

# YOUTH UNEMPLOYMENT, INSECURITY AND ITS SOCIO ECONOMIC IMPLICATION

BY

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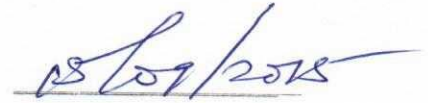
# CERTIFICATION

I hereby certify that this research project was written by Bankole Abimbola Merey with Matric No EDS/11/0167 in the Department Of Economics and Development Studies, Faculty of Humanities and Social Sciences, Federal University Oye Ekiti, Ekiti State, Nigeria.

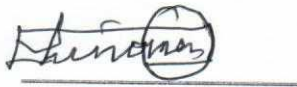


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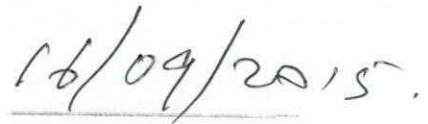


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# DEDICATION

This Project is dedicated to God Almighty for his infinite mercy, grace and guidance throughout this project. I would also like to dedicate this project to my beloved parents MR &MRS BANKOLE for their understanding, support and encouragement.

# ACKNOWLEDGEMENT

I give all the glory, honour, power and majesty which belongs to Almighty God, who has sustained me throughout my stay in Federal University Oye Ekiti, Ekiti State. To God I give praise for wisdom, knowledge and understanding.

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I thank you all for being there and to the rest of my colleagues; I wish you all success as you move ahead in life.

**BANKOLE ABIMBOLA MERCY**



## **ABSTRACT**

This study examined youth unemployment, insecurity and its socio economic implication in Nigeria. It also assessed the relationship youth unemployment has with insecurity and the socio economic implication of both in Nigeria from 1970-2014. The research work made use of econometric methods; OLS estimation was employed for econometric analysis. The result of the study revealed that the Human Capital Development (HCD) has a positive impact on the Real Gross Domestic Product (RGDP) while unemployment and insecurity have a negative effect on the real gross domestic product (RGDP) of the Nigerian economy. Some policy recommendations were made based on the findings, for example, the Nigerian government should formulate effective unemployment policy which will absorb the unemployed citizens especially into informal sectors of the economy. Also the Nigerian government should accelerate the pace of development. Development in this context consists of creating an economy with relevant social, economic and physical infrastructure for business operations and industrial growth, to provide gainful employment, high level of educational facilities, and medical care for the people. The study came to a conclusion that unemployment has increased the rate of insecurity in the society.

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# CHAPTER ONE

## 1.1 Background to the Study

Unemployment is generally seen as a macro-economic problem as well as socio-economic problem. Unemployment arises as a result of insufficient and non-availability of jobs to correspond with the growing population, even those who are employed sometimes live with the fear of being unemployed due to job insecurity and retrenchment of workers. There is employment of factors of production if they are engaged in production. The term unemployment could be used in relation to any of the factors of production which is idle and not being utilized properly for production. However, with reference to labour, there is unemployment if it is not possible to find jobs for all those who are eligible and able to work. Labour is said to be underemployed if it is working below capacity or not fully utilized in production (Anyawuocha 1993) Unemployment can either be voluntary or involuntary. Voluntary in the sense that one chooses not to work because he or she has means of support other than employment. Example is an idle rich man. On the other hand, involuntary unemployment exist when persons who are eligible and willing to work at the prevailing rate of pay are unable to find work. (Anyanwa 1995). Insecurity and unemployment is still one of the major problems facing Nigeria. Nigeria, the most populous country in Africa and the second largest economy on the continent with a population of over 150 million, is endowed with diverse and abundant human, material and capital resources. Sadly, however, years of unbridled corruption, mis-management and sheer waste have hindered economic growth in the country. Consequently, the nation's resources have been left underutilised leading to unemployment and abject poverty, these actions which experts believe may hinder the success or the attainment of the Millennium Development Goals (Adebayo, 2004). Ake, (2001) opined that the emergence and persistence of massive youth



joblessness, declining well-being of majority of Nigerians despite significant endowment of human and natural resources raise three fundamental questions which this research work attempts to provide some answers. Unemployment occurs when people are without work and actively seeking work. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force. Unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy (Ake 2001). The most frequently cited measure of unemployment is the unemployment rate; this is the number of unemployed persons divided by the number of people in the labor force (Adebayo, 2004). According to a recent World Bank statistics, youth unemployment rate is 38 per cent, According to the statistics released by the CBN officials at the world environment day programme organised by the federal ministry of environment in Abuja in 2014; 80 per cent of Nigerian youths are unemployed with secondary school-leavers mostly found among unemployed rural population accounting for about half of this figure, while university and polytechnic graduates make up the figure (World Bank statistics). What seems to be more worrisome is the fact that the nation's universities and polytechnics continue to churn out more than 150,000 graduates annually and available jobs remain inadequate to keep pace with the ever-expanding army of job seekers. Not long ago, a Federal Government agency put up an advertisement for recruitment and on the day of the interview, the mammoth crowd of applicants was so much that the officials of the agency could not control, resulting in the deaths of some of the applicants due to exhaustion and probably as a result of hypoglycaemia arising from not taking any meal before leaving for the venue of the recruitment. Similarly, another agency of the Federal Government recently opted for recruitment through online registration.

