

Nigeria Economic Alert

Unemployment rate expected to hit 30% amid the effect of COVID-19 on the economy...

NB: Analysis is on yearly(y/y) except otherwise stated

Please note that in these Bulletins we use the official statistics issued by the National Bureau of Statistics. These are issued to 3 or in some cases 4 (e.g. inflation) significant digits. In an economy where more than 50% of the economic activity is in the informal sector, it is difficult to estimate to this number of significant digits. However, at PwC Nigeria we have taken the position to use the official numbers for our reports, albeit to a single decimal point or the nearest whole number.

Introduction

According to the National Bureau of Statistics' (NBS) Labour Force Survey, Nigeria's unemployment rate was 27% in Q2 2020 - four percentage points higher than the 23% reported in Q3 2018. This is the first time in six quarters that the country's unemployment data has been published. According to the Survey, the underemployment rate was 29%, which was higher than the 20% recorded in Q3 2018. When combined, 52% of the labour force is either without jobs or working below their potential.

Some of the factors that account for the rise in the unemployment and underemployment rates include the low level of industrialisation in the country, slow economic growth, low employability and quality of the labour force, slow implementation of the national labour policy, in addition to lack of coordinating labour policies at the subnational level.

PwC estimates that unemployment could reach 28% in Q3 2020 and 30% by Q4 2020, based on our internal models.



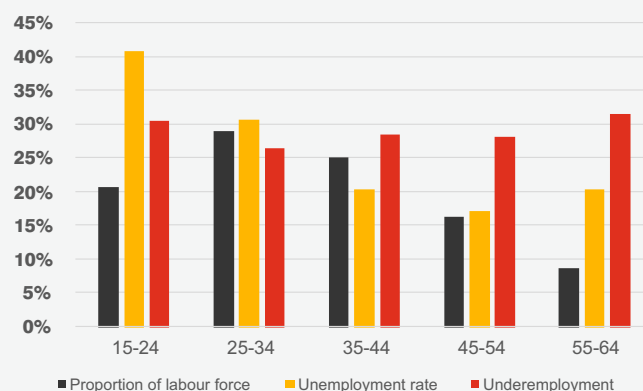
www.pwc.com/ng

Decomposition by Age and Education

Youth unemployment is higher than for older workers, as shown in figure 1 – the 15 to 24 age group had unemployment of 41%, and age group 25 to 34 with an unemployment rate of 31%. Nigeria has one of the largest youth cohorts in the world with over 35% of the country's population falling within the age group of 15 to 34. With unemployment highest among this demography, the risks of social vices, depression and apathy are especially high.

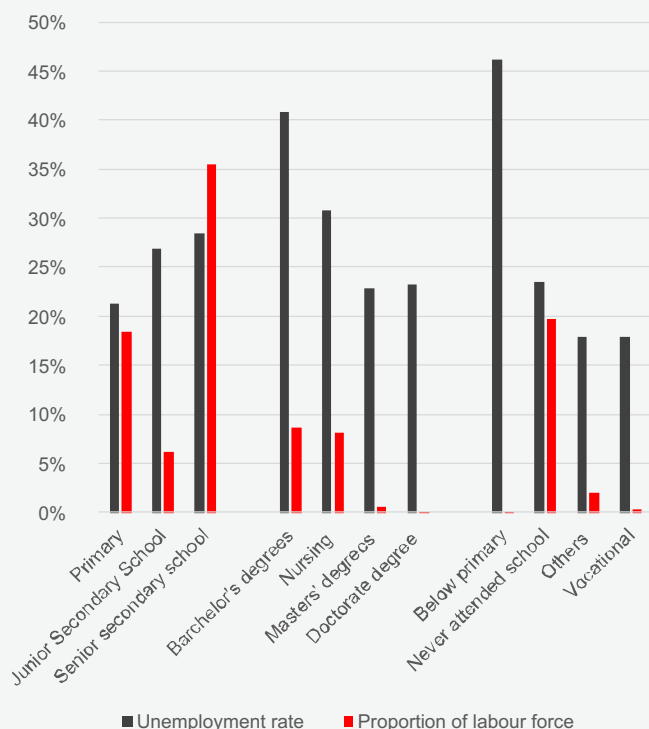
An examination of the unemployment rate by level of education shows that **41% of the labour population with a bachelor's degree are without employment**. The unemployment rate among bachelor's degree holders is higher than the 18% for people with vocational skills. The unemployment rate for people with vocational skills is also lower than people with master's (23%) and doctorate degrees (23%). What this means is that there could be more vocational or blue-collar job opportunities than white collar jobs in Nigeria - pointing to the large size of the informal economy, where most blue-collar jobs operate. But it also means that a university degree is not an assured route to gainful employment and policy-makers should be thinking about strengthening the country's vocational training to prepare young people for worthwhile and productive blue collar careers.

