The Nigerian Economic Summit Group
RC:303317

Growing an Inclusive Economy: Job Creation and Nigeria's Future

About The NESG

The NESG is an independent, non-partisan, non-sectarian organization, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public- private sessions and special presentations to the executive and legislative arms of government.

OUR VISION
“To become Nigeria’s leading private sector think-tank committed to the development of a modern globally competitive economy”

OUR MISSION
"The NESG has a mandate to promote and champion the reform of the Nigerian economy into an open, globally competitive economy”

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20.9 million
Number of unemployed persons in the country

4.8 million
Number of net entrants into the Labour Market from 2015 to 2018

625,000
Number of net jobs created from 2015 to 2018

50.4 million
Number of people employed in full-time jobs in 2006

51.3 million
Number of people employed in full-time jobs in 2018

16.2 million
Number of individuals were added to the unemployed labour force between 2015 and 2018

25 %
Proportion of total workers that earn wages

63 %
Proportion of the unemployed that are youths

8.8 million
Number of unemployed individuals actively seeking for their first job.

3.3 million
Number of jobs needed per annum to maintain current unemployment rate at 23.1%

12 million
Number of net new jobs that can be created in the next five years from the expansion of the six identified sectors.

100 million
Number of jobs that are needed in the next 30 years to maintain current unemployment rate of 23% by 2050.

100 million
Estimated number of entrants into the labour market within the next 30 years.

Executive Summary

Nigeria's economic growth has not been largely inclusive. Since the 2000s, Nigeria enjoyed a decade and a half of high GDP growth averaging 7.3%. Despite this growth, poverty and unemployment rates increased during the period. With GDP growth driven by a few sectors, actual jobs created could not match up with the number of labour market entrants, resulting in an increase in unemployment rate overtime.

Nigeria has a huge and growing unemployment problem. With a fast-growing population and sharp increase in the labour force annually, unemployment rate rose steeply from 3.6% in 2006 to 23.1% in 2018. The slowdown in GDP growth in 2015 and the economic recession a year after exacerbated the unemployment problem. Between 2015 and 2018, 16.2 million individuals were added to the unemployed labour force. In addition, Nigeria also has an underemployment challenge, as 20% of the labour force is engaged in economic activities that under-utilise their skills, time or educational qualifications. Similarly, the number of Nigerians that had full-time jobs also declined from 55.2 million in 2014 to 51.3 million in 2018.

More worrisome is the spiral growth in population which is estimated to reach 417 million by 2050, according to data from the US Census Bureau. Given such growth in population as well as the increase in the labour force, we estimate that at least 100 million jobs need to be created in the economy from 2019 to 2050 in order to maintain current unemployment rate of 23% by 2050.

Weak capacity of the private sector is a concern and structural reforms are required to unlock private capital. To address the country's unemployment challenge, structural reforms are required across strategic sectors to sustain growth, increase competitiveness and attract private sector capital into these sectors. At the moment, the level of private investments is not matching the required number of jobs in the economy. Within the last four years, Nigeria has only attracted Foreign Direct Investment (FDI) of about US$1 billion per annum, a meagre amount when compared with similar developing countries.

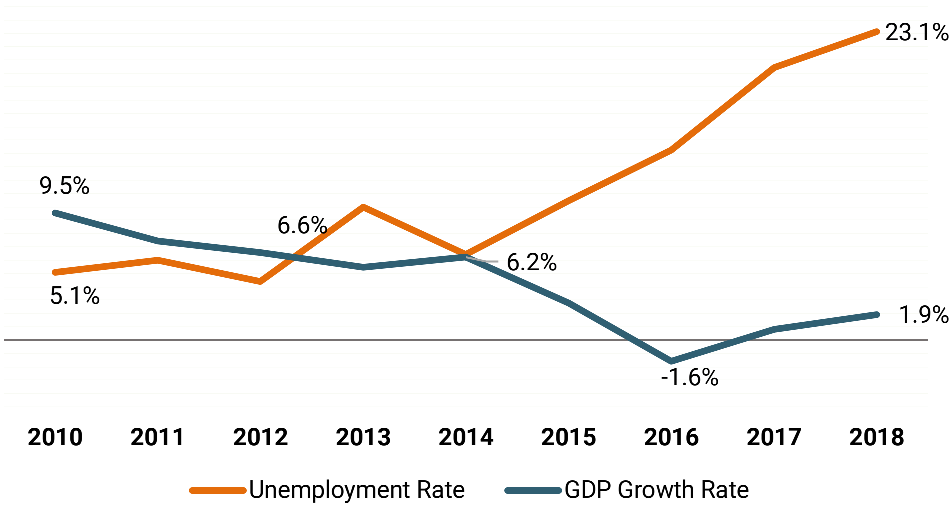
We estimate that in the next five years, 12 million jobs can be created from six identified sectors: Manufacturing, Construction, Professional Services, Education, Health and trade. The sectors were selected based on their larger weight in share of employment, share of GDP, strong backward and forward linkages and strong growth potential. We believe the prioritisation of these sectors by the government to attract significant investments, both local and foreign, and improve service delivery (in the case of the social sectors) will stimulate growth and employment in the medium term.

Government intervention to support the growth and expansion of businesses, provide better regulations and infrastructure and set the growth agenda for the country is crucial to achieving inclusive growth. To ensure that economic growth is driven by key sectors thereby creating significant number of jobs in the process, government's role in establishing medium to long term industry plans/goals and providing better regulations remains crucial. Investments thrive more in a stable and predictable atmosphere, where government roles have been clearly defined and there is commitment to address business constraints. In like manner, the provision of infrastructure, ensuring skills development for key industries and leveraging on ICT are clear-cut deliverables for investments and jobs creation.

Introduction

Nigeria continues to rebound from the economic recession in 2016. The economy that contracted severely between 2016 and 2017 has been on a trail of recovery since mid 2017. The oil sector has been the most robust with notable acceleration in growth, which eventually pulls the string on the overall comeback. Other sectors of the economy, such as Services and Manufacturing, have equally shown some pickup. There is no doubt that disruption in the global oil supply and the ensued sudden changes in oil price in 2014 had consequences on the significant drawdown in economic growth. By extension, it could be inferred that the improvement in oil price has a material impact on the country's economic recovery.

Figure 1: GDP Growth Rate vs Unemployment Rate



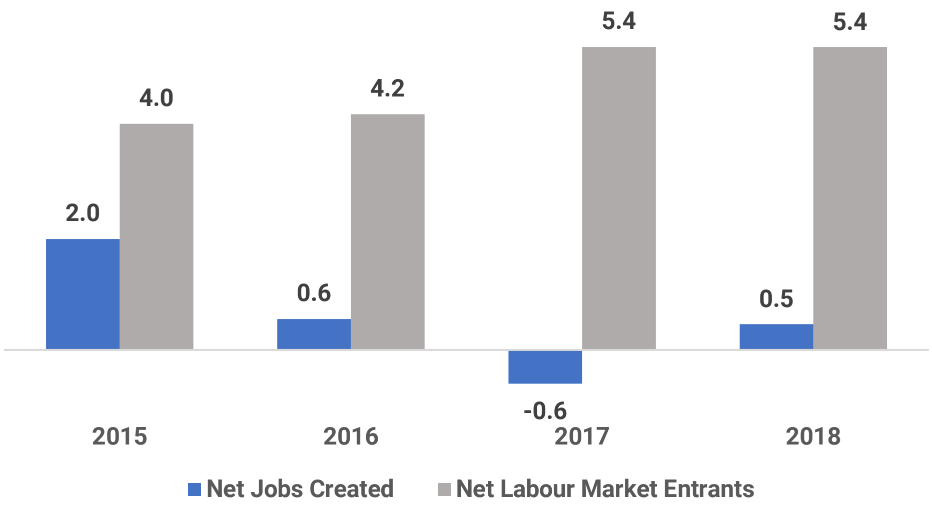
Source: National Bureau of Statistics (NBS), NESG Research

Jobless economic growth continues after the recession. Despite repeated signals that growth is resuming, unemployment and under-unemployment remain high. At the onset of the recession in 2015, 8 out 100 persons in labour force were unemployed and another 17 persons were engaged in jobs that grossly underutilised their skills, corresponding to 5.5 million and 12.2 million individuals respectively. These groups have grown substantially, with a sharp increase particularly among the unemployed labour force. As at 2018, the population of unemployed and underemployed persons was 20.9 million and 18.2 million, respectively. That signals the existence of a substantial level of spare capacity in the economy and signals the gravity of non-inclusive economic growth in the country.

