

PUBLIC ENTERPRISE RESTRUCTURING: A STUDY OF NIGERIA'S PRIVATIZATION PROGRAMME AND UNEMPLOYMENT RATE

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Abstract

Some World Bank studies claim that privatization has a progressive impact on employment and quality of labour. Significant literature and the persistent high unemployment rate since the advent of privatization in Nigeria do not buttress this claim. The controversial privatization of the Nigerian Telecommunication Company and other public sector giants like the Nigerian Airways, and the balkanization of the Power Holding Company of Nigeria along geopolitical zones for political rather than economic expediency, created more unemployment than employment in Nigeria. One objective of privatization programme in Nigeria is to improve the efficiency of public enterprises and create jobs to reduce unemployment. But this aim is yet to be attained as the unemployment rate rose from about 5 percent in 1988 to about 25 percent in 2011. This study was designed to assess the relationship between Nigeria's privatization programme and unemployment rate in Nigeria. The survey research design was used for the study. Data was analyzed through descriptive statistics and the Pearson's correlation. With correlation coefficient $r = .88$ it was found that Nigeria's privatization programme has strong positive relationship with unemployment rate in Nigeria. At last, recommendations were made based on the findings.

Keywords: Privatization programme, Unemployment, Commercialization, Public enterprises, Entrepreneurial arrangements, Commanding heights

INTRODUCTION

The growth of modern enterprise and industry has historically been associated with the level of successful entrepreneurial arrangements in any given socio-economic and political system. According to Ejiofor (1987) before the actualization of political independence in 1960, some vocal members of parliament had started the agitation for the proper organization and management of public enterprises in Nigeria. Upon the attainment of political independence in 1960, Nigeria like most developing countries in Africa, Asia, and Latin America established public enterprises so as to speed up the process of economic development in the face of acute lack of managerial materials, inadequate entrepreneurial skills shortage of investible capital and under developed financial system among others. Waking up from a Civil War (CW) in 1970 Nigeria became concerned with developmental programmes. Consequently, the Nigerian government policy on public enterprises specified clearly in the 1970/74 Second National Development Plan document as follows: "Statutory corporations and state owned companies have become an increasing tool of public intervention in the development process. Their primary purpose is to stimulate and accelerate national economic development and self-reliance". Within the framework of this policy successive governments in Nigeria have through one programme or the other encouraged the development of public enterprises. In the 1970s, Nigeria developed a large public sector involving economic activities such as banking and insurance, oil prospecting, exploration and refining and marketing, cement, paper, and steel mills, hotels and tourism, fertilizer plants, motor assembly plants, rail, sea, and air transportation, sugar estates, engineering works, among others, resulting into over 2000 public enterprises at both federal and state levels of government. In pursuit of rapid economic development the Nigerian government enacted the 1972 Indigenization Degree (as amended in 1977). The Decree sought to reserve certain categories of business operations for Nigerian citizens and also allow Nigerians to takeover the commanding heights of the economy. The Indigenization policy was complemented by the Nigériasation and Nationalization policies. The aim of the government was to convert the huge oil revenue to productive investments that would create job opportunities for citizens and reduce unemployment. The government was agitated that despite huge oil revenues unemployment was noticeable in the country. It was felt that a situation where some people who are qualified, ready, willing and able to work do not find work to do was unacceptable, and that those noncitizens occupying such job positions should make way for the citizens so as to reduce unemployment.

Unemployment also involves a situation where some people who fall within the ages of the working population, capable and willing to work are unable to secure befitting jobs to do. Because unemployment constitutes one of the problems facing any economy, especially the

developing nations economists like to focus much attention on it, and try to find ways of reducing it. In conceiving the privatization programme the government thought that retrieving the commanding heights from foreigners would boost economic development. The government envisaged that 2 million Nigerians, particularly the low-income earners and rural dwellers, would benefit from the privatization exercise through the purchase of shares. The programme began with high networth public enterprises such as Nigeria Telecommunications (NITEL), New Nigeria Newspapers, banks, motor assembly plants, air, rail, sea and other public enterprises that employ a great number of Nigerians. With the recession of the 1980s, the federal government of Nigeria in July 1988 promulgated the privatization and commercialization Decree No-25 of 1988 to formally initiate the privatization and commercialization programme as an integral part of the restructuring of the Nigerian economy. The decree specified a total of 111 public enterprises to be privatized fully or partially and another set of 35 public enterprises to be wholly or partially commercialized. In addition to these, some 117 small and micro enterprises made up of feed mills, rice mills, poultry and fish farms, dairies and cattle ranches, garri processing plants, owned and operated by the River Basin Development Authorities across the country were sold off as non-water assets. On the whole the programme covered practically every sector of the national economy except defense. The decree also established an implementation agency called the Technical Committee on Privatization and Commercialization (TCPC) to drive the programme. And with the enforcement of the decree Nigeria became probably the only country in the world carrying out the twin programmes of privatization and commercialization simultaneously. Other countries like UK, Turkey, Canada, etc disengaged from economic activities through privatization, whereby the ownership and management of the affected public enterprises were transferred to the private sector through public sale of shares or assets. They did not embark on commercialization.

