

The Effectiveness of Government Employment Policies in Nigeria

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Abstract: Rising unemployment accompanied by social vices among young people is threatening the very foundation of Nigeria as a nation. Successive governments in Nigeria had adopted various policies to create jobs and reduce unemployment. In spite of these various Federal Government employment policies of successive governments in Nigeria, unemployment rare has continued to rise unabated. This has informed the need to embark on the present study with a view to determining the extent to which various employment generation programmes of the government had proved effective for achieving full employment in Nigeria, The design was essentially a descriptive survey. Data were sourced from the National Bureau of Statistics, Abuja and Central Bank of Nigeria, Abuja. Data were analyzed using times series components of trend, seasonal variation and random factors. Coefficient of determination was also used for the analysis. The study shows that employment policies of successive governments were not yet adapted to achieving full employment. Based on the findings, recommendations were made for an increased labour-promoting employment generation strategy to create more jobs that will help to reduce the high current open unemployment in Nigeria.

Keywords: Job creation, employment, unemployment, small and medium scale enterprises, employment generation policy.

I. Introduction

Job creation for full employment of labour was recognized early in Nigeria by policy makers as an important process of aligning economic growth with the development needs of the country. The First National Development Plan (FNDP)(1962-68) had, as one of its cardinal objectives, the development of employment opportunity which would be accessible to all citizens, The Second National Development Plan (SNDP) used industrialization as envisaged in the industrial policy to create more employment opportunities (FRN,1970). Even the 3NDP and 4NDP also have as one of their objectives, “the reduction in the level of unemployment” (FRN,1975; FRN,1980).

Between 1973 and 1981, employment expanded in the public sectors, the private sector and the services sector (Ibe,1994). However, the continuing fall in crude oil price since1982 and the accompanying reduction in foreign exchange earnings had resulted to shrinkage in government revenues, shortage of raw materials and spare parts for the import dependent manufacturing sector and a depression in the business of firms retailing and servicing imported goods. The reaction of public and private sectors to their changing fortunes was the adoption of a strategy of retrenchment of workers. Thus, there was a considerable contraction in employment opportunities which had constituted serious unemployment problem in Nigeria.

Persistent problem of unemployment engaged the attention of different Federal Government administration which resulted in employment generation programmes and policies targeted at the menace of unemployment in the Nigerian polity. Prominent among these programmes are the establishment of the National Directorate of Employment (NDE) in 1986 by the Babangida led administration and National Economic Empowerment and Development Strategy (NEEDS) by the Obasanjo led administration. On close examination, it would become almost evident that sources of employment generation under NEEDS could be categorized into education, investment and public policy.

Thus employment generation in Nigeria had three important sources. Firstly, there was education, second was investment. The third source was public policy. This study related to the third source i.e. a detailed analysis of employment generation under various Federal Government employment policies. An in-depth understanding of the main thrust of various Federal Government policies on job creation, rate of growth of employment and the degree of susceptibility of total employment to internal and external shocks is required to remove inconsistencies in the various employment generation policies of different administration and to make adjustments for the periodic reviews of these policies.

1.2 Problem Statement

Rising unemployment rate in Nigeria has now constituted a bane of economic development of Nigeria. “Joblessness has resulted in a rising incidence of social ills among young people.” (NPC, 2004). Urban unemployment of 10.8 per cent was considered too high for Nigeria with urbanization rate of 5.3per cent.

Successive governments in Nigeria had adopted various policies to create jobs and reduce unemployment. These employment policies were pivoted around small and medium scale enterprises (SMEs) as veritable instruments to impact skills and provide financial assistance to the unemployed persons. In spite of the various strategies and targets of successive governments, unemployment in Nigeria has continued to grow unabated.