The absence of broad-based growth shows the weak capacity to create jobs. Nigeria's exposure to global oil price shock is an accomplice but not the root cause. While the sharp decline in oil price may have hit the economy hard starting from 2015, it only aggravated the long-standing weaknesses. Nigeria's growth trajectory has stepped down far below the potential level, long before the recession set in. Growth is gaining points, albeit far below the historical peak, but not so much that it would spur private investments or lead to a rapid decline in the burgeoning unemployment. In other words, despite enjoying significant GDP growth averaging 7.3% in the 2000s, actual number of jobs created during this high growth period could not match up with the increasing number of entrants into the labour market, hence the increase in unemployment rate overtime.

As noted by the NESG (2018), from 2000 to 2015, Nigeria's Service sector contributed 61% to real GDP growth while the productive sectors such as manufacturing, construction and agro-processing only accounted for 15% of overall growth during the same period. Because economic growth was driven by a few activity sectors, the number of jobs created in the formal sector did not match the number of entrants into the labour market. For instance, according to the National Bureau of Statistics (NBS), an average of 2 million people entered into the labour market between 2006 and 2011 while about 1.2 million jobs were created annually. From 2015 to 2018, an average of 4.8 million individuals entered into the labour market while 625,000 net jobs were created. To sustain the current phase of recovery beyond the cyclical rebound, Nigeria would need a substantial acceleration of growth across critical economic sectors.

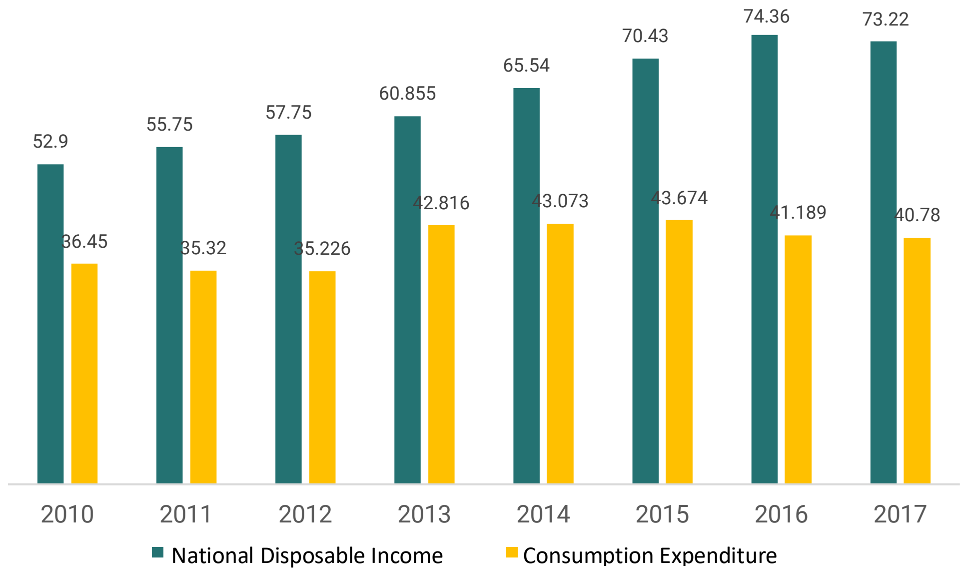
Figure 2: Net Jobs Created vs Net Labour Market Entrants (in millions)



Source: NBS, NESG Research

Without a doubt, the problem of high unemployment cannot be addressed without a return to a higher level of growth. However, growth alone does not guarantee adequate job creation, as the spates of jobless growth during 2000 and 2010 testify. Changing this narrative would require stronger economic growth. Still, economic growth reaches most people through employment income. In the case of Nigeria, real disposable income has been rising but not so adequate and widely distributed to pull the strings on consumption to a material level (see figure 3).

Figure 3: National Disposable Income Vs. Consumption Expenditure of Household



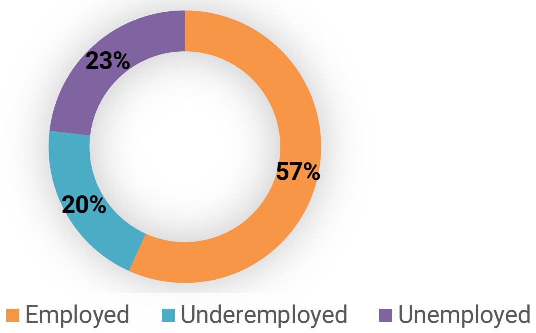
Source: NBS, NESG Research

The benefits of economic growth appear not to be reaching many people. Income inequality remains unacceptably high as 54% of Nigerians were considered poor in 2016, according to the National Bureau of Statistics. The challenge for Nigeria over the next decade is to ensure that growth translates into economic opportunities for Nigerians. Achieving such inclusive growth requires both higher participation in the workforce and more productive jobs for the unemployed. More and better jobs with decent prospects are needed across economic sectors to kick-start a virtuous circle of economic opportunities and sustainable growth. In addition to this, accelerating the pace of growth will be critical.

The Worrisome Profile of Nigeria's Labour Force Population

As at 2006, 56% of the Nigerian population was within the working age group (16-64 years), corresponding to 78.2 million people. By the end of 2018, around 36.8 million Nigerians have joined this group to yield 115.7 million – an increase of 47% in barely over a 12-year period. The Nigerian labour force has grown strongly as well. Over the past twelve years, the labour force population has expanded by 33 million, growing by 58% to 90.5 million individuals. These are the potential economically active workforce that could have been put to productive use in lifting Nigeria's growth over the past decade. Meanwhile, Nigeria has not taken advantage of the opportunity.

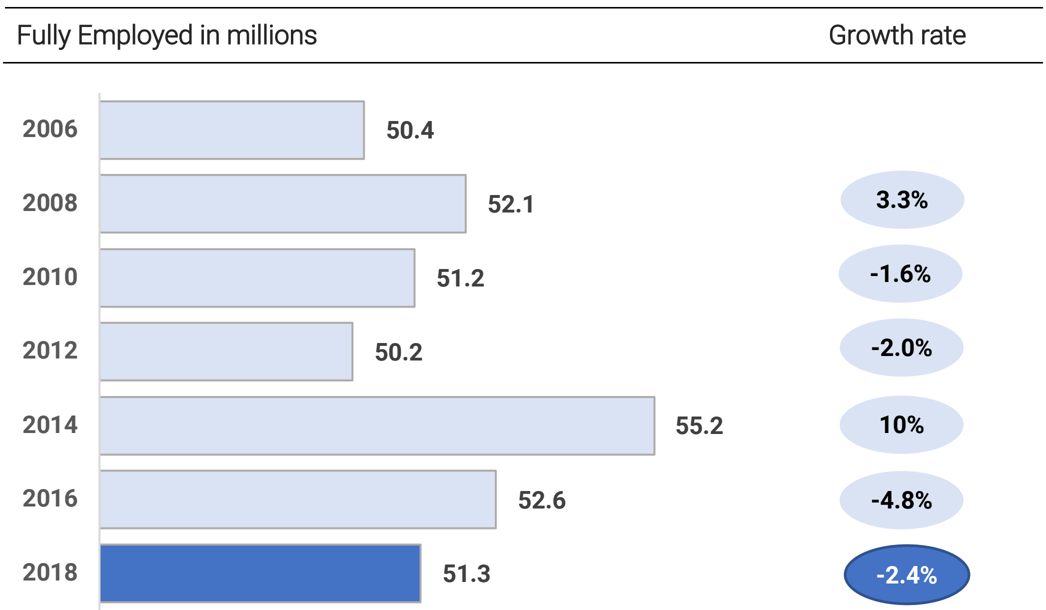
Figure 4: Breakdown of Nigeria's Labour Force (2018)



Source: NBS, NESG Research

With such an enormous growth in the labour force, only about 938,000 (net) new full-time jobs were created between 2006 and 2018. Of the 90.5 million in the labour force, only 57% could secure a stable job as at 2018. The number of the economically active population who are fully employed barely changed and moved between 50.4 and 51.3 million during the 12-year period. The overall rate of job creation, particularly in the private sector, could not match up with the increasing labour force.