The twin concepts of privatization and commercialization though related are not entirely the same. Privatization describes the policy which encourages competition and emphasizing the role of market forces in place of statutory restrictions and monopoly powers. On the other hand, commercialization means the reorganization of enterprises, wholly or partially owned by the government, in which such commercialized enterprises shall operate as profit making commercial ventures without subvention from the government. By the time the TCPC submitted its final report to the government in June, 1993 work on a total of 86 public enterprises out of the 111 public enterprises slated for partial or full privatization had been completed. According to Zayyad (1998), "privatization programmes are identical, because each country seeks to address its own peculiar socio economic circumstances. Privatization is possible because many countries claim to have found solutions to their economic problems

through privatization by reducing the financial burdens of unprofitable and subvention soaking public enterprises. Programmes of economic reforms require a judicious mixture of technical, institutional and political innovations if they are to succeed. Nigeria adopted its own method of privatization and commercialization with the aims of improving the efficiency of public enterprises, reduce their dependence on subventions, promote share ownership by at least 2 million citizens, broaden and deepen the Nigerian capital market and reduce unemployment. But the approach adopted such as the decentralized approach, treasury approach, focal point approach, did not favour the 2 million citizens that would have benefitted. Also the method of privatization like the: public offer for sale of shares, private placement, sale of assets, management buy – out (MBO), Deferred public offer, and leasing and contract management, never worked in the interest of the majority of the citizens. According to the Central Bank of Nigeria (1999) a total of 89 public enterprises have been privatized and the proceeds received from the exercise amount to N4.66bn while the resultant capital gains was estimated at N3.66bn. but some of the privatized public enterprises like the merchant banks have died, and NITEL is lying flat among others. The implication here is that many citizens have lost their jobs in that process of privatization and commercialization and most importantly with the demise of those public enterprises the rate of unemployment and urban poverty would have been escalated. This is the point of departure from the views of traditional economists, and contention that Nigeria’s privatization programme largely led to the hijack of public enterprises by a few people, creating unemployment, and perpetuating the leadership of the “future by the past”. The story is painful because unemployment drains Nigerian economy (Otti, 2014, Atiku, 2003, Ojobo, 2014)

Statement of the problem

The majority of Nigerians even today do not have access to bank credit that would enable them participate in the privatization and commercialization programme. The methods of management buyout, sale of assets, leasing and contract management were meant for the advantage of few wealthy citizens who were almost always at the corridor of political power or their business associates. Contrary to the views of the early apostles of Nigerian privatization and commercialization programme, the whole exercise was marred by inefficiency, corruption, political interference, nepotism, favouritism, as well as lack of transparency, integrity, and deceit. At a time of economic recession where over 70 percent of the citizens live below poverty level would not have been appropriate for the majority to benefit from such an exercise. To a high extent the privatization and commercialization programme created more billionaires among the rich at the detriment of the majority of the citizens. Specifically, privatization as a component

of the structural adjustment programme (SAP) was to revive the economy, and reduce the level of unemployment. But has the so called privatization of such public enterprises as cement, textiles, motor assembly plants, commercial and merchant banks publishing enterprises, Nigeria Airways, Power Holding Company of Nigeria (PHCN), etc, brought about any reduction in unemployment? The goals of the programme were to: improve the efficiency of the parastatels through better role definition between the supervisory ministry and the public enterprises, and reduce their dependence on the treasury for the funding of their operations increase participation of Nigerian citizens in the economic activities through share ownership of productive investments. The first step in the development of the programme was the establishment of study group under the general guidance of the World Bank group to review and classify all public enterprises in Nigeria into three categories. Those in category one and two were designated for commercialization while those in category three were slated for privatization. The two categories were further classified into those to be fully or partially privatized, depending on the extent of the social service component of their services or goods. According to Zayyad (1998) at the end of the exercise, total historical value of government exposure in the privatized public enterprises was only N652.3m and the net proceeds (exclusive of transaction costs) realized were in excess of N3.7billion. Under the decree over 250 public enterprises were slated either for privatization or commercialization, and or sold-off as the case may be. Tables 1 and 2 showed details of some of the privatized, commercialized or sold-off public enterprises as at 1998. A considerable part of the over subscription experienced in the offers for sale arose from the intervention of large institutional investors who saw in the privatization exercise an opportunity to broaden their investment port-folios. With emphasis being given to the small individual investors, such institutional investors became frustrated. There were evidences that some of them organized large scale surrogate shareholding in a bid to satisfy their insatiable demands. Indeed there were cases in which some institutional shareholders *hi jacked* certain public enterprises during the privatization exercise in Nigeria. According to Zayyad (1998) there were people opposed to privatization on ideological grounds. To them privatization and SAP were imposition from the World Bank and IMF the twin champions of international capitalism. Since such views were more often than not deeply rooted in ideological opposition, it was not easy to dissuade those who express them, particularly since they were usually vocal and elitist. The primary argument for privatization and commercialization is of course that the efficiency and profitability of the investments will improve after the exercise. A subset of the group who oppose privatization on ideological grounds were those who believe that privatization is anti-labour, as it would eventually lead to massive retrenchments. This is not necessarily so, but the workers in those liquidated public enterprises eventually lost their jobs.

