

Youth Unemployment and Labor Productivity in Nigeria: Implications on Development

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Abstract

This paper examines the impact of youth unemployment and labor productivity on Nigeria's economic development. Youth unemployment and underemployment are major challenges facing Nigeria's economic development. The paper examines the impact of these issues on the youth, society, and the economy at large. The analysis in this study employed a quantitative approach to its methodology and relied on secondary data to analyze the factors responsible for youth unemployment in Nigeria, and the impact of these factors on labor productivity in Nigeria. The study identified high unemployment as one of the major socioeconomic factors which impede Nigeria's economic development with its adverse negative effects on mostly the youths who constitute over 50% of the persons affected. Some of the identified causative factors are but are not limited to rapid rural-urban migration, rapid population increase, inadequate quality education, and limited private sector investment amongst others which as a result lowers labor productivity, severely hampering Nigeria's economic development.

Keywords: Youth Unemployment, Labor Productivity, Economic Growth and Development, Inclusive Growth.

Introduction

The subject of unemployment has always been an issue of great concern to policymakers, and economic managers alike. Given the devastating effect of this phenomenon on individuals, society, and the economy at large (Bello (2003),¹ youth unemployment is a major challenge confronting Nigeria's economic development. Youth unemployment is one of the most serious development issues Nigeria and the rest of Africa are currently facing. Olukayode (2017: 63)² argued that despite preventing some of the economies from achieving economic significance and development objectives, it categorized them as nations lacking a job-growth economy. In the modern global economy, the rise in youth unemployment has grown to be a significant concern. Most nations around the world are struggling with youth unemployment (Karahman,

¹ Bello, T. (2003). Attacking unemployment hurdles in the fragile economies of the Sub – Saharan Africa: the experience of Nigeria. A paper presented at the Economics for the Future–conference; on the occasion of the celebration of 100 years of Cambridge economics; Cambridge, United Kingdom

² Olukayode, L. (2017). Graduate unemployment in Nigeria: Causes, consequences and remediable approaches. American International Journal of Contemporary Research, 7(4):63-73

2011)³. Although it is more prominent in underdeveloped nations, this terrible societal issue also affects advanced nations. The high incidence of youth unemployment and underemployment, which has been growing and associated with low labor productivity, is one of Nigeria's most significant concerns. In addition to being an enormous waste of a nation's human capital, it results in welfare loss due to lower output, which lowers income and negatively affects well-being.⁴

Background

Among the significant socioeconomic issues Nigeria faces are high unemployment and underemployment rates which adversely impact the youths who represent a large percentage of the persons affected. Unemployment happens when an economically active segment of the population (labor force) or working population willing and able to work cannot find jobs, particularly the teeming youthful population. Unemployment is caused by the nation's inability to develop and utilize its human capital effectively, Fadayomi (1992) and Osinubi (2006). The problem of youth unemployment in Nigeria has the unintended consequence of giving young people a way to negatively influence social issues because they cannot secure significant economic possibilities. Some young people become drawn to crime due to unemployment and the accompanying feelings of frustration, confusion, alienation, and apathy plaguing these unemployed youths. Because of unemployment, the youths become involved in illicit vices which are all the resultant effects of low active labor force participation. Moreover, youth unemployment leads to socio-political and socioeconomic instability and labor exploitation. They engage in these anti-social, anti-economic, and anti-political actions, in addition to violent, unlawful, and criminal ones, to express their displeasure with a system that hinders them from using remunerative employment to contribute to economic development positively. This has severe effects on Nigeria's development.

Research Methodology

The research's methodology used a quantitative technique. Data for this work came from secondary sources, including journal publications relevant to the study's topic, government records, national statistical sources, and scholar-reviewed research and analysis to analyze the factors responsible for youth unemployment in Nigeria, and the impact of these factors on labor productivity in Nigeria and her overall economic development.

