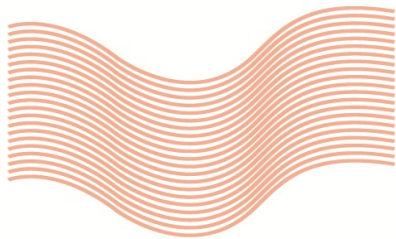


Emerging Evidence on the Demographic Dividend of Nigeria

Adedoyin Soyibo
Olanrewaju Olaniyan
Akanni O Lawanson

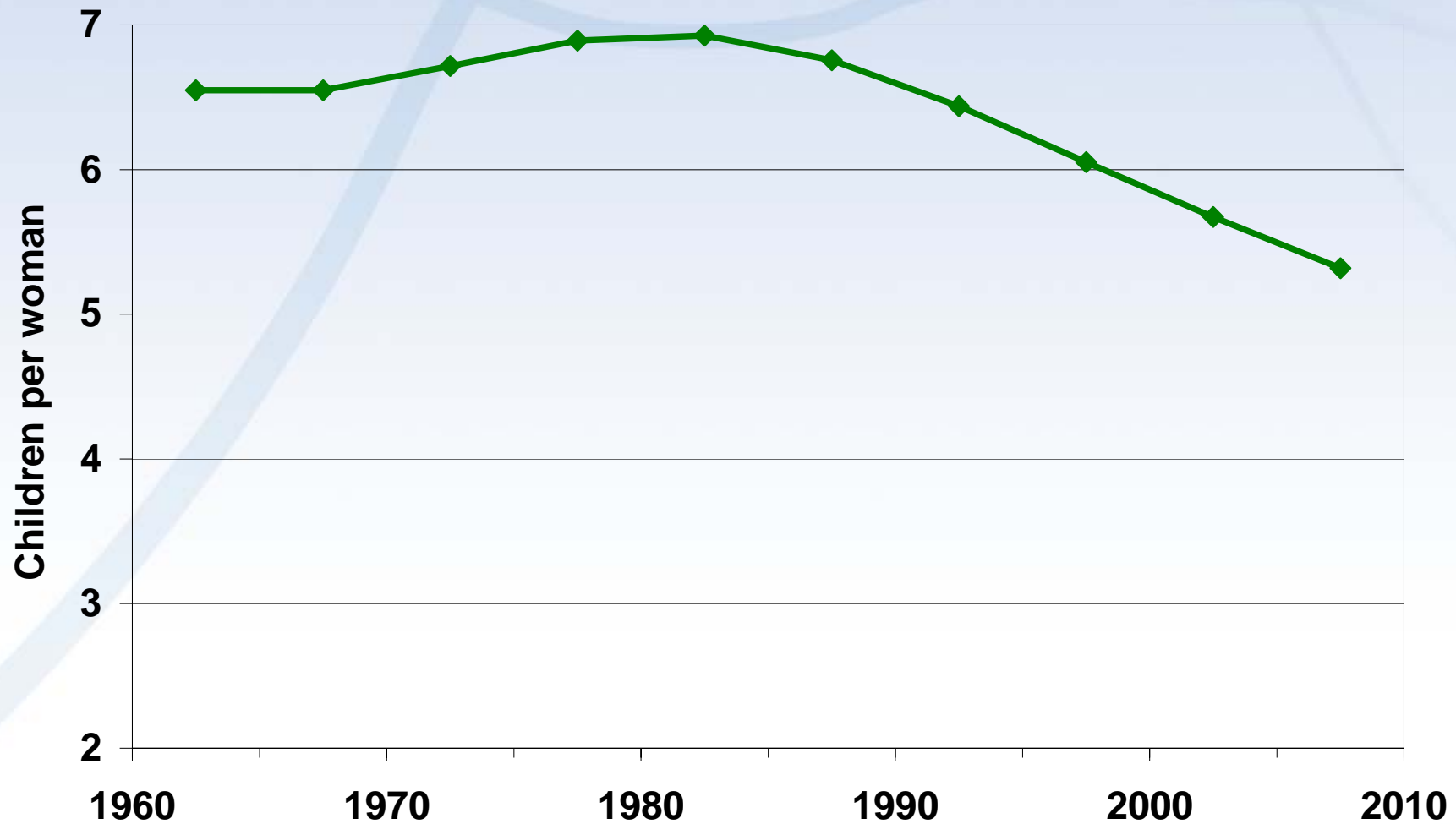


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Nigeria's Demographic History

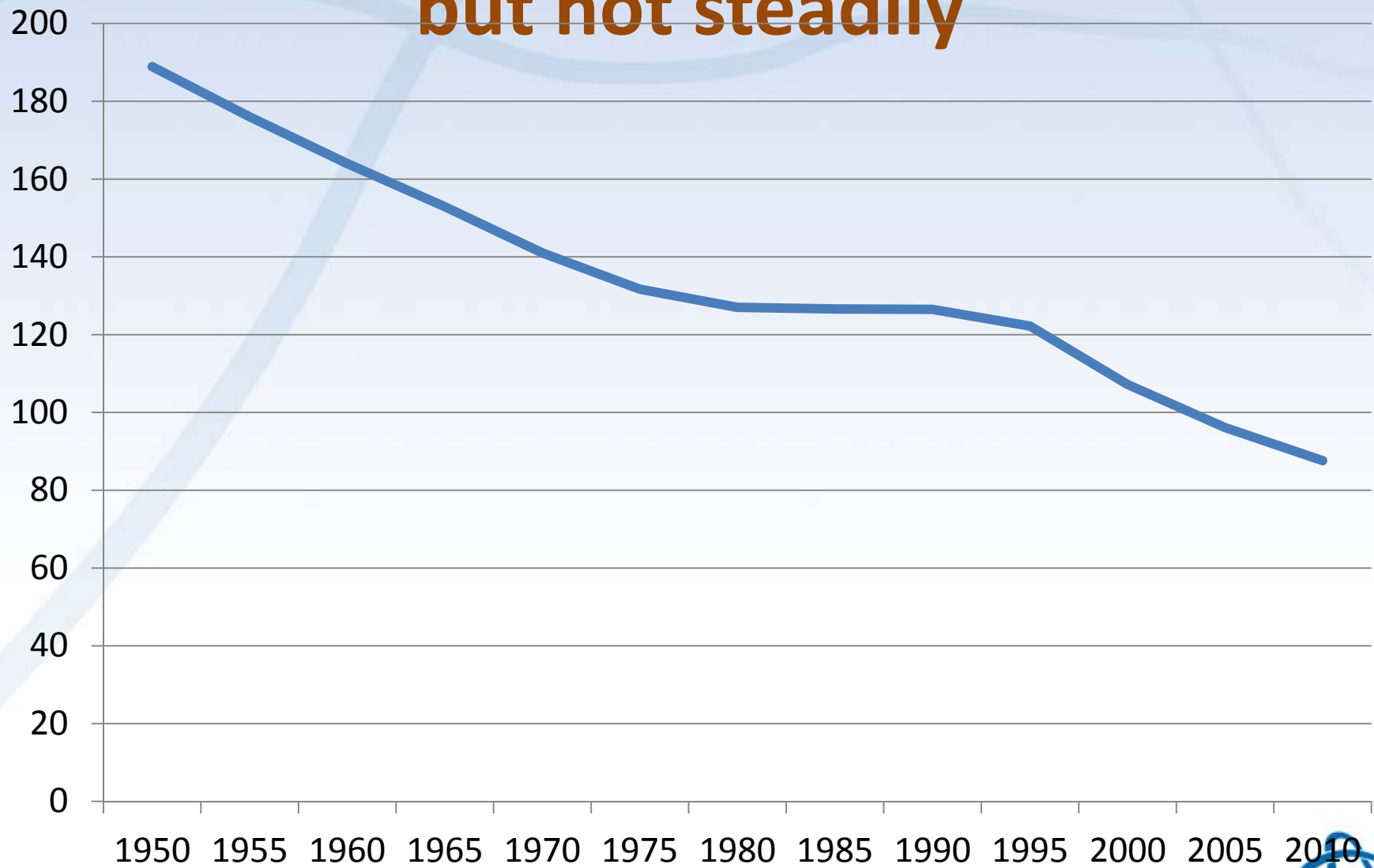
Nigeria's fertility rate has started to fall



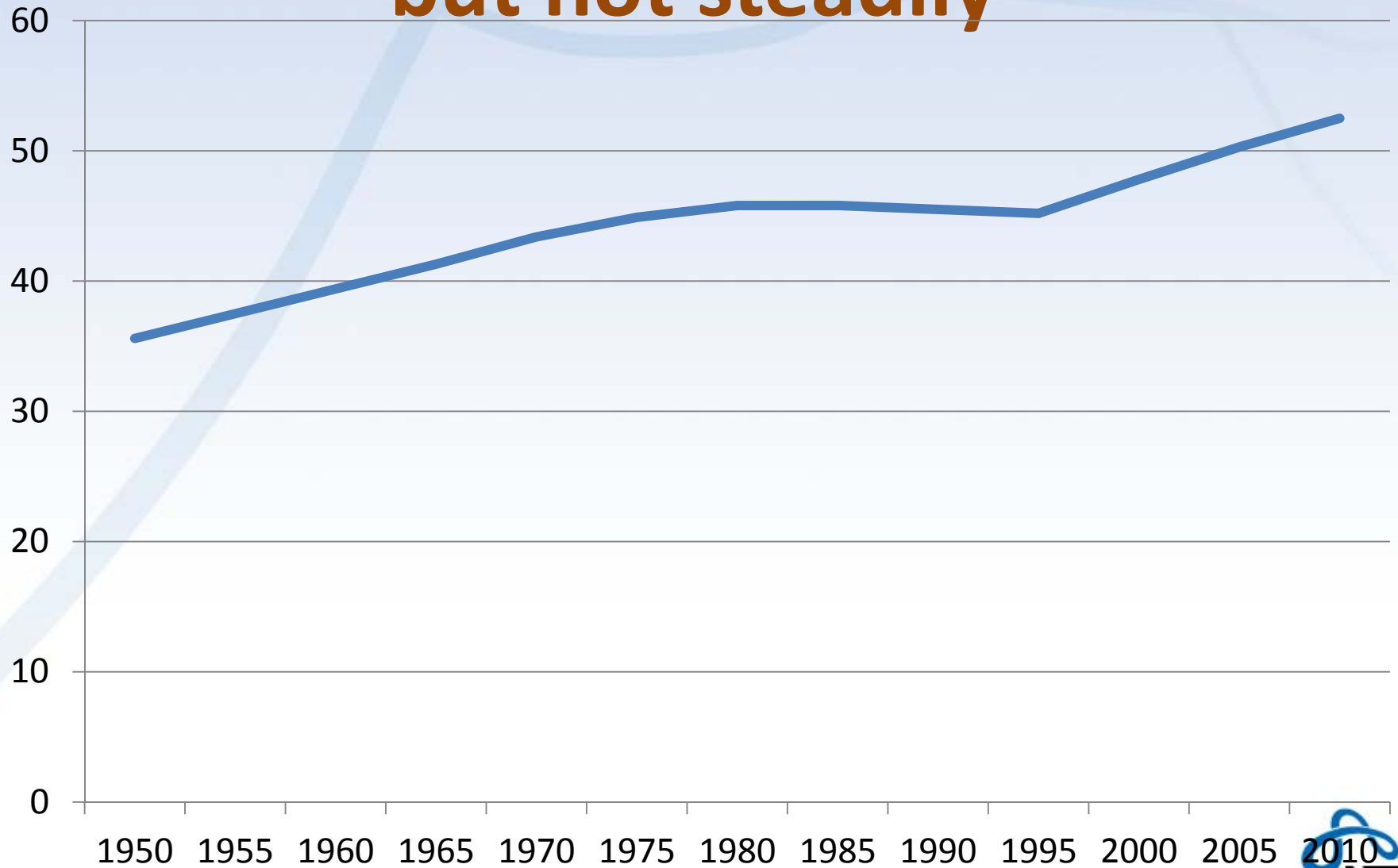
Source: UN, World Population Prospects, 2008



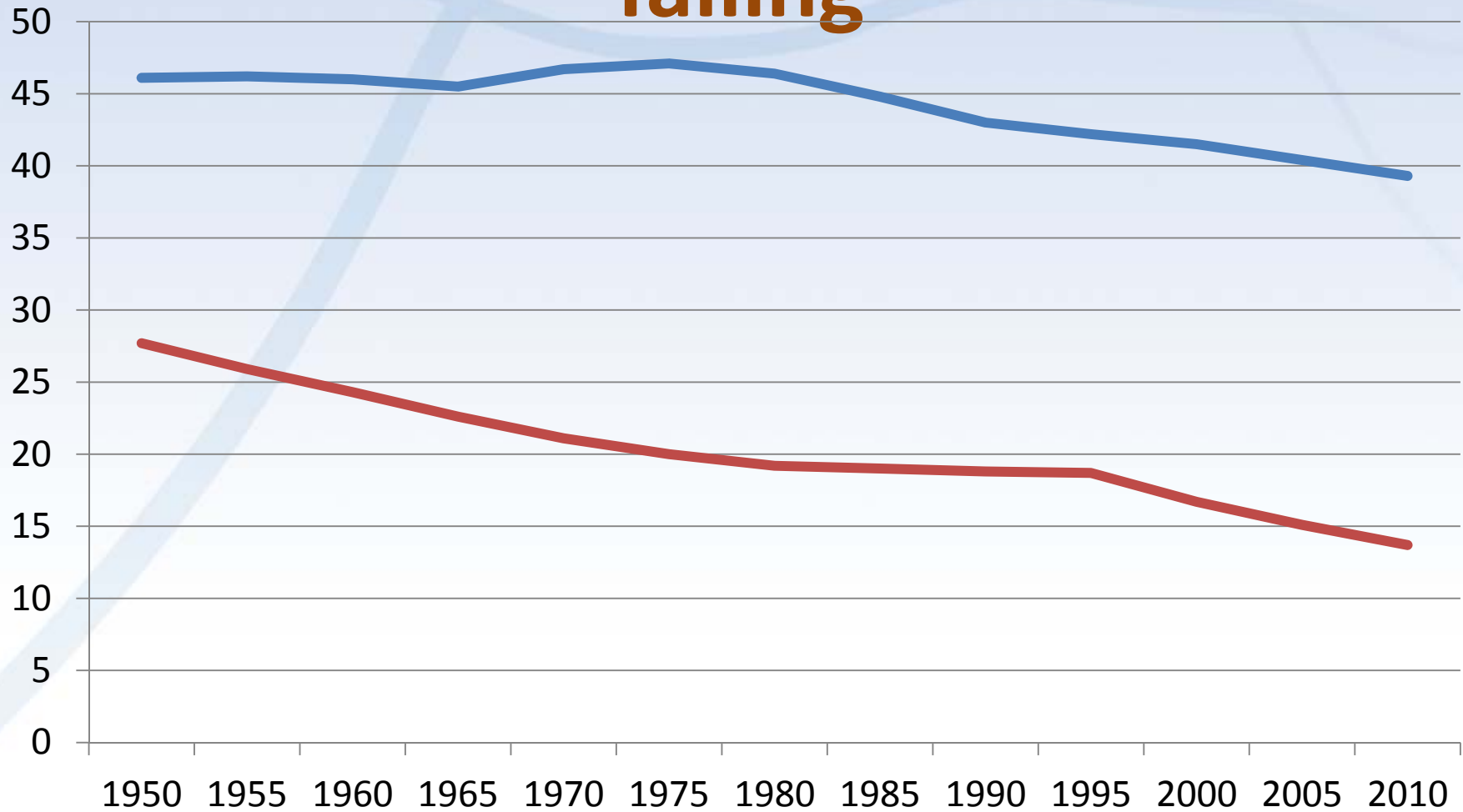
The infant mortality rate has fallen, but not steadily



