

Productive Employment Generation in a Transition Economy: A Nigerian Perspective

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Abstract

The main objective of this paper is to provoke some thoughts on the foreign exchange market and monetary management in Nigeria. To achieve this objective, time series data are obtained from the Central Bank of Nigeria publications on Trend of Monetary Policy Instruments, Money Supply, the Structure of Output proxied by Gross Domestic Product, Naira Exchange Rate Movements in the Official/ Parallel Foreign Exchange Market and the Foreign Exchange Allocation Utilization by End Users. Given the observed trends and variations in the exchange rate particularly within the Structural Adjustment Programme (SAP) periods and post-SAP periods, money supply and interest rate variations, it is clear that the monetary policy instruments were not efficacious in the attainment of price and exchange rate stability. Besides, growths in M1 and M2 cause inflation and there is an established relationship among Minimum Reserve Requirement (MRR), bank lending rate / savings deposit rate on one hand and inflation on the other. The study therefore recommends that there is the need for monetary authorities to recognize the importance of the linkage between the real sectors of the economy and the monetary system. Above all, interest rates should be to the benefit of the players/ actors in the real sector.

Keywords: price, exchange rate, monetary policy instruments, money supply and monetary management

INTRODUCTION

Historically, unemployment has been the scourge of the modern society especially the developing countries hence the times of London declared in 1943 “that next to war, unemployment has been the most widespread malady of our generation. It is the specific disease of western civilization of our time” There is no gainsaying the fact that what times of London saw in 1943 as a big problem has become a Childs play in contemporary world especially in developing countries like Nigeria. There is no doubt that that issue of unemployment and the need to tackle it has become a major challenge and concern for present day Nigeria. Unemployment all over world has become a social time bomb that is threatening the very existence of many a Nation like Nigeria. The problem is exacerbated by the unsettled nature of most national economies especially the developing economies. Evidence shows that most economies of developing countries are not settled hence they can be described as being in transition: The inability of the Nigeria economy to tackle many economic and social problems could be attributed to this transitional state of the economy as well as other factors attendant to such a state. The social and psychological consequences of unemployment both to the individual and the society have necessitated the writing of this paper. While the concern of various government in Nigeria has been to generate employment, it has to be argued that for such efforts

to be meaningful and contributive, employment generated need to be and should be productive. In Nigeria and indeed any other country, unemployment is one of the precursors of social exclusion. Technically speaking unemployed individuals are excluded through non economic means from equal excess to basic goods and services that determine productive human capital. They also suffer from unequal access to labour markets and social protection because of their unfortunate situation in the society.

Definition Terms

There is a need to establish a theoretical base for this paper hence the importance of defining and explaining some of the terms used in this paper.

Productive Employment

In this paper Productive Employment is conceived as one that contributes positively towards the upliftment of an economy or towards the achievement of desired goals or towards the arrival of the desired future state of an economy. Implicit in this explanation is the assumption that certain employments may not be productive. There is also an overt assumption in this discussion that there is excess capacity in the economy in terms of employable manpower hence the need to generate employment to absorb such excess capacity.

Transition Economy

A Transition Economy in this paper refers to an economy in a state of disequilibrium. The disequilibrium arises from changes and multiplicity of economic activities, which many pose as threats or opportunities in the said economy. It refers also to an economy on the move characterized by economic activity disconnections hence it can therefore, said to be unsettled. According Tichy (1983), a transition state is the state between the present state of an economy and a future desired state of the same economy. An economy in transition is characterized by uncertainties, asymmetrical trends, fear, anxiety, hope and expectations. Since there is implicit assumption here that some economies are already in a stable state, an economy in transition is cognitively expected to arrive at a stable state at some point in time. However, it is unpredictable how long it would take such economy to arrive at such stable state.

Assumptions

In dealing with a topic like this one, certain assumptions have to be made which form part the basis for effective discussion of the subject matter. It is therefore assumed that:

- (a) All economic systems including that of Nigeria are in constant dynamic movement.
- (b) Employment generation can be a deliberate policy of government hence it is a function of economic activities.
- (c) Not all employments generated can be productive to the economic system.
- (d) There is a relationship between products of educational systems and manpower demands of the economic system.
- (e) Unemployment can sometimes occur because of overt or covert disconnect between the products or educational system and the requirements of an economic system.
- (f) Unemployment is a social malaise that is injurious to the individual as well as to the social and economic systems.