Regional imbalances in shareholder distributions, particularly between the North and South divide of the country was another major problem. The TCPC was concerned with the distributional equity geographically and within income groups, and did everything within its power to achieve that objective. There were many identified cases of surrogate shareholding which involved the guidelines on geopolitical distribution. Those were loopholes for the hijack of public enterprises through Nigeria's privatization programme. (Ajakaiye, 1990, Alohan, 2014, The Nation, 2010)

Objective of the study

To evaluate the relationship of Nigeria's privatization programme on unemployment rate.

Delimitation of the study

The study was delimited to selected privatized, commercialized, or sold-off public enterprises in Nigeria.

Limitation of the study

The study was constrained by lack of finance and current literature in the area under investigation. However, these limitations did not affect the quality and academic relevance of the study.

Hypotheses

To focus attention on the problem and objective of the study, the following hypotheses were formulated and tested at 0.05 level of significance.

Ho: Nigeria's privatization programme has no relationship with unemployment rate.

Hi: Nigeria's privatization programme has relationship with unemployment rate.

LITERATURE REVIEW

Nigeria adopted Structural Adjustment Programme (SAP) in 1986 as a workout strategy in the face of economic recession. Privatization was seen as a major component of SAP believed to be a driving force in putting the Nigerian economy into the path of economic recovery. The World Bank and the International Monetary Fund often encourage many Highly Indebted Poor Countries (HIPC) to pursue privatization programmes (Cook and Kirkpatrick, 1993, Craig, 2000). These countries hardly resist such counsel because doing otherwise would automatically deny them the opportunity of receiving the necessary financial assistance they need. The argument

has always been that better resource allocation and control would emerge, creation of employment opportunities, the limitation of government activities through divestiture or closure of state public enterprises and contracting out government functions to private competitive bodies would be among the benefits.

Privatization policies assume that improved accountability and transparency underpins beliefs that private ownership is more efficient than public ownership with benefits for consumers, employers, the industry and the national economy (Adam, et al, 1992, Goodman and Loveman, 1991, Flemming and Mayer, 1977 Donald and Hutton, 1980). Nigeria as a HIPC adopted a country specific privatization programme.

Nigeria's Privatization Programme: Impementation and Approaches

According to Zayyad (1998) Nigeria's privatization programme proceeded through: (1) Implementation Arrangement, and (2) Approach systems. Nigeria believes that privatization is both an economic and political exercise, but more the latter. It needs the commitment of the highest political authority in the land to take off and to be sustained.

Implementation arrangement

The first task of the TCPC was to undertake a nationwide tour as a means of creating awareness and also to enable members of the committee to visit the affected enterprises to see for themselves their condition pre-privatization. Simultaneously the TCPC appointed independent subcommittees to undertake diagnostic studies on all the affected enterprises and to prepare "Information memorandum" on each of them.

Other professional advisers such as issuing Houses, Stockbrokers, Registrars Solicitors, and Reporting Accountants were appointed as the need arose. Throughout the exercise, TCPC used the services of Nigerian consultants and professionals as a deliberate policy to promote indigenous consultancy firms. And they performed creditably well. Because of this arrangement the Nigerian privatization exercise was less publicized in the Western media than those of countries like Ghana, Uganda, Zambia, Kenya, etc whose combined programmes were smaller than Nigerian. In those countries foreign consultancy firms were used and they had a vested interest to publicize their activities. The TCPC focused attention on wider share ownership across income groups in the society, public awareness, ensuring easy access to credit to enable low income earners own shares and ensuring geographical spread because of the multiple ethnic groups in Nigeria.

