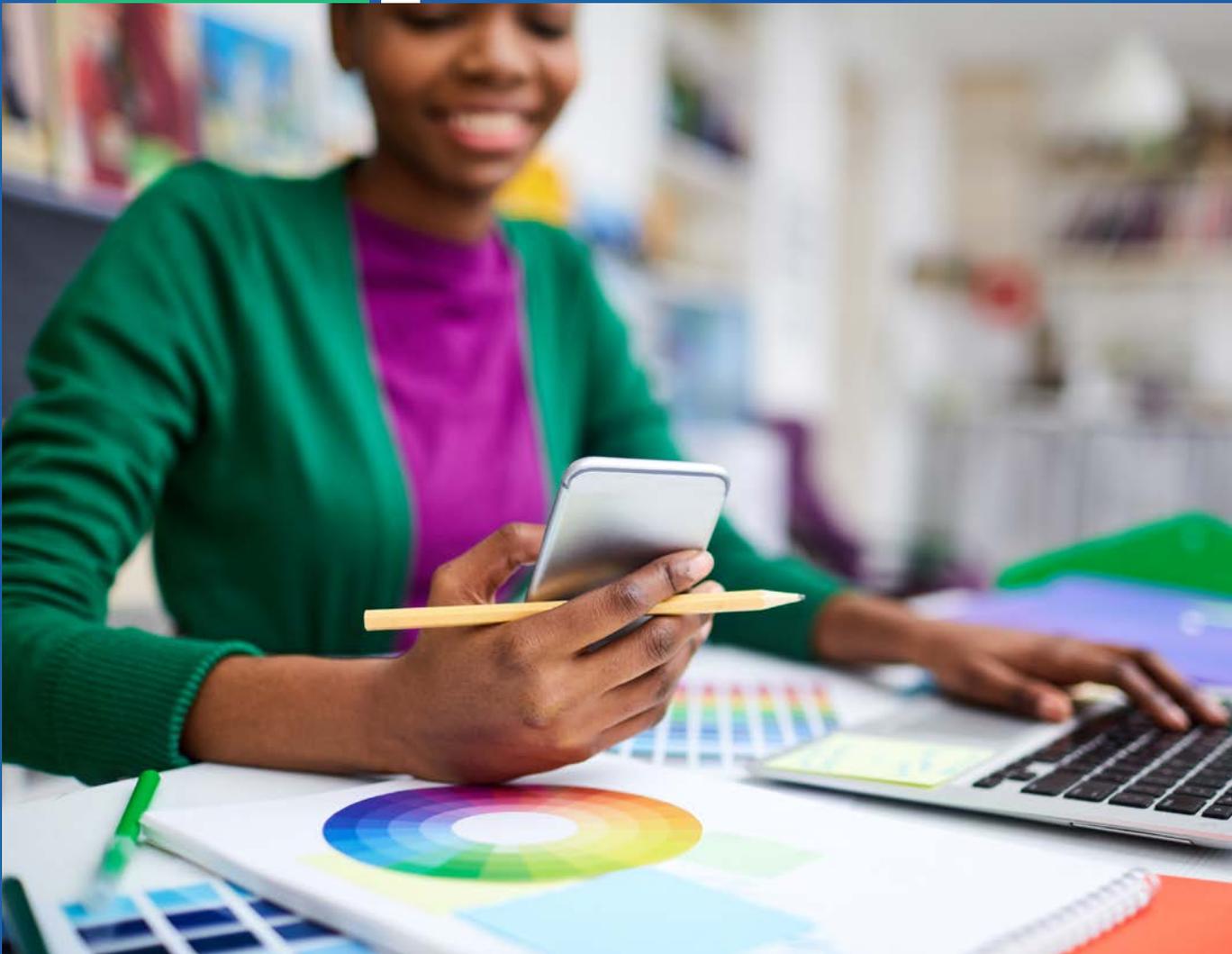


A PRAGMATIC APPROACH TO SOLVING NIGERIA'S UNEMPLOYMENT PROBLEM WITH EMPHASIS ON SMEs

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Abstract

The unemployment problem has continually hampered the development of the Nigerian nation and is fast becoming into an unending issue. It has fuelled unrest, increased crime rates, led to a lower standard of living amongst the populace, fast-tracked brain drain, reduced potential government revenue from taxes, and increased the distrust between the government and the Nigerian people, especially its teeming youth population. Against this backdrop, successive government administrations have attempted to solve the malaise but to no avail. This paper aims to show the flaw in the government's approach, pinpoint the actual causes of unemployment, and provide solutions to help attenuate factors responsible for unemployment in Nigeria.

Introduction

The fact that unemployment is a prevalent problem in Nigeria is neither one that demands particular enquiry before it is noticed, nor is a team of soothsayers required to show how devastating such a problem is to Nigeria. Interestingly, unemployment plays the dual role of being both a symptom and a causative factor of Nigeria's economic woes. In highlighting how precarious the Nigerian unemployment problem is, it is important to stress that Nigeria currently ranks second on the global unemployment list of countries with the highest unemployment rates (Olurounbi, 2021). The current unemployment rate is 33.3 percent (NBS, 2022).