Relationale for Productive Employment

There have been arguments for and against high unemployment in Nigeria. Some people have taken the view that in a country where the issue of accurate data has become a perennial problem, it is not valid to talk of high unemployment when the basis of such a view is non-existent. However, others have contended that despite the absence of such employment or unemployment statistics, there is no gainsaying the fact that there is high level of unemployment in Nigeria, we see it, we feel it, we experience it, and hence the argument of inaccurate unemployment statistics cannot obliterate its existence. The pertinent question to ask at this point, is why must employment be generated in a transition economy or indeed any economy? If and when such employment is generated why must it be productive? After all a popular politician in Nigeria once posited

that “it is preferable to pay people to dig holes on the ground and fill them back with sand than to allow them room about the streets with its attendant social implications”. Equally important is the believe that productive employment has both psychological and economic benefits to the individual and to the society. The need for productive employment is premised on the fact that unemployment represents wastage of human resources, loss of goods and services as well as reduction on the levels of production of goods and services. It is equally pertinent to opine that in modern economic parlance the rate of employment generations has become an economic indicator for measuring economic growth and success. The social, economic and psychological implications of productive employment in a transition economy makes it imperative that Nigerian Governments, private sector organizations, trade unions and indeed the fourth estate of realm should be interested in such employment generation. On the whole, productive employment or indeed employment is generated because

- (a) Unemployment is socially debilitating and psychologically disorientating
- (b) It denies the nation the benefits of the services of its able bodied citizens
- (c) It is a social scourge on the individual within the society.
- (d) Unemployment is a sure waste of human resources.
- (e) Productive employment contributes substantially to wealth creation.

The totality of the above factors makes productive employment compellingly mandatory area of constant focus and attention.

Population, Unemployment Rate and Gross Domestic Rate

Nigeria is experiencing steady population growth. According to Ehrlich (1986) population growth inhibits economic growth.

The population density of Nigeria is among the highest in Africa. It ranges from 100 persons per square kilometer to 500 persons per square kilometer depending on the part of the country being described. The population of Nigeria according to year 2000 estimate is largely made up of young people who constitute about 53 percent. This group comprises people between the ages of 15 to 64. Technically speaking, this is the productive age bracket that bears the impact of unemployment. It is equally important to observe that this is the age bracket that produces the wealth of the Nation that takes care of the non – producing age brackets of 0 – 14 and above 65 years respectively. A look at table 1 shows that the population of Nigeria has been grow rapidly from 129.9 million in 2004 to about 150 million people in 2009. Equally, observable from the table is the fact that the growth rate has been increasing which confirms the population trend above.

Table 1: Social Indicators

	2004	2005	2006	2007	2008	2009
Population growth (Million)	129.9	133.5	140	144.5	149.1	150
Population growth rate (%)	2.8	2.8	2.9	3.2	3.2	3.1
Unemployment rate (%)	13.4	11.9	14.6	15.1	15.2	19.7
Real GDP growth (%)	6.6	6.5	6	6.5	6.4	6.6

Sources: Federal Office of Statistics

Table one also shows that unemployment rate is rapidly rising from 13.4% in 2004 to 19.7% in 2009. It is however important to point out that because of inability of the system to keep correct unemployment records and the possible inaccuracy of such records when kept, it may not be possible to state with certainty the number of people who are unemployed in Nigeria. However, the ubiquity of young and middle aged people roaming about the streets or the share number of people applying for a post when there is an advertisement is a scaring testimony that the problem of unemployment is real and high. Table 1 also gives an indication of the rate of Gross Domestic Product. (GDP) which appears to be stagnant though fairly reasonable. The GDP indicates the rate of growth of an economy.

Ordinarily from the above GDP growth rate it could be reasoned that the economy is doing well especially when you compare it with the population growth. However, there appears to be so many dysfunctions and discontinuities in the system as well as other intervening variables in the Nigeria economic system that severely limits the impact of economic growth as solution to social and economic problems. In addition, despite the observed GDP growth rate, unfortunately Nigeria is among the twenty (20) poorest countries in the world.

The information on table II indicates the number of graduates turned out by Nigeria universities. The table also shows the various disciplines producing graduates. The figure shows that the number of graduates has been rising from 27312 in 1986/1987 to 47,339 in 96/97. It is also observed that for unknown reasons the number of graduates from the universities declined in year 96/97 by 904. The percentage increase of graduates turned out for the same period is 10.8% for 1988/89, 20.7% for 91/92, 24.8% for 95/96, respectively while there was a decline on the number of students who graduated in 96/97 compared to those in 95/96.