The continuing rise in unemployment rate is an evidence of the failure of the employment policies to achieve their objectives. The present study was not focused on identifying causes of the policy failures. Economic literature is already replete with studies which had identified the factors influencing policy implementation in Nigeria. Rather this study was aimed at a detailed analysis of data pertaining to job creation in Nigeria with a view to determining the degrees of conformance of the results of employment policy implementation to the main thrusts of these policies. Therefore, the problem of this study has been mostly aptly posed in the question form. 'To what extent did the Federal Government job creation programmes prove effective for achieving full employment in Nigeria.'

1.3 OBJECTIVES OF THE STUDY

This study was undertaken with the following objectives in view

- To determine the extent to which job creation in Nigeria is subject to contingencies.
- To ascertain the extent to which policy attainment in job creation conforms to the major thrust of FG employment policy.
- To determine the extent to which job creation contributed to total employment.

II. Literature Review

Several theories have been put forth by eminent researchers and scholars on employment generation and unemployment. Important among these have been reviewed.

2.1 Theoretical Framework

Expanding decent and productive employment is at the heart of nations macroeconomic policies geared towards poverty reduction. In spite of its importance, the implementation of policies on employment creation in many developing nations has not yet yielded much impact as there is a wide gap between the jobs available and number of job seekers actively seeking work in most poor nations.

According to Adebayo and Ogunrinola (2006), not only is the level of decent jobs diminishing, the challenges of globalization and economic liberation have brought about new realities having uncertain implications for employment creation in many developing nations.

Englana (2001) opined that the employment provisions offered by an economy can gauge its performance. This is because one of the macroeconomic objectives of any society is to achieve full employment. According to him, a gainfully employed labour force and active population have high potentials to contribute to the growth of national output for the promotion of economic development. The income derived as remuneration to labour complemented by social programmes on food, shelter, health and education enhances the standard of living of workers. He therefore concluded that the higher the employment opportunities generated by the economy, the better the economy's performance.

Fofana (2001) asserted that the high rate of labour force growth vis-à-vis the low and dwindling low rate of formal sector job growth has made the labour market in developing nations to exhibit some peculiar characteristics. First is the preponderance of the informal sector where many who would have remained in open unemployment take up low-wage jobs or even self-employed while still hoping to pick up formal sector job when available. Second, the unemployed in the labour market in poor nations do not enjoy any form of unemployment insurance or any social benefit from the government. Third, the reported unemployment rates are usually very low due to high rate of disguised employment and underemployment in the informal sector. Fourth, self-employment, part-time employment and unpaid employment in family enterprises have a disproportionate share in total employment.

Jhingan (2003) discussed in the Keynesian theory of employment that the general level of employment in an economy depends on aggregate demand and aggregate supply functions. Unemployment is thus caused by deficiency of effective demand. Full employment will only be restored through an increase in aggregate demand and not through the classical prescription of falling money wages. Keynes recommended fiscal policy measures in form of, say, government deficit budgeting spent on public works. This has the potentials of increasing aggregate demand and hence removing the incidence of involuntary unemployment.

Swane and Vistrand (2006) measured employment using total employment and employment-to-population ratio (which measures the extent to which the population is engaged in productive labour market activity) and is defined as the proportion of a country's working-age population that are employed. They found a significant and positive relationship between Gross Domestic Product (GDP) and employment. This finding

supports the strand of theory that the positive relationship between GDP and employment is normal and that the jobless growth development is just a temporary deviation because employment will soon pick up.

In their work in developing countries, Stiglitz and Weis (1981) observed that the renewed interest in small and medium scale industries in developing countries stems largely from the widespread concern over employment and economic growth. Practically, all reports on the subjects in recent years appeal to the great labour intensity of small and medium firms and on this account, to the importance of channeling a great share of investment towards them.

According to Ndebbio (1987), the hope for employment creation lies in industrialization and it is possible to industrialize nation through the promotion of SMEs. He asserted that it is the need for employment generation and economic growth that explains the essence of promoting SMEs in Nigeria to help in absorbing the rapid growing labour force. Okoro (1996), in his contribution, recognized the importance of self-employment through SMEs having recognized that there is wide-spread unemployment involving all labour categories.