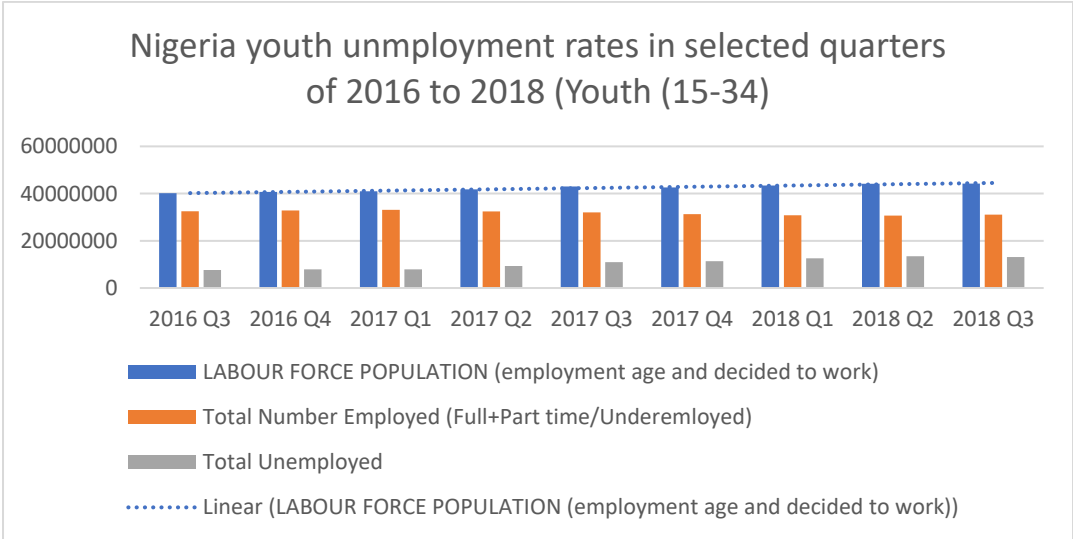
Analysis of Youth Unemployment in Nigeria and its Impact on Labor Productivity

³ Kahrsaman, B. (2011): "Youth employment and unemployment in Developing Countries: Macro challenges with micro perspectives". Graduate Doctoral Dissertations, Paper 36.

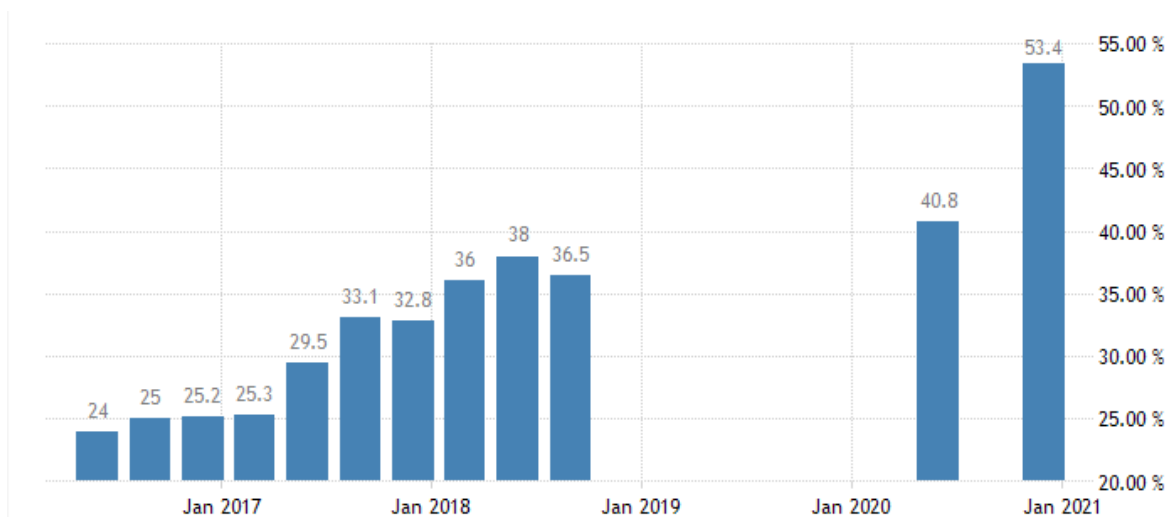
⁴ Umeifekwem Ph.D., Uchenna & Igbokwe-Ibeto, Chinyeaka & Florence, Agbodike. (2015). Youth Unemployment and Labor Productivity in Nigeria: The Nexus. *Academic Journal of Research in Economics and Management*. 2. 14-28. 10.12816/0017360

Unemployment has been on the increase in the past decade. The period between 2016 to 2018 has experienced a consistent increase in the labor force participation rate, with an increasing number of unemployed persons being the youth with ages between 15-34.

Figure 1 below:



According to a report from the NBS, as of the fourth quarter of 2020, 33.3 percent of Nigeria's workforce was unemployed, and 22.8 percent was underemployed. According to Statista, Nigeria's unemployment rate, which stood at 32.5% in 2021, was expected to rise slightly to 33% in 2022. In the same year, the employment rate stood at 49 percent, with a forecasted 37 percent unemployment rate. According to Trading Economics, a rate of 32 percent was predicted for the fourth quarter of 2022 and a decline to 30 percent by 2023. In light of all of these, it is anticipated that there will be 20 million unemployed Nigerians at any one moment between the fourth quarter of 2020 and 2023. In 2020 (Q4), 42.5 percent of young Nigerians (aged 15 to 34) were unemployed, according to the NBS unemployment report on youth unemployment in the country. Of these young Nigerians, 2 in 10 (21%) were underemployed. Just 36.5 percent of the labor force was fully employed during the reference period. This fits with a trend in which the rate has risen since 2015, raising severe concerns.



