

More, and More Productive, Jobs for Nigeria:

A Profile of Work and Workers



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Abbreviations and Acronyms

FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GHS	General Household Survey
ICT	Information and Communications Technology
ILO	International Labour Organization
MDG	Millennium Development Goal
MICS	Multiple Indicator Cluster Survey
NBS	National Bureau of Statistics
NDE	National Directorate of Employment
NYSC	National Youth Service Corps
OECD	Organisation for Economic Co-operation and Development
SCPZ	Staple Crop Processing Zone
SME	Small and Medium Enterprises
SMS	Short Message Service
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNICEF	United Nations Children’s Fund

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Overview



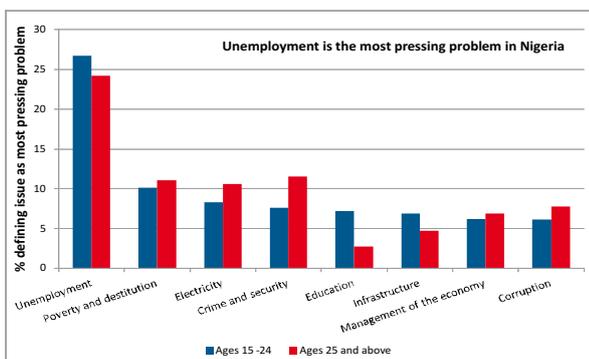
Overview

Jobs matter in Nigeria

Jobs are critical for Nigeria's present and future, as better jobs and income-earning opportunities form the basis for more diversified economic growth, poverty reduction, and greater prosperity. Some 40 to 50 million additional jobs will be needed to employ Nigeria's population between 2010 and 2030. In order to reduce poverty and help create more inclusive growth, those jobs need to be more productive and provide higher incomes than is currently the case.

Jobs are a central issue in the public debate in Nigeria. When asked to rank the main problems facing the country, Nigerians cite unemployment as the most important challenge—well above poverty (Figure 1). Unemployment, as defined by the International Labour Organization (ILO) and in this report, is not high. Worries over unemployment can be understood to reflect concerns about a lack of real earning opportunities, which in turn affect living standards, economic development, and social cohesion in Nigeria.

Figure 1: Lack of jobs is a pressing concern for Nigerians
Percentage of youth and adult workers considering specific area the most pressing problem



Source: Estimates based on Afrobarometer 2013.

The inadequacy of job opportunities is at the core of high poverty levels, regional inequality, and social and political unrest in Nigeria. Comparatively high and stable economic growth in recent years has not made a strong dent in poverty, largely because it has not resulted in a diversification of the sources of labor income for poor

families. Two Nigerias are emerging: one in which high and diversified growth provides more (albeit not enough) job and income opportunities, and one in which workers are trapped in traditional low-productivity, subsistence activities. High growth in the working-age population, low skill levels, and the marginalization of some groups—particularly women—from job opportunities present additional challenges to creating enough good jobs for the many new entrants to the labor market each year (Box 1).

This report provides an overview of jobs, workers, and employment opportunities in Nigeria, using recent household data.

In more developed countries, having a job is often understood as receiving a wage, enjoying a minimum standard of living, and having some access to social security. In

Box 1: Nigeria's job challenges in numbers

In 2011:

53 million Nigerians between the ages of 15 and 64 were working

Half of them were working in low-productivity agriculture

14 million workers belonged to the poorest 40 percent of the population; their jobs do not pay enough to escape poverty

28 million adult workers, including 5 million young workers between the ages of 15 and 24, had less than a primary education

17 million women were not working or studying

8 million young people between 15-24 years of age were not working or studying

Source: Estimates based on GHS 2011.

Nigeria, most employed individuals work for themselves or their families, in or close to home, and with informal working conditions. Some work multiple jobs, and many of them do not earn enough to escape poverty even though they work. A broader perspective recognizing the complexities of jobs and labor in Nigeria is needed to understand the nature of work and its implications for individuals and households.

The diagnostics included in this report are intended to describe the landscape of jobs in the country and provide broad analysis as an input into the development of a jobs strategy for Nigeria. Such a strategy would lay out more specific policy priorities across sectors to promote job creation and raise productivity.

Growth is not mirrored in sufficient poverty reduction

In spite of its significant economic power, Nigeria suffers from relatively high levels of poverty. Nigeria has benefited in the past decade from economic and political reforms, prudent macroeconomic management, and a return to political pluralism. A rebasing of national accounts data in 2014 showed

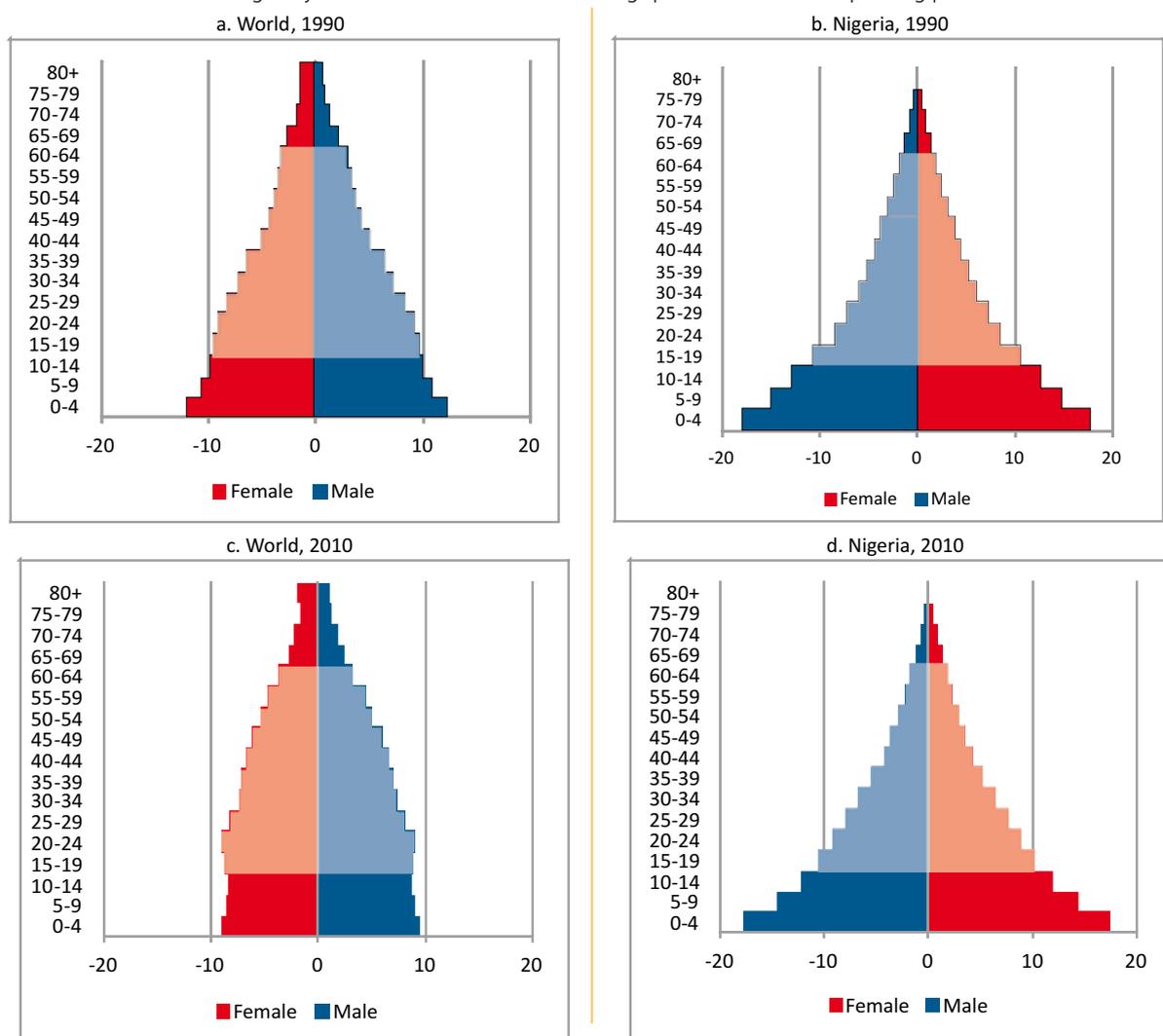
Nigeria to be a middle-income country and the largest economy in Africa. Although agriculture and mining together account for 40 percent of GDP, the Nigerian economy today is relatively diversified, with “modern” sectors in industries and services leading economic growth. Yet, according to the latest World Bank estimates, one-third of Nigerians live in poverty. High population growth, polarized growth patterns, and lack of employment diversification have prevented economic growth from reducing poverty.

Welfare effects from economic growth are diluted by high population growth.

Nigeria’s population pyramid remains dominated by children and youth (Figure 2), owing to rapid population growth rates

Figure 2: Population pyramids, world and Nigeria, 1990 and 2010

Percentage of youth and adult workers considering specific area the most pressing problem



Source: United Nations 2013.

now and in the past. As such, Nigeria's population growth pattern has not yielded the "demographic dividend" witnessed in other countries, where a bulge in the number of working-age adults—but not in the next generation—implies more workers to support young dependents.

High average growth in the Nigerian economy masks large variations across space and income groups, with increasing inequality between the north and the south, and between large urban centers and other areas. Increases in spatial differences are likely to have undone the effect of economic growth on overall poverty. In the two-year period between 2010/11 and 2012/13 only, average real consumption in the South South, South East, and South West regions increased by 10 percent, 8 percent, and 4 percent, respectively, while consumption levels in northern regions stagnated. The strong role of modern, urban-based services and the low importance of agriculture in output suggests that sources of growth have led to further spatial inequality in the past fifteen years.

Slow progress in poverty reduction in rural areas is linked to slow structural transformation in the agricultural sector, which remains the single most important source of jobs and income in Nigeria.

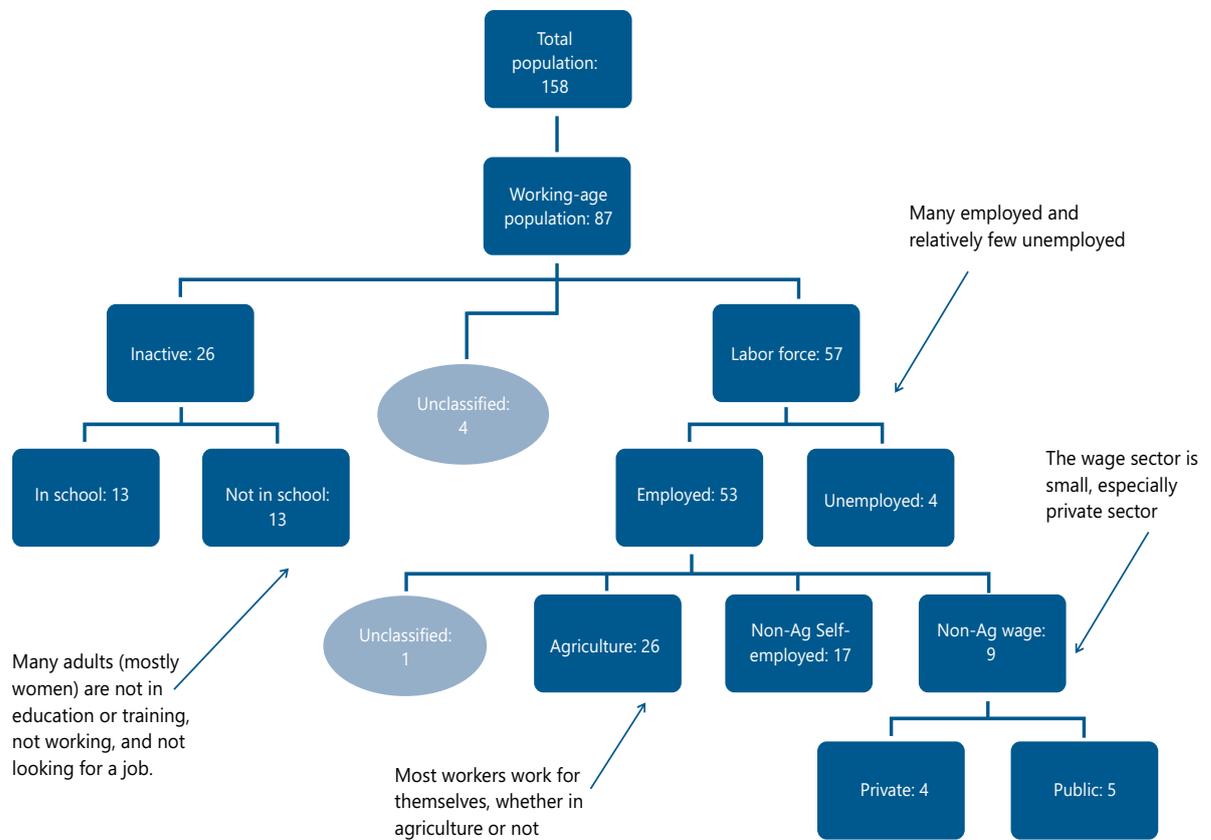
Agricultural growth (averaging just over 2 percent since 2010) has barely kept up with population growth (at just under 2 percent in rural areas). Stagnating production and productivity in the farm sector, where half the population works, is a key reason for continued high poverty levels. Conversely, sectors that have seen economic growth—including telecommunications—are not particularly labor-intensive and are too small to absorb much demand for nonfarm employment, even with high growth rates.

Jobs and workers in Nigeria

A majority of Nigerians work. Nigeria's population, the largest in Africa, was estimated at 158 million in 2011. Some 87 million people (over 50 percent) were between 15 and 64 years of age (Figure 3). In this group of "working-age" adults, 53 million people were employed. Less than 4 million people, or 6 percent of the active population, were unemployed—defined as those who were without a job and looking for work—in 2011.¹

¹ This reflects a much lower unemployment rate than the official figure of 23.9 percent reported by the National Bureau of Statistics (2011a). However, NBS estimates include all members of the workforce who have not worked 40 hours during the previous week, irrespective of whether they wanted to or were looking for work.

Figure 3: Many work, but in low-productivity jobs
 Distribution of Nigeria's population (ages 15-64, in millions)



Note: "Unclassified" refers to missing data. Source: Estimates based on GHS 2011.

Most people work in low-productivity, low-income jobs with no job or income security. Although two-thirds of the adult population is employed, productive jobs that generate sufficient income to keep people out of poverty are scarce. High participation rates and long hours reflect the prevalence of subsistence work in agriculture, and the fact that most people lack access to private or public safety nets and cannot afford to be unemployed. More than 80 percent of the employed population (43 million people) works in agriculture or is engaged in a household nonfarm enterprise. Both are forms of self-employment (wage work in agriculture is negligible), and these workers consume what they produce or live on profits from what they sell. Only 4 million people work as employees for a private company, and three out of four nonagricultural wage workers are informally employed.

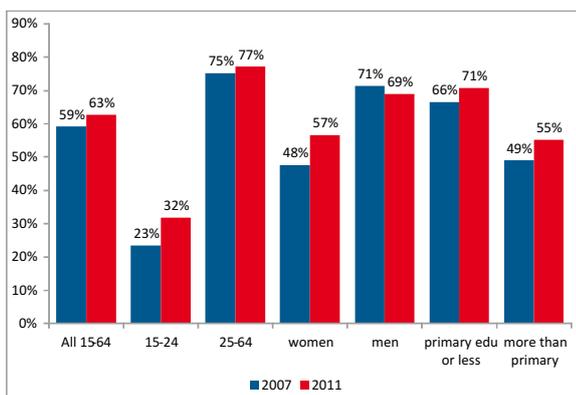
Employment is growing and shifting slowly away from agrarian to wage work in private and public services. The share of the working-age population that was employed

increased from 59 to 63 percent between 2007 and 2011, when more women entered the workforce (Figure 4a). The increase in employment has been accompanied by a shift out of agriculture, whose share of total employment fell from a peak of 58 percent in 2007 to 50 percent in 2011.² Unlike in many other African countries, the net effect of workers shifting out of agriculture has not been an increase in self-employment in the household enterprise sector. Instead, proportionally more jobs were created in the wage sector, private and—especially—public (Figure 4b).

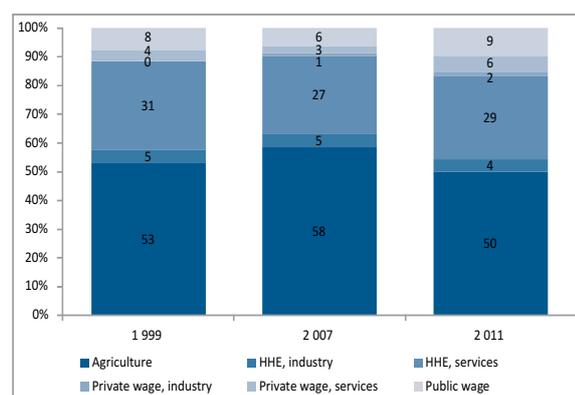
Although growing access to employment may be good news, not enough jobs pay enough to keep families above minimum subsistence while allowing time for schooling and rest and recuperation. Two out of five Nigerians live below the poverty threshold. Some 8 million children (aged 5–14) and elderly people (above 64 years of age) are working, and most adults work long hours (more than 45 hours per week).

Figure 4: More people are entering employment and shifting slowly out of subsistence farming into wage jobs

a. Employment-to-population ratios, population aged 15–64, 2007 and 2011



b. Employment by sector, population aged 15–64, 1999, 2007, and 2011



Source: Estimates based on GHS 1999 (NBS 2000), GHS 2007 (NBS 2008), and GHS 2011. on GHS 2011.

² There is not a clear reason why there was a slight increase in the share of agriculture among those working from 1999 to 2007.

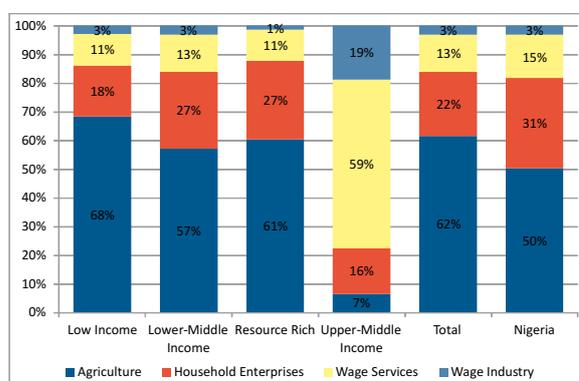
Most Nigerians work for themselves or their family. Four out of five (81 percent) of those who are employed do not work regularly for pay for someone else, but make a living primarily out of the returns to their labor on their own family farm or profits from household enterprises. Household farming is by far the dominant mode of work in agriculture. Only one in 20 agricultural workers are wage laborers; the rest are engaged in smallholder farming.³ Household enterprises in Nigeria are mostly home-based nonagricultural activities, often involving only one household member and rarely engaging paid labor. The nature of jobs in Nigeria is thus similar to that of other lower-middle-income countries in Sub-Saharan Africa and strikingly different from that of the significantly more diversified upper-middle-income countries, where most people are

employed in the wage sector and less than one out of 15 workers is in agriculture (Figure 5a).

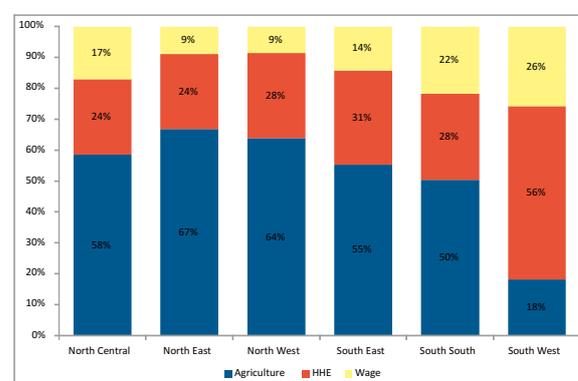
Opportunities for more productive employment vary widely across the country, reflecting differences in economic growth and the degree of diversification of production across regions (Figure 5b). In the North East and North West regions, two-thirds of the population remains in farming. Most farming activities serve families' subsistence needs, and little paid wage employment—which usually comes with higher earnings—exists in the sector. By comparison, less than one in five workers the South East region is involved in farming. Instead, over half of the employed (56 percent) are self-employed, and one in four is a wage worker.

Figure 5: Employment is still concentrated in low-productivity activities, especially in northern regions

a. Structure of employment, Nigeria and comparator economies in Sub-Saharan Africa



b. Structure of employment, Nigeria, by region



Source: Filmer and Fox 2014; estimates based on GHS 2011.

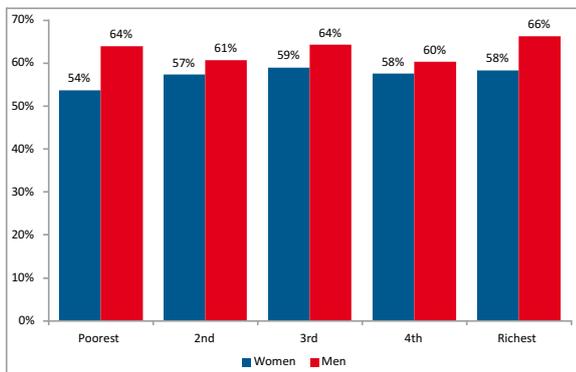
³ Smallholder farms are those in which households own or hold user rights for a small amount of land (what is considered "small" may differ from country to country). They could work for subsistence, where most production is used for household consumption, or non-subsistence, where a fair amount of the output from food or nonfood crops is sold on the market. Although GHS data do not include information on landholdings, we assume that the vast majority of people who are self-employed qualify as smallholders.

Working is not enough to escape poverty; it is where one works that matters. The poor and the nonpoor are about equally likely to be working, and employment-to-population ratios are not markedly different across consumption quintiles (Figure 6a). The sector of work is a stronger indicator of poverty patterns, most visibly for the poorest and the richest. Half (51 percent) of those working in agriculture belong to the poorest 40 percent of the population. The two poorest quintiles are underrepresented in the nonagricultural sector, accounting for 34 and 27 percent of self-employment in industry and services, respectively, less still for private wage work, and only 17 percent of public sector workers. In contrast, the richest 20 percent account for nearly half of all employment in the public sector and 40 percent of private wage work (Figure 6b).

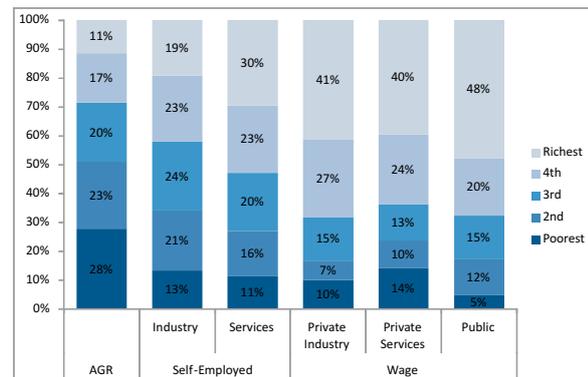
The jobs are divided among the unemployed (those looking for a job) and the inactive (those not looking for a job), and these groups differ markedly in demographic and other characteristics. Compared to the entire working-age population (ages 15–64), married women, northern inhabitants, and poor adult women are more likely to be inactive. Family formation, household chores, and social norms are likely to keep them out of the labor market. Unemployment largely affects young people, especially those with more education and from wealthier families. These groups are less constrained by family obligations, more likely to expect to find a job after having finished school, and better able to survive, with the support of their families, without working while looking for a job (Figure 7).

Figure 6: The poor work as much as the nonpoor, but in less well-paying sectors and occupations

a. Employment-to-population ratios, by consumption quintile



b. Distribution of workers according to consumption quintiles across sectors



Source: Estimates based on GHS-Panel, 2012/2013 (NBS 2013).

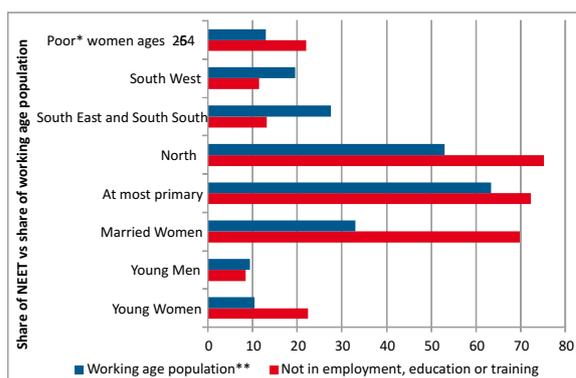
The move into productive work is slow

Transition from school to work is slow, or does not happen. Although it is not possible to track individuals' movements in the labor market over time (only a two-year panel is available), cross-sectional data on occupational and educational status show that many young people enter the labor force later in their youth, or not at all (Figure 8). One-third of young people are working by the age of 20, and half by 25. Many young people remain in education and training,

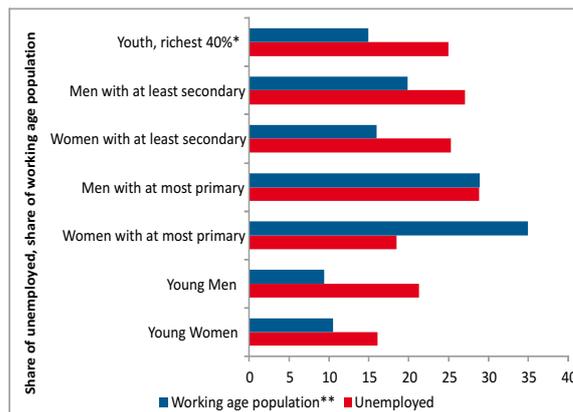
with 40 percent of 20-year-olds still in school. However, 25 percent of young people between the ages of 15 and 24 are not in employment, education, or training. In particular, women and girls are more likely to be inactive than men and boys, at all ages. Moreover, it is not guaranteed that workers will move into better job opportunities as they age. Women, in particular, are less likely to move into nonagricultural wage work over time but more likely than men to move into nonfarm household enterprise work.

Figure 7: Unemployment and inactivity affect different groups

a. Group share of those not in employment, education, or training vs. share of working-age population (excluding those in school)



b. Group share of unemployed vs. share of working-age population (excluding those in school)



Note: Categories are not mutually exclusive. *Poor = among 40% poorest by consumption levels. Richest = among 40% richest by consumption levels. **15–64. Source: Based on GHS 2011 and GHS-Panel, 2012/2013 for poverty numbers.

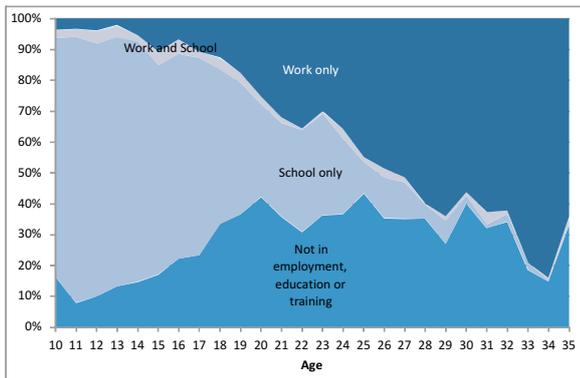
Job trajectories are determined largely by the circumstances in which people were born. Where people live, their gender, and what their parents did for a living are circumstances that are unrelated to talent, skill levels, or effort—the variables that arguably should determine job outcomes. Women are penalized from all perspectives in labor markets: compared to men they are less likely to be active, more likely to be in lower-earning occupations like farming and informal jobs, and earn less for a given level of education and experience (approximated by age). Family background influences labor market opportunities, too; according to General Household Survey-Panel data, half the children of agricultural workers are themselves working in agriculture. Seen from a life-cycle perspective, being unemployed or holding a low-paying job are less problematic

if there are opportunities for workers to increase their earnings and improve their working conditions over time. If, by contrast, patterns of employment are determined early and many people are locked into low-income activities without opportunities for change, workers' options are unequal from the outset. Breaking the cycle of poverty, therefore, will require skill building through the removal of barriers to a good-quality education.