Life expectancy has risen, but not steadily

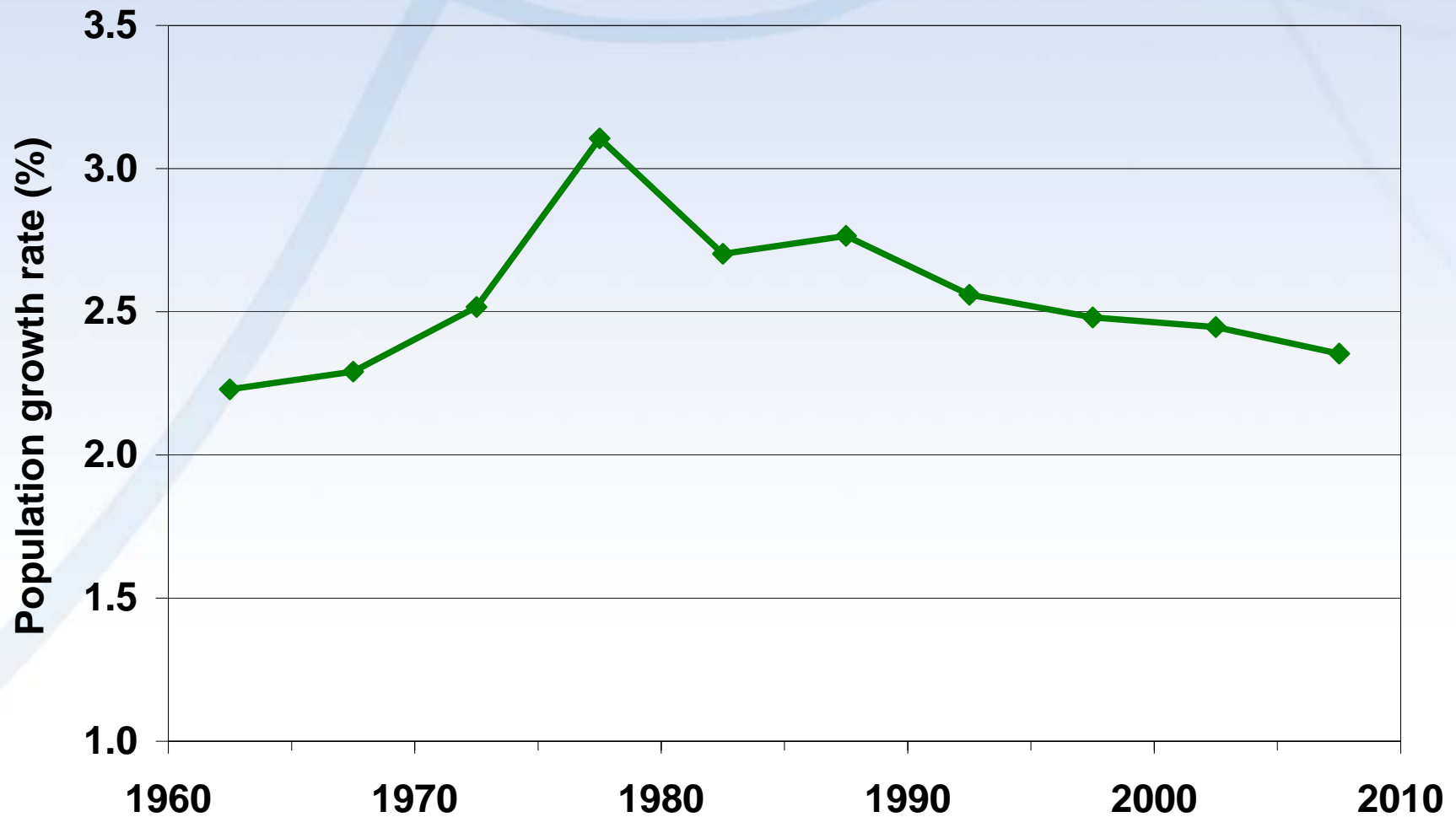


Crude birth and death rates are falling



— Crude birth rate — Crude death rate

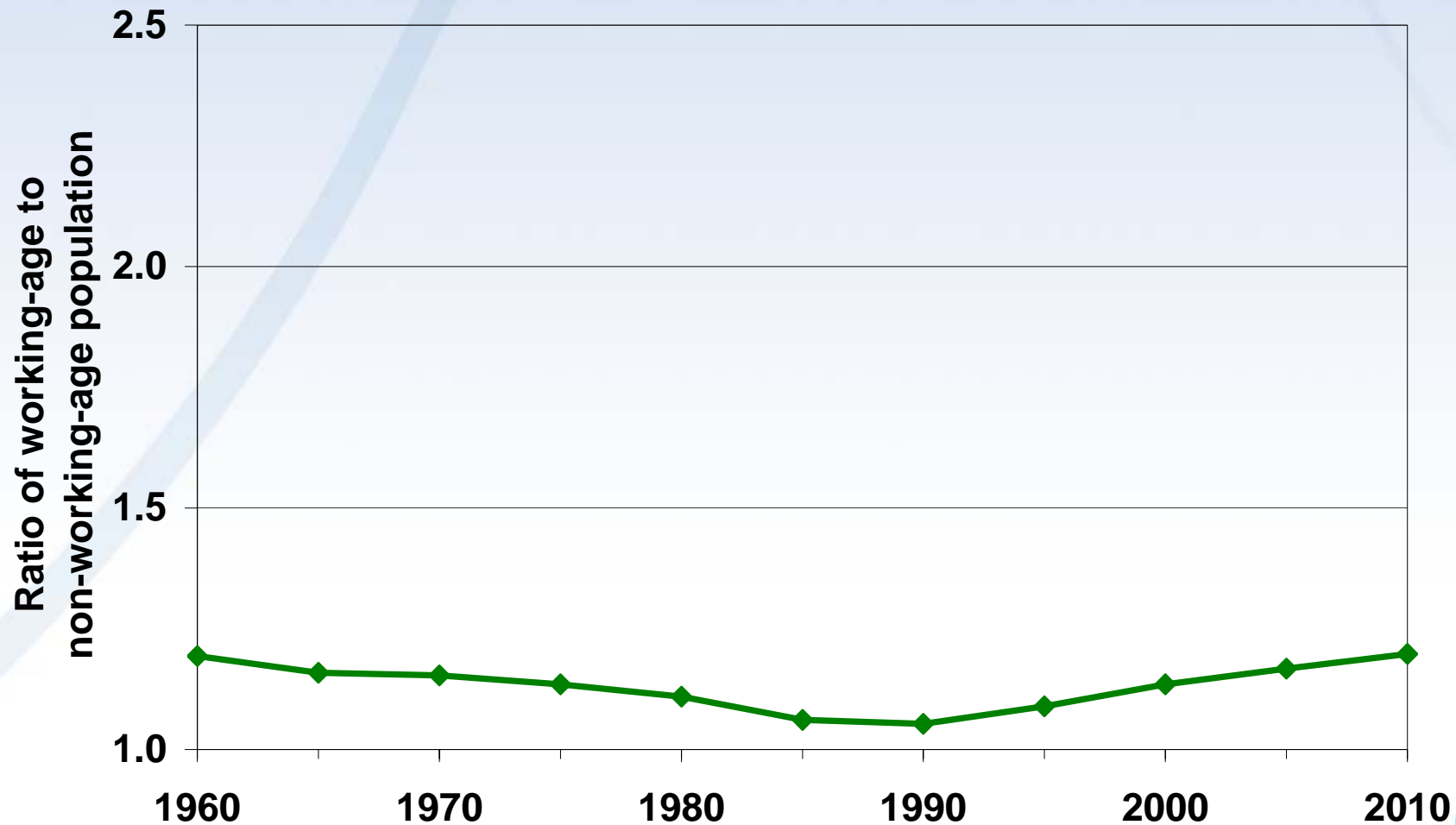
Population growth has been rapid



Source: UN, World Population Prospects, 2008

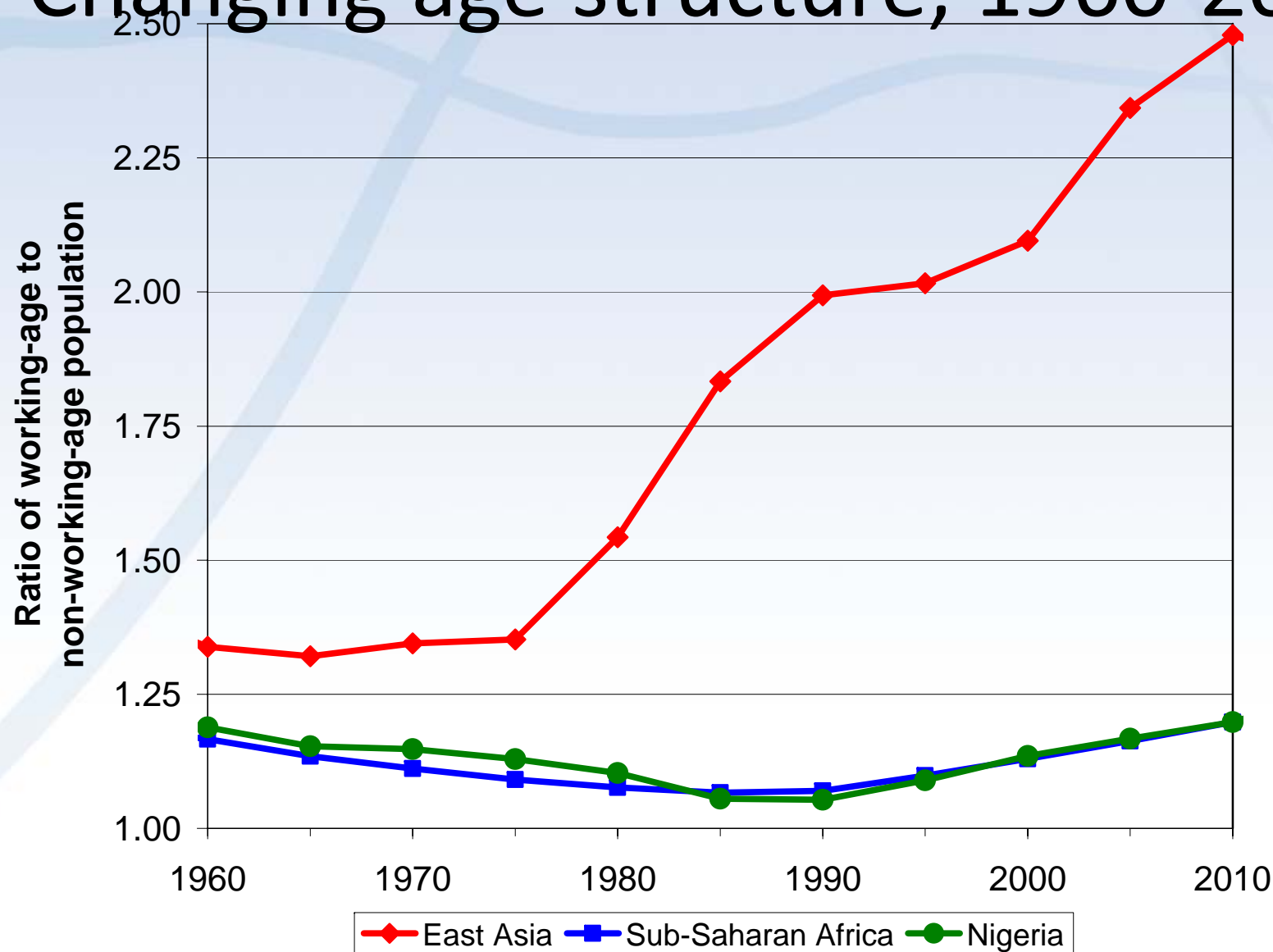


The ratio of working-age to non-working-age people has been pretty steady



Source: UN, World Population Prospects, 2008