Privatization Approach

There are a variety of administrative set ups that are being used worldwide to implement programmes of public enterprises reforms. The three approaches more popularly used are:

The Decentralized Approach

Under this method, each ministry is made responsible for the privatization or commercialization of public enterprises under its supervision. The main problem with this approach is that the civil service is not the most suitable organization to carry out such a programme because it benefits more from the status quo. This is because of the problem of the intensity of existing relationship between the ministry and the affected public enterprises. So far the approach enjoyed only limited application and most of the countries which adopted it abandoned it in favour of the independent focal point approach.

The Treasury Approach

In many countries, the ministry of finance is charged with the responsibility of supervising the implementation of the programme. In addition to problems identified with the decentralized approach, this method also suffers from the problem of inter-ministerial conflicts. This has not been popular.

The Independent Focal Point Approach

Under this approach, an independent central organization with the necessary degree of autonomy is established.

Such an organization should be accountable to the highest political authority and be independent of the civil service. The fact that it has no vested interest in maintaining the status quo makes such an approach attractive. Nigeria adopted the independent focal point approach by creating TCPC within the presidency. The advantages of doing so were: it increases the status and importance of the unit to levels commensurate with the size, importance and complexities associated to the public enterprise sector reform, creates a unit with a direct link to the country's political leadership and which can concentrate all its attention on public enterprises issues without being distracted by other ministerial tasks; it made room for the creation of a less political and more enterprise industry – oriented culture in a unit operating outside the normal ministries; it may, in certain situations be a more politically acceptable solution, since no existing functional ministry will gain power over the others; it avoids undue concentration of power in one functional ministry.

Methods of Privatization

In the course of implementing the programmes of privatization the TCPC used the following methods of privatization:-

Public offer for sale of shares

Public offer for sale of shares of affected public enterprises through the Nigerian Stock Exchange was the dominant method of privatization adopted by the TCPC. To qualify for listing on Stock Exchange, the enterprise must have a track record of profitable operation for 5 years and a history of dividend payment of not less than 5 percent for 3 years running. A total of 36 public enterprises were privatized through this method. In the process over 1.4 billion shares were sold to Nigerian citizens and associations in all the 774 local governments across the country. It created a shareholder population in excess of 2.8 million.

Private placement

Private placement of shares of affected public enterprises was undertaken in cases where government holding was so small that TCPC could not persuade the majority shareholders to make a public offer of shares even where the enterprise fulfilled the listing requirements of the Stock Exchange. This method was also used in cases where the full potentials of the enterprises were yet to be exploited, and the need for it to be nurtured for a few years more was felt. In all of public enterprises that were privatized through this method and in each case, the maximum number of shareholders was 800.

Sale of assets

The sales of assets method occurred in cases where the affected enterprises could not be sold either by public offer of shares, or by private placement of shares because such enterprises had poor track records and their future outlook considered hopeless. Such enterprises were liquidated and their assets sold piece-meal through public tender. A total of 26 enterprises were privatized this way. In addition to the 111 enterprises slated for full or partial privatization in the privatization Decree No. 25 of 1988, some 200 non-water assets of the 11 River Basin Development Authorities (RBDAs) across the country were disposed of. The River Basin Development Authorities which were established as multipurpose rural development agencies had over the years invested enormous financial resources in rural industrial projects such as feed mills, rice mills, cattle ranches, dairies, fish farms, agronomic farms, poultry projects, etc. By Decree No.35 of 1987 the role of the RBDAs was redefined and restricted to water resources development, without direct involvement in food production and processing. Between 1988 and

1989 when the TCPC took off, most of the RBDAs had abandoned such projects because no funding was available to operate them. The TCPC established sub-committees to take a census of such enterprises in each RBDA and to organize their evaluation by professional estate valuers. Over 200 of such projects were identified by the sub-committees. These projects were advertized for sale in four national newspapers inviting interested buyers to submit their bids, for the purchase of such non-water assets.

Management Buy Out (MBO)

Under this method the entire or substantial part of the equity capital of the enterprise was sold to the workers. It was then entirely up to them to organize and manage the enterprise. Only one enterprise was treated this way. And it was a clearing and forwarding company.

Deferred Public Offer

This was the fifth method of privatization developed, and was used for enterprises which although considered viable, if sold by shares they would realize revenue which would be less than the real values of their underlying assets. A willing buyer/willing seller price was negotiated based on a revaluation of the underlying assets of the affected enterprises. Two hotel enterprises were privatized this way on the condition that the new owners would sell not less than 40 percent of the equity capital of the privatized enterprises to the Nigerian public within 5 years of the take over.