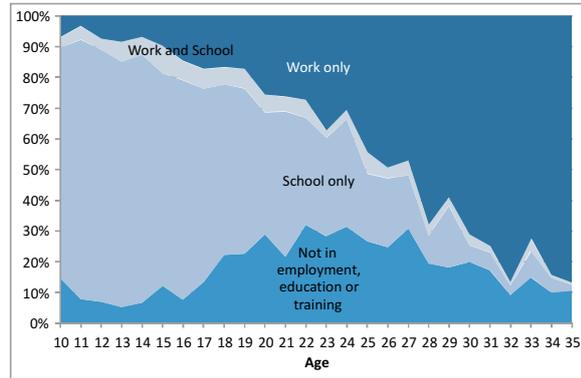
Underprivileged youth start working early. A key factor in Nigeria's low job mobility is premature transition into work. Child work is prevalent in Nigeria, as it is all over the African continent, and provides important contributions to family income. It is particularly common for children in rural areas who help on the family farm. Nonetheless, some of the jobs that children do expose them to harm: in some

Figure 8: Transition from school to work is incomplete, especially for women

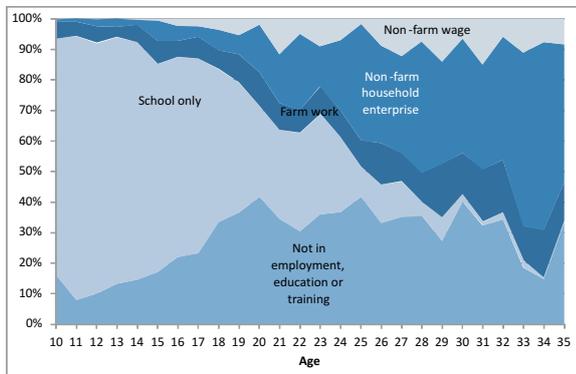
a. School and work transition, women, ages 10–35



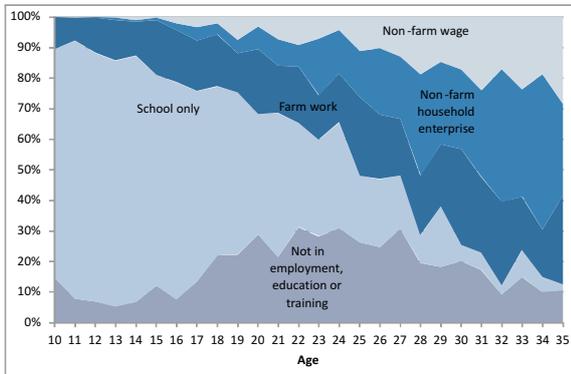
b. School and work transition, men, ages 10–35



c. Transition to job opportunities, women, ages 10–35



d. Transition to job opportunities, men, ages 10–35



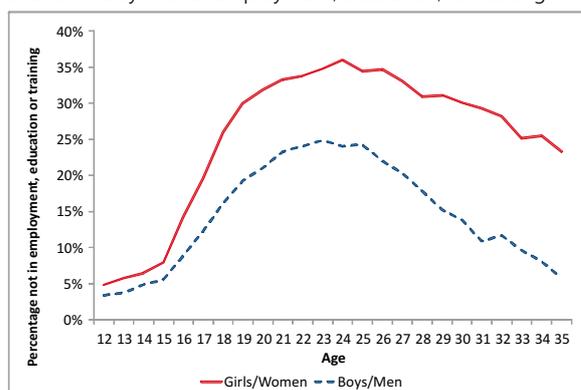
Note: These are cross-sectional data (examining different cohorts at one point in time) and should not be interpreted as panel data (which trace one cohort overtime). *Source:* Estimates based on GHS-panel, 2012/2013.

cases health hazards, in some cases slow progression through school due to multiple obligations, and in some cases exclusion from school altogether.

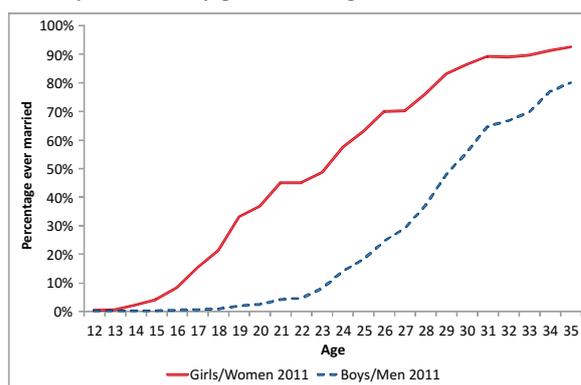
Girls' entry into work is also conditioned by early family formation. In Nigeria, as in many countries in Sub-Saharan Africa (Filmer and Fox 2014), the gender gap in schooling begins to widen more significantly at the age of 17. By this point, girls—especially from poor families—are marrying, having children, and entering into economic inactivity. The negative effects from early exit last throughout women's working life (Figure 9).

Figure 9: Girls leave school to marry earlier and do not enter working life

a. Girls vs. boys not in employment, education, or training



b. Family formation by gender and age



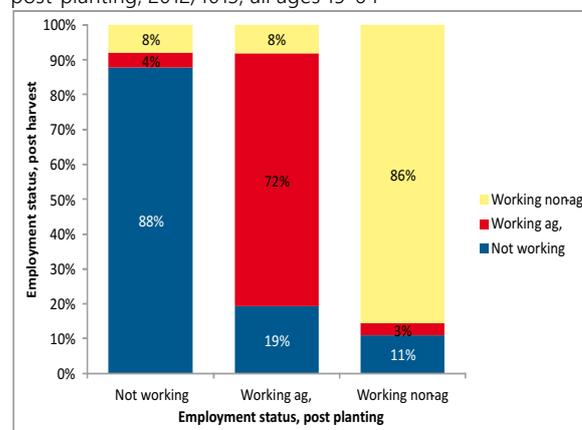
Source: Estimates based on GHS 2011.

Nigerians experience significant seasonality in their employment patterns given the high dependence on farm work, but they do not shift significantly between jobs.

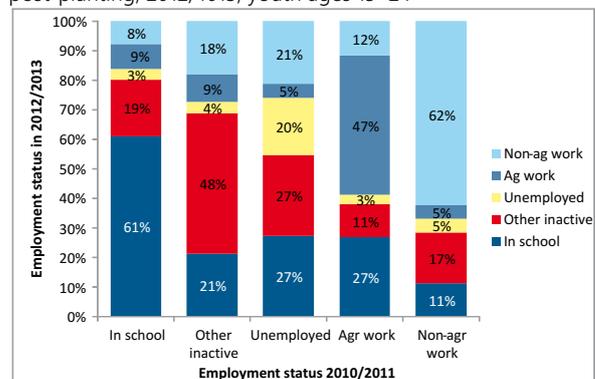
Panel data show that most movement is between inactivity and work, rather than between different types of work. Only 8 percent of farm workers who worked during the post-planting season had shifted to nonagricultural work in the post-harvest season. Young people move between school and work, and between different forms of joblessness and work. Almost 30 percent of young people who were working in agriculture in the post-planting season (which coincides with school holidays) were back in school in the post-harvest season. Unemployed youth also shift between employment and inactivity to some extent. Transitions from agricultural to nonagricultural work are much more limited (Figure 10).

Figure 10: Seasonal labor market mobility (post-planting and post-harvest), 2012/2013

a. Employment status post-harvest, conditional on status post-planting, 2012/2013, all ages 15-64



b. Employment status post-harvest, conditional on status post-planting, 2012/2013, youth ages 15-24

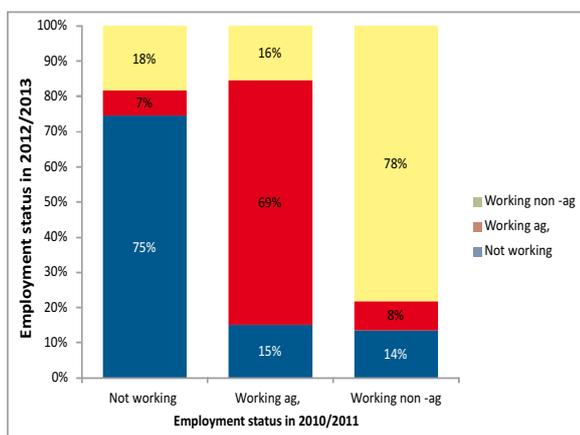


Source: Estimates based on GHS-Panel 2012/2013

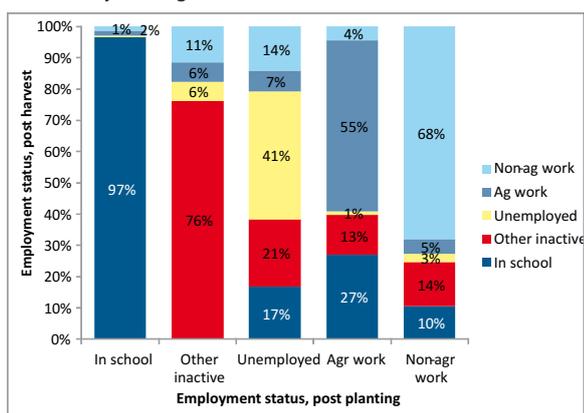
Barring seasonal variations, mobility between job types seems limited. Available panel data show that three out of four adults who were inactive or unemployed in 2010/2011 remained jobless in 2012/2013 (Figure 11). Although this two-year time frame may be too short to properly evaluate opportunities for job mobility, it seems to be a worker's family, location, gender, and school circumstances that determine a worker's transition into good or less good job opportunities. Once on the job, there is less likelihood of change.

Figure 11: Labor market mobility, 2010/2011 to 2012/2013

a. Employment status 2012/2013, conditional on status in 2010/2011, all ages 15–64



b. Employment status 2012/2013, conditional on status in 2010/2011, youth ages 15–24



Source: Estimates based on GHS-Panel 2010/2011 and 2012/2013.

Labor-related migration—seasonal and permanent, from rural to urban areas, and to countries abroad—is driven by climatic conditions and conflict, as well as by emerging labor and skills deficits and accompanying job opportunities in urban growth poles, in fast-growing African countries, or in developed economies.

International migration has been facilitated by porous borders with neighboring countries and the establishment, over time, of a significant diaspora elsewhere in Africa and in the United States. Those with low education tend to move to other African countries, while the highly educated move to developed regions, particularly the United Kingdom and the United States. Between 1990 and 2000, the number of Nigerians abroad, estimated from census data, increased by 40 percent and those with a tertiary education grew from one out of five migrants living abroad to one out of three. Thus, while most Nigerians work in agriculture and household enterprises, a small group of workers belongs to a skilled labor force that appears to be more competitive internationally.

Skills matter for productivity and jobs. Set against problems like unreliable electricity and transport infrastructure, skills deficits are not cited in firm surveys as a key bottleneck to expanding business in Nigeria. However, modernizing economies and structural transformation require new forms of skills.⁴ Even in lower-middle-income countries like Nigeria, the skills content of occupations is expanding, placing new demands on workers (World Bank 2014d).

⁴ In addition, enterprise survey results must be evaluated against the fact that they do not take into account informal firms or firms that were never created because of lack of skills or other constraints.

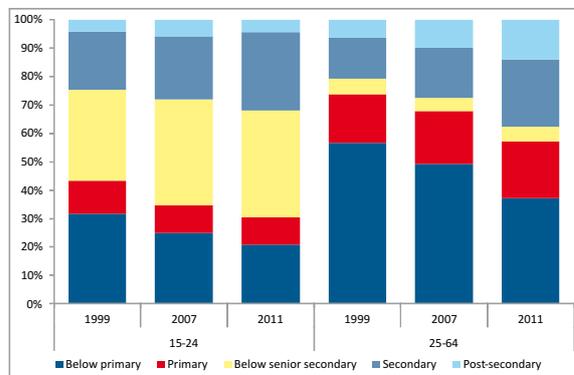
Good-quality basic education provides the fundamentals for skills development, but access to education is polarized. Net enrollment in primary school (the share of primary-school-age children who are enrolled in primary school) has stagnated at around 60 percent, while secondary school enrollment has expanded. Overall, however, 30 percent of young people still have no more than a primary education, and 15 percent have no education at all (Figure 12a). Access to education is conditioned largely on family background, and poor children (aged 7–17) are several times more likely to be out of school than those from wealthier families (NBS 2013). Factors that contribute to poor children’s exclusion from the education system include the low value placed on education given a future in self-employment in a household-based activity on or off the farm, the poor quality of education, the high

cost of materials such as books and school clothing, long distances to school, and the opportunity cost of foregone labor income.

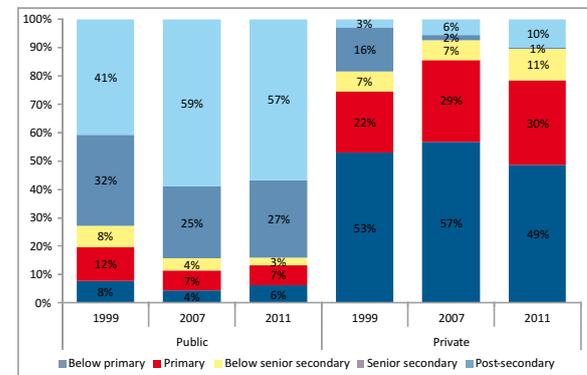
Most educated workers are concentrated in the public sector, in spite of its relatively small size. In 2011, more than half of those with a secondary or tertiary education worked in the public sector. As a result, the level of education is significantly higher in the public than private sector. Three out of five public sector workers had a post-secondary education, compared to one in ten in the private sector (Figure 12b). More work is needed to understand the causes and effects of this skewed distribution of skills. Because access to education is correlated with household welfare levels, it is possible that those with higher education can better afford to be unemployed and hold out for a “good” job, compared to those with limited education and from poorer families.

Figure 12: Access to higher education is uneven, and most educated workers are in the public sector

a. Distribution by highest level of education achieved and age group, 1999, 2007, 2011



b. Distribution of public and private sector employment by level of education, 1999, 2007, 2011



Source: Estimates based on GHS 1999, GHS 2007, and GHS 2011.

Those who do have access to education are affected by poor quality of schooling, which is evident in low levels of basic skills. When tested, 60 and 44 percent of students, after completing grade 4 and 6 respectively, cannot read a complete sentence (World Bank 2014d). Many actual and potential workers, even young ones, lack the basic literacy, numeracy, cognitive, and noncognitive skills that would support productivity growth in both the formal and informal sectors.

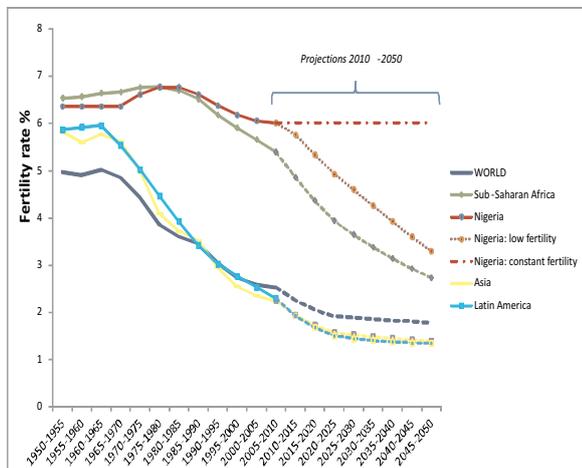
The skills content of jobs diverges across regions, reflecting the evolution of economic activities around the country. The southern part of Nigeria is experiencing an increase in the use of cognitive skills, suggesting a move toward higher-productivity and more modern economic activities. By contrast, the North East and North West zones continue to focus on less machine-intensive farming and trade activities, which require mainly manual skills.

Fostering jobs that are good for development

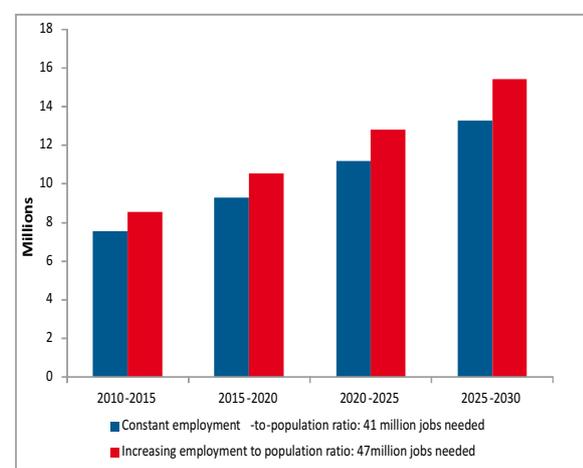
The Nigerian economy needs to create between 40 and 50 million jobs between 2010 and 2030. Continued high fertility rates (Figure 13a) imply that for several decades to come, the working-age population is set to increase rapidly in absolute terms: by some 66 million people between 2010 and 2030, compared to an increase of 35 million people between 1990 and 2030. In response, the Nigerian economy needs to create 40 to 50 million jobs or more in that period, depending on assumptions of the employment-to-population ratio. These numbers translate into over 2 million additional jobs per year, mostly taken up by new entrants to the labor market (Figure 13b). These jobs need to offer better opportunities for making a living than is currently the case, and more attention needs to be given to family planning and other measures to lower fertility rates.

Figure 13: Child and youth populations are growing fast, placing pressure on job markets

a. Fertility rates, Nigeria, Sub-Saharan Africa, and the world



b. Jobs needed



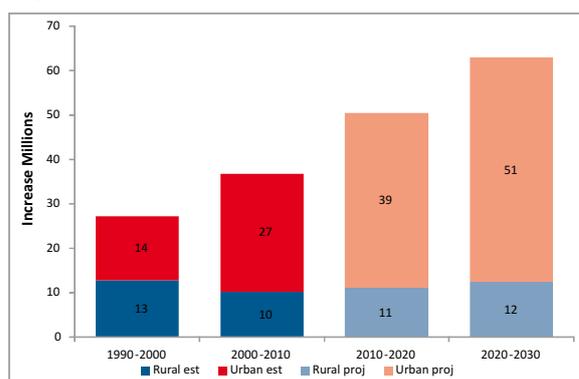
Source: Estimates and projections from United Nations 2013. Unless otherwise specified (for Nigeria), they are based on medium fertility assumptions.

Some jobs do more for development than others. More productive jobs are needed to help reduce poverty. The *World Development Report 2013 on Jobs* defines “good jobs for development” as those that have payoffs beyond the income received by the individual (World Bank 2012). In light of Nigeria’s development challenges, key areas to focus on include: (i) promoting higher agricultural productivity, especially in smallholder farming, which can also help set off strong rural dynamics in off-farm employment; (ii) bringing more girls into education and productive employment, which would contribute to higher family earnings and possibly better education and nutrition for children; and (iii) focusing on spatially balanced investments that provide opportunities in the poor northern regions, especially for young people, and broad efforts to diversify sources of economic growth further, both from a geographical and a sectoral perspective. Although the public sector has been a significant source of wage jobs, it is not enough for the long term—private sector-led growth is needed.

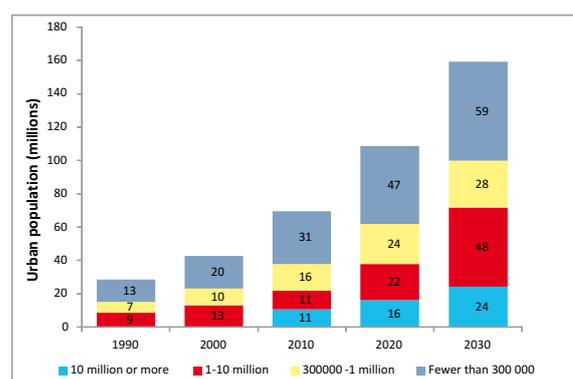
Jobs will need to be created in urban and rural areas. Nigeria’s urban population more than tripled between 1980 and 2010, increasing by almost 2 million people per year. As of 2014, nearly half of the population was living in urban areas, placing significant pressure on land, public services, and job markets. These pressures will intensify in the decades ahead, as almost all population growth is expected to take place in Nigeria’s urban regions; by 2030, 60 percent of the population may be in urban areas (Figure 14a). Urbanization has been concentrated largely in the large metropolitan areas, and this process is likely to continue (Figure 14b). Yet there is evidence that poverty reduction can be more closely linked to rural diversification of poorer households out of agriculture and urbanization to secondary towns, rather than migration to big cities (Christiaensen, De Weerd, and Todo 2013). Together with the increasing spatial inequalities in Nigeria, this points to the need for investments that promote spatially balanced growth.

Figure 14: Urban areas, especially larger cities, will account for a large share of the population

a. Nigeria, urban and rural population, estimates and projections



b. Nigeria, urban population by size of agglomerations



Source: Estimates based on United Nations 2013.

Agriculture and small nonfarm household enterprises in both rural and urban areas will nonetheless account for the bulk of new jobs for the foreseeable future. The wage sector, where earnings and benefits are highest, remains modest at 17 percent of workers in 2011. Nearly 10 percent of these jobs are in the public sector. Even under favorable assumptions regarding wage sector growth rates in the next ten years, the wage sector will remain of limited importance, and more people will still be working in agriculture and in the nonagricultural household sector. While it will be important to foster a formal, urban, and modern sector that can create jobs with higher earnings, Nigeria must also consider how to increase productivity in agriculture and nonfarm enterprises and help young people in particular establish successful firms.

Fostering jobs across sectors

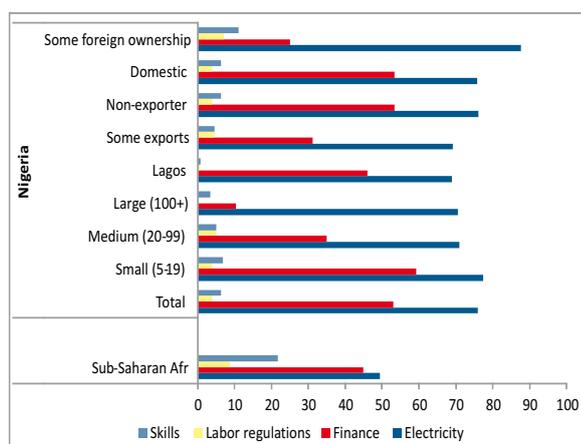
Labor demand in the wage sector

Poor investment climate conditions are seen as the most significant problem to expanding businesses. Official statistics suggest that Nigeria's private sector is skewed heavily toward smaller firms, including more

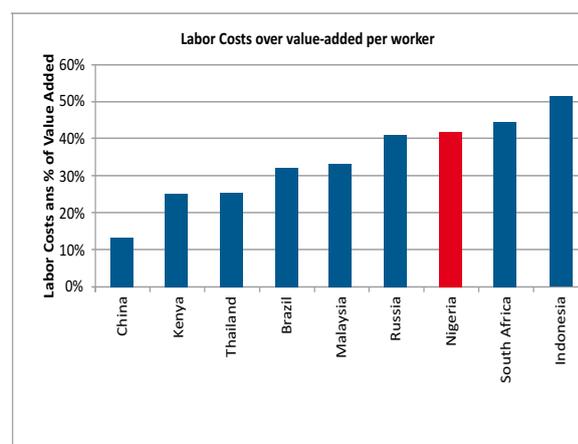
than 17 million microenterprises employing fewer than 10 people (NBS 2010). According to enterprise surveys (World Bank 2014a), the poor state of basic infrastructure (including electricity and transportation) and paucity of finance are major areas of concern for enterprises of all sizes, market orientations, and ownership types (Figure 15a). The poor business climate does not hold back firm creation per se—people work in small and micro enterprises because they have to make a living—but it is likely to hold back the growth of more productive firms and result in “stunted firms.” Labor regulations are not seen as a major constraint. Although neither the cost nor skill level of labor features as a problem in these surveys, there is some suggestion that wages in Nigeria are high relative to productivity (Figure 15b), which makes African firms less competitive internationally. Owing to the significant expansion in public employment, the strong concentration of educated persons in the government sector, and Nigeria's public wage premium, those with more education may be prepared to be unemployed for some time and “queue” for a well-paid job in the civil servant sector, making it difficult for private companies to compete for qualified workers.

Figure 15: Labor supply is not a major problem for firms, but labor costs are high relative to productivity

a. Percentage of Nigerian firms identifying electricity, finance, skill levels, and labor regulations as major constraints, by firm characteristics



b. Ratio of labor costs over value-added per worker



Source: Estimates based on World Bank 2014a.

Household enterprises

The household enterprise sector is likely to continue to absorb a significant share of those leaving agriculture, through more self-employment. Although Nigeria's private wage sector has increased in recent years, its capacity to absorb all workers coming out of agriculture is likely to be limited. Instead, more new nonagricultural jobs are likely to be created in the nonfarm household enterprise sector. Although this is a heterogeneous sector, a vast majority of these firms tend to be informal, home-based firms catering to local markets. These firms tend to grow through an expansion in the number of firms (that is, a growth in self-employment) rather than through firm growth in employment, although a few may graduate into small or medium-sized firms that are integrated into large supply and distribution channels. In other words, most of them will remain small but provide livelihoods. Given these firms' role as a source of income diversification for the poorest, in tandem with a transformation out of agriculture, it will be important to help these firms increase their productivity and earnings (Filmer and Fox 2014).

Household enterprises face significant constraints in the business environment and with regard to skills. They suffer from lack of access to finance, poor infrastructure, and limited access to markets, and their small and irregular nature makes them vulnerable to harassment. Urban policies rarely take market space for household enterprises into account, and in some areas they are explicitly discouraged (Watson 2011). They are also likely to be held back by owners' limited basic, entrepreneurial, and technical skills, and the relative lack of options for upgrading these skills. Skill levels are generally significantly lower in the informal household enterprise sector than in the formal wage sector. Those working as owners or contributing family members have lower numeracy and literacy and much less formal schooling. Vocational programs to develop skills are rarely tailored to their specific needs and constraints (Adams, Johansson de Silva, and Razmara 2013).

The agriculture sector

Agriculture will remain the largest employer for some time and, unless growth in the nonagricultural sector becomes highly labor-intensive, employment in agriculture is expected to increase in absolute terms. Because the sector consists mostly of smallholder farmers cultivating small land sizes with low levels of productivity, there is significant scope for improving income opportunities. Higher productivity in agriculture would serve as an engine for nonfarm activities if it were to increase income, along with demand for goods and services in rural areas and smaller urban centers.

The main constraints to increasing agricultural productivity in Nigeria include low recourse to inputs, poor quality of inputs, limited access to credit and markets, and weak technical knowledge and practices. Efforts are needed to bring together farmers and local financial institutions and increase public investment in rural infrastructure. The risks associated with agriculture investments could be mitigated through adjustments to land administration, as well as regulations and policies to improve the rural business climate. Training and advisory services could also be devised to improve farmers' skills in applying new technologies and farm practices to increase efficiency.

Building skills for the labor market

Improving the quality of basic education would help increase the productivity of Nigeria's workforce. Building a skilled workforce is a cumulative and time-consuming process, for which it is important to build the foundations now. Nine to ten years of schooling build the foundations of basic literacy and numeracy, together with workplace skills such as discipline, team building, and familiarity with learning situations. In a context of high population growth, however, it will be a challenge to expand the quantity of education services

while also increasing their quality, improving access for marginalized groups (including children of poorer households and girls), and ensuring that access to education translates into real and relevant learning for all. These efforts should look at both demand-side and supply-side constraints.

Education needs to be more relevant to the labor market. Strengthening the employability of graduates and the productivity of enterprises will require better links between schooling and job needs within the general education sector, as well as better-quality, more attractive offerings in technical and vocational education. Given the early entry into work, especially for young people from poor families, and the importance of self-employment, there is a specific need to consider skills upgrading for those who already work in a household enterprise.