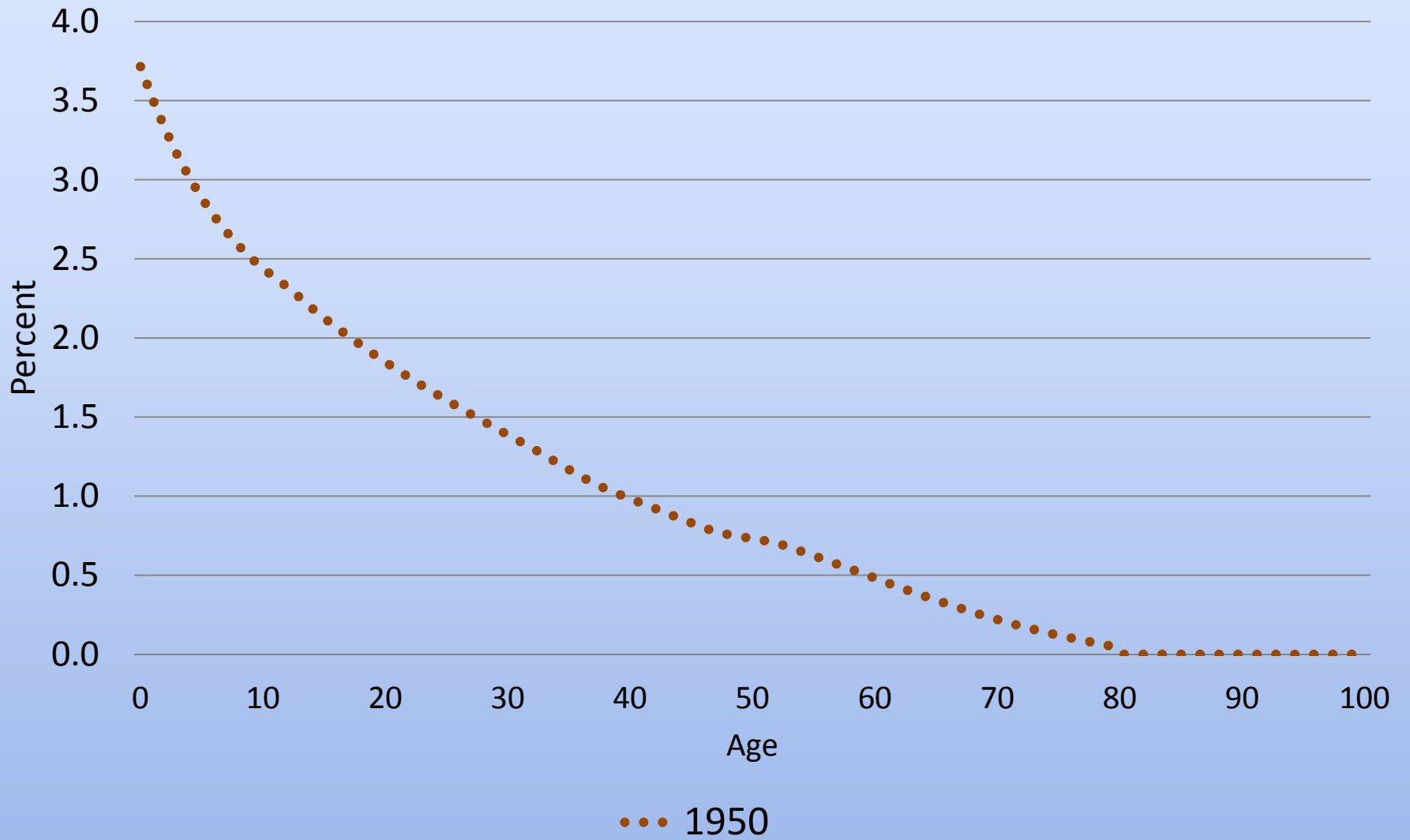
Changing age structure, 1960-2005



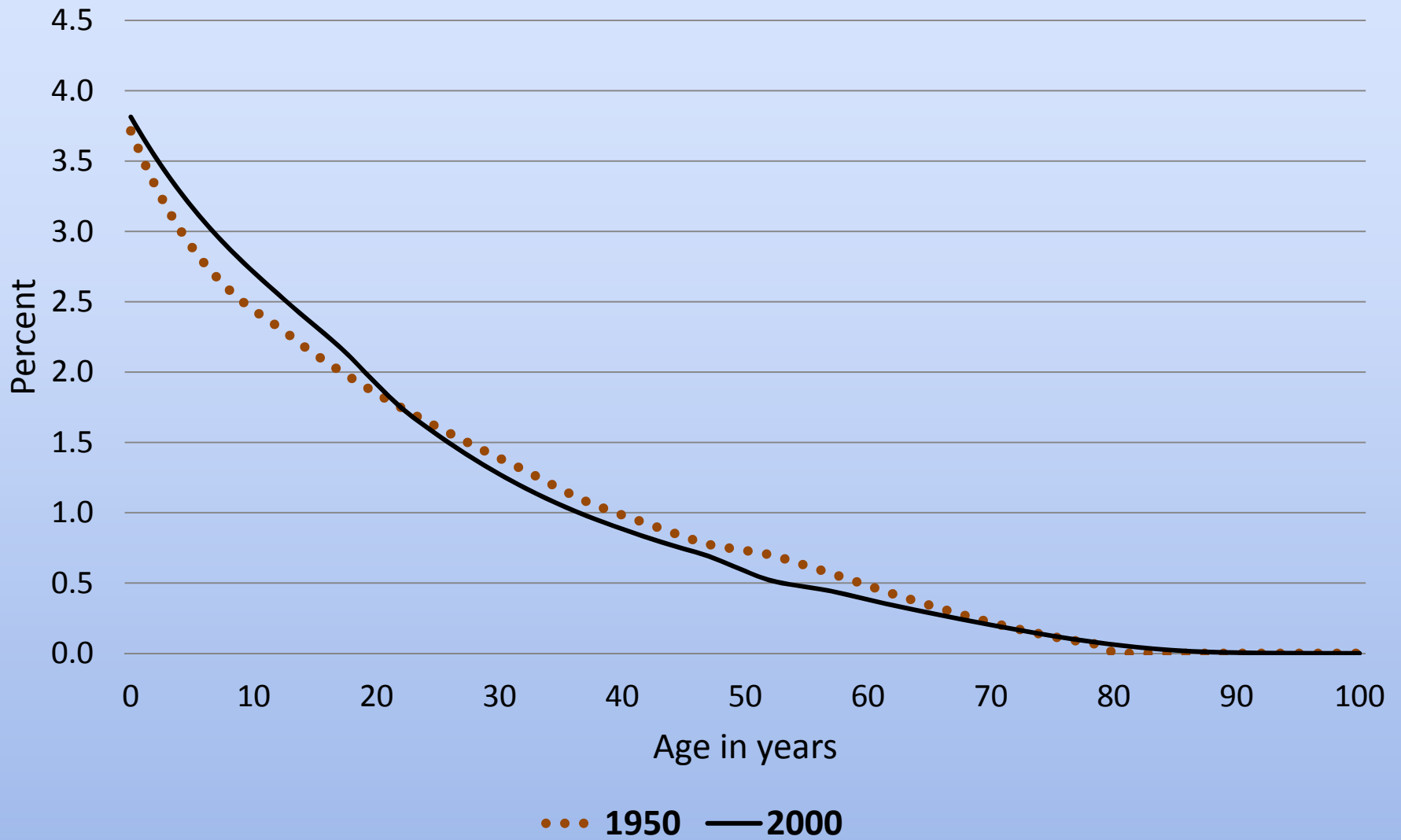
Source: UN, World Population Prospects 2008



Population Age Structure for Nigeria, 1950



Population Age Structure for Nigeria, 1950 and 2000



Nigeria's Demographic Future

Population Age Structure for Nigeria, 1950-2025

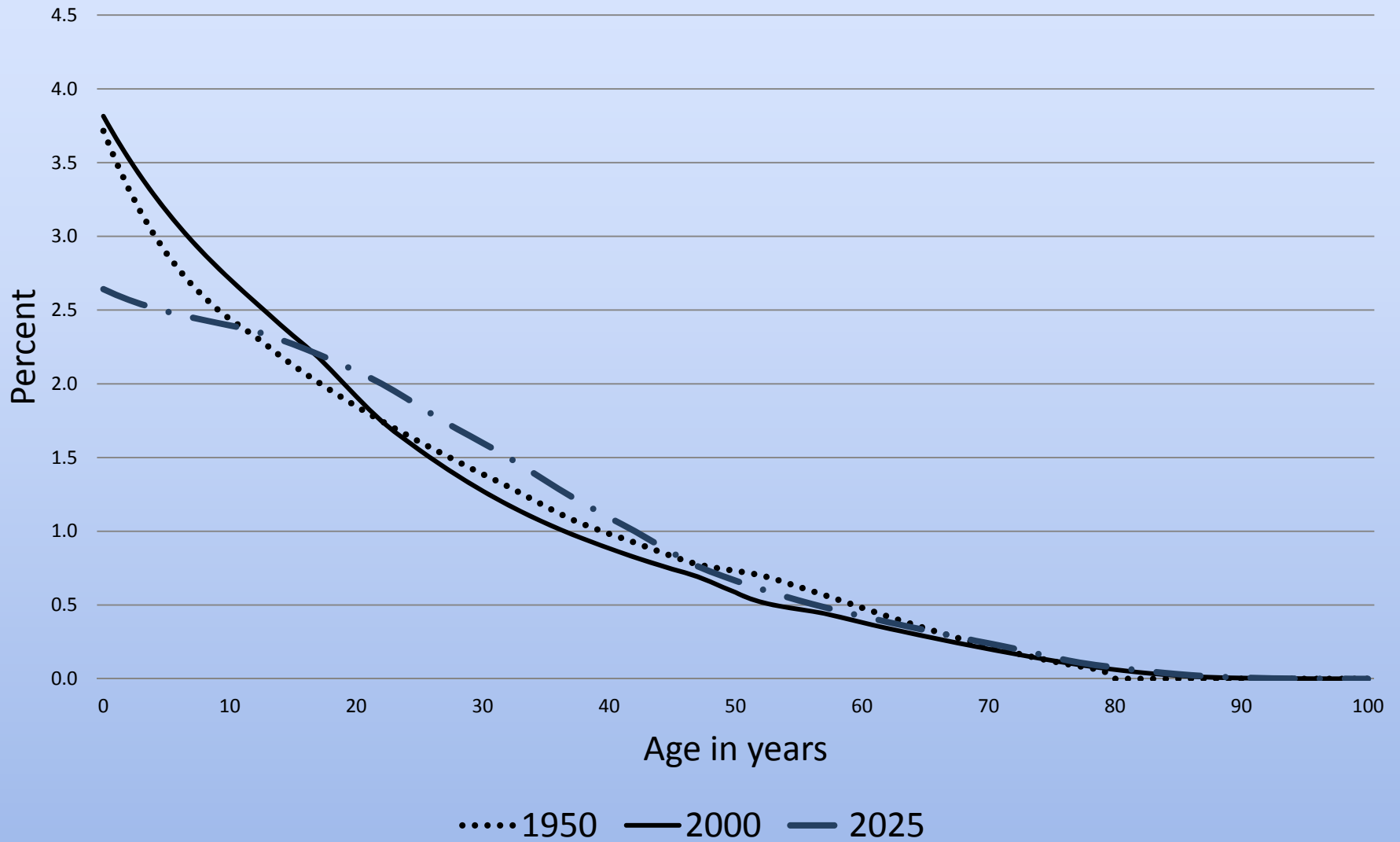
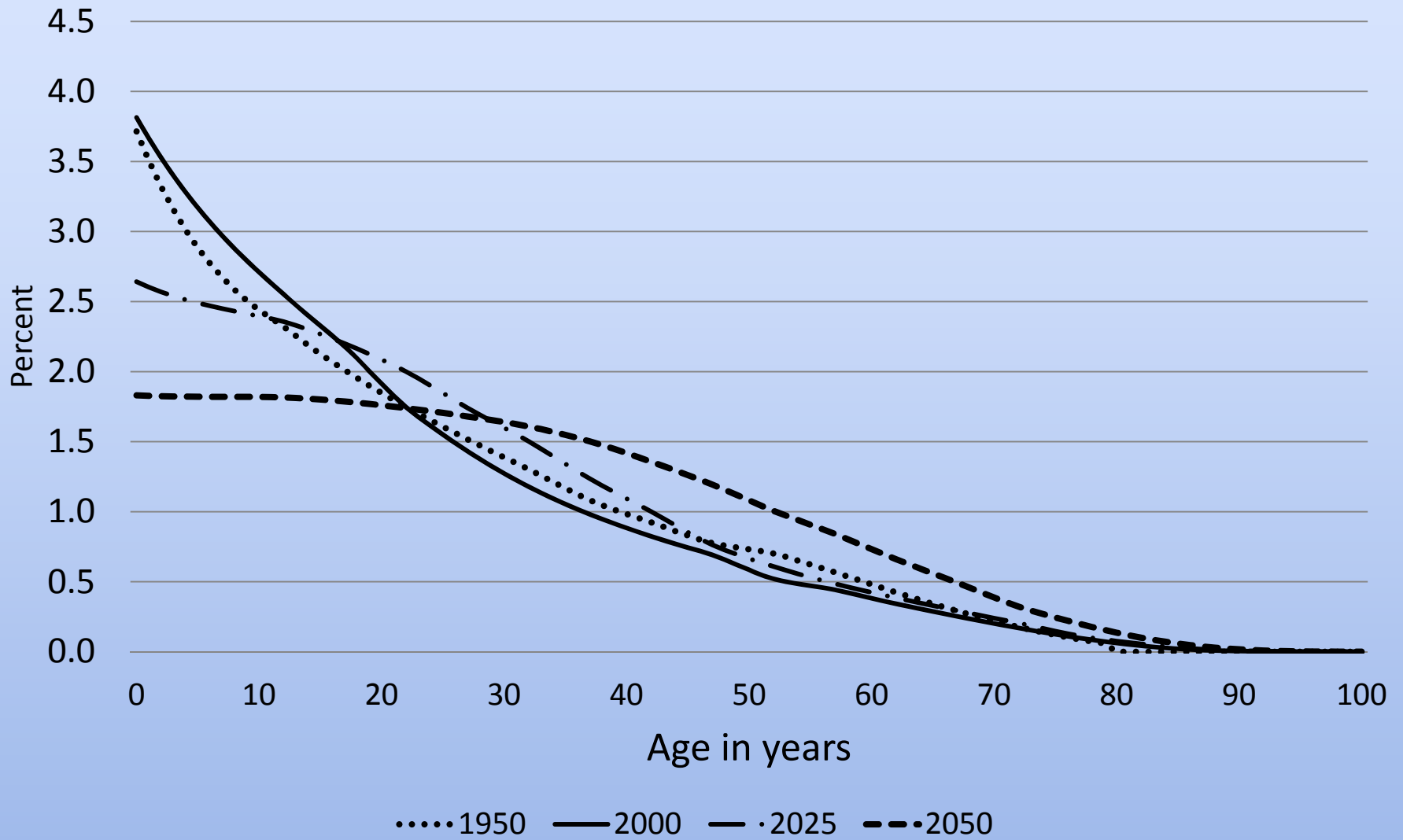
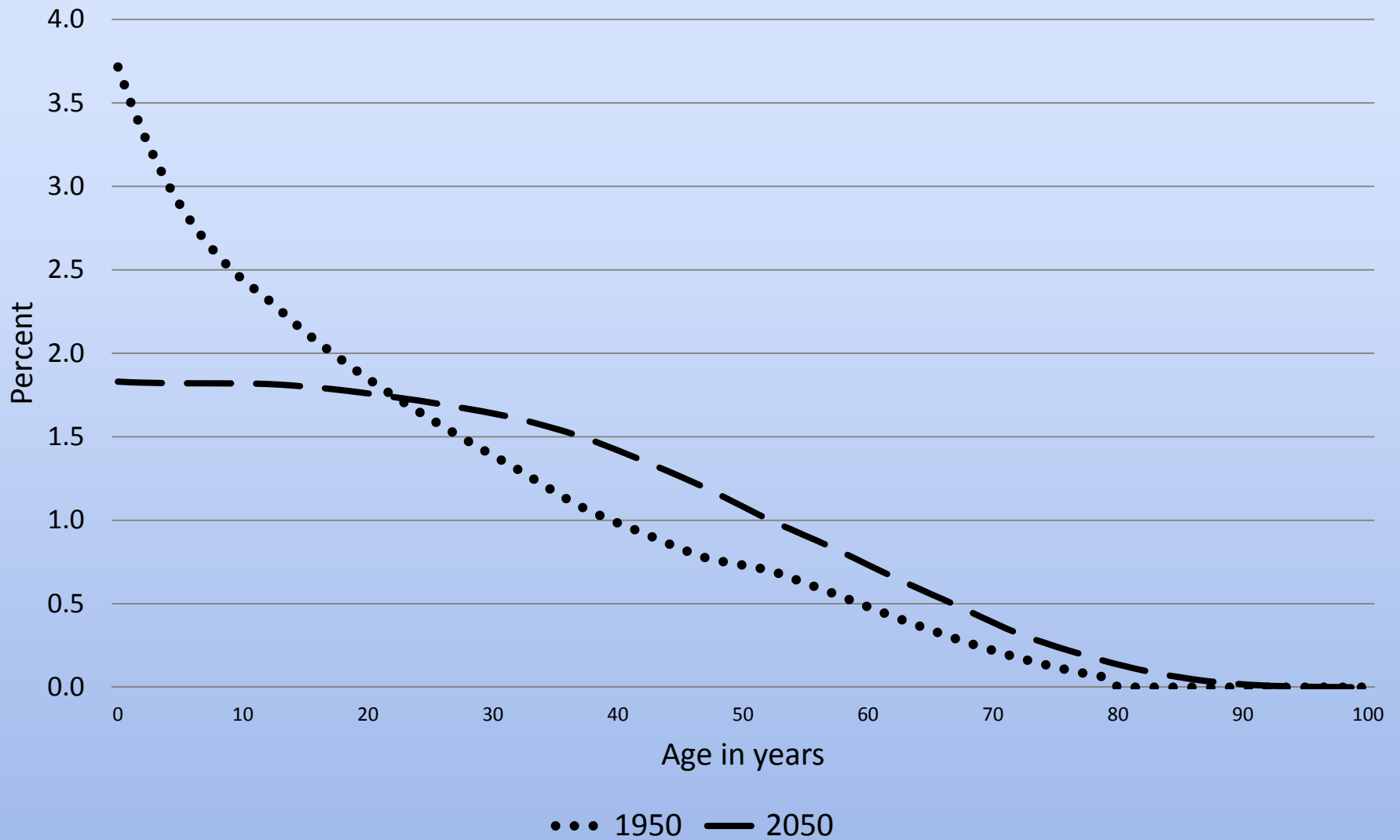