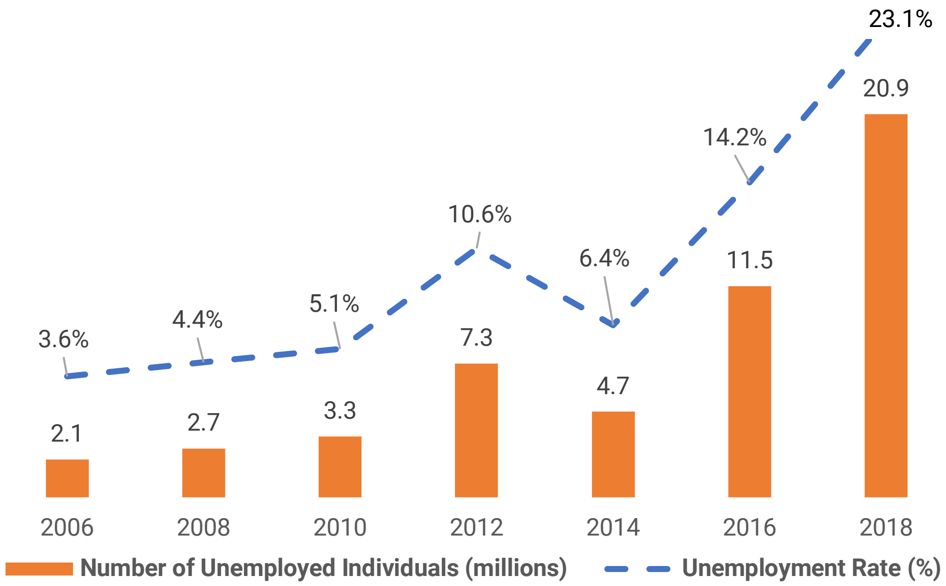
Figure 5: Total Number of Fully Employed Individuals (millions) and Growth Rate



Source: NBS, NESG Research

Nigeria's unemployment rate has increased sharply within the last decade. From a permissible threshold of 3.6% in 2006 to 23% in 2018. While unemployment levels were already high prior to the recession in 2016, the crisis ushered in a new level of historic height to the problem. For instance, in 2014, 4.7 million representing 6.4% of the labour force were unemployed. Between 2015 and 2018, 16.2 million individuals were added to the unemployed labour force. Despite evidence of gradual economic pickup, the economic crisis had serious repercussions on firms and workers across major sectors. It increased uncertainty and led to reduced hiring. The number of Nigerians who had full-time job also declined from 55.2 million in 2014 to 51.3 million in 2018.

Figure 6: Number of Unemployed Individuals (in millions) and Unemployment Rate (%)

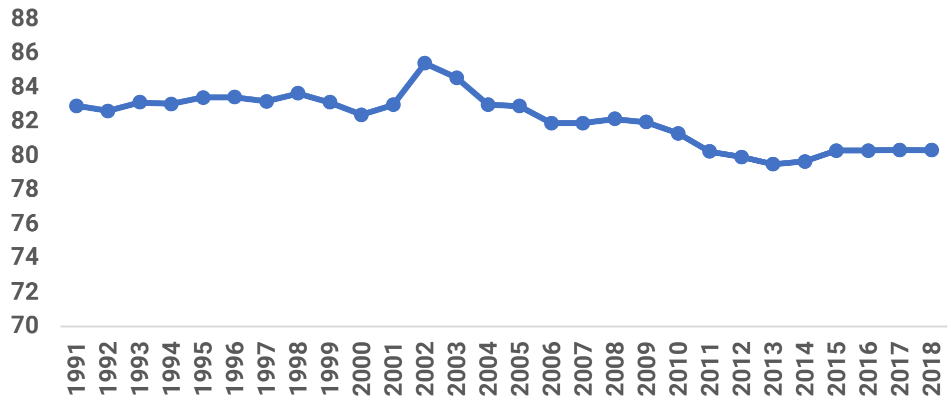


Source: NBS, NESG Research

Currently, about 20% of the labour force is engaged in economic activities that underutilise their skills, time or educational qualifications. Even though unemployment figures are grossly underreported, the underemployed individuals (18.2 million) demand policy attention. Adding this figure to the number of unemployed people, there are about 39 million Nigerians in the labour market, who could not access stable economic opportunities. This figure is not as worrisome as the number of Nigerians who fall into the category on yearly basis. Between 2006 and 2018, about 32 million individuals have been coping with this situation. A growth of 454% within a decade and a yearly average growth of 38% cast a gloomy prospect for decent jobs and the situation in the labour market in Nigeria, if urgent actions are not taken to address this challenge.

The unemployment and under-employment rates do not capture the full picture. Other labour market indicators such as falling employment-to-population ratio, increases in vulnerable forms of employment and stagnant labour productivity growth revealed additional forms of severe labour market issues in Nigeria. According to the World Bank, 80% of Nigeria's labour population who are engaged in some extent of economic activity are in vulnerable employment. For the past 3 decades, this ratio has not declined.

Figure 7: Vulnerable Employment in Nigeria (% of total employment)



Source: World Bank

In 2017, out of the 77.5 million individuals in the labour force that engaged in economic activity, only 25% worked for pay/wages. This is a very low share and by implication, such a high rate of the vulnerable economically active population could hold back consumption growth for decades to come. The data also shows the weak capacity of the private sector to provide formal jobs for the economy.

On the other hand, 75% of individuals who engaged in one form of economic activity or another were either self-employed, family-employed or engaged in apprenticeship as categorised by the NBS. A further breakdown shows that about 89% of individuals in this category were engaged in self-employment either in subsistence farming or non-farming activities – roughly about 51.3 million. Coming from low productive activities, the income of these workers is highly inconsistent and they could hardly have any potential to expand their businesses and thereby increase their income.

Table 1: Active Labour Force Population by Type of Work

Total Active Labour Force (LF) Population 77.5 million			
25.4% Percentage of active LF Population who work for wages	**66.2%** Percentage of active LF Population who are self employed	**1.1%** Percentage of active LF Population who are Paid Apprentices	**7.3%** Percentage of active LF Population who are Unpaid House Workers

Source: NBS, NESG Research

In agriculture, only 7% of total workers in the sector work for wages. 79% of workers in the sector are self-employed while 10% are categorised as “Unpaid House Worker”. These data suggest the following:

- The limited involvement of large and formal private sector companies operating in the sector
- The abundance of informal activities/practise in the sector
- The abundance of small-scale farming and non-farming activities in the sector.

Unemployment among youth remains rampant in Nigeria. The number of unemployed youths across the 36 states is almost two times higher than unemployed adults. 30% of youths in the labour force are unemployed while 63% of unemployed Nigerians are youths. 36% of the number of youths who have at least an economic activity going for them are underemployed. A lot of Nigerian youths are limited to low-paid jobs in the informal economy. The number of Nigerian youths entering the labour market is alarming. Between 2017 and 2018, 9.75 million individuals "did nothing" (unemployed). Out of this number, 8.8 million individuals, most of whom were youths, were actively seeking for their first job. If the search stays longer, the situation could lead to a decline in skills, loss of motivation to look for work and dropping out of the labour market altogether.

Figure 8: Unemployment by Age Group (2018)

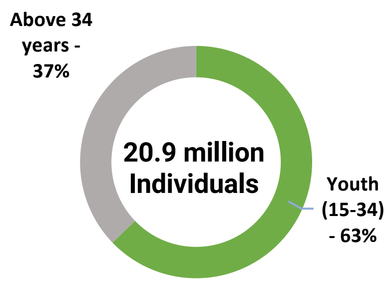


Figure 9: Length of Unemployment

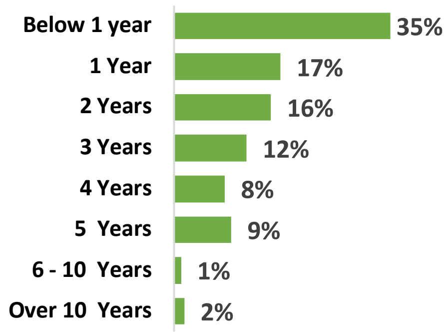
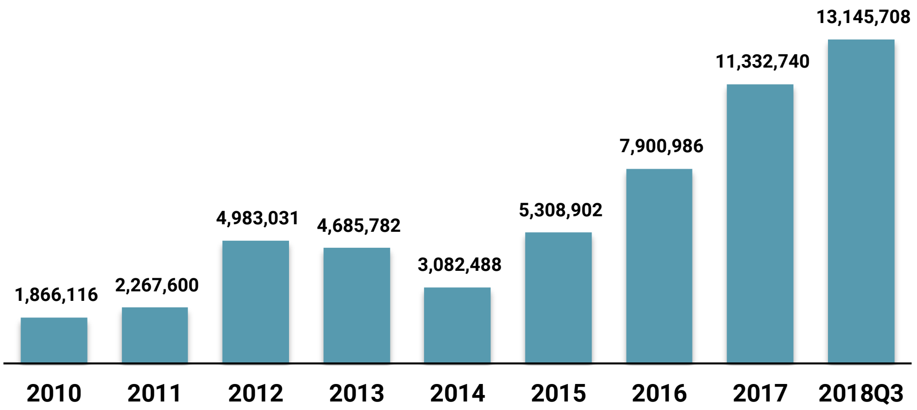