Table 2: Graduate Output by Discipline and Year

	1986/87	88/89	91/92	95/96	96/97	Total for the period
Administration	1897	2088	2459	2233	2332	11,009
Agricultural	1120	1366	1681	2371	2453	6,538
Arts	3907	4072	4292	5569	5596	23,436
Education	7836	10686	13950	14449	12396	18542
Engineering	1569	1871	2246	2867	3210	11763
Environment	812	814	942	779	669	4016
Law	1446	1714	1892	1264	1417	7727
Medicine	1439	1593	1646	2205	2402	9285
Pharmacy	295	298	551	421	405	1970
Science	2582	3503	5109	6593	6989	24776
Social Science	4190	4139	6383	9199	9201	33112
Vet medicine	195	152	207	293	275	1122
	27312	32796	41358	48243	47339	

Source: Nigeria Institute of Social and Economic Research, 2000

Table III shows the Advertised Job Openings from 1991 to 1999. The advertised positions are for graduates alone. When the advertised positions are compared with the numbers coming out of the Universities, the problems of unemployment become

clearer and indeed frightening. The table indicates also that some disciplines enjoyed some advantages over other disciplines like education, agriculture and surprisingly computer.

The labour market in Nigeria does not require only graduates from Universities; it also requires graduates of Polytechnics and monotechnics as well as graduates of secondary institutions and sometimes primary schools. The exact figures of the secondary school graduates and primary school leavers are not readily available.

However, a look at table 4 shows the percentage of unemployed persons by all levels of the educational system. The table indicates that the greatest problem of unemployment is in the area of secondary school graduates. In 1984 the percentage was 59.2 which continued to rise until 1995 when it declined to 37.5% and rose again in 1996 to 51.3%. The significance of this information lies in the fact that this is the group that is amenable to all sorts of negative influences. Evidence has shown that apart from university graduates involved in crimes, the one group that is greatly involved is the secondary school graduates.

Table 3: Advert listed Job Openings in the Nigerian Economy 1st Quarter 1991-1999

	1991	1993	1994	1996	1997	1998	1999	Total
Accounting	147	173	139	44	87	49	80	719
Administration	176	159	249	109	68	61	73	895
Company	97	79	52	19	63	35	72	415
Engineering	191	267	136	118	65	53	72	902
Marketing	132	90	84	61	67	51	9	439
Education	96	71	74	10	5	20	1	277
Agricultural	34	23	1	4	4	-	6	72
Health	165	245	93	18	13	31	390	955

Source: Labour Market Quarterly Report Nigerian Institute for Social and Economic Research.

The figures on the table show also that post secondary employment is rising. From a percentage of 6.1 in 1992 it rose to 17.2% in 1996. Indeed evidence shows that the number is rising especially with the substantial increase in the number of universities and polytechnics. The unfortunate situation appears to be that the needs of the industries are not met by the products of the educational system. Empirical evidence suggests that the disconnect between what the educational system produces and what the industry requires may be responsible for the high unemployment in Nigeria. Indeed Diejomah and Orimolade (1991), Cresswell (1995). Dabalén, Adekola and Oni (2000) support the view that unemployment is due to the mismatch between the educational system products and the industry needs. Furthermore, Herbert and Ingawa (2005) have suggested that the problems facing unemployment graduates in Nigeria is traceable to

the disequilibrium between labour market needs on the one hand and lack of employable skills on the other hand. It is a truism that in contemporary Nigerian situation, the fundamental problem of unemployment and indeed productive employment is the absence of synergy among economic planners, the educational system and the users of the products of the educational system.

The Nigerian Economy and Productive Employment Generation

The overt or covert inability of the Nigerian economy and the rate of economic growth to generate substantial employment has been observed by analysts as a major factor militating against effective wealth creation. This view has been buttressed by Adesinto and Fashoyin (1986) when they contended that the Nigerian economic growth is a growth without development. According to the World Bank report of 2010, Nigeria by its size should be able to generate social and economic activities and gains for the whole of the West African sub region.

Table 4: Percentage of Unemployed Persons by Level of Education

	1992	1993	1994	1995	1996
All levels	100	100	100	100	100
Primary	15.7	17.9	13.7	36.7	11.5
Secondary	59.2	60.9	68.7	37.5	51.3
Post Secondary	6.1	4.0	4.8	7.1	17.2

Source: (1) Federal Office of Statistics 1997
(2) Nigerian Institute of Social and Economic Research, 2000.