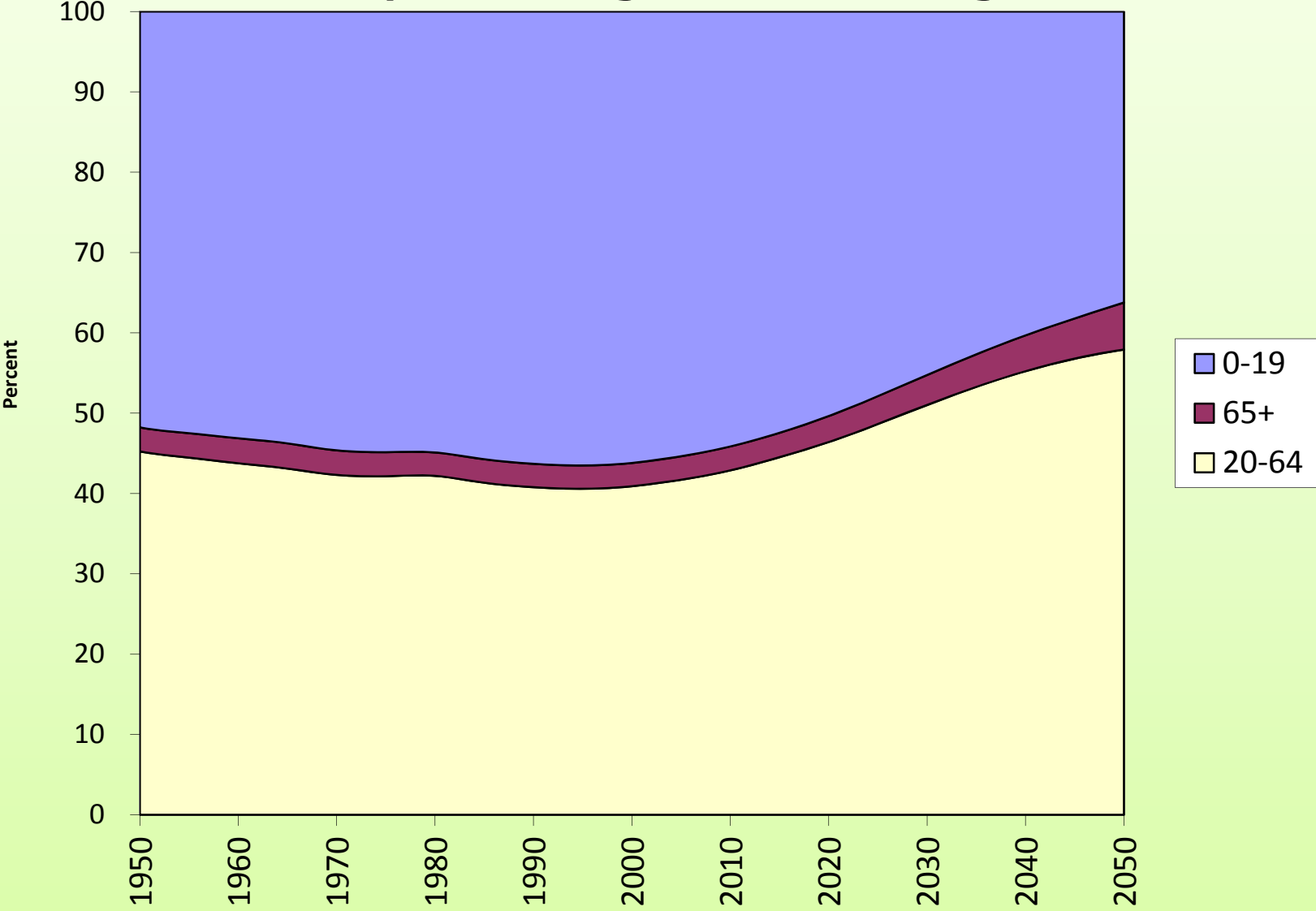
Figure 1: Population Age Structure for Nigeria, 1950-2050



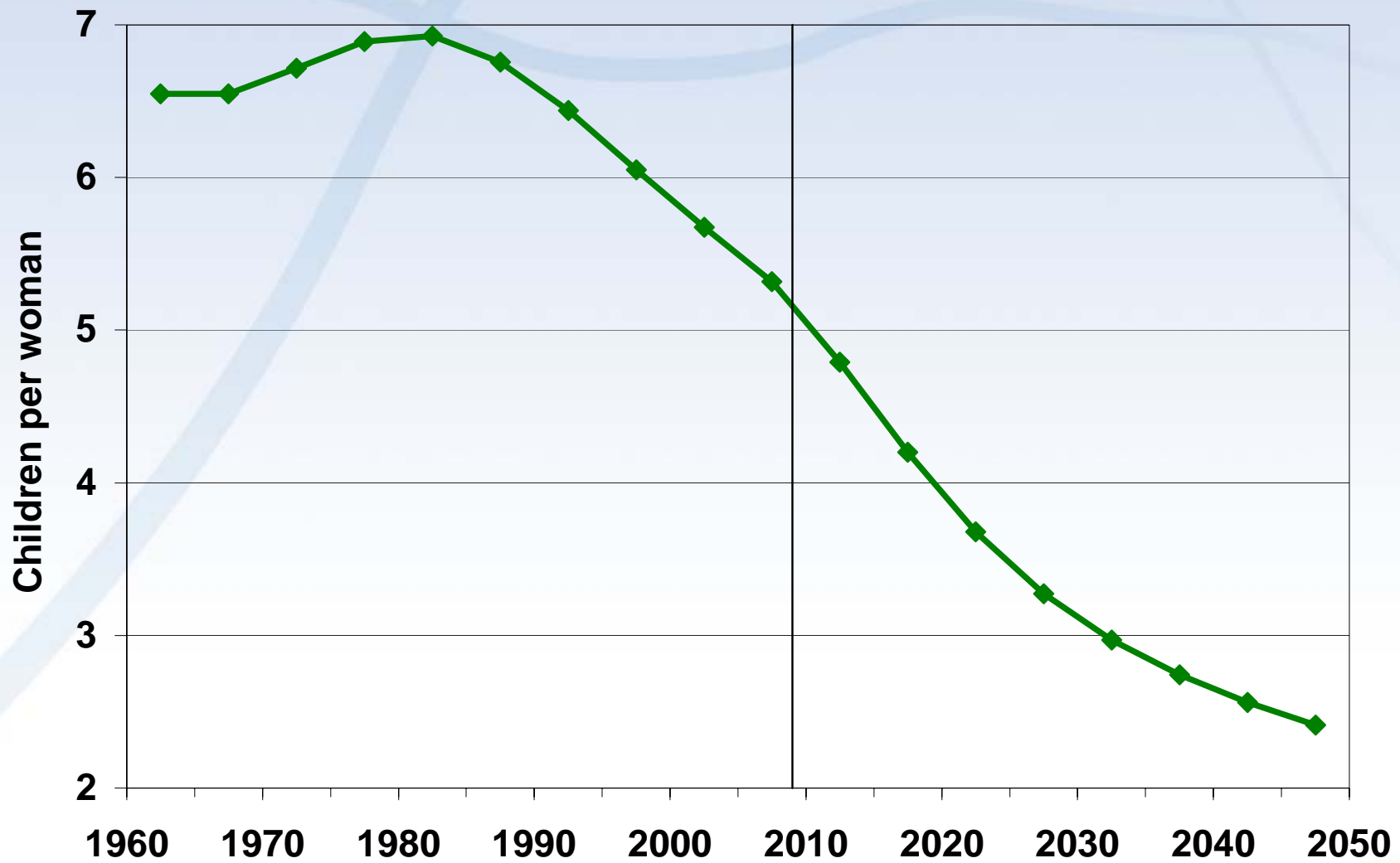
Population Age Structure for Nigeria, 1950 and 2050



Population age structure, Nigeria,



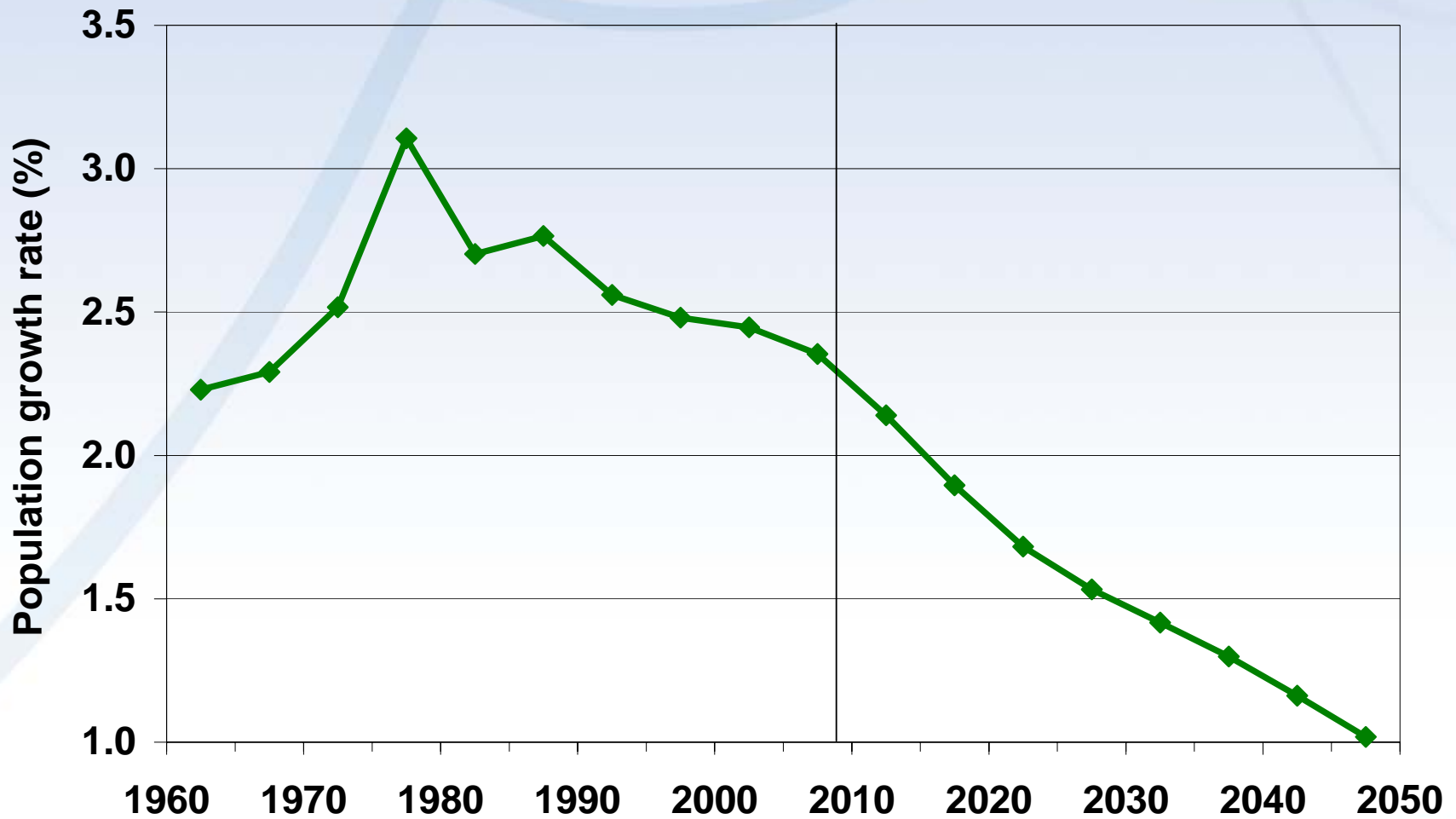
The fertility rate is projected to continue falling



