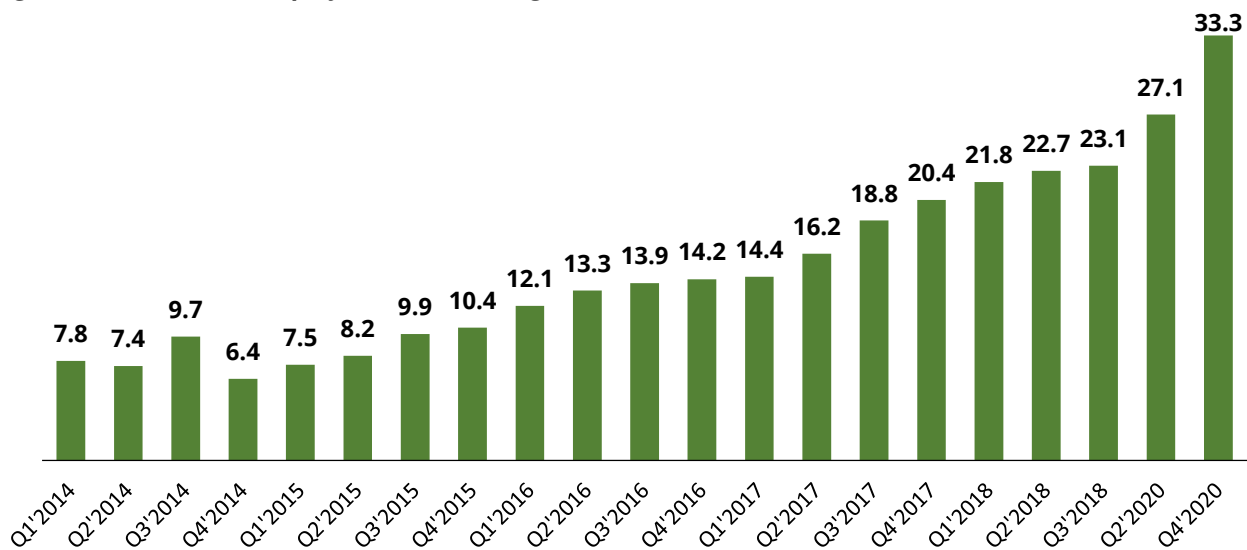


Nigeria's Unemployment Rate surged to 33.3% as at Q4'2020, amid new COVID-19 strain

According to the National Bureau of Statistics (NBS), the Nigerian economy suffered another coronavirus-induced setback, as unemployment rate jumped from 27.1% as at Q2'2020 to 33.3% as at Q4'2020. Correspondingly, the number of unemployed persons rose by 6.4% to 23.2 million as at Q4'2020 from 21.8 million as at Q2'2020. The current unemployment rate is the highest ever, with unemployment scourge being magnified by COVID-19 crisis. However, the rate of underemployment dropped to 22.8% as at Q4'2020 from 28.6% as at Q2'2020. This is partly due to a decline in the number of underemployed or part-time workers from 22.9 million to 15.9 million over the two quarters.

Figure 1: Trends of Unemployment Rate in Nigeria (%)



Source: NBS; Graph: NESG Research

Against expectations, the size of the labour force fell further by 13.2% to 69.7 million as at Q4'2020 from 80.3 million as at Q2'2020. The lockdown restrictions and constrained business activities in most parts of 2020 resulted in a significant decline in the number of full-time and part-time workers. This was not unprecedented as additional 20 million persons dropped out from the labour force between Q2'2020 and Q4'2020.

As at Q4'2020, the rate of unemployment among Nigerian youths, aged 15-34 years, stood at 45.2%, up from 34.9% as at Q2'2020. However, the rate of underemployment among youths declined to 21% as at Q4'2020 from 28.2% as at Q2'2020. In addition, unemployment rate was higher for rural dwellers at 34.5%, relative to the unemployment rate amongst urban dwellers (31.3%). Also, unemployment rate was higher for the female gender at 35.2%, than for the male gender at 31.8%. This ultimately indicates that the distribution of socio-economic opportunities differs significantly across gender in Nigeria.

