

## **Jobless and Wageless Recovery in Nigeria: Matters Arising and Way Forward**

AINA, Babatunde Jamiu, IMANDOJEMU, Kingsley

<sup>1</sup>Central Bank of Nigeria, Tel: 08091548000

<sup>2</sup>Central Bank of Nigeria, Tel: 08070969568

---

**Abstract:** *The study examines the factors underlying the jobless and wageless recovery in the Nigerian economy. The study administered questionnaire to elicit information in randomly selected states in the six geo-political zones namely: Abuja, Bauchi, Kano, Enugu, Rivers and Lagos. The Cohen's kappa, Kaiser-Meyer-Olkin measure of sampling adequacy, tabulation of data, descriptive analysis, factor analysis using EIGEN values and rotated component matrix were employed for the empirical analysis. The empirical analysis carried out revealed that technological advancement, inflationary spiral concern, entrepreneurial dearth, low savings/investment, macroeconomic instability and policy summersault are the major factors responsible for the jobless and wageless economic recovery in Nigeria. The paper recommends an amalgam of job-friendly macroeconomic and labour market policies to strengthen the economic recovery with renewed emphasis on job creation.*

**Keywords:** *Joblessness, Wageless, Economic Recession and Economic Development*

---

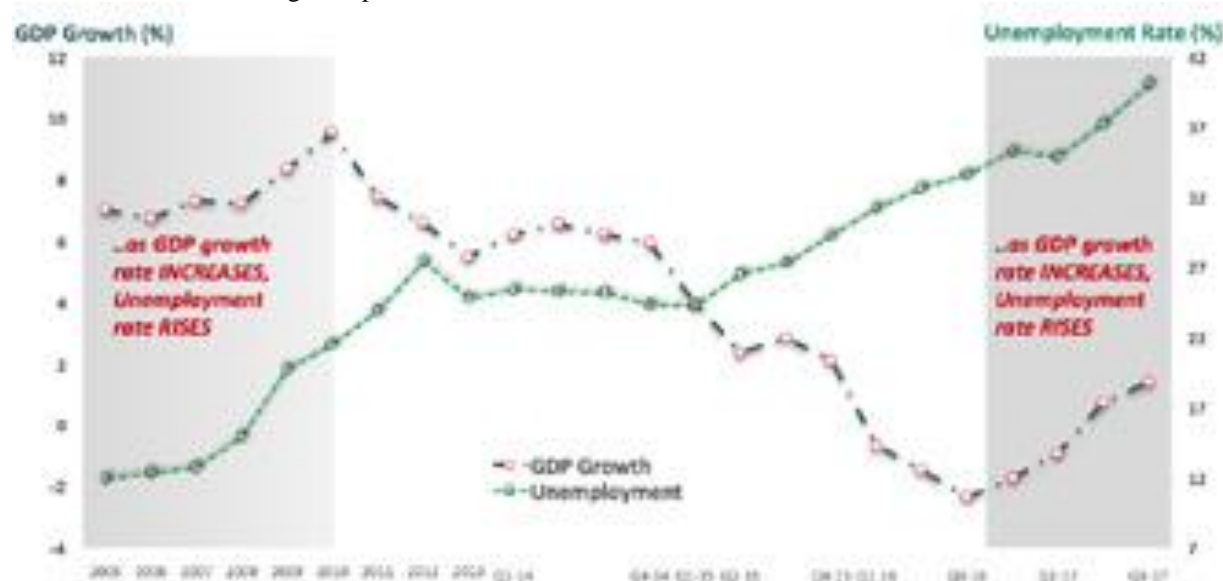
### **I. Introduction**

Economic phenomena is a continuum with every economic epoch possessing its own narrative which permeates economic lexicon, dismantling existing held premonitions on the workings of the economy. In particular, conventional wisdom posits that improved aggregate demand stimulates growth during economic recovery. A major contributor to aggregate demand is consumer expenditure funded majorly through individual labour earnings. It is plausible to note that the prospect of employment growth triggers economic recovery. Jobless growth during a recovery is, therefore, contradictory to orthodox prescription. The episode of anemic job gains amidst improvement in economic growth, contrary to orthodox economic prescription of contemporaneous unemployment popularized the maxim "Jobless Recovery" or "Jobless Growth" in development nomenclature. Jobless recovery is a post-recessionary phenomenon in which the speed of unemployment rate plummets statistically and significantly, slower than pre-crisis employment level. According to (Jaimovich and Siu, 2012), Jobless recoveries refer to the slow rebound in aggregate employment following recent recessions, despite recoveries in aggregate output. In such circumstance, the economy in holism improves, but the unemployment rate remains high or continues to increase over a prolonged period of time. Jobless recovery has become a global problem (World Bank, 2010, ILO, 2014, Bernanke 2015 and Öner, 2017) demanding for renewed attention, though this phenomenon is more noticeable in developing economies (Islam, 2010). The case of Nigeria is a paradox: A Paradox of Jobless Growth. In order words, the improvement noticed in economic growth is associated with increasing unemployment (Olakojo, 2015).