perhaps to prevent the kind of mayhem discussed above and probably to reduce the number of applicants, but the number of applications they received was 120,000, jostling for the mere 25 vacant positions. (Simonazzi & Vianello 2001). Graduates of various institutions should be encouraged to acquire vocational skills that can prepare them for self-employment and financial independence because with paid employment, one earns a living but with self-employment one's earning is unlimited

## **1.2 STATEMENT OF THE PROBLEM**

National security and unemployment are the biggest problems facing most nations of the world today, whether they are developed or developing. They are impediments to social progress, and lead to waste of human and material resources. However, it is believed that security strategies remain incomplete as long as they do not address poverty and unemployment. This study therefore examines the links between unemployment, and national insecurity in Nigeria as the government seems to be incapable of handling the security challenges posed by unemployment in the country; to suggest ways of reducing the security challenges posed by them in order to achieve stable political governance in the country (Feierabend, 1972).

Nigeria, with half the population of West Africa and a vast spread of natural resource endowment, has the potential to be the source of growth and prosperity for the whole region. Nigeria's current economic under-performance is erratic and short of expectations, such that the national average poverty rate was 33.1 percent in 2012/2013, but varied between 16 percent in South-West to 50.2 percent in North-East. Average expenditure per capita in the South-West is nearly three times that in the North-East, and there are also significant variations in education and health care outcomes across regions (IMF 2015). The nation's agricultural, industrial and the



then bubbling public service sectors were able to effectively absorb most of the labour force. The agricultural sector, for instance, generated about 70% of the nation's employment opportunities and accounted for about 8% of the Gross Domestic Product (ISHR, 2006). With the advent of petroleum products and the crude oil in the mid-70s, the economy was further strengthened as it grew at an average of over 11% revenue. The ensuing political instability and inconsistencies in the socio-economic and educational policies of successive governments, however, emerged as major factors that led to the manifestation of high level of joblessness in Nigeria. Nigeria is economically under-productive, relative to its potential for significant development (Omotosho, 2009). Again, Nigeria's capacity to employ its own population seems to diminish progressively despite the country's quantifiable fiscal ability resulting from the production and sale of oil. The level of unemployment in Nigeria appears to grow geometrically every year, in contrast to its regional neighbors most of who have far less resources. Anameza, (2000), stated that Nigeria will have no prospect of measurable development or of improving the welfare of its people; unless it enhances the chances of employment for its graduates. The World Bank (1993) reported that continuously enhanced employment and productivity have been central to the brilliant performance of the so-called "Asian Tigers" and Japan. This implies that absence of such enhanced employment visibly retards Nigeria's chances. Therefore it can be deduced that correspondingly, high productivity stimulates both global balances of powers, which affect Nigeria and its people, as well as the direction of world resources, such as labour. The unemployment problem in Nigeria remains persistent and even growing by the day with a labour force approximately 3 million persons (mostly youths) annually moving into job market (Adelodun, 2006). Statistics of Nigerian unemployment seems to consist, not of uneducated, rural populations, who have been uprooted by failing agricultural production resulting from the

absence of mechanisation and decreasing incomes but also of some highly educated populations, as well, who normally, would form the core of the productive vanguard in a developing country. In other words, many of Nigeria's unemployed and consequently poor are well educated even by European and American standards. Nigeria's underemployment and low productivity constitute a vicious cycle that explains the endemic poverty in the country.

Overall, unemployment in Nigeria has affected youths from a broad spectrum of socioeconomic groups, both the well and less well educated, although it has particularly stricken a substantial fraction of youths from low income backgrounds and limited education. From the foregoing, it is obvious that unemployment, especially the unemployment of graduates, impedes Nigeria's progress in many ways. Apart from economic waste, it also constitutes danger for political stability (Ipaye, 1998). It is disturbing to note that Nigeria's graduates have limited chances of becoming gainfully employed. It is even more disheartening that the country's economic condition is such that, it is hardly able to absorb an optimal proportion of the production of its own educational system. Gone were the days when employers go about looking for employees. It is now the turn of employees to move from one office to the other seeking non-existent jobs. These days thousands of young people are found waiting to be interviewed for just one, two or few vacant positions in some organisations or firms. Most people who cannot earn their living are prone to social vices. They look at themselves as second-class citizens for being unable to contribute to the society. The state of unemployment can even lead to depression, low self-esteem, frustration and a number of other negative consequences (Ipaye, 1998). Youth employment is a crucial issue in Nigeria because the youth constitute a major part of the labour force and they have innovative ideas, which among other factors are important in the development process of the country. A large proportion of the youths however are unemployed.



The negative consequences include psychological problems of frustration, depression, hostility and gradual drift of some visible unemployed youths into all manner of criminal behaviour (Okafor, 2011). The menace of unemployment has increasingly been recognized as one of the socio-economic problems currently facing many developing countries like Nigeria and Africa as a whole. Unemployment in Nigeria is indeed a pathetic situation that calls for urgent attention, to address these socio-economic effects accompanied by it.

