Unemployment Figures and The Economy

Preface

This paper presents a position on the latest unemployment figures released by the National Bureau of Statistics. The new statistics put the unemployment rate for Nigeria at 33.28% for Q4 2020, an all-time high, and according to the NBS the third highest level in the world.

Background

- **The issue of unemployment is fast becoming the main socio-political issue in Nigeria**. The latest figures bear this out, showing that unemployment has now become the prevailing issue fast eclipsing other socio-economic parameters, be they poverty, insecurity, agricultural development, sovereign debt, and government revenue. The figures are at a level far higher than even those seen in the United States during the Great Depression or during the pre-reform years in China during the administration of Mao Zedong.
- President Buhari, immediately after his victory at the 2019 elections, **promised to create 100 million jobs over ten years**, or ten million jobs a year. **In fact, the total number of jobless has increased by some 19 million since year-end 2014**, meaning the opposite has happened.
- In terms of **policymaking**, the present administration **has focussed**, amongst others, **on providing regular support to the agriculture sector**, most recently putting the latest figure at N 1.487 trillion. Initiatives worthy of mention in this regard include the border closures to 'protect' the rice production sector (with all its indirect costs), and the Anchor Borrowing Programme to support smallholders run through NIRSAL. With combined **urban/rural split for unemployment and underemployment at 47.5% vs. 61.4%, rural unemployment is fast outpacing urban unemployment.**[1]
- Initiatives and palliatives, such as TraderMoni, MarketMoni, FarmerMoni, the NYIF- Nigeria youth investment fund, the AGSMEIS – Agribusiness/Small and Medium Enterprise Investment Scheme, or the N-Power recruitment scheme, which constitute the administration's social investment programmes that were designed to ameliorate unemployment and underemployment, have not been impactful. [2]One should also recall the various other 'palliative' (state capitalist) handouts/plans. The latest such scheme is the Governor Fayemi-led initiative under the auspices of the Nigeria Governors' Forum of "1,000 jobs for 774 LGAs" programme. It was initially introduced in June 2020 but is yet to get off the ground. While the government and the NASS debated the implementation mechanism, the fact remains that 1,422,772 jobs were lost in the period Q2-Q4 2020 according to NBS. In other words, the new

scheme itself falls almost exactly halfway short of simply restoring the pre-lockdown balance\with the implication that **the palliative system is at best preventing worse, or at worst, is simply a waste of government revenue**.

- Indeed, for the period since Q2 2015, the figures show very clearly that rather than doing any good, the situation has deteriorated, and deteriorated fast. The academic literature shows that there is no clear direct linkage of unemployment decreases and GDP growth in Nigeria. Consequently, any reference to two recessions as the reason for the sharp rise in unemployment does not hold ground. **If the impact of the COVID-19 lockdown is discounted and unemployment figures for Q2 2015 and Q1 2020 are compared, unemployment has risen by a total of 15.7 million**.