Leasing and Contract Management

These two non-divestiture options were applied to those-capital intensive public enterprises which could not be privatized “as is” because of reasons such as negative net worth and poor state of their operating plant and machinery. State governments used these methods of privatization in dealing with their more difficult projects. A total of some 23 federally owned public enterprises were treated through this method of privatization.

Lessons from other countries

Arguments underlying privatization of public enterprises hinge on the need for managerial efficiency, transparency and profitability in production of goods and services as well as the removal of state controls and the possible creation of more and better employment windows for the citizens. Some studies of post privatization, performance of enterprises in HIPC are not many. However, World Bank studies and statements often predict that the privatization of public enterprises in HIPC will increase productivity and of course lead to the reduction of

unemployment. However, Wright et al (1993) posit that privatization through management-buy-out method produces better financial control systems, employment arrangement on public enterprises and their agencies. After a study of eleven privatized public enterprises in the United Kingdom in the 1980s, Park (1997) did not agree with the hypothesis that private ownership of public enterprises is highly more efficient than nationalization. In a different study of the water sector Shaoul (1997) denies popular claims that private ownership has or will increase its efficiency because of its inelastic demand, the nature of the industry its low labour content, and slow rate of technological change involving little scope for improvement. Experts differ on whether privatization has a positive or negative impact on the efficiency and unemployment rates in HIPC. Job losses is a major negative effect of privatization. As soon as privatization plans are rolled out workers are “rationalized” without any voice to negotiate their benefits. Employers engage them on individual negotiation and on case by case basis that does not mostly result in their best interest. Consequently the workers are simply thrown into cold unemployment. A World Bank review of the effect of privatization on labour in Benin, Burkina Faso, Ghana and Zambia, for example, showed total job losses during privatization as: Benin, - 675, Burkina Faso, 6, Ghana, - 932, Togo, 334, and Zambia, - 412. These were net losses, representing, 36.05 percent in Benin, 6.7 percent in Burkina Faso, 17.20 percent in Ghana, 11,58 percent in Togo, and 6.81 percent in Zambia. This result shows that there was no net gain in employment at the periods of privatization in these HIPC. Gupta and Robert (1998) in their study concluded that privatization has adverse impact on employment and wage condition. D’souza and Megginson (1999) in their study found decline in employment that involved a huge proportion of privatized public enterprises. According to Sheshinsk and Lopez – Calva (1999) privatization can lead to a reduction in an enterprises workforce and can also affect salary and structure, working conditions and employees’ benefits. They posit that the reduction in employment in the short-run may be due to the elimination of redundant labour. Over the medium to long run, employment may increase with both efficiency gains and productivity at both the micro and macro economic levels. This theory may not apply to Nigeria because corruption is seen as the norm and with its impunity efficiency and productivity continue to decline in almost all ramifications. Justifying privatization World Bank reports (1996) emphasize the lack of financial accountability and transparency in public sector enterprise and their impunity from the financial discipline of markets and the scrutiny of regional institutions. According to World Bank (1996) privatization transactions in Africa has reached the level of nearly 2804 by the end of 1997 from less than 200 in the year 1990 and a total of 334 for all the period before 1990. The transactions focused more on big public enterprises like telecommunications, air and rail transportation, textiles, etc. According to World Bank (1996)

most of the privatization activities took place in a few HIPC. For example, out of the nearly 2804 transactions only 81 of such transactions were made in Nigeria while 549 were in Mozambique, and only 25 percent of public enterprises were privatized in other Central and West African countries at the end of 1995. According to Bennel (1997) various methods have been used in the privatization exercises in HIPC in Africa, including management/employee buy outs, and that liquidation was the method most frequently used. However World Bank observers feel that “not all sales of shares have been open and transparent”. They insist in particular that the methods to broaden ownership, such as the method of management/employee buy outs have not been commonly applicable in Africa. According to White and Bhatia (1999) in five Sub-Saharan African countries where sale of shares has been the preferred method of the privatization of public enterprises, employment declined by about the average of 15 percent. According to Shaikh (1996) after the privatization of Argentina’s telecommunications and electricity companies through sales and lease agreements the work week increased from 35 hours to 40 hours. According to De Luca (1998) upon the privatization of electricity utility through a lease contract in Cot d’Ivoire, there was a 22 percent reduction in the workforce. Bhaskar and Khan (1992) found that in Bangladesh between 1982 and 1986 the transfer of the jute enterprises to their former owners led to the loss of 33 percent of the managerial and other jobs and 7 percent of the manual tasks. Empirical literature supports the situation in Nigeria today to say that privatization does not often lead to greater employment. Even though it may in some few cases make positive impact but generally speaking privatization can be highly associated with job losses and wage and benefit losses for employees. According to Gupta and Robert (1998) multi-sectoral studies in different countries show very significant reduction in employment after the privatization of public enterprises. Literature is disposed to the fact that most privatization exercises have not been transparent and that privatization through which ever method leads to unemployment.