Figure 10: Youth Unemployment (2018)

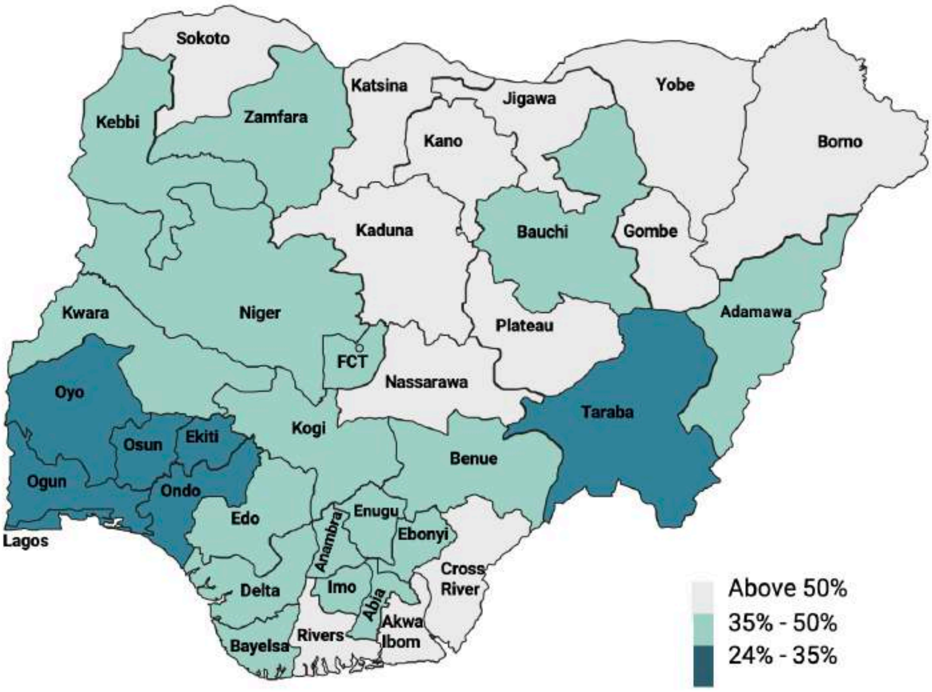


Source: NBS, NESG Research

Unemployment Rates by States

Unemployment rate shows disparity across states. Akwa Ibom State had the highest unemployment rate of 38% as at 2017, 28 percentage points higher than that of Osun, the state with the lowest rate of 10.1%. Other states in the South-South region, Rivers and Bayelsa had the second and third highest unemployment rates of 36% and 33% respectively. Three out of the six states in the South-West had unemployment rates of less than 15%. Kano had the highest unemployment rate of 31% in the North-West region, while Borno topped the North-East region with 31%. In the North-Central, Plateau had the highest unemployment rate of 30%, while Kogi and Benue had the lowest of 20% in the region. Abia had the highest unemployment rate of 32% in the South East.

Figure 11: Unemployment and Underemployment Rate by States as at September 2018

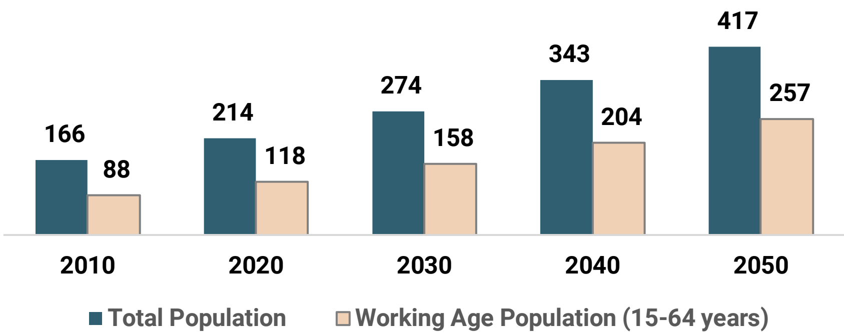


Source: NBS, NESG Research

Looking at individuals with jobs that under-utilise their skills or individuals that work less than 40 hours a week but above 19 hours, states such as Katsina, Jigawa, and Kaduna topped the list with underemployment rates above 30%. From the bottom, states with underemployment rates of less than 15% include Ekiti, Lagos, Ogun and Taraba.

Nigeria's population prospects would heighten pressure for the creation of jobs and economic opportunities. By 2050, Nigeria's population is projected to reach 417 million, the third most populous country in the world. This would also mean a growing labour force and possibly an increasing army of unemployed youths. Ignoring the problem of unemployment would result in devastating social and economic consequences for the country and the continent. Nigeria also has an opportunity to leverage on its growing, young and vibrant labour force through skills development and providing decent jobs, triggering productivity and income growth. To achieve this, deliberate efforts to expand the private sector is crucial and should be prioritised by the government.

Figure 12: Nigeria's Population Projection (in millions)

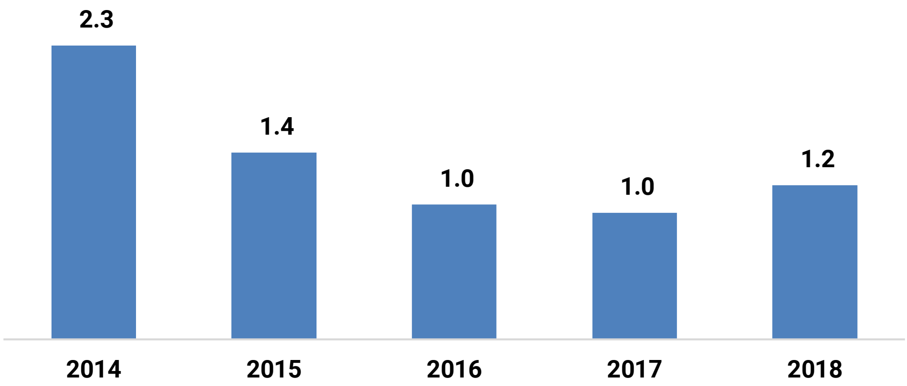


Source: US Census Bureau, NESG Research

Where Does the Private Sector Step In?

To minimally reduce, or maintain current unemployment rate of 23.1%, Nigeria needs to create at least 3.3 million jobs per annum to cater for new labour market entrants. While the private sector could be the potential driver in bridging the job deficit, at the moment, Nigeria's private sector does not have the capacity to absorb the rapidly increasing unemployed population in the short term, unless government embarks on key reforms to open-up sectors that are strategic to job creation. At the current pace, the level of private investments is not matching the required number of jobs, therefore, exacerbating the problem of unemployment. As an example, within the last four years, data from the National Bureau of Statistics show that Nigeria has only been able to attract Foreign Direct Investment (FDI) of about US$1 billion per annum, a meagre amount when compared with similar developing countries.

Figure 13: Foreign Direct Investment Inflows into Nigeria (US$ Billion)

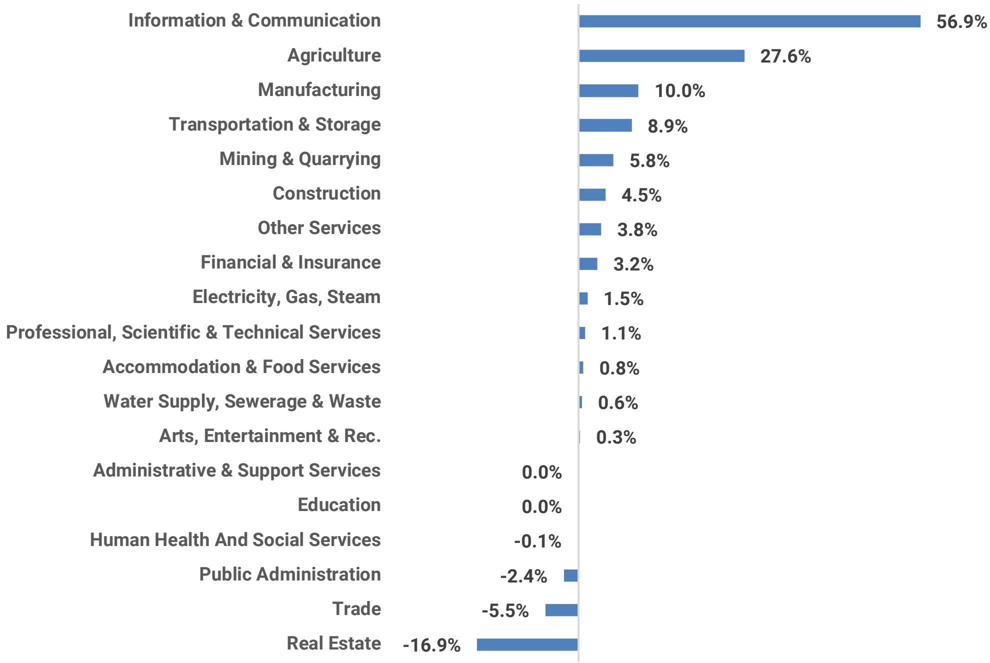


Source: NBS, NESG Research

Deliberate efforts are required to expand the capacity of the private sector before jobs can be created in large numbers

