



LAGOS STATE  
GOVERNMENT



# DEMOGRAPHIC DIVIDEND IN LAGOS STATE

The opportunity we must not forgo!

DECEMBER 2015

Lagos State is the economic powerhouse of Nigeria with a GDP of \$80 billion in 2010, which represents 35.6% of the Nigerian GDP. It has been argued that it would have been amongst the largest economies in Africa if it were a country on its own (Ministry of Economic Planning and Budget, 2013). With 2015 population projection of about 23 million, Lagos State is endowed with vast human and other resources.

## What is Demographic Dividend?

Demographic dividend is the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older). This means that there is a boost in economic productivity that occurs when there are growing numbers of people in the workforce relative to the number of dependents. The dividend does not happen automatically. The demographic transition and changes in the population structure should be accompanied by sustained investments in education, skills development, health, job creation and good governance. It is only a country with both increasing numbers of young people and declining fertility that has the potential to reap a demographic dividend (Bloom et al, 2002).

There are two of such demographic dividends. The first dividend, occurs automatically as a consequence of demographic transition, which is time bound and can only last for 30 – 50 years. If well harnessed, it can lead to second demographic dividend. The Second Dividend is associated with population ageing and where there has been 'anticipation of the future decline in the support ratio [this] leads to an increase in wealth and possibly assets.' The second dividend is a consequence of the actions and policies taken during the period of first dividend.

The first dividend yields a transitory bonus, while the second transforms that bonus into greater assets and sustainable development. These outcomes are not automatic but depend on the implementation of effective policies (Lee and Mason, 2006).

Around 64% of the population of Lagos State is in the age bracket of 15–59 years by 2006, with only 4.2% of the total aged above 60 years while 31.2% are below 15 years. This is a reflection of the demographic transition that the state had gone through in the past decades. The resulting bulge from this structure increases the support ratio needed to drive the state's economy into a faster path of economic growth. The growth of support ratio creates a window of opportunity that can lead to demographic dividend if well exploited (Bloom et al, 2010).

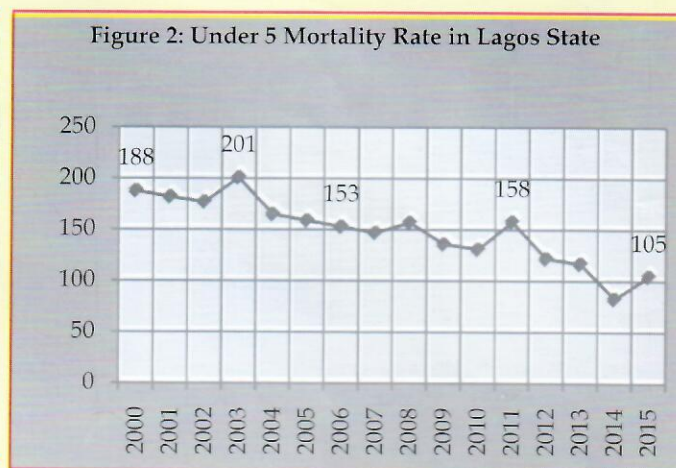
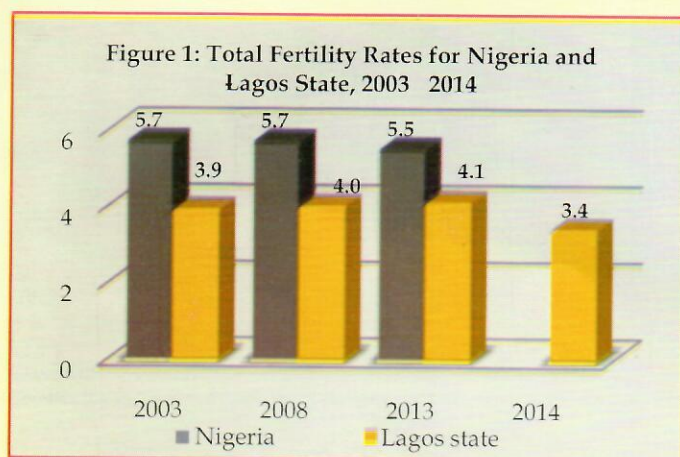
But this window of opportunity will not automatically lead to demographic dividend without preconditions of multisectoral investments made in family planning, education, and gender equality (Olaniyan, 2014). Such investments ensure an educated workforce and greater economic opportunities for the citizens. Lagos State is ahead of Nigeria in the opening of this window and as such must take pre-emptive actions towards harnessing the benefits that should accrue there from.

## Stylized facts on Demographic Dividends in Lagos State

Lagos state is in the middle of the demographic transition with the transition from high fertility and mortality rates to low fertility and mortality rates. Lagos State Total Fertility Rate(TFR), that is, the number of children born per woman, fell from about 3.9 in 2003 to 3.4 in 2014 (Figure 1). This is substantially lower than the country average and about 41% of the TFR for Zamfara state which has the highest TFR in the country. TFR is projected to fall to a little over 2 by 2050.