The youth Unemployment Rate in Nigeria increased to 53.40 percent in the fourth quarter of 2020 from 40.80 percent in the second quarter of 2020. source: National Bureau of Statistics, Nigeria. [Nigeria Youth Unemployment Rate - 2023 Data - 2024 Forecast - 2014-2022 Historical \(tradingeconomics.com\)](https://tradingeconomics.com)

The rate of unemployment among young Nigerians (ages 25–24) was predicted to be 53% by 2022 and fall to 51% by 2023, although the situation would only modestly improve as an estimated 5 million youths remain unemployed.⁵

The menace of youth unemployment poses a great constraint on the productivity of labor and continues to put a drag on overall economic growth as a result of the underutilization of the largely available human capital resources, significantly impacting productivity levels.

A country's labor productivity is negatively impacted by high youth unemployment, which hinders economic growth and development even more. Nigeria's high youth unemployment rate is attributed to several of the under-listed problems but not limited to:

Inadequate quality education

It typically takes more than five years after graduation for educated young people with a college degree or equivalent, who account for 20% of youth unemployment, to find jobs.⁶ Additionally, a mismatch between college graduates' skills and what employers are looking for could leave many young people without jobs and unable to fill open positions.

Rapid rural-urban Migration

In search of better employment possibilities and means of subsistence, many young people from rural areas of Nigeria are relocating to the metropolis. Nigeria's rural-to-

⁵ [Youth Unemployment Trends in Nigeria - YMonitor](https://tradingeconomics.com)

⁶ <https://borgenproject.org/nigerias-youth-unemployment/#:~:text=Why%20is%20the%20Unemployment%20Rate%20in%20Nigeria%20High%3F,Lack%20of%20Adequate%20Education.%20...%204%20Corruption.%20>

urban migration has increased job competitiveness, making it more challenging for young people to find employment.

Rapid population increase

Nigeria's population is expanding rapidly, with over 200 million persons, mostly youths. The country's population expansion is pressuring the need for new jobs.

Limited Private Sector.

The latest SMEDAN/NBS MSME (2020) Survey report indicates that Nigeria's SMEs contribute nearly 50% of the country's GDP and account for over 80% of employment in the country.⁷ Undoubtedly, the sector is pivotal to Nigeria's growth, including reducing poverty levels and economic prosperity in Nigeria. They could play a catalytic role in employment creation, production diversification, improvement of local technology, integration of large-scale enterprises, and Nigeria's overall economic transformation.⁸

Implications on Development

Economic growth and development begin with labor-intensive activities, and they are sustained by employment levels (FMOYD, 2008). However, youth unemployment had produced unfavorable outcomes, including limited or partial youth participation in economically productive activities and a decrease in the number of people absorbed into the labor market, which slows economic growth and makes development unsustainable. Youth unemployment breeds poverty and poverty results in insecurity. Youth unemployment and its resultant low labor productivity levels so have major implications on development and national security. Youth unemployment and poverty alarmingly threaten Nigeria's national security and growth. This hinges on the reality that at any time, violent unrest staged through the manipulation of young people who are unemployed and in poverty could threaten the stability and growth of the nation. Consequently, one of the biggest threats to national security, development, and stability is the horde of unemployed and impoverished youth.

Conclusion

An economy's efficiency, economic growth, and living standards are all significantly associated with labor productivity, a key economic indicator. The problem of unemployment in Nigeria however, is a national issue that should be treated with much urgency as it negatively impacts the youth. Although several policies, reforms, and frameworks have been initiated and put into place by Nigeria's successive administrations to address the problems of unemployment, and national development, the results have been less than encouraging because of a lack of a technical framework,

⁷ International finance corporation; World Bank Group: DIGITAL FINANCE; (FEB 2022) <https://www.ifc.org/>

⁸ Ibid 6

operational leadership, and consistency. Yet, the government must implement consistent policy changes and effective methods if this dilemma is to improve. Young people's expertise, abilities, and aspirations are priceless resources that no nation can afford to waste, and assisting them to reach their full potential by gaining access to employment is, without a doubt, a requirement for ending poverty, promoting sustainable development, and establishing sustainable peace. Developing the youth employment blueprint gives the government a unique chance to concentrate on employment and job creation for the nation rather than viewing unemployed young people as a challenge to society.⁹

⁹ FMOYD (2008). Nigeria Youth Employment Action Plan (NIYEAP) 2009-2011. Federal Ministry of Youth Development, Abuja, Nigeria.