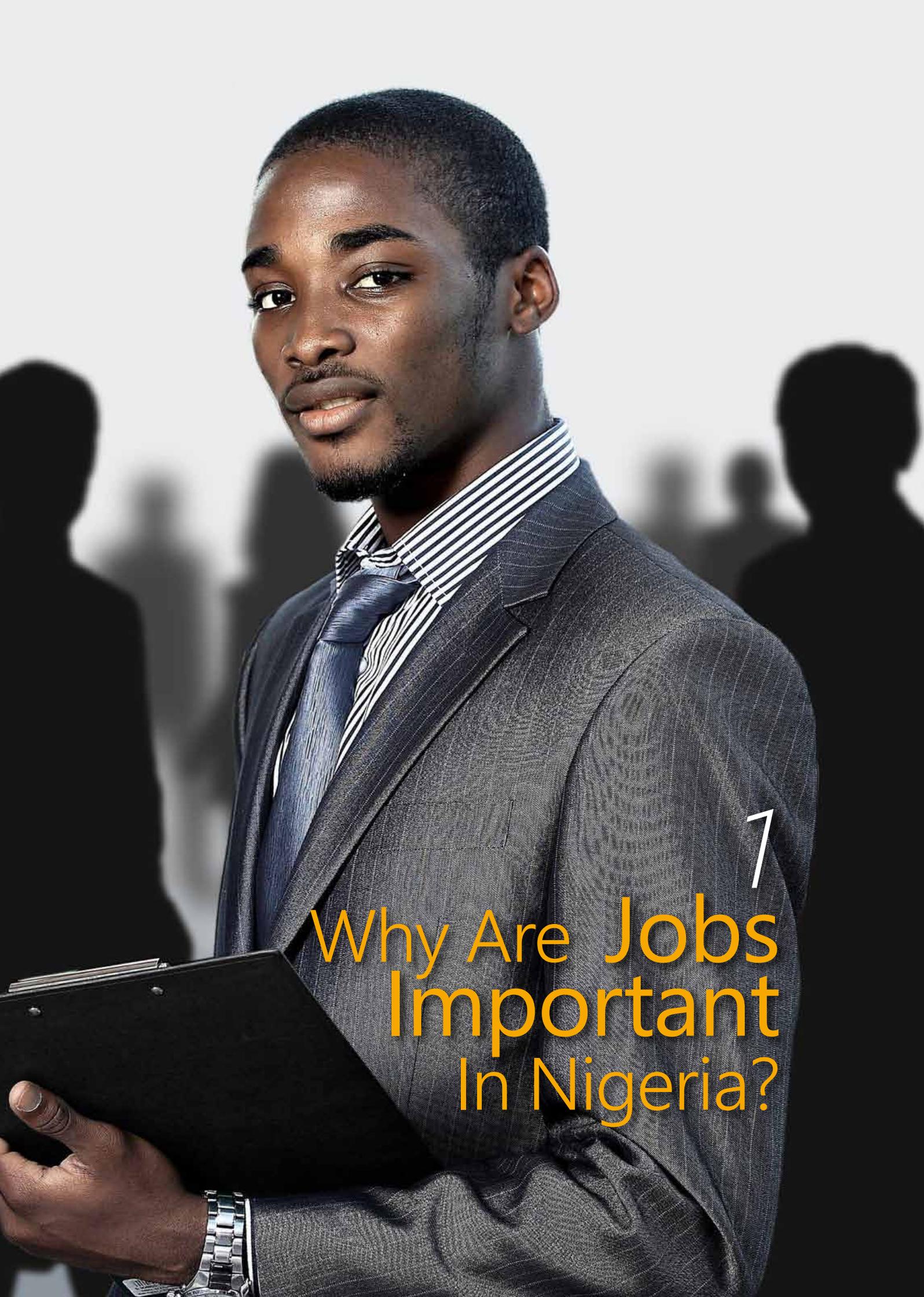
Reducing income volatility over the short term

Safety nets are needed to prevent people from falling into (deeper) poverty and protect economic development over the longer term. In Nigeria, poorer households need to manage both low and uncertain labor income. Those in low-income employment, especially in agriculture, become unemployed or inactive in the season when there is no work to be done on the farm. Moreover, the dependence on low-technology, rainfed farming leaves half of Nigeria's working population dependent on weather conditions for their daily bread. The government is working to design a National Social Safety Net Program that would target income support to the poor, including those whose labor income is not sufficient to keep them out of poverty. Nigeria is also experimenting with the use of public works programs to provide income support and short-term employment while simultaneously building assets. These programs provide temporary low-wage employment to unskilled manual workers on labor-intensive projects. A priority in Nigeria, as well as other countries, is to measure and rigorously

evaluate these experiences to understand how public works programs can be designed to influence employment outcomes more effectively.

Improving data for policy making

Better labor data are needed to provide the empirical basis for identifying appropriate policies. This report relies heavily on the wealth of information gathered through the General Household Survey conducted by the National Bureau of Statistics. Given resource constraints, Nigeria is better off improving the collection of labor data in this broad survey rather than separately implementing *ad hoc* labor force surveys. The analysis conducted for this report has highlighted three areas that need attention: (i) data quality issues, as shown in the several rounds of data cleaning needed to provide consistent statistics; (ii) poor documentation and archiving, which prevented the use of several rounds of the household survey, especially to produce national-level statistics using population weights; and (iii) standardization, to permit comparisons of key variables over time and track the impact of policy changes and other events. There is also a need to improve data on the supply side. The first and last National Census of Industries and Businesses was conducted in 1988/1989. As a result, the exact nature and composition of the private sector is unknown, and the constraints preventing these firms from growing and creating more jobs are not well understood.



1

Why Are Jobs Important In Nigeria?

1. Why Are Jobs Important In Nigeria?

Jobs are critical for Nigeria's present and future, as better income-earning opportunities form the basis for more diversified economic growth and widespread prosperity. The high and stable economic growth witnessed in Nigeria in recent years has not made a strong dent in poverty. Given that most poor families depend on labor income for their survival, the lack of opportunities for a young and rapidly increasing workforce remains at the core of high poverty levels, regional inequality, and social and political unrest in Nigeria (Box 1.1). Rapid growth in the working-age population presents additional challenges for creating enough good jobs to employ the many new people who enter the labor market each year. Over 40 million additional jobs will be needed in Nigeria between 2010 and 2030. To reduce poverty and help create more inclusive growth, those jobs will need to be more productive and provide higher incomes than is currently the case.

Box 1.1: Nigeria's job challenges in numbers

In 2011:

53 million Nigerians between the ages of 15 and 64 were working

Half of them were working in low-productivity agriculture

14 million workers belonged to the poorest 40 percent of the population; their jobs do not pay enough to escape poverty

28 million adult workers, including **5 million young workers** between the ages of 15 and 24, had less than a primary education

17 million women were not working or studying

8 million young people ages 15–24 were not working or studying

Source: Estimates based on General Household Survey 2011.

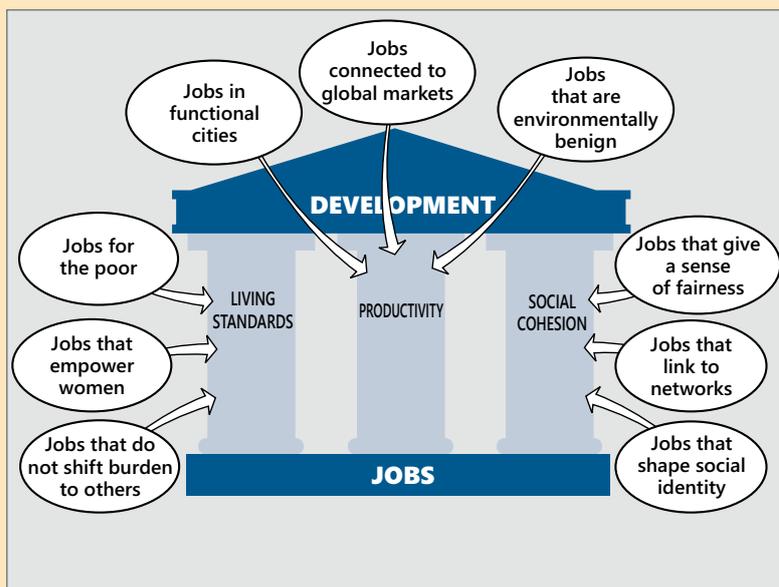
Jobs drive development through improved living standards, productivity, and social cohesion. Following the rebasing of the country's GDP in 2014, Nigeria ranks as Africa's largest economy and is poised to become one of the 20 largest economies in the world by 2030, with a GDP of US\$1.3 trillion (McKinsey Global Institute 2014). Jobs will be key to reaching this potential. As discussed in the *World Development Report 2013* (World Bank 2012), jobs—including informal ones—can be transformational along three dimensions: living standards, because poverty falls as people work their way out of hardship, especially in countries where the scope for redistribution is limited; productivity, because efficiency increases as workers get better at what they do, as more productive jobs appear, and as less productive ones disappear; and social cohesion, because societies flourish as jobs bring together people from different ethnic and social backgrounds and create a sense of opportunity (Box 1.2).⁵

The challenge of generating more and better jobs in Nigeria is shaped by key features of its socioeconomic setting. Notably, there is no one single lens through which one can develop a strategy for jobs. Drawing on the framework described in Box 1.2, Nigeria can be seen from various perspectives as an agrarian economy, a conflict-affected environment, an urbanizing country, and a resource-rich economy. Focusing on the key features associated with each type of situation can help clarify where the policy focus should lie.

⁵ The link between social cohesion and jobs is discussed at length in World Bank 2012. There appears to be a general consensus that better job opportunities are critical to the development agenda in a post-conflict setting due to the link between work and concepts of social cohesion. Establishing an empirical connection between jobs and social cohesion is challenging, however.

Box 1.2: Jobs drive development—the World Development Report 2013

The *World Development Report 2013 on Jobs* considers how some jobs do more for development than others (World Bank 2012). For example, jobs for women can change the way households invest in the education and health of children. Jobs in cities support greater specialization and the exchange of ideas, making other jobs more productive. And in turbulent environments, jobs can contribute to peace. For policy makers, therefore, it is not only the number of jobs that matter, but their quality and contribution to a country's development.



Good jobs for development

are those with the highest value for society, taking into account their value to the people who hold them as well as potential spillovers on others—positive or negative. Jobs with high pay and benefits may be attractive to individuals but may be less valuable to society if they are supported through government transfers or restrictive regulations, undermining the earnings or job opportunities of others. Jobs that reduce poverty, connect the economy to global markets, or foster trust and civic engagement can do more for development than others. Which jobs are good for development varies with a country's level of development, demography, endowments, and institutions. Some of these country characteristics are particularly salient for Nigeria:

In *agrarian countries* most people still work in agriculture and live in rural areas. Making smallholder farming viable is critical to address high poverty rates. Higher agricultural productivity can support the development of off-farm employment. At the same time, urban jobs connected to world markets set the foundation for cities to become dynamic.

In *conflict-affected countries* the most immediate challenge is to support social cohesion. Employment is particularly important for ex-combatants and for young people who are vulnerable to participation in violence. Construction can help, as it is labor-intensive and can thrive even in poor business environments.

In *urbanizing countries* productivity growth in agriculture frees people to work in cities. Jobs for women, typically in light manufacturing, can have positive impacts for households. Avoiding urban congestion and allowing the country to move up the value-added ladder are top priorities.

Resource-rich countries may have substantial foreign exchange earnings, but the abundance may undermine the competitiveness of other activities and encourage the creation of jobs supported through transfers. Jobs that lead to a diversification of exports can have large development payoffs.

Ultimately the role of government is to ensure that the conditions are in place for strong private sector-led growth, to understand why there are not more good jobs for development in a particular country, and to remove or mitigate the constraints that prevent more of these jobs from being created.

Source: World Bank 2012.

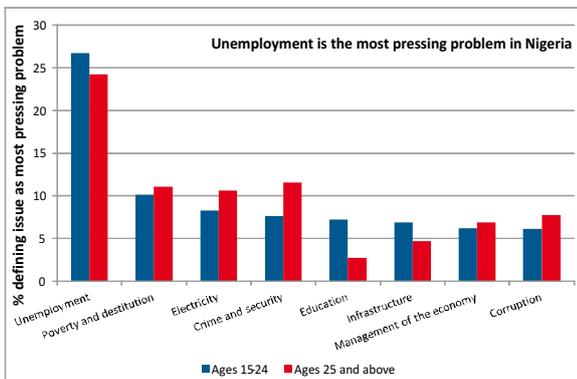
Jobs, particularly for young people, are a central issue in the public debate in Nigeria. Surveys conducted by Afrobarometer, which measure African people's attitudes with respect to social, political, and economic developments, show that in Nigeria unemployment has overtaken poverty as the problem people see as most pressing. When asked to rank the main problems facing the country, people cite unemployment as the most important challenge—well above poverty (Figure 1.1a). Nigeria's young people are specifically concerned by lack of job opportunities. The surveys also point to the political challenge of promoting job creation and managing expectations about what governments should and can do. Those surveyed in Nigeria, even compared to their African peers, express strong disappointment with the current economic context in the country and with their own economic situation, but have high expectations for the future.⁶ A vast majority of survey respondents are disappointed in

the government's ability to create jobs—a responsibility that they hold to be a basic tenet of a democratic society, much more so than other characteristics such as ensuring law and order, protecting media freedom, and fostering multiparty political representation (Figure 1.1b).

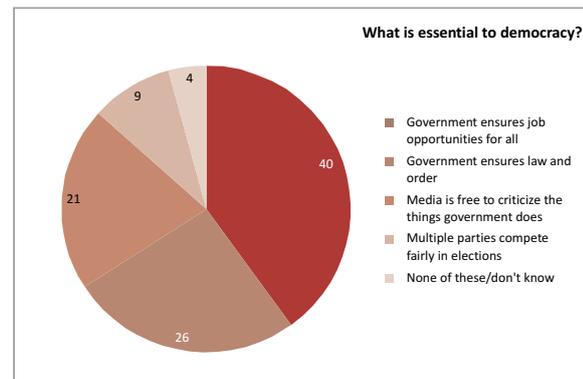
"Work" is not synonymous with "real opportunities," however. As shown in this report, many Nigerians work, but generally in low-earning activities. Most work opportunities in the country are informal and do not come with a wage. These forms of employment support livelihoods but do not provide sufficient income to reduce poverty, do not support structural transformation through productivity growth, and do not build self-esteem or social cohesion. The key challenge, therefore, is to transform the nature of work in Nigeria, moving from a context of predominantly unpaid, low-productivity, and low-skilled work to a context in which jobs are more productive.

Figure 1.1: Unemployment and job creation are pressing concerns for Nigerians

a. Percentage of youth and adult workers considering a specific area the most pressing problem



b. Percentage of respondents considering a specific area as the most essential characteristic of democracy



Source: Estimates based on data from Afrobarometer 2013.

⁶ According to Afrobarometer 2013, 67 percent of respondents rated the present economic condition in Nigeria as "very bad" or "fairly bad," and 42 percent rated their own present living conditions as "very bad" or "fairly bad." Looking ahead, though, 78 percent of respondents expected economic conditions to be "better" or "much better" within one year, and 84 expected their own living conditions to be "better" or "much better" within one year.

This report presents an updated picture of jobs in Nigeria and identifies opportunities for improving the quality of jobs. It draws on a range of labor diagnostics that update and extend earlier labor market analysis with new and comprehensive data (see Haywood 2007; Haywood and Teal; and Treichel 2010). The diagnostics included in this report are intended to serve as an input into the development of a jobs strategy for Nigeria that would identify more specific policy priorities across sectors with a view to bolstering job creation and raising the productivity of existing jobs.

In outlining the basic theory and challenges of creating better jobs, the report draws on the analytical frameworks developed in the *World Development Report 2013 on Jobs* and the *World Bank Africa Region's Flagship Report on Youth Employment* (World Bank 2012; Filmer and Fox 2014). Furthermore, it builds on a multisectoral approach that incorporates and is developed in synergy with recent or ongoing analytical work by the World Bank and others in areas with strong implications for labor market opportunities, such as demographic dynamics, poverty outcomes, urbanization, education and skills, and private sector development.

The report is based on the premise that jobs and employment are complex phenomena in Nigeria. What does it mean to have a job and be employed in Nigeria? Many people understand “jobs” as “formal wage employment”: an occupation in an office or

factory, with an employer, and a contract that stipulates the size and frequency of paychecks, working hours, and access to social protection. In Nigeria, as in many other developing countries in Sub-Saharan Africa and elsewhere, the nature of that employment is different, less well defined, and less closely connected to one set of tasks than in more developed regions. Many employed individuals do multiple jobs, working mostly for themselves and in an informal setting. Unemployment can also be understood in different ways. The strict definition, according to the ILO, focuses on whether a person did not work but was available for work—a more general notion of the lack of sufficient, or sufficiently good, jobs. A broader perspective recognizing the complexities of jobs and employment in Nigeria is needed to understand the nature of work and its implications for individuals and households (Box 1.3).

The remainder of the report will:

- Outline recent trends and links between growth, poverty, and jobs (Section 2);
- Provide a diagnostic of jobs, workers, and income opportunities in Nigeria, based on the most recent household data (Section 3);
- Analyze the transitions, or lack thereof, into productive work and the role of skills (Section 4); and
- Discuss the future of jobs in Nigeria (Section 5).

Box 1.3: What is a job in Nigeria?

In analyzing jobs and development in Nigeria, this report uses the following definitions:

A **job** is defined here as a work activity that is remunerated in cash or in kind, and does not violate human rights (World Bank 2012). The definition includes labor activities that generate income for the household, even if income cannot be assigned specifically to individual household members, such as for household farming or household nonfarm enterprises. It includes goods produced for final consumption of the household (food from the family plot, for example), but excludes services consumed by the household itself (such as looking after children, cooking, fetching water, and so on). It does not include employment that goes against fundamental rights (ILO 1998). Forced labor, or child labor, is not a job (although, as discussed in Section 3, not all child work is child labor in the sense of violating children's rights).

Productive job is a broad term, linked to the quality of jobs, primarily their productivity and earnings capacity. Productivity generally refers to the value-added each worker generates. From the perspective of poverty reduction, productive jobs can be considered employment opportunities that generate income to bring people out of poverty and contribute to productivity growth in the economy.

The working-age population encompasses the adult population between 15 and 64 years of age.

The labor force includes the employed and unemployed.

The employed are those who reported, in the relevant survey, having worked for pay or for profit for at least one hour in the previous week.

Wage workers are those who work for someone else in exchange for a salary, daily wage, or "per-task" pay.

To be **self-employed** is to work for oneself, making income from the profits of one's activity. Because the distinction can be blurred in a household between self-employment and unpaid, contributing family workers, the report considers as self-employed all workers reporting to be employers, own-account, or contributing family workers in a household enterprise.

The underemployed are those who work less than 40 hours per week but want to work more. The definition thus incorporates a subjective element, rather than focusing only on hours worked per week, which may be voluntary or involuntary.

The working poor are those who are employed and living in households below the poverty line (the consumption level below which a household is classified as poor).

Unemployment is defined according to the approach established by the ILO and includes those who do not hold a job but are actively looking for one. Unemployment rates are the share of unemployed people in the active population. This yields a much lower unemployment rate than the official one reported by Nigeria's National Bureau of Statistics (NBS): 6 percent compared to 23.9 percent for 2011 (NBS 2011a). However, NBS estimates include all members of the workforce who have not worked 40 hours during the previous week, irrespective of whether they wanted to or were looking for work.

The ILO's definition of unemployment is widely seen as problematic in developing country settings in revealing the share of people who are not working but want to work. It is seen as more applicable to high-income settings where the vast majority of work entails wage/salaried jobs for which active search is necessary.

The inactive are those who do not work and who are not looking for work.

Informal employment refers to employment in production of goods and services that are in themselves legal, but where compliance is lacking on some legal aspects of employment or production: in this case, self-employment in firms that are not registered with the authorities or wage work without access to (mandatory) social security benefits.

2

High Growth But High Poverty



2. High Growth But High Poverty

Like much of the African continent, Nigeria has seen significant but not sufficiently propoor economic growth. Poverty levels in Sub-Saharan Africa remain stubbornly high: in spite of average GDP growth rates around 5 percent between 1999 and 2010, 48 percent of the population in Sub-Saharan Africa lived on less than 1.25 international dollars per day in 2010. This is also true for Nigeria, where growth rates have been high even by African standards, leading Nigeria to graduate into middle-income status, but where one in two rural habitants is still poor (World Bank 2014c).

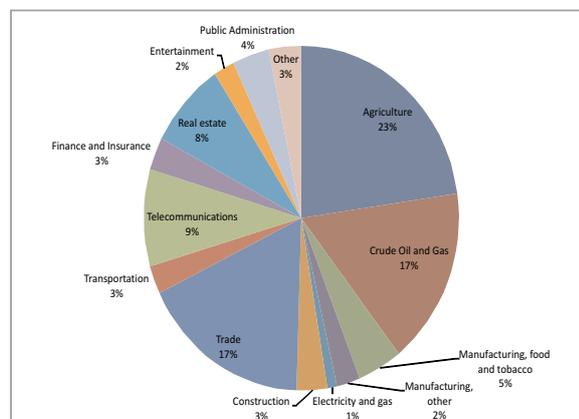
Economic growth creates jobs, and jobs create growth. Higher demand for goods and services increases opportunities for self-employed workers and boosts demand for wage labor. Higher productivity of firms and workers is reflected in higher economic growth. Whether economic growth can reduce poverty depends on many factors, but the extent to which economic growth reflects positive job-related changes is the most important link. Jobs are the most important transmission mechanism from growth to household welfare, largely because poor people have few assets, other than their labor, on which to rely in making a living, and jobs account for the largest source of household income (World Bank 2012). Improving labor-related earnings—whether in the form of higher productivity and output on the farm, higher profits in a household enterprise, or access to a job with a higher wage—is therefore central to improving the welfare of poor people.

Focusing only on growth strategies may not be sufficient to lower poverty. Growth does not automatically trickle down to poor households. For example, resource-rich economies like Nigeria may see high growth due to natural resources, but little effect on aggregate employment numbers if export revenues are not used to diversify these economies and create jobs outside the narrow domain of extraction. Similarly, higher labor demand in the formal wage sector is not likely to make a large dent in poverty over the short run, because these sectors'

absorptive capacity is limited and poor people may not have the necessary skills or live in urban areas, where formal wage jobs are likely to emerge. Over the medium term, Nigeria faces important challenges in fostering the conditions for creating better jobs, strengthening human capital, and reducing population growth.

Nigeria has developed into Africa's largest economy, with relatively diversified output. In 2014, a statistical reassessment of national accounts data showed the overall size of Nigeria's gross national product to be over 60 percent larger, bringing Nigeria into middle-income country status and making it the largest economy in Africa. The rebased numbers showed the Nigerian economy to be much more diversified and complex than had previously been understood. Traditionally important sectors like agriculture, oil and gas, and trade account for just over half of Nigeria's output, while "modern" sectors in industries and

Figure 2.1: Composition of Nigeria's GDP, using rebased numbers, 2013



Source: World Bank 2014a.

services—such as telecommunications, real estate, manufacturing, construction, and entertainment—together with public administration, are now shown to account for a significantly greater share of output than previous estimates had shown (Figure 2.1).

In spite of its significant economic power, Nigeria suffers from relatively high levels of poverty. The country has benefited in the past decade from economic and political reforms, prudent macroeconomic management, and a return to political pluralism. Ample natural resources provide Nigeria with an important opportunity to sustain the diversified economic growth needed to significantly improve the welfare of its large population (McKinsey Global Institute 2014). Yet poverty outcomes are relatively disappointing, with uneven distribution of welfare improvements resulting from uneven distribution of economic growth. A recent assessment of poverty found that 33 percent of Nigerians were living in poverty in 2012/2013 (World Bank 2014c).⁷

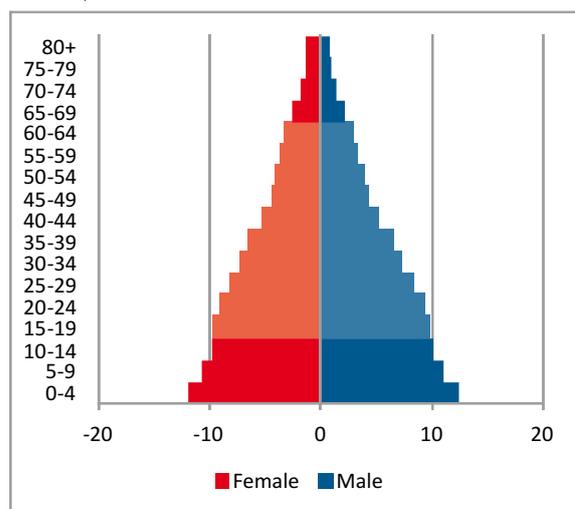
While the poverty rate has not been increasing, the number of Nigerians living in poverty has grown because the population continues to expand rapidly. The number of poor people in Nigeria increased by one million between 2010 and 2013, to 67 million.

This national average masks a striking rural/urban divide: 52 percent of the rural population was poor in 2013, compared to 14 percent of people in urban areas. There is also a regional pattern. Poverty is substantially higher in the north than in the south, and two-thirds of all poor Nigerians reside in northern areas.

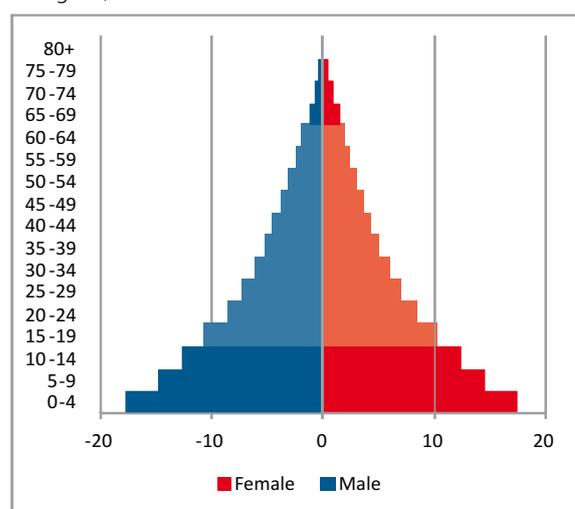
Why has economic growth not brought down poverty levels more significantly? First, welfare effects from economic growth are diluted by high population growth. Nigeria's population growth has remained high at around 2.8 percent since 2000, depressing growth in per-capita GDP as expanding output must be shared among more and more people. While the global population has seen a reduction in young dependents and a swelling in the working-age population in the past 20 years, Nigeria's population pyramid remains dominated by children and youth (Figure 2.2). Children aged under 15 make up 44 percent of the population. Nigeria's fertility rate, at 6 births per woman, remains higher than that of Sub-Saharan Africa (5.4) and more than twice the world average of 2.5 (United Nations 2013; Bloom and others 2010; World Bank 2014b). The result is that adult workers in Nigeria still need to provide for a high share of dependents, especially children.

Figure 2.2: Population pyramids, World and Nigeria, 1990 and 2010

a. World, 1990

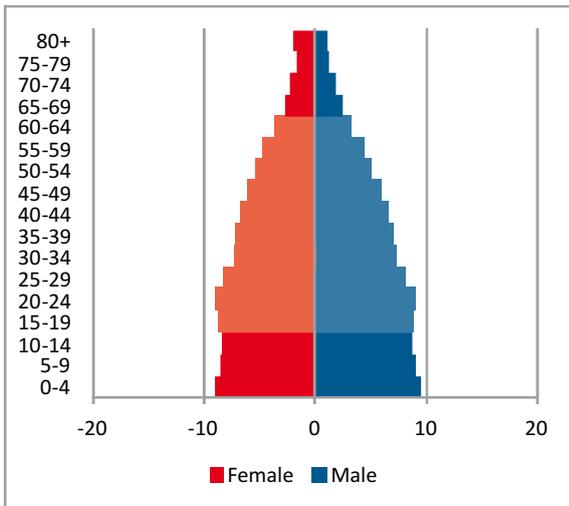


b. Nigeria, 1990

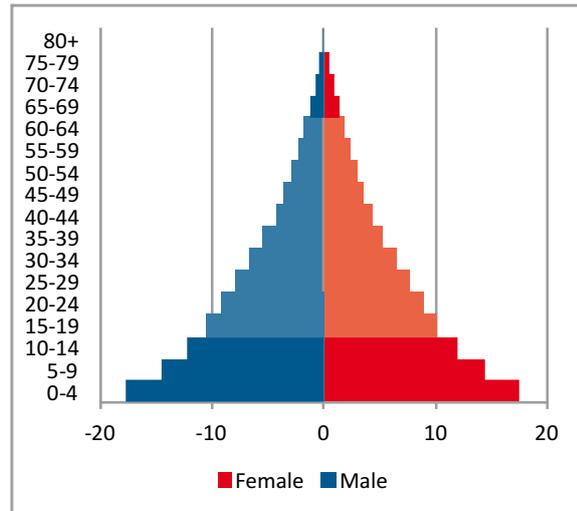


⁷ Poverty is defined as a level of consumption below the threshold deemed necessary for a minimal standard of living.

c. World, 2010



d. Nigeria, 2010



Source: United Nations 2013.