Endorsing this view, (Onwioduokit, Adamgbe and Buno, 2009), posited that Nigeria is experiencing a declining employment coefficient (degree of responsiveness of employment to changes in economic growth) and also jobless growth (employment declining during periods of economic growth). Employment gains remains a missing link in Nigeria's recovery. This became more nuanced following modest improvement in economic growth by 0.55 per cent in the second quarter of 2017, against the contractions of 0.91 and 1.49 per cent in the previous quarter of 2017, from 1.30 per cent in Q4 2016, respectively, marking the technical exit of the Nigerian economy from recession. Prior to the economic recession, unemployment and underemployment rate had already reached a peak of 29%. Between the first and third quarters of 2016, the economy created a net job of 422,133 while 3.7 million people entered the labour market in the same period (The Nigerian Economic Summit Group, 2018). Available statistics showed that unemployment rate increased from 14.2% in Q4 2016 to 16.2% in Q2 2017 and 18.8% in Q3 2017. The combination of improved growth but high unemployment suggests the economic recovery might not flow through to workers, and the spectre of a "jobless recovery" looms (Jericho,

2014). Likewise, over 85 million Nigerians lived below the national poverty line, even as Nigeria remains in the category of countries with low Human Development Indicators (HDI), according to the World Bank's HDI Report (Jaiyeola, 2018). An observable characteristic of this recovery was the swift movement of output growth to pre-crisis level, while employment level remained in limbo.

Figure 1 provides a thematic fact of the aforementioned scenario.



Source: National Bureau of Statistics and NESG Research

Global phenomenon does allow a period of 5-8 months for unemployment to close gap with real growth, but this is often different with our reality in Nigeria (CIPM, 2018). The duration for the convergence of output growth and employment depends largely on how deep and long the recession lasted, the pace of recovery as well as the economic sectors driving the recovery (labour or capital/technology intensive). Unfortunately, the economic recovery is continually trending towards the opposite direction with job creation

The prolonged jobless recovery depicted above remains a considerable threat to realizing Nigeria's full economic and productivity potentials, further exacerbating the dependence ratio, causing untold hardship and extreme level of poverty as the aggregate spending power has sharply declined given stagnation in earnings and incremental changes in the cost of living. Furthermore, wage and salary in the private sector plummeted drastically while the public sector, more precisely State government faced difficulty in the payment of salary and severance packages. Findings across the nation indicate that the economic situation is getting worsen by the day, as the prices of foodstuff and other basic need has sky-rocketed to an alarming rates; the price of a bag of rice which was sold for ₦9,000, now sold for ₦22,000 which is above the minimum wage of an average civil servant, garri that is commonly tagged as poor man food is out of reach of the poor masses now, as a rubber cost ₦1,400, price of vegetable oil have increased by 100 per cent, cement that was sold for ₦1500 is now ₦2600 only but to mentioned just few amongst many commodity whose price has doubled with reduce quantity and quality (Shido-Ikwu ,2017).

Renewed advocacy for minimum wage upward review to curtail the economic malfeasances became the earmarks. Prognosis of the minimum wage regular upward review posits that unemployment problematic is compounded by the institutional structure of the labour market in Nigeria, which is classified as rigid following a binding minimum wage and reduced or non-existent severance payments. Wages are centrally set through a complex system of agreements across States and industries. According to Mailafia, (2016), economic recession stagnates wage growth and increases the proportion of people on low pay, as well as swelling unemployment and underemployment. This connotes that wages adjust only slowly to changes in business cycles.