Figure 1: Unemployment by Age Group



Source: National Bureau of Statistics

Figure 2: Unemployment by Level of Education



Source: National Bureau of Statistics

Figure 3: Unemployment rates by Gender



Source: National Bureau of Statistics

Decomposition by states and regions

Rural unemployment was estimated at 25% while urban unemployment was 28%. This means that unemployment is equally severe in both the rural and urban areas, as job opportunities remain relatively scarce despite the growing rural-urban migration rate in the country.

Unemployment data across states and regions in Nigeria show that the South-West (average: 17%) region had the lowest unemployment rate in Q2 2020. The South-West was followed by the North-West (23%) zone. South-South (35%) and the North-East (28%) geopolitical zones recorded higher unemployment rates. Growing industrialisation, commercial activities and business opportunities are reasons for the lower unemployment rate in the South-West relative to the other geopolitical zones.

Across states, Imo state (labour force 2.5m) had the highest unemployment rate (49%) while Kwara (1.4m) had the lowest unemployment rate (14%). The large discrepancies between States highlight the significant differences in development between States.

In the case of Underemployment, there is an important twist. The North-East and North-West had the lowest rates because most of the active population in the regions are farmers, which is a seasonal occupation. This seasonality coupled with the security challenges which has impacted commercial and agricultural activities.. The highest underemployment rate in Q2 2020 was from the South-South zone.

Decomposition by Gender and Location

On a gender basis, 23% of males in the labour force are unemployed, while 32% of the females are unemployed. Female unemployment is higher even though there are more males than females in the labour force (male: 42 million; female: 39 million).

Even among women that are employed, they are likely to be part-time.

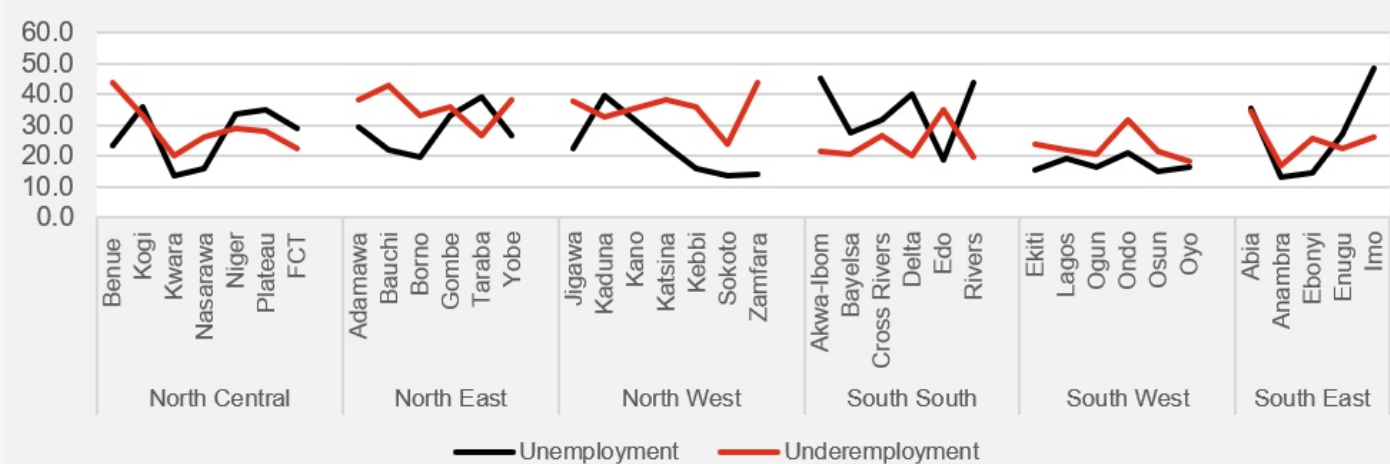
While 19 million female employees are in part-time employment, only 16 million male employees are part-time. Overall, the ratio of full-time to part-time employees is 1.3 for males and 0.8 for females, a very large difference. Of course, more female employees could prefer part-time jobs because of the additional responsibilities of providing care services to their family or households, but this large discrepancy needs to be understood. If more women are working part-time when they want to work full-time, Nigeria is losing a significant part of its labour force capacity.

