



# What Economic Sectors Drive Youth Employment in Nigeria?

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## **The Context**

The Nigeria economy continues to be plagued with unemployment especially amongst youths with about 29.7% and 25.7% of youths aged between 15-34 years reported in the third quarter of 2018 as been underemployment and unemployment respectively (Nigerian Bureau of Statistics, 2018). Limited access to employment opportunities is a key challenge because economic growth does not translate into employment. This jobless growth is due to economic and political crises that has plagued the country for years and which needs to be tackled. Policy-relevant discussions must first identify

sectors that have potential for job creation and the conditions required to make them more productive and attractive for investors so as to stimulate and promote decent jobs for youths

### KEY MESSAGES

Evidence shows that ...

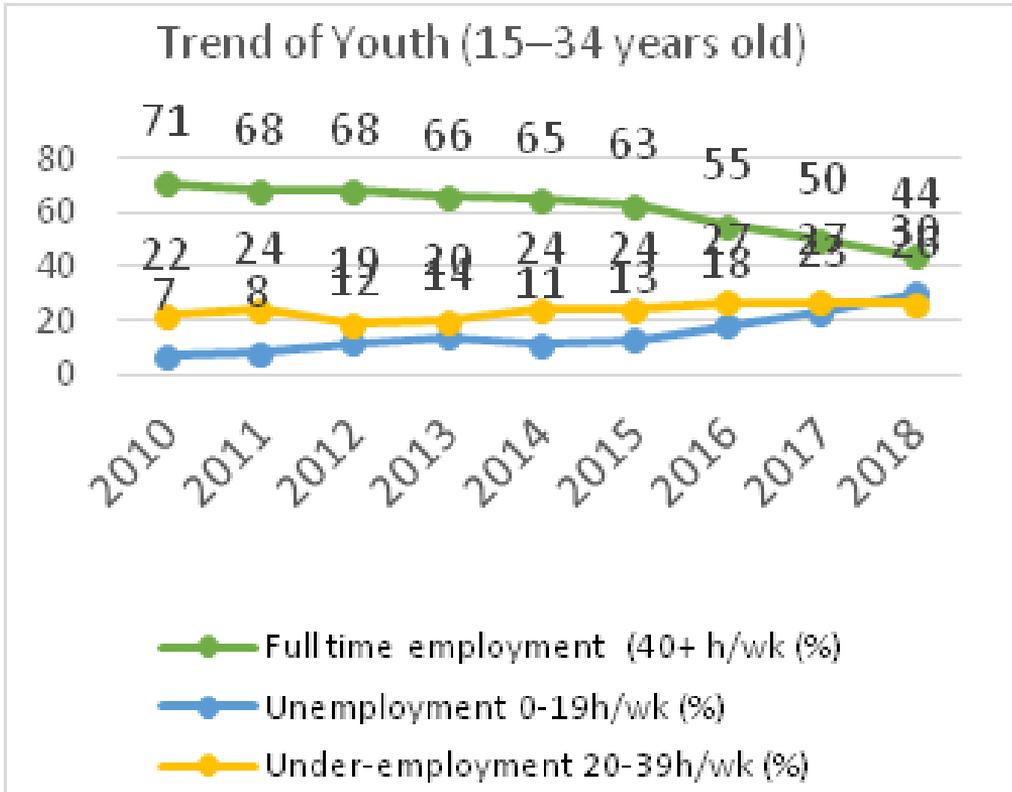
- 1.) Youth unemployment are on the rise in Nigeria
- 2.) Nigeria has untapped potentials in cashew nuts, cocoa and sesame seeds
- 3.) Existence of production, trade and industrial clusters across geopolitical zones in Nigeria
- 4.) All 12 sectors had positive employment elasticities ranging between 0.056 to 0.734 with the highest contributor from the financial services sector
- 5.) Increased access to finance, improved infrastructure and political stability are conditions necessary for investments.

## The problem

Nigeria's population was estimated by the United Nations in 2020 at 200 million people. This population is marked with a high proportion of youths between ages 15 – 34 years therefore indicating a very young population. Even though the Nigerian economy is thriving with high growth in some economic sectors, about 13.9 million Nigerian youths remain unemployed (National Bureau of Statistics, 2020). The problem of employment in Nigeria has manifested in underemployment especially in the informal sector which accounts for 54 percent of the jobs created. In tackling these problems, it is important to identify the promising economic sectors in Nigeria that have high job creation potentials for youth, as well as the political and economic constraints that militate against these sectors coupled with the conditions that will stimulate investment in these sectors.

## Background

The Nigerian economy presents a situation that suggests that increasing economic growth rates do not translate to decreasing unemployment rates (Obodoechi and Onuoha, 2019). Unemployment is a condition that has worsened in Nigeria over



the past two decades. The situation has become more intensified since 2015 due to economic decline arising from the fall in oil prices, the main Nigerian export. Full time youth employment declined from 50% in 2017 to 44% in 2018 while unemployment rose from 23% to 26% (NBS, 2018). Even though the country has witnessed economic growth in some sectors, it still does not translate into increased job creation.