METHODOLOGY

The survey research design was used for the study. Data were collected from both primary and secondary sources. The questionnaire was used for the collection of primary data, from Public Enterprises in Aba. The sample for the study was selected through the Simple Random Sampling method, while the sample size was determined through the Yamane’s formula. Reliability for the data collection instrument was calculated at 0.90 through the Cronbach’s Alpha technique. The two methods of data collection were used so as to validate data through each other. Data collected were organized, filtered and coded before they were classified. Data analyses were done through descriptive and Pearson’s correlation statistical methods.

ANALYSIS AND RESULTS

Table 1: Privatization / Commercialization by Sector and Type

S/No	Sector	Total	Privatization / commercialization	
			Fully privatized	Partially privatized
1	Development banks	1	1	—
2	Oil marketing corporations	3	—	3
3	Cement plants	3	—	3
4	Hotels and Tourism	2	2	—
5	Textiles	3	3	—
6	Transport companies	1	1	—
7	Salt companies	2	2	—
8	Food and Beverages	6	6	—
9	Insurance companies	14	14	—
10	Flour milling	1	1	—
11	Dairy companies	2	2	—
12	Construction & engineering	4	4	—
13	Commercial & Merchant banks	10	10	—
14	Agriculture & Livestock	18	18	—
15	Others	14	14	—
16	Total	84	78	6

Source: Zayyad (1998)

Table 2: List of Sold off-Water Assets of 11 RBDAs

S/n	Asset description	Total no
1	Poultry Projects	37
2	Garri Processing Plants	5
3	Fish farms	16
4	Dairies & Cattle Ranches	7
5	Rice Mills	6
6	Feed Mills	3
7	Crop farms	12
8	Piggery Projects	10
9	Other projects	21
10	Total Projects	117

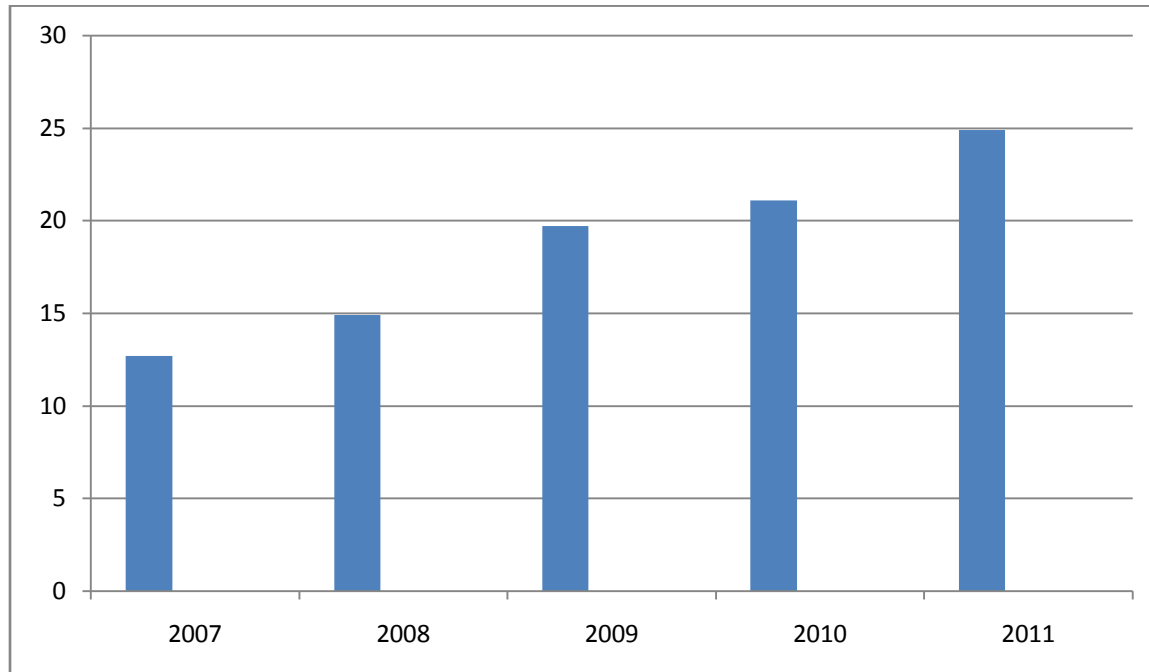
Source: Zayyad (1998)

