The Economy and Employment Structure and Trends in Karu
Overview of Findings

- *This document is a brief summary of the study conducted by the Center for African Settlement Studies and Development (CASSAD) contained in a report of about 80 pages.*

Background

1. A string of six settlements along the Abuja-Keffi Road, Mararaba, Ado, New Karu, New Nyanya, Kurunduma and Masaka, all lying within 15 kilometers of the FCT boundary, make up the Karu community. It is adjacent to the FCT, and its location makes it the gateway to most of the north central and northeastern states from the FCT.

2. The six settlements, adjoining Old Karu and Old Nyanya, grew as a result of the relocation of the seat of the Federal Government from Lagos to Abuja in 1991. Karu's population, about 10,000 in 1991 increased five fold by 2001 to an estimated 46,990 people. It is estimated that the number of households during this period has increased from about 1,500 to 7,830.

3. The relocation generated construction jobs, and attracted workers from other states in Nigeria. Priced out of the land and housing market in Abuja, the migrants had no place to live, and settled on the outskirts of the FCT forming satellite towns that continue to be attractive to migrants to date.

The Study and its Methodology

4. Centre for African Settlement Studies and Development (CASSAD) was competitively selected to carry out a study to analyze the structure and trends of the economy and employment of Karu. The objective of the study was to gather reliable data that could support informed policy making by the State and Local Government to support growth and employment creation in Karu, while at the same time empower the private sector with knowledge that they could use to formalize their own professional cluster networks and lobby the government for appropriate actions.

5. The wider objective of the study was to test a methodology for undertaking local economic development in urban areas in Nigeria.

6. A quantitative survey using a multi stage sampling technique of 416 household heads, 491 informal sector businesses, and 44 formal sector establishments was undertaken between August and October 2001 in the six communities of Karu. In addition, CASSAD held 10 Focus Groups (FGDs), interviewed 18 key informants, 136 commuters, and 141 individual goods transport operators. Vehicle counts of 1,843 vehicles were also made to understand the pattern of movement of both goods and passengers within and outside Karu to examine regional linkages.

Center for African Studies and Development (CASSAD)
3, Ayo Adekunle Close, New Bodija Estate, P.O. Box 20775, U. I. Post Office, Ibadan, Nigeria
Telephone: 234-2-8102726; Fax: 234-2-8104536; email: cassad@infoweb.abs.net

7. The study identified six main economic clusters based on the gross estimated product generated by the clusters and their contribution to employment. These are Construction, Trade and Commerce, Hospitality, Manufacturing, Artisans, Agriculture and Mining, and General Services (refer Table 1).

Overview of findings

8. **Karu has a population of about 50,000, with a strong middle class base.**
About 45% of the households in Karu earn an average of between N10,000 to N 30,000 per month (middle class), 37% earn between N 5,000 to N 10,000 per month, 12% of the households earn less than N 5,000. 6% of the households can be classified as upper middle income in Karu, earning over N30,000 and above per month.

9. **The average incomes in Karu are far above the national average incomes in Nigeria,.**
About 46% of the informal sector workers earn less than N1000 a day, 25% earn between N1000 – N 3000 per day, and 17% earn more than N 5000 per day.

10. **Over 55% of the people of Karu send between N1,000 to N5,000 to their families per month.**
The higher the education, the higher the home remittances. The larger the family size, the higher the amount remitted. *The migrants engaged in the informal sector sent more money home as compared with those in the formal sector.*

11. **About 80% of the inhabitants of Karu are migrants.**
The bulk are from the South-East (Anambra and Imo in particular) and North-Central (largely Nassarawa State) geographical zones of Nigeria. 62 % came from outside Karu/FCT area, 16% moved in from FCT/Abuja, 18% from other parts of Karu LGA, and/or other satellite towns in FCT.

12. **About 86% of the population of Karu are literate.**
Over 60% of the total population of Karu are relatively educated and enlightened and have post-primary education, with only 14% having no formal education, making the Karu community relatively better educated than the average Nigerian urban community. About 80% of the labor force has secondary or post secondary education.

13. **Of an estimated labor force of 20,000 people in Karu , about 7000 people (roughly 34%) commute daily to Abuja.**

14. **1.5% of the actively engaged segment of the labor force works in the formal sector, while about 98.5% of the actively engaged segment of the labor force works in the informal sector.**

15. **Karu appears to be becoming an attractive place for businesses to move to from other cities in Nigeria.**

While more than half the business establishments started out in Karu, it is striking to note that almost one third of the businesses moved to Karu from other cities in Nigeria. These businesses were predominantly in the Trade and Commerce and Artisans Cluster. 8% of the businesses moved to Karu from Abuja (which cluster) and 6% from other cities in Nassarawa State.

16. **Karu appears to be becoming a redistribution center for grains, fire wood, farm produce, building materials (laterite, sand, granite, timber).**
Of the 141 goods vehicles surveyed, 34% of the goods vehicles went to Abuja, 24% to other parts of Nassarawa, 22% to other parts of Nigeria, and 22% of the goods moved to other parts of Karu.

17. **Karu is a center for sales of finished products in the construction cluster (furniture, metal works), and is likely to remain so.**
This is one of the fastest growing clusters, the most productive, as well as the largest contributor to Karu's GDP.

18. **Despite its dominance in the regional economy, there is a mismatch between the government supported supply of land, housing, and shops (both with respect to quantity and location) and the needs of the economic community of Karu.**
For example, the new international market in Karu appears unlikely to be able to satisfy even a fraction of the demand of the local business community in Karu.