In recognition of the woes precipitated by unemployment in the society, the current administration has been – or at least appears to be – making efforts to curb the growth and, at the same time, reduce the rate of unemployment in the country. Despite that, statistical trends continually show that whatever the government is, or says it is doing, is having no desirable effect on the problem of unemployment. In fact, the problem has persisted; it is continually increasing. This undesirable status quo then begs the question, why? That is why the continued growth in the unemployment rate when the government seems to be making efforts against it. The importance of giving a proper answer to this question is such that it helps create a solid foundation upon which viable solutions can be built.

Current Approach and Flaws

An overview of the government's approach to solving the problem of unemployment shows that the government is heavily reliant on direct involvement in creating jobs for the masses; that is, the government tries to reduce unemployment mainly by creating more openings in its ministries and parastatals and absorbing more people into the civil service. Unfortunately, this approach is only plausible on the surface. An in-depth analysis of the approach in tandem with Nigeria's economic realities and civil service structure lays claims to almost any argument that can be brought forth to support it. This assertion is premised on the following:

- **Economic Realities:** Nigeria's economy has constantly fallen in and out of recessions in the past five years (Tijani, 2020). Aside from this, the country's public debt profile is on a consistent rise, while inflation rate averaged 16 percent in the first four months of 2022 (NBS, 2022). With such problems already being encountered, the government would be placing itself under an extra back-breaking burden by directly creating jobs.

- **Recurrent Expenditure:** It is asserted that the Nigerian government is the largest employer of labour at all levels (Shimuawa, 2020). Unsurprisingly, 50.6 percent of total budget expenditure and 88.5 percent of revenue in the last decade have been allocated to recurrent expenditure, respectively (Nairametrics, 2021). Additionally, unceasing complaints are made about the poor working conditions and inadequate emoluments of civil servants (Magbadelo, 2016). Thus, the Nigerian government should prioritise better working conditions rather than directly creating jobs, which will only promote an apathetic civil service if insisted upon, without adjusting to the present status quo.
- **Demography:** Here, a juxtaposition of Nigeria's population growth alongside the government's job creation rate will elucidate the need for a switch of approach on the government's side regarding job creation. Currently, Nigeria's population is slightly over 200 million and is expected to cross the 400 million threshold by 2050 (Varella, 2021). On the other hand, the current administration creates just about 20,000 jobs annually (Elumoye, 2021), which is far short of the Five million annually over a decade recommended by IMF (Udegbonam, 2021). This narrative implies that the problem of unemployment is continuously worsening.
- **Civil Service:** Undoubtedly, Nigeria's civil service is riddled with plenty of problems that make any attempt at expansion a problematic venture. While it is realistically impossible to have perfect civil service, two significant factors in the civil service make the government approach an otiose effort at tackling unemployment.
 - (a) **Duplication of functions:** The Nigerian civil service ostensibly possesses the undesirable element of duplicating functions, with many civil servants occupying positions in which they are redundant with no clear-cut duty or responsibility (Eme & Andrew, 2013). This, alongside its perceived inefficiency, makes its expansion to create job opportunities a step in the wrong direction.
 - (b) **Ghost Workers:** The issue of ghost workers and the Nigerian civil service at all levels of government can be likened to Siamese twins that have proven inseparable despite numerous attempts at separating them. Expectedly, the continual presence of ghost workers within the civil service costs the government a huge amount of money. For instance, between September 2013 and May 2015, the Federal government lost N220 billion to 103,000 ghost workers (Omilusi, 2019). In the face of this persistent problem, expanding the civil service would only make it more susceptible to the penetration of more ghost workers, resulting in a loss at both ends.

The Problem

Ultimately, it should be realised that in trying to solve the unemployment problem in Nigeria, the government has failed to tackle the major problem. Hence, the next question would be: What exactly is the problem? Truth must be told that pinpointing the root cause of almost any situation in Nigeria could be cumbersome, especially because of the vicissitudes of challenges plaguing the country. Regardless, the unemployment problem in Nigeria can be traced to

one major factor encompassing many others: EASE OF DOING BUSINESS. Where business activities are constantly stifled due to particular factors which this treatise shall subsequently examine, it becomes challenging for SMEs to thrive. When SMEs do not thrive, job creation becomes difficult. To put this into perspective, formal SMEs contribute about 40 percent of GDP in emerging economies, while SMEs account for over 50 percent of global employment (World Bank, 2020).

Strictly speaking, ease of doing business refers to a World Bank Index that considers specific parameters – essentially regulatory and procedural – in ranking how easy it is to conduct business activities in a territory. However, this report goes beyond examining bottlenecks cum regulatory policies and also considers other vital realities that either enhance or discourage business activities, to give a clearer picture of the Nigerian situation. Although indexes on the ease of doing business have been showing a recent, continual, and maybe impressive climb for Nigeria (Salaudeen, 2019), quotidian realities faced by business owners shows that the index might be unreliable, especially as it fails to consider certain influential factors that could worsen the business environment. One such factor is infrastructural deficit.

