

# INVESTING IN FREE UNIVERSAL CHILDCARE IN NIGERIA: THE EFFECTS ON JOB CREATION AND FISCAL REVENUE

## Introduction

**The provision of universal childcare is critical to achieving the UN 2030 Agenda for Sustainable Development, and to reduce gender inequalities in the labour market.** The female employment rate in Nigeria is 10 percentage points lower than that of men (44 per cent for women compared to 54 per cent for men<sup>i</sup>). Lack of quality and affordable childcare services is a major obstacle for women to participate in the labour market. In Nigeria, women spent on average 145 minutes daily on childcare compared to 95 minutes for men.<sup>ii</sup> High-quality childcare is associated with long-term benefits which cumulate over the life course: reducing stunting, lowering the risk of leaving school, and increasing female employment and earnings. It is also an effective mechanism to support job creation in the context of the recovery from the COVID-19 pandemic, in particular for women.

**Access to early childhood education and care is unevenly distributed in Nigeria.** Nigeria has a young population, with around 18 per cent of the total population below school age.<sup>iii</sup> The vast majority of children below school age, especially the youngest ones, are currently looked after by their mothers or family members, outside of formal childcare facilities. Only 5 per cent of children between 0 and 2 years and 15.4 per cent of those aged 3 to 5 years are enrolled in formal childcare centres. Children in the richest quintile are three times more likely to attend formal childcare one year before they enter primary school than those in the poorest quintile.

Non-parental childcare provision allows more mothers to stay in or take up employment and earn a decent living. However, **the provision of such universal childcare requires fiscal policies to generate revenues to finance different childcare services** (e.g. day-care centres, community-based facilities and childcare assistants) and to facilitate the formalization of these services.

This brief summarizes findings of a study to quantify investment needs for universal childcare provision in Nigeria, as well as employment and fiscal gains associated with such expansion of services. The findings are part of a study conducted by UN Women in five countries of Africa—Cote d'Ivoire, Nigeria, Rwanda, Senegal and Tanzania—with an aim to inform policies to promote gender-inclusive growth.

## Methodology

The study assumes centre-based childcare services provision for all children aged 4 months to the age at which they enter primary school. The investment includes provision for both construction costs and training costs for the staff under two scenarios.<sup>1</sup> Employment gains are quantified for direct jobs in the childcare sector and indirect jobs in other sectors. Revenue gains are achieved through increases in payroll/income and sales taxes as a result of increased employment and consumption respectively. Net and gross funding requirements as well as break-even points are also calculated to inform discussion on the fiscal space available to fund the expansion of childcare services in Nigeria.

## Universal childcare education in Nigeria: Investment requirements, employment and fiscal effects

**Investment needs:** The gross annual investment required to fund universal childcare education in Nigeria is estimated at between 4 per cent and 8 per cent of the GDP (depending on the scenario)<sup>2</sup>.

**Labour effects: Employment effects are significant and will benefit women primarily.** Investing in universal childcare will generate between 9,442,139 and 17,058,839 jobs (depending on the scenario), with at least 60 per cent of them occupied by women, with a subsequent reduction in the gender gap in employment of between 43 per cent and 56 per cent.

1 Both scenarios assume provision of full-time, full-year services for 50 per cent of children aged 0 to 2 and 100 per cent of children aged 3 and above, with a mix of tertiary-educated and post-secondary-educated teachers. The first scenario, Scenario 1, reflects pay levels on par with current salaries in pre-primary or primary education and statutory child/staff ratios. The second scenario, Scenario 2, estimates higher salaries. It also improves the child/staff ratio to match international standards: around 5:1 for children below 3 and 15:1 for children aged 3 and above.

2 See footnote 1 for description of scenarios.

**Fiscal effects: The gross annual investment required could be recouped from tax revenues each year in Nigeria:**

Approximately 15 per cent of the gross annual investment required will be absorbed by direct and indirect tax revenues from increased employment and consumption.

**The net funding requirement becomes lower (3.1 per cent of GDP)** as a result of the increased tax revenue stemming from employment creation in childcare and other sectors.

**It is possible to envisage sufficient fiscal revenue to help fund the investment over time:**

The net annual investment requirement could be financed by a **tax incidence rate** (of social security contributions from both employees and employers, income tax and indirect taxes) on the average wage of 39 per cent in the Scenario 1 (and 78 per cent in the Scenario 2). This implies either increasing tax rates or expanding the tax base (or both) by shifting more people into formal employment.

## Conclusion

Quality universal childcare provision requires significant investment of resources in Nigeria. This investment is partly offset by fiscal gains associated with increases in employment in childcare and other sectors of the economy. The fiscal break-even point in Nigeria continues to be high, after accounting for fiscal gains, particularly in the Scenario 2. However, investments in universal childcare provision have important social gains associated in terms of increasing employment and reducing gender gaps in the labour market (as well as human capital accumulation not quantified in this study). In the long term, with increased earnings for mothers and the expansion of the fiscal base through the expansion of the formal economy, it is possible to envisage sufficient fiscal space to help fund the investment over time.

## Recommendations

**There is an economic and social rationale for public sector investment in universal childcare education in Nigeria.**

This brief provides elements to support the Government role and leadership in this process. The specific definition of policies, childcare provision models and the concrete fiscal instruments to finance them need to be defined at the country level, through a process of **multi-stakeholder dialogue**. The moment to do this is now, as part of the economic recovery initiated after the COVID-19 crisis, bearing in mind the impact of the pandemic on increasing women's unpaid care, and making inequalities even more stark.

It is therefore recommended to **initiate/revitalize national dialogue around unpaid care reform in Nigeria**. A process of national dialogue, jointly led by the Federal Ministry of Finance and the Ministry of Women Affairs, is critical to make progress in this strategic area of the inclusive growth agenda in Nigeria. Dialogue should include key actors such as the state advisory councils, legislators and federal policymakers, as well as development partners and the private sector, women groups and academia.