Source: UN, World Population Prospects, 2008



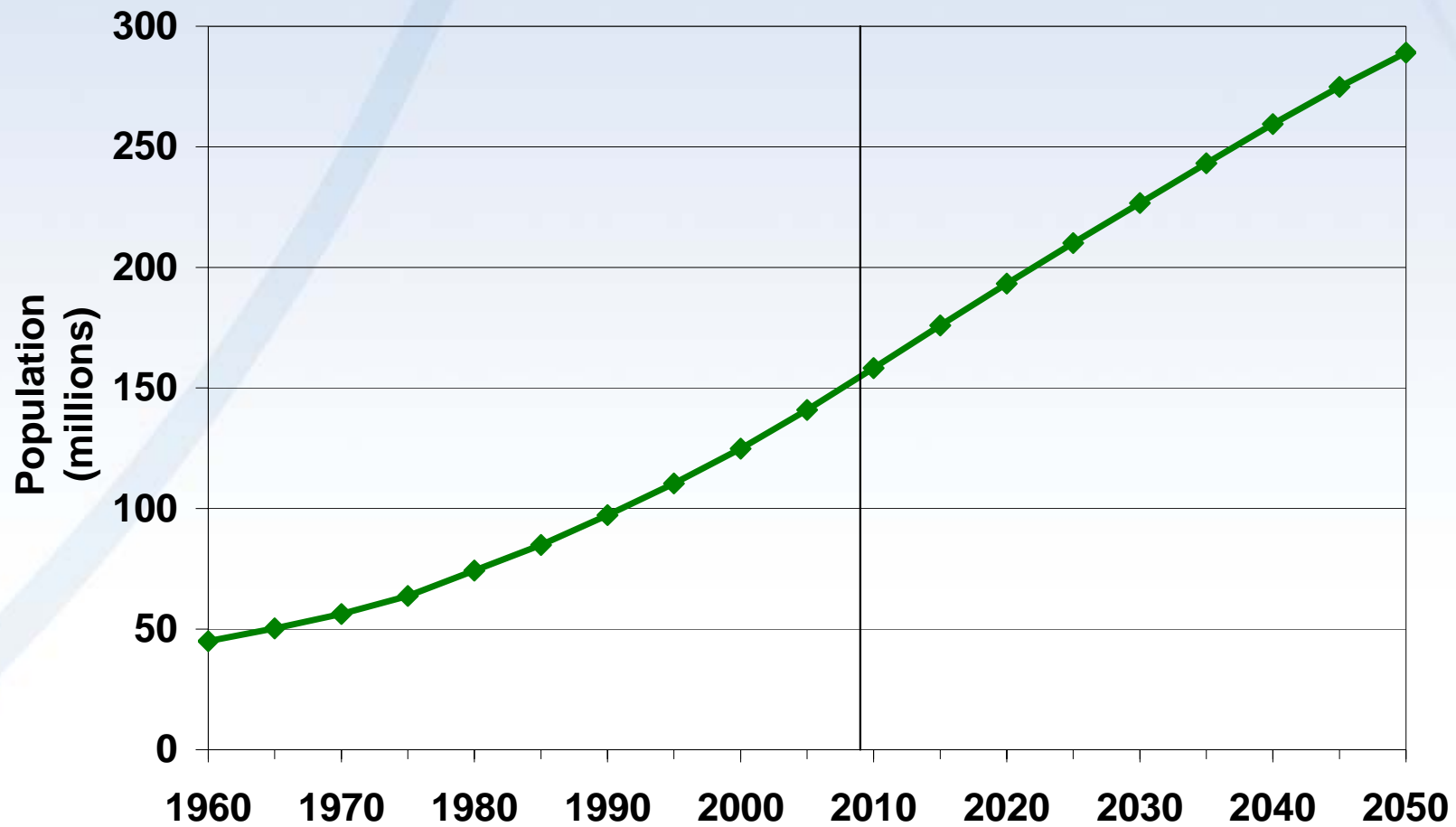
Population growth rate will decline substantially



Source: UN, World Population Prospects, 2008



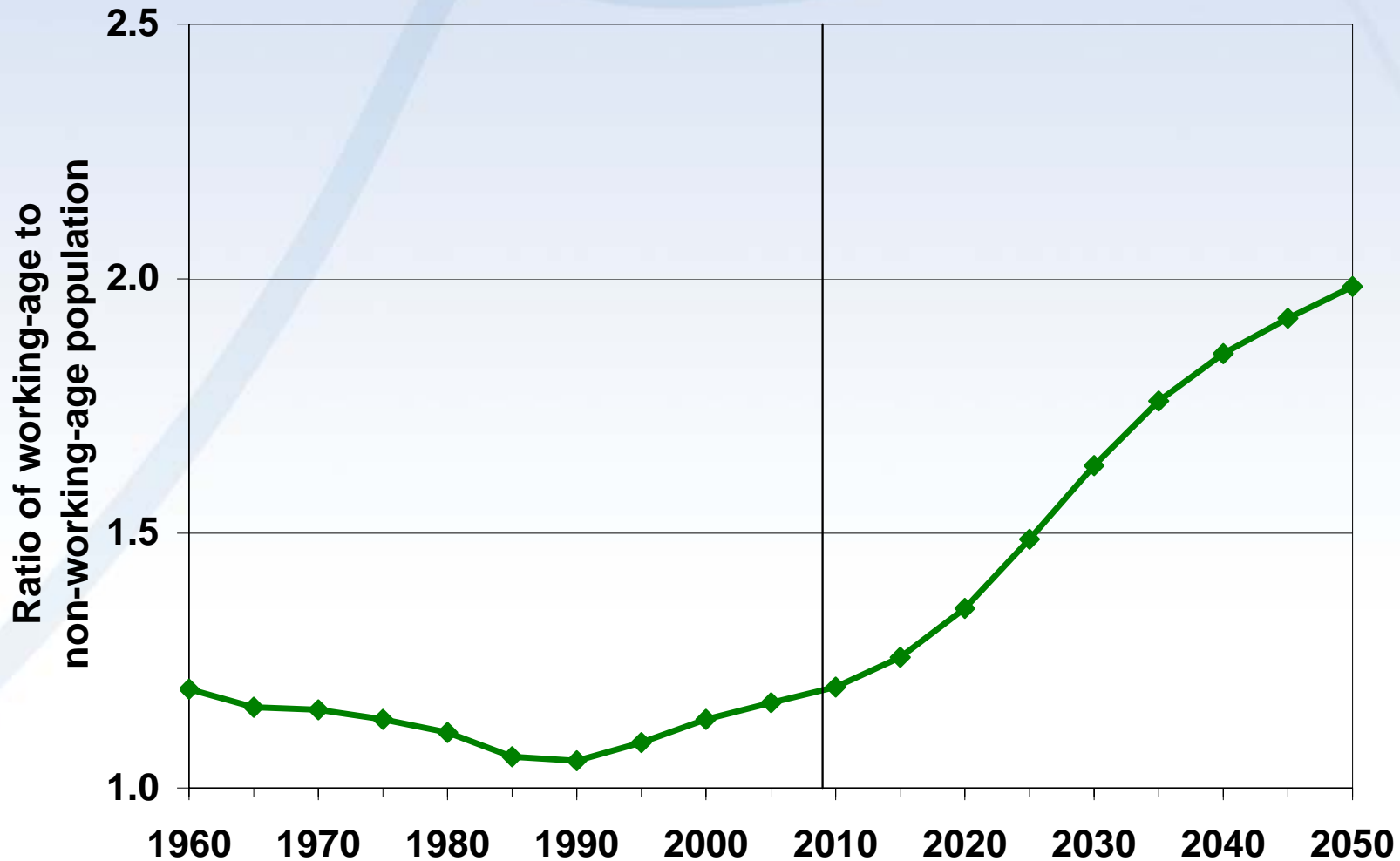
Nigeria's population is set to soar



Source: UN, World Population Prospects, 2008



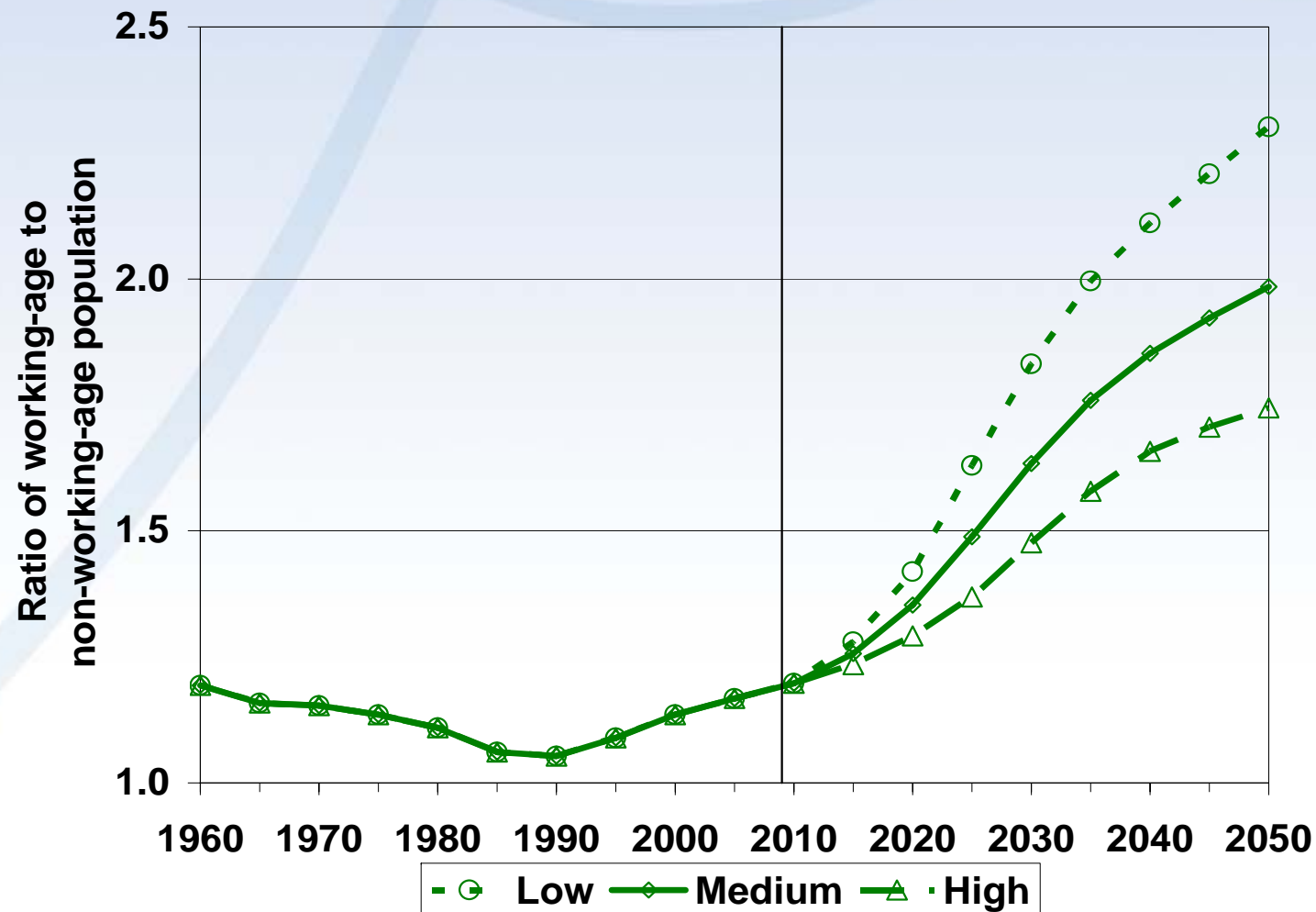
The ratio of working-age to non-working-age people is set to increase dramatically



Source: UN, World Population Prospects, 2008



Growth of the working-age to non-working-age ratio, 1960-2050 (under 3 UN fertility scenarios)