### **1.3 OBJECTIVES OF THE STUDY**

The general aim of the study examines youth unemployment, insecurity and its socio economic implication in Nigeria. The specific objective of the study is to:

- i. Know the impact of insecurity and youth unemployment in Nigeria.
- ii. Examine the impact of youth unemployment and its socio-economic implication in Nigeria.
- iii. Proffer solution to the problem of insecurity and youth unemployment in Nigeria.
- iv. Examine the implications of insecurity and youth unemployment for development in Nigeria.
- v. To determine the relationship between unemployment and economic growth in Nigeria

### **1.4 RESEARCH QUESTIONS.**

1. Is there any relationship between unemployment and socio economic growth?
2. Does unemployment have any significant impact on economic growth?
3. Does insecurity has any significant implication on socio economic growth?

### **1.5 Justification to the Study**

This research work stands to justify the state of insecurity and youth unemployment in Nigeria and its socio economic implication.

The rationale for this study is very crucial and the researcher's aim for this study is to show that the challenge before the government is to fashion out ways of convincing foreign investors of the safety of the country for investment by providing employment for the youth unemployed. Therefore, this research work is significant to the extent that it provides exposition to past studies and findings in this subject area. Also, this study will complement the previous study and add to the body of knowledge in this study area. Such that both past and current studies will provide basis for corporate decision making. Finally, the study will be significant to future researchers who will want to undergo study on any area related to insecurity and youth unemployment in Nigeria and its socio economic implication.

### **1.6 Scope of the Study**

The scope of this study is centred on the effect of unemployment on the Nigerian economy and its socio economic implication. The research work is also centred on a duration from 1970-2014. The methods of analysis used in testing the hypothesis are the t-test, f-test e.t.c. Possible suggestion and recommended were also made.

### **1.7 LIMITATIONS OF THE STUDY**

Every research work possesses a lot of problems and limitations. However, the difficulties encountered includes, inadequate and non-availability of relevant data owing to the fact that unemployment in Nigeria is not evenly distributed and thus varies from one place to another, financial constraint, time constraint and inadequate materials

### **1.8 Organization of Chapters**

Chapter one examines a broad perspective of the research areas like, introduction: background to the study, statement of the problem, objectives of the study, justification of the study, scope of the study, limitation to the study and organization of the study. Chapter two of the study will deal with literature review, theoretical framework and empirical review while chapter three also examine the source and method of data collection, model specification. Then chapter four will centres on the presentation of result and analysis of findings. Finally, the fifth chapter will be the summary, conclusion and recommendations.



## CHAPTER TWO

### 2.0 LITERATURE REVIEW

For the purpose of achieving the objectives of this study, it is necessary to review some earlier work in this subject that would provide us with adequate theoretical and empirical background for assessing the relevance and contributions of this research study. This study tries to ascertain the relationship or linkages that exist between unemployment and insecurity and its socio economic implication in Nigeria,

Conventional wisdom dictates that insecurity rises with unemployment and poverty (Kirby, 2011) because unemployment leads to loss of income which affects the people's ability to pay their bills and provide basic necessities for their house-holds and dependent relatives. It is because of the insecurity posed by unemployment that advanced countries make social security payments to the unemployed to keep them off the streets until they get jobs. This has helped to make their nations safer than countries like Nigeria where no forms of assistance are given to the unemployed.

According to Lamido (2013), unemployment is generally caused by improper orientation of the youths, absence of policy on social welfare, societal attitude towards vocational and technical education, and inadequate teaching facilities. These have manifested in the alarming rate of armed robberies in the south-west region; militancy and arson in the south-south region; terrorism in the north-west, north-central and north- east regions; and in kidnapping in the south-east region. All these have impacts on the security situation in the country, and on business and investments; socio-political processes and governance. They for instance raise the cost of governance. The unemployed must find a means of livelihood and this they do by engaging in



crimes and making themselves available to the political class as thugs and assassins. Political violence, ethno-religious conflicts and terrorism rife in Nigeria today are no doubt consequences of unemployment and poverty. If most of our youths are employed, there would be drastic reduction in the level of crime and insecurity in the country. A large number of the nation's youth are unemployed and the employed are very poorly remunerated and have large number of dependents. After taxation, their take home pay cannot take them home. The law enforcement agents are very poorly remunerated, equipped, and insufficient in number to police all nooks and crannies of the country. And the educational system is dysfunctional in its curriculum and has not thought of introducing entrepreneurship development in the academic curriculum until very recently. The financial institutions cannot provide loans to young and honest school leavers to start their own businesses but would rather give loans to politicians who cannot pay back these loans when they fail elections; while the poverty eradication programs designed by the governments to eradicate poverty are cornered by the politicians and those in charge of the programs in the various regions for political patronage. These have security implications in the country.

### **CAUSES OF UNEMPLOYMENT IN NIGERIA;**

In the study of unemployment in Nigeria, Adebayo (1999), Alanana (2003), Awogbenle and Iwuamadi (2010), Ayinde (2008), Echebiri (2005) and Morphy (2008) have identified the main causes of youth unemployment in Nigeria.