High fertility rates in the past manifest themselves as a surge in the number of young people entering the working-age population now, and most of them are not finding jobs in high-growth sectors. Between 2000 and 2010, Nigeria's working-age population grew by over 600,000 young people (ages 15 to 24) each year. As demonstrated by many Asian countries, such a bulge in the working-age population can become a "demographic dividend," with economic benefits arising from an increase in working-age adults relative to young dependents. For this demographic dividend to take shape as a strong force for development in Nigeria, two conditions must be met. First, population growth rates must come down so that the dependency ratio decreases and working adults have fewer children to maintain—in other words, the population pyramid needs to become less "broad-based" (World Bank 2014b). Second, the growing ranks of working-age adults must find more productive jobs, translating into higher GDP growth. Most jobs and workers in Nigeria remain in sectors with low levels of labor productivity (Section 3).

High average growth in the Nigerian economy masks large variations across space and income groups, with increasing inequality between rural and urban areas, and between the north and the south. Increases in spatial differences are likely to have undone the effect of growth on overall poverty reduction. In the two-year period between 2010/11 and 2012/13 only, average real consumption in the South South, South East, and South West regions increased by 10 percent, 8 percent, and 4 percent, respectively, while consumption levels in the three northern regions stagnated. Given the lack of comparable GDP and household consumption data prior to 2010, it is not possible to ascertain whether or not these recent trends reflect a continuation of previous trends; however, the strong role of modern, urban-based services and the low importance of agriculture in output suggests that sources of growth have led to further spatial inequality in the past 15 years.

Slow progress on reducing poverty in rural areas is linked to the slow structural transformation in the agricultural sector, because that is where most people work (Section 3). Agricultural growth (averaging just over 2 percent since 2010) has barely kept up with population growth (at just under 2 percent in rural areas). Stagnating production and productivity in the farm sector, where half of the population works, is a key reason for continued high poverty levels. Conversely, sectors that have seen economic growth are not likely to generate enough jobs. For example, the small-scale trade sector is limited in terms of income opportunities. High-growth sectors such as telecommunications are not particularly labor-intensive and are too small to absorb much demand for nonfarm employment, even with high growth rates.

Access to a job is not a guaranteed escape from poverty, as economic growth does not translate into labor earnings for low-income groups. Poor people, in fact, were as likely as other groups to be employed in 2011, and less likely than the nonpoor to be unemployed (Section 3). Accelerating poverty reduction in Nigeria will require more than job creation;

the existing jobs that Nigerians do will need to be transformed into more productive work.

Human capital is at low levels. Nigeria has made some, albeit slow, progress toward improving socioeconomic outcomes. Nonetheless, Nigeria will fall well short of meeting many of its Millennium Development Goals (MDGs), including for health, education, and skills, and remains significantly behind other similar African countries (Table 2.1). Literacy and access to school are lower in Nigeria than on average in Africa, child and maternal mortality rates are higher, and fewer than two out of five births are attended by skilled health staff.

Differences in well-being across regions resonate in socioeconomic indicators. Consistent with consumption patterns, disaggregated data reveal sharp differences in socioeconomic indicators across Nigeria's regions and states. Population growth is significantly higher in the northern regions and life expectancy much lower. The limited progress that has been made at the national level mostly reflects advances in the southern regions and around the federal capital, Abuja (World Bank 2014c).

Table 2.1: Human capital and the MDGs—Nigeria and African peers

	Nigeria	Angola	Ghana	Kenya	South Africa	Sub-Saharan Africa
Adjusted net enrollment rate, primary (% of primary school aged children)	56	86	82	83	90	76
Literacy rate, youth (% of people aged 15–24)	66	73	86	82	99	70
Infant mortality rate (per 1,000 live births)	78	100	49	49	33	64
Under-5 mortality rate (per 1,000 live births)	124	164	72	73	45	98
Maternal mortality ratio (per 100,000 live births)	630	450	350	360	300	500
Births attended by skilled health staff (% of total)	39	47	68	44	91	46

Note: Data are for most recent year available.

Source: World Bank 2014e.

3 What Jobs Do Nigerians Do?



3. What Jobs Do Nigerians Do?

Many Nigerians work, but most are locked into activities with low and volatile earnings. Although the structure of employment is changing, most Nigerians depend on subsistence agriculture for their livelihoods. Those entering jobs off the farm do so primarily by working informally for themselves, especially in services like small-scale retail trade, personal services, food preparation, and similar occupations that generally pay little and have low productivity. Only limited labor activity takes place in a “labor market” and, unlike in more developed economies, a majority of jobs do not come with a wage.

There is a great deal of work in Nigeria, but few jobs offer earnings that guarantee an adequate and stable standard of living. Understanding how policy can help transform Nigeria’s employment structure from the current context into one characterized by better pay, greater productivity, and increased opportunities, will require a clearer picture of how and where Nigerians work, who is excluded from productive jobs, and whether,

how, and why employment is changing. The analysis below draws largely on household-level data from 1999 to 2013. Several national household datasets describe jobs in Nigeria, although they vary in the questions they ask and how they ask them (Box 3.1). This section draws on different datasets depending on the questions to be addressed.

What do jobs look like in Nigeria?

A majority of Nigerians work. Nigeria’s national population—the largest in Africa—was estimated at 158 million people in 2011.⁸ Some 85 million people (over 50 percent) were between 15 and 64 years of age. In this group of “working-age” Nigerians, 53 million people, or nearly two-thirds, were employed. Less than 4 million people were unemployed according to the ILO’s definition, meaning that they were without a job and looking for work (Figure 3.1). The relatively high share of the population in employment is comparable with other agrarian economies in Sub-Saharan Africa. Unemployment rates are also low, at 6 percent of the active population in 2011.

Box 3.1: Data for analyzing labor and jobs

The data used for much of this report come from the household survey program of Nigeria’s NBS. Although the NBS does not conduct a regular labor force survey, the multi-topic household surveys described below contain core labor statistics that generally follow international approaches.

The *General Household Survey (GHS)* was started in the 1990s. The GHS is an annual household-level survey carried out in the spring. It produces state-level estimates. For the purpose of this report, the GHS has the advantage of providing a series of annual estimates of the labor market situation, although it lacks employment details (such as defining informal work by ILO standards). This report uses several years from 1999–2011; (see NBS 2000 and NBS 2008) data were unavailable for some years (including 1996 and 2005).

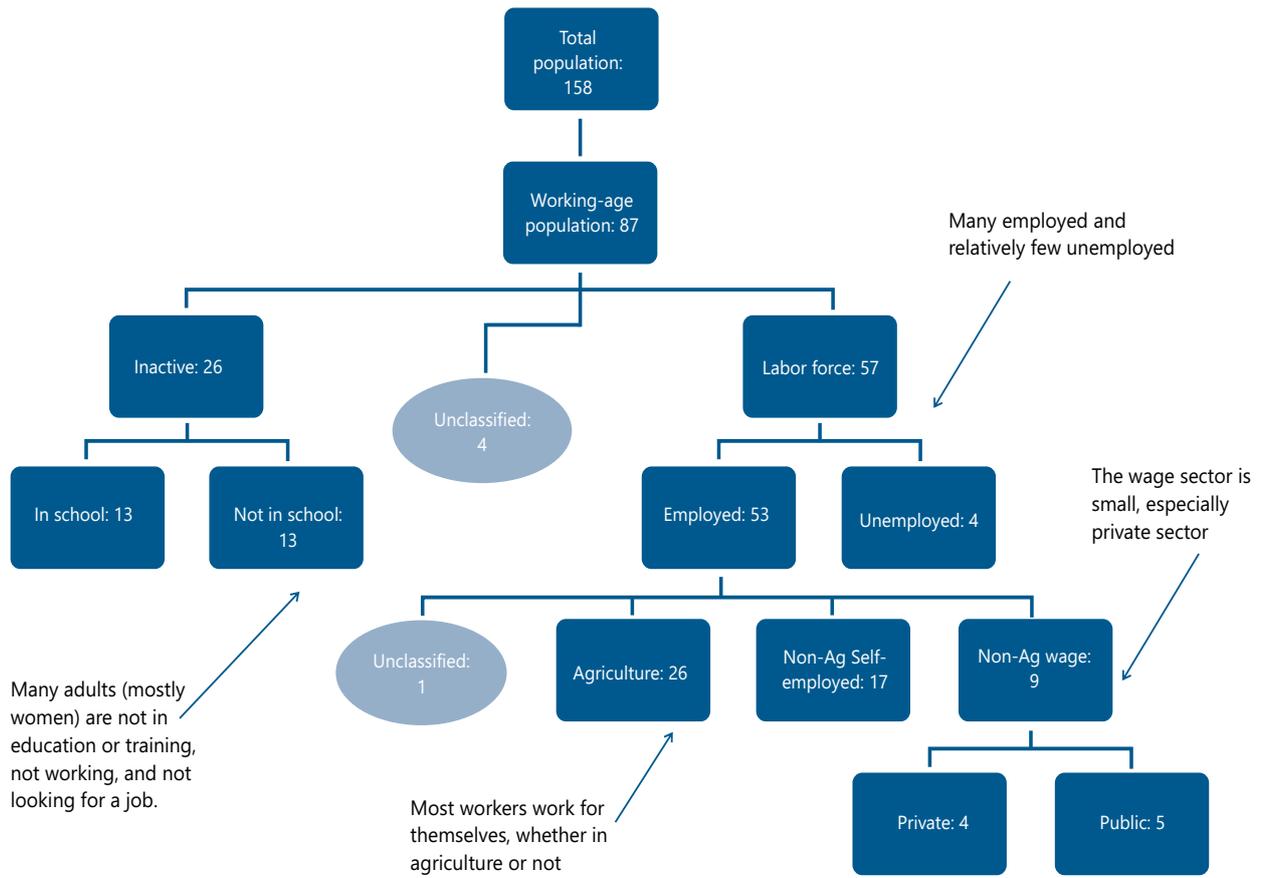
The *General Household Survey–Panel*, 2010/2011 and 2012/2013, is used for more detailed information in specific areas such as earnings, broader employment conditions, intergenerational mobility, and migration (NBS 2011b and NBS 2013). The GHS-Panel is representative at the zonal level. The questionnaire contains more detailed information on work than the GHS.

The *Multiple Indicator Cluster Survey (MICS)* is a household survey program supported by the United Nations Children’s Fund (UNICEF). It focuses on specific aspects of the socioeconomic well-being of children and women. This set of harmonized surveys produces the internationally comparable estimates of child work and child labor used in this report.

Other possible sources were not used, as they were not conducted at frequent enough intervals. These include the Nigeria Living Standards Survey (2003/04 and 2009/2010) and the National Manpower Stock and Employment Generation Survey (2009). Other sources did not cover the labor market broadly enough. For example, the quarterly Job Creation Survey, introduced in 2012, surveys formal establishments that employ 10 or more persons, formal professional services that employ fewer than 10 persons, and public institutions. Its estimates of informal sector job growth are derived through a model rather than an actual survey.

⁸ Population numbers are based on weighted population estimates from the respective NBS surveys used. These surveys are designed to be nationally representative and are weighted to equate with total population. However, due to differences in weights and missing values, the population estimates differ slightly across surveys. They can also differ from those reported by the United Nations Population Division due to differences in methodology.

Figure 3.1: Distribution of Nigeria's working-age population, millions



Note: "Unclassified" refers to missing data. Source: Estimates based on GHS 2011.

There is a high quantity of jobs, but quality is low. While two-thirds of the adult population is employed, productive jobs are scarce. High participation rates, work weeks of 40 hours or more, and low levels of unemployment reflect pervasive subsistence work in agriculture, and the fact that most people lack access to private or public safety nets and cannot afford to be unemployed. So while the quantity of jobs is not a problem *per se*, the quality of jobs is low. More than 80 percent of the population works in agriculture or is engaged in a household nonfarm enterprise. Both are forms of self-employment; these workers have no employer and generally lack access to any form of social security. Among nonagricultural wage workers (those with an employer), three out of four are informally employed. A large share of the remaining quarter of wage workers work in the public

sector (central or local government). Those working for a private company account for 9 percent of overall employment, and most of them are informally employed.

Access to employment differs according to age, location of residence, gender, and level of education (Table 3.1).

- *Young people are less than half as likely to be employed as older workers.* Only 32 percent of young people (ages 15 to 24) are working, compared to 77 percent of adults (ages 25 to 64). The gap is explained partly by the fact that many young people are still in school, but also by the greater difficulties they face in finding a job when they look for one. Unemployment among young people is 14 percent, compared to 5 percent for adults.

Table 3.1: Access to jobs differs across groups

	Labor force participation rate (%)	Employment-to- population ratio (%)	Unemployment rate (%)
ALL	67	63	6
<i>Age</i>			
15-24, all	37	32	14
15-24, not in school	72	62	14
25-64	81	77	5
<i>Gender</i>			
Men	74	69	7
Women	60	57	6
<i>Highest grade completed (population not in school)</i>			
Less than primary	74	70	6
Primary	86	83	4
Secondary	84	77	8
Some tertiary	92	82	10
<i>Region</i>			
North Central	72	69	4
North East	71	65	9
North West	56	52	8
South East	71	67	6
South South	70	65	7
South West	68	65	6

Note: Population ages 15–64, 2011. Source: GHS 2011.

- *Access to employment differs between men and women.* While nearly 70 percent of men are working, less than 60 percent of women are employed. Women who are not working are generally not looking for a job. As will be discussed in Section 4, early marriage and childbirth affect women's transition into working life.
- *Those who have never been to school, or who left school after only a few years, are less likely to be working than those with at least a primary grade certificate.* Of those working-age adults with less than a primary education, 70 percent are employed, compared to 83, 77, and 82 percent, respectively, of adults who completed primary school, secondary degrees, or some post-secondary training. These differences are due entirely to lower activity among low-educated women, who account for 83 percent of the inactive working-age population not in education or training. Conversely, unemployment is higher for those with more education, reaching 10 percent for those with post-secondary education. Only 11 percent of the population has some post-secondary training, but they account for 21 percent of the unemployed.

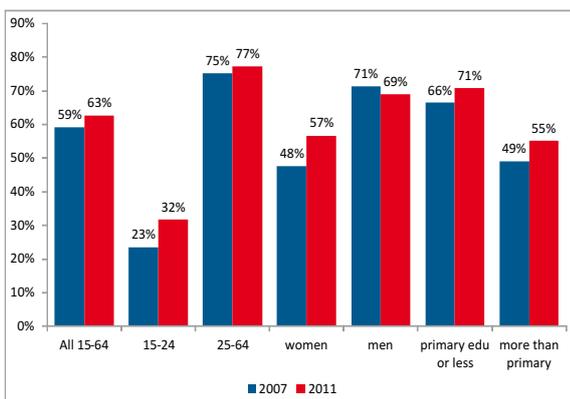
- *Access to employment is not, in general, a strong indicator of spatial inequalities, for reasons like the high level of subsistence work across states in Nigeria.* There is one significant exception, however: only half of the population in the poorest North Western region is employed, compared to approximately two-thirds in other regions.

Employment is slowly shifting away from agriculture

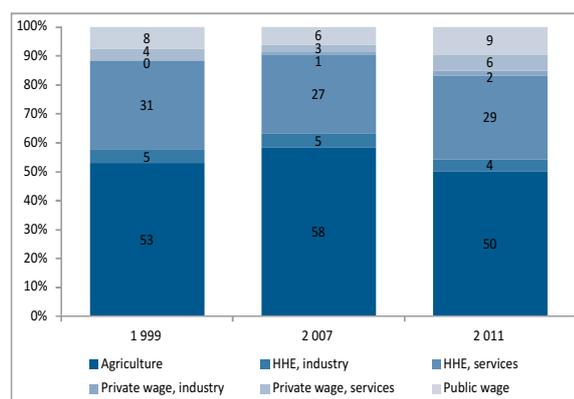
Employment is growing and changing in nature. The share of the working-age population that was employed remained relatively stable between 1999 and 2007, but increased from 59 to 63 percent between 2007 and 2011. This increase is noticeable across all ages and education levels. It is the direct result of an increase in women's employment, which grew from 48 to 57 percent while that of men stagnated. Employment increased among both younger and older women, but more for women with little education than for those with more than primary education (Figure 3.2).

Figure 3.2: More people are entering employment and shifting slowly out of subsistence farming into wage jobs

a. Employment-to-population ratios, population ages 15–64, 2007 and 2011



b. Employment by sector, population ages 15–64, 1999, 2007, and 2011



Source: Estimates based on GHS 1999, GHS 2007, and GHS 2011.

Focusing on primary jobs,⁹ the recent increase in employment has been accompanied by a small shift toward a more modern employment structure. Between 1999 and 2007, the share of agricultural employment increased from 53 to 58 percent. Since then, however, the agriculture sector has been falling in importance, and by 2011, 50 percent of the employed were working in agriculture. Unlike in many other African countries, the net effect of workers shifting out of agriculture has not been an increase in the household enterprise sector. Instead, more jobs have been created in the wage sector, private and—especially—public.

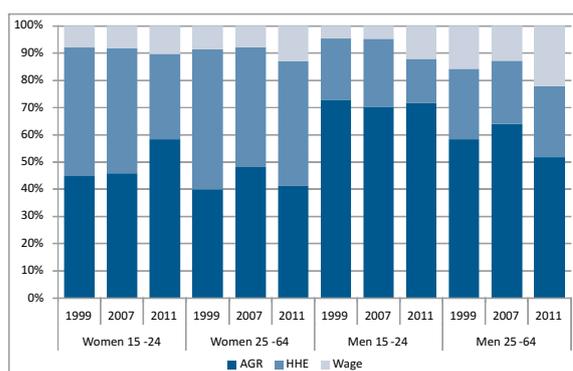
Aggregate trends hide varied changes in access to job opportunities across groups. The overall change toward less agricultural work since 2007 is due entirely to the smaller share of agricultural workers among older workers. In contrast, the share of agricultural work increased significantly for young women (ages 15–24) in particular, reflecting an increase in this group’s labor force participation. Men of all ages have become

significantly more likely to work in wage employment. The share of employment in nonfarm household enterprises has fallen for all groups, especially young people (Figure 3.3).

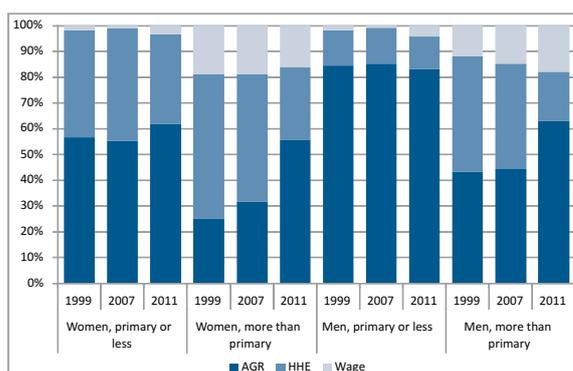
Education is no longer a sufficient condition for accessing a better job. More highly educated young people are still less likely than those with little education to work in the agricultural sector, but access to some post-primary education is now much less likely to guarantee a job outside of agriculture than before. Most importantly, over half of young women with some secondary education or more are now working in agriculture, compared to about one-quarter in 1999. This apparent puzzle reflects the gap between rapid growth in the working-age population and expanding education on the one hand, and limited demand for workers in the nonagricultural wage sector on the other. It is more surprising, however, that the household enterprises sector has not absorbed the surplus labor, as has been the case in other African countries (Filmer and Fox 2014).

Figure 3.3: Young women and those with some education have moved into agriculture and wage work

a. Share of employment by age and gender



b. Share of employment by education and gender, ages 15–24



Source: Estimates based on GHS 1999, GHS 2007), and GHS 2011.

⁹ Employment categories are defined based on the type (wage, self-employment) and sector of employment that respondents reported for their primary jobs.

Job transitions are not improving fast enough to help reduce poverty

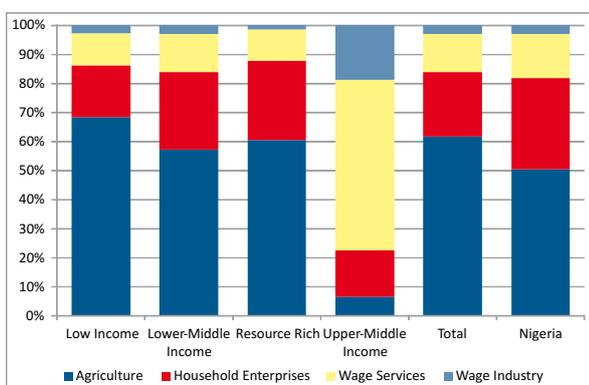
There are still not enough productive jobs. Although growing access to employment may be good news, not enough jobs in the Nigerian economy generate sufficient income to keep people above the poverty line. With two out of five Nigerians living below the poverty threshold (World Bank 2014c), the income being earned is too low to help families meet even basic needs. Some 8 million children (ages 5–14) and elderly people (above 64 years of age) were working in 2011, showing that all household members are called on to help meet the household's subsistence needs, irrespective of other individual needs such as schooling. Employed adults also work more than 45 hours per week on average, and a majority of those who work less than 40 hours (60 percent) do not want more work, possibly because they are occupied with household chores. The kinds of jobs available and the earnings they can offer are a more important problem than the number of jobs *per se*.

Most Nigerians work for themselves or their family. Four out of five (81 percent) of those who are employed do not work regularly for pay for someone else, but make a living primarily out of the returns to their

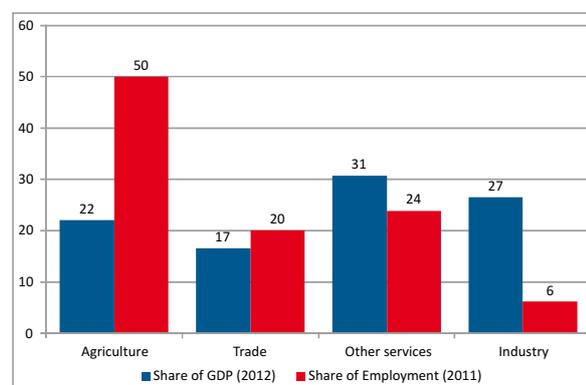
labor on their own family farm or profits from mostly home-based nonagricultural activities, often involving only one household member and rarely engaging paid labor. Household farming is by far the dominant mode of work in agriculture. Only one in 20 agricultural workers are wage laborers; the rest are engaged in smallholder farming. This profile of work (Figure 3.4a) is similar to that in other Sub-Saharan African low- and middle-income countries. There is a striking difference, however, in the size of the wage sector compared to African upper-middle-income countries. More generally, the wage sector in Nigeria is small compared to East Asian lower-middle-income countries like Indonesia, the Philippines, or Vietnam, where the wage sector employs 40, 57, and 35 percent of workers, respectively (World Bank 2014e). Employment and GDP are weakly linked in Nigeria (Figure 3.4b), and therefore business-as-usual GDP growth is unlikely to bring an increase in household incomes and a resulting decrease in poverty. The private wage sector, while expanding, is small. Nonagricultural wage jobs, which in more developed countries account for a majority of jobs and which tend to offer better income opportunities, make up 17 percent of all jobs in Nigeria. More than half of wage jobs are in the public sector.

Figure 3.4: Employment is still concentrated in low-productivity activities

a. Structure of employment, Nigeria and comparator economies in Sub-Saharan Africa



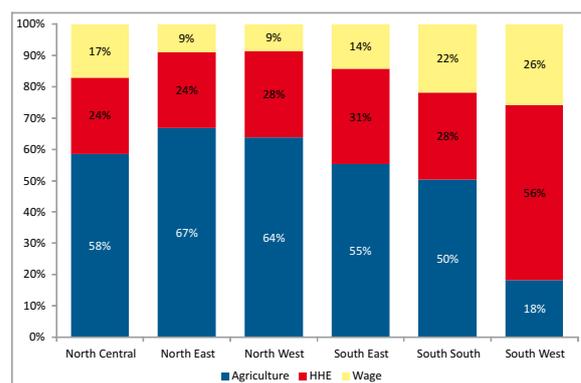
b. Agriculture, industry, trade, and other services: share of GDP vs. share of employment



Source: Filmer and Fox 2014; World Bank 2014c; estimates based on GHS 2011.

Opportunities for more productive employment differ greatly across the country. In the North East and North West regions, two-thirds of the population remains in farming. Most farming activities serve families' subsistence needs, and little paid wage employment—which usually comes with higher earnings—exists in the sector. By comparison, less than one in five workers the South East region is involved in farming. Instead, over half of the employed (56 percent) are self-employed, and one in four is a wage worker (Figure 3.5). These differences in access to better-paying jobs in a modernizing economy underlie regional differences in poverty.

Figure 3.5: Better employment opportunities are concentrated in the south, particularly in South West
Distribution of employment by occupation/sector and region, 2011



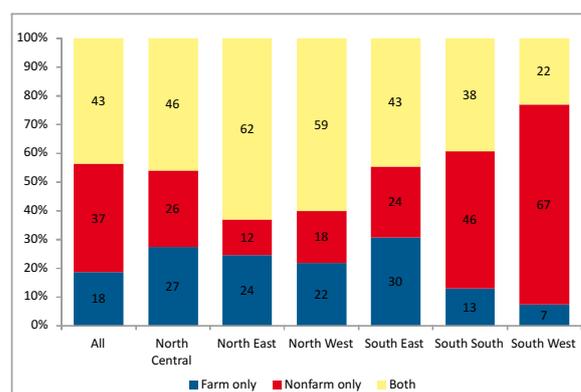
Source: Estimates based on GHS 2011.

Households diversify their income sources by working on and off of the farm. The focus on primary jobs hides a diverse picture, as more households engage in multiple jobs and have multiple income sources than those that do not (Figure 3.6). This is achieved in part by having different family members work in different occupations, but even at the level of the individual, there is some diversification. One in five of those employed has a second job, mostly as a self-employed person. For those whose primary job is not in agriculture, the second occupation is most often in agriculture, followed by work in a nonfarm household enterprise. For the purposes of this report, this also means that more people

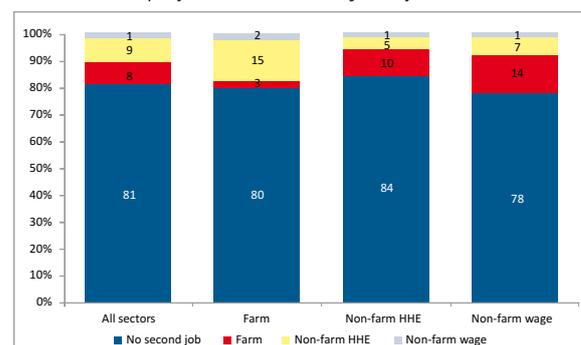
in Nigeria are affected by conditions and productivity in farm and nonfarm household enterprises than a focus on primary jobs may suggest.

Figure 3.6: Households and individuals have to diversify their sources of income

a. Share of households that depend on farm income only, on nonfarm income only, or on both



b. Share of employed with a second job, by sector

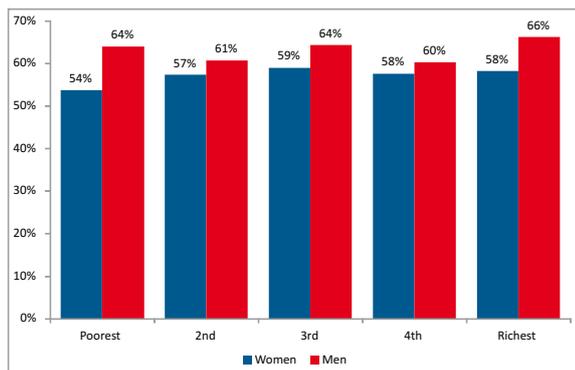


Source: Oseni, McGee, and Dabalen 2014; estimates based on GHS 2011.