Ashwe (1997) had opined that SMEs perform invaluable roles in depressed economies by providing employment to a large percentage of the work force and are responsible for creation of most new jobs. Damachi (2001) observed that the 1989 industrial policy states that the major policy tool through which government plans to enhance employment is the promotion of SMEs.

Okwara (2002) opined that considering Nigeria enormous population of 120 million people. It is imperative that only an SME set-up could be meaningful to the Nigeria economy. This is because it is only an SME programme that can offer a responsible level of employment and skill to such a huge population. Levitsky (2004) asserted that SMEs help generate employment by using more labour in relation to capital invested. This is specially important in developing countries where labour is abundant and capital relatively scarce.

2.2 Empirical Evidences

In recent times many researchers have studied employment generally and SMEs specifically as well as related topics based on experiences and observation of facts.

In an empirical survey of the absorptive capacity of SMEs, Baumbach (1983) showed in his publication on "Basic Small Business Management" that more than one third of all the manufacturing firms in Nigeria employ fewer than five persons or none at all and that close to two thirds employ fewer than twenty workers. On the whole, his study revealed that 95 per cent of none farm business of all kinds employ fewer than fifty workers each.

Ndebbio(1987) in his effort to determine whether the promotion of SMEs is more beneficial than the promotion of large scale industries in employment generation carried out a research using Cross River State as a case study. From his statistical result, he was able to show that SMEs can employ more labour perhaps of low skill category given the same size of capital investment used in creating large scale industry. This fact incidentally agrees with the observation of Little (1987) that right from the 1960s, SMEs were believed to offer much more employment than larger firms for any given investment.

Olaniyan et al (2001) reported that SMEs accounted for 70 per cent of all employment in the non-formal sector of the economy. Obitayo (2001) also reported that SMEs employ more than 50 per cent of the industrial workforce in Columbia, India, Indonesia, Kenya, Philippines, Tanzania and Zambia. According to him, SMEs are the real job creators in the European Union (EU) accounting for 99.9 per cent of 11.6 million enterprises, 72 per cent employment of the 80.7 million persons employed by all enterprises and generate 69.7 per cent of turnover in EU (Deloittee Touche Tohmatsu,1995).

SMEs were equally responsible for more than 50 per cent of total employment in Canada (Government of Ontario, 1995). In the 1988 census of Business conducted in Nigeria by the Federal Office of Statistics (FOS), SMEs were estimated to have constituted about 70 per cent of the 220,000 industrial establishments surveyed and accounted for 70 per cent of industrial employment as well as 10-15 per cent of manufacturing output.

Levitsky (2004) reported an attempt that was also made to estimate the impact of Rural Development Programmes (RDPs) on employment. RDP is a financial assistance program that provides credit for the poor and disadvantaged groups in Bangleadesh. The average number of workers per household in the sample group of borrowers was 1.61 compared to 1.38 in the control group and the ratio of female to male employment was more favourable in the RDP group. Another study undertaken in 1988 compared the income of RDP group members with a baseline and found 160 per cent in real income increase, 84 per cent in employment and 153 per cent I possession of assets.

Summary

From the foregoing, it is clear that there was no definition problem surrounding major concepts that were used in the present study. Nonetheless, for sake of clarity employment has been defined operationally as

engagement in a job which is seen or which is generally accepted as a visible means of livelihood while unemployment on the hand is a situation where people who are willing and able to work are actively seeking for work but find no employment. The review of literature has also revealed that certain inconsistencies exist among various researchers based on their findings but there is a general consensus that there is a positive relationship between GDP and employment. SMEs are also identified as the effective means of enhancing greater employment opportunities.

III. Research Methodology

This section discusses the method and procedure adopted in the conduct and advancement of this study. The method and procedure have been discussed under the following subheadings: design of the study, area of study, sources of data, method of data analysis.

3.1 Design Of The Study

This study was designed suitably as a descriptive survey. Descriptive survey was considered appropriate as the study focused on describing existing situation of total employment generated in Nigeria.