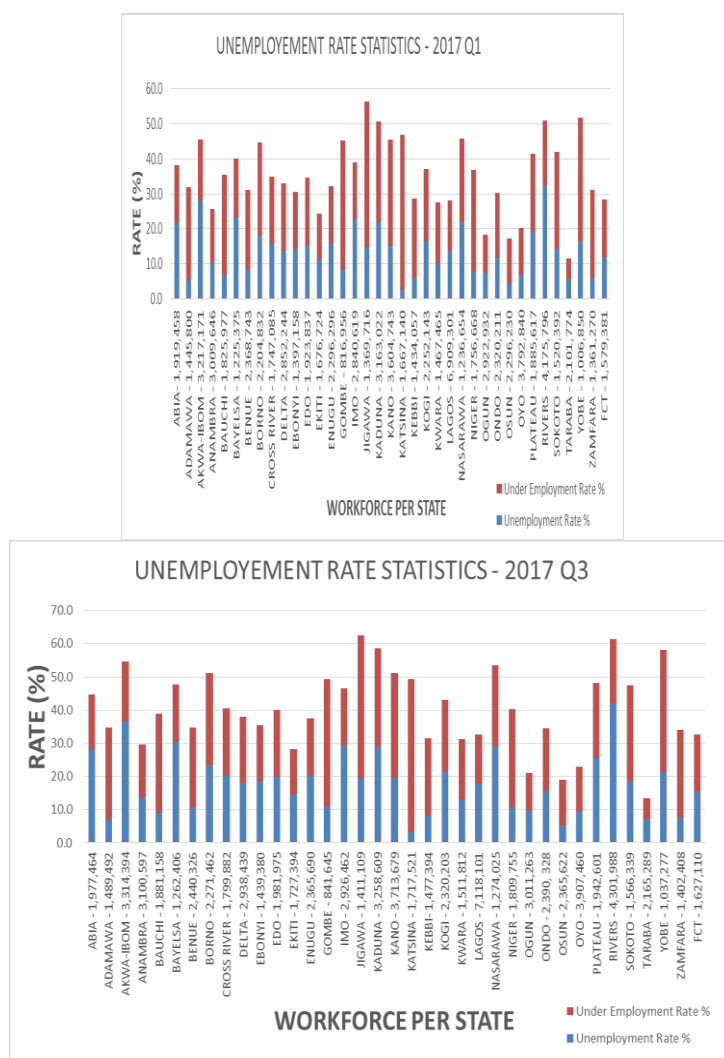
The World Bank ( 1990) Report, aptly antagonized minimum wage upward review asserting that "Labour market policies – minimum wages, job security regulations, and social security – are usually intended to raise welfare or reduce exploitation. But they actually work to raise the cost of labour in the formal sector and reduce labour demand; increase the supply of labour to the rural and urban informal sectors, and thus depress labour incomes where most of the poor are found." Wage growth passes through to inflation and thus represents an important indicator of future price pressures for Central Banks (Haldane, 2018; Powell, 2018). Crucial to this

argumentum is the belief that joblessness in developing countries is attributable to institutionally imposed high wages without recourse to market fundamental and dictates.

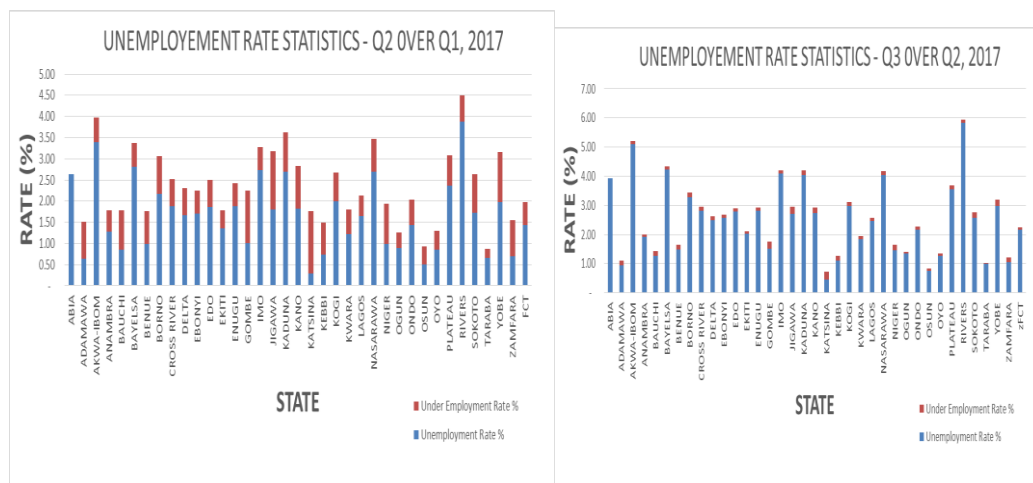
Demystifying the dynamics of jobless and wageless recovery from economic recession is highly important for policy simulation. Against this background, the paper offers theoretical litmus for the better grasp and understanding of the intricacies, dynamics and interconnectedness of unemployment and wages and charts a sustainable path in resolving the unemployment quagmire confronting the country.