Nigeria's economic growth pattern needs to be restructured to ensure growth is broad-based and driven by many sectors that have the potential to create jobs in the process. Currently and more worrisome, Nigeria's economic growth pattern, even after the recession in 2016, is still skewed towards few sectors, showing the limited capacity of the economy to create jobs and reduce poverty. For instance, in 2018, 13 out of the 19 major sectors contributed positively to GDP growth. Out of these 13 sectors, only 6 sectors accounted for 90% of GDP growth during the period. Meanwhile, comparable data from Indonesia show that the top 6 sectors contributed 72% to the country's GDP growth in H1 2018, leaving room for the remaining 11 sectors. The GDP data for Nigeria show that there are many sub-sectors such as metal, iron and steel, and electrical and electronics, that contribute almost nothing to GDP growth, yet these sectors have the capacity to create jobs and meet the needs of consumers both in the local and export markets.

Figure 14: Sectoral Contribution to GDP Growth in 2018



Source: NBS, NESG Research

Which sectors have strong potential for growth and employment in Nigeria?

To address the problem of unemployment through private sector expansion and industrial growth, it is crucial for the Nigerian government to prioritise sectors that have significant potential for growth; that can meet the demand of consumers both at the local and export market and that have the capacity to absorb a significant number of the country's labour force. In identifying sectors that fit into this category, we considered the following:

- Sectors that account for a sizeable share of employed individuals. Each of these sectors employ at least 1.7 million individuals in 2017 and has the potential expand and employ more individuals in the medium term.

- Sectors that have potential to grow and expand their outputs but whose contribution to GDP growth and/or share in GDP remains weak and low, respectively. The sector's poor contribution to GDP growth as well as its significant contribution to employment suggest the existence of untapped opportunities for growth.

- Sectors with strong backward and forward linkages. The sectors identified have strong relevance in the development of other sectors, whether in terms of input demand or the sale of intermediate output/services. In addition, within each sector, there are opportunities for value chain development, which is crucial for sectoral deepening and job creation.

- Sectors with link to inclusive growth. These sectors are crucial in expanding overall GDP output; contributing significantly to GDP growth; creating business and employment opportunities; reducing poverty and hastening the diversification process of the economy.

Table 2: Employment and GDP by Sectors

	Number of People Employed (2017)	Share of total Employment (2017)	Contribution to Real GDP Growth (2016 - 2018)	Share of GDP 2018
Agriculture	37,368,930	48.2%	59%	21.4%
Information and Communication	424,156	0.5%	40%	10.2%
Mining and Quarrying	129,705	0.2%	21%	10.7%
Transportation and Storage	2,489,857	3.2%	8%	1.8%
Manufacturing	5,410,641	7.0%	7%	9.7%
Financial and Insurance	1,011,619	1.3%	7%	3.1%
Other Services	6,121,433	7.9%	7%	3.5%
Construction	1,745,479	2.3%	4%	4.7%
Electricity, Gas, Steam & Air Conditioning Supply	10,492	0.0%	4%	0.7%
Water Supply, Sewerage, Waste Management & Remediation	90,806	0.1%	1%	0.2%
Arts, Entertainment and Recreation	557,158	0.7%	1%	0.2%
Professional, Scientific and Technical Services	4,938,501	6.4%	0%	3.8%
Administrative & Support Services	466,632	0.6%	0%	0.0%
Human Health and Social Services	2,144,108	2.8%	0%	0.6%
Accommodation and Food Services	1,052,108	1.4%	0%	0.9%
Education	2,685,257	3.5%	-1%	2.1%
Trade	10,835,032	14.0%	-28%	17.0%
Real Estate	69,515	0.1%	-28%	6.8%
	77,551,429	100.0%		

Source: NBS, NESG Research

Based on the above criteria, the sectors identified include:

- Manufacturing: Employs 5.4 million people, contributes 7% to total employment; 10% to GDP and a meagre 7% to GDP growth.
- Construction: Employs 1.75 million people, contributes 2.3% to total employment; 5% to GDP and a meagre 4% to GDP growth.
- Professional, Scientific and Technical Services: Employs 4.9 million people, contributes 6.4% to total employment; 3.8% to GDP and 0% to GDP growth.
- Education: Employs 2.7 million people, contributes 3.5% to total employment; 2.1% to GDP and -1% to GDP growth.
- Health and Social Services: Employs 2.1 million people, contributes 2.8% to total employment; 0.6% to GDP and 0% to GDP growth.
- Trade: Employs 10.8 million people, contributes 14% to total employment; 17.2% to GDP and a meagre -28% to GDP growth.

These sectors collectively employ a total of 27.8 million individuals, which represents 36% of individuals employed as at 2017. They also account for 38% of the GDP in 2018 and have an average growth rate of 0.4% in the last two years.

Although Agriculture remains crucial to the economy in terms of job and growth, the sector was not selected for several reasons:

- As economies move towards development, output and labour tend to shift away from low-productivity primary sectors towards high productive secondary sectors.

- Agriculture already employs almost 50% of Nigeria's labour force. Efforts therefore needs to be geared towards developing other non-Agric sectors. Besides, 83% of workers in the Agricultural sector are self-employed, suggesting weak value chain capabilities for employment.
- Nigeria needs to emphasise "value addition", which includes agro-processing sector- already captured under manufacturing.

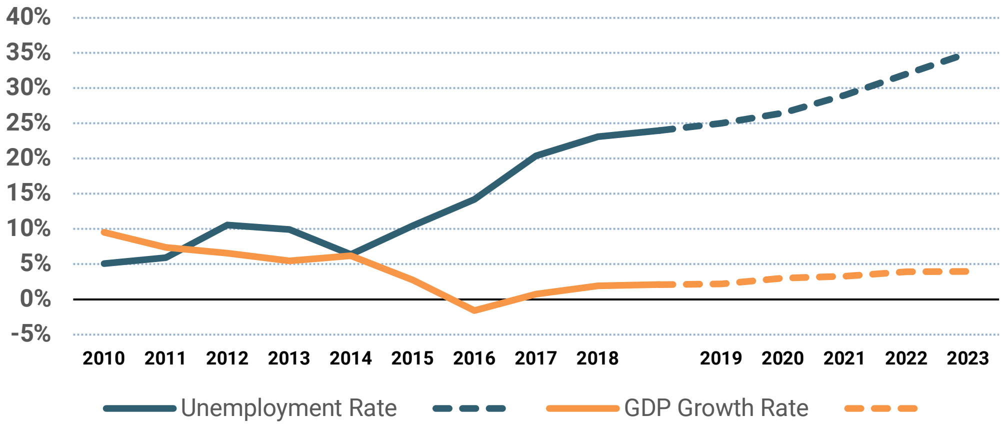
Scenario Analysis on Job Creation

We assume two different scenarios that examine factors that influence growth and employment across identified sectors and estimate their potential impact on sectoral performance and key macro indicators over the next five years. The scenarios are not forecasts, rather, they offer reasonable explanation of how unemployment challenges can be addressed and the sectors that hold the potential to job creation.

Pessimistic Scenario: No structural change across the selected sectors

Under this business-as-usual scenario, we assume there are no structural changes in these sectors because of the absence of any significant government reform. Several major impediments to growth such as lack of coordinated planning, high level of informality, growth-stifling regulations and policy uncertainties are likely to persist, hence, serving as disincentives for new investments into the six sectors. In Manufacturing for instance, issues of high influx of imports, tough regulations and lack of coordinated and long-term growth agendas for high-value subsectors such as petrochemicals, pharmaceuticals, agro-processing, metals and steel production will limit growth and employment potential of the sector.