3.2 Area Of Study

The study covered job creation in both public and private sectors of the Nigerian economy. It spanned across the period 1971 to 2007.

3.3 Sources Of Data

Data were sourced from the National Bureau of Statistics Abuja and The Central Bank of Nigeria statistical bulletin

3.4 Method Of Analysis

Data were analyzed using the time series components of trend, seasonal values and random values. Moving average trend was used to describe the general movement in job creation in Nigeria. Seasonal values were employed to determine the impact of policy thrust of the government on job creation in Nigeria. Random values were applied for determining the extent to which job creation in Nigeria was susceptible to contingencies. Finally, coefficient of determination (r^2) was used to determine the contribution of job creation to the variance in total employment.

IV. PRESENTATION AND ANALYSIS OF DATA

This section deals with the presentation and analysis of data. The results of data analysis have been presented in tables 1 and 2 below.

Table 1: Seasonal Decomposition
Series Name: Jobs Created in Nigeria

DATE	Original Series	Moving Average Series	Ratio of Original Series to Moving Average Series (%)	Seasonal Factor (%)	Seasonally Adjusted Series	Smoothed Trend-Cycle Series	Irregular (Error) Component
1970	1.000	.	.	-281.2	-.356	-42696.892	.000
1971	112403.000	.	.	839.5	13389.604	-46186.378	-.290
1972	29988.000	39997.25	75.0	-19.7	-151948.382	-53165.349	2.858
1973	17597.000	56882.00	30.9	-138.5	-12701.940	-41672.164	.305
1974	67540.000	32138.00	210.2	-281.2	-24017.971	-64140.336	.374
1975	13427.000	40975.00	32.8	839.5	1599.443	-91291.490	-.018
1976	65336.000	72447.50	90.2	-19.7	-331055.738	-123615.070	2.678
1977	143487.000	-20781.75	-690.4	-138.5	-103572.385	-82482.962	1.256
1978	-305377.000	398.75	-76583.6	-281.2	108595.439	-74218.471	-1.463
1979	98149.000	7695.00	1275.5	839.5	11691.647	-116360.391	-1.100
1980	94521.000	54276.25	174.1	-19.7	-478935.340	-191922.804	2.495
1981	329812.000	92900.50	355.0	-138.5	-238066.273	-165015.016	1.443
1982	-150880.000	210935.25	-71.5	-281.2	53654.597	388916.423	.138
1983	570288.000	-17871.00	-3191.1	839.5	67933.511	847581.305	.080
1984	-820704.000	163515.00	-501.9	-19.7	4158484.879	1233172.154	3.372
1985	1055356.000	231369.00	456.1	-138.5	-761781.468	672430.944	-1.133
1986	120536.000	168647.25	71.5	-281.2	-42863.935	287657.888	-.149
1987	319401.000	373502.75	85.5	839.5	38047.498	-66872.480	-5.69
1988	-1282.000	68614.00	-1.9	-19.7	6495.859	34042.045	.191
1989	-164199.000	26800.00	-612.7	-138.5	118522.807	47438.701	2.498
1990	-46720.000	-80097.50	58.3	-281.2	16614.149	-91964.257	-.181
1991	-108189.000	-25736.50	420.4	839.5	-12887.626	-211054.007	.061