Highlights of Figures

General Observations

Figure 1

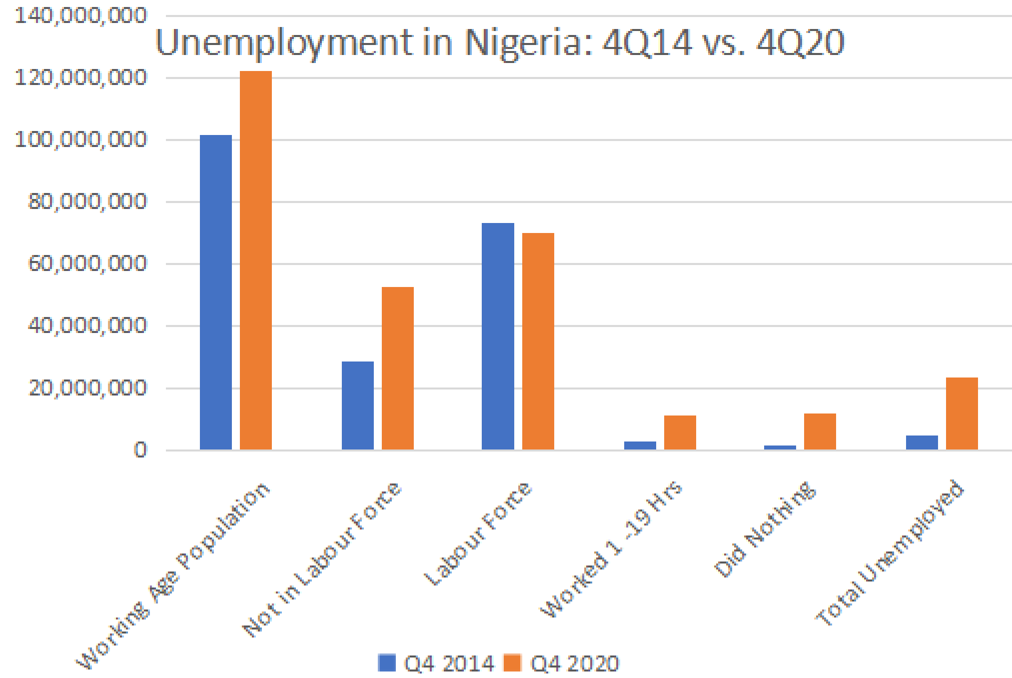


Figure 2

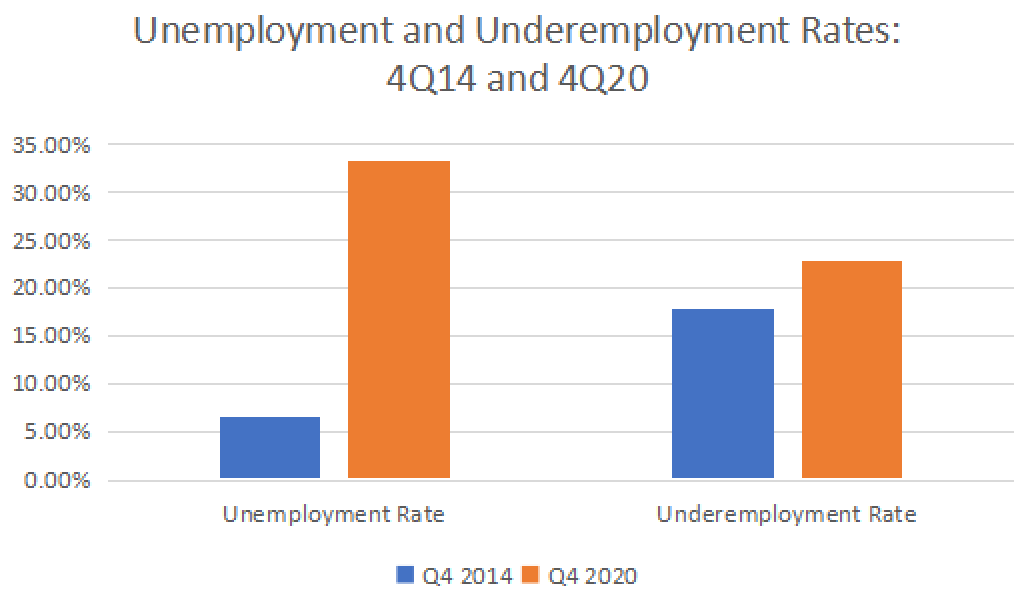
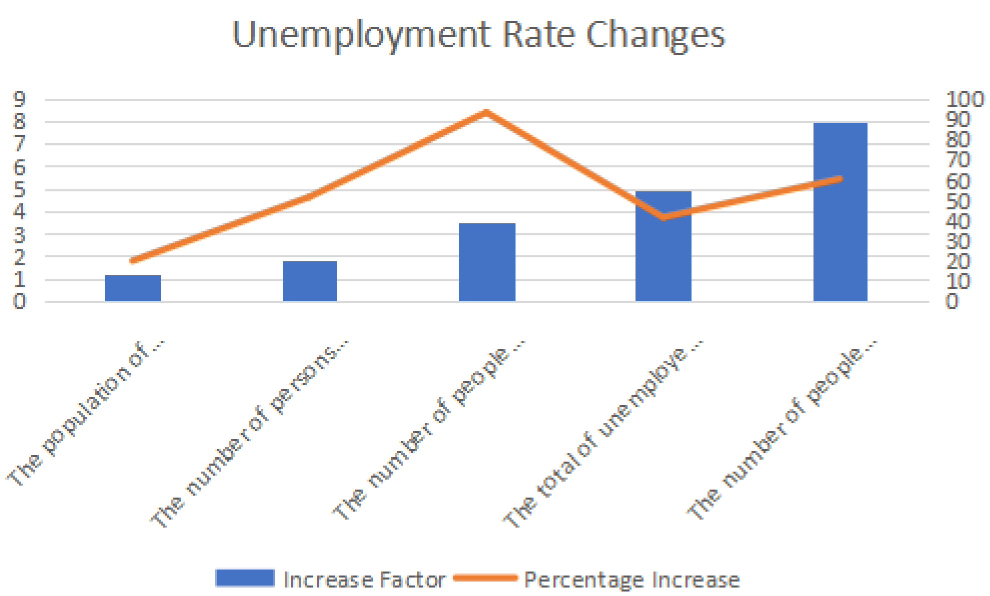