**The first** is the rapidly growing urban labor force arising from rural urban migration. Rural-urban migrations usually explained in terms of push-pull factors. The push factors include the pressure resulting from man-land ratio in the rural areas and the existence of serious underemployment arising from the seasonal cycle of climate. The factors are further exacerbated

in Nigeria by the lack of infrastructural facilities, which makes the rural life unattractive. Youths move to urban areas with the probability of securing lucrative employment in the industries. In addition to this, there is the concentration of social amenities in the urban centres. This meant that the rural areas are neglected in the allocation of social and economic opportunities. According to Sarr (2000), youth migrants in Africa are three times more in number than other migrants. The author argued that the urbanization rate of the youth was 32 percent in 1990, compared to less than 25 per cent for the non-youth population. He estimated that by the end of year 2010, over 50 per cent of the youths in Africa will be residing in urban areas where job opportunities are limited to a few modern sectors and establishments.

**The second** is the rapid population growth. Going by the 2006 census in Nigeria, the nation's population was put at 140,431,790 and projections for the future indicate that the population could be over 180 million by the year 2020, given the annual growth rate of 3.2 per cent (National Population Commission and ICF Macro, 2009:3). With this population, Nigeria is the most populous nation in Africa. It is argued that the high population growth rate has resulted in the rapid growth of the labor force, which is far outstripping the supply of jobs. The accelerated growth of population on Nigeria's unemployment problem is multifaceted. It affects the supply side through a high and rapid increase in the labor force relative to the absorptive capacity of the economy.

**The third** is the out dated school curricula and lack of employable skills. Some scholars and commentators have argued that as far as the formal sector is concerned, the average Nigeria graduate is not employable and, therefore, does not possess the skills needed by the employers of labor for a formal employment. Often, this is attributed to the Nigeria's education system, with its liberal bias. The course contents of most tertiary education in Nigeria lacks entrepreneurial



contents that would have enabled graduates to become job creators rather than job seekers (Utomi, 2001).

**The fourth** is the rapid expansion of the educational system which directly leads to increase in the supply of educated manpower above the corresponding demand for them. This contributes to the problem of the youth unemployment in Nigeria. For instance, according to Manning and Junankar (1998), the total number of graduate stunned out by the higher institutions in Nigeria, which were 73,339 in 1986/1987 which rose to 131,016 in 1996/1997. Presently, with over 97 universities in Nigeria (both federal, state, and private) and the increasing demand for higher education there has been the problem of suitable employment for the varieties of graduates turned out by these higher institutions every year. Ordinarily, this should not have been a problem, but the reality is that the Nigerian economy is too weak to absorb this large number of graduates (Utomi, 2011). Further, there is no vibrant manufacturing sector which has the capacity to absorb unemployed youths in Nigeria. There are over 800 collapsed industries in Nigeria and over 37 factories have closed shops in 2009. About half of the remaining operating firms have been classified as "ailing," a situation that poses a great threat to the survival of manufacturing in the country in the next few years. According to a survey carried out as part of its membership operational audit in January 2010 by the Manufacturers Association of Nigeria (MAN), the 834 figure represents the cumulative aggregate of firms that have shut down their operations in 2009 across the country. The MAN survey usually covers five manufacturing enclaves, into which the country is divided, in terms of manufacturing activities. These include the Lagos, northern, southeast, south-south and southwest areas. The report of the survey showed that in 2009, a total number of 176 firms became terminally sick and collapsed in the northern area, comprising the Kano and Kaduna states manufacturing axis. In the southeast area, which is comprised of

Anambra, Enugu, Imo, and Abia states, a total number of 178 companies closed shops during the period. While in the south-south area, which consisted of Rivers, Cross River, and Akwalbom states, 46 companies shut down operations before December 2009. According to the survey, the southwest area, which is comprised of Oyo, Ogun, Osun, Ondo, Ekiti, Kogi, and Kwara states, lost 225 companies during the year. It said that the Lagos area, covering Ikeja, Apapa, Ikorodu, and other industrial divisions in the state, followed closely with 214 manufacturing firms closing shop before the end of 2009 (Maiyak, 2010; Okafor, 2008; Oparah, 2011; Usman, 2011). The Nigeria investment climate is not investor friendly. Besides, high and multiple levies and taxations being paid by these companies, energy crises have combined to make the cost of doing business in Nigeria to be very exorbitant. When the industries and factories closed shops or relocated to a friendlier economic environment, workers were laid off and prospects of recruiting new ones were dashed. All these exacerbated the crisis of youth unemployment in the labor market (Adeloye, 2010; Onifade, 2011). Discourse on the causes of youth unemployment in Nigeria will be incomplete without discussing the issue of the massive corruption it perpetuated, and still being perpetuated, by successive military and civilian administrations. Corruption, which has permeated the entire social structure of Nigeria, has robbed the country of developing a vibrant economic base. Funds meant for development projects have been misappropriated, diverted, or embezzled and stashed away in foreign banks, while some incompetent and corrupt bureaucrats and administrators in the public enterprises and parastatals have liquidated these organizations (Okafor, 2007). The point being made here is that the collaboration of the political elites, local and foreign contractors in the inflation of contract fees have robbed Nigeria of the chances of using more than \$500 billion estimated revenue from the oil sale in the last 50 years to develop a vibrant economy that would have created jobs for the youths in various sectors of