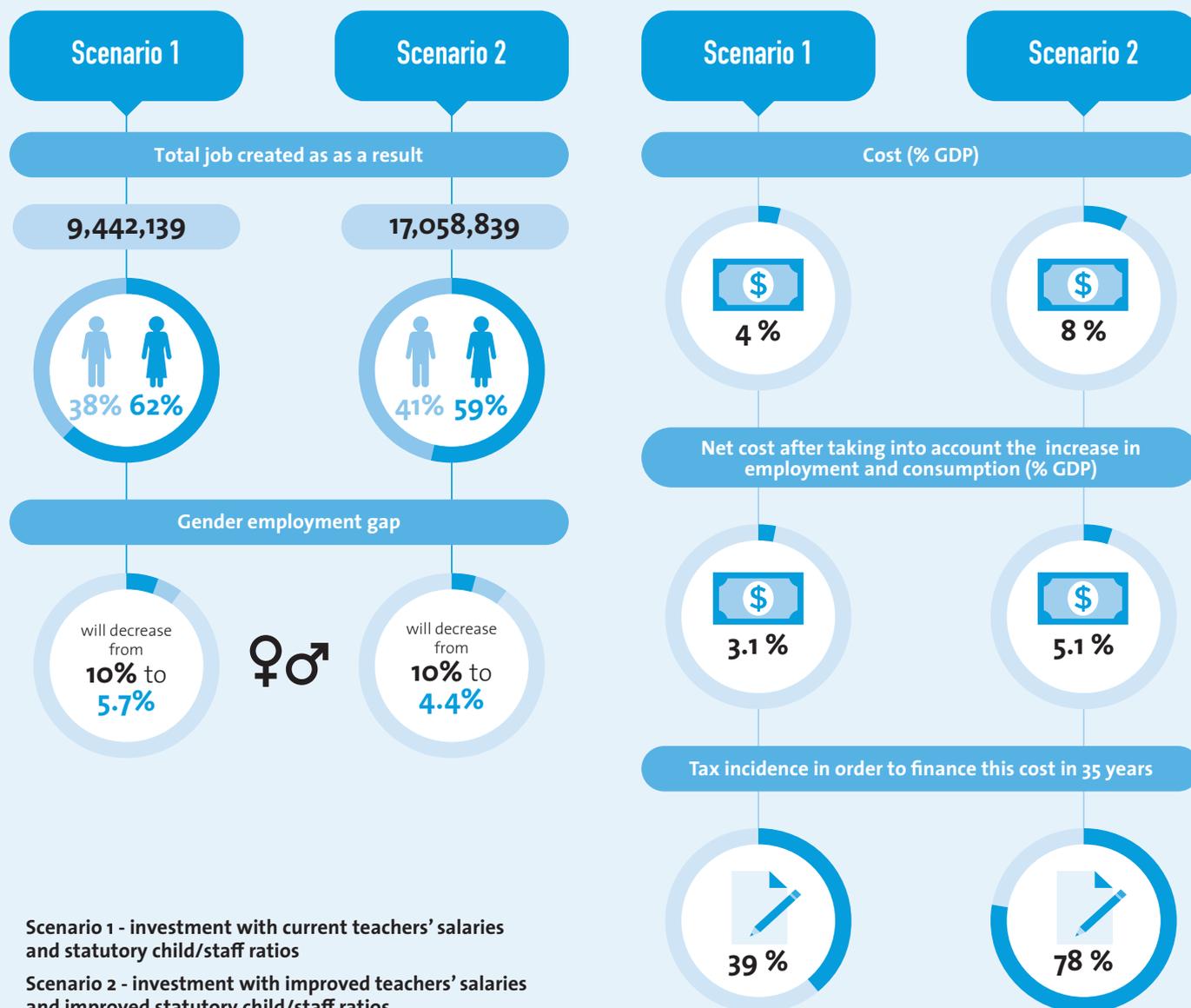
To support this dialogue, development partners can continue assisting the Ministry of Finance and other key actors with a **research agenda to support unpaid care reform**. This should include (i) identifying care deficits, as well as bottlenecks and structural reforms needed to address them; (ii) mapping out good practices and designing models adapted to Nigeria's reality (both in the short term accounting for the large weight of the informal economy and in the longer term under a different structure of the economy which relies less on informality); and (iii) formulating different strategies to generate fiscal space to finance the unpaid care reforms in the short and medium term.

Momentum around unpaid care reform is increasing around the world as a result of the 'care crisis' triggered by the COVID-19 pandemic. Countries are acknowledging the large impact that the lack of unpaid care services and solutions is having on their economies, and are embarking with bold actions to change this in order to reap the long-term benefits for their societies of stepping up investments in care.

The Government of Mexico, in partnership with UN Women, launched in March 2021 a call for global action on care through the **Alliance for Care Work** and is inviting other visionary Governments to join this international coalition. **Nigeria can be a regional leader** in driving the inclusive growth agenda, by joining this coalition, and taking decisive action at the national level to reform the unpaid care sector. In the very short term, a way of showing that commitment would be to reassess the priorities of the post-COVID-19 fiscal **stimulus package and reallocate funds** to unpaid care solutions through cash transfers, care allowances or any other mechanism.



## PROVISION OF FREE UNIVERSAL CHILDCARE IN NIGERIA



### ENDNOTES

- i ILOSTAT database. 2020.
- ii ILO. 2018. *Care work and care jobs for the future of decent work*. Report: [Care work and care jobs for the future of decent work \(ilo.org\)](https://www.ilo.org/publications/new-reports-and-studies)
- iii UN population. 2020.