1992	216162.000	-46336.00	-466.5	-19.7	-1095286.983	-341040.813	3.212
1993	-246597.000	56978.25	-432.8	-138.5	177999.675	-220501.414	-.807
1994	366537.000	-30061.75	-1219.3	-281.2	-130344.611	-312056.983	.418
1995	-456349.000	-6666.00	6845.9	839.5	-54360.937	-370657.580	.147
1996	309745.000	38084.00	813.3	-19.7	-1569469.503	-559985.120	2.803
1997	-67597.000	80006.75	-84.5	-138.5	48793.148	-372055.455	-.131
1998	534228.000	358582.00	149.0	-281.2	-189977.386	-142279.151	1.335
1999	657952.000	251317.75	261.8	839.5	78376.171	80405.699	.975
2000	-119312.000	403089.50	-29.6	-19.7	604550.664	113667.753	5.319
2001	539490.000	254476.25	212.0	-138.5	-389416.921	20995.459	-18.548
2002	-60225.000	146441.25	-41.1	-281.2	21416.676	-67980.396	-.315
2003	225812.000	203681.50	110.9	839.5	26899.044	-166575.339	-.161
2004	109649.000	111102.75	98.7	-19.7	-555588.505	-208129.404	2.669
2005	169175.000	152441.00	111.0	-138.5	-122114.604	-171766.300	.711
2006	105128.000	52953.00	198.5	-281.2	-37384.680	-60001.614	.623
2007	-172140.000	.	.	839.5	-20505.560	-4119.272	4.978

As can be seen in Table 1, the trend values rose slowly and steadily between 1971 and 2007. These results suggest that job creation in Nigeria under various FG job creation strategies failed to contribute sizeably to the total employment in Nigeria. Put differently, the achievement of the main thrust of FG employment policy fail much below expectation. These results were depicted in Fig. 1 below.

Fig. 1
Trend Analysis for Job Creation in Nigeria

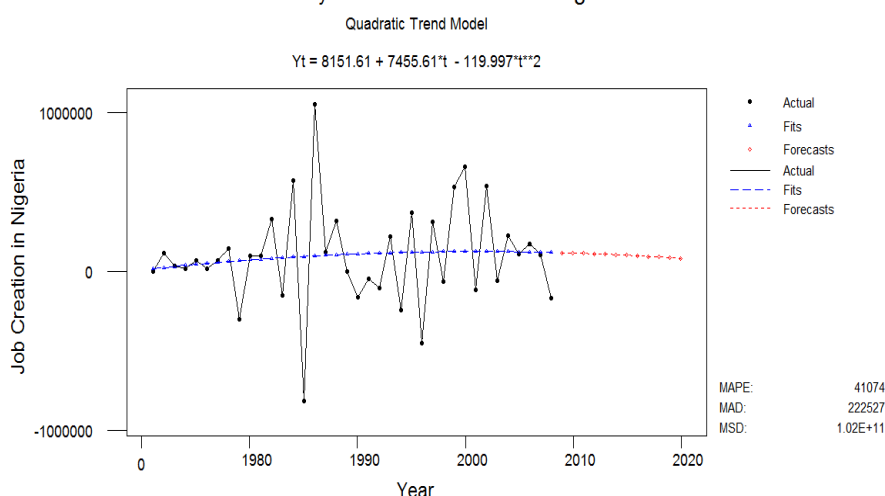


Table 1 also shows that the values of the irregular components were both positive and negative. Positive values of irregular factor serves as an indication that the impact of contingencies on job creation was positive while the negative values were suggestive of the negative impact of contingencies on job creation. These contingencies manifested in the Nigeria economy in the form of political crises, external shock (decline in international oil price or windfall) on account of increased foreign exchange earnings due to spurt in international oil price. Thus job creation in Nigeria was affected by external shocks. Furthermore, as can also be seen in Table 1, seasonal factors for the four moments of the series were -281.2, 839.5, -19.7 and -138.5. These results suggests that the attainment of the major thrust of FG employment policies was hindered by frequent adjustments in the job creation strategies occasioned by discontinuity in FG employment policies and possible shift in emphasis. These results were also reflected in the deseasonalized job creation values which indicate that discontinuity in FG employment policies resulted to losses and gains in number of jobs. Thus the policy attainment of major thrust of FG job creation strategies fall short of expectation.

Table 2: Significance of Coefficient of Determination (r2) between Total Employment and Job Creation.

Dep. Var.	Total Employment				Decision
	Pearson's r	r ²	Percentage Contribution	Probability	
Indep. Var.					