the economy. The ruling (political) class failed because they replaced the vision, policy, and strategy, which should be the thrust of every leadership with transaction (contract award and other mundane money-related activities). Each successive government took turns to prey on the nation's wealth, by using public power, resources, good will, utilities, instrument of abuse, and personal gains (Okafor, 2005). The most recent rating of Nigeria, by the Transparency International (TI), on corruption computed a scale of 0-10 that showed that corruption has yet to abate. Nigeria was ranked 134 out of 178 countries that were assessed. They were viewed against previous ratings for the year 2008 and 2009, in which Nigeria was ranked 121st out of 180 countries and 130th out of 180, respectively; the country has declined alarmingly on the corruption scale. In the African Bracket, Botswana led with a score of 5.8, while the crisis-ridden Somalia was at the bottom with a score of 1.1. Countries like Ghana, Liberia, Gambia, Burkina Faso, Senegal, Benin Republic, Mali, and Niger led Nigeria. No Africa country made the top 20 list of countries with low corruption in the survey. This is despite the fact that Nigeria has streams of institutional mechanisms for combating corruption, namely, the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices (and other related offenses) Commission (ICPC), and the Code of Conduct Bureau (CCB) (The Guardian, 2010; Ijioma, 2010).

**Other factors affecting unemployment rate in Nigeria** are; poor economy growth rate, adoption of untimely economic policy measures, wrong impression about technical and vocational studies, the neglect of the agricultural sector, and poor enabling environment adoption of untimely economic policy measures, wrong impression about technical and vocational studies, the neglect of the agricultural sector, and poor enabling environment . The increasing in government spending and inflation has prevented economic development in the country.

### **Adoption of Untimely Economic Policy Measures**

Another crucial factor that has elicited unemployment problem overtime is the demise of the small scale and cottage industries – which operated in both formal and informal sectors. Following the introduction of the Structural Adjustment Program (SAP) in September 1986 that ushered in liberalization, deregulation and the devaluation program of the domestic currency, many of the teething domestic firms collapsed. That resulted in the loss of many jobs and thereby rendering many people unemployed. Although, these policies were designed to jump - start the growth of the economy, but given the structure of the Nigerian economy, some of the policy packages became out rightly inimical to the system due to their untimeliness.

### **Wrong Impression about Technical and Vocational Studies**

The wrong impression of students about the place of technical and vocational education also accounts for the deteriorating state of unemployment in Nigeria. There is an enduring societal biased attitude against technical and vocational education (Damachi, 2001). A large number of job seekers lack practical skills that could enhance self - employment. That is why rather than providing jobs for others, the graduate unemployed persons keep depending on the government and the non – vibrant private sector for job offers.

### **The Neglect of the Agricultural Sector**

The agricultural sector has been the leading provider of employment in Nigeria especially in the sixties and in the seventies when the sector provided employment for more than 60% of the Nigerian population. However, unfortunately, in the wake of oil discovery, the attention on this anchor of the economy was gradually drawn away to the oil sector where employment capacity



is very low. The resulting effect is the large number of job seekers who have no place in the oil industry. Even with the expansion of the industry, unemployment has continued to grow at an alarming rate.

### **Poor Enabling Environment**

The poor economic enabling environment that characterizes the economy over the years has continued to pose serious challenges to employment generation in Nigeria. This, coupled with poor security environment has continued to hamper investment drives and thereby reducing the prospects of employment generation. Many job seekers who would have embarked on self-employment programs are unable to do so because of the hostile production environment. Others who make attempt are forced to wind up due to absence of infrastructures and the overall heat of the investment environment.

## **2.1 CONCEPTUAL AND THEORETICAL FRAMEWORK**

Unemployment in Nigeria is one of the most critical problems the country is facing now. The years of corruption, civil war, military rule and mismanagement have hindered economic growth of the country. Nigeria is endowed with diverse and infinite resources both human and material. However, years of negligence and adverse policies have led to the underutilization of these resources.

Briggs (1973) defined unemployment as the difference between the amount of labour at current wage rate and working conditions and the amount of labour not hired at these levels. However, Gbosi (1997) defined unemployment as a situation in which people who are willing to work at the prevailing wage rate are unable to find jobs. The Unemployment is a number of economically active population who are without work but available for and seeking for work, including people who have lost their jobs and those who have voluntarily left work (World Bank 1998)



Oduah(1999) saw that one of the ways of economizing efforts in any inquiring is to review and build up the work done by others.

## 2.2 THEORIES OF UNEMPLOYMENT

### 2.2.1 CLASSICAL THEORY OF UNEMPLOYMENT

The view of most economists always goes with their thinking at that particular time. The two major schools of economic thought were the "Classical and Keynesian". The two have different ideas on the theory of unemployment

The classical were the school of thought that emphasized the role of money in explaining short term changes in national income.

