African Union | AUDA-NEPAD AFRICAN UNION DEVELOPMENT AGENCY

MACROECONOMIC AND SECTOR ANALYSIS

REPORT: NIGERIA

The African Union Development Agency (AUDA-NEPAD) through the Skills Initiative for Africa (SIFA) commissioned a study to prioritise three economic sectors in Nigeria which, based on forecasts, and controlling for the impact of COVID-19, would lay the groundwork for targeted activities aimed at improving skills in the country. In order to do this, a mixed methods (quantitative and qualitative) analysis was undertaken to understand labour demand and labour supply in the country. These findings were then verified and discussed by professional representatives in the skills planning space from Nigeria, who assisted in the completion of a widely validated report.

Labour Demand is defined as **the amount of labour that employers need to hire in a given time period**

Labour Supply is defined as **the amount of labour that households can provide employers in a given time period**

In most cases, it is not possible to measure labour demand and labour supply directly. Because of this, an analysis of labour supply and demand has to rely on a deep understanding of all relevant quantitative and qualitative evidence at one's disposal.

Labour Demand in Nigeria

Quantitative evidence, and evidence based in the literature, were used to rank economic sub-sectors in Nigeria based on whether those sub-sectors were expected to demand more labourers in the next 3-5 years. The following signals (indirect measures) were used to assess labour demand in each sub-sector:

The sub-sector is gender equitable as an employer

The sub-sector is identified as being a strategic priority for the government

The sub-sector shows evidence of relatively strong GDP growth and employment growth/employment absorption

The sub-sector is going to be impacted by COVID-19

The sub-sector contributes largely to national GDP and employment

These factors were combined together into an index using Principal Components Analysis. This index measures labour demand between now until 2024 in Nigeria at a sub-sectoral level. **If GDP growth was not forecast to be the highest for a given sub-sector, it might still rank in the top 3 sub-sectors due to that sector exhibiting other signals. The evidence is all reviewed simultaneously, and not in isolation.**
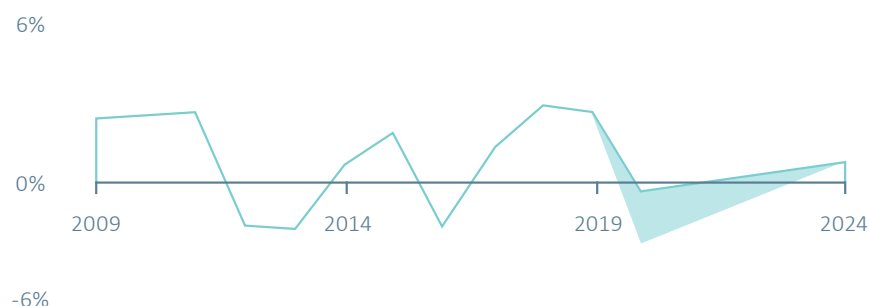
At a national level, COVID-19 is expected to have a large impact on Nigeria:

National Real GDP Growth
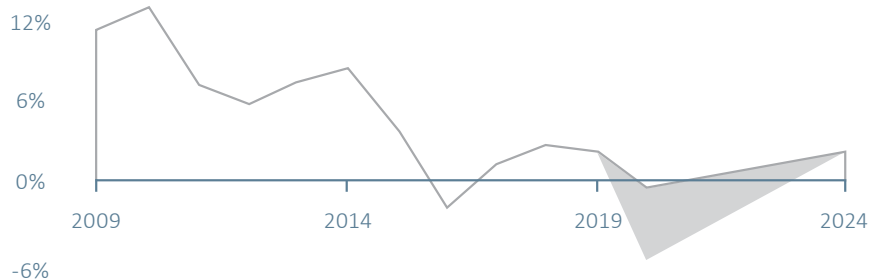
In the worst case, the Nigerian economy is set to contract by between 3 and 5% in 2020. This translates to just over 900 000 jobs being shed by Africa's largest economy.