Source: UN, World Population Prospects, 2008



Comparing the growth rates of the working-age and non-working-age population

Annual average growth rate

1970 - 2010

2010 - 2050

Dependent
population

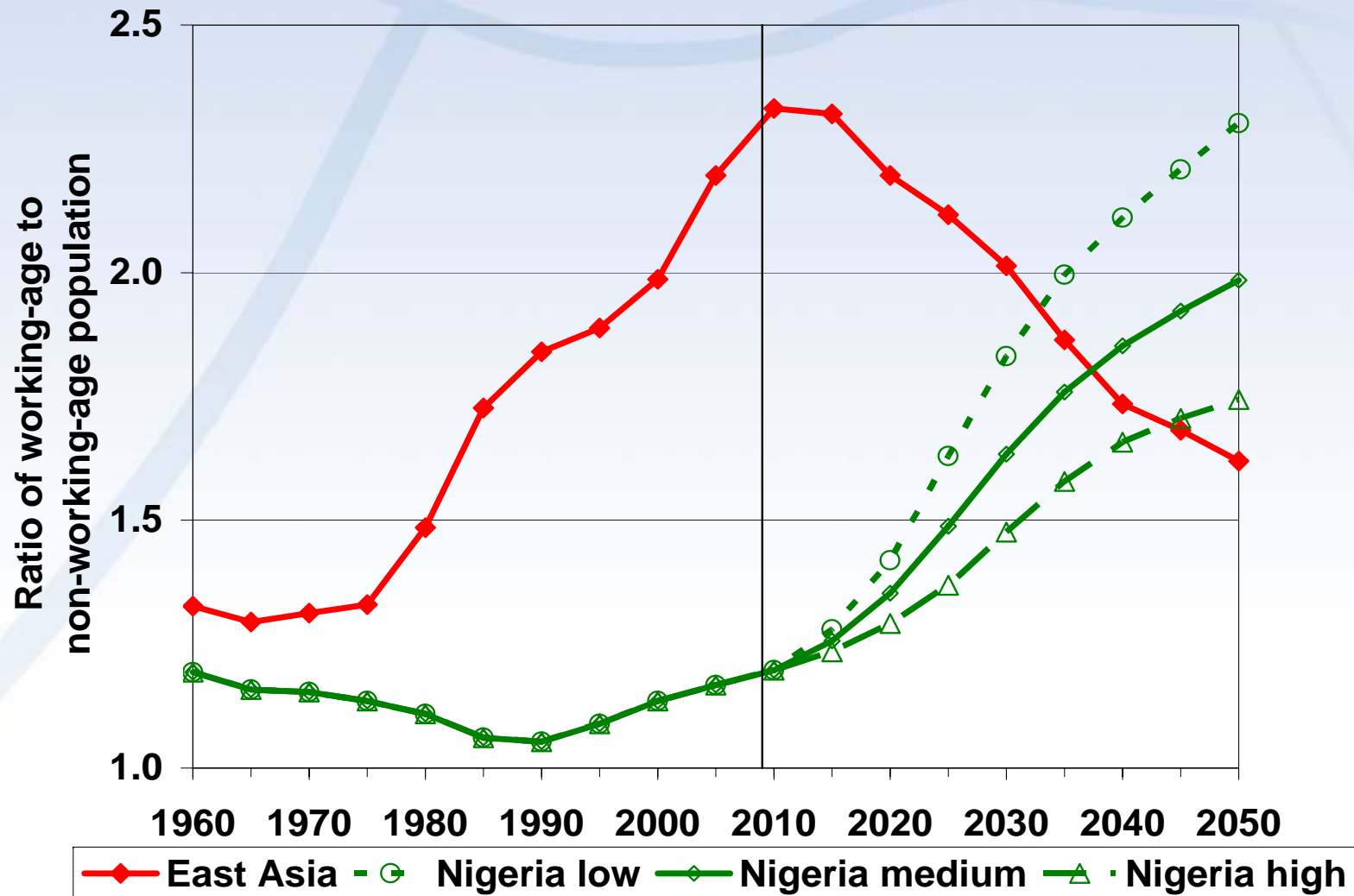
Working-age
population

Dependent
population

Working-age
population

Nigeria	2.6%	2.7%	0.7%	2.0%
Indonesia	0.9%	2.3%	0.8%	0.4%
Pakistan	2.5%	3.0%	1.0%	1.8%
East Asia	0.5%	1.9%	0.9%	-0.1%
Sub-Saharan Africa	2.6%	2.8%	1.1%	2.3%
World	1.1%	1.9%	0.8%	0.7%

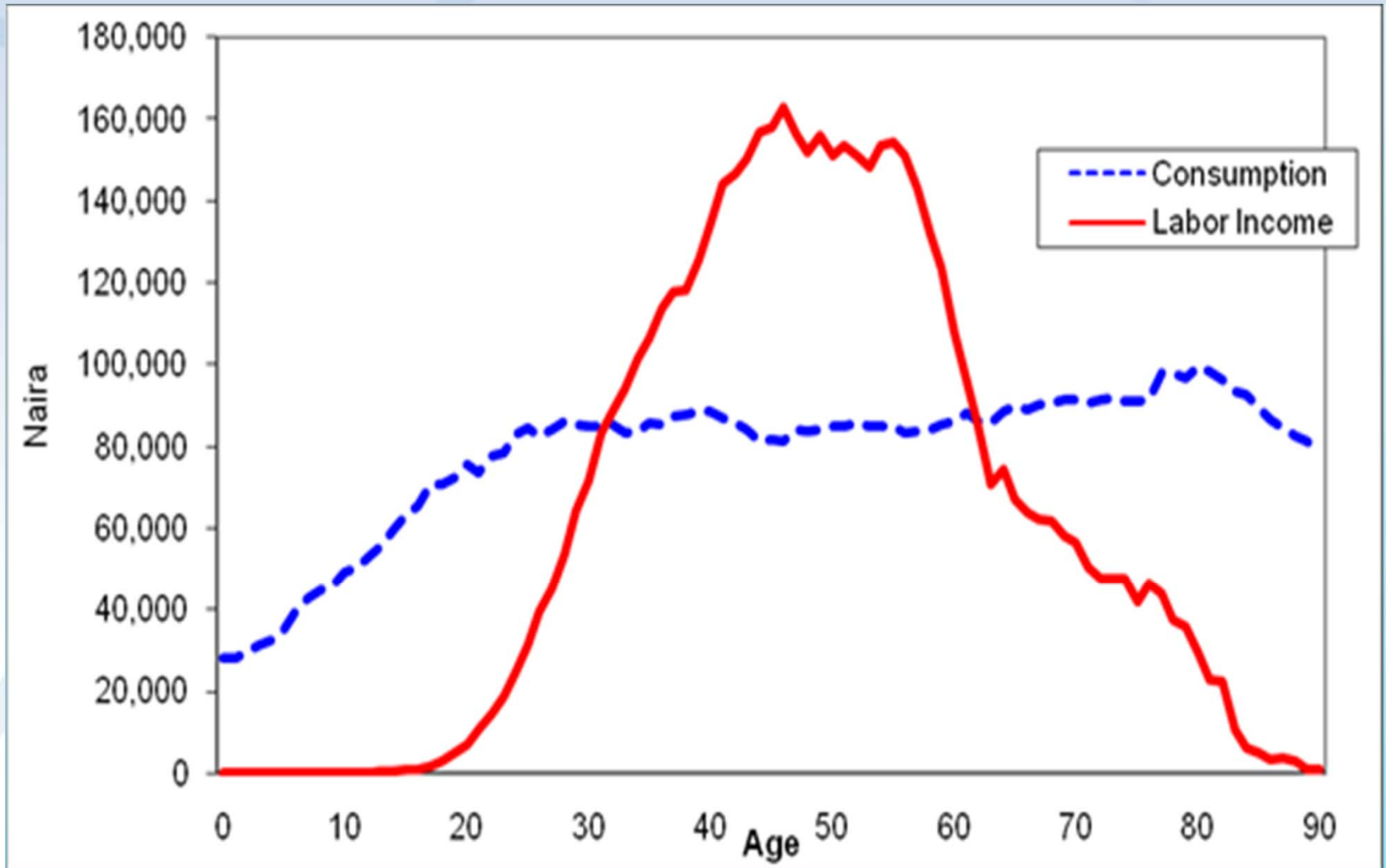
Changing Age Structure, 1960-2050: Nigeria compared with East Asia



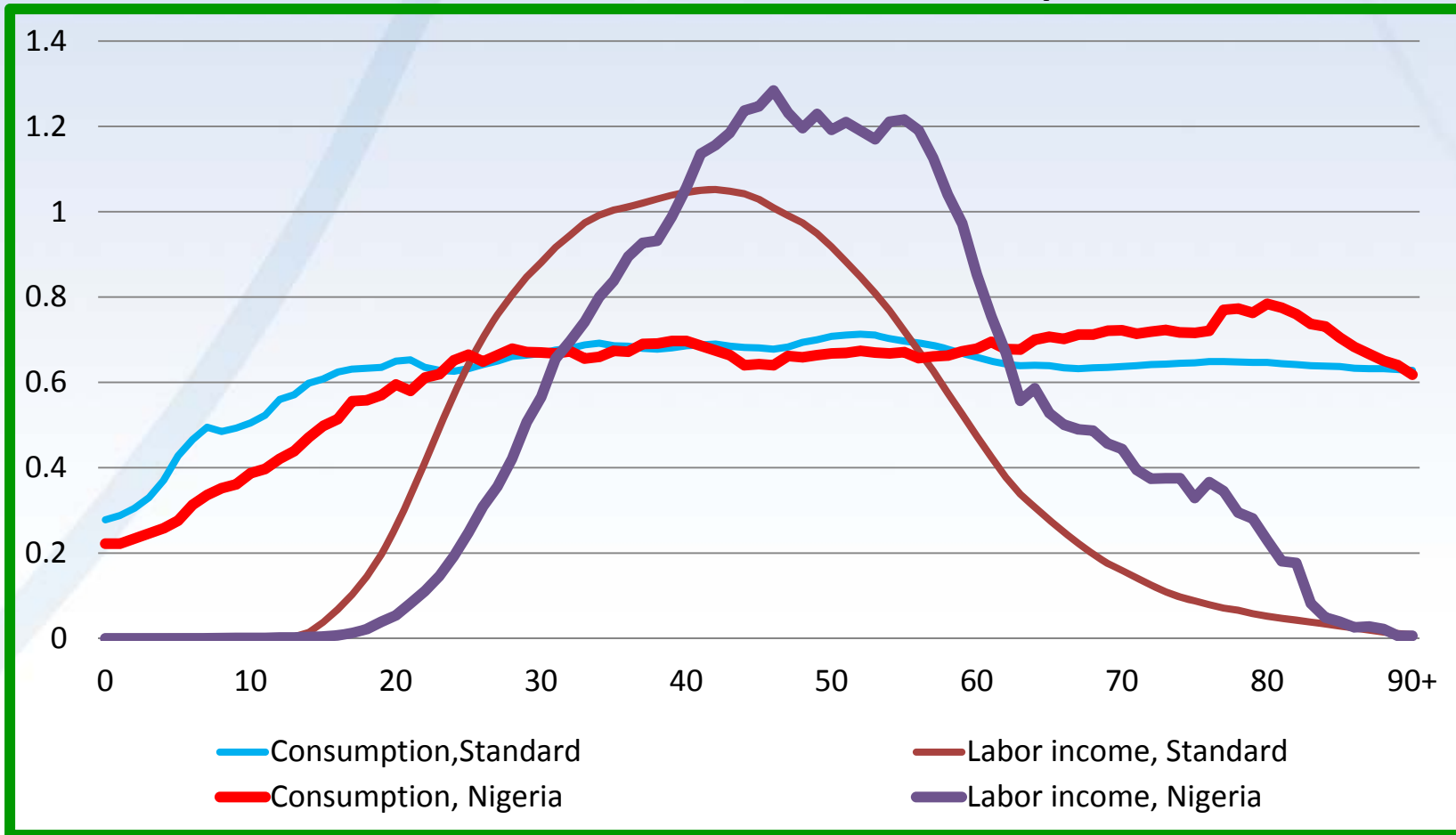
Source: UN, World Population Prospects, 2008

Nigeria's Potential Demographic Dividend

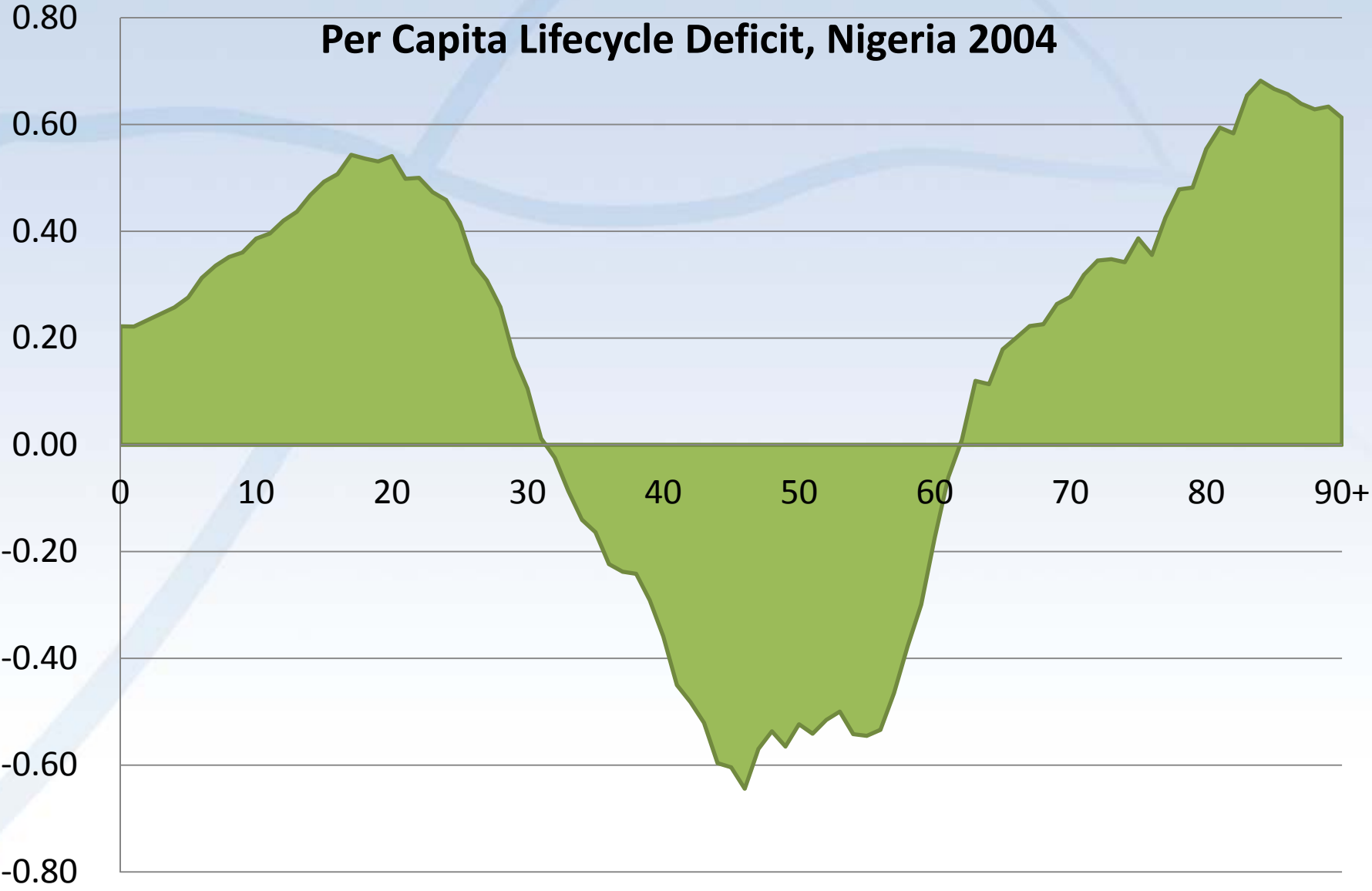
Age profile of Productivity and Consumption needs, Nigeria, 2004