Table 3: Privatization Programme factor score with Unemployment variables

Variables of interest	Privatization Programme (X)	Unemployment(Y)
Banking	0.10319	7.2
Insurance	-0.50102	5
Communications	2.18589	9.4
Transportation	-0.87802	4.3
Textiles	-0.62135	4.7

Source: Primary data

Table 4: Unemployment Rate (2007-2011) by Percentage



Source: CBN, (2011) Statistical Bulletin

Correlation Analysis

Table 5: Descriptive Statistics

	Mean	Std. Deviation	N
PRIT.	.26	1.211	5
UMPT.	6.12	2.151	5

Table 6: Correlations

		Privatisation	unemployment
PRIT.	Pearson Correlation	1	.883*
	Sig. (1-tailed)		.024
	N	5	5
UMPT	Pearson Correlation	.883*	1
	Sig. (1-tailed)	.024	
	N	5	5

*Correlation is significant at the 0.05 level (1-tailed)

Correlation coefficient in table 6 was $r = .883^*$. This proved that there is significant positive relationship between privatization and unemployment at 0.05 level of significance. Therefore, H_0 , which stated that privatization has no significant relationship with unemployment was

rejected and the alternate hypothesis was accepted. This is the objective of the study. This result supports the views of previous scholars like Sanjeer, et al, (2000) that privatization leads to unemployment.

DISCUSSIONS

The broad objectives of Nigeria's privatization and commercialization programmes sought to restructure and rationalize the public enterprises so as to lessen the dominance of unproductive investment in the sector, and also ensure positive returns on public sector investment in commercialized enterprises. It was expected that the release to the private sector of such public enterprises which by their nature and type of operations are best performed by the private sector would bring out higher efficiency, productivity and the creation of employment. These expectations have not been realized as according to Bello (2014) Nigerians need to exercise patience with Federal Government transformation agenda. Reacting to the popular view that many privatized companies failed to rise up years after they were privatized he stressed. "It is very wrong for people to say that privatization did not work in Nigeria. We are all enjoying what privatization brought into telecommunication industry. What the people need is hope and patience, things will work out fine for every one to enjoy". In other words, apart from the licensing of independent mobile phone companies, we are yet to feel the other aspects of privatization. There is almost a consensus of opinion that the original privatization programme did not achieve the desired broad objectives. For examples, the Minister of Trade and Investment Aganga (2014) announced that, "privatization exercise is yielding positive harvest, as it has unlocked the investment opportunities in the sector, with pipeline investments estimated at N550bn currently. He continued: "For the first time in Nigeria's 53year history, the country successfully privatized the electric power industry and is bringing in capital, technology and operational excellence into the sector". As a result, 11 distribution companies and four generation companies have been privatized for over US\$3bn, other generating plants in the National Integrated Power Projects Programme will also be privatized soon. These electricity assets were physically handed over to private owners in November, 2013. According to the Minister, "privatization is just beginning in Nigeria's power sector, as we now have a pipeline of approximately US\$50bn of investment, lined up to go into the Nigerian power industry in the next few years". These statements suggests that the original privatization programme failed to achieve any meaningful purpose. Most of the public enterprises such as, textile mills, motor assembly plants, commercial and merchant banks, transportation entities that were privatized in the first phase of the programme in 1992 that led to massive retrenchment of workers have since been liquidated, or at best now moribund. Other public enterprises like Nigeria Airways

that was privatized in the second phase did not survive. The workers laid off are still pursuing their benefits. To address the issue of unemployment further, the government plans to create 5m jobs by 2015 through the National Enterprises Development Programme (NEDEP) and the Nigeria Industrial Revolution Plan (NIRP). According to Masari (2014) the aims of the programmes will be actualized through the establishment of sustainable micro, small, medium enterprises (MSMEs) in the 774 local government areas based on comparative and competitive advantages. He added that 10,917 co-operative societies have been formed and registered, another 163, 755 new entrepreneurs have also been created out of the co-operative societies formed while 491,265 new jobs have so far been created. As the result of the failure of the privatization programme to create employment the Federal government is making frantic efforts to reverse the trend. According to Aganga (2013) “NEDEP was developed with the objective of addressing the major challenges militating against MSME growth and development across the country and that the federal government is partnering with more state governments across the country to generate additional jobs and reduce unemployment.

RECOMMENDATIONS

- i) With the unemployment rate rising from 5.1 percent in 1988 to about 24.9 percent in 2011, the privatization programme has not addressed one of its broad objectives of reducing unemployment. The Federal Government should work hard on alternative programmes that will bring about the reduction in unemployment.