South Western States maintained lower unemployment rates

Similar to Q2'2020, Imo State recorded the highest unemployment rate at 56.6% as at Q4'2020. Four South Western States – Osun, Ogun, Ondo and Oyo – recorded the lowest unemployment rates in the quarter. On the flip side, a majority of states from South East and South-South parts of Nigeria recorded higher unemployment rates as at Q4'2020.

Figure 2a: Top 10 States with High Unemployment Rate (%)

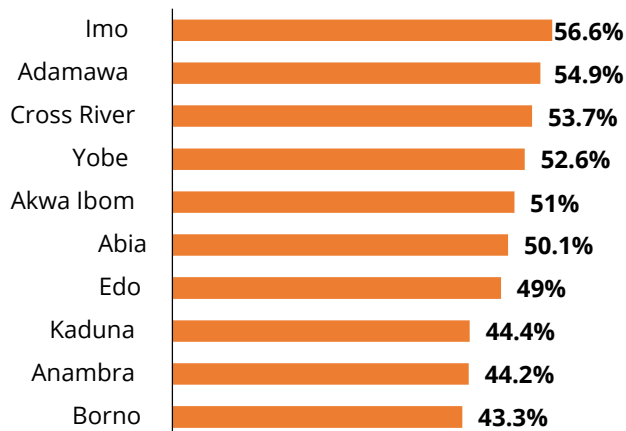
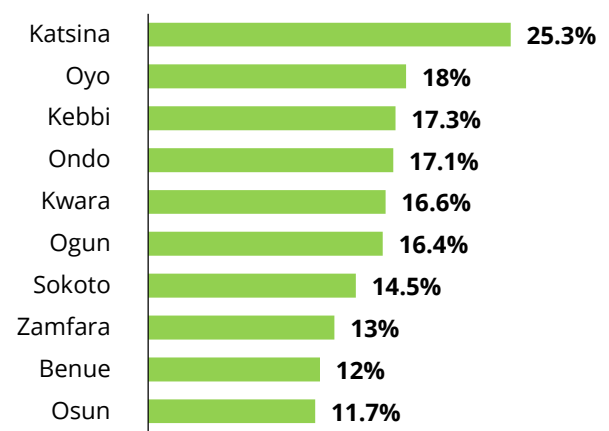


Figure 2b: Top 10 States with Low Unemployment Rate (%)



Source: Data: NBS; Chart: NESG Research

Rate of underemployment remained high in Northern Nigeria

Northern States in Nigeria, generally, recorded high rates of underemployment as at Q4'2020. As the main food basket of the country, most Northern states were largely affected by insecurity challenges and seasonality effect associated with agricultural production. For instance, the NBS data showed that 9 out of 10 states with high rates of underemployment emanate from the North. As at Q4'2020, Benue State had the highest underemployment rate at 43.5%, followed by Zamfara and Jigawa states at 41.7% and 41.3%, respectively.

Figure 3a: Top 10 States with High Underemployment Rate (%)