And Nigeria's age profile of labor income is quite different from the standard profile



Per Capita Lifecycle Deficit, Nigeria 2004



■ 2004 Lifecycle Deficit



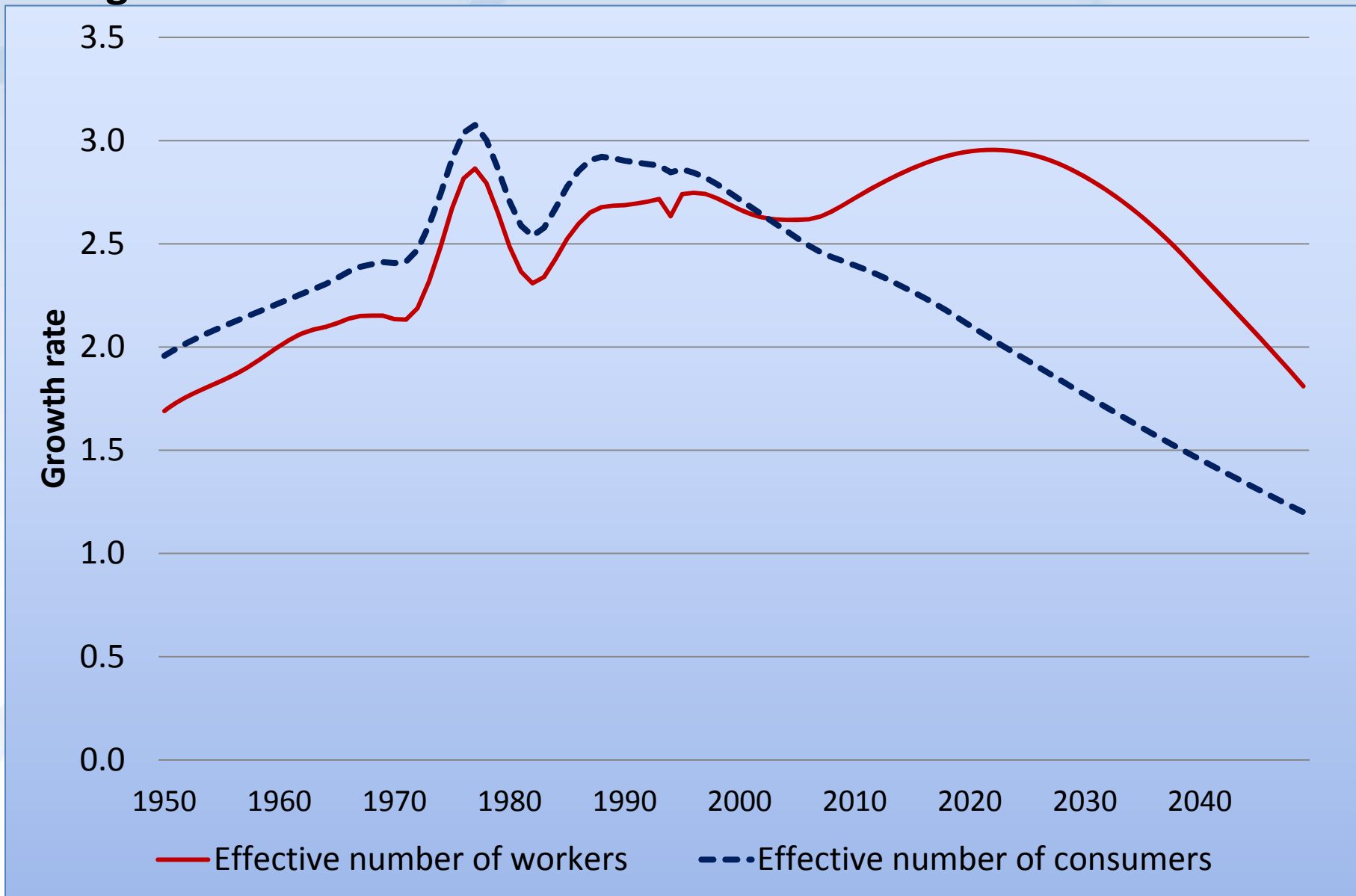
Magnitude of Deficit and Surplus in Nigeria (N '000)

	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

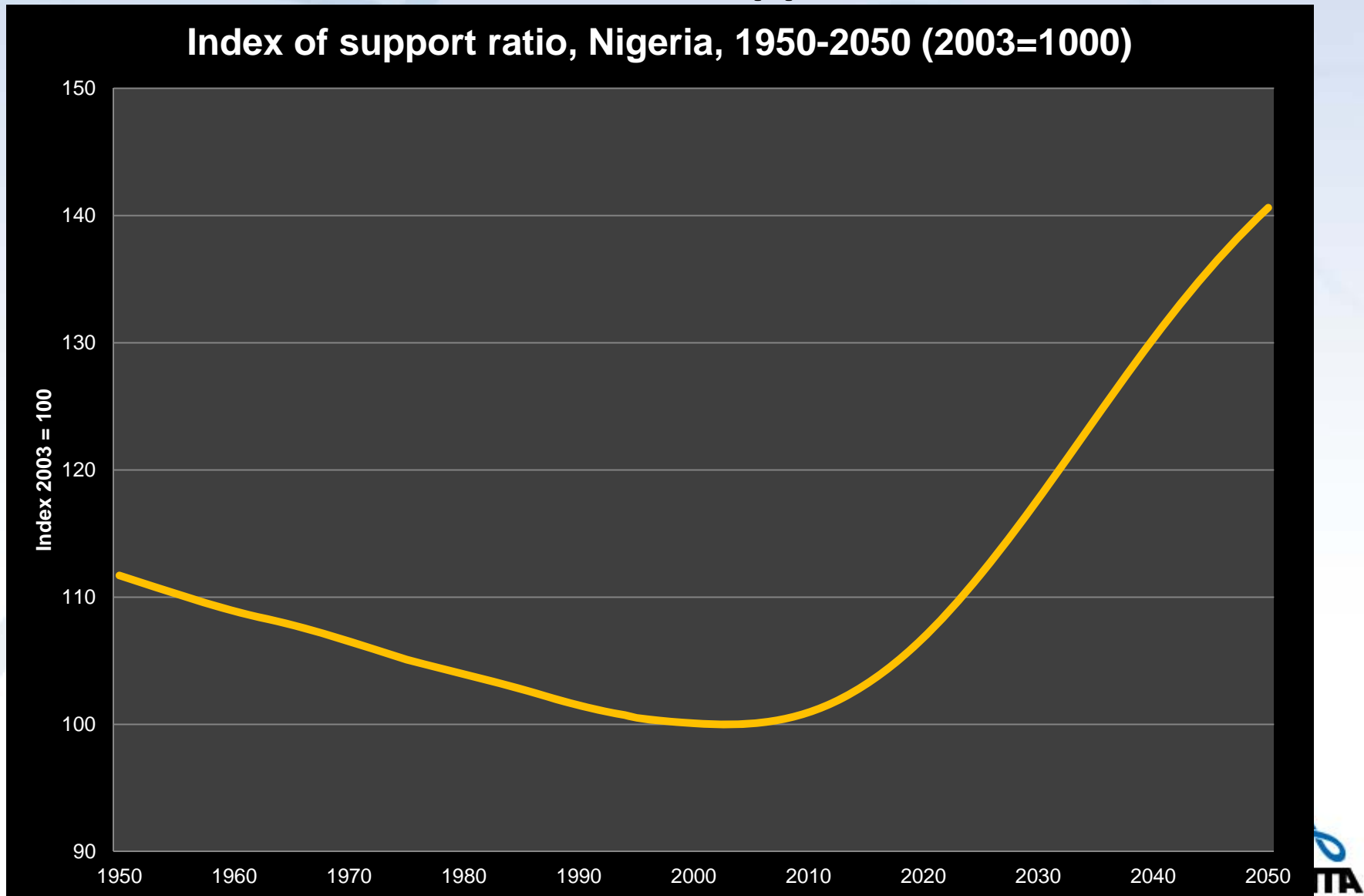
Nigeria's demographic dividend

- Since 2003, the dividend has turned positive and shall remain positive till 2050
- The prospect for the dividend reaches its peak in 2031 and 2032 before it starts to decline.
- Contribution of the dividend is expected to increase over the years and will contribute as much as 18 percent to economic growth by year 2030 and about 10 percent to the GDP growth in 2050 if the current average growth rate exists at the time
- It should be noted however, that the dividend is transitory and will end at some point in time.
- Although we do not know when the dividend will become a drag but findings from other countries indicate that the first dividend always last for between 30 to 60 years.

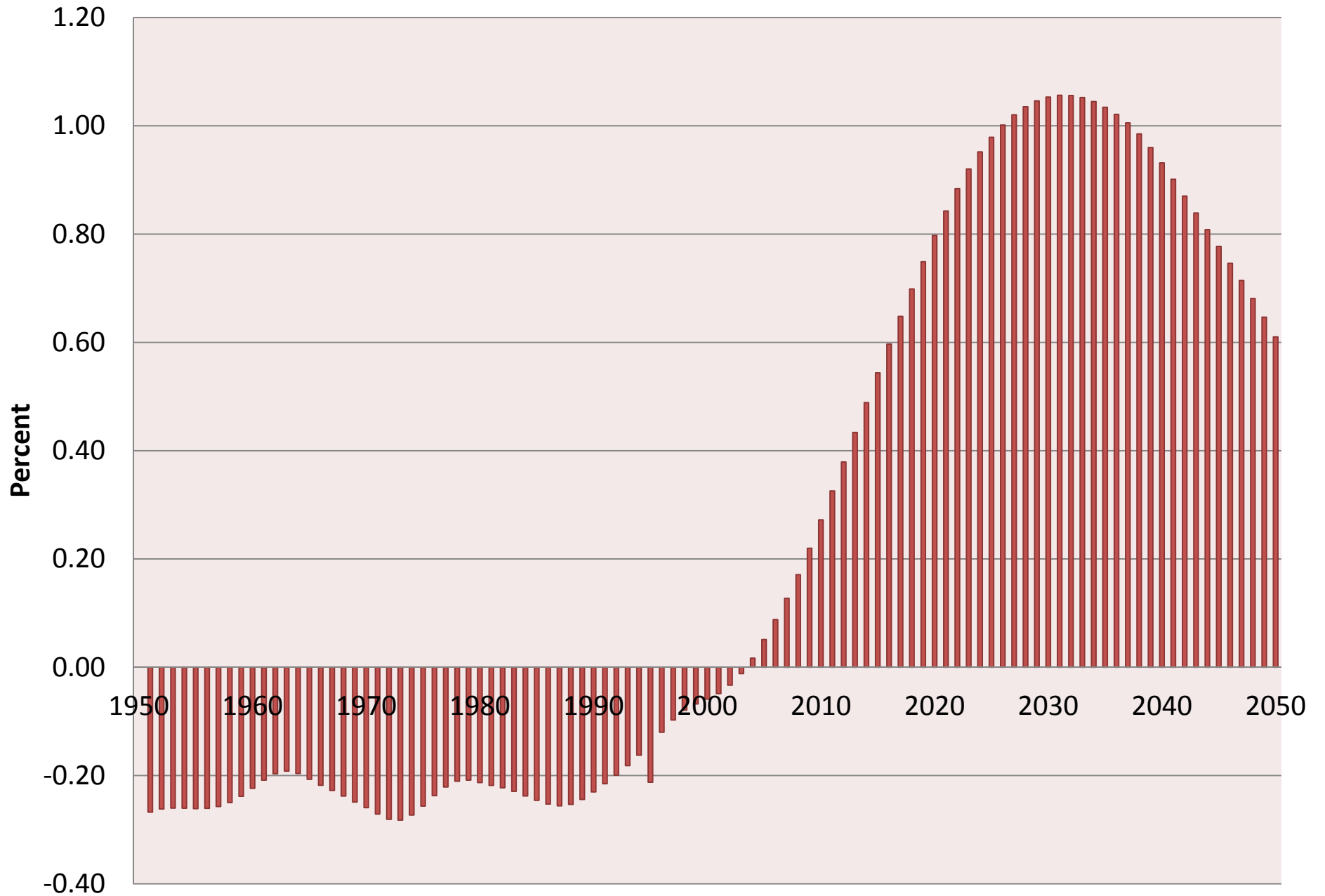
Growth rates of effective consumers and effective producers, Nigeria 1920-2050