This decrease is accounted for largely, by the higher levels of female education, employment opportunities, as well declines in infant mortality rates, and the better provision of family-planning services in the state. In addition to falling TFR, under 5 mortality rates has also declined (Figure 2). These are occasioned





by the improved education and literacy of mothers as well as public health interventions related to water and sanitation, and health care provision.

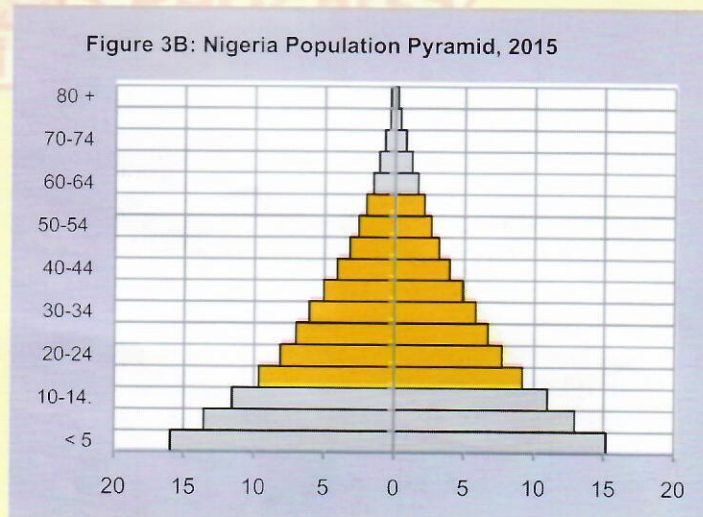
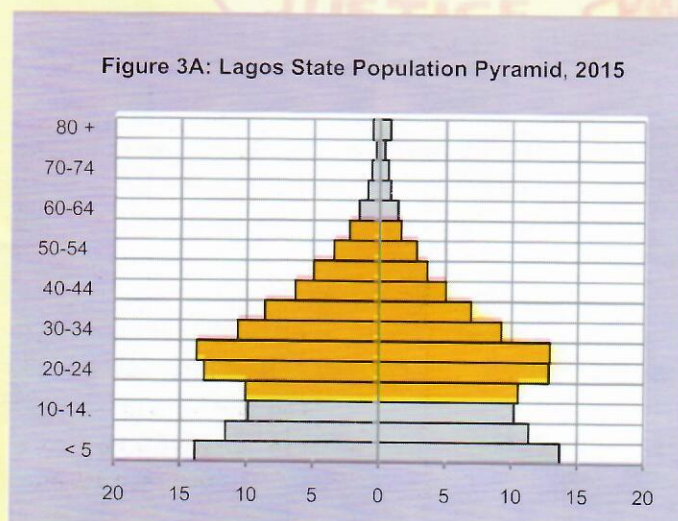
Incidentally, the declines in mortality and fertility do not happen simultaneously at the same speed. The lag between falls in mortality and fertility created a 'bulge' or baby-boom generation in Lagos State between 1985 and 1995.

Given the continuous transition, the state still has a youthful population, with 53.9% of the population below the age of 25 years. This is much reflected in the population pyramid of Figure 3. While Lagos State population structure (Figure 3A) is showing the bulge, the national structure (Figure 3B) is fundamentally different from that of Lagos. Obviously, the state has entered the window of opportunity for the first demographic dividend but the question is: *Is the state aware? And if yes, is it positioning itself strategically to harness the demographic dividend and realize accelerated economic growth?*

As this generation moves through the population age structure, it constitutes a share of the population larger than the cohorts that precedes or follows. The present

stage of the baby boomers creates particular opportunities and challenges for the state. They are already in their productive years in 2015 and will start getting into retirement age by year 2045, which is just 30 years from now. These include the large youth cohort to be educated, followed by an unusually large working-age (approximately ages 15–64) population, which will eventually culminate into a large elderly population. The dividend pattern of this situation is captured by the support ratio as presented in Figure 4.

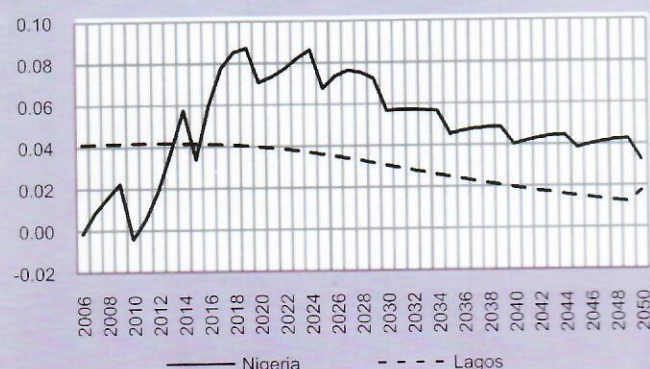
The urban nature of Lagos State means that both migration and urbanisation will also alter its population patterns. As people continue to move into Lagos, it will not just affect the population age structure but can also confer economies of scale and of agglomeration associated with such migration. This is where the State needs to consider countering the urbanisation problems that can arise in slum development, transportation, housing, air pollution, and waste management. Urban poverty and socio-economic disparities can also become exacerbated. All these could impede the sustained and robust investments in education, skills development, health, job creation and good governance.