Scenario 1: GDP Growth rate vs Unemployment Rate (Forecast- 2019-2023)



Source: NBS and NESG Research

As a result, these sectors continue to perform below potential and their share of GDP remains at 38% after a 5-year period. Additional net jobs created stood at 185,000 within the period. Under this scenario, despite achieving an average GDP growth rate of 3.3% in the next five years, Nigeria will not create significant number of jobs that will match new labour market entrants; hence, unemployment rate will increase to 35% by 2023.

Scenario 1: Outcome

Sector	Additional Jobs Created	Contribution to GDP Growth	Share of GDP
Manufacturing	100,000	10%	9%
Construction	20,000	4%	5%
Professional, Scientific and Technical Services	-15,000	3%	3.8%
Education, Health and Social Services	70,000	2%	2.7%
Trade	10,000	-8%	17.2%
Total	**185,000**		**38%**

Source: NESG Research

Optimistic Scenario: Implement Structural Reforms across the selected sectors

To ensure significant reduction in unemployment rate and cater for new labour market entrants, the economy can create 12 million direct jobs in the next five years from the expansion of the identified six sectors. In five out of the six sectors, the private sector will be the major source of job creation, provided the government implements crucial reforms aimed at addressing production constraints and attracting significant investments. Under this scenario, we discuss some much-needed reforms across the six identified sectors. The outcome of this scenario is presented after the sectoral analysis.

Manufacturing

GDP

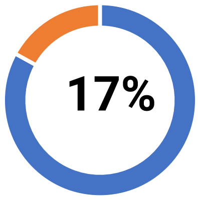
In 2018, Manufacturing GDP was **N12.5 trillion**

Share of GDP
10%

Contribution to GDP growth (2016-2018)
7%

5.4 million
people were employed in the sector

WORKFORCE
7%
In 2017, the sector accounted for 3.5% of total employment



17% of workers in the sector "work for pay/wage"

Nigeria's Manufacturing sector was valued at N12.5 trillion in 2018. The sector's growth and output are skewed towards three major subsectors - Food & Beverage, Textiles and Cement- which accounted for 70% of manufacturing output in 2018. Despite being a crucial employer of labour in Nigeria, the sector's inherent weakness is reflected in its poor contribution to GDP at 10%, weak contribution to exports (3.4% of total exports in 2018), government revenue and foreign exchange, and high share of manufactured goods in imports, which stood at 55% in 2018. In addition, the weak state of light and heavy manufacturing (pharmaceuticals, petrochemicals, rubber production) including agro-processing particularly in areas such as cocoa processing, cassava processing for industrial starch, textiles, cashew, etc., should be a major concern for policymakers, especially given their potential to create jobs and meet demands at both the domestic and foreign markets.

Beyond the general and important challenges of poor power supply and inadequate infrastructure, the sector currently lacks direction, proper planning and adequate support structures needed for growth and massive employment generation.

Policies and Reform priorities

- The development of key manufacturing sub-sectors needs to happen at a rapid pace and within a broader framework of a long-term industrial and national development plan. Nigeria needs an industrial policy with clear goals for industry covering the manufacturing sector.
- In the immediate term, there is need for urgent identification of priority sectors based on their potential to create jobs, export earnings and strong forward, backward linkages. Some pre-identified sectors include textiles, petrochemicals, metals and steel and agro-processing sectors such as cocoa, cassava, tomato, etc. While challenges in these sectors are unique, common bottlenecks such as policy inconsistencies, infrastructure deficit, poor power supply and limited access to funds needs to be addressed.
- Nigeria needs to take advantage of export opportunities in the African continent. Implementing port reforms, simplification of non-oil export procedures,

developing local standards for goods, streamlining of the numerous and ineffective trade checkpoints across border routes and developing a modern trade policy are crucial reforms that must complement the country's industrial policy.

Construction Sector

GDP

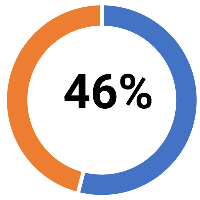
In 2018, Construction Industry GDP was **N6 trillion**

Share of GDP
5%

Contribution to GDP growth (2016-2018)
4%

1.7 million
people were employed in the sector

WORKFORCE
2.3%
In 2017, the sector accounted for 2.3% of total employment



46% of workers in the sector "work for pay/wage"

The industry employs 1.75 million people, contributes 2.3% to total employment; 4% to GDP and a meagre 4% to GDP growth. Although heavily dependent on government procurement, the construction industry has the potential to become a major growth driver through private sector investments in meeting the country's infrastructure needs. According to the National Integrated Infrastructure Master Plan (NIIMP) approved in 2015, Nigeria requires a total investment of US$3 trillion over the next 30 years to build and maintain infrastructure across the country. This stands at US$100 billion (N38 trillion) annually, which is almost three times larger than the combined budget expenditure of both the federal and state governments.

With such a huge deficit, the construction industry holds great potential. it is no doubt that Nigeria needs alternative and innovative methods of financing infrastructure development. Public-Private Partnerships (PPPs) are one of such models, that needs to be greatly leveraged in Nigeria. Given this, the Nigerian government needs to consider concessioning key infrastructures such as railways (focus on freight), major highways, major airports, refineries/pipelines/depots and power transmission network. In addition, provision of affordable housing is important for the creation of jobs. We believe this process will trigger development in the construction industry and create 2 million direct jobs in the industry as well as increase its contribution to GDP to 7% within the next five years.

Policies and Reform priorities

- Create legislation that supports PPP: A holistic PPP legislation at the federal level, in addition to states' PPP laws, is inevitable for Nigeria owing to the inconsistencies in the policy environment as well as undue political interference in PPP initiatives. To achieve a holistic PPP legislation, several options are available: the ICRC Act must be reviewed and renamed to accommodate other forms of PPPs and to address the conflicting provisions and shortfalls in PPP process. Alternatively, a new PPP legislation should be enacted. Issues of transparency, violation of contractual terms and protection of investor's rights must be adequately covered in the PPP legislation. In addition, the ambiguity on the roles of agencies in the PPP process such as the Bureau of Public Enterprise (BPE), Infrastructure Concession Regulatory Commission (ICRC) and others needs to be addressed.

- **Establish PPP support policies and frameworks:** Nigeria's harsh operating business environment (the higher inflation rate, foreign exchange risks) raises the risks component in PPPs in Nigeria. To address this challenge, the development and implementation of PPP support policies remains crucial and could incentivize private investors to partake in PPPs. The government should consider offering tax incentives, reducing foreign exchange risks and establishing a PPP facilitation fund to assist PPP investors willing to invest in critical economic sectors as done in Malaysia. In addition, Nigeria's National PPP Policy should be situated on the country's infrastructure master plan, which defines the long-term commitment of the government to develop the country's infrastructure and identifies the required investments in infrastructure in line with the country's aspiration.
- **Speedy passage of the federal and state government budgets as well as effective monitoring and evaluation:** According to the NESG Research, it takes an average of 5 months for the federal government appropriation bill to be signed into law from when it is presented by the President to the National Assembly. The delay in the passage of the bill has numerous negative effects on the performance of the capital budget as it leads to delays in release of funds among other issues. Early budget presentation, reform of the country's procurement process to ensure timely and efficient procurement systems and proper monitoring and evaluation are important and will have positive impacts on the construction industry.

Professional, Scientific and Technical Services Sector

GDP

In 2018, Professional, Scientific and Technical Services GDP was **N4.86 trillion**

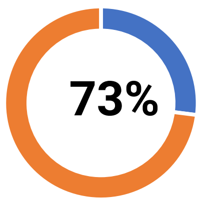
Share of GDP
3.8%

Contribution to GDP growth (2016-2018)
0%

4.9 million
people were employed in the sector

WORKFORCE

6.4%
In 2017, the sector accounted for 6.4% of total employment



73% of workers in the sector "work for pay/wage"

The sector provides technical and support services to other industries and include areas such as consulting, accounting, legal service etc. Majority of workers in this sector are semi-skilled and highly skilled. Despite being a significant contributor to employment, the sector's weak contribution to growth only suggest that getting this sector back to its significant growth path is instrumental in creating jobs. Growth in other sectors such as finance, telecoms, construction, manufacturing, agriculture etc. will lead to increased demand for professional services and therefore have a positive ripple effect on the Professional Services sector's output. The sector is important in that it provides knowledge and sells expertise, which is usually acquired with a higher education qualification. We estimate that 3 million jobs can be created in this sector in the medium term.