## II. STYLIZED FACT

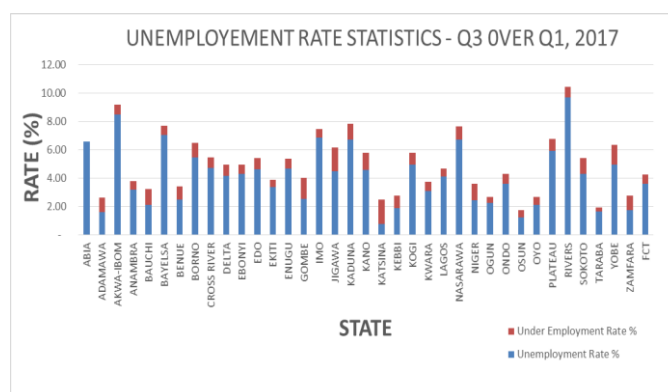
Available statistics showed that unemployment rate increased from 14.2% in Q4 2016 to 16.2% in Q2 2017 and 18.8% in Q3 2017. The number of people within the labor force who are unemployed or underemployed increased from 13.6 million and 17.7 million respectively in Q2 2017, to 15.9 million and 18.0 million in Q3 2017. Total unemployment and underemployment combined increased from 37.2% in the previous quarter to 40.0% in Q3 2017. The economically active or working age population (15 - 64 years of age) increased from 110.3 million in Q2 2017 to 111.1 million in Q3 2017. The labor force population increased from 83.9 million in Q2 2017 to 85.1 million in Q3 2017. The total number of people in full-time employment (at least 40 hours a week) declined from 52.7 million in Q2 2017 to 51.1 million in Q3 2017. During the quarter Q3 2017, 21.2% of women within the labor force (aged 15-64 and willing, able, and actively seeking work) were unemployed, compared with 16.5% of men within the same period. Apart from the gender perspective, labor market performances substantially showed evidence that the country is on the edge of a youthful bulge. For Q3, 2017, the unemployment rate for young people stood at 33.1% for those aged 15 to 24, and 20.2% for those aged 25 to 34.



Sources: Author compilation



Sources: Author compilation



Sources: Author compilation

There are a number of possible explanations for the slower pace of unemployment recovery in Nigeria. The incidence of high unemployment in Nigeria can be attributed to the slow pace of job creation, which has been considerably weaker than labour force growth (PWC, 2018). An explanation that is perfectly in tune with search and matching models is the effect of increased labour participation on unemployment rate. As people become discouraged and stop looking for work or and encouragement and enter the labour force to look for work, the participation rate will vary. Events that affect participation margins will affect the unemployment function in the search and matching model. Recovery from high rates of unemployment will be slowed as the number of participants increase. Sources affecting labour participation rates could be technological advances (such as the Internet) making the application process easier and less costly for job-seekers, changing demographics of the workforce resulting from larger numbers of women participating, or changes in the distribution of the labor force. Also the severity or characteristics of particular recessions may affect participation rates. With longer periods of high unemployment, non-working spouses may join the labor force to replace lost wages. Working in the other direction, as longer periods of unemployment persist, workers can become discouraged and give up on looking, which takes them out of the unemployment. One possible explanation for the slower recovery of jobs is related to technological change. Middle- skill jobs and unskilled workers are often involved in routine tasks that are particularly susceptible to replacement by new technologies, might be destroyed permanently during recessions. The displaced workers are then forced into time- consuming transitions to different occupations and sectors, resulting in slow job growth during the recovery (Graetz, Georg and Michaels, Guy 2017). On a state-by-state basis, NBS reported oil-rich states of Rivers as having 41.82%, the highest rate of unemployment in Q3; followed by 36.58% for Akwa Ibom; and 30.36% in Bayelsa; while Imo came fourth with 29.47% rate. Katsina and Jigawa in the North West; as well as Gombe and Yobe in the North East, recorded the highest rate of under-employment rates at 46.19%, 43.01%, 38.38% and respectively.

### **III. Research Methodology**

This chapter deals with the research methodology used by the researcher in this study. The quality of any research work depends on the researcher's ability to employ the appropriate methodology for achieving the intended objectives of the research. The research methodology is further divided into: Scope of the Study, Sample Size, Sampling Method, Technique of Data Collection, and Technique of Data Analysis. The study administered questionnaire to elicit information on the factors that enshrines joblessness/wagelessness in Nigeria despite a recovery from economic recession in randomly selected states in the six geo-political zones namely: Abuja, Bauchi, Kano, Enugu, Rivers and Lagos. Six hundred and twenty (620) questionnaires were randomly administered to respondents within the state capital of the selected state with instruction to fill and return the questionnaire within Eight months. Nevertheless, six hundred (600) questionnaires were duly filled and returned representing about 96.8% response rate which was adjudged substantial by the researcher. The Cohen's kappa statistics reliability test was employed to ensure that the data availed was error free. The study also employed the use of dialectical methodology in juxtaposition with the simple survey to further give a detailed analysis.