However, according to the World Bank report formidable challenges facing the country inhibits it from doing so. The report indeed ranked Nigeria 125 out of 183 economies in the World on the overall ease of doing business. The implication of the above information for productive employment generation need not be over emphasized. It means that international and global investors and entrepreneurs are completely discouraged from establishing businesses and industries in Nigeria with the result that productive employment are not generated. The Nigerian economy appears unfortunately to be bedeviled by a combination of stagnating productivity, hyperinflation, high interest rates, and a chaotic machinery and equipment. The average age of the nations plants and equipment is 50 years. This is four times as old as those in developed economies. The nations rate of investment in commercial research and development and the rate of new capital investment are low. This is compounded by

increasing capital flight, continuous sliding value of the naira, unprecedented declining standard of living and high level of insecurity. All these factors combine to contribute to high level of instability and severe disequilibrium in the economy. The resultant effect is non-generation of productive employment and concomitant unemployment. There are also other multiple causation of unemployment in the economy and these include misguided economic policies of government, ineffective economic structures, corruption, greed, unimaginative and unfocused leadership. The consequences of all these negative factors are that they reduce and inhibit the capacity of Nigeria to tackle high level uncertainties generated by severe economic problems. These manifest themselves in lack of generation of productive employment.

Another dimension to the whole issue of productive employment generation is the system of administration in place. The bureaucratic system Nigeria practices appears to be unresponsive, non-proactive and totally inorganic. Ideally, in order to generate meaningful productive employment, the bureaucracy Nigeria practices should have unqualified competence in formulating effective policies and also it should possess the capacity and honesty to implement them. As Kassarian (1997) opined, efforts seem to falter because we have come to accept certain basic assumptions of nothing works. It has been observed that the secret of employment generation are experience, experimentation and deployment of associated experience from within the country or extrapolation of what other people have done. Evidence has shown that in high performing East Asian Countries, productivity growth exceeds that of most developing and industrialized countries.

Evidence indicates also that the High Performing East Asian Countries have been able to achieve the feat of employment generation and high performance because of the fact that. They:

- (i) Are able to develop an incredible ability to generate, administer and implement specific growth backed interventions.
- (ii) Encourage remarkable high rate of private investments.
- (iii) Place high premium on rising endowment of human capital.
- (iv) Attach unqualified importance on universal basic education. This is unlike Nigeria's basic education that is coloured by self-deceit and politics.
- (v) Take and practise good planning as a philosophy of economic development.

The lesson to learn from the high performing East Asian Countries is that the level and degree to which productive employment could be generated are fundamentally predicated on the:

- (a) ability, conviction and commitment of the operators and custodians of any economic systems to such a system.
- (b) positive response rate of the economy itself to injections and interjections as well as the vibrancy of fiscal and monetary policies.

These ingredients seem to be lacking in the Nigeria economic system with the consequence of high unemployment level. The enormity of the problem of unemployment makes productive employment generation a more compelling one. This is important if Nigeria wishes to avoid the explosion of social time bomb.

Impediments to Productive Employment Generation

The fundamental impediment to productive employment generation appears to be the peculiarity of the Nigerian economic system, which in most cases seem not to obey simple economic theory. This situation results in high prices in a depressed economy leading to demand of high wages which in turn lead to job losses and eventual reduction in the number of employment generated. The controversy regarding whether employments should be generated to suit people around the area who are without jobs or people should be fixed to already generated employment has been ongoing one. This controversy is indeed part of the paradoxes of productive employment generation. The fact that unemployment is not uniform throughout the country poses also a problem that needs careful study and analysis before embarking on employment generation. Experts have opined that the greatest impediment to employment generation is the fact that by the existing curricula in universities, there seems to be a big gap between what people learn in school and what is needed on the job situation. How to realistically tackle this problem of gap between what is produced and what is needed is a major challenge of productive employment generation.