National Employment Growth Rate

Based on this index ranking system, the three sectors exhibiting the strongest signals of labour demand are:

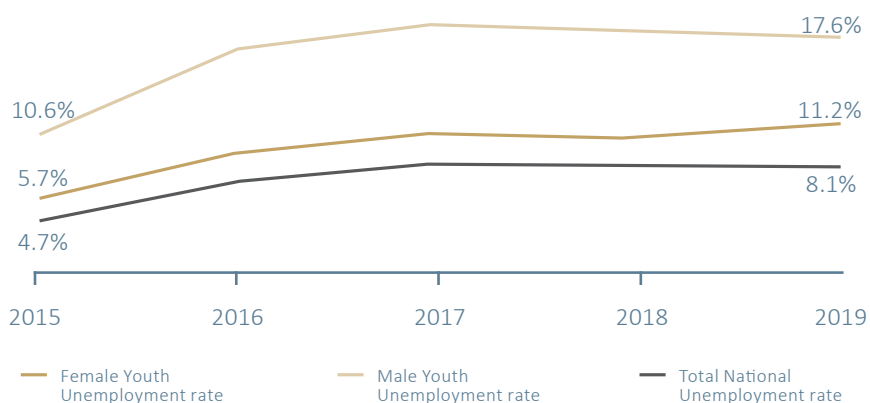 Wholesale and Retail Trade

 Agriculture, Forestry and Fishing

 Construction

These sub-sectors all contribute greatly to the Nigerian economy, whilst also being strategic priority sub-sectors to the government.


Nigeria Labour Supply Analysis

By global standards, unemployment in Nigeria is quite high. At a national level, in 2019, the unemployment rate sat at 8.1%

However, both male youth and female youth unemployment remain much higher than the national average. This is particularly true for female youth unemployment, which is more than double the national average unemployment rate (17.6% in 2019).

This signals that the Nigerian economy is not sufficiently able to absorb its youth into the working world, which is a source of concern in the country.

65%
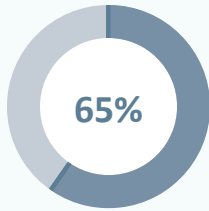
Estimate of the proportion of Nigerians employed in the informal sector

39m

This translates to the informal sector accounting for roughly 39 million people, according to estimates of the total labour force from the ILO

87% of females are self-employed

77% of males are self-employed

Informal employment and the proportion of workers self-employed are both high in Nigeria. Because of this:
1. Job security is potentially moderate in the economy, and
2. Skills levels are potentially moderate as well, given the low informal employment rate, but the extremely high self-employment rate

Our estimates suggest that 16% of the Nigerian population has some form of post high school qualification.

Of these, roughly

6.4 MILLION NIGERIANS

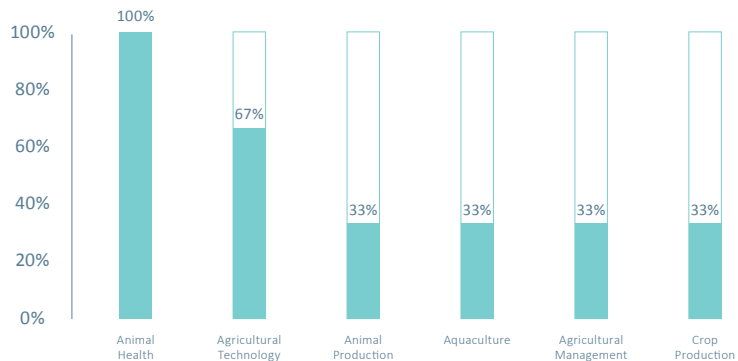have qualified through the TVET system in the country