Traditionally, this theory has been that unemployment has been looked upon in terms of aggregate. Their view was that involuntary unemployment was a short term phenomena resulting from a discrepancy between the price level and the wage level. Unemployment was the result of too high real wages.

At times the wage level in the classical view would be reduced and there would be no unemployment except for frictional, search unemployment caused by time delay between quitting one job and starting another. This school posits that the problem of urban unemployment is traceable to the fault of workers and the various trade union powers. They believed strongly in the theory of demand and supply. Therefore it insists that urban unemployment is caused by low supply of labour of more than the capacity of the economy.

Consequently, the school argued that the demand for too high wages of worker without a corresponding increase in productivity renders product costly thereby discouraging competitiveness among local industries and foreign industries. The implication of this trend is

the reduction of sales, which further leads to mass retrenchment of workers resulting to unemployment.

### 2.2.2 KEYNESIAN THEORY OF UNEMPLOYMENT

The ideas of the British economist, John Maynard Keynes in 1930's revolutionized thinking in several areas of macroeconomics including unemployment, money supply, and inflation which is seen in his publication of 1936 as the general theory of unemployment, interest and money".

Cyclical or Keynesian unemployment also known as demand deficient unemployment occurs when there is no aggregate demand in the economy. It gets its name because it varies with the business cycle, though can also be persistent as during the great depression of the 1930's. Cyclical unemployment rises during economic down turns and falls when the economy improves. Keynes argues that this type of unemployment exist due to inadequate effective demand. Demand for most goods and services falls, less production is needed, wages do not fall to meet the equilibrium level and mass unemployment results.

The Keynesian framework, as examined by Thirlwal(1979), Grill and Zanalda(1995) and Hussian and Nadol(1997),postulate that increase in employment, capital stock and technological change are largely endogenous. Thus the growth of employment is demand determined and that the fundamental determinants of long term growth of output also influence the growth of employment. In the Keynesian theory, employment depends upon effective demand which results in increased output, output creates income and income provides employment. He regards employment as a function of income. Effective demand is determined by aggregate supply and demand functions. The aggregate supply function depends on physical or technical conditions which do not change in the short run, thus it remains stable. Keynes concentrated on aggregate demand function to fight depression and unemployment. Thus employment depends on



aggregate demands which in turn are determined by consumption demand and investment demand.

According to Keynes, employment can be increased by increasing consumption and or investment. Consumption depends on income  $C(y)$  and when income rises, savings rises. Consumption can be increased by raising the propensity to consume in order to increase income and employment but the psychology of the people (taste, habit etc) which are also constant in the short run. Therefore the propensity to consume is stable. Employment thus depends on investment.

### 2.2.3 EFFICIENCY WAGE THEORY

This is a macro-economic approach of explaining unemployment. The rationale behind the theory is as follow; Assume that worker differ in quality, not just abilities but in the probability to shrink, in other words, some people are lazier than others and are therefore less likely to work harder. The effort is a function of costly monitoring i.e if you are being closely monitored than if you are not. An employer cares about the cost of labour (the wage rate). However, the cost is dependent upon the productivity of the workers. So, the objective is one to minimize the wage divided by productivity (wage per unit produced). To do this, there are at least two options: Firstly you can increase productivity by increasing wages. The reason for this is that as wages increases, the cost shrinking becomes higher because if you are caught, you are fired and lose your wages and the higher the wage is the more you lose by being fired. A higher wage thus means that you work even harder since it is more important for you not to be fired. Hence, there is a connection between quality of workers and the wage rate. The higher the wage the more costly it is to be fired and the less likely is it that the workers will shrink. Another argument using the same reason is that turn over itself is costly (firing, hiring and training) and



consequently the employer would want to pay higher wages to prevent high quality workers from leaving.

This theory explains unemployment in the sense so far it has been established that is profitable for an individual factory to differ higher wages than the market equilibrium. However, the factory is not alone in making this discovery advantage of higher relative wages for the firm is going to disappear,

The solution to this problem lies in the creation of a permanent group of unemployment. The high real wage level creates an excess supply of labour. The excess supply does not result in a decrease in the wage level because the firms know they need some unemployment to provide on incentives for the employed workers not to shrink. The incentive is produced by making the cost of being unemployed high which is what a high unemployment rate reflects.

Here, wage performs two functions, one as payment for the use of a resource and another as an incentive not to shrink. As a result of the second role of wage, unemployment becomes a permanent equilibrium phenomenon.

#### 2.2.4 THE SEARCH THEORY

The search theory of unemployment argues that unemployment is a result of employers quitting their job to search for a new and better-paid job. This involves a certain optimum time spent searching in order to find the best paid job while searching, the worker is employed. This seems to be a theoretical explanation of unemployment since only less than 10% of the unemployed actually quitted their own job.

### 2.2.5 THE INSIDER- OUTSIDER THEORY

The alternative micro-economic theory of unemployment is the insider – outsider theory. The focus in this theory is the turn over costs of labour. This means that there are significant costs involved in firing, hiring, and training workers.