### **IV. Discussion Of Findings**

This section peeps deep into the statistical analysis of the data. After completion of full-fledged survey with finalized questionnaire, data was arranged in an orderly fashion in a summary of spread sheet, by counting the frequency of responses of each question. The analysis was carried out by using SPSS 18.1 software package. Various other statistical tools and tests used for analysis included reliability analysis, Cohen's kappa, Kaiser-Meyer-Olkin measure of sampling adequacy, tabulation of data, descriptive analysis, factor analysis using EIGEN values, rotated component matrix. Consequently, the demographic analyses of respondent were analyzed. The Weighted Cohen's kappa estimate for this research was about 0.83 which constitutes "substantial" agreement and suggests internal consistency of the survey. A scale is internally consistent to the extent that its items are highly inter-correlated. This method is adjudged the most general form of reliability estimation. In this method, reliability is operationalized as internal consistency, which is the degree of inter-correlation among the items that constitute a scale. It also presents the level of homogeneity of items in a scale. Consequently, the demographic analyses of respondents were undertaken. The distribution of respondents' socio-economic and demographic characteristics covers such measures as age, sex, marital status and educational levels. This data provides insight about the basic profile of respondents who took part in the study. Table 2 below shows the gender distribution of respondents. Out of the 600 participants in this study, 320 respondents, representing 53.3% were male participants. 280 respondents, representing 46.7% were female participants. From the table below, the high level percentage of female participation (46.7%) in the survey implies that the stereotypes' and gender bias was surmounted to a large extent. KMO- Bartlett's test which is a measure of sampling adequacy was performed to test the eligibility of the data. The KMO value of 0.739 > 0.5 was observed indicating multivariate normality among variables. Since the significance value observed was less than 0.005, factor analysis was performed subsequently. Therefore the researcher considers the distribution satisfactory for analysis. After a positive KMO Bartlett's test, factor analysis was performed. Factor analysis was used to reduce a large number of variables resulting in data complexity to a few manageable factors. Since the initial number of factors and the number of variables used were found to be equal, not all 31 factors were retained. Only the first six factors are retained since their Eigen value found was greater than one. The outcome of the factor analysis of jobless and wageless economic recovery identified that technological advancement, Inflationary spiral concern; entrepreneurial dearth, low savings/investment, macroeconomic instability and policy summersault are the major factors responsible for the jobless and wageless economic recovery.

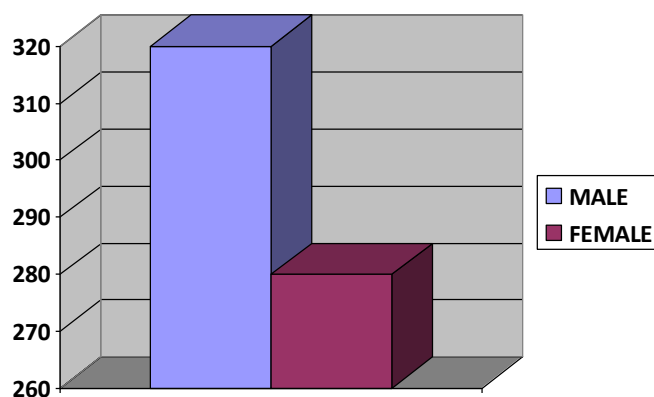
**TABLE 1. Demographic profile of Respondents**

<b>GENDER</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>MALE</b>	320	53.3
<b>FEMALE</b>	280	46.7
<b>TOTAL</b>	600	100
<b>AGE</b>	<b>FREQUENCY</b>	<b>PERCENT</b>