With the ever-increasing number of unemployed youths in Nigeria, it becomes very important to identify the promising economic sectors with job creation potential for young men and women in Nigeria, identifying the political and economic constraints to developing these sectors so as to proffer solutions on creating an enabling environment that is required to attract investors in the identified sectors

## Findings, results and conclusions

The findings have shown that of the 205 goods exported from Nigeria, only 17 have RCAs greater than one. Some of them include products such as cocoa, fruits and nuts, spices ores, natural rubber, lead, amongst others and manufactured goods such as different types of leather. The untapped export potentials of these products are estimated at \$2.2 billion. As a result, when these products and their sub-sectors are properly harnessed, they can contribute to massive youth employment creation.

Across the country, several crops, industrial and trade clusters have been identified to include Kadawa Tomato Cluster Kano; Omor Rice Cluster Anambra; Computer village in Otigba (Lagos); leather tannery in Kano, Dawanau Grains Retail Cluster in Kano, Osoba Adire/Kampala International Market Retail Cluster in Ogun, and Alaba Retail Cluster in Lagos amongst others. Proper harnessing of the products and the various sub-sectors in which these clusters exist can contribute to massive youth employment creation.

The employment elasticity of the 12 sectors understudied positively ranged between 0.056 to 0.734 with the highest contributor from the financial services sector and manufacturing sector as the lowest contributor to employment growth intensity. The implication is that a 1 percent increase in economic growth in each sector will lead to the following percent point in employment creation in the Financial services (0.734), Transport services (0.602), Business services (0.452), Construction (0.364), Real estate (0.359), Other services (0.332), Government services (0.327), Trade services (0.252), Utilities (0.176), Agriculture (0.080), Mining (0.057), Manufacturing (0.056) respectively. Findings from the differential impact of sectoral growth on youth employment by gender has shown that increase in age and high school education positively influenced male employment while marital status and receipt of remittances influenced female employment. Furthermore, more young males are employed in the urban areas, and in the industry, construction, and services sectors as compared to female youths who are employed in the trade sector.

Similarly, key political and economic constraints to developing economic sectors with potentials for employment creation include access to finance, power supply, corruption, high taxation, policy inconsistency and discontinuity, poor transportation system, political instability, inadequate access to land, rigorous customs and trade regulations, extended tax administration, labour regulations and business licensing permits coupled with poorly educated workforce. To facilitate local and foreign investment in identified sectors, some conditions that need to be in place to create an enabling environment include promoting access to capital for investors, creating a single registration portal for all business registration to increase transparency and reduce processing time for business licensing, establishing and/or repairing existing infrastructure such as feeder road, airways and waterway network, power grids and water networks, introducing stable macroeconomic instrument such as favourable exchange and taxation rates, introducing favourable land tenure and property rights policies, and addressing the issue of insurgency by empowering the defence sector with modern arms.

## Implications/ recommendations / policy options

- The policy implication of this study is that even though all the 12 sectors have potential for job creation at different levels, it is important to focus more attention on sectors such as the financial services, transport services, business services, construction, real estate and agriculture sectors because they have high growth employment intensity as compared to the manufacturing and mining sectors.
- Secondly since more males are likely to be employed in the industry, construction, service and agriculture sector as compared to female youths in the trade sector, therefore effort must be made to strengthen these sectors through targeted welfare reforms by enhancing the capacities of the youths for sectoral relevance.
- To promote start-ups in these sectors, it is important to promote access to capital for business especially for those who have undergone a form of entrepreneurial training.
- Government will be able to attract both local and foreign investors by encouraging public private partnerships in a politically stable economy using both fiscal and monetary instruments such as the substantial reduction of taxes or the introduction of tax holidays or through the provision of matching funds or the introduction of favourable lending or exchange rates.
- Government should build and improve on existing infrastructure in terms of logistics (road, air, train and ports), communications, power (energy) and water to increase supply chain efficiency. All of these can be set up at various strategic locations especially for those close to production, trade and industrial clusters.
- As insecurity is a key challenge in certain parts of the country especially in the Northeast and in pockets of small communities across Nigeria, it becomes very important to address this issue by finding a sustainable solution as investors and businesses are closing in some of the affected areas and relocating to other parts of the country and in some extreme cases to other countries.

## References

1. Nigerian Bureau of Statistics (2018). Labor Force Statistics - Volume I: Unemployment and Underemployment Report (Q4 2017-Q3 2018)
2. Obodoechi, D.N. and Onuoha, C.U. 2019. The validity of Okun's law: An empirical evidence for Nigeria. American International Journal of Social Science Research. 4(2):136-144



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