

# Investing in Childcare: A Game Changer for Businesses and the Nigerian Economy

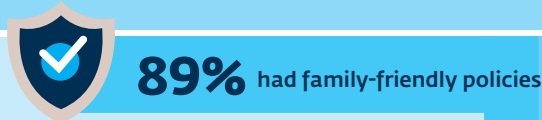
June 2023

## KEY FINDINGS



### Employers

Availability of employer-provided family-friendly policies



#### Top three family-friendly policies



#### Significant gaps



#### Employer-supported Childcare

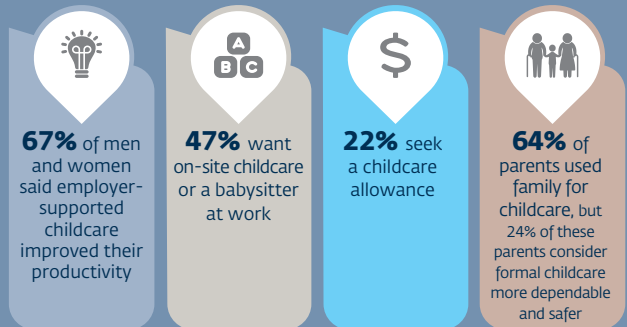


### Employees

Demand for family-friendly workplace policies, including childcare services



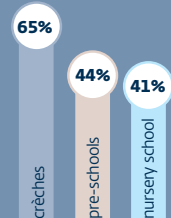
#### Childcare demand



#### Projected employee demand

Demand for childcare services in the private sector could rise by 10% by 2025.

- 65% will need crèches (ages 0–2)
- 44% will need pre-schools (ages 3–4)
- 41% will need nursery school (ages 3–5)

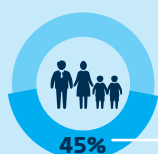


## Barriers to accessing formal childcare

Childcare is expensive, inconvenient, and low quality

### Expensive

Average cost for one child is **₦228,000 (\$550)** annually—**63%** of the annual minimum wage



**45%** of families spend **10%–20%** of their income on childcare services and related costs, which is a financial strain

### Inconvenient

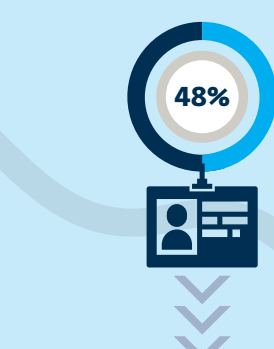
Operating hours often do not match parents' work schedules

Providers are far from parents' work and home

- 1.5–2 hours of commuting per day
- Commuting is stressful
- Commuting negatively impacts productivity

### Low Quality

Only half (48%) of providers could show a license



<sup>1</sup> This question was only asked of employees.

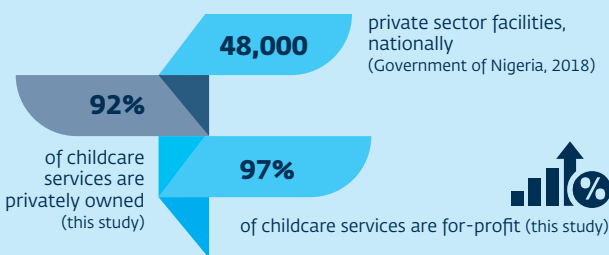
# KEY FINDINGS

## Childcare Services Supply

Opportunities to scale-up childcare



### Childcare market is fragmented



### Few large-scale childcare facilities or chains

- 74% of providers have one location



#### Facilities are small

- Average enrollment was 25 children
- The largest center had 168 children

### Facilities are independently owned

- 88% are owned by a woman or a husband and wife.
- Female owners face more challenges than male owners



### Client profile

56% of childcare users were private sector workers and entrepreneurs

### Attractive investment opportunity

10% Demand for childcare will grow by 10% by 2025

76% of care entrepreneurs lack access to formal financing

## Challenges in launching and operating a childcare enterprise

1 Lack of business management expertise

2 Lack of qualified and reliable workers

3 Lack of access to finance

61% used personal savings  
18% used a bank loan  
10% were financed family and friends



## Gaps in the Legal and Regulatory Framework



### Maternity Leave

Lack of a uniform federal legal requirement for maternity leave that applies to all workers

- Only covers manual and clerical workers
- Millions of Nigerian women lack this fundamental right
- Some employers won't hire women

