

# Analyzing Employment and Growth for Better Economic Policy



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## CHALLENGE

Nigeria's economy has relied disproportionately on oil revenue, which made the country vulnerable to global price fluctuations. As a result, Nigeria has long aspired to grow additional sectors of its economy to diversify, spread the wealth, and insulate itself from booms and busts. During the period 2001-2007, Nigeria's non-oil economy recorded sustained, broad-based growth. In fact, the average growth was more than double the average growth between 1995 and 2000. On the surface, it seemed like good news. But the question remained for public officials and policymakers alike: what was the impact on employment and income distribution? What did this mean for future growth strategies and industrial policy? Had the country indeed made progress in its competitiveness and trade?

## APPROACH

In collaboration with IDA, the Nigerian Government launched an Employment and Growth Study in 2008 to assess the impact of this strong growth performance on employment, and then develop a growth strategy that would help sustain and further accelerate Nigeria's job creation and growth. Designed in close collaboration with the Federal Ministry of Labor and the Federal Ministry of Commerce and Industry, the study was prepared by World Bank Group economists and consultants. It covered the evolution of Nigerian employment and incomes since 1996; developed a growth strategy and a framework for implementing an industrial policy; reviewed the country's technical and vocational education system; and assessed the impact of import bans on Nigeria's competitiveness and trade. The conclusions were instructive: the study found that notwithstanding strong growth in Nigeria's non-oil economy, unemployment did not fall between 1999 and 2006. On the contrary, youth unemployment markedly increased during the same period. The analysis revealed that Nigeria's growth performance has not responded to the employment aspirations of its population as a whole, especially the younger generation. While jobs seemed to have grown in proportion with the labor force, most were created in family agriculture. Whereas this led to income growth and declining rates of rural poverty, wage employment had actually declined.

## RESULTS

### Highlights:

- **Growth strategy endorsed by policymakers.** The Growth Strategy component got the attention of Nigeria's Federal Minister of National Planning, who is in the process of designing Nigeria's Vision 2020—which aims at developing a growth strategy for the country to become

one of the world's 20-largest economies by 2020. Subsequently, he endorsed the study's key recommendations and cited it as a key input to Vision 2020.

- **Critique of technical and vocational education system supported by policymakers.** The study's critical review of Nigeria's technical and vocational education system resonated strongly with several key policymakers. They subsequently advocated developing a more integrated framework for skills formation, building on those sectors with the highest growth and employment potential.

- **Public sector position on import bans changing.** Following the study's presentation, the Minister of National Planning stated that the import bans had not been effective, and should either be replaced by high tariffs or abolished. The study had found that import bans had adversely impacted on Nigeria's competitiveness and contributed to port congestion and customs inefficiencies, while not meeting their stated objective of protecting key domestic industries.

- **Widespread communication of findings.** In June 2009, the 36 state Commissioners of Finance attended a meeting where they discussed the study. State-level workshops are forthcoming.

## IDA CONTRIBUTION

The Employment and Growth Study was a primary component of IDA's collaboration with the Nigerian Government.

## NEXT STEPS

The study's main implications are that if Nigeria is going to create more quality jobs, it needs to boost labor demand and improve labor supply. To boost labor demand, Nigeria should promote economic sectors that are likely to be competitive globally. Liberalizing its trade policy and replacing import bans with tariffs should complement that approach. To boost qualified labor supply, the country should put in place a policy framework for skills development.

The study is poised for more dissemination. Representatives from the World Bank Group have been invited to brief the Governors of all of Nigeria's 36 states, as well as the National Economic Management Team (NEMT). They plan to focus discussion on the need for more public-private partnerships to overcome binding constraints to growth, particularly in sectors with high growth and employment potential; the development of a coordinated approach to skills development; and a gradual liberalizations the trade policy.

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