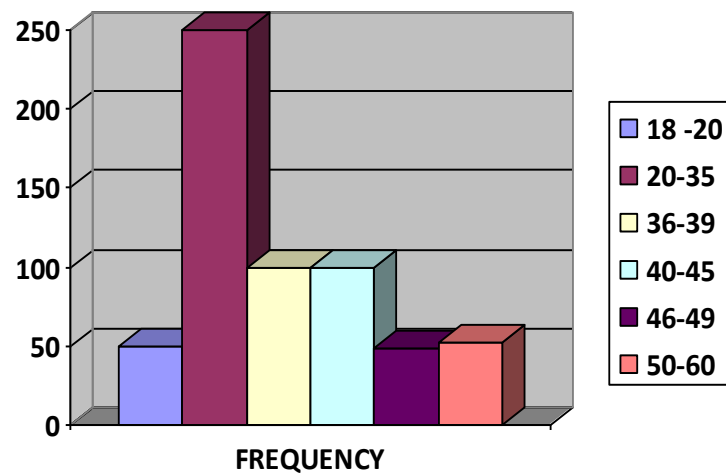
18 -20	50	8.3
20-35	250	41.7
36-39	99	16.5
40-45	100	16.7
46-49	49	8.2
50-60	52	8.6
<b>TOTAL</b>	600	100
<b>MARITAL STATUS</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>SINGLE</b>	243	40.5
<b>MARRIED</b>	200	33.3
<b>DIVORCE</b>	100	16.7
<b>SEPERATED</b>	57	9.5
<b>TOTAL</b>	600	100
<b>EDUCATIONAL STATUS</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
<b>SECONDARY SCHOOL</b>	8	1.4
<b>DIPLOMA</b>	170	28.3
<b>DEGREE</b>	300	50
<b>MASTERS</b>	120	20
<b>PHD</b>	2	0.3
<b>TOTAL</b>	600	100

Sources: Authors Compilation

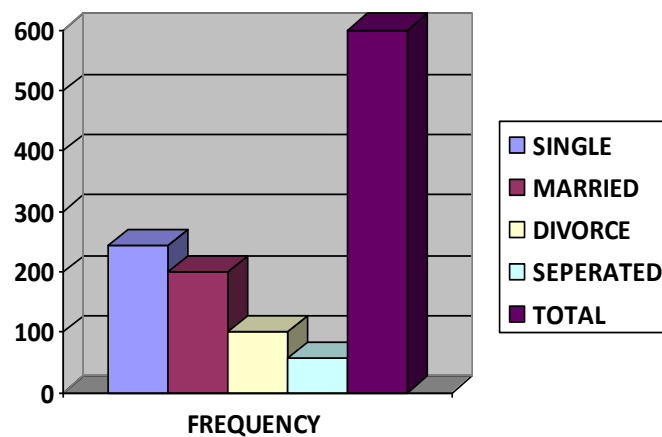
#### GENDER PROFILE OF RESPONDENTS



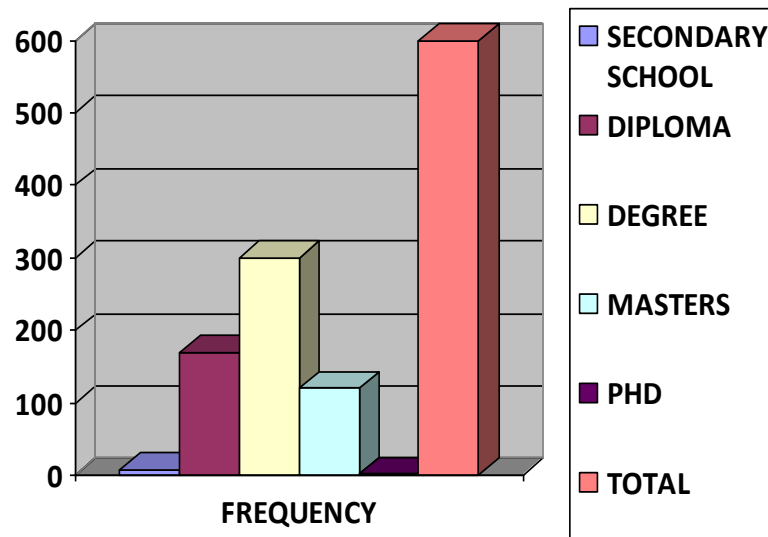
#### AGE PROFILE OF RESPONDENTS



**MARITAL STATUS OF RESPONDENTS**



**EDUCATIONAL LEVEL OF RESPONDENTS**





**Table 2: KMO and Bartlett's test**

Kaiser-Meyer-Olkin (KMO) and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.739
Bartlett's Test of Sphericity	_Approx. Chi-Square	12573.198
	Degrees of freedom	1021
	Significance	0.000