Figure 3: Summary of changes over the six years Q4 2014 – Q4 2020



During the same period, labour force decreased by a factor of 1.046. Invariably, as with most economies, the COVID-19 lockdown hit the economy hard, so if we examine the figures for Q1 2020, the following changes were observed.

Figure 4: Unemployment in Nigeria Q1 2020

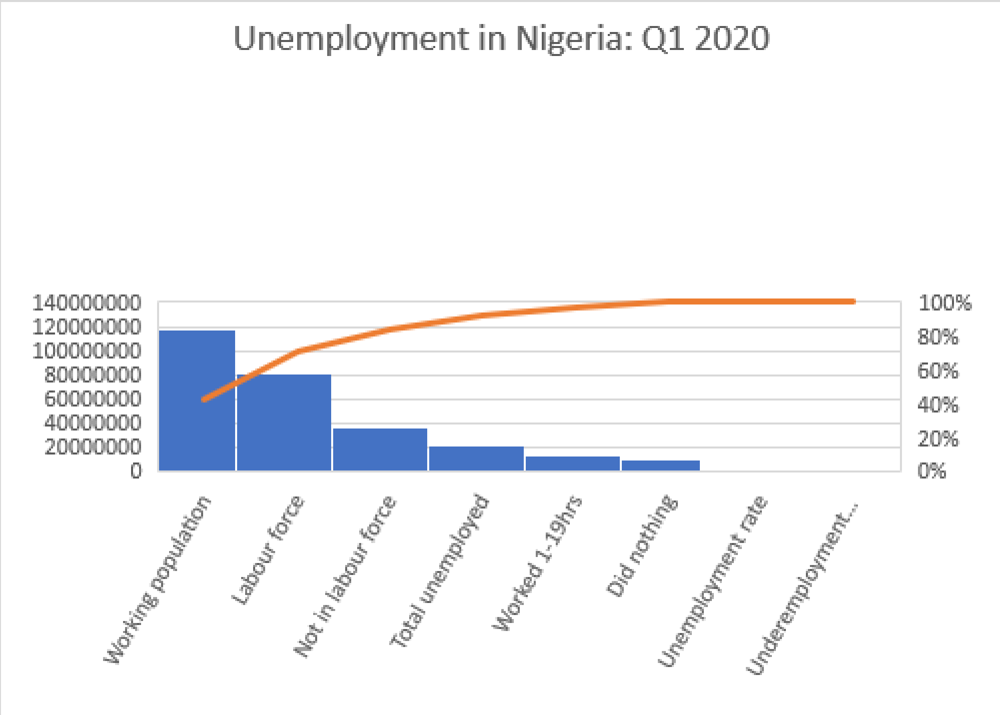
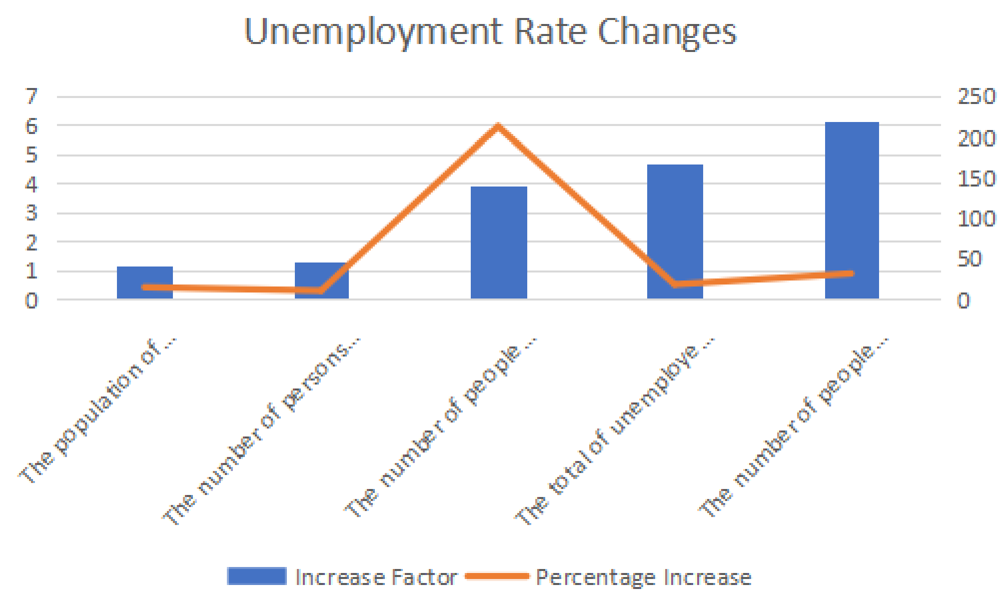
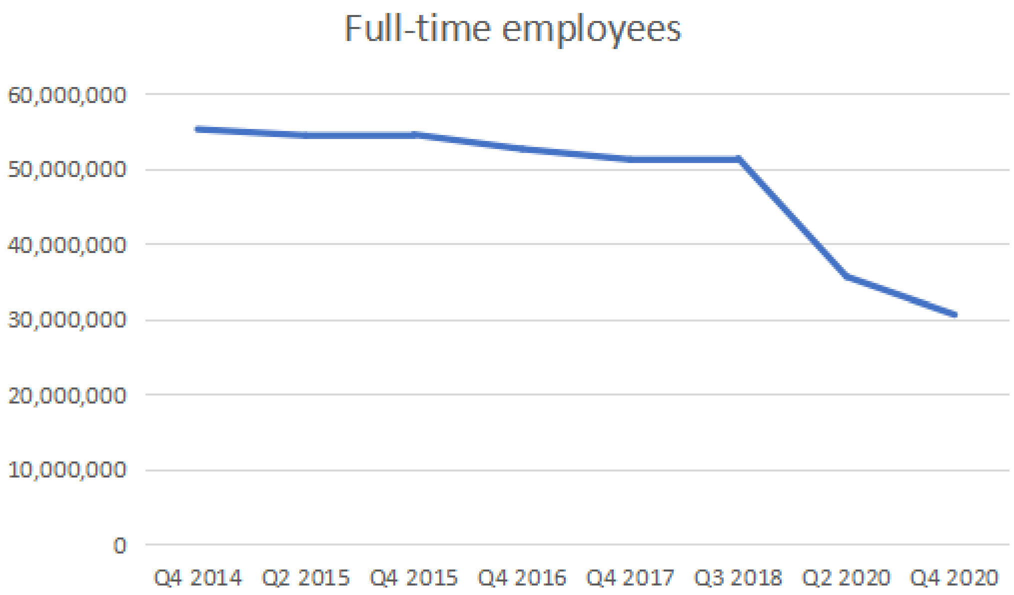