Infrastructural Deficit: The spate of the infrastructural deficit in Nigeria is such that infrastructure is either not enough for the populace or is in a bad or unusable state. Under conditions like these, business expenditure essentially becomes unbearable (Ukanwah, 2018), stymying the growth potential of SMEs, as they would have to either find personal alternatives in the absence of such infrastructure or incur losses based on the absence or poor state of infrastructure. In solving unemployment and promoting SME growth, two primary forms of infrastructure are pretty important: electricity and a good transport network.

- (a) **Electricity:** The Nigerian electricity woe can be briefly described in three phases; epileptic power supply, insufficient generation capacity, and perpetual wastage of generated power. As it stands, Nigeria generates over 12,000Mw of electricity but transmits far less (Enebe et al., 2017). In contrast, South Africa – one of Africa's most industrialised economies, generates over 250,000Mw of electricity (Anderson & Norbrook, 2017), despite having a population of almost only a quarter of Nigeria's (Worldometer, 2022). More disheartening is that despite Nigeria's insufficient power generation, it still wastes over 40,000Mw of electricity annually (Jeremiah, 2019). The epileptic power situation contributes to unemployment (Anyawu & Duru, 2020), adversely impacting businesses and discouraging entrepreneurs (Alakija, 2020).
- (b) **Transportation:** Asides from being a basic form of infrastructure that should be in place, a country with the agricultural potential of Nigeria should invest in standard transportation facilities like better roads and railways to facilitate quicker distribution of agricultural produce within the country, reduce the cost of wastage that comes with perishables getting spoilt in transit, and positively affect the unemployment rate, and general economic development (Agbigbe, 2016). This current status quo discourages entrepreneurs, especially in the agricultural sector.

Policy Recommendation

1. **Public-Private Partnership (PPP):** in light of the overwhelming amount of work that needs to be carried out for Nigeria to catch up on its infrastructural deficit, it is proposed that the government adopts a Public-Private Partnership. The effectiveness of this approach can be easily seen in its adoption by Lagos State. It would come in handy in providing funding for cost-intensive capital projects, especially in the transportation sector (Babatunde, 2020).
2. **Cluster Hubs for SMEs:** in recognition of the time that may be needed to cut back Nigeria's infrastructural deficit, a proposed short-term solution would be Clustered SME hubs. This means a shared working environment built by the government to provide needed facilities like workspace and electricity to SME owners. Apart from reducing business costs, this would help the government monitor and enforce the product quality of such SMEs and, where necessary, create a platform for the branding, and exportation of products with international demand. Other advantages to this idea would be; a more efficient tax monitoring process for SMEs and the encouragement of diverse start-ups with an opportunity for connections among such entrepreneurs. For instance, a logistic firm operating in such a hub could partner with several businesses requiring logistic services, creating a self-sustaining economic network. These Cluster Hubs can be established on a local government basis. That is one for each local government. It is noteworthy that this is different from the shared workspaces, which are gaining traction in Nigeria, as it offers government leverage in terms of access to infrastructure and export. Besides, many shared workspaces in Nigeria today only cater for the tech sector – a feature which largely ignores the reality of most Nigerian SMEs operating outside of that sector.
3. **Transmission Prioritisation:** To remedy Nigeria's power supply nightmare, fixing its transmission capacity should be prioritised. This is because, even if Nigeria's power generation increases, failure to deal with the transmission problem would only lead to an increase in wasted energy. With electricity problems fixed, Nigeria would save huge costs (World Bank, 2020). Also, business costs would reduce noticeably, incentivising would-be entrepreneurs and start-up founders to create businesses that would create jobs while also reducing the occurrence of companies relocating due to unstable power supply.
4. **Made-in-Nigeria Policy:** Nigeria's trade balance could be favourably adjusted if the importation of certain unnecessary materials is reduced. Indigenous businesses should be encouraged by tax breaks, grants, and increasing duties on products, for which demand can be locally satisfied. The potential effectiveness of a 'Made in Nigeria' Policy can be gleaned from China's adoption of the same policy in 2015, a step which is transforming China into an economic powerhouse (Lee, 2021). Perhaps the government can lead the way by ensuring all government parastatals use Made-in-Nigeria vehicles.

Conclusion

In the face of lingering unemployment woes in Nigeria, immediate remedial steps have to be taken to arrest the negative trends. One of such measures is that the government needs to shift its focus from the direct creation of jobs to creating a sustainable economic climate that encourages local businesses and foreign investments. By doing this, four things are achieved:

- Unemployment rates would experience a decline.
- The fiscal burden on the government would be reduced.
- Nigeria would be set on the path to becoming a predominantly producing economy.
- National economic prosperity would be set in motion.

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