Not only are there exogenously determined costs but the insider can increase the costs of turn over by refusing to cooperate with hired outsider i.e those who already have a job gain market power over wages as a result of these costs, the employers are willing to give the workers higher wages because this is more profitable than the costly process of turnover.

There seems to be a general agreement on the definition of unemployment. The International Labour Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998). Although there seems to be a relationship on these concepts, its applications have been bedeviled with series of problems across countries. First, most published unemployment rates are recorded open unemployment. People's attitude on this varies from country to country. While this may be high in developed countries and where government is committed to resolving unemployment problems, it is likely to be very low in countries with the opposite attributes. Okafor (2011) also pointed out the problem arising from the concept of labour force. In most countries, particularly Nigeria, people below the age of 15 years and those above the age of 55, who are actively engaged in economic activities, is usually excluded from labour statistical surveys. All these factors have the tendency to result in underestimation of unemployment thereby making international comparison very difficult. Factors such as the preponderance of full housewives



(but who are willing to be engaged in paid job) and unpaid family workers also contribute significantly to the underestimation of unemployment.

In the field of Economics, distinction is often made between the various types and states of unemployment. In this section, the paper considers the relevant issues of frictional, structural and cyclical issues of unemployment; disguised and under – employment cases of this phenomenon. Reflection is also made on the crucial cases of long – term unemployment, duration dependence and unemployment persistence; with attention equally given to the micro foundations of unemployment incidence which sheds light on Classical and Keynesian analysis of unemployment phenomenon. Frictional unemployment may be regarded as subset of structural unemployment, mainly reflecting temporary unemployment spells as a result of job search and matching difficulties in connection with quits, new entries to the labour market, and job separation because of employers' dissatisfaction with the individual workers (Lindbeck, 1999). Ordinarily, this kind of unemployment does not usually pose much threat to individual's welfare, as it is temporary in nature. However, the situation in Nigeria is that of frictional unemployment growing into a long - term unemployment and thereby resulting into a stable state of unemployment (Tairu, 2003). This is often described as equilibrium unemployment.

Equilibrium unemployment is inimical to the economic system as the excess of labour supply over demand often lasts for a long time. This to a large extent describes the structural unemployment. The stability of unemployment under a structural setting usually remains undisturbed until certain economic parameters undergo some fundamental changes. This is given the fact that this unemployment scenario is often characterized by structural shifts. Structural unemployment refers to a mismatch of job vacancies with the supply of labour available, caused by shifts in the structure of the economy (Bannock et al, 1998). Although, the "unemployment



state of rest" that characterizes structural unemployment phenomenon seems to describe the situation of unemployment in Africa; but this unemployment equilibrium does not necessarily result from a situation of a mismatch between job vacancies and labour supply. It is rather a state of non - availability of jobs for those thrown out of jobs and for the new entrants. The unemployment situation in Nigeria can be described as that of long - term frictional unemployment rather than structural unemployment. Changes in the economic structures over the years have been very slow and insignificant. Cyclical unemployment is associated with business cycles. It surfaces during the periods of economic depressions and disappears at the times of troughs and booms. Cyclical unemployment differs from structural and frictional unemployment by basically being tied to short - term economic fluctuations (Lindbeck, 1999). It is an unemployment resulting from lack of aggregate demand in a downswing in the business cycle (Bannock et al, 1998). In most African economies, the issue of business cycle is actually not too relevant. This is because, such terminology is heard of probably within the oil sector only. For instance, in Nigeria, since the collapse of oil boom in the late seventies, the economy has generally remained in a passive state even though some other periods of oil price surge were later experienced. What sounds like cyclical unemployment in most African economies is the seasonal unemployment that is inherent in the agricultural sector. If at all the generally declining economic growth in Nigeria is described as a cycle, then, it may be best described as the very long Kondratieff cycle which lasts for over a period of 50 years (Tairu, 2003). The classical case of unemployment is premised on the inflexibility of wages. They (Classicalist) argued that unemployment results because organized activities do not allow wages to decline for the accommodation of excess labour when there is incidence of unemployment. Given wage - price flexibility, there are automatic forces in the economic system that tends to maximize full

employment and produce output at that level. Thus, full employment is regarded as a normal situation and any deviation from this is something abnormal that automatically tends towards full employment. Unemployment incidence from classical perspective cannot really be situated in most African economies like Nigeria. Although, price flexibility is not actually feasible due to trade union activities, but its existence wouldn't have efficiently addressed the problem of unemployment. This is because, in Nigeria for instance, most sectors if not all, and especially the public sector enterprises have the problem of labour redundancy due to over staffing. Macroeconomic models of structural unemployment assume that unemployed workers are not able or willing to get jobs by underbidding the prevailing wages of incumbent workers. The most obvious microeconomic explanation of the absence of wage underbidding is perhaps the minimum wage laws. But, there seems to be rather general agreement among labour market economists that minimum wages have not been high enough in recent decades in developed countries (developing countries alike) to explain much of aggregate structural unemployment (Lindbeck, 1999). So, the problem is not that of wage price inflexibility or wage underbidding declination but that of poor economic growth that is unable to sustain the population and labour supply growth rates. The Keynesian economists see unemployment as a situation in which the number of people able and are willing to work at prevailing wage exceeds the number of jobs available; and at the same time, firms are unable to sell all the goods they would like (Bannock et al, 1998). When carefully analyzed, the Keynesian unemployment largely applies to the situation in Nigeria. It can be established that one of the factors accounting for this ugly trend is the unpatriotic taste of many Nigerian consumers including the government that indirectly exports jobs abroad at the expense of the domestic economy. By way of the uncontrolled foreign tastes for virtually all commodities, the domestic producers are faced with the problem of low demand