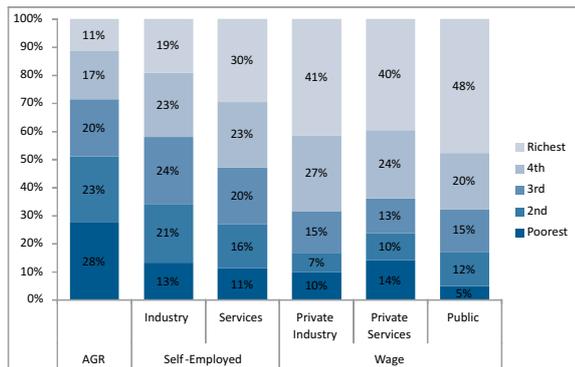
Because productivity and earnings are low, working is not enough to escape poverty. The poor and the nonpoor are about equally likely to be working, and employment-to-population ratios are not markedly different across consumption quintiles (Figure 3.7a). Instead, where one works is a stronger indicator of poverty patterns, most visibly for the poorest and the richest. Half (51 percent) of those working in agriculture belong to the poorest 40 percent of the population (the two poorest quintiles, hence). Those in the two poorest quintiles are underrepresented in the nonagricultural sector, accounting for 34 and 27 percent of self-employment in

industry and services, respectively, less still for private wage work, and only 17 percent of public sector workers. In contrast, the richest 20 percent account for nearly half of all public sector employment and 40 percent of private wage work (Figure 3.7b).

Figure 3.7: The poor work as much as the nonpoor, but in less well-paying sectors and occupations
a. Employment-to-population ratios, by consumption quintile



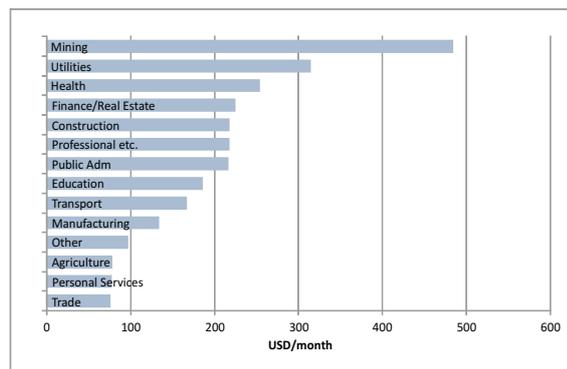
b. Distribution of workers according to consumption quintiles across sectors



Source: Estimates based on GHS-Panel, 2012/2013.

Patterns in poverty and sector of work link closely to variations in income. Data on household enterprise earnings are not available; however, even within the wage sector, income opportunities differ significantly according to sector of work, with urban-based, formal, and public sector jobs paying best. The mining sector, drawing on oil rents, offers by far the highest wages. Pay is also high in the construction sector, which has expanded rapidly in line with an oil-driven real estate boom in recent years, and in real estate/finance. Health jobs, which tend to be in the public sector, and utilities are also at the high end. By contrast, private sector-based activities like transport, personal services, and trade, which tend to be run on a small scale, pay much less (Figure 3.8).

Figure 3.8: Wages vary significantly by sector
Median wage per month, in US\$, per sector, 2013



Source: Estimates based on GHS-Panel, 2012/2013.

Jobless people are a heterogeneous group

The jobless are made up of the unemployed (those looking for a job) and the inactive (not looking for a job). These two groups differ markedly in demographic and other characteristics. Married women make up a majority (70 percent) of the inactive who are not in education or training (Figure 3.9a), owing largely to household duties. Relative to their share in the working-age population, young women are more than twice as likely to be inactive and out of school, and those with less education are more likely than others to be inactive. And while those with little or no education make up 31 percent of the working-age population, they account for over half of all the inactive. People living in the agriculturally dominated northern regions (especially the North West) are more likely to be inactive than those in the south. Poor women ages 25–64 are significantly overrepresented among the inactive, whereas this does not hold for poor men. These gender differences are seen in many countries in Sub-Saharan Africa, where women’s employment opportunities are constrained by differences in the age and impact of marriage and family formation,

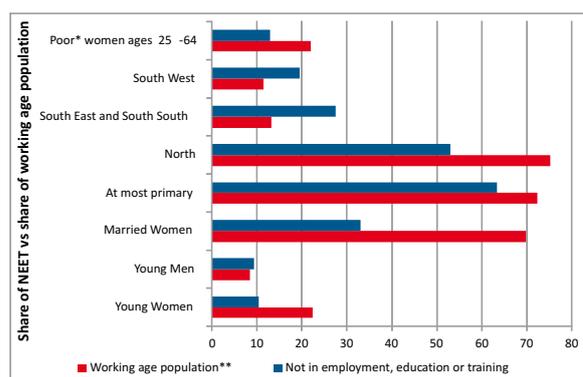
as well as occupational segregation, social norms, and fear of sexual harassment (Filmer and Fox 2014).

Unemployment, in the sense of joblessness among people who are actively seeking work, is not a significant phenomenon in Nigeria and largely afflicts a different group. It affects some 3.6 million people, while almost four times as many jobless people, 12.4 million, are inactive. Although most adult Nigerians work, unemployment has increased markedly over the past few years—tripling between 2007 and 2011. Young people are disproportionately affected by unemployment. Young men are overrepresented among the unemployed, more so than young women (Figure 3.9b).

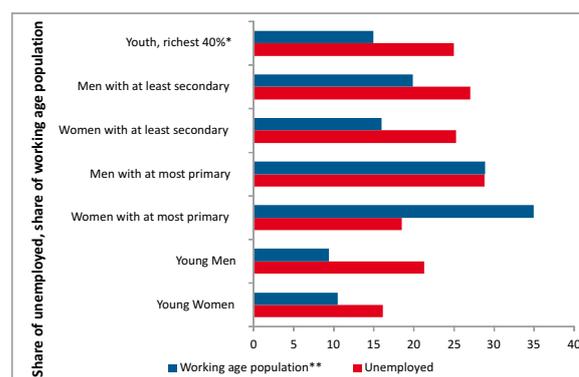
As in many African countries, unemployment is a more significant problem for those with higher education than for those with little schooling. It follows that unemployment, unlike inactivity, is not prevalent among poor people, who cannot afford to be unemployed or wait to find jobs that match their expectations or education. In fact, young people belonging to the richest 40 percent of the population are overrepresented among the unemployed.

Figure 3.9: Unemployment and inactivity affect different groups

a. Group share of inactive not in school vs. share of working-age population (excluding those in school)



b. Group share of unemployed vs. share of working-age population (excluding those in school)



Note: Categories are not mutually exclusive. *Poor = among 40% poorest by consumption levels. Richest 40% = among 40% richest by consumption levels. **15–64.

Source: Based on GHS 2011 and GHS-Panel 2012/2013.

Work across the three main domains: farms, household enterprises, and wage jobs

A large share of Nigerian households rely on farming for employment and income, even in peri-urban areas. (And as seen above, farming is the most important second occupation for those in the nonfarm sectors.) The conditions and type of farming differ across the country depending on climatic and other conditions. Livestock activities are much more common in the north than in the south. Conversely, one in four households in the South East engage in higher market value cash crop production (not including groundnuts, which has low market value), compared to only one in one hundred households in the North East.

Most production is focused on low-productivity subsistence farming. The share of employment in farming is higher in the northern regions, where the semi-arid climate is less favorable for cultivation. Three out of five farming households focus on staple crops only, and poverty is highest among households that undertake farming only (40 percent of rurally based farm households are poor, compared to 19 percent of households that have diversified completely out of the agricultural sector, and 31 percent for those that mix farm and nonfarm activities). At the same time, farm activities contribute only half of net household income even in areas where most people are employed primarily in farming (Oseni, McGee, and Dabalen 2014).

Farmers have little access to human or physical capital, which holds back productivity growth. A majority of farm-dependent households rely only on their own labor, land, and environment, without agricultural inputs such as fertilizers, pesticides, or draft animals. Less than 4 percent have access to irrigation, and less than 15 percent benefit from agricultural advisory services. Yet agricultural households with more diversified farming across various crops, which could draw on agricultural inputs and credit, and which had received information about proper farming practices, benefit from higher agricultural

productivity (Oseni, McGee, and Dabalen 2014).

Although agricultural employment is dominated by household smallholder farming, the use of occasional wage labor is significant. In most cases, farmers occasionally hire other farmers in harvest or planting times. Almost half of all households (46 percent) use hired labor. These households employ an average of 40 man-, woman-, or child-days per year.

The nonfarm sector is gaining significance in Nigeria. As discussed above, while jobs in farming remain important, a decreasing share of adults is engaged in farming. Most jobs outside agriculture still take place in household enterprises; in 2011 about 60 percent of households ran such a family-based microenterprise (NBS 2013). Household-based activities outside of agriculture provide complementary income to rural farm-based households and are the most important form of activity in urban areas, over and above wage employment. In the South West region, household enterprises account for more than half of all jobs, but even in the northern regions that remain dominated by farming, one-quarter of the employed work in a nonfarm household enterprise as their primary job. In rural areas, many workers also shift between farming and household enterprises on a seasonal basis.

Most household enterprises are very small and informal (for example, microenterprises), although there are differences across these firms. Eight out of ten are one-person activities; less than 3 percent have five employees or more. More than half are operated in or around the home. They provide services, the majority in retail trade or personal services, although they are venturing into manufacturing goods as well. They cater mainly to final local customers and not to other businesses. Only 6 percent of these firms are registered. They have little access to formal means of financing and rely on household savings or extended family for start-up capital. The median income of a household enterprise is approximately

US\$30 per month (NBS 2013)—less than one-quarter of the median monthly wage in manufacturing (about US\$134).

In spite of their generally low income-generating capacity, these enterprises provide opportunities for both increasing household income and diversifying it away from subsistence farming, where it is even lower. The rural nonfarm enterprise sector has been connected with significant poverty reduction in Asian countries (Filmer and Fox 2014; World Bank 2012). These enterprises offer the first stepping-stone out of agriculture for low-skilled youth and adults who, like a majority of Nigerians, live in areas where medium or large private sector firms do not exist and/or who may not have the skills or experience required for a wage job. And although the majority of household enterprises are very small, there is a great deal of variation in income-generating capacity. Men are more likely to be working in household enterprises than women, who are predominantly undertaking agricultural activities, but women now make up a majority of the self-employed, especially in the services sector.

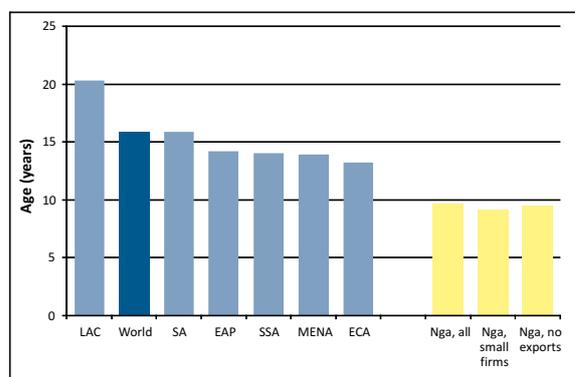
Wage employment has been growing rapidly, but from a low base. This is especially notable in the South West region, where Lagos is located. Here, between 2007 and 2011, the share of wage employment in total employment doubled to nearly 20 percent.

Wage employment expanded faster than the household enterprise sector in the three southern regions. As mentioned above, however, most wage employment remains concentrated in the public sector, particularly in public administration, education, and health. Although private wage employment has increased significantly, it only represents 7 percent of total employment.

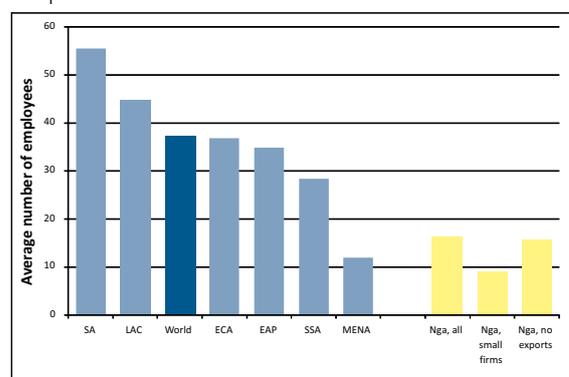
Wage employment is concentrated in smaller informal firms as well. According to the World Bank Enterprise surveys (World Bank 2014a), Nigerian firms—even in the formal sector—are generally both younger and smaller than on average in Sub-Saharan Africa or in other regions of the world (Figure 3.10a). Low average age is likely to reflect high firm turnover, with many new firms entering and many firms going out of business at any one time. As a result, much employment is created, but also lost. Nigerian firms are also comparatively small (Figure 3.10b). This need not be a problem per se, but recent research points out that Nigerian firms are “stunted” in that they generally employ a smaller number of workers than would be the case in an economy with more efficient resource allocation (Iacovone, Ramchandra, and Schmidt 2014). In more developed economies, larger firms are generally more productive because higher-productivity firms are more competitive and, as such, usually

Figure 3.10: Firms in Nigeria are young and small on average

a. Average age, enterprises in Nigeria and comparators



b. Average number of employees, enterprises in Nigeria and comparators



Note: Includes formal sector firms only. LAC= Latin America and the Caribbean, SA= South Asia, EAP= East Asia and the Pacific, SSA= Sub-Saharan Africa, MENA= Middle East and North Africa, ECA= Eastern and Central Europe and Central Asia. Source: World Bank 2014a.

able to expand faster than less competitive firms.¹⁰ In Nigeria, however, high-productivity firms are more evenly spread across all size categories, suggesting that productive firms face constraints to expanding production and employment.

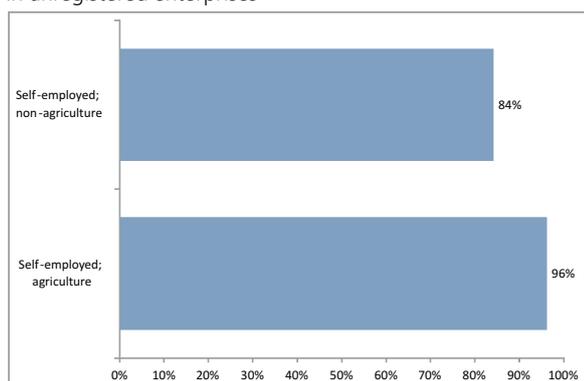
Informal is normal, and will continue to be so. Most Nigerians work in informal jobs, defined as wage workers working without a contract and self-employed/household enterprise workers in firms that are not registered with the authorities (Box 3.2). By this token, self-employed workers in the farm sector and nonfarm household enterprise workers are overwhelmingly informal. Some 96 percent of the self-employed working on their own farm and 84 percent of the self-employed in the nonfarm sector are not registered with the authorities (Figure 3.11a). Even among nonagricultural wage earners, informal working conditions prevail. In 2011, about five in six wage nonagricultural wage workers were informally employed. In fact, the net expansion of wage work between 2007 and 2011 appears to have been almost exclusively based on informal sector jobs. The level of informality is highest among services sector

workers. While private sector jobs are almost exclusively (96 percent) informal, three out of four public sector workers are also informally employed (Figure 3.11b).

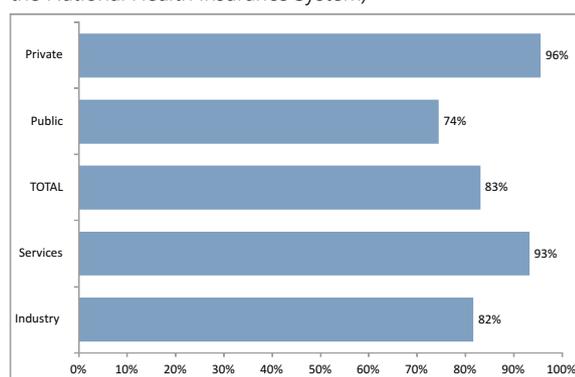
Informality is “normal” at the stage of development where Nigeria finds itself. Indeed, in many countries in Latin America and East Asia, informal employment increased with growth (OECD 2009; Perry and others 2007). As such, informality is not likely to fall with economic development over the medium term, and the share of informal employment is not a good indicator of changes in job opportunities. As will be discussed in Section 5, better job opportunities could most likely be created by shifts within the informal sector (that is, from subsistence agriculture to commercial agriculture, or from agriculture to household enterprises operating in industry and services but still under informal forms). The main concern is raising productivity across the board in informal as well as formal enterprises, and ensuring that social protection and labor policies can help all workers (regardless of whether they are wage-employed or self-employed) manage risks.

Figure 3.11: Informality is high, even among wage workers

a. Percentage of self-employed/household enterprise workers in unregistered enterprises



b. Percentage of informal wage workers (not participating in the National Health Insurance System)



Source: Estimates based on GHS 2011.

¹⁰ For example, Aterido and Hallward-Driemeier (2010) find that poor investment climate has a less negative effect on employment growth in Sub-Saharan Africa than elsewhere, but results in a comparative increase in employment growth among microenterprises—generally lower-productivity, less sustainable jobs.

Box 3.2: What is informality?

The concept of informality, though widely used and discussed, is difficult to define—let alone estimate. By informal employment, this report refers to employment in the production of goods and services that are in themselves legal, but where compliance is absent or incomplete on some legal aspects of employment or production. Although informality tends to be a feature of small firms, it is a continuum. As shown in Benjamin and Mbaye (2012), there are large firms in West Africa whose operations are legal but informal in that a vast share of their accounts are underreported.

Here, informality is defined in terms of the type of enterprise (self-employed, for example) as well as employment conditions (notably access to social security among wage workers). Unfortunately, for Nigeria there is no one consistent source of data to arrive at a global number for informal work, incorporating both of these dimensions. Information on enterprises is available in the panel component of the GHS 2011 and 2013 surveys. Information on employment conditions is only available in the GHS cross-section surveys.

Informal enterprises are here defined as the self-employed (own-account workers, unpaid family workers, or employers) who work in enterprises, whether in agriculture or nonagriculture, that are not registered with the authorities. In Nigeria, where subsistence farming dominates, and where most nonfarm household enterprises are home-based, small-scale activities, this situation tends to result from the small-scale nature of the activities rather than from an active choice to avoid working within the legal framework. Using this definition, virtually all of the agricultural employed, and almost all of those in nonfarm household enterprises, are informal in Nigeria.

Informal wage workers refers to workers who do not enjoy regularized work status. In the GHS, information is limited to whether wage workers have access to health insurance through their job as mandated by law. Those who do not are considered informally employed.

Based on these assumptions, the rate of informality is 84 percent in nonfarm employment in Nigeria. This is slightly higher than the informality share derived in Adams, Johansson de Silva, and Razmara (2013), where, using an approach similar to that taken in the 2004 Nigeria Living Standards Survey, the informality rate is estimated to be 73 percent in the nonfarm sector.

A close-up photograph of a garden bed. The foreground is filled with dark, rich soil. Several orange carrots are visible, some with their green leafy tops still attached. To the right, there are several red radishes with green leafy tops. The background is a soft-focus green, suggesting more foliage in the garden.

4

Moving Into Productive Work

4. Moving Into Productive Work

Nigeria's workers still depend on jobs that provide too little output or income. For Nigeria's economy to provide more productive jobs that offer higher earnings and contribute more to economic development, there would need to be a demand for the products and services those jobs produce. In addition, workers would need to be available and able to move into sectors, occupations, and firms that provide such employment. How people move into work and between jobs, over time and across generations, are key aspects in the transition of a country's labor profile.

This section focuses on labor mobility—the transitions between school, employment, and joblessness, and between different jobs that offer new opportunities. Viewed from a life-cycle perspective, starting off in a low-paid activity may be less of a concern if there is a possibility of moving up to better earnings and working conditions over time. Similarly, leaving employment for a period of time may be a less serious problem if the chances of finding a new job are high. If, by contrast, patterns of employment are determined early and many people are locked into low-income activities without opportunities for change—owing, for example, to family circumstances, gender, location, or lack of networks, factors that are unrelated to talent or effort—workers' options are unequal from the outset. The extent to which circumstances drive opportunities is likely to shape the degree of trust in society's fairness and, to some extent, the degree of social cohesion. Understanding the patterns of mobility can help understand the extent to which there is inequality of opportunities (World Bank 2012) and identify bottlenecks in transforming work in Nigeria. The section is based largely on the panel component of the 2012/2013 GHS.

School-to-work transitions are slow and incomplete

Ensuring mobility into good—or, at least, better—forms of work is particularly important for young people. They look for a first job experience that will set them on a good and growing income path, while avoiding “low earning traps” through which a low-pay job can limit a worker's future earning potential. What is important for young people matters greatly in Nigeria, where the median person is 18 years old, and where three out of five adults (between 15 and 64 years old) are under 35 years of age. Outcomes differ greatly among young people depending on their family background, gender, and location. Young people in Nigeria today have higher levels of schooling than previous generations, and they are more likely to be better informed about available opportunities and options. But their expectations about job outcomes and their disappointment in case of failure may be higher as a result.

Job prospects are uncertain for young people. Nigeria's youth are, as shown in Section 1, even more worried about poor job prospects than the rest of the population. And they have reason to be. Young people's transition from school into working life is not straightforward. Despite having more education than previous generations, the current generation of young people is finding it difficult to secure a first job. In 2009, more than half of unemployed young people (57 percent) were first-time job seekers and had never held a paid job.¹¹ Based on 2011 survey data, unemployment was highest among young people, at 14 percent for active 15–24 year-olds, compared to 5 percent for adults 25–64, and had increased from 10 percent in 2007. An even larger share of young people (15 percent) was inactive—neither working nor in school. When employed, they were more likely to work in subsistence activities, agriculture in particular, than older workers.

¹¹ This question was only asked in the 2009 round of the GHS.

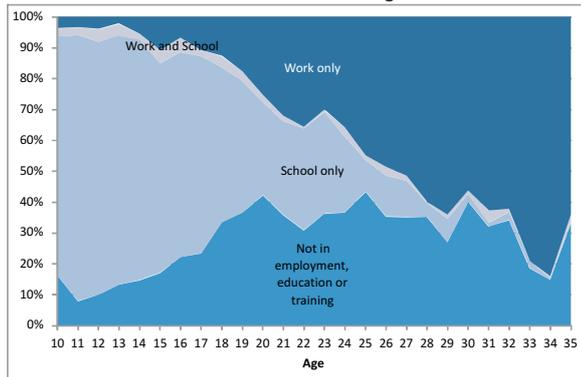
Transition from school into productive work is slow, or does not happen. This is a pattern found across Africa (Filmer and Fox 2014). By the age of 20, only one-third of young people are working; this share increases to half by age 25 (Figure 4.1). Many young people remain in education and training well into their 20s, but one-quarter of young people ages 15–24 are not in employment, education, or training. Women and girls are more likely to be inactive than men and boys, at all ages. Moreover, it is not guaranteed that workers will move into better job opportunities as they age. Women workers, in particular, are less likely to move into nonagricultural wage work over time but more likely than men to move into nonfarm household enterprise work.

Transition to productive employment is delayed by too-early entry, slow progress in school, and early family formation

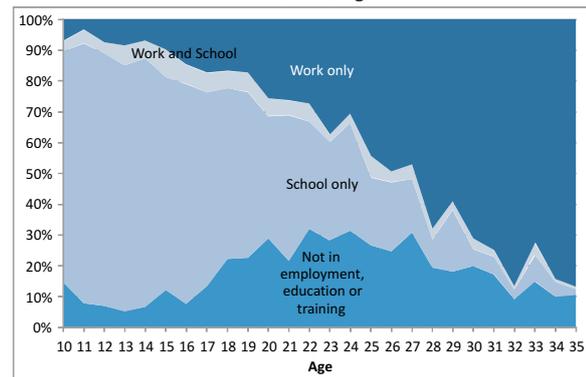
Underprivileged youth start working early. Many children in Nigeria drop out of school along the way. Out of all primary-school-age children, 35 percent are not in primary (or secondary) school (UNESCO Institute for Statistics 2014). Early dropouts attain insufficient levels of even basic skills, such as literacy and numeracy, and have to work to survive and contribute to household income. From this perspective, the early transition into employment delays or precludes later moves into more productive employment. Child labor remains an important phenomenon in Nigeria, involving an estimated 30 percent

Figure 4.1: Transition from school to work is incomplete, especially for women

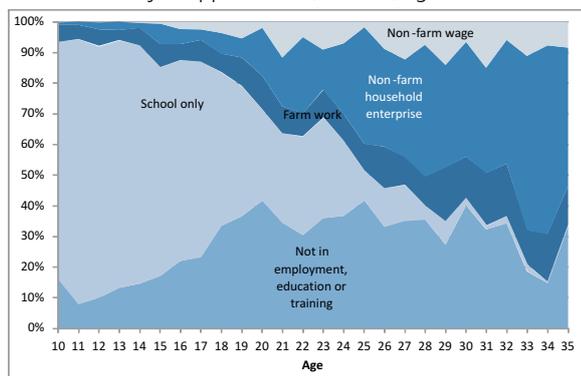
a. School and work transition, women, ages 10-35



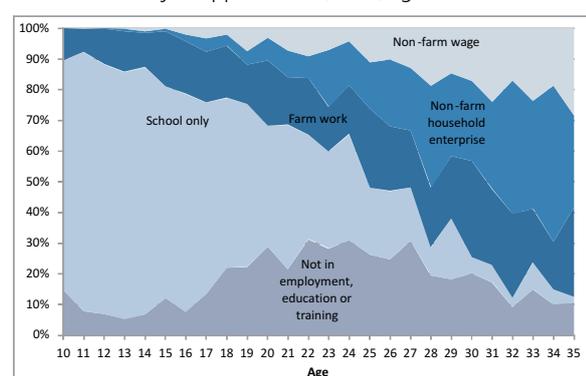
b. School and work transition, men, ages 10-35



c. Transition to job opportunities, women, ages 10-35



d. Transition to job opportunities, men, ages 10-35



Note: These are cross-sectional data (examining different cohorts at one point in time) and should not be interpreted as panel data (which trace one cohort over time). Source: Estimates based on GHS 2012/2013.

of children ages 5–11 (Box 4.1). Children’s employment in Nigeria is overwhelmingly in agriculture, although it is not clear whether this is because poor children in rural areas are more likely to drop out to help provide

income for their families, or because dropouts have no option but to work in agriculture. What is clear is that these are the children who become trapped in low-productivity employment.

Box 4.1: Many children in Nigeria work

Child work is prevalent in Nigeria, as it is all over Africa, and provides important contributions to family income. Household survey data show that almost 20 percent of Nigerian children between the ages of 5 and 14 are working, in that they are involved in an economic activity. Although some children in Sub-Saharan Africa are exposed to extreme forms of child labor, with psychological and physical scarring (including sex trafficking, soldiering, and mining), most participate in other forms of work—a vast majority of them on the family farm or in a nonfarm household enterprise (World Bank 2012). Conversely, although not all agricultural work is harmful to children, it may in some circumstances expose children to irreversible harm, including through unsafe tools, poisonous chemicals, dangerous animals, and extreme exhaustion (ILO 2006).

Studies of child labor in four West African countries (not including Nigeria) show that children are exposed to dangerous conditions in their workplaces, including excessively heavy loads and night work (ILO 2014). Even beyond the more extreme and abusive forms of child labor, work conditions—such as long hours—that interfere with schooling and other aspects of human development can have detrimental consequences over the long run. Work obligations may prevent some children from progressing satisfactorily through school and thus lead them to drop out (Filmer and Fox 2014).

In Nigeria, children’s employment is largely in agriculture, even in urban areas, and mostly for the family farm. Compared to other countries in the Economic Community of West African States, the share of children in employment only is low (8 percent of all children ages 5–14) but those who are in school and work combined form a relatively high share (27 percent). Children work long hours on average, nearly a full working week, at over 30 hours per week (ILO 2014).