Beyond this, it raises issues of gender parity in Nigerian society. According to the United Nations (UN), the work of caregiving must be valued by society, financially supported by governments and shared more equally between men and women. The UN Research Institute for Social Development (UNRISD) states that *caregiving was not only essential for maintaining the social fabric and building human capital, it was also a much better indicator of a society's quality of life than its gross domestic product*¹



1. <https://www.un.org/press/en/2009/wom1715.doc.htm>

Figure 4: Unemployment rate across states and regions



Source: National Bureau of Statistics

Effects of unemployment in Nigeria

The obvious consequences of the high unemployment rate in Nigeria include:

- Fall in aggregate demand and supply
- Continued dependence on imports due to lower domestic productivity and output
- Fall in household income; likely to further widen the income inequality gap
- Increase in crime rate
- Disincentive to get a formal education, which increases the proportion of unskilled and semi-skilled labour, and expands the informal economy

PwC estimates – acknowledging the effect of COVID-19

PwC estimates that unemployment could reach 28% in Q3 2020 and 30% by Q4 2020. This estimate is based on the following assumptions:

- An estimated real GDP of about NGN280,000 is required to absorb a single employed person from Q2 2020 to Q4 2020 due to the economic effects of COVID-19.
- We assume that the GDP will shrink by 5.4% (IMF).
- The labour force could grow to over 80 million by Q4 2020.

	Q2 2020 (Actual)	Q3 2020 (Estimate)	Q4 2020 (Estimate)
Labour force	80,291,894	80,500,000	81,000,000
Real GDP** (Millions of Naira)	1,640,000	1,610,000	1,580,000
Employed	59,235,383	58,160,000	57,100,000
Unemployed	21,764,617	22,340,000	23,900,000
Unemployment rate (%)	27%	28%	30%



Current policies aimed at reducing the unemployment rate

The table below shows a summary of some of the targets and strategies encapsulated in selected policies of the Federal government, which are aimed at reducing the unemployment rate in the country and growing the economy.

Policies	Target	Strategy
Nigeria Economic Sustainability Plan (NESP)	<ul style="list-style-type: none">• 5 million jobs through agriculture and food security programmes• 1.8 million jobs through the Mass Housing Strategy• 250,000 jobs through the Solar Power Strategy• 774,000 jobs through the National Public Works Programme• 1 million jobs through outsourcing services in the technology sector• Safeguard 300,000 jobs in 100,000 MSMEs through the Guaranteed Take Off Scheme• Sustain 500,000 jobs in 50,000 SMEs through the SME Survival Fund• Create 296,000 through road construction and rehabilitation by FERMA	<p>Retain or create jobs using labour intensive methods in key areas like agriculture, facility maintenance, housing and direct labour interventions</p> <p>Promote manufacturing and local production at all levels and advocate the use of Made-in-Nigeria goods and services, as a way of creating job opportunities</p>
N-power	<ul style="list-style-type: none">• Create 600,000 new jobs	Entrepreneurship development and skill acquisition
National Electronic Labour Exchange (NELEX)		Improve occupational and geographical mobility of labour.

Recommendations

According to the Vice Presidency, the government anticipates 39.4 million job losses by December due to the pandemic.²

The high rate of unemployment in Nigeria is not easy to solve, but PwC believes there is a path forward. For a start, there must be a commitment to labour programmes enshrined in the NESP and the National Employment Policy. However, labour programmes are not solely enough to absorb the current stock of unemployed Nigerians, let alone new population that will join the labour force in a few years. This is where economic reforms come to play.

Fiscal labour initiatives can only complement economic reforms that promote industrialisation and the growth of MSMEs in reducing unemployment. Industrialisation and the entrepreneurial drive are crucial to solving the unemployment crisis in Nigeria; and again, both factors are preconditioned on the performance of the economy and government's willingness to ease the process of doing business.

Finally, as a recommendation, improving the skills of the Nigeria labour force can reduce the unemployment rate. This also depends on the educational institutions in Nigeria, and the quality of the curriculum, especially in the light of STEM and the fourth industrial revolution.

2. <https://www.theafricareport.com/33300/pandemic-to-poverty-nigeria-in-the-post-covid-future/>

Contacts

Andrew S. Nevin Ph.D
Partner, West Africa Financial
Services Leader and Chief Economist
andrew.x.nevin@pwc.com

Omomia Omosomi
Manager/Economist
omomia.omosomi@pwc.com

Michael Ogunremi
Junior Economist
michael.ogunremi@pwc.com