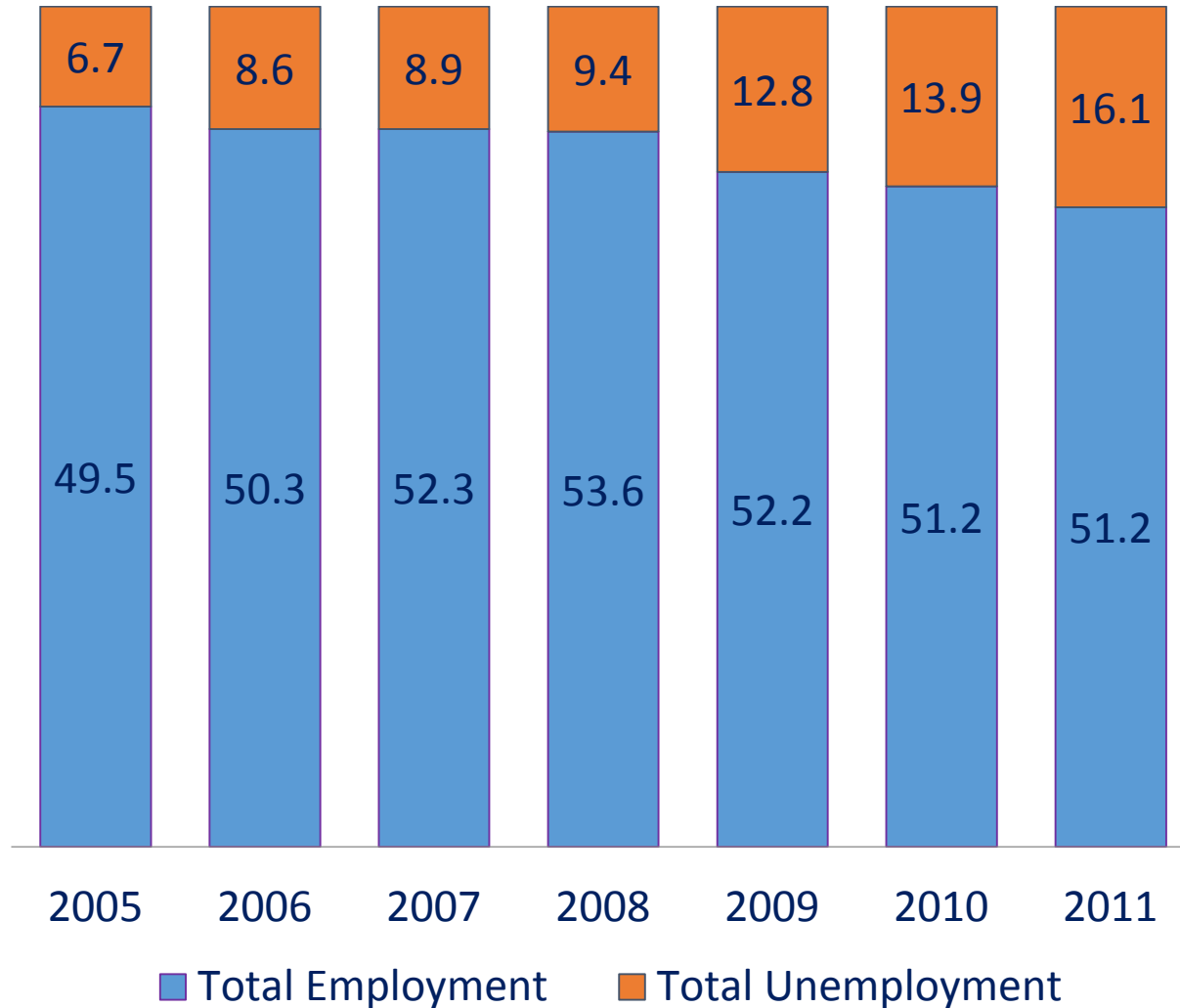
- *Education and health*
 - *Transforming a youthful population into a productive workforce* requires investment in education at all levels
- *Economic policy*
 - *A larger, better-educated workforce* will yield benefits only if the additional workers can find jobs
 - Government policies that lead to stable macroeconomic conditions are associated with the growth of productive and rewarding jobs.
 - Labour market flexibility and openness to trade are also important, but the relevant policy reforms must be undertaken gradually and in a manner that protects those who can lose out in such transitions

Labour market characteristics: Unemployment is a big issue: What do employment levels and trends in Nigeria tell us about the possibility of a negative demographic dividend?

- **Investments in children do not achieve a maximum economic impact unless 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
- Working age population (aged 15-60 years) will increase from about 85.7 million in 2011 to an estimated 185.6 million by 2050, an average increase of 25 million per decade.
- The size of the demographic dividend will depend on the massive creation of wage-earning jobs
- Note that **NOT** all the new entrants into the working age population will be seekers of jobs
- In reality, many of the new young will be entrepreneurs looking for hands to employ

Unemployment remains a key issue

Nigeria's labor force (million) 2005 - 2011



Employment

- The government must provide enabling environment for employment
- Nigeria will have both new workers and new employers
- The government does not have to take on the primary responsibility for creating jobs
- They will have to provide an enabling ethos and an effective regulatory system, provide for the basic needs of citizens, and keep a check on excessive inequality
- In 2015, the unemployment rate in Nigeria was 32%
 - Those who have attained post secondary education = 32.1%
 - Those with secondary education = 33.6%
- The country must avoid a situation where skilled workers cannot get quality jobs

Capitalizing on the dividend

Pensions and old age support

- It is not too late to start preparing for old age
- People must have the opportunity and mechanisms to accumulate wealth and achieve more financial independence in old age and depend less on government and their families
- Nigeria must be willing to avoid situations that force the elderly to live with few resources or be overly dependent on families or public pensions
- With a few exceptions, most states have a Pay-as-You-Go pension scheme
- However, most of the citizens who are outside formal employment are not included in any social insurance system
- Policies must be in place that give workers adequate incentives to save and invest and thus prolong the demographic dividend

- There is a demographic dividend in Nigeria's future, starting from the mid-2020s until 2050.
- The timing of Nigeria's demographic dividend varies by geopolitical zone.
- The magnitude of the demographic dividend also varies by geopolitical zone
- Southern zones are already entering into the demographic window of opportunity, but the Northern zones are not
- The Northern regions have had significantly higher fertility rates than the Southern ones, contributing to the very high fertility levels at the national level
- Access to, utilization, and quality of human capital investment is higher in the South than in the North
- Population policies therefore should not be the same across the board in all the regions

Next steps

- Estimate the National Transfer Account by geopolitical zones in Nigeria
- Estimate the magnitude and extent of demographic dividends by geopolitical zones