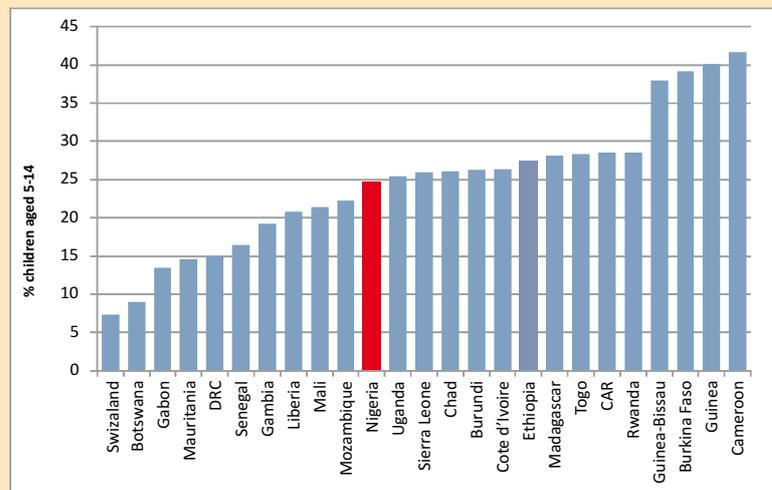
Based on the ILO approach, the term child labor is not synonymous with child work, referring instead to children’s excessive involvement in work, including household chores. For children ages 5–11 years old, this is defined as involvement in any form of economic activity or in household chores for 28 hours or more during the week; for children ages 12–14 years old, it is defined as involvement in an economic activity (excluding those in light work for fewer than 14 hours per week) or in household chores for 28 hours or more during the week.

Using this approach, cross-country data from the MICS (which are not strictly comparable to the household survey figures cited above) show that some 25 percent

of children ages 5–14 were involved in child labor in Nigeria in 2011. This compares with around 20 percent in Liberia, Mozambique, and Mali, for example. Rural children are 50 percent more likely to be working than children in urban areas, which relates to the importance of agriculture. Children in poorer households are more likely than those in wealthier households to be in child labor, although the differences are not large. As such, lower inequality will not in itself reduce child labor significantly.

Child labor in Nigeria—an international comparison

a. School and work transition, women, aged 10–35



Source: Estimates based on NBS 2011c.

For young people who remain in school, academic progress can be slow. In fact, relatively high enrollment rates largely reflect the enrollment of overage students, high repetition, and slow progress through the education system. Although many 20-year-olds are in school, most of them are still studying at secondary school. Access to post-secondary training is limited, with gross enrollment in tertiary education at about 12 percent in 2012 (World Bank 2014d). Slow progress through school implies a lower accumulation of learning and competencies than age would suggest, and years of foregone income in the labor market for equivalent levels of education.

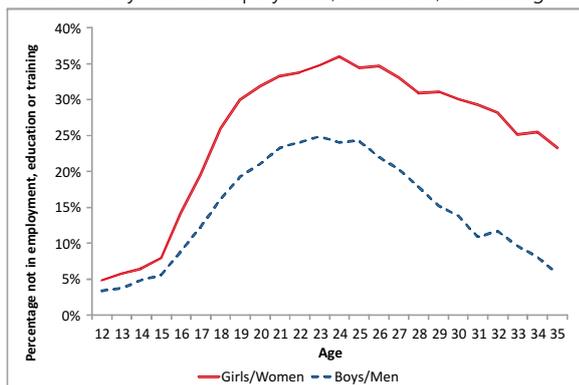
Girls' entry into work is also conditioned by early family formation. Girls' enrollment is lower than that of boys at all ages, but the gap in schooling and outcomes begins to widen more significantly at age 17 and beyond (Figure 4.2a). However, girls do not become employed when leaving school: a 17-year-old girl is less likely to be in employment, education, or training than a boy. Instead, girls marry much earlier in life than men do (Figure 4.2b). At the age of 20, less than 4 percent of men are or have been

married, compared to nearly 50 percent of women. Earlier marriage brings pregnancies and children at an earlier age. One in four adolescent girls ages 15–19 has a child or is expecting a child. Early family formation is linked to young girls' exit from school and movement into economic inactivity, both of which increase dramatically in the late teen years.

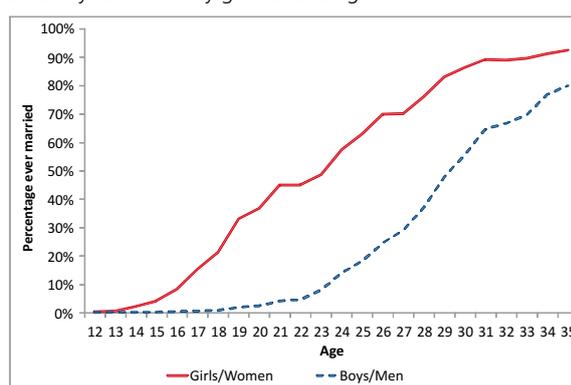
The negative effects of early exit last throughout women's working life. The share of women who are inactive peaks at 35 percent at the age of 25, but falls back only slowly. By age 35, one-quarter of women are still not in school or work, compared to less than 10 percent of men. Women who leave school early and move straight into inactivity are likely to face steeper barriers to working later in life. The propensity for early family formation is also strongly correlated with wealth. One in two girls ages 15 to 19 from the poorest 20 percent of households¹² are married or in a union, compared to less than 3 percent of those from the richest 20 percent of households. In rural areas, one-quarter of women ages 20–24 were married before the age of 15 (NBS 2011c).

Figure 4.2: Girls leave school to marry earlier and often do not enter into working life

a. Girls vs. boys not in employment, education, or training



b. Family formation by gender and age



Source: Estimates based on GHS 2011.

¹² This figure refers to the wealth index calculated in the MICS, which is not the same as the official poverty line referred to elsewhere in the report.

Circumstances unrelated to talent or effort, such as gender, household income level, and location of residence, are significant determinants of a person's job trajectory. Women are penalized in labor markets from all perspectives: compared to men they are less likely to be active, more likely to be in lower-earning occupations like farming and informal jobs, and earn less for a given level of education and experience (approximated by age). While early marriage

and childbearing are significant factors, other cultural elements also constrain women's role in the labor market. For example, social norms or security concerns may prohibit women from taking work in public places or work that requires traveling (Filmer and Fox 2014). Women are more likely than men to lack access to land for farming or to use as collateral for credit (Box 4.2), limiting their options with regard to expanding businesses.

Box 4.2. Does the legal system empower women in Nigeria?

Women account for 34 percent of wage employment and 60 percent of self-employment in the nonfarm sector in Nigeria. Yet women in Sub-Saharan Africa often operate firms with less potential for profits than do men: smaller, informal firms in sectors with lower earnings. Productivity differences are due largely to the kind of firms and sectors in which women work, however, rather than to any gendered differences in entrepreneurship *per se*. There is a need, therefore, to improve the investment climate for these women, including access to skills and finance to develop their firms.

Often overlooked in this regard are laws and customs related to marriage, divorce, inheritance, land rights, and labor. These laws, and whether and how they are applied, influence property rights and women's legal capacity to make decisions for themselves. This, in turn, affects women's economic opportunities, including for entrepreneurship—through, for example, their right to work outside the home, to open bank accounts, and to access property for use as collateral. Recognizing this, the Women's Legal and Economic Empowerment Database for Africa (Women LEED Africa) compiles information on the formal property and legal rights of women and men, based on constitutions, international agreements, statutes, and case law. This information sheds light on women's ability to enter into contracts or own, administer, transfer, or inherit assets and property, including land. Many of these rights are related to marital status; in many countries, women cede economic rights to their husbands upon marriage. Conversely, where women's rights in these areas are stronger, they are more likely to develop larger enterprises and become employers.

Nigeria's constitution recognizes the principle of nondiscrimination, but does not explicitly provide for gender equality in property rights. Moreover, legal exceptions directly or indirectly limit women's economic freedom. In terms of legal capacity, Nigeria is better at recognizing women's equal rights than many African countries: men are not formally recognized as heads of household, and a woman does not officially need her husband's permission to open a bank account or to work outside the home. However, women's land rights are not granted statutory protection under land laws and customary land is exempt from succession. As employees, women are in principle guaranteed the right of nondiscrimination, but they are not allowed to work in certain industries and the number of hours they can work is restricted. Although these regulations are intended to protect women, they may work against their earnings potential or contribute to informal working conditions.

In addition, Nigeria is a legally pluralistic country, where the common law system coexists with customary law derived from traditional norms and practice, as well as religious (*Sharia*) law used in some Muslim communities, especially in the north. While there are official customary courts in Nigeria, informal customary courts that are not officially recognized by the state also continue to operate. Under customary law, a widow can be denied the right of inheritance and is thus not empowered to administer the estate (instead, she is considered part of the inheritance).

Unlike in most African countries, the Nigerian constitution does not explicitly limit religious law from discriminating based on gender. In many areas, *Sharia* law includes provisions to protect women's rights such as owning property, working outside the home, keeping profits, or entering into civil transactions. However, the interpretation varies according to different schools and contexts. Owing to a lack of awareness and/or social norms, women's rights may not be applied in practice even if religious law would support them.

Source: Hallward 2013; Hallward-Driemeier and Hasan 2012; Hallward-Driemeier and others 2013.

Table 4.1: Intergenerational mobility is limited

Employment conditional upon father's sector of employment, ages 15–64

		Child's sector of employment			<i>Memo: share of total employment, father's generation</i>
		Agriculture	Industry	Services	
Father's sector of employment	Agriculture	50	10	40	72
	Industry	17	14	68	22
	Services	15	11	74	6
<i>Memo: share of total employment, child's generation</i>		41	17	48	

Source: Estimates based on GHS-Panel 2012/2013.

Family background influences mobility. Partly as a result of the slow transformation of the employment structure, job opportunities are still conditioned on family background and workers in Africa today often end up working in the same type of job as a parent (Filmer and Fox 2014). In Nigeria, intergenerational mobility is limited for those whose father worked in agriculture: one in two children whose father worked in agriculture are themselves working in agriculture (Table 4.1). For a person whose father worked in industry, the chances are much higher that he or she will be working in services, however. These are raw job transitions, not taking into account the impact of age or education on jobs (although, as discussed below, access to education also depends largely on family background and location in Nigeria, further cementing inequality at birth). However, the persistence of this phenomenon across generations suggests that children from less favorable circumstances in Nigeria, in particular those whose father worked in agriculture, have fewer opportunities to improve their lot. Job trajectories are in other words determined largely at birth: by family background, gender, and access to education.

Short-term job mobility

Recent years have seen some changes in Nigeria's employment structure, including an increase in wage work between 2007 and 2011. Job creation dynamics have differed significantly across Nigeria, however, and have mostly benefited the population in

the Lagos-dominated South West region. In other areas of the country, mobility into more productive work has been low in the aggregate. Given the lack of data, it is not possible to trace an individual's propensity to access more productive work over a longer period of time. While mobility may be slow, the information available shows that some people move in and out of employment, and between different types of jobs, between seasons and over a few years' time.

The dominance of farm work implies that a large share of the population experiences significant seasonality in employment patterns, depending on whether work is needed to prepare, plant, or harvest land. Panel data on individuals' employment in the post-planting (October–November) and post-harvest (February–March) seasons show that the post-planting season is more intense in agricultural work than the post-harvest season (Figure 4.3a). While many workers maintain the status quo throughout the year, about 20 percent of those who worked in agriculture in the post-planting round find themselves inactive or unemployed in the post-harvest season. Most movement is between inactivity and work, however, rather than between different types of work: only 8 percent of farm workers were doing nonagricultural work in the post-harvest season. This is consistent with recent research showing that mobility between self-employment and other forms of work in developing countries is limited and there is more mobility between employment and

inactivity (Cho, Robalino, and Romero 2014). It is worth noting that the high number of those who hold multiple jobs, together with the focus on primary jobs in the surveys and this analysis, are likely to lower the estimates of changes in employment patterns, as people holding secondary jobs may ramp up engagement in those during the low season of their primary jobs, without considering it a shift in employment.

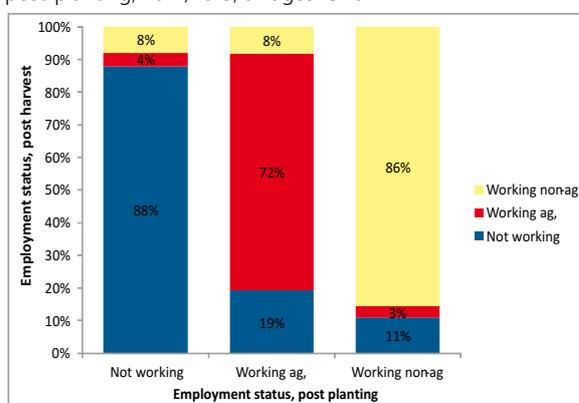
Young people move between school and work, and between different forms of joblessness and work. Almost 30 percent of young people who were working in agriculture in the post-planting season (which coincides with school holidays) are back in school in the post harvest season (Figure 4.3b). The unemployed—who, again, are overrepresented among young people compared to other groups—also shift significantly. In fact, less than half of those who were unemployed in the post-planting season are still unemployed in the following season. Nearly 40 percent of them are either in school or working. This suggests that, at least for young people, unemployment and inactivity may have a significant seasonal aspect. Transitions from agricultural to nonagricultural work are much more limited, however, at 4 percent.

Barring seasonal variations, occupational

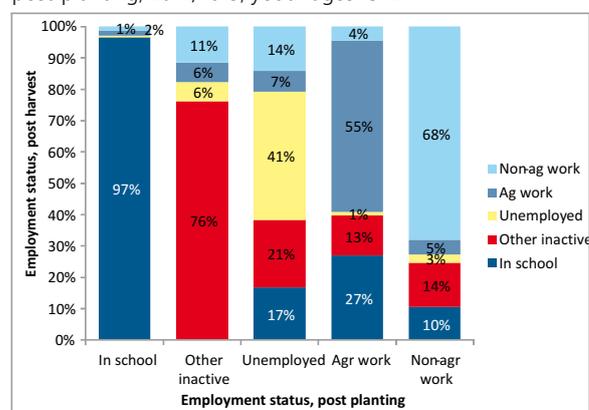
mobility is limited over time. Panel data are only available for two years (2010/2011 and 2012/2013), which may be too short a time to evaluate people's opportunity to move into better jobs. Three out of four adults who were inactive or unemployed in 2010/2011 remained jobless in 2012/2013, while one in four were working. Of those involved in farm work in the first year, nearly 70 percent were still there. More vulnerable groups—youth, women, and those with little education—were more likely to transition between employment and inactivity and unemployment, and less likely to move between different types of jobs, than other groups. Although, again, a two-year span is a short time in which to evaluate mobility, the patterns are consistent with longitudinal data from Uganda and urban Tanzania that suggest significant persistence in job opportunities, especially for those in farm work. A majority of Ugandan young people ages 20–29 remained in their occupations over a five-year interval, especially those in agriculture. In urban Tanzania, movement between wage work and household enterprise work was limited over time (Filmer and Fox 2014). In other words, it is family, location, gender, and school circumstances that determine a person's transition into good or less good job opportunities. Once on the job, there is less likelihood of change.

Figure 4.3: Seasonal labor market mobility (post-planting and post-harvest), 2012/2013

a. Employment status post-harvest, conditional on status post-planting, 2012/2013, all ages 15–64



b. Employment status post-harvest, conditional on status post-planting, 2012/2013, youth ages 15–24



Source: Estimates based on GHS-Panel 2012/2013.

Moving for work: patterns of migration

Labor-related migration—seasonal and permanent, from rural to urban areas, and to countries abroad—is part of the jobs landscape in Nigeria. As in many West African countries, a multitude of factors influence migration, including climatic conditions that force agricultural workers to look for land elsewhere, conflict and violence that drive people out of a particular area, and emerging labor and skills deficits and accompanying job opportunities in urban growth poles. International migration from Nigeria has been facilitated by porous borders with neighboring countries and the establishment, over time, of a significant diaspora both elsewhere in Africa and in the United States. Yet the poorest groups are not usually represented among migrants, as resources are needed to cover travel costs, living

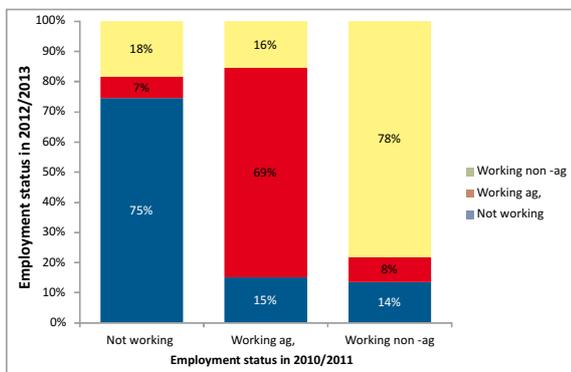
expenses while looking for work, and moving expenses.

Migration is a limited phenomenon in Nigeria and occurs mostly between different localities and regions within the country. GHS-Panel survey data shed light on the likelihood that a person interviewed in 2010/11 will have moved out of the dwelling by 2012/13 and the reported reason for that move. Between 2012 and 2014, a vast majority of workers (86 percent) did not leave their households' local community. To the extent that labor migration happens, it is largely internal: about 8 percent of the working-age population left their household to move to another state within Nigeria. Of these, 30 percent had left to look for jobs elsewhere, with another 30 percent leaving to look for better land. Less than 1 percent left to move outside Nigeria.

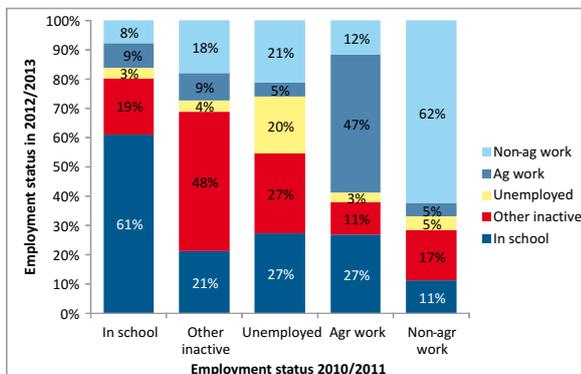
There is no recent comparable data detailing migration abroad. Data on migrant stocks in recipient countries, based on census data, are so far only available for 1990–2000 (Figure 4.5). These data show that the number of international migrants from Nigeria increased between 1990 and 2000, most significantly among those with a tertiary education: in 1990, this group made up 22 percent of total emigrants, but by 2000 had increased its share to 35 percent and doubled in absolute numbers. Although skills gaps are emerging in some fast-growing African countries, the geographical profile of migration and skills is clear. Migrants to other African countries are overwhelmingly low-skilled workers, while migration of those with a tertiary education was concentrated in two English-speaking nations: the United States in particular, but also the United Kingdom. Thus, while a vast majority of the population works in low-skill jobs in agriculture and household enterprises, there is a set of highly educated persons who appear to be competitive on international labor markets.

Figure 4.4: Labor market mobility 2010/2011 and 2012/2013

a. Employment status in 2012/2013, conditional on status in 2010/2011, all ages 15–64



b. Employment status in 2012/2013, conditional on status in 2010/2011, youth ages 15–64



Source: Estimates based on GHS-Panel 2010/2011 and 2012/2013.

Helping the transition into better jobs: the role of skills

Many factors, including skills, affect employment productivity and workers' upward mobility. Factors that influence firm performance and earning potential are access to finance, infrastructure, and an investor-friendly business climate, as well as the level of human capital possessed by workers, including skills that are relevant for jobs. Skills deficits are not a key bottleneck cited by Nigerian firms in surveys, as compared, for example, to unreliable electricity and transport infrastructure (World Bank 2014a).¹⁴ There is nonetheless a common understanding that modernizing economies undergoing structural transformation need

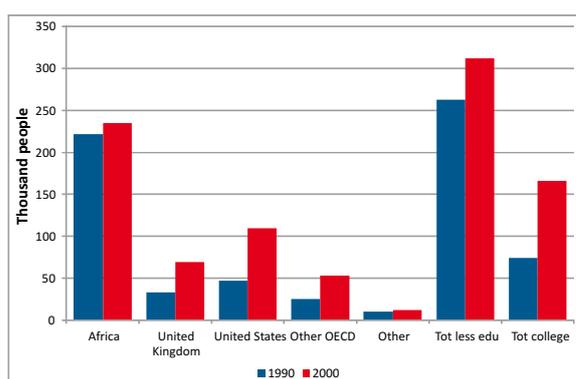
new types of skills. Moreover, building a skilled workforce is a cumulative and time-consuming process that depends on many years of good-quality schooling. It is therefore imperative for Nigeria to build the foundations now.

Even in developing countries like Nigeria, the skills content of occupations is increasing, placing new demands on workers. Given the importance of farm work, manual skills still dominate the Nigerian world of work. However, recent years have seen a small but noticeable shift toward more intensive use of nonroutine cognitive (analytical and interpersonal) skills—especially in the southern regions, where job markets have changed. Increasing emphasis on “new economy skills” across occupations has been observed in more-developed countries and regions (Acemoglu and Autor 2010). Nigeria is moving in this direction, although from a lower level (World Bank 2014d).

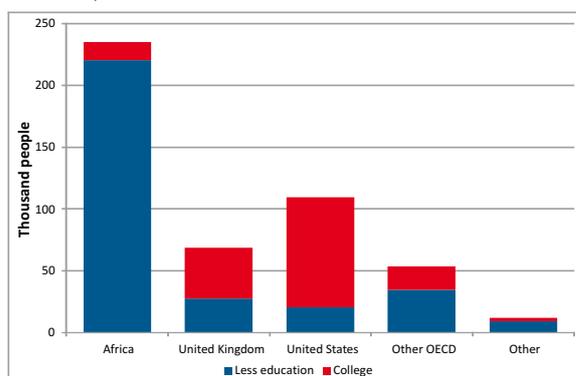
Good-quality basic education is a fundamental requirement for skills development. Skills that are relevant to labor markets are not synonymous with education. Skill is the ability to perform some function (or specific job) that comes from knowledge (which can be acquired through education), but also practice and aptitude. Yet basic education is—ideally—an important stepping-stone to acquiring most types of job skills, as it should develop foundational skills like literacy and numeracy, build noncognitive skills, and familiarize students with learning situations (Adams, Johansson de Silva, and Razmara 2013).

Figure 4.5: International migration is increasing and the share of educated migrants is on the rise

a. Nigeria: migrants abroad by region of residence and education level, 1990–2000



b. Nigeria: migrants abroad by education level and place of residence, 2000



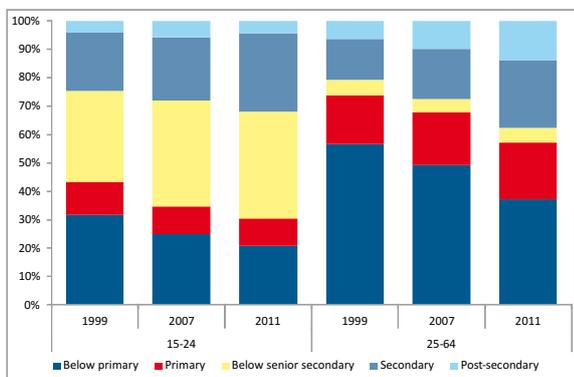
Source: Estimates based on Artuc and others 2012.

¹⁴ In addition, enterprise survey results must be evaluated against the fact that they do not take into account informal firms or firms that were never created due to lack of skills or other constraints.

Education levels remain quite low in Nigeria, however. Primary-level net enrollment (as measured by the share of children of primary school age who are enrolled in primary school) has stagnated at around 60 percent. At the same time, there has been an expansion at secondary levels. Together, these trends have polarized access to education, with peaks in schooling at the low and high end. Overall, however, 30 percent of young people still have no more than a primary education, and 15 percent have no education at all (Figure 4.6).

Figure 4.6: Education levels have increased, but many youth still have no post-primary education

Distribution by highest level of education achieved and age group, 1999, 2007, 2011

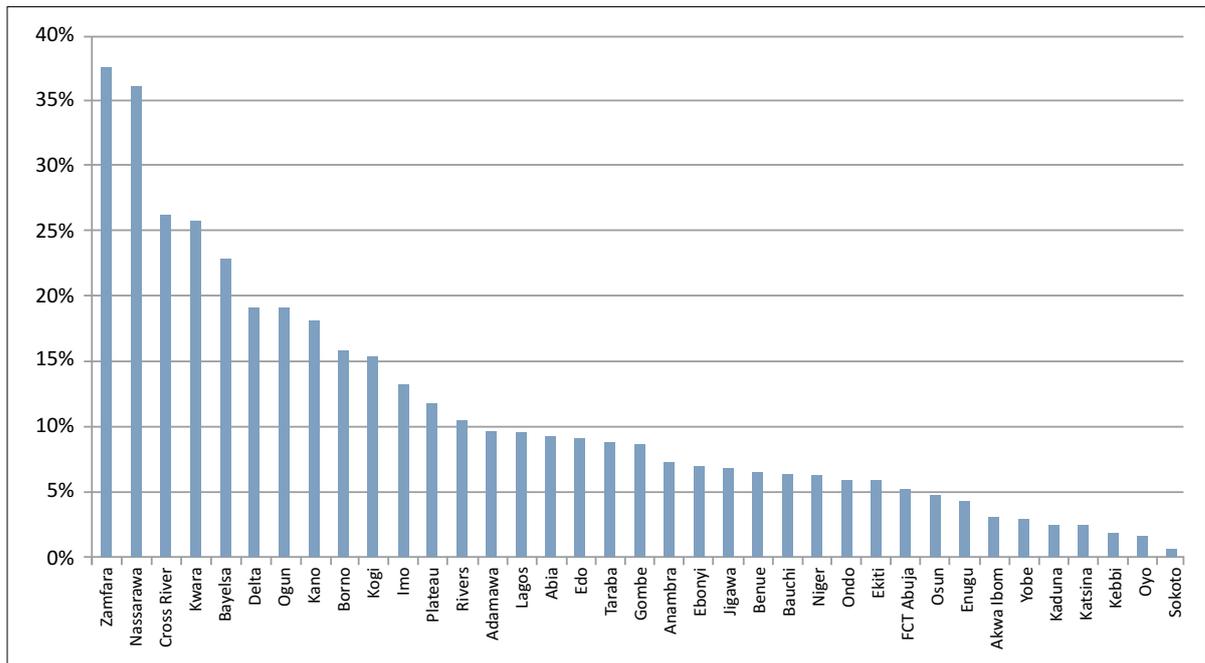


Source: Estimates based on GHS 1999, GHS 2007, and GHS 2011.

Poor people have less access to education. Poor children in Nigeria (ages 7–17) are several times more likely to be out of school than those from wealthier families. In the 2011 post-harvest season, 24 percent of children in the two poorest consumption quintiles were not in school, compared to 12 percent for those in the three richer quintiles; by 2013, the share of poor children who were out of school had increased to 29 percent. The significant geographic divides permeating Nigeria’s socioeconomic map are also reflected in schooling. Out-of-school children live predominantly in the North East and North West, and a majority of them have never attended school. The gender gap in schooling is also more significant in these regions (World Bank 2014d).

Limited access is compounded by poor quality of education, which explains the slow progress in school discussed above. Access to school is not sufficient; it is critical that the school provide real learning, but this is far from guaranteed. The quality problems are evident in alarmingly low levels of basic skills: although self-reported literacy rates are high, when tested 60 and 44 percent of students, after completing grade 4 and 6 respectively, cannot read a complete sentence (World Bank 2014d). Early dropouts from school are, from this perspective, highly problematic, as they are leaving without even the basic foundations of schooling in place. There are significant regional differences in the quality of education offered across Nigeria: only 5 percent of primary graduates from Abuja are illiterate, compared to over 35 percent in Zamfara and Nassarawa in the north (Figure 4.7).

Figure 4.7: Illiteracy rates after completing primary school



Source: World Bank 2014d.