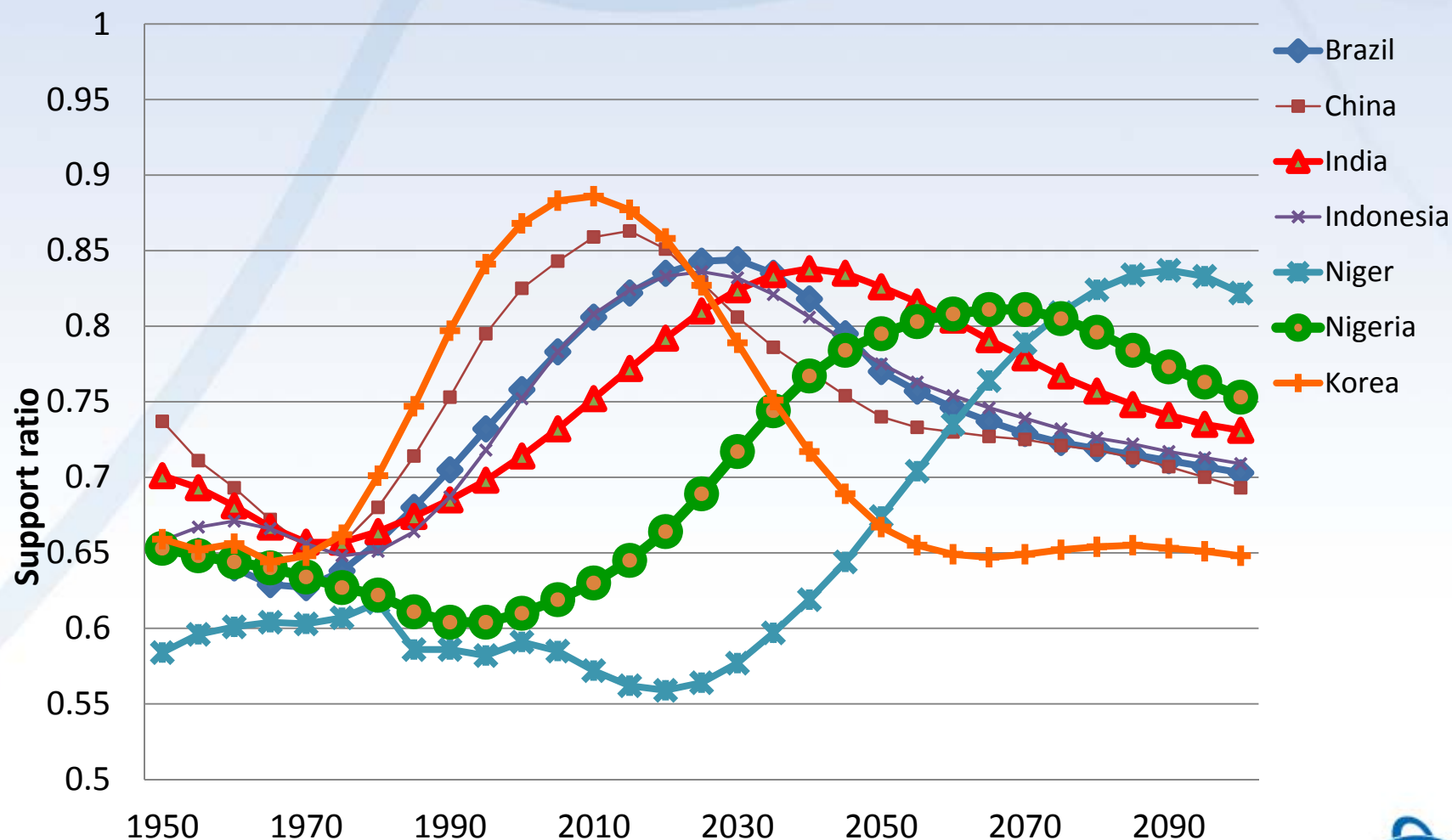
Realising the dividend will be shaped by the structure of the support ratio



First Demographic Dividend, Nigeria 1950-2050



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

What are the challenges and opportunities in collecting the demographic dividend?

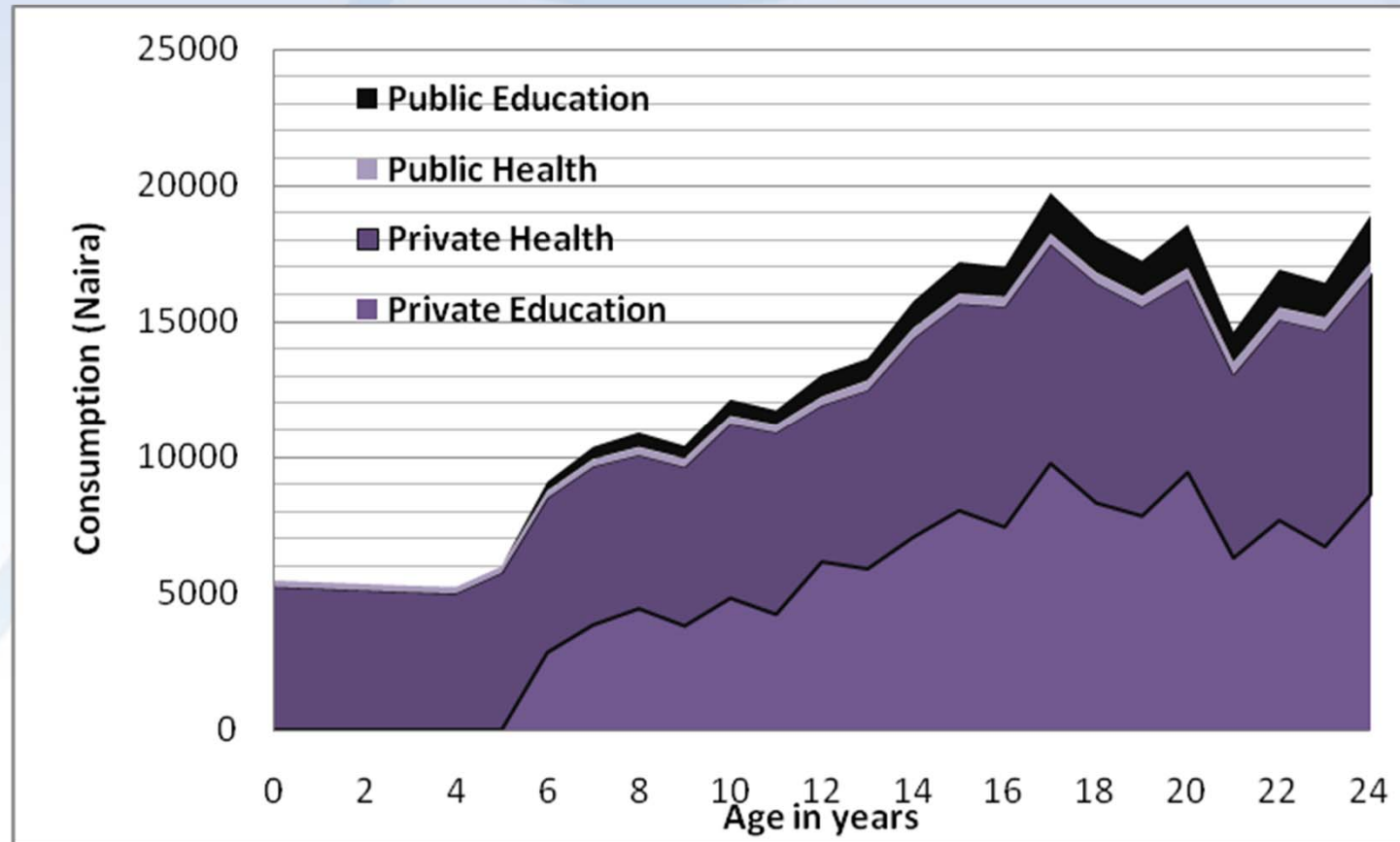
- Like many developing countries, the best opportunities many times turn out to be the biggest challenges
 - Jobs creation
 - Education
 - Health – infant/child mortality, maternal health, unmet need for family planning
- That, of course, raises the more difficult question of “How”. What are some of the main opportunities Nigeria can capitalize on to realize its demographic dividend?

Education will be key in making jobs productive: economic lifecycle - aggregate



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

And results can be achieved with little: Nigeria's current education expenditures



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



Nigeria's education and health spending

	Actual (\$)	% of spending
Education, Public	142	7.33
Education, Private	922	47.63
Health, public	39	2.01
Health, private	833	43.04
Total	1,936	100
Total Public	181	9.33
Total Private	1,755	90.67

Per capita spending (2004 \$s)

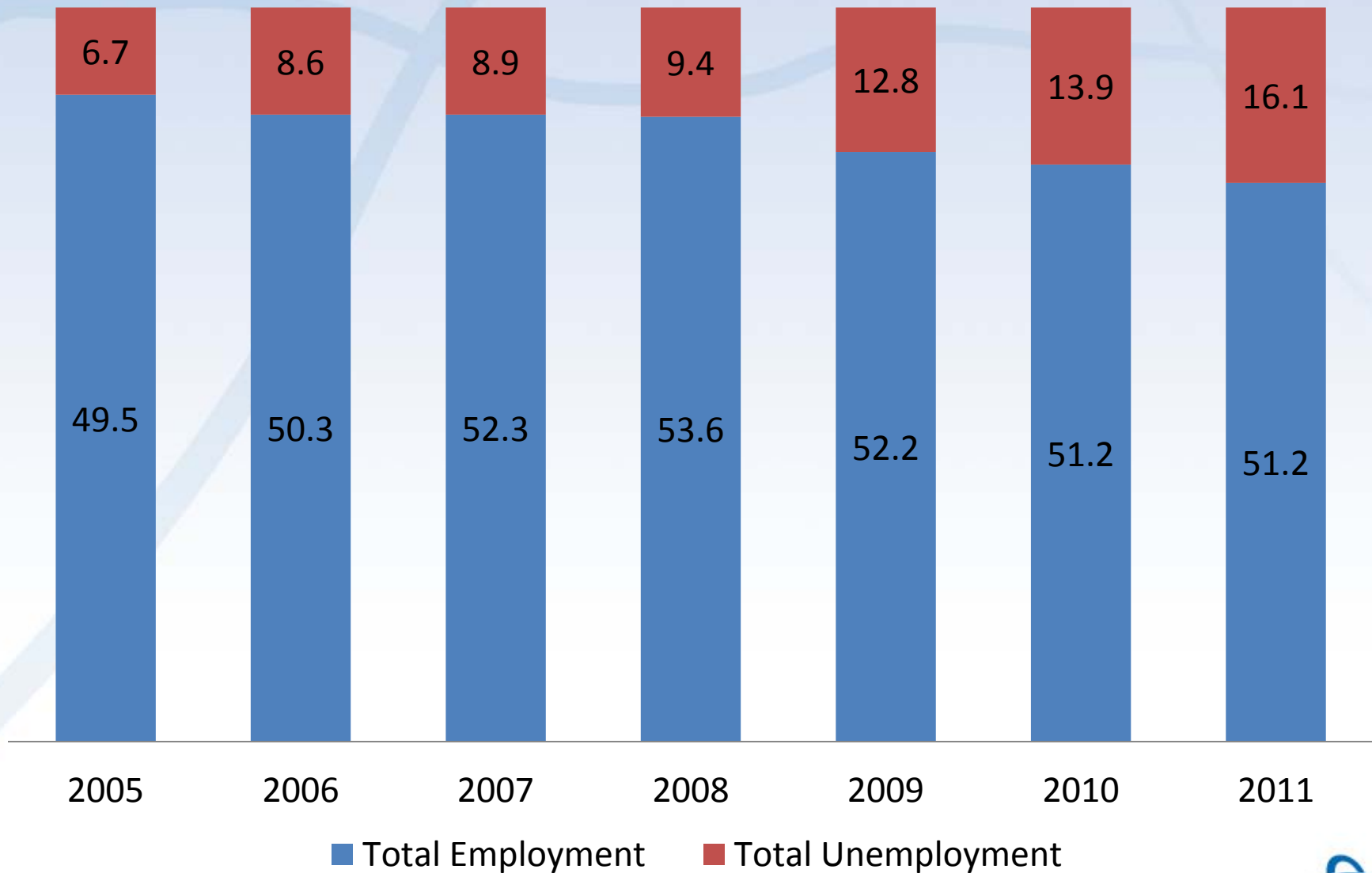
Big issue...

- Working age population (i.e. Those aged 15-60 years) will increase from about 85.7million 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 massive creation of wage-earning jobs

The high proportion of the working age population must be taken into consideration...

- identify job-intensive sectors in which the country enjoys a global competitive advantage or strong domestic demand;
- improve access to finance for these sectors;
- build appropriate infrastructure;
- cut unnecessary regulation; and
- ensure that the labour force has the necessary skills

Nigeria's Labour Force (million) 2005 - 2011



The high proportion of the working age population must be taken into consideration...

1. Improve access to labor markets for the youth (domestically)

- Unemployment has to be reduced to the barest minimum
 - Lifecycle profile indicates low productivity of young workers and this has to be addressed
- In the future we may not rule out access to the elderly

2. Improve access to labor markets for the youth (Internationally) Migration can be an option for human capital development and utilisation

- Given the evident lack of opportunities for the baby boom children
- Can be a loss of highly qualified young adults to emigration
- But attractive because of remittances and implications for poverty reduction

3. Increase investment in human capital as fertility declines is important

- ❖ Investing more in the education and health of children means that standards of living will at first rise more slowly.
- ❖ Investing in continuous training to further develop the citizens in the present knowledge economy
- ❖ Moreover, by continuing to invest in human capital, higher standards of living can be sustained even after the economic support ratio has declined

4. Financial sector must be strengthened to aid and sustain investment that will enhance possibilities of reaping second dividend

- Develop and emphasize more asset-based pension systems.
- Raise financial literacy.
- Strengthen financial sector.
- Improve domestic investment environment.
- Increase access to international capital markets.

Conclusion

- Age structure is important for economic performance
- However, welfare implications of compositional change is unclear.
- First dividend is a transitory phenomenon. Although, Nigeria has entered the window of opportunity, the first dividend will eventually turn negative as aging occurs.
- Demographic transition can have a permanent effect on consumption by influencing the accumulation of assets.
- However, outcome is highly policy-dependent.

Thanks



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