Source: Computed and drawn by the authors

Figure 4: Economic Support Ratio for Nigeria and Lagos State



### Policies for managing the dividends

The dividend does not happen automatically, although its chief precondition – the sharp decline in fertility – has started in Lagos State. While Nigeria is on the verge of experiencing potential demographic dividends, Lagos State has entered the window since 2012. Therefore Lagos can harness the dividend by looking beyond national policies and make concerted efforts to adopt the following policies in most appropriate, effective, coordinated and timely manner.

➤ The starting point is the maintenance of low fertility, which drives quality rather than quantity of children. Although, Lagos State appears to have a relatively lower TFR in the country, the contraceptive prevalence rate and family planning uptake are still very low. The dividend can only be assured through a sustained low fertility rate. There is the need to strengthen the boost of family planning efforts.

➤ Improvement in quality of human capital especially education and health. Although there has been dramatic progress in the numbers of young people who are completing primary school in the state, there are still doubts about the quality of schools. Also, most of the citizens patronize private schools and healthcare facilities. These have equity and poverty implications as well as the ability for having efficient and effective education and healthcare system. Most children (more than 65%) in Lagos State attend private schools. There is thus

the need for the strengthening of the education and health care systems for more inclusiveness.

➤ Government investment in the social sector will have to be increased. Projections indicate that in 2030, Lagos State will require 118,000 and 91,900 primary and secondary schools teachers respectively along with 15,400 and 22,000 doctors and nurses respectively given the age structure and number of people who will be residing in the state (see the table below).

➤ In addition, the size of the demographic dividend will depend on massive creation of wage-earning jobs. The state must therefore provide incentives not only for the new entrants into the working age population who will be seekers of jobs, but also new young entrepreneurs looking for hands to employ. In both instances, employability of the young adults must thus be enhanced.

POPULATION PROJECTIONS (thousand)  
2030 2050

	Male	Female	Male	Female
Under 15	4,718.2	4,707.7	6,081.9	6,068.3
15 – 64	10,335.6	9,141.3	13,322.9	11,783.4
65 and Above	325.5	332.3	419.5	428.4
<b>Total</b>	<b>15,379.3</b>	<b>14,181.3</b>	<b>19,824.3</b>	<b>18,280.1</b>
Primary Enrolment	2,074.9	2,054.3	2,674.6	2,648.1
Teachers needed	<b>118.0</b>		<b>152.1</b>	
Secondary Enrolment	1,566.3	1,649.4	2,018.9	2,126.1
Teachers needed	<b>91.9</b>		<b>118.4</b>	
Doctors needed	<b>15.4</b>		<b>34.0</b>	
Nurses needed	<b>22.0</b>		<b>48.6</b>	

Source: UN and LBS

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.



- To realise the second dividend, the working population must be encouraged to save and invest in asset with immediate effect such that they will depend on the assets income—housing, funded pensions, and personal savings, among other things when they grow old (Heller, 2006).
- To kick-start the old age protection; Lagos State Pension Reform Law 2007 was signed into law on 19th March 2007. It was established for the Public Service of Lagos State, a Contributory Pension Scheme for the payment of retirement benefits of employees in the service to whom the scheme applies.
- However, most of the citizens who are outside the formal employment remain largely not captured by any social insurance system, Lagos State should design an all-encompassing social security, social insurance and welfare system that is sustainable for the people in the face of uncertain economic and demographic developments.
- Since Lagos has benefitted from migration, there is the possibility of return migration by the elderly to their states of origin. If this happens, ageing might be slower than if they remain in Lagos. Incidentally, with the growing disconnect between citizens and their states of origin, we are likely to see a situation where many elderly who have invested well in productive assets in Lagos will no longer return to their states of origin.

Summarily, the transition should be accompanied by sustained investments in education, skills development, health, job creation and good governance.

## Conclusion

Studies such as Olaniyan et al (2012) have indicated that whether that opportunity is realised depends on whether socio-economic policies are favourable for economic growth. In essence, Lagos State should prepare itself for the increasing quantity of labour force and in the next few decades, ageing population problems with more qualified labour force.

The Lagos plan did not show that the state is aware of its demographic 'window of opportunity' that has just opened. The policy implications are huge. It is suggested that a comprehensive analytical study of the pace, pattern, nature and magnitude of demographic dividend analysis in Lagos should be done to provide evidence-based planning of harnessing the Demographic Dividend in Lagos State.

Given the economic importance of Lagos state, it should be noted that the enormity of the available working population that could launch the state into a sustainable development path is an opportunity that the state cannot afford to forgo.

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