- ii) The disposal of public enterprises under any programme should be done transparently. The privatization of some public enterprises is still under litigation because it would appear that due process was never followed in their disposal.

- iii) Most of the “big” public enterprises were privatized into the “pockets” of few individuals and their agents. The situation must change because it pauperizes the majority of Nigerians.

- iv) The Nigerian privatization programme blindly followed the World Bank Agenda. The privatization of public enterprises should in the future adopt an indigenous philosophy for the betterment of the citizens.

- v) There should be clear and proper employment guidelines when restructuring and privatizing or commercializing public enterprises. Experience now shows that the new owners or management of disposed public enterprises after disengaging workers on the basis of

restructuring fail to provide commensurate employment opportunities for the citizens whose assets they have taken over. This will help in reducing the rate of unemployment that persists during and after privatization.

CONCLUSION

Some World Bank studies claim that privatization has a progressive impact on employment and quality of labour. However significant literature and the persistent unemployment rate in Nigeria since the advent of privatization in Nigeria do not buttress this claim. For example, the inconclusive privatization of the Nigerian Telecommunication Company (NITEL), and other public sector giants like the Nigeria Airways, and the balkanization of the Power Holding Company of Nigeria (PHCN) along geopolitical zones for political rather than economic expediency, have created more unemployment than employment in Nigeria. Unemployment rate continues to grow in Nigeria since the introduction of the privatization programme in 1988. For example the unemployment rate was 3.5 percent in 1988. This progressed to 17.5 percent in 1999, 18.1 percent in 2000, and declined to 13.7 percent in 2001, and 12.2 percent in 2002. It went up again to 14.8 percent in 2003 and dropped to 11.8 percent in 2004, 11.9 percent in 2005, and rose to 12.3 percent in 2006, 12.7 percent in 2007, and 14.9 percent in 2008. Unemployment rate rose rapidly to 19.7 percent in 2009 through 21.1 percent in 2010, and 24.9 percent as at 2011 (CBN 2011). A majority of Nigeria's over 160 million citizens live below the poverty level and have limited or no access to basic amenities such as potable water, good housing, reliable transportation system, affordable health care facilities, basic education, sound infrastructure and other sources of livelihood. About 13 percent of Nigerians are undernourished with average life expectancy of only about 47 years, compared to Tanzania that has average life expectancy of 51 years, Iceland about 82 years, Norway 79 years, Australia 80 years, China 72 years, Indonesia 70 years among others. At present over 67 million youths are unemployed (Osehobo, 2012). This translates to the reality that about 42 percent of Nigerians are still unemployed after the privatization programme. Because of the acute poverty and unemployment problems in Nigeria, the Nigeria Vision 20: 2020 (2009) aims to reduce the number of people who suffer from hunger and malnutrition by 50 percent by 2015 and by 75 percent by 2020. The privatization programme failed to a high extent because it was a top-down programme with government developing it for the people rather than a programme designed, implemented, monitored and evaluated by the people themselves. Even though among the broad objectives of the privatization programme was to ensure that Nigerians enjoy pro-poor programmes and higher rate of employment, it rather succeeded in handing public enterprises over to few highly placed individuals and their associates whose employment policies are

shrouded in secrecy and complete disdain for people other than members of their families and or associates. The privatization process of some public enterprises is still under litigation due to lack of transparency (Udoka, 2014). According to Gupta and Robert (1998) lay offs may have been made prior to restructuring, but that with time, new ownership and management may lead to an expansion of activities. Hence, the workforce may actually increase over time. This theory has been proved wrong in the case of the Nigerian example where unemployment has continued to grow after years of the programme in Nigeria. One of the broad objectives of the privatization programme in Nigeria is to create more jobs and reduce unemployment. The programme so far show the “weeding” away of public enterprise giants like NITEL, Nigerian Reinsurance Corporation, Nigeria Airways, etc. The exercise swept away many workers, and it would appear that not many citizens have been employed in replacement, not with the unemployment rate rising from about 5 percent in 1988 to about 25 percent in 2011. The Federal Government should not relent in its present efforts through National Enterprises Development Programme (NEDEP) and the Micro, Small and Medium Enterprises (MSMEs) programme in attempts to generate additional jobs and reduce unemployment. With the unemployment rate of about 25percent and 67m youths unemployed, the study found a strong positive correlation between privatization and unemployment in Nigeria. This is the interest of the study.

Further research should examine the relationship between privatization and poverty to see if it has any effect on the percentage of citizens that are undernourished.

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