Completed Higher Education	16%	Highly Skilled
Completed Secondary Schooling	36%	Moderately Skilled
Completed Primary Schooling	17%	Low to moderately Skilled
Not Educated	31%	
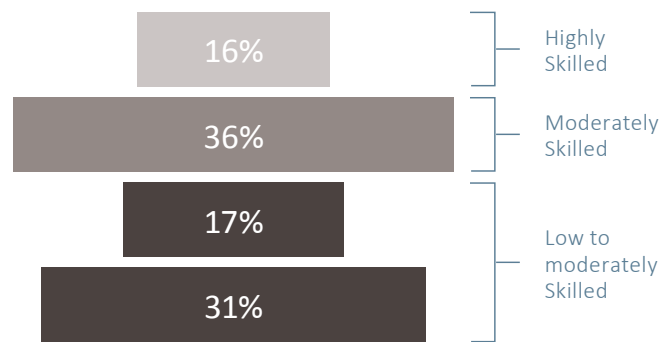
DNA Economics administered a survey to individuals in Nigeria with a vested interest in skills development within the country. First, from an agriculture perspective, the following fields emerged as being extremely popular among students:

More specifically, the fields of animal sciences (animal health and animal production particularly), aquaculture, agricultural management and technology, and crop production are also all in high demand in the country. This signals that, although the courses are popular among students, throughput is still insufficient for the market.

In terms of Wholesale and Retail trade, the Nigerian economy is a set to become a global powerhouse in the E-Commerce space. This leaves room for individuals with training in the following fields: Marketing, Market analysis, E-commerce application development, Logistics and storage, Agricultural E-commerce (which will assist the country in moving away from more expensive food imports where feasible).

■ Proportion of Respondents Pointing out which Fields of Study are Most Popular

Animal Health 100%
Agricultural Technology 67%
Animal Production 33%
Aquaculture 33%
Agricultural Management 33%
Crop Production 33%

Finally, the survey and subsequent literature analysis pointed out that, in the construction sector, the following artisanal skills (above and beyond skills in draughting and technical drawing) were in extremely high demand in Nigeria:

PLUMBING	BUILDING FINISHING (tiling, roofing etc.)
MASONRY	FABRICATION
PIPE-FITTING	WELDING

Validation discussion points

The validation conducted with stakeholders in Nigeria provided the following input:

· Broadly, the sectors identified overlapped directly with the sectors identified as Nigeria's overall strategic priorities going forward.

· However, stakeholders also pointed out that they were surprised that mining and quarrying was excluded from the analysis. While mining and quarrying houses oil refining, which makes up a large proportion of the country's GDP, the most recent vision statement by Nigeria stated that the sector would be diversified away from oil refining in the future.

Conclusions and recommendations

Based on the discussions and a balanced view of quantitative and qualitative evidence, the three sectors that should be focused on are indeed the:

1. Agriculture, Forestry and Fishing sub-sector,

2. Wholesale and Retail sub-sector, and

3. Construction sub-sector

· In Nigeria, the following fields of practice show strong TVET participation:
  · Animal sciences (this is especially in the sub-areas of animal health, veterinary nursing or veterinary technologists) and animal production (animal husbandry and optimal animal feeding),
  · Aquaculture,
  · Agricultural management and technology, and
  · Crop production
· However, they are also in extremely high demand in the country, which means that employers are struggling to find a sufficient supply of individuals with this form of training in the Nigerian labour market.

· Soft skills (i.e., teamwork, client interaction, etc.) seem to be lacking in the country. However, it is difficult to provide training for these skills.
· However, because the country is moving towards cashless transactions, E-Commerce is a booming industry which is expected to grow in the future. Currently, the following fields related to E-Commerce are undersubscribed:
  · E-commerce application developers or stress testers,
  · Marketers and market analysts,
  · Agri-product E-Commerce buying, and selling.

· The construction sector in Nigeria relies on foreign skills. In order to curb this reliance, the Nigerian economy would need to develop individuals with the following expertise:
  · Welding,
  · Fabrication,
  · Plumbing,
  · Pipe-fitting,
  · Building finishing (flooring, tiling, and roofing) and
  · Masonry.