Access to education is constrained on both the supply side and the demand side. In the 2012/2013 GHS-Panel Survey, the most common self-reported reason, by far, for children who had never gone to school was "lack of interest in education" (40 percent). Education may be seen as unnecessary for agriculture or self-employment jobs (a demand-side issue) or the poor quality of education makes it unattractive to invest in children's education (a supply-side problem). The high level of dropouts throughout basic education is likely to reflect a mix of distrust in a failing education system and failure to learn, compounded by high direct costs of books and other materials and the indirect opportunity costs of schooling given the need to contribute to household income.

The benefits of expanding access to secondary education are similarly pulled down by poor quality. The two most common secondary-level exams are the National Examinations Council and the West African Senior School Certificate Examination. Both indicate low passing rates for Nigeria, especially in the northern regions where less

than 10 percent of registered students pass (World Bank 2014d).

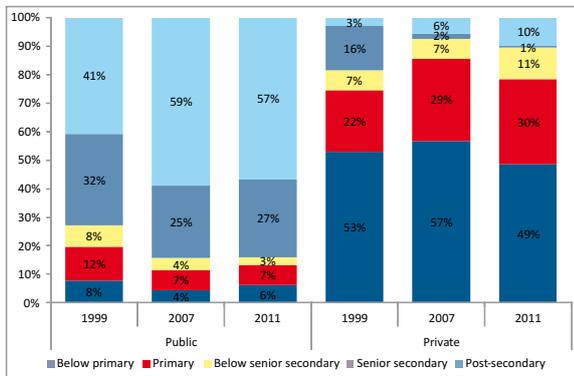
The combined result is that many actual and potential workers, even young ones, lack basic literacy, numeracy, cognitive, and noncognitive skills, and it is highly likely that skills deficits limit productivity growth in both the formal and informal sectors. High illiteracy rates among farm workers (41 percent) are likely to keep farming households from adapting new technology. Farmers with more education are more likely to adopt modern methods, use inputs efficiently, adapt to market changes, and respond to natural calamities more rapidly (Filmer and Fox 2014). Illiteracy is also preventing farmers from diversifying into more profitable occupations, such as low- and mid-value-added services, where illiteracy rates are below 24 percent.

Those who do have an education tend to work in the public sector. In spite of low overall access to post-secondary education in Nigeria, a majority (57 percent) of public sector workers have more than a secondary education. These numbers stand in stark contrast to private sector employment,

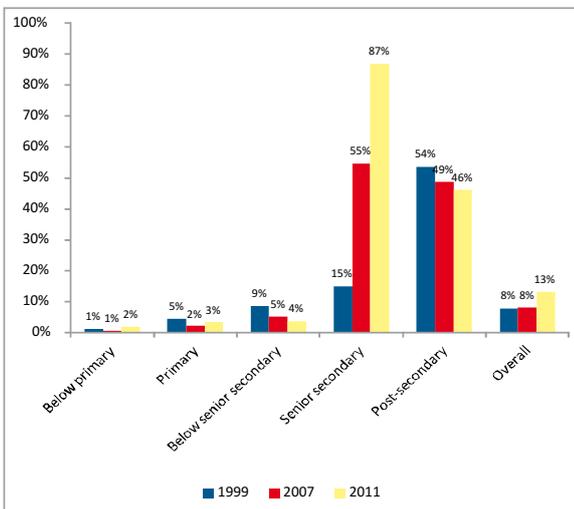
where 49 percent of workers have not even completed primary school (Figure 4.8a). It follows that most of the educated workers are, in fact, concentrated in the public sector, in spite of its relatively small size, and this share has increased over time. As many as 87 and 49 percent of those with senior secondary and post-secondary education, respectively, work in the public sector (Figure 4.8b).

Figure 4.8: Workers with higher levels of education find public employment

a. Distribution of public and private sector employment by level of education



b. Share of public sector in total employment, by level of education



Source: Estimates based on GHS 1999, GHS 2007, and GHS 2011.

More work is needed to understand the causes and effects of this skewed distribution of skills. Do generous working conditions in the public sector, supported by oil revenue, attract workers, or is it low demand for educated labor in the private wage sector and rising unemployment rates for highly educated youth that impel the public sector to act as an employer of last resort? If it is the former, are private firms finding it difficult to compete for those with higher education?

Education pays off in higher wages. For those in wage work, multivariate analysis shows that education yields positive returns in terms of wages when accounting for other worker and job characteristics such as gender, age, sector of work, and location. The payoff to education starts only beyond primary levels, however. Moving past the secondary level is also important, as the payoff to tertiary education is double that of secondary education. Worker and job characteristics matter, too: even when industry, age, education level, and similar factors are taken into account, men earn more than women. As such, being a man pays off roughly as much as having a secondary education, all else being equal. Older workers earn more than young ones, and those based in Lagos enjoy a significant premium over other urban and rural areas. There is a significant and separate public sector wage premium, supporting the notion that these jobs are highly coveted by those with education.

In Nigeria, as in many other Sub-Saharan African countries, direct labor market training is limited. Total enrollment in vocational and technical education and training is low compared to academic education, both at secondary and tertiary levels. Traditional apprenticeships are a common form of skills development for jobs in Africa, but even this highly practical form of training requires some basic skills in literacy and numeracy. In Nigeria, apprenticeships appear to serve mostly as an entry ticket into the informal nonagricultural sector, but they do not increase productivity or earnings. (Box 4.3; Treichel 2010; Adams, Johansson de Silva, and Razmara 2013).

For young people with a tertiary education, the National Youth Service Corps (NYSC) provides a bridge between school and work. The NYSC is a one-year compulsory national service program that places university graduates in organizations and businesses that are relevant to their area of study. Participants work in rural areas in sectors such as agriculture, health, education, and infrastructure. There is an ongoing debate about the extent to which the NYSC contributes to employability and is still relevant (Box 4.4). Policy dialogue is underway to reposition the NYSC to focus more on providing job-relevant experience and building vocational and entrepreneurial skills.

Box 4.3: Skills development in Nigeria's informal sector

Earnings and skill levels differ a great deal between the informal and formal sectors. Compared to formal workers, informal workers are less literate and numerate and have much less formal schooling. They earn less and education has a smaller payoff for earnings. Investment in skills is cumulative, and those with higher levels of education continue to be formed through on-the-job training opportunities throughout their working life. While more children than ever access basic education, one in four primary school students never graduates and progression to secondary remains low. Formal technical vocational education and training is limited, but private institutions absorb some of the excess demand for training. Informal apprenticeships remain the most important form of skills development for the informal sector, but are not associated with higher earnings.

Source: Adams, Johansson de Silva, and Razmara 2013.

Box 4.4: The National Youth Service Corps in Nigeria

The NYSC is a national service scheme for university graduates focusing on community development and funded by the federal government. The NYSC was established in 1973 with two principal goals: (i) fostering national unity, national patriotism, integration, and ethnic tolerance following the civil war of 1967–1970; and (ii) redistributing skilled labor across the country, including to rural and poorer states.

About 250,000 graduates are mobilized annually. During their assignment, NYSC youth are placed in rural settings in sectors such as agriculture, health, education, and infrastructure, where they are expected to mobilize resources to achieve improvements. They are offered courses to increase employability after completing their service. The scheme is compulsory for all university graduates under the age of 30, and by law no employer (public or private) can give a Nigerian graduate a job without provision of an NYSC completion certificate.

The NYSC been restructured several times to adapt to labor market needs and increase participants' employability. In particular, an entrepreneurial development program has been introduced to encourage self-employment, together with a credit component.

The NYSC program is under criticism for lacking relevance, especially with regard to labor market insertion, for producing few viable businesses, and for serving as poor compensation for the lack of technical, writing, or on-the-job skills needed to successfully find a job. The opportunity cost of NYSC, which provides living expenses and salary for 12 months, compared to other forms of employment and community development services needs to be evaluated.

5

Fostering Jobs That Are Good For Development



5. Fostering Jobs That Are Good For Development

What does the future hold for jobs in Nigeria? The country's economy has become more diversified and less dependent on agriculture and mining resources, but the employment structure has not followed suit. Demographic pressures indicate the need to create 40 to 50 million additional jobs between now and 2030. The diagnostics included in this report show that both new and existing jobs, whether in agriculture or other sectors, will need to be more productive to help the population move out of low-earning employment and poverty. Transforming Nigeria's employment structure will thus entail promoting more labor demand and opportunities for entrepreneurship in the "better jobs sector" by working to develop a more competitive formal sector, helping workers strengthen their skills, supporting Nigerians in starting and developing more productive nonfarm enterprises, and raising productivity in agriculture, where a large share of the population will continue to work over the coming decades.

The transformation of Nigeria's employment landscape will need to address key development challenges in the country. Reflecting back to the discussion in Box 1.2 on the *World Development Report 2013*, making progress on the jobs agenda will require attention to the existence of a large agrarian sector within an urbanizing economy, the spatial inequalities the result from concentrated growth in megacities, the role of conflict-affected regions where joblessness may exacerbate tensions, the persistent gender disparities in employment and education, and the challenge of harnessing natural resource wealth to improve jobs.

Some jobs do more for development than others. Although public sector employment has been a significant source of wage jobs, it is not sufficient over the long term—private sector-led growth is needed. The government should focus on providing the conditions that encourage the types of jobs that promote development, poverty reduction, and shared growth. Attacking poverty at its core would require promoting higher agricultural

productivity, especially in smallholder farming, which can also help set off strong rural dynamics in off-farm employment. Bringing more girls into education and productive employment would contribute to higher family earnings, and may also have positive effects on fertility and children's education and nutrition. Spatially balanced investments that provide opportunities in the poor northern regions, especially for young people, would be likely to help reduce sources of conflict, as would efforts to further diversify sources of economic growth, both geographically and sectorally.

Nigeria's dynamic economic development in turn yields opportunities to strengthen the country's employment profile. Nigeria is now Africa's largest economic power. Aside from its considerable natural resources, the contributions of manufacturing industries, information and communications technology (ICT), and entertainment services to recent economic growth show the significant potential for entrepreneurship, innovation, and economic dynamism. Natural resource rents could be harnessed to promote much-needed investments in skills and other productivity-enhancing areas and to continue to build the foundations for broad-based growth.

Against this background, this section discusses challenges and opportunities for the future of jobs in Nigeria. It highlights the demographic developments that condition the number of jobs needed to provide employment for a majority of the population, the regional and sectoral growth patterns that are likely to determine where jobs are created and where they are needed, and the reforms needed to improve employment outcomes. These are considered across Nigeria's three main sectors of employment: agriculture, household enterprises, and the (private) wage sector. Opportunities for increasing productive work in these sectors depend on: (i) the business environment in which they operate, including infrastructure, access to land, technology, and the legal and regulatory framework that sets the

boundaries for economic activity; and (ii) the capacities of those who work there, including their abilities, education, skills, networks, and other factors that help them become more productive workers. Beyond fostering jobs and incomes over the long term, given substantial poverty levels, there is also a need to minimize vulnerability in incomes (and, as such, in consumption) over the short term. Finally, Nigeria needs better data in order to monitor employment outcomes and the impact of policies. These are all major areas of discussion, and it is beyond the scope of this study to offer specific sectoral policy recommendations. As noted in the introduction, the intention of this report is describe the jobs situation broadly and highlight the agenda for a deep dive on policies that would follow.

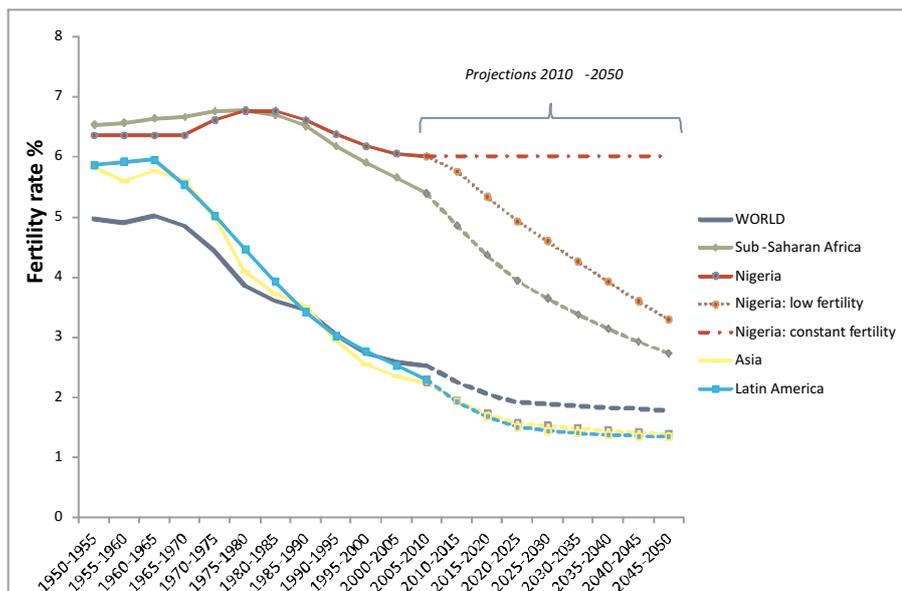
Many jobs are needed...

Will Nigeria’s demographic burden diminish any time soon? The rapid growth in wealth and corresponding reduction in poverty in many Asian countries has been associated with their demographic transition. Their experiences show that rapid increases in the working-age population, if accompanied by falling fertility rates, can yield a demographic

dividend: more working adults are able to provide for fewer dependents, in particular children, creating a strong positive force for economic growth and living standards. With a strong demographic transition, Bloom and others (2010) estimate that the Nigerian economy in 2030 could be more than three times larger than it is today, compared to around twice as large under the default growth scenario.

Nigeria, like many other countries in Africa, has yet to benefit from a demographic window of opportunity (Canning and others 2015). As discussed in Section 1, the decline in fertility rates has stalled in the past 15 years and, as a result, Nigeria’s projected trajectory differs greatly from that of developing regions outside of Africa (Figure 5.1). There are also significant differences across regions. Even if fertility rates drop rapidly at a speed similar to those in Asian countries in the past 40 years, currently high levels suggest that by 2050, Nigeria’s fertility rates will be at the level of those of Asia in the 1980s. Because of high population growth in the past and still today, Nigeria will reach an opening of the demographic window by 2035 at the earliest, even if population growth eases.

Figure 5.1: Nigeria’s fertility rates are and will remain high by any standard



Source: Estimates based on United Nations 2013.

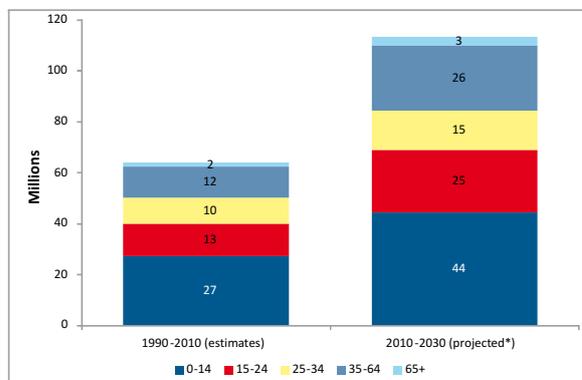
From the perspective of poverty reduction, sustained high population growth puts significant pressure on Nigeria in at least two areas. First, it heightens pressure to rapidly expand important areas of service delivery (such as education, health, and social services) to accommodate coming generations of children and youth and to ensure maternal health, while simultaneously increasing the quality of these services. Second, the economy needs to generate enough jobs to absorb the millions of additional workers entering the labor market (World Economic Forum 2014). More attention needs to be given to family planning and other measures to lower fertility rates in order to turn demographic challenges into opportunities within the foreseeable future.

Many new jobs will be needed just to keep up with the growth of the working-age population, and to provide for the rapidly

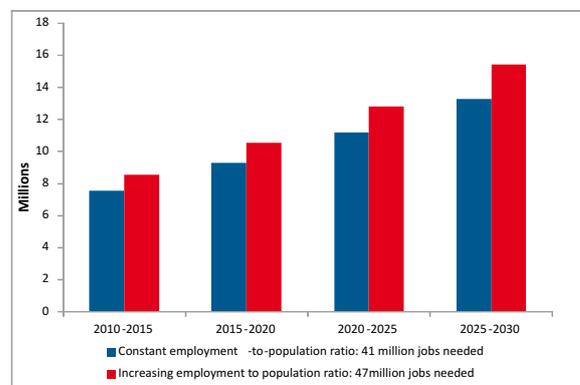
expanding child population. Continued high fertility rates imply that, for several decades to come, the working-age population is set to increase rapidly in absolute terms: by some 66 million people between 2010 and 2030, compared to an increase of 35 million people between 1990 and 2010 (Figure 5.2a). In response, the Nigerian economy needs to create 40 to 50 million new jobs in that period—or more, depending on the employment-to-population ratio (Figure 5.2b). These numbers translate into over 2 million additional jobs per year, to be taken up mostly by new labor market entrants. Unlike in Asian countries, young and adult workers in Nigeria remain under high pressure to provide for a rapidly growing child population. To help sustainably reduce poverty, therefore, new jobs need to be different from those in the past, offering better earnings and working conditions than are currently the norm.

Figure 5.2: Working-age population growth implies that many new jobs will need to be created

a. Increase in population (millions), by age group, recent past and near future



b. Additional jobs needed (millions), 2010-2030



Source: Estimates based on United Nations 2013, using medium fertility assumptions.

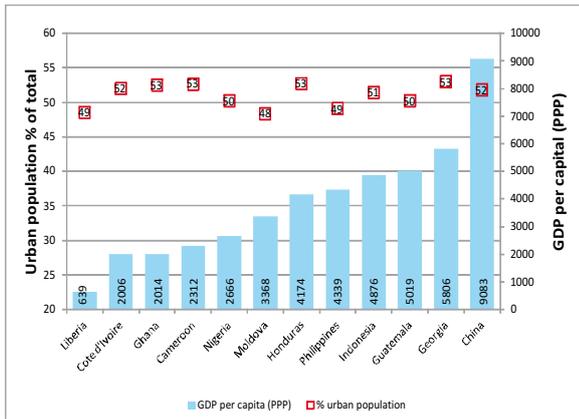
... in urban and rural areas ...

Is urbanization driving development? Cities can boost economic growth and job creation by facilitating agglomeration economies, as economies of scale and network effects help firms reduce costs and foster innovation (World Bank 2008). However, many countries in Sub-Saharan Africa—Nigeria among them—are not sufficiently reaping the benefits of urbanization. Unplanned, uncoordinated but massive urbanization in the context of poorly functioning markets for land, lack of basic services, poor infrastructure, and weak governance

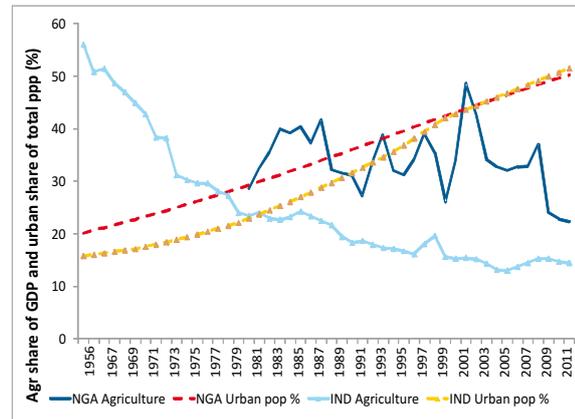
are instead resulting in congestion, low connectivity, and environmental pressures. Urban poverty in Nigeria, while lower than rural poverty, fell by only by 4 percent between 2004 and 2010 (World Bank 2014e). Urbanization levels are similar to those in much wealthier countries like Indonesia or China (Figure 5.3a). Yet unlike in Indonesia, for example, where urban population shares are following a similar trajectory, Nigeria’s urbanization has not coincided with a structural transformation out of agriculture into more modern activities (Figure 5.3b).

Figure 5.3: Nigeria is urbanizing rapidly, but the economy needs to modernize faster

a. Nigeria and countries with similar urbanization rates but different income levels



b. Nigeria and Indonesia: share of agriculture in GDP; share of urban population in total



Source: United Nations 2014.

Urbanization pressures are indeed massive in Nigeria. As noted above, Nigeria has one of the fastest-growing populations in the world. Since the 1980s, most of this growth has been taking place in the cities, and the urban population more than tripled between 1980 and 2010—increasing by almost 2 million people per year. As of 2014, about 84 million people—nearly half the population—are living in urban areas, placing significant pressure on land, social services, and jobs. The population of Nigeria is concentrated in four distinct geographic nodes around the cities of Kano in the north, Lagos in the southwest, Port Harcourt in the southeast delta states, and, albeit to a lesser extent, the capital city of Abuja. These pressures will intensify in the coming decades, as almost all population growth in Nigeria is expected to take place in its urban regions (Figure 5.4a); by 2030, 60 percent of the population may be in urban areas.

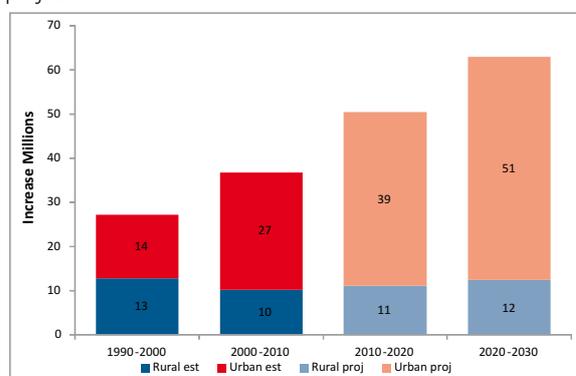
The lack of economic growth and poverty reduction in parallel with rapid urbanization implies that there are no automatic gains—it is how and where urbanization takes place that matters for job opportunities and wealth creation. First, many developing country megacities are expanding on account of natural population growth, rather than massive immigration from rural areas in response to new labor market opportunities (Jedwab, Christiaensen, and Gindelsky 2014). Fertility rates in Nigeria’s

urban areas are lower than those in rural areas, but still remarkably high at nearly five children per woman, supporting the notion of “within-urban” dynamics (World Bank, forthcoming). Second, urbanization is to a significant extent driven by population expansion in large cities. By 2015, Nigeria will have eight cities with populations over 1 million, encompassing some 28 million people in total. These patterns will intensify in the future (Figure 5.4b). There is evidence that poverty reduction links more closely to rural diversification out of agriculture and urbanization to secondary towns, than to migration to big cities (Christiaensen, De Weerd, and Todo 2013).

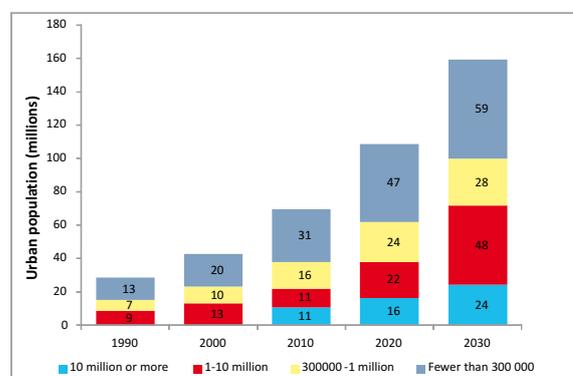
Poverty reduction may not be driven primarily by the growth of megacities, pointing to the need for investments that promote spatially balanced growth. For resource-dependent countries like Nigeria, urbanization may not result from a transformation of labor opportunities through a productivity push in agriculture or through a pull from industrial productivity growth. Although Nigeria’s rebased GDP shows manufacturing to contribute a higher share than previously thought, it is still less than 7 percent. Instead, rents from resource exports increase domestic demand for urban goods and, especially, nontradable services, without increasing the share of manufacturing or services in production or exports (Gollin, Jedwab, and Vollrath 2014). Poor people, who

Figure 5.4: Urban areas, especially larger cities, will account for a large share of the population

a. Nigeria, urban and rural population, estimates and projections



b. Urban population by size of agglomerations



Source: United Nations 2014.

often work in agricultural occupations, lack the means to migrate into the bigger cities where poverty may in fact be stagnating due to the creation of slums. Instead, they can move out of poverty by diversifying occupations and moving into smaller rural towns (Christiaensen, De Weerd, and Todo 2013). Therefore, national and state policies and investments need to trickle down to larger and smaller urban areas to provide better linkages between labor, production, and consumption markets. In addition to addressing congestion and other constraints to a more beneficial form of urbanization, the policy focus needs to be broadened to include opportunities in smaller urban centers and rural diversification, by ensuring that there is no “metropolitan bias” in the provision of public services, including infrastructure.

... and mostly in agriculture and nonfarm household enterprises

Notwithstanding the rapid rate of urbanization, agriculture and small nonfarm household enterprises in both rural and urban areas will account for the bulk of new jobs for the foreseeable future. The wage sector, where earnings are generally highest, remains of modest size at 17 percent in 2011, of which nearly ten percentage points (a majority, therefore) are in the public sector. It is likely that resource constraints will limit the expansion of public sector employment, and the private wage sector can and should become the main source of growth. The combination of a small base for wage employment and the high projected rate of growth of Nigeria’s labor force implies that the share of wage employment in total employment will not rise significantly. Estimates for Sub-Saharan Africa show that if resource rich countries of the region register another decade of high economic growth (above 6 percent per year), by 2020 agriculture will still absorb almost half the labor force in these countries (Fox and others 2013).

Even in the case of unprecedented high and sustained growth in the nonagricultural sector, the wage sector will not account for most jobs because it is growing from a small base. Asian countries have shown a tremendous increase in manufacturing employment over the past two decades, reflecting strong growth in industrial output and high employment elasticity; in fact, employment has been growing even faster than output. Under such circumstances, how fast would the employment structure be transformed in Nigeria? Estimates show that even if industry and services value-added were to grow by 10 percent per year and the employment elasticity of industry wage jobs—the jobs created for a given increase in value-added—were to mimic the increases seen in Asian “Tiger” countries, wage employment would expand by some 9 percent per year.

Yet by 2025, nearly twice as many people would still be working in the nonfarm household enterprise sector as in the wage sector. Under more normal but still favorable assumptions, of sustained industrial growth around 5 percent and elasticities more typical of resource-rich countries in Sub-Saharan Africa, agricultural employment would continue to increase by 2 percent per year, and by 2025, the wage sector would account for 20 percent of total employment. This exercise shows that, while it will be important to encourage a formal, urban, and modern sector that can create jobs with higher earnings, Nigeria must also consider how to increase productivity in agriculture and nonfarm enterprises and help young people in particular establish themselves as successful self-employed persons.

Fostering jobs across sectors

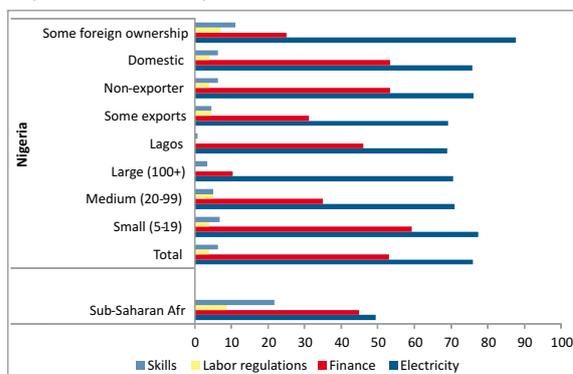
Labor demand in the private wage sector

The story of the wage sector in Nigeria often masks gaps between private wage jobs and public sector employment. Noting the distinction is important, as one might otherwise focus erroneously on expanding the public sector as a solution to producing more wage jobs.

Job creation in the modern private wage sector could be held back by general constraints to firm growth, or by specific labor supply problems that prevent expanding firms from hiring labor. Examples of the latter include high labor costs for a given level of worker productivity, either because wages are comparatively high, because strict labor regulations make it expensive or cumbersome to employ workers, or because the workforce lacks the necessary skills, meaning that workers are not available or less productive in their jobs than elsewhere.