Figure 5: Summary of changes over the 5 ¾ years Q4 2014 – Q1 2020



This dramatic change points to the impact of two recessions While this appears plausible, empirical evidence in academic literature that investigates the linkage between GDP growth and decreases in unemployment in Nigeria, which relies on longer time series, reveals the connection to be anything but clear. Moreover, a comparison of the number of full-time employees shows that the first recession that occurred in 2016 with a negative economic growth of 1.62 percent, had a negligible impact on this variable, which increased by 3.54%. Recession impacts directly by lowering actual and growth rate of employment. However, this does not seem to have been pronounced. The second recession that occurred in 2020 led to a contraction of 3.62 percent in economic growth. This led to a drop in the variable between Q3 2018 and Q1 2020 of 40.44%.

Figure 6: Change in full-time employees



Put differently, in the five-year period since the current administration assumed office in May 2015 and end of second quarter Q2 2020, 18,790,749 full-time jobs have been lost. This is equivalent to 10% of the population. If we assume that half the population are not of an employable age, then the figure translates into 20%. This means **one in every five people in jobs have lost their full-time jobs**.

Specific Observations

Gender & Education

Based on NBS statistics, the rise in unemployment has impacted women more severely. Depending on the base level taken, the difference is at least 3.4%. More detailed statistics, specifically by state, would be necessary to conjecture why women are more affected as the specific cohorts in question could then be identified. We can only assume that the difference is not attributable to differences in literacy/education levels, which exist, as the subdivision of unemployment rates by level/standard of education does not indicate statistically significant variations other than at the very top end of the scale – those with doctorates. The numbers on education level as published are not particularly meaningful and therefore need substantial improvement if mitigating policymaking is to be fine-tuned to account for gender and education differences.