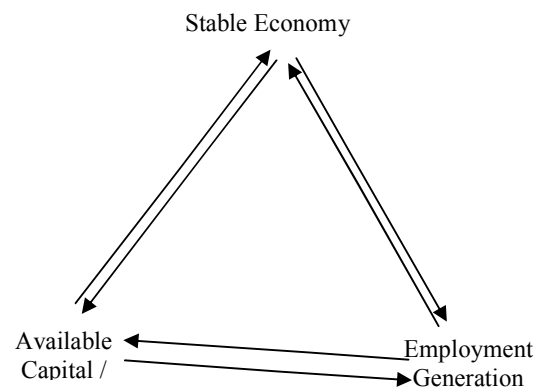


Figure 1: Relationship between stable economy, capital and employment generation

According to the above diagram, there is obviously a clear linkage between stable economy, capitalization and level of productive employment generated. Since the above is conceived as a system any hiccup along the arrows causes disruption which ultimately may affect productive employment generation. The issue of dignity of labour is critical in any discussion on productive employment generation. There is overwhelming evidence that people would prefer to be without work rather than taking what is available which they see as demeaning for whatever they think is their status. The psyche and bloated ego of most Nigerians as well as their attitude, social norm, and expectation and misguided pride constitute a major obstacle to productive employment generation. Thurow (1980) has contended that economic problems such as unemployment, inflation and energy can not be solved without the philosophy of give and take from the people. It has been observed that the inability of developing countries including Nigeria to put Research and Development outcomes into practical use tend to rub off the countries the huge opportunities of generating productive employment which would have otherwise contributed to wealth creation. It has equally been identified that the inability of Nigeria and indeed most developing countries to factor coherent rather than disjointed economic system which tend to create a disconnect between economic input variables and the end result economic expectations, creates a barrier in productive employment generation. Indeed according to Ross and Lissack (1999) coherence is a characteristic that is necessary across the whole spectrum of economic activities from development to end result.

The Nigerian Government has a Directorate of Employment which is supposed to be on the vanguard of productive employment generation. Unfortunately to all intent and purposes it has become cosmetic and political gymic serving the interest of misguided politicians in Nigeria.

Recommendations for Productive Employment Generation

There is need at this point to make certain recommendations which would assist in productive employment generation. Employment generation should be a joint effort of all stakeholders and actors in the Nigerian Economy. However, it is the government that must set the parameters and create the enabling environment under which other actors operate.

The suggested recommendations include the following:

- (i) Genuine and intense focus and adoption of integrated approach to the promotion and development of small and medium scale businesses. Small and medium scale industries have been identified as the

engine of economic growth and reservoir for productive employment generation.

- (ii) Creation of the enabling environment for growth of commercial research and development while de-emphasizing reliance on imported technology.
- (iii) Ensuring micro-economic and political stability, which will facilitate and attract foreign investors.
- (iv) Encouragement of the formation of entrepreneurial associations and granting of seed money either from the Government or loans from the banks guaranteed by the Government. Only those genuinely interested in employment generation should be allowed to take such loans.
- (v) Establishment of cottage industries specially for processing of farm products. This will encourage more fadama and normal farming and by so doing will provide productive employment as well as ensuring constant supply of foodstuffs.
- (vi) Encouraging firms to take on certain number of craftsmen apprentices, graduate trainees while the government pays a certain percentage of the emolument of those taken on for a specified number of years eg. 5 years. This has triple benefits viz employment, increase in production output, provision of experience and skill.
- (vii) Reorganizing the educational system and its curricula to be in line with what the labour markets require.
- (viii) Encouraging labour mobility within the country by removing restrictive laws, policies and labour practices, which inhibit labour mobility from one part of the country to the other.
- (ix) Establishing or resuscitating farm settlements in areas with farming comparative advantage.

CONCLUSION

The transition nature of the Nigerian Economy could be an indication of its capacity to expand and therefore, provide more productive employments to Nigerians. Unemployment is a complex phenomenon that requires careful study and analysis to be able to provide needed solution. In order to generate productive employment, there is need to open up the economy, accentuate rapid private investments and encourage meaningful growth in human capital which is the engine of growth. Productive Employment generation should be given multifaceted approach with the government providing the enabling environment by way of sound economic and social policies, relaxation of credit constraints, and development of effective mechanism to tackle insecurity in the country.

It is concluded here that there is extant disconnect between education products and industry requirements hence the need for absolute realignment and synchronization of the two systems for economic efficiency.

Unemployment is a phenomenon that must be tackled with a high degree of seriousness. Generation of productive employment is therefore, a compelling task that must involve all and sundry. This is because unemployment on the long run is an ill wind that does no man any good.

Finally we conclude this write-up by observing that no matter how promising employment may be, no matter the expected contribution of such employment to the national output, the human capital is essentially the deciding factor otherwise, such employment generated may become plutonically existential.

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