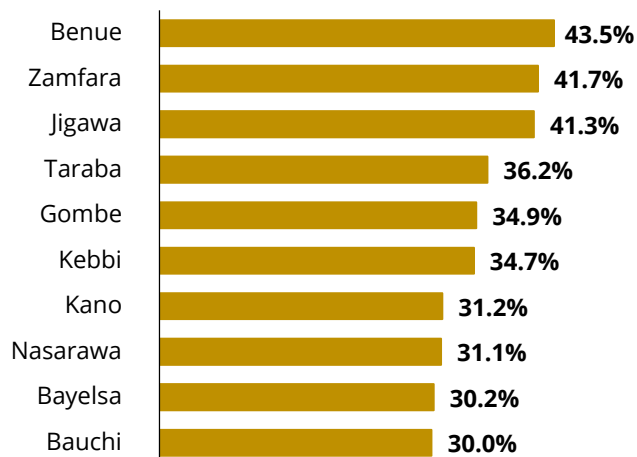
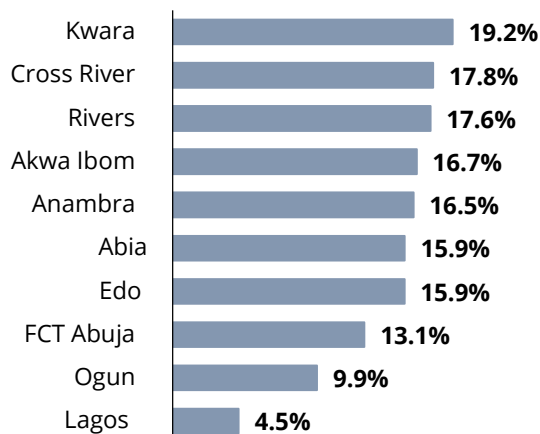


Figure 3b: Top 10 States with Low Underemployment Rate (%)



Remarkably, Lagos State recorded the lowest rate of underemployment at 4.5%, followed by the neighbouring Ogun State at 9.9%.

Source: NBS; Graph: NESG Research

Conclusion

While unemployment surge has conspicuously generated countless debates around jobless growth in Nigeria, there are key growth binding constraints that require urgent attention¹.

- Poor value chain development/weak agro-industrial base.** Interventions in, particularly, the agricultural sector are skewed to supporting smallholder farmers with little or no emphasis on value addition. This largely explains the weak linkage between agricultural productivity and poverty reduction, even though agricultural sector is the largest employer of labour in Nigeria. The forex demand management measures that have been deployed since 2015 has only made the domestic manufacturing sector less competitive globally, as Nigeria depends largely on imported inputs and manufactured goods. This implies that every dollar spent on foreign goods creates more job opportunities in foreign lands at the expense of the growing youth population without jobs in Nigeria.
- Skills gap remains huge among the youths.** Many Nigerian youths fall under the category of “Not in education, employment or training”. The mentality that vocational and technical skills are special reserve of academically weak students and school drop-out persists. Consequently, the gap between academic knowledge and the

¹See, World Bank (2010). Putting Nigeria to Work - A Strategy for Employment and Growth, retrievable at: <https://elibrary.worldbank.org/> for more details.

actual industry skill requirement remains huge. In 2017, the gap in technological know-how for Nigerian youths stood at 59%, higher than the global average of 38%². Nigeria could take a cue from the German technical and vocational education system, which embraces both schooling youths and drop-outs. Investment in skills development has helped close the country's skills gap among the youths (aged 15-24 years), which stood at 28 percent in 2017 (WEF, 2017).

- **COVID-19 highlights the attractiveness of ICT-supported business activities.** Prior to the outbreak of the coronavirus pandemic, the nature of work in Nigeria largely revolves around workers gathering under one roof on a daily basis. The insurgence of COVID-19 in 2020 has, therefore, paved the way for some level of flexibility in work environment as people work remotely from home. By implication, people with jobs that are intensive in physical meetings and appearances suffer largely from structural unemployment, as most fast-moving consumer goods (FMCGs), shift towards home delivery services.

In order to reverse the recurring trend of jobless growth in Nigeria, there is an urgent need for collaborative efforts between the government and relevant stakeholders towards addressing the constraints to value chain development in sectors with high growth and employment potentials, which include manufacturing, construction, trade, education, health and professional & technical services, with ICT and renewable energy sectors as growth enablers³.

²WEF (2017). The Global Human Capital Report for 2017. A Publication of the World Economic Forum. ISBN 978-1-944835-10-1. Retrieved from: <http://www3.weforum.org/docs>

³See, NESG Macroeconomic Outlook for 2020. Nigeria in a New Decade: Priority for Accelerated Growth, Job Creation and Poverty Reduction, retrievable via: <https://www.nesgroup.org/research> for more details.

About 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 so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

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