Education Sector

GDP

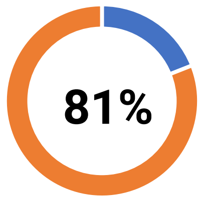
In 2018, Education GDP was **N2.7 trillion**

Share of GDP
2.1%

Contribution to GDP growth (2016-2018)
-1%

2.7 million
people were employed in the sector

WORKFORCE
3.5%
In 2017, the sector accounted for 3.5% of total employment



81% of workers in the sector "work for pay/wage"

Part of the challenge in the sector, especially at the pre-secondary level is the shortage of well-trained and qualified teachers as well as infrastructure. As at 2014, Nigeria had 574,579 primary school teachers and 23.1 million pupils enrolled in public primary schools. This represents a pupil-teacher ratio of 40, far below the OECD average of 15 and even higher than countries with higher population than Nigeria- Brazil (24.4); China (16.5) and Indonesia (13.9). In the area of infrastructure, data from the NBS show the total number of classrooms at 342,303 to cater for 23.1 million pupils, leading to a ratio of 67.5 pupils per classroom. The same challenge is prevalent across the different levels of education in Nigeria.

To urgently address these challenges and create jobs in the process, there needs to be a massive recruitment of well-trained teachers within the next five years. The federal government must spearhead reforms of teacher-training colleges and institutes followed by complete reforms in the education sector, to ensure delivery of graduates (teachers) with the professional competence to teach and also attract and retain the best minds in the sector. In addition, prioritising investments in education infrastructure (buildings, classrooms, etc) is quintessential and must be urgently executed by both the federal and state governments and their agencies within the next five years. Investment in quality education infrastructure not only provides a better learning environment for pupils and improves access to education, it also creates jobs opportunities for those involved in the provision of such service. We estimate that an additional 900,000 jobs can be created in the sector within the next five years.

Health and Social Services Sector

GDP

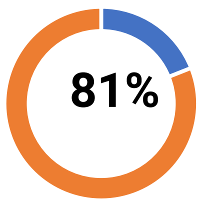
In 2018, Education GDP was **N822 billion**

Share of GDP
0.6%

Contribution to GDP growth (2016-2018)
0%

2.1 million
people were employed in the sector

WORKFORCE
2.8%
In 2017, the sector accounted for 2.8% of total employment



81% of workers in the sector "work for pay/wage"

The Health and social services sector in Nigeria is an important source of employment. On average, the sector constituted around 2.8% of total employment in 2017. While its share in total employment is not as significant compared to other selected sectors with the larger labour force, the sector offers employment opportunities across different localities rather than being concentrated in capital cities or commercial centres. Through the primary health care services and the various delivery channels provided by the federal government, state government and private health care providers, the health and social service sector has been able to serve as an important source of employment. However, systemwide challenges in Nigeria's healthcare sector are preventing greater progress, and thus opportunities for growth and employment creation in the sector. The profound employment generating potential of health and social care contrasts markedly with the economic growth and productivity in the sector. For instance, while the sector has been contributing a sizeable number of labour force to total employment, its contribution to GDP growth is weak.

To tackle the myriad of barriers in the Nigerian health sector and ensure that better health system outcomes lead to increase in the overall job creation and economic opportunities, the government will have to critically reassess the various pending health sector reforms and the investment case for different types of health spending. One of the very foremost reforms for the government is to improve access to healthcare services nationwide. One way the government can achieve this is to incentivise private and non-profit organisations to provide more primary care. There are social as well as public-private models which the government could adopt to complement public-sector's health delivery system to provide low-cost primary care across the 36 states. The implementation of such intervention will enhance the performance of government's healthcare system as well as create more jobs across the delivery chain.

Trade Sector

GDP

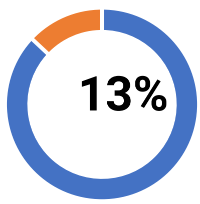
In 2018, Trade GDP was **N22 trillion**

Share of GDP
17.2%

Contribution to GDP growth (2016-2018)
-28%

10.8 million
people were employed in the sector

WORKFORCE
14%
In 2017, the sector accounted for 14% of total employment



13% of workers in the sector "work for pay/wage"

The wholesale and retail trade sector is one of the major labour-intensive sectors and a major driver of informal jobs. According to NBS, the Trade sector accounts for 13.2% of informal jobs in Nigeria, which are largely disperse within trade clusters, large/open-air markets kiosks, hawkers, etc. Despite the informal nature that characterises the sector, the sector account 14% of employment in the formal sector that cut across FMCG, e-commerce or SME retailers. The sector hosts millions of SMEs and entrepreneurs with ambitions to scale up their distribution networks and ultimately improving the quality and quantity of jobs available within the economy. These suggest that, given the right policy levers, the sector could grow faster and create faster growth and hold substantial employment potential.

A range of policy measures including infrastructure, regulation, fiscal and monetary policy interventions aimed at removing binding constraints affecting wholesale and retail businesses could be implemented to aid rapid growth and employment in the trade sector. These are:

- **Improving Transport and Logistic infrastructures.** Poor transportation networks, especially the road and rail transportation systems, constitute greatly to operational inefficiencies of businesses within the wholesale and retail trade sector. In order to boost the job creation potential of the trade sector, expansion of market-specific transport infrastructure should be developed. Government could target specific trade clusters and export zones with the aim to facilitate linkages across disparate value chains among the activities of small-scale producers, local manufacturers, distribution channels and domestic/foreign consumers. Such targeted infrastructure development would expand distribution networks of businesses in the sector, increase the market of local & foreign suppliers and thereby creating more opportunities for job creation.
- **Improving Access to Trade Financing.** Given the largely informal nature of the wholesale and retail trade sector in Nigeria, it is difficult for most traders to access small loans often necessary for purchasing merchandise. On the other hand, interest on SME loans from commercial banks is high and microfinance banks charge even higher interest rates. One way to support the sector is to expand the existing free-loan intervention programme such as TraderMoni and other SME credit support initiatives under the Government Enterprise and Empowerment Scheme (GEEP). Beyond this direct support, government can introduce regulatory reforms to strengthen all credit market sub-sectors, by giving incentives to microfinance banks to establish branches around the country or to incentivise commercial banks to embark on trade financing.

Box 1: Using ICT and Renewable Energy as a leveller

Across these sectors, ICT and renewable energy solutions remain fundamental, given their transformative impact on labour productivity, firm efficiency and in creating new industries. For instance, leveraging on ICT and renewable energy in the agriculture and agro-processing industry in Nigeria could significantly reduce post-harvest losses through the provision of cold chain mobile units, improved seedlings and weather mapping technologies. Springing-up of technology hubs across the country, e-commerce and the increasing use of technology and social media platforms have shaped how businesses operated in the last decade, creating new opportunities along value chains. To scale-up job creation, we must see an increasing role of technology in driving economies of scale, reducing costs across sectors and increasing business reach across Nigeria and beyond. ICT is also instrumental in achieving financial inclusion. Incentivising private investors in the provision of fibreoptic connectivity, reducing cost barriers and providing support for technology incubator service providers are some key reforms the government should consider. Renewable energy, on the other hand, holds great potential in addressing the challenge of poor power supply in the country. RE solutions has over the years emerged as cost effective option in the provision of electricity. In addition to creating direct jobs, RE is an enabler of job creation across major economic sectors. Efforts are required from stakeholders to develop a clear framework for on-grid and off-grid development interface using Renewable Energy systems in Nigeria.

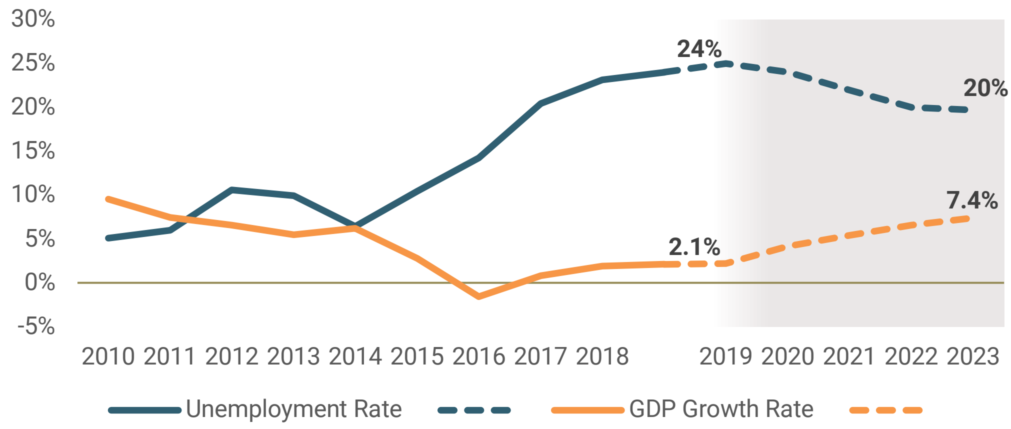
Key Outcomes of Scenario 2
With a collective share of 36% in total employment, it is expected that as the selected sectors' growth and contribution to GDP expand through government reforms, so will their propensity to employ a larger part of the labour force. Under this scenario, the deliberate prioritisation of the development of these sectors would propel overall GDP growth in the range of 6-8% in the medium term and increase their contribution to GDP to 58% in the next five years. In addition, these sectors would collectively employ an additional 12 million individuals (direct jobs) over the next 5 years, forcing down the unemployment rate to 20% by 2023.