Sources: Authors Compilation

**COMMON FACTORS THAT ACCOUNT FOR JOBLESS/WAGELESS RECOVERY IN NIGERIA**

**Table 3: Explanation of total variance**

Component	Initial Eigen Values			Extracted sums of squared loadings			Rotation sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of variance	Cumulative %
1	10.629	22.145	22.145	10.629	22.145	22.145	8.661	18.044	18.044
2	5.536	11.533	33.678	5.536	11.533	33.678	6.044	12.591	30.635
3	4.285	8.927	42.605	4.285	8.927	42.605	3.295	6.865	37.499
4	3.345	6.970	49.574	3.345	6.970	49.574	3.017	6.286	43.785
5	2.800	5.833	55.407	2.800	5.833	55.407	2.561	5.335	49.121
6	1.668	3.474	68.032	1.668	3.474	68.032	3.986	6.024	45.782
7	.147	.307	97.713						
8	.137	.286	97.998						
9	.118	.248	98.245						
10	.103	.215	98.689						
11	.087	.181	99.066						
12	.959	1.998	78.375						
13	.906	1.888	80.263						
14	.863	1.797	82.060						
15	.838	1.745	83.805						
16	.695	1.447	85.252						
17	.675	1.407	86.659						
18	.607	1.265	87.924						
19	.498	1.038	88.962						
20	.452	.941	89.903						
21	.421	.876	90.779						
22	.396	.825	91.605						
23	.357	.744	92.349						
24	.340	.707	93.056						
25	.298	.621	93.677						
26	.291	.606	94.284						
27	.268	.558	94.841						
28	.260	.541	95.382						
29	.227	.473	95.855						
30	.224	.467	96.322						
31	.181	.377	97.091						

Sources: Authors Compilation



**Table 4:**

<b>Q. No</b>	<b>Factors</b>	<b>Factor loading</b>
1	Inflationary concern enshrined the jobless and wageless recovery in Nigeria	0.863
2	policy summersault affects the recovery of wages and jobs during economic downturn	0.852
3	Macroeconomic imbalance is capable of causing jobless and wageless recovery	0.760
4	The advent of technology increased the scale and magnitude of jobless and wageless economic recovery	0.854
5	Entrepreneurial dearth is affecting efforts to curb the menace of jobless and wageless recovery	0.787
6	Low savings/investment affects the efforts to combat jobless and wageless recovery in Nigeria negatively	0.746

**Sources: Authors Compilation**

## **V. Conclusion**

The research work on jobless and wageless recovery in Nigeria invites readers to grapple with recent interesting ideas about factors underlying the jobless and wageless recovery despite surmounting the recessionary trough that ravaged the economy and how they can be tackled head-on. The conventional wisdom is that unemployment is counter-cyclical. From this perspective recovery from economic recession is tantamount to improved employment gains as output increased modestly. Nonetheless, the way this argument is presented here is very simplistic as it ignores structural deficiencies which characterized the Nigerian economy. The worsening performance of employment compared with output is not simply a matter of employment being a lagging indicator in the business cycle. The slower recovery of employment in the last few cycles is also symptomatic of a deeper and more long-term malaise affecting the Nigerian job market. Understanding the deleterious factors that enshrines the jobless and wageless recovery remains germane to proffering practicable way forward. Findings emanating from the empirical examination of the jobless/wageless crisis in Nigeria despite recovery suggests technological advancement, inflationary spiral concern, entrepreneurial dearth, low savings/investment, macroeconomic instability and policy summersault are the major factors responsible for the malaise. Consequently, there are number of prerequisite deliverables/concerns that are sacrosanct in jumpstarting employment gains. Firstly, and more germane, the root causes of the jobless/wageless crisis have to be properly tackled. The haphazard approach to resolving economic problems need to be jettisoned. Furthermore, the current state of macroeconomic indicators is unfavorable to sustainable enterprises, notably small and medium. High Interest rates, which curtails access to credit, gyrating exchange rates and inflationary pressure affects productive investment and job creation negatively. Consequently, to ensure job recovery in the era of recessionary trend, the paper recommends an amalgam of job-friendly macroeconomic and labour market policies to strengthen the economic recovery with renewed emphasis on job creation.

## **REFERENCES**

- [1.] Benjamin Sunday Shido-Ikwu(2017), Economic Recession in Nigeria: A case for Government Intervention *SSRG International Journal of Economics and Management Studies (SSRG-IJEMS)* – volume4 issue6 June 2017
- [2.] Bernanke, Ben S. (2015): *The Courage to Act: A Memoir of a Crisis and Its Aftermath*, New York: Norton.
- [3.] Ceyda Öner (2017) Unemployment: The Curse of Joblessness Finance & Development International Monetary Fund <http://www.imf.org/external/pubs/ft/fandd/basics/unemploy.htm>
- [4.] Cipm(2018) Perspectives Of Economic Indicators For 2018 The Magazine Of CIPM Nigeria Vol.7 No 1,2018 Pg. 30.