Figure 7: Unemployment rates based on gender differences

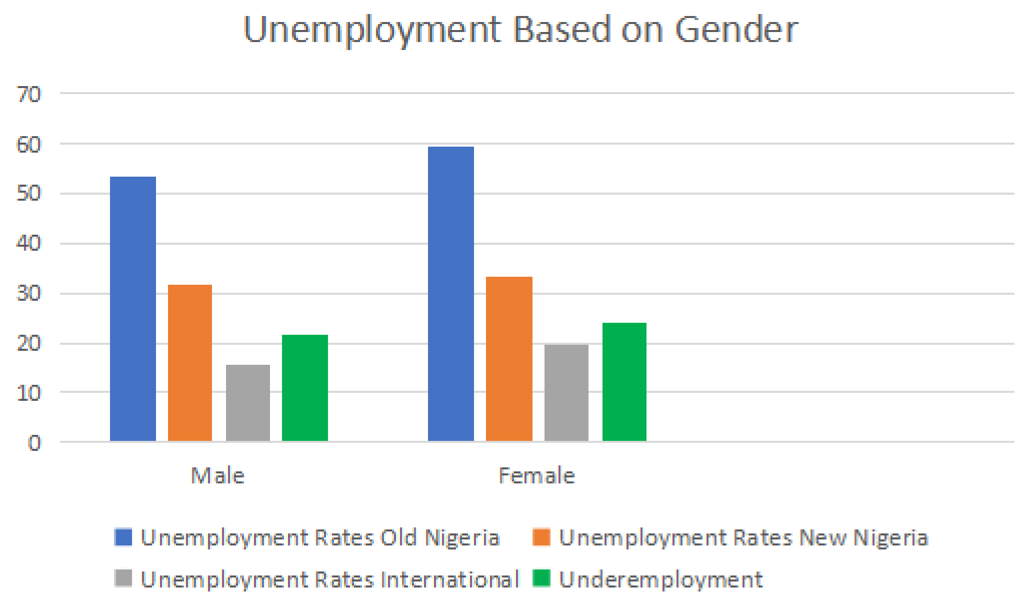
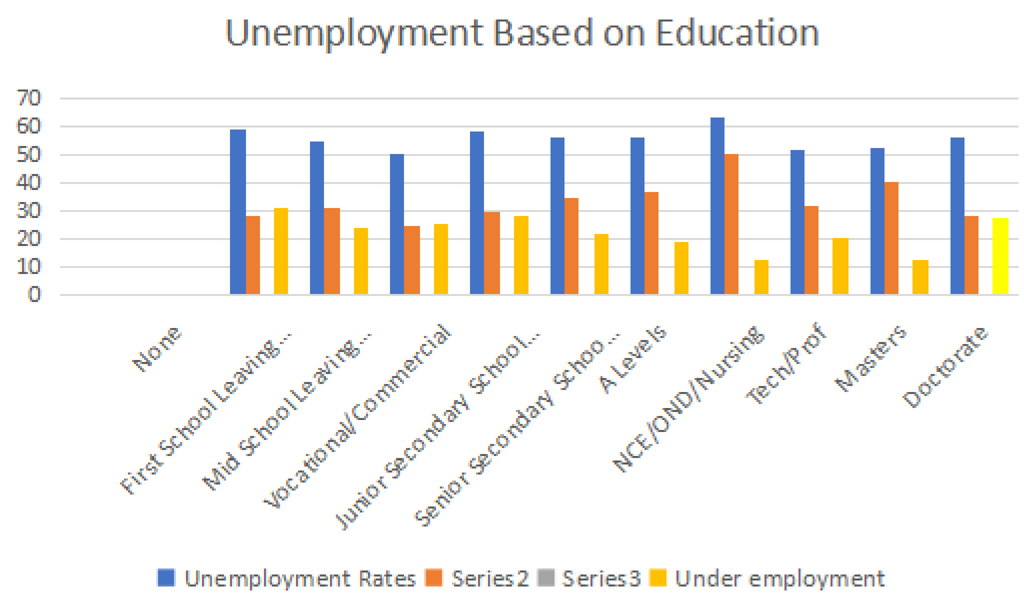