In Nigeria, businesses consider poor basic conditions in the investment climate, rather than labor supply problems, to be the most significant obstacle to business expansion. According to the World Bank Enterprise Surveys for Nigeria (World Bank 2014a), the poor state of basic infrastructure (including electricity and transportation) and the paucity of finance are major areas of concern for enterprises of all sizes, market orientation, and ownership type. In contrast, only 4 and 6 percent of firms, respectively, define labor regulations and workforce skills as major constraints to business. Labor regulations, in fact, appear to be comparatively flexible (Box 5.1). Compared to other countries in Sub-Saharan Africa, Nigeria stands out as a case where infrastructure in particular is identified as a critical issue (Figure 5.5). An extensive government survey of micro, small, and medium-sized enterprises similarly

Figure 5.5: Percentage of Nigerian firms identifying electricity, finance, skill levels, and labor regulations as major constraints, by firm characteristics



Source: World Bank 2014a.

Box 5.1. Do Nigeria's Labor Laws Matter?

The purpose of labor regulations is to address labor market failures that result in inefficient or inequitable outcomes, to avoid excessive worker turnover and underinvestment in training, to improve equality in wage bargaining power, to help insure workers against labor-related shocks, and to remove unsafe working conditions. There may be a tradeoff, however, as regulations that are too stringent could conceivably impose high costs on firms that want to hire more workers or cause higher informality in working conditions as firms avoid regulations. Overall, the impact of minimum wages and employment protection regulations on employment creation has been limited, for several reasons: employment protection regulations appear to be relatively flexible, other problems (like basic infrastructure) are much more important and are thus overshadowing these issues, and high levels of informality circumscribe the reach of labor regulations.

Under Nigeria's common law system, the major sources of labor laws include Nigerian legislation, received English law, and Nigerian case law—that is, decisions of Nigerian courts relevant to labor law. Nigeria has also ratified all of the ILO's fundamental labor standards, among others, and some have been incorporated into national law. However, an International Confederation of Free Trade Unions report indicates serious shortcomings in Nigeria's application and enforcement of the ILO's eight core labor standards. Conflicts between trade unions and the authorities have centered on gender inequality at work, the prevalence of child labor, and union rights such as the freedom of association, collective bargaining, and right to strike.

According to the *Africa Competitiveness Report* (World Economic Forum and others 2013), Nigeria's labor regulations are relatively liberal compared to similar economies in Africa. While Nigeria is ranked 115th globally on competitiveness, it is ranked 44th on labor market flexibility. This largely reflects the lack of stringent regulations on hiring and firing practices. On employer-worker relations, as well as on the relationship between productivity and pay, Nigeria scores lower than its size and level of income would suggest. In relation to this, the minimum wage—at ₦18,000, or about US\$110, per month, compared to the average manufacturing wage of US\$134 per month—could be high.

Source: World Economic Forum and others 2013; World Bank 2012.

singled out finance and infrastructure as key bottlenecks (SMEDAN 2010). One-third of those surveyed firms also reported that not enough qualified workers were readily available for their sector.

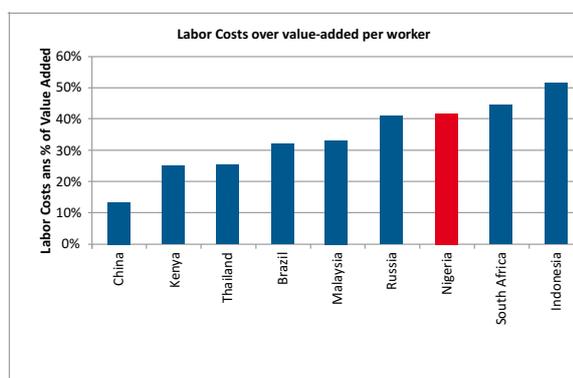
A poor business climate dictates where employment takes place, rather than limiting employment *per se*. As shown, employment creation happens almost “automatically” in Nigeria and other African countries, as young people come of age and have to make a living to survive. As a result, the effect of investment climate conditions on aggregate employment is less strong in Sub-Saharan Africa than in other developing regions. In fact, poor conditions tend to be associated with high growth in very small firms. Instead of holding back employment creation, investment climate constraints allocate labor to less productive activities (Aterido and Hallward-Driemeier 2010).

Wages may be “too high” to be competitive. Do Nigeria’s low income levels translate into low wages that can form the basis for an (international) competitive advantage in, for example, the manufacturing industry, as was the case in several East Asian countries decades ago? In fact, wage levels may be an obstacle to following the Asian countries’ path. Although labor costs in Nigeria are low, they are high relative to productivity, raising unit labor costs for production (Figure 5.6). The minimum wage may also be relatively high compared to average wages, which could, in particular, deter the hiring of young people into those sectors (Box 5.1). Work by Gelb, Meyer, and Ramachandran (2013) shows that African countries, including Nigeria, have high average price levels compared to other developing regions; the ratio of price level to GDP per capita is twice as high in Nigeria as in Vietnam or Bangladesh, for example. All else being equal, African firms also face higher labor costs than firms in other regions, which is likely to reduce demand for labor, and the differences are more significant for firms with low capital intensity.¹⁵ The Africa-specific effect has many potential explanations, including the dominance of

a few firms (which compete for specialized labor) in Africa’s small markets, high external costs that drive out many smaller firms, and the impact of higher wages in nontradable sectors, including government. The significant expansion in public employment, strong concentration of educated persons in the government sector, and public wage premium in Nigeria hints that educated persons in particular may be prepared to be unemployed for some time and “queue” for a well-paid job in the civil servant sector, making it difficult for private companies to compete for qualified persons.

Is there a problem of information that prevents qualified workers and employers from finding each other? There is still limited understanding of how workers find their work and how firms find workers in Nigeria. In a setting where most work remains in the agriculture and household enterprise sector and the private formal sector appears to struggle—mostly on account of nonlabor issues like electricity, transport, and governance—efforts to improve the search for jobs can only have a limited reach. Qualitative work in Lagos and Abuja, although limited to a small number of firms and workers, suggests that firms face significant challenges identifying qualified workers, and skilled workers struggle to identify job openings (Box 5.2). Middlemen exist to bridge this gap, but there may be a case for strengthening job matching in larger cities where supply and demand for a given labor market is so much higher than in

Figure 5.6: Labor costs are not competitive given low productivity in most firms’ production



Source: World Bank 2014a.

¹⁵ Caution is warranted in interpreting these estimates because they may not include informal or part-time workers. Including these may in fact lower the real average wage bill.

Box 5.2: Leveraging ICT for job creation

Information and communications technology has significant potential for accelerating positive economic and social development. (The link between development and ICT is the topic of the World Bank's forthcoming *World Development Report 2016*.) Widespread access is enhancing this potential: the use of mobile phones in particular has expanded rapidly in Nigeria, including to lower-income families. Over 80 percent of Nigerians have access to a cellular phone, and nearly 50 percent of them have their own phone. In contrast, only 7 percent of Nigerians have access to the Internet.

ICT can play a specific role in improving job outcomes by reaching more vulnerable youth or unregistered and hard-to-reach firms. Most ICT-based job functions relate to addressing *information failures* related to job search (where employers and suitably qualified workers cannot identify one another) or productivity (where self-employed workers lack the information they need to produce more efficiently, such as farmers who lack access to crop pricing). These services can be adapted to serve workers with low levels of literacy. In addition, there is a growing market exploiting *technology-related labor opportunities*, such as call centers or digital microwork, through which large-volume tasks are separated into small tasks that can be managed independently and require human judgment. Though not discussed here, there is also the potential to use ICT for skills development to increase employability.

Job search assistance in one form or another has been shown to have moderate effects on employment outcomes, but only in a context where there are many job offers. In countries like Nigeria, where most people work for their family farm or in a nonfarm household enterprise, ICT services focusing on wage work are not likely to have significant aggregate effects. Nonetheless, they may serve a function in larger urban centers where the effectiveness of word-of-mouth transfer of information is limited.

In-depth interviews with job seekers, employers, and recruiters in Lagos and Abuja point to a disconnect between jobs and workers, both skilled and unskilled. They also show, unsurprisingly, that job search methods differ: those with more education looking for a skilled job (professionals) use smart phones or computers to search for information, find job vacancy notices, and so on, while less skilled workers primarily use basic cellular phones (with text and audio functions, but no access to Internet or email) to obtain jobs through informal networks or word-of-mouth. Existing services in Nigeria are focused on job listings, mostly for prospective wage employees, both low-skilled (such as cleaners) and high-skilled.

ICT for job creation

ICT Service	Description	Examples	Problem Tackled
Matching employees to firms	Service that screens applicants and employers to provide match; comparable to a headhunter for both formal and informal jobs	Not available in Nigeria. Elsewhere: Babajob, Recrutier	Employees and employers cannot find each other effectively
Job lists, full-time hire employees	Lists all types of opportunities; unscreened applicants can contact the employer	Jobberman.com, Najajobs.com, Hotjobs.com	Employees cannot locate opportunities
Job lists, self-employed	Lists all types of opportunities; unscreened applicants can contact clients	O desk, Graphic Designer Jobs, Carpentry Jobs	Self-employed persons cannot find short projects
Information for self-employed (in or out of agriculture)	Provides firms with information to improve their business	Not available in Nigeria. Elsewhere: Crop pricing data via SMS	Self-employed less productive due to lack of information relating to their business
Resume building, posting services	Service that helps applicants create a resume; may post the resume for employers to find, potentially including reference services	Not available in Nigeria. Elsewhere: Babajob, Souktel	Job seekers do not have or do not know how to prepare a resume that signals their competencies to employers
Globalizing jobs with ICT	ICT is used to outsource jobs to developing countries	Call centers, microwork (Samasource)	Firms pay high labor costs in developed countries

Source: Shah 2014; World Bank 2012; www.samasource.com.

smaller urban centers or in the countryside.

Aside from providing opportunities for channelling jobs to workers, technology may also contribute directly to job creation. The relatively broad reach of ICT, and mobile phones in particular, in Nigeria points to the potentially significant role that technology can play in improving job outcomes more broadly. In addition, ICT provides a new means of outsourcing services to developing countries like Nigeria.

The role of natural resources in promoting wage sector job creation needs to be considered. This report has shown that Nigeria combines middle-income status and Africa's largest economic power with high poverty levels, largely because the main sectors of economic growth are disconnected from the sectors that provide employment, notably subsistence activities

in the agricultural and services sectors. This is particularly evident for the mining sector, which creates wealth but accounts for very little direct employment creation—less than half of one percent of total employment in 2011. In addition, there is a risk that a dominant extractive resources sector can have negative indirect effects on job creation (Box 5.3). Nigeria would benefit from using its considerable natural resources wealth for job-enhancing investments in basic infrastructure, for example, and to support diversification of production and exports. Improved natural resource management requires stronger institutions. From this perspective, there is work left to do in Nigeria. The country ranks low in several international comparisons, even by Africa's generally lower performance standards.¹⁶ Strengthening economic and political governance in Nigeria could deliver more benefits and jobs.

Box 5.3: Natural resources and jobs—avoiding the Dutch Disease

Extractive industries provide Nigeria with significant export revenues and foreign exchange earnings. Given the capital-intensive nature of the extractive sectors, their direct contribution to jobs is generally small and their links to the rest of the economy are weak. The indirect jobs that are created tend to be high value-added jobs in major cities and hubs, with little impact on poor people. Without a strong policy framework, moreover, oil wealth can have significant negative indirect effects on competitiveness and employment because these resources tend to be spent disproportionately on consumption and with an urban bias, rather than much-needed investment for the poor.

The Dutch Disease, so named after the Netherlands' experience with gas revenues in the 1950s, manifests if natural resource export revenues result in higher demand for nontradable goods and services, including through greater government spending. The resulting appreciation in the real exchange rate harms the competitiveness of international prices for tradable goods and services outside natural resources (such as manufacturing or agricultural goods), while investment tends to be driven away from the tradables sector and into natural resources or nontradables. The result is lower demand for tradable goods and subsequent job losses.

Macroeconomic policies that stabilize the impact of inflows and increase national savings—accompanied by policies that encourage diversification, education, infrastructure, and innovation—can help reduce these effects. The *World Development Report 2013* offers a description of how Chile's "save management" of copper riches helped avoid the trap of insufficient diversification, poor governance, and poor employment outcomes that resource-rich countries so often face.

Source: World Bank 2012.

¹⁶ Nigeria ranks 144th out of 177 countries in Transparency International's 2013 Corruption Perception Index, 37th out of 52 African countries in the 2014 Ibrahim Index of African Governance, and 115th out of 144 countries in the Africa Competitiveness Report 2013 (Transparency International 2013; Mo Ibrahim Foundation 2014; World Economic Forum and others 2013).

Household enterprises

Because of the private wage sector's limitations in Nigeria, the household enterprise sector is likely to continue to absorb a significant share of those who leave the agriculture sector through more self-employment. Wage employment growth, at least in developed regions, is often driven by a handful of high-growth firms whose productivity and employment expands rapidly. Household enterprises are not such "gazelles," however, and few of them can be expected to account for any significant employment growth beyond the size of a microenterprise. Employment and income diversification in the household enterprise sector tend instead to expand on the extensive margin, with more household enterprises created through self-employment—that is, "nonwage" work (Filmer and Fox 2014). Given their role as a source of income diversification for the poorest, in tandem with a transformation out of agriculture, it will be important to help these firms increase their productivity and earnings. These income activities are broad and diverse, however, and we know little about what works to grow their income potential.

Household enterprises face significant constraints in the business environment and with regard to skills. Realizing the potential of household enterprises is an important policy objective, both in helping people enter the sector and to increase their viability and profitability once established. Yet the small size and informal nature of these home-based businesses leave them under the radar of policy makers, compared to formal wage employment in small and medium enterprises (SMEs) or larger firms. When acknowledged, they are often seen as an illegal sector. Like formal firms of many sizes, they suffer from lack of access to finance, poor infrastructure, and limited access to markets, and their small and irregular nature makes them vulnerable to harassment. Urban policies rarely take market space for household enterprises into account, and in some areas they are explicitly discouraged (Watson 2011). In addition, the

level of basic, entrepreneurial, and technical skills is generally significantly lower in the informal household enterprise sector than in the formal wage sector. Those working in the firms as owners or contributing family members tend to have lower numeracy and literacy and much less formal schooling. Vocational programs are rarely tailored to their specific needs and constraints (Adams, Johansson de Silva, and Razmara 2013).

The income activities of household enterprises are broad and diverse, and little is known about how to expand their income potential. A multitude of initiatives exist to support self-employment in developing (and developed) countries, yet lessons from their implementation are difficult to identify due to the heterogeneity of programs. These initiatives vary widely in targets and approach, lack rigorous evaluation methods, and tend to focus on output indicators such as the number of beneficiaries, rather than on outcome indicators such as business growth or improvement in earnings (Box 5.4).

The agriculture sector

Agriculture will remain Nigeria's largest employer in the near future, unless growth in the nonagricultural sector becomes highly labor-intensive. Because the sector consists mostly of smallholder farmers cultivating small land sizes of about one hectare, on average, with low levels of productivity, there is significant scope for improving income opportunities. Enhancing small farmers' productivity would serve as an engine for nonfarm activities if it were to increase jobs and income, along with demand for goods and services in rural areas and smaller urban centers. Indeed a recent household survey-based analysis (Oseni, McGee, and Dabalén 2014) found that a 10 percent increase in agricultural productivity decreases the likelihood of being poor by 2.5 to 3 percent. It requires overcoming the main constraints that farmers face in Nigeria, including low recourse to inputs, poor quality of inputs, low access to credit and markets, and weak technical knowledge and practices. Income from wages and other nonfarm activities has

Box 5.4: What is known about the effectiveness of support for self-employment in developing countries?

The self-employed are a mixed group. Most are unpaid family or own-account workers in household enterprises with subsistence activities, although they include those heading SMEs. Existing program evaluations suggest that many programs focus broadly on SMEs and microenterprises, but may for those reasons fail to respond to the needs of subsistence entrepreneurs. Yet the aspirations, needs, and constraints of the latter group may differ greatly from those of the typical SME owner (Cho, Robalino, and Romero 2014) in terms of skills development (including entrepreneurial intent), access to finance and social capital, access to markets, and navigation around cultural and social norms. Even when focusing on programs for microenterprises, guidance for policy makers is limited, as most interventions do not use rigorous methods that can determine program impact or, possibly, because the time horizon for implementation and evaluation is too short to allow businesses to change.

Existing metaevaluations show that program impact is mixed. For example, Cho, Robalino, and Romero (2014) find that less than half of the 100 or so microenterprise programs they review have positive impacts, and that even positive impacts are generally small. Integrated programs that involve training, access to finance, mentoring, and so on, appear to work better than stand-alone finance programs. Similar reviews find that microcredit schemes, while helpful in starting businesses, do little to expand opportunities for existing enterprises and training interventions, and while they are helpful in improving business practices, they do not tend to improve sales (Cho and Honorati 2013; Grimm and Paffhausen 2014). A literature survey of business training programs shows much less impact on firm survival than on establishment of firms, indicates that training does improve business practices but only marginally, and shows that the impact on sales and turnover is generally insignificant (McKenzie and Woodruff 2012). Overall, results appear to be less favorable for women, most likely reflecting the additional constraints they face in terms of family responsibilities and norms regarding work.

The argument for helping household enterprises increase their profits and, where possible, engage in more dynamic economic sectors is solid. However, because of the limited evidence base and the fact that most program evaluations are small pilots, careful consideration is needed to identify the appropriate constraints—especially for household enterprises and microenterprises, and for the individuals who run them—and test appropriately different approaches.

a larger effect on poverty reduction than income from agriculture. Therefore, while improvements in agricultural productivity are critical, providing off-farm opportunities for jobs and self-employment would be equally or even more beneficial for rural households.

Promoting private sector-led agribusiness value chains that integrate small farmers, and focusing on the country's fast-growing domestic markets for processed products, may provide significant income opportunities to rural areas. Several facts point to an untapped potential for domestic agriculture and agribusinesses in Nigeria: (i) the country has the fastest-growing food market in Africa but depends on imports; (ii) as the world's largest producer of cassava, yam, and sorghum, Nigeria has a large staple production base, but very little is processed locally; (iii) there are important yield gaps for major crops, ranging from 69 percent

to more than 200 percent compared to Asian countries; and (iv) there are untapped resources in terms of uncultivated land and water resources for irrigation systems. The experiences of other developing countries demonstrate the significant role that agro-based industries could play in economic development and rural incomes. More generally, an increasing body of evidence confirms the direct correlation between agribusiness development on the one hand and economic growth and sustainability on the other (FAO 2010; Yumkella and others; World Bank 2013) through upstream and downstream integration with other sectors of the economy.

Reforms are needed to overcome major constraints to private sector investment in agriculture. These include, *inter alia*, poor infrastructure (such as roads, energy, storage, and water supply), inadequate financing,

unreliable supply of raw materials, and an unpredictable policy and regulatory environment. With the Agricultural Transformation Agenda (2011), the government is now fostering business-friendly policies in the sector, including: (i) broadening the reach of the fertilizer subsidy program for smallholder farmers and making it more efficient and business-oriented under the Growth Enhancement Scheme; (ii) promoting investment in productivity-enhancing technologies and improving the marketing of agricultural products; (iii) reducing the cost of doing business in agricultural production and processing to attract private sector investment in agribusiness under the Staple Crop Processing Zones (SCPZs) program; and (iv) facilitating access to financing. In response, a number of global and domestic agribusiness companies have expressed interest in investing in Nigeria and have started to develop initiatives under the SCPZ program. In addition to streamlining ongoing reforms to accelerate the move, the government would need to develop adequate arrangements with the private sector in line with international guidelines on responsible investments in agriculture to ensure the inclusion of small farmers and attention to social and environmental sustainability, while reducing the risk of land grabbing (FAO 2012, 2014).

Building skills for the labor market

While enterprise surveys show that businesses do not consider skills deficits to be a major constraint (World Bank 2014a), they are likely to become an issue as Nigeria develops its economy. The shift toward jobs that involve more knowledge-based tasks will require new skill sets. Yet adult workers' skills are the outcome of an education and skills system that encompasses many years of cumulative learning. In some areas of the country, severe gaps in access to education—particularly for girls—will drive inequality in access to job opportunities for the next generation. As a result, investment is needed now to avoid significant bottlenecks later.

Improvements are needed in the quality and accessibility of basic education to accommodate the growing numbers of children and young people. Investments in early childhood development, including adequate nutrition and activities to develop cognitive abilities, are cost-effective compared to interventions later in life. Building an educational foundation through basic literacy and numeracy, together with workplace skills such as discipline, team building, and familiarity with learning situations, has been shown to be important for successful work as a self-employed entrepreneur and is strongly associated with access to apprenticeships (Adams, Johansson de Silva, and Razmara 2013). Given the coming expansion in Nigeria's child population, the number of school places must expand rapidly. In particular, significant effort and investment will be needed to increase access for marginalized groups, including children of poorer households and girls, and to ensure that access translates into real and relevant learning for all. At the same time, it will be essential to address constraints on the demand side by raising the value of education for parents and children, and lowering the cost of access for more vulnerable groups.

Beyond basic education, improving the relevance of education will be essential to increase employability and foster more productive enterprises. There is a reported lack of skilled individuals in technical vocations in Nigeria. Formal, public vocational education and training centered on preparing students for a specific occupation is limited, both at secondary and post-secondary levels. For the few students who attend these colleges, training remains largely supply-driven. Approaches to content and teaching are dated, and equipment and facilities are poor (World Bank 2014d). Addressing these issues will require stronger collaboration with the private sector to ensure the relevance of the curriculum, increase exposure to the world of work, and provide students with connections to support their search for work after graduation. The mainstream education

system is complemented by nonformal training and by apprenticeships, both of which are likely to far exceed formal training methods in volume. Although these are more accessible forms of training, not enough is known about their quality and relevance.

Apprenticeships are the most common mode of training for the self-employed, especially in the informal sector. Traditional apprenticeships have several strengths, including their accessibility for young people with limited prior education and low ability to pay, self-financing, flexibility, and a combination of work and on-the-job learning. On the other hand, their efficiency depends on the knowledge of master craftspersons who may lack updated technical or pedagogical skills, and they provide no standardized certification that can be acknowledged in the labor market. Given their greater accessibility compared to formal vocational training, it is important to consider ways to improve the quality of training and the value of apprenticeships in building market-relevant skills.

Flexible forms of training are needed to reach the self-employed. Most education and training options, including apprenticeships, center on the pre-employment period. However, given the early entry into self-employment by many of those who operate small household enterprises, it is important to consider policies to help those who are already working. Such policies need to take into account the constraints and needs of many smaller firms, including offering opportunities to pay for training through means other than cash or by combining production and work, designing modular courses that permit workers to combine business activities with skills upgrading, and addressing the need for multi-skilling (Adams, Johansson de Silva, and Razmara 2013).

Reducing income volatility over the short term

Safety nets are needed to prevent people who do not have a job from falling into (deeper) poverty and to protect economic development over the longer term. Economic crisis and income vulnerability can have painful effects on workers in sectors affected by shocks, but also risk weeding out innovative new firms and eroding human capital (Paci, Revenga, and Rijkers 2009). The low connectivity between Nigeria's employment structure and global markets means that vulnerability is not transmitted to Nigerian households primarily through shocks in international prices or demand. Nonetheless, poorer households need to manage both low and uncertain labor income. As shown in Section 4, those in low-income employment, especially in agriculture, become unemployed or inactive in the season when there is no work to be done on the farm. Furthermore, given the reliance on low-technology, rainfed farming, half of Nigeria's working population depends on weather conditions for their daily bread.

Nigeria has various social safety net programs at the state level and is currently developing a national program to support those in extreme poverty. Social safety net programs have been implemented by the government and development partners at all levels, and for various stages of the life cycle, but most are small and fragmented. However, the absence of a coherent framework and institutional home for social safety nets has resulted in a proliferation of social assistance programs across the country, most of which are modest in scale and target widely varied groups of beneficiaries. The government is working to design a National Social Safety Net Program that would provide income support to poor people, including those whose labor income is not sufficient to keep them out of poverty.

Policy makers often turn to public works programs to provide poor people with short-term employment and income support. Public works programs generally provide temporary employment at low wages to unskilled manual workers on labor-intensive projects such as road construction and maintenance, irrigation infrastructure, reforestation, and soil conservation. When the wage rate is set at an appropriate level, these programs can be an effective tool for reaching poor people and an important element of a

broader safety net system. Nigeria has several such schemes underway, some of which are more comprehensive programs that include building employability or fostering firm creation over the longer term. A priority in Nigeria, as in other countries, is to measure and rigorously evaluate these experiences to understand how public works programs can be designed to improve employment outcomes (Box 5.5).

Box 5.5: What role can public works programs play in jobs and employability in Nigeria?

While Nigeria does not have a national public works program on the scale of Ethiopia or India, for example, it has been implementing federal and state-level initiatives since the mid-1980s. One early venture at the federal level was the Job Creation Program of the National Directorate of Employment (NDE), which was set up in 1987 to deliver on the government's objective of generating employment opportunities for the growing workforce. Since its launch, the NDE has implemented a variety of programs, including public works, training, and apprenticeships. In 2011 it estimated that the full set of NDE programs have provided employment to over 3 million unemployed workers. Implementation challenges have included limited funds, inadequate training facilities, and low private sector involvement.

The Subsidy and Reinvestment and Empowerment Program began in 2012 as a response to the partial removal of oil subsidies. It includes a set of labor-intensive programs across federal ministries, departments, and agencies, including maternal and child health care, vocational training, mass transit, and community services. Some of these programs target specific groups, such as women and unemployed young people.

The National Job Creation Scheme, announced by the Presidency in 2010 with seed funding of ₦50 billion, is meant to include labor-intensive public works in sectors related to the MDGs. The program's status is unclear, however.

Beyond the federal level, states such as Lagos, Edo, Jigawa, Bayelsa, and Ekiti have their own labor-intensive works programs. Lagos has been the most active in reporting on its programs. The Rice for Jobs Scheme, for example, reintroduced rice farming with an emphasis on implementing modern irrigation systems. The Agriculture Youth Empowerment Scheme, also in Lagos, provides training to involve young people in modern agricultural practices. This program exemplifies the global trend toward "Public Works Plus" programs, which go beyond temporary employment to include training and/or savings to graduate participants out of poverty and connect them with longer-term formal sector employment or self-employment.

Measurement and evaluation of these experiences will be essential to understand how public works programs can be designed to have the most beneficial effect on employment outcomes. The impact evaluation planned under the Nigeria Youth Employment and Social Support Operation offers a promising learning opportunity. The evaluation will assess how complementary life skills training can assist beneficiaries in graduating from public works programs to self-reliance.

Source: Utah 2014; Subbarao and others 2012.

Improving data for policy making

Efforts to identify appropriate employment policies must be based on reliable data and rigorous analysis. This report has been conducted without the use of a formal labor force survey or firm surveys, relying instead on national household survey data. This experience has highlighted three broad areas that need attention to improve labor data in Nigeria. First, general data quality issues precluded the use of some survey rounds. With the exception of GHS-Panel data, the authors spent considerable time cleaning data to produce consistent and credible statistics. Second, poor documentation and archiving eliminated some data from consideration. In some cases, only partial data could be located. In other cases, data were more complete but documentation was insufficient to make use of them, especially to produce national statistics using proper sample weights. Later survey rounds were much improved, especially in the case of the GHS-Panel, which had both excellent documentation and archived data files. Third, the labor modules of survey questionnaires were not always standardized. Although the GHS annual survey maintained consistent questions, the structure of questions varied across other data sources. It is recommended that the core labor module of every household survey start from a set of standardized questions to maintain consistency.

Continued improvements in the quality and focus of the household survey series will be important. Looking forward, a labor force survey series would be ideal for labor analysis. Given resource limitations in the national household survey program, however, investing in the household survey series and improving its quality is of higher priority than conducting another one-off labor force survey. On the firm side, enterprise surveys are a crucial source of details around firm constraints as well as general employment statistics, depending on sample coverage. There is scope for synchronizing the statistics generated from these various surveys—that is, for collaborating on cross-sectoral total labor estimates between household and firm surveys, which has not yet been done.

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