- [5.] David Andolfatto and Glenn MacDonald (2014) Jobless Recoveries retrieved on the 10<sup>th</sup> August, 2018 <http://econwpa.repec.org/eps/mac/papers/0412/0412014.pdf>\* published December 30, 2004.
- [6.] Emmanuel A. Onwioduokit, Emmanuel T. Adamgbe and Emmanuel N. Buno (2009) Macroeconomic Determinants of the Labour Market in Nigeria Journal of Economic and Monetary Integration Vol,9 No 2 [http://www.wami-imao.org/sites/default/files/journals/v9n2\\_unit3.PDF](http://www.wami-imao.org/sites/default/files/journals/v9n2_unit3.PDF) retrieved on 1st August,2018.
- [7.] Greg Jericho (2014) Spectre of jobless recovery looms retrieved on the 15<sup>th</sup> August,2018 <http://www.abc.net.au/news/2014-02-19/jericho-spectre-of-jobless-recovery-loom/5266442>
- [8.] Graetz, Georg and Michaels, Guy (2017) Is modern technology responsible for jobless recoveries? American Economic Review Papers and Proceedings, 107 (5). pp. 168-173. ISSN 0002-8282DOI: 10.1257/aer.p20171100.
- [9.] Haldane, Andrew G, “Pay Power,” 2018. Speech by Andrew Haldane, Chief Economist of the Bank of England, at the Acas “Future of Work” Conference Congress Centre, London, 10 October.
- [10.] Harris, J. and M. Todaro (1970) .Migration, unemployment and development: A two sector analysis.. *American Economic Review* 60(1): 126-142.
- [11.] International Labour Organization(2016) The ILO in Nigeria MARCH 2016 ilo.org/Nigeria
- [12.] International Labor Office. (2014). *Global employment trends 2014: Risk of a jobless recovery?* Geneva.
- [13.] Islam, Rizwanul.(2010). *The challenge of Jobless Growth in developing Countries:An analysis with cross-country Data* *BIDs OCCASIONAL PAPER series No:1*
- [14.] Jaiyeola Laoye (2018) Forward Growing beyond numbers:Will Nigeria’s Growth Be Inclusive in 2018 and Beyond? NESG MACROECONOMIC OUTLOOK 2018.
- [15.] Powell, Jerome, “Monetary Policy and Risk Management at a Time of Low Inflation and Low Unemployment,” 2018. Speech by Jerome Powell, Chairman of the Federal Reserve System, at the “Revolution or Evolution? Reexamining Economic Paradigms” 60th Annual Meeting of the National Association for Business Economics, Boston, Massachusetts, 2 October.
- [16.] Solomon Abayomi Olakojo(2015) Paradox Of Jobless Growth In Nigeria And Options For Policy retrieved on 15<sup>th</sup> August,2018 <http://cseaafrica.org/paradox-of-jobless-growth-in-nigeria-and-options-for-policy/> December 18, 2015
- [17.] The Nigerian Economic Summit Group (2018) Addressing Unemployment in Nigeria: A Case for Revamping Vocational and Technical Education Policy brief May,2018.
- [18.] [www.nesgroup.org/policy-briefs/](http://www.nesgroup.org/policy-briefs/)
- [19.] Mailafia.D.I. (2016).The Structural economic dimensions of unemployment: Associated factors and imperatives for sustainable development in Nigeria. Being Inaugural Lecture, University of Jos.
- [20.] Martins Hile(2018) Nigeria's economic growth and employment contingencies Financial Nigeria Development Finance retrieved on the 15<sup>th</sup> August,2018 at <http://www.financialnigeria.com/nigeria-s-economic-growth-and-employment-contingencies-blog-320.html> published online on 15 Jan 2018.
- [21.] World Bank(2006)Growth, Macroeconomic Adjustment, And Labor Market Outcomes Turkey Labor Market Study [http://siteresources.worldbank.org/INTTURKEY/Resources/361616-1144320150009/Labor\\_C2.pdf](http://siteresources.worldbank.org/INTTURKEY/Resources/361616-1144320150009/Labor_C2.pdf) retrieved on 1st August, 2018
- [22.] World Bank( 1990) *World Development Report 1990*. New York: Oxford University Press.
- [23.] World Bank(2010)Growth Returning to Emerging Europe And Central Asia, But Concerns Center on Jobless Recovery <http://www.worldbank.org/en/news/press-release/2010/10/08/growth-returning-emerging-europe-central-asia-concerns-center-jobless-recovery> October 8, 2010.