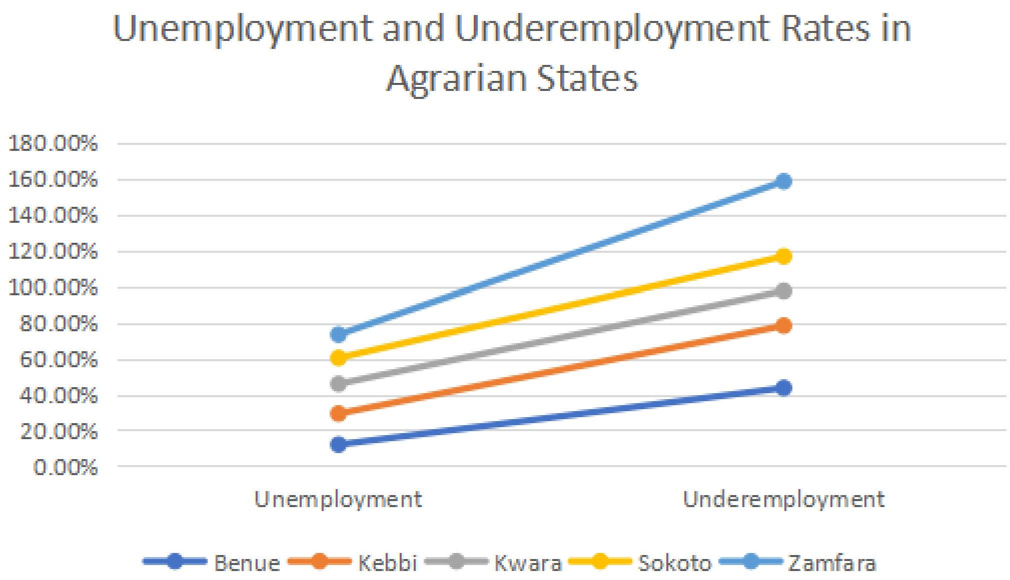
Figure 8: Unemployment Based on Education



Urban/Rural

As mentioned above, the figures released show a pronounced difference between urban and rural unemployment rates of over 14% if we rely on the "Old Nigeria" figures, meaning those including short-time employment. (Why NBS introduced so misleading a term as "Old Nigeria" is anyone's guess, but the differentiation seems as good as useless.) The figures are more closely aligned if such temporary employment is eliminated from the equation, something that can presumably be attributed to the fact that much rural employment is seasonal or 'helping out' rather than full-time. However, it is not clear to what extent the figures for primarily rural areas are accurate. This can be seen from a glance at the unemployment rates in four states with strongly agrarian economies: Benue, Kebbi, Kwara, Sokoto and Zamfara. After Osun, these states all have the lowest unemployment rates. In the case of Kwara and Sokoto, unemployment and underemployment rates are not vastly different, in the case of the other three states the figures for underemployment are in each instance over double that for the jobless.

Figure 9: Unemployment and underemployment rates in agrarian states



Unemployment by sector

The sudden deterioration in figures to be seen across the board between Q2 2020 and Q4 2020 is attributable to COVID-19. However, since the data does not differentiate by sector, we do not know which sectors have been affected and therefore what remediation is needed or what the prospects are of the situation righting itself. In the absence of the necessary granularity in the statistics, policymakers have no hard and fast data on which to base proposals to redress the situation and rekindle economic activity. As we have seen is the case with regard to gender differences, in what is a crucial juncture in Nigeria's economic fortunes, NBS is failing to provide the required data for evidence-based decision-making. One could conjecture that this partly accounts for the inefficacy of the measures implemented to date. Most importantly in the present context, the lack of information on unemployment levels amongst MSMEs is a theoretical flaw that means that the state of a key driver of economic growth is excluded from analysis.

Observations – economic impacts

1. **Loss of taxpayers** and therefore government revenue forfeited. With a drop in the absolute number of persons in gainful employment by almost 20 million, the government has lost tax revenues from approximately one fifth of the persons prospectively eligible to pay tax. PWC established in 2016 that at the end of 2015 only 13% of the labour force were in the tax net (and this included government employees). In such a situation, increasing

unemployment poses bigger dent in the treasury.