19. **The government's programs for housing provision also appear to be non-responsive to demand.**
For example, the first phase of the sites and services program in Karu developed plots larger than 16,000 square feet (about 1500 square meters, probably affordable, if at all, for the upper income group that constitutes about 6% of households). Whereas, a cursory examination of the real estate sales in Karu reveal that plots of about 600 square feet to 1000 square feet might be affordable for the middle class in Karu (47% of the households), and even smaller plots for 37% households below the middle income group (with average household income of N 5,000 to N 10,000 per month).

20. From the point of view of public health, focus group discussions reveal that Karu is becoming a center for entertainment and prostitution.

The Economy and Employment Structure of Karu

21. **The vast bulk of the GDP in Karu is generated by the informal sector.**
About 315 workers, or 1.5% of the productively engaged segment of the labor force works in 49 formal establishments, generating about 5% of the GDP of Karu, while about 20,000 people, or about 98.5% of the labor actively engaged segment of the labor force, works in the informal sector, generating about 95% of the GDP.

22. **About 70% of the GDP in Karu comes from four dominant clusters of the informal sector**.
These clusters, Construction (about 22%), Trade and Commerce (about 19%), Hospitality (about 16%), and Manufacturing (about 13%) together generate about 68% of the employment in the informal sector. They provide on the job training for over 65% of the workforce. About 20% of the workforce works in these clusters without previous experience. More than half the operators start their businesses from their own savings, indicating the importance of personal savings in economic survival strategies. Trade and Commerce and the Construction clusters express the most optimism about future growth prospects, followed by Construction, Manufacturing and Hospitality clusters, with all three of the latter clusters expressing concerns about the availability of adequately trained labor.

- If there was supply of 120 sq. feet shops on serviced land in appropriate locations to meet the growing demand for the business needs of the clusters, it would have significant positive impact on the economy of Karu.

23. **The economic clusters that generate the most employment** in Karu are Trade and Commerce (32%), Artisans (30%), Manufacturing (16%) with Hospitality and Tourism and Construction generating about 10% each. Together these clusters generate about 82% of the GDP of Karu.

24. **The highest wage paying clusters are Construction, Trade and Commerce, and Hospitality**.
The clusters that pay the lowest wages are Agriculture and Mining, General Services and Artisans, with Artisans absorbing almost a third of the labor force.

Table 1: Clusters, Estimated GDP and Employment Share & Constraints

Employment share	**Average Monthly wages**	**Economic Cluster**	**Share of GDP**	**Constraints**
About 10%	High	***Construction***	***About 22%***	Access to credit (87%) Infrastructure (80%) Space rental (65%) Harassment from LG (62%) High Taxes (61%) Public Transport (44%) Insecurity (43%) Inadequate space (36%) Skilled labor (11%)
About 32%	High	***Trade and Commerce***	***About 19%***	
About 10%	High	***Hospitality***	***About 16%***	
About 16%	Medium	***Manufacturing***	***About 13%***	
About 13%	Lowest	***Artisans***	***About 12%***	
About 2%	Lowest	Agriculture and Mining	About 9%	
About 0.4%	Lowest	General Services	About 9%	

25. **The Trade and Commerce cluster imports almost 60% of its raw materials from outside the immediate region of Karu and the FCT.**
This indicates that the supplier linkages for this cluster extend far beyond the immediate region. However, almost 100% of its products are sold within Karu.

26. **About 40% of the raw materials for the Construction cluster come from outside the immediate Karu-FCT region.**
However, it is significant to note that over 30% of the raw materials for this cluster is generated within Karu. 90% of the sales outlets of this cluster are within the Karu region.

27. **The formal sector is yet to be fully developed and visible in Karu, though it has, as expected, strong links with firms in the informal sector.**
About 25 of the 44 formal establishments in Karu are professional services (basically one man establishments). This group may have the potential of luring similar firms from Abuja to relocate in Karu.

Business Prospects

28. Over 94% of the businesses, both in the formal and informal sectors, remain markedly optimistic about future growth prospects, given the relatively lower costs of inputs in Karu when compared to Abuja, the rapidly increasing size of market opportunities, and the construction of the Abuja-Keffi road.

Constraints

29. Access to credit and inadequate infrastructure were, by far, perceived to be the two single largest constraints to expansion of businesses by both the formal and informal sector. This is not surprising, given the rapid rate of urbanization in Nigeria (especially in Karu, whose urbanization rate estimated to be 40% annually, far exceeds the national average of 5.5%) that has created management challenges far beyond the technical, financial and managerial capacity of local governments.

30. Apart from these two constraints which are intrinsically linked to the macroeconomic situation in Nigeria over which local authorities have little control or influence, the other constraints that the study has highlighted, can be removed by local focused actions. For example, the constraint posed by the cost of rental space, could be addressed by the local authorities relaxing development controls to create incentives for denser, more efficient and affordable land development that would cause land to be more effectively utilized, requiring smaller capital outlays for infrastructure and concomitant lower recurrent costs for maintaining infrastructure and services.

31. To develop a strategy for local economic development (LED) jointly between the Karu private sector and the government, the study will facilitate focused consultations for each of the economic clusters identified by the study. These cluster consultations aim to (i) formalize a local economic development steering committee; and (ii) define actions that the private sector, in partnership with the government, will take within the next one year to encourage business activity and employment creation. Once these consultations conclude on the 10th October 2002, CASSAD will synthesize the action plans prepared by each cluster. These actions together will be part of the LED for Karu, for follow-up by future local governments and the private sector.