Labour Act prescribes less than the international standard

- 12 weeks not 14 weeks
- 50% pay, not 66% of pay

Employers can decide whether to grant maternity leave or not, and for how long

- Leave ranges from 0 to 24 weeks (6 months)
- Wide variation in maternity pay

### Paternity Leave

- No provision in the Labour Act
- Federal workers have 14 days leave at 100% pay (Federal Public Service Rules)

### Breastfeeding

- Two breastfeeding breaks of 30 minutes per day (1 hour per day) (Labour Act)
- Does not apply to all employees
- No requirement to provide a lactation room
- No standards for a lactation room

### Childcare

- No legal mandate for employer-supported childcare
- Little enforcement of childcare facility standards

## Financing Needs

Private childcare providers will need an average of **₦15 million** (\$37,000), and in some cases they need up to **₦100 million** (\$240,000) to upgrade their facilities, improve standards, and fund expansion.


UN Women estimates that the gross annual investment to fund universal childcare in Nigeria would be **₦7 trillion to ₦15 trillion** (\$17 billion to \$35 billion).


# KEY RECOMMENDATIONS

## Government and Policy Makers

### Maternity Leave

Update the Labour Act to provide

**14w**  a minimum of 14 weeks

**66%**  a minimum of 66% of pay

(ILO 2000, World Bank 2021a)

### Paternity Leave

Establish a minimum for paternity leave

**2 weeks**    **100% pay**

### Lactation

- Establish minimum requirements for workplace lactation rooms that address hygiene, privacy, and refrigeration

### Labour Act

Expand the types of workers covered

## Employers' policies

### Maternity Leave

Consider investing in policies that provide

- a minimum of 14 weeks
- a minimum of 66% of pay (ILO 2000, World Bank 2021a)
- Advocate for federal laws that use social insurance to fund maternity leave for all types of workers

### Paternity Leave

Provide a minimum of

**2 weeks**    **100% pay**

### Lactation

-  Provide breastfeeding breaks of 30 minutes, twice per day
-  Provide a lactation room that is hygienic, private, and has refrigeration

### Childcare

Introduce mandates and incentives on quality, affordability, distance, and access



#### Quality

- Ensure compliance with standards



#### Affordability

- Make access more affordable by incentivizing providers and employers to invest in childcare



#### Distance

- Incentivize employers to attract providers to set up on-site or near-site childcare centers in business hubs or industrial clusters



#### Access

- Encourage equitable access to affordable childcare for all working parents
- Avoid discrimination by basing company childcare policies on the total number of employees, not the number of female employees

### Childcare

Help retain employees by providing childcare that is convenient, good quality, and affordable



# KEY RECOMMENDATIONS

## Childcare Providers

### Partner with employers to establish childcare centers



### Scale-up

Serve more children, more affordably, by scaling up provision

Consider growth strategies through

- networks
- organic growth
- mergers and acquisitions

Adopt cost-efficient business strategies

- offer volume discounts
- share back-office functions such as for HR and IT

### Improve quality

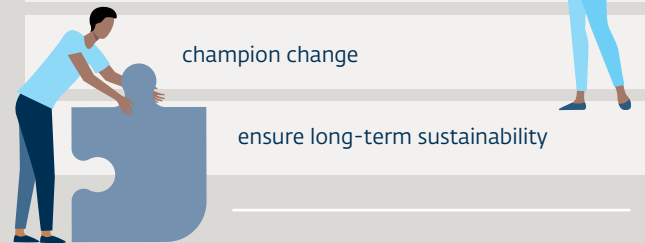
Exceed government quality standards

- establish internal monitoring and quality assurance systems
- obtain and maintain licenses
- hire qualified staff
- provide training to upgrade staff skills
- compensate childcare workers with appropriate wages

## Associations

### Industry associations

Facilitate common solutions to gaps in employers' family-friendly policies, including those related to childcare



### Childcare quality associations

Establish a voluntary national accreditation system to improve quality and transparency

- set standards that exceed the legal requirements
- widely advertise quality standards to parents and employers

## Financial Institutions

### Market Opportunity

**\$35 billion**

Tap into the ₺7 trillion to ₺15 trillion (**\$17 billion to \$35 billion**) childcare market opportunity

- facilitate providers' access to finance
- facilitate learning exchanges to bridge the knowledge gap between financial institutions and providers
- enhance market scoping
- tailor financial products
- conduct pilots

Offer childcare providers **financial literacy** and **business management training**