2. **Pension and health insurance shortfalls**. The less people that are in gainful employment, the greater the shortfall in contributions to pension schemes already in place. Indeed, PenCom (**ThisDay** 29 March 2021) noted this trend. As people lose jobs, so they lose health insurance coverage and will be forced either to purchase expensive private health insurance, or going without when they fall ill. This will simply place greater strain on the already under-funded and under-equipped public health services.

3. **Purchasing power crunch**. With fewer people having disposable incomes, so purchasing will drop, which will in turn impact on economic activity. A penurious downward spiral will be initiated. With total purchasing falling, so VAT receipts will fall. Higher inflation will have an even more injurious effect in this situation.

4. **Wage deflation / destruction of the formal economy**. As the number of persons seeking any form of employment rises, the pressure on wages will increase (with all the potential for industrial agitation this implies). At the same time, with a rise in part-time / temporary employment, the informal economy expands, compounding the issue of loss of tax revenues.

5. **Massive increase in general poverty**. This will place a great stress on all public service systems and may potentially trigger larger migration movements into peri-urban and urban areas, with all the attendant social unrest – and the associated loss of farmed land.

6. **Long-term structural unemployment**. Whatever forms of mitigating the situation are deployed, Nigeria faces the long-term structural unemployment and the possibility of hosting a 'lost' generation amongst the under-34s. Social cohesion and integration will be challenges.

7. **Insecurity.** That higher unemployment has caused greater insecurity is already manifest and documented in a TAPI Research Paper.

8. **Unsustainable palliatives encumber the Treasury**. All systems designed as "palliatives" have to date not had any effect. These should be discontinued or not started, and the proceeds used to promote general domestic investment.

Going Forward

General Recommendations for Policy Formulation

1. Comprehensive data categorisation and robust data collection. Given the concerning proportion of unemployment, especially among the youth, NBS should be compelled to improve data collection – classification, depth and completeness of data on employment and

unemployment – that can be used for proper analysis, support fiscal initiatives and policy formulation.

2. **Conduct a holistic assessment of unemployment**. To this end, NBS should collect refined data by region and by state and undertake detailed assessment of the accurate picture of unemployment.

3. **Start immediately to help systematically to formalise the informal sector**. With clearer assessment of unemployment, initiatives and policies should be formulated to improve the "last-mile" to markets, etc. Encourage price alignment to inputs etc. rather than needs. This will automatically generate government revenue by expanding the tax base.

4. **Identify sectors where SMEs, as the key backbone of employment, will prosper** and address barriers to market or market dominance of oligopolies. Dr. Muda Yusuf, MD of LCCI, recently called for obstacles to investment growth must be removed. These include the growing insecurity, which is disrupting activities in the agricultural sector rendering many farmers across the country jobless. The sector is a major employer of labour. "The disruption accelerated the rate of unemployment in the country." (*ThisDay*, 21 March 2021).

5. **Start industrialization incentives** that prioritize local value addition and sales into local markets as this will itself create jobs.

6. **Refocus revenue generation notions on spurring employment & economic growth**, not on 'encumbering' businesses. Dr. Muda Yussuf speaks here of "grappling with numerous regulatory and policy challenges impeding the capacity of investors to create and sustain jobs." He explained the challenges with most regulatory institutions both state and federal levels, which were disproportionately focused on revenue generation, an approach that heaped additional burden upon businesses and individuals.

7. **Remove obstacles to local/diaspora investment**.

8. **Enable smooth flow of goods in/out of the country** (de-logjam ports). This massive additional strain in the cost of doing business is a key Achilles' heel crippling economic activity. Exports (and thus foreign currency inflows) are stifled, imports overly expensive.

1. Clearly the initiatives have not worked. One could at best argue that they have prevented worse and, at worst, that they have frittered away government revenues that the government cannot afford to waste. ↑

2. ThisDay, 24 March 2021"Minister of Industry, Trade and Investment, Mr. Niyi Adebayo, yesterday said the Bank of Industry (BoI) has finalised plans to deploy a $1billion syndicated-term loan to support the Micro Small and Medium Scale Enterprises (MSMEs) sector. He said

the move was part of the federal government's efforts towards economic recovery and sustainable growth, working with international partners to boost the sector. (According to him, the Payroll Support Scheme meant to support MSMEs in meeting their payroll obligations and safeguard jobs by paying up to N50,000 to a maximum of 10 employees in each MSME for three months is part of the federal government's efforts to cushion the effect of the pandemic on MSMEs. He, however, added that the policy has been reviewed to N30,000)." ↑