Job Creation	0.222	0.049	4.9	0.181	Non Significant
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In Table 2, Pearson's r between total employment and job creation was 0.222 ($P \leq 0.181$) yielding $r^2 = 0.049$ ($P \leq 0.181$). This amounted to a percentage contribution of 4.9 by job creation to the variance in total employment. Now since $P \leq 0.181$ is greater than $P \leq 0.05$, this contribution was considered to be non significant. This warranted the acceptance of the null hypotheses. Thus there was no significant contribution of job creation to the variance in total employment.

V. Discussion Of Major Findings

One important finding of this study is that job creation did not contribute significantly to total employment. This finding has not come as a surprise. This is because of is a well known fact that policy implementation in Nigeria suffers, a series of set back on account of lack of commitment and self-will, corruption, nepotism, bureaucratic redtapism and ineptitude among others. The performance of SMEs in Nigeria is abysmally low quite unlike other countries where SMEs contribute over 70% of the total labour force. This finding is in agreement with Olaniyan et al (2001).

Another fascinating finding of this study is that job creation was responsive to shocks in Nigeria. This finding was as expected considering that during the decline in international oil prices, the FG responded by adopting austerity measures which are implicit in retrenchment of workers and curtailment of expenditure. Under these measures even the private enterprises were not spared. As a survival strategy the private enterprises were not spared. The private sector had also in time of recession adopted the strategy of retrenchment of workers. Also the windfall from spurt in international oil prices stimulated expenditure of the government at all levels thereby inducing job creation. These finding is in concurrence with the finding reported by Ibe (1994). Finally, there was the finding that the policy attainment of major thrust of FG employment policy fell short of expectation. Again this finding has come much in expectation. Formulation and implementation of policies in Nigeria are characterized by inconsistencies. It is only to be expected that changes in government accompanied by discontinuity in government policies resulted to inefficiency and eventual poor policy attainment. Constant periodic reviews of policies are not consistent with effectiveness of policy implementation. Frequently, incoming administrations abandoned the policies of the past administration purely on selfish reasons. This government attitude portends failure to achieve the major thrust of the policy.

5.2 Implication For Achieving Full Employment

The major findings of the study have implication for Federal, State and Local Governments as well as for the employers of labour in the following ways:-

1. To the government, the non-significant contribution of job creation to total employment implies that the strategies adopted were not effective for employment generation.
2. The finding of responsiveness of job creation to contingencies such as rise and fall in international oil price has implication to the government at all levels. The implication to the government is that to smoothen out the effect of shocks on job creation, dynamic employment policies should recognize the need for application of increased government spending and tax cut during depression. This would reduce the frequency of application of austerity measures with the attendant evil on the economy.

5.3 Recommendations

On the basis of the above findings, the researcher has made the following recommendations:

- Federal, State and Local Governments should modify the existing job creation strategies by committing more funds to the various government agencies involved in employment generation.
- Federal, State and Local Governments should replace the static job creation strategies with dynamic one that would smoothen out the impact of depression.
- Federal, State and Local Governments should embark on increased labour-promoting employment generation strategy that would combine increased government spending and tax-cut to create more jobs that will help to reduce the high current open unemployment in Nigeria.
- Employers should adopt restrictive application of retrenchment of workers as a survival strategy during the period of negative economic shock.

5.4 Conclusion

The major generalization that could be deduced from this study is that FG job creation strategies were not yet adapted to the prevalent economic environment and the forces of demand and supply of labour in Nigeria. Obviously, the results of the study served as an indication that the ineffectiveness of these strategies to create jobs and reduce unemployment is attributable to the static nature of the employment strategies. Only

dynamic job creation strategies can be expected to take into cognizance the booms, depressions and shocks and blend them in the proper mix to create jobs and reduce unemployment in Nigeria. To boost the effectiveness of these strategies is to inject dynamism into these strategies through increased government spending and tax cut to create enough jobs for full employment in Nigeria.

Certainly a religious implementation of the recommendations of this study is sure pass towards creating more jobs to reach full employment. Therefore, it can be safely concluded that the worth of this study derives from the applicability of its findings in achieving full employment in Nigeria.

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