Scenario 2: Number of jobs to be created across the six identified sectors

Sector	Direct Jobs Created in 5 years (million)	Contribution to GDP Growth	Share of GDP	Key Sub-sectors/focus areas
Manufacturing	2.8	25%	13%	Food and Beverage, Textile, Apparel & Footwear, Agro-processing (Cassava, tomato, cocoa, cashew), Pharmaceuticals, Oil Refining and Petrochemicals, Electrical and Electronics
Construction	2	9%	7%	Road, Rail, Airports, Seaports
Professional, Scientific and Technical Services	3	16%	7%	Financial Services, Accounting,
Education, Health and Social Services	1.8	14%	9%	Primary, Secondary, Tertiary
Trade	2.4	14%	22%	Wholesale and Retail
Total	**12**		**58%**	

Source: NESG Research

Scenario 2: GDP Growth rate vs Unemployment Rate (Forecast- 2019-2023)



Source: NBS and NESG Research

NESG’s Position on Job Creation

1. **The rising number of labour force entrants vis-à-vis the fewer jobs being created per annum calls for concern.** Going by current trends at 3.3 million per annum, we estimate that over 100 million individuals will enter into the labour market from 2019 to 2050. This implies that at least 100 million jobs are required over the period to maintain unemployment rate at 23%. The pace of job creation from the private sector cannot match with the expansion in the labour force. Sectoral opening and expansion, identification of new opportunity areas and pursuing diversification and value-chain development within and across key economic sectors such as Agriculture, Manufacturing and Construction are required for rapid growth of the private sector. The government needs to support structural transformation by identifying and removing the constraints limiting competitiveness in these industries.

2. **The capacity of the private sector needs to be expanded, urgently.** Job creation is the business of the private sector. However, there is need for maximum support and commitment from the government in ensuring the growth of the private sector. Easing business regulations, providing incentives and infrastructure development are fundamental in the expansion of the private sector. Such interventions are necessary to attract local and foreign direct investments into key industries that can trigger job creation and poverty reduction.

3. **Nigeria’s Population growth and 2050 projected population demands urgent attention, particularly in investing in human capital.** By 2050, Nigeria’s population is projected to reach 417 million, making the country the third most populous in the world. This would have serious implications for education, health care, infrastructure needs and jobs required to ensure a significant proportion of the population are productive. To reap the benefits of a large population, investment in human capital is inevitable. At both federal and state levels, there must be rapid investments in education and health, accompanied by skills reforms to deliver an educated workforce with the relevant skills that could spearhead economic growth in the medium to long term.

4. **States governments’ role in addressing poverty and unemployment is crucial.** States governments’ policies and approaches to ensure industrial expansion and job creation must be anchored in industries with latent comparative advantage within the state. In addition, the governments must play the important role of facilitation of businesses by removing binding constraints to facilitate private firms’ entry into prioritised industries.

5. **Nigeria needs a long-term National Development Plan that highlights areas where jobs will be created over time.** Nigeria needs to adopt a long-term planning approach that places people and living standards at the center of national economic policies. Such approach must leverage on the resources of the private sector, and identify in the short, medium and long term, strategic sectors for job creation as well as the required skills across sectors. Having such long-term plan provides clarity and raises commitment level of the private sector to make long term significant investments.

Recommendations

The following recommendations are crucial in ensuring significant growth in job creation.

1. Setting national and regional agendas. Where will the Nigerian economy be by the year 2030? How will each region contribute to the national agenda? What sectors will deliver the required growth? What is the alignment between Nigeria's national priorities and its industrial/sectoral plans? What is the current state of Nigeria's Industrial Revolution Plan (NIRP)? Delivering inclusive growth should start with having a shared vision that captures the country's aspirations, values and desires. The Nigerian government needs to embrace the practice of creating long-term development plans and strategic sectoral framework that define outputs, employment and investment targets and policy direction for critical sectors. As with the case of Indonesia, the country started with a long-term 20-year national development plan and subsequently developed 5-year medium-term plans, detailing sectoral and regional plans, all aligned with the 20-year national development plan. Adopting such planning approach reduces, to a large extent, economic uncertainties and provides a sense of direction for the country, investors and policymakers. To ensure continuity of such long-term plans irrespective of political affiliations, some countries have established laws that ensures every President must develop or align their political promises with existing development plans. The Indonesian Law on National Development Planning System clearly stipulates the purpose, processes, scope and types of development plans that must be put in place by the government of the country. Nigeria can imbibe such practise.

2. Develop new and review existing sectoral plans. The government needs to develop sector plans and review every existing one (with stakeholders) to ensure they are up-to-date and take into consideration current and future national and global developments. Sectoral Plans and interventions must be drafted for critical sectors identified in previous sections of this report. Effective communication of these plans to stakeholders as well as their implementation would go a long way in attracting investments into key sectors.

3. Education Reforms Towards Work-Relevant Skills: Nigeria needs holistic structural reforms in the education sector. The purpose of education in Nigeria remains unclearly defined. This underpins the challenge of weak accountability and governance structures in the sector. The lack of a clear vision for the education sector is reflected in the significant number of graduates at different levels who cannot compete globally, regardless of their high levels of talent and effort. Going forward, Nigeria's curriculum must be up-to-date with the rapidly changing skills needs of the country. To achieve this, the Nigerian government must strengthen public-private approaches in the review of the curricula at different levels. The reviewed curricula must prioritize the development and application of knowledge across major sectors and must be in line with the future skills needs of industries. Entrepreneurial studies need to be included in the secondary school curriculum and teachers must be adequately trained to deliver the curriculum. Scaling up the footprint of ICT skills acquisition in the primary and post-primary education curriculum is another important area. The same level of attention needs to be paid to the three other sectors in the youth priority category: entertainment, hospitality and agribusiness.

4. Development of a National Roadmap for Vocational and Technical Training. Investing in vocational and technical education enhances the skills of a country's human resource and creates youth employment. In the face of technological and industrial innovation, national strategy for vocational and technical education further deepens globalization and improves social and economic development. Hence, to reduce unemployment and stay in touch with recent innovation, developing a national roadmap for vocation and technical training that provides

theoretical and practical knowledge on specific trade areas is important. The federal government through the National Board of Technical Education, should work with the private sector and other key stakeholders to design and implement such roadmap. In the construction sector, there is need for an accelerated training and certification program for artisans and craftsmen to address the huge skills deficit in the sector.

5. Regulation for Business Growth. To deliver broad-based economic growth that addresses the priorities of job creation and poverty reduction, there needs to be a fundamental shift in the thinking of the Nigerian government's role in the business environment. Government (at different levels) and its agencies must truly act as “enablers” in the business environment rather than creating hurdles for businesses through fierce regulations and numerous charges. The motivation and incentives for business and industry regulators such as NCS, NAFDAC, SON, and NCC among others, need to be re-engineered to focus on efficient and effective service delivery to their immediate stakeholders, in a simplified and easily accessible manner. This proposition is based on the premise that quality, clear and business- friendly regulation, are key in removing business hurdles across sectors and are germane to the expansion of existing businesses as well as to the growth of new businesses across the country.

Conclusion

Nigeria has a major unemployment crisis. The country’s rapidly growing population, increasing entrants into the labour market each year as well as the limited number of new jobs created present a key concern for both policy makers and the business community on the future of work for the vibrant young population.

To take advantage of the benefits of having a young, large and vibrant workforce, the private sector must step up, particularly in the area of job creation and new investments. However, such commitment cannot happen without significant government involvement in setting the agenda for overall economic expansion and guiding the process. Government policies, actions and plans must be growth-enhancing, recognising the crucial role of private sector investments in job creation, economic growth and by extension the overall welfare of the state.

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