that naturally forces them to lower output and of course reduce work force. This experience continues in some firms especially the small scale ones till they are pushed out of the market resulting in the loss of more jobs. While disguised and under unemployment describes the incidence of under paid jobs, the long-term unemployment is a disturbing state of unemployment where the unemployed remains in the labour market for too long and thereby reducing his chances of job finding. Virtually all countries exhibit negative duration dependence; that is, if one takes two unemployed people at random, one would expect that one with shorter unemployment duration to leave unemployment more quickly (Machin and Manning, 1998). This results in unemployment persistence. It is a core problem in Africa that has forced many graduate job seekers to take to under – paid and menial jobs (disguised and under – employment incidence).

### **2.3 EMPIRICAL LITERATURE**

In attempt to analyze the relationship between unemployment, insecurity and its socio economic implication, a lot of researchers have applied empirical data to ascertain the nature of the relationship

Blackley (1991) calculated the okuns co-efficient for the largest 26 states in the united states and found out there was a significant difference in the reaction of unemployment to changes of economic growth by each state, for most state okuns coefficient is between 2.0 and 4.0 the smallest coefficient being Alabama with 2.137 and the largest with 6.803.

In further study by Bisping and Hilde (2005) it was observed that the aggregate response of unemployment rate to economic growth was different across regions in the United States and when broken down by race and gender, demographic group's similar response was not experienced. In the study, general impulse response function were not used to determine the



impact unanticipated growth on different unemployment rate the researcher also utilized the expanded version of Okun's law as a basis for the formulation of VAR estimations concerning unemployment rate broken down by region, gender and race.

In Nigeria context, Obadan and Odusola (2005) discovered that unemployment and growth are inversely related. It was also discovered that growth response to unemployment varied among sectors of the economy. For example employers in industries sector use less labour to accomplish high volume of production thereby leading to unemployment of workers the researcher analyzed the casual link between unemployment and productivity in different sectors of Nigerian economy except service sectors.

Aluko (1999) also explains that these casualties of unemployment and their potential for production in Nigeria have terminated by the scourge. According to Scherush (1983) in emphasizing that class position is one of the causes of unemployment which make the children of the higher managers to be often employed; he posited that these exercise impels the unemployed children of lower class to take to criminal activities to make out a living undoubtedly, this depicts the impacts of unemployment on our country. Hence it derives labour force to cause insecurity and social vices like robbery, the poor consist that section of the population whose resources are so depressed from the means as to be deprived of enjoying the benefit of participating in the activities which are customary in the society. Thus the rate of such criminal acts propelled by lack of employment in the case of armed robbery and theft stealing from 1991 to 1992 are 1,064,1568 and 72,294,787,07 respectively in Nigeria (Nigeria police force annual report (1993))

Concerning with this view, Nnoli has asserted that unemployment causes wanton migration of labour forces in Nigeria from rural to urban to other countries in search for job. This leads to

drain in Nigeria and most often to the destruction of the productive labour potential of the migrants for majority. Nigerians who travel abroad seeking for jobs engages in nefarious activities like drug peddling. This act has a negative impact on the country's image and it also discourages foreign investment in the nation's economy. Moru. J (2005) posited that the unemployment caused by the movement of labour force from agricultural production to secondary production in Nigeria amongst the unskilled labour constitutes disaster to the economic development in furtherance of the effects of unemployment to the Nigerian economy and attainment of economic growth, estimates indicate that attaining high economic growth is possible if Nigeria can scale up its ability to effectively use its resources, through sustainable growth over time, improved policies, increased trade and investment, improvement in human capital development. CBN bulletin (2004) however, it is noted that in the attempt to raise resources for economic growth the government has proposed an international financial facility. This section of the literature review will also make an exploration of empirically-based researches carried out by various scholars with regards to unemployment.

Tapounda (1994) in his research revealed that 90.30% of the unemployed persons were in the 15-29 age brackets, and the concentration was also within 15-24 age bracket. His study revealed that only a small percent of the urban employment are illiterate adding that most unemployed are usually new entrants to the labour force with little or no vocational training and experience. In a research conducted by United Nations International labour organization (ILO), it was discovered that as many as thirty three million Nigerians fall within the working age out of which nine percent (9%) or about three million persons are unemployed. More so, further study revealed that as many as 2.7 million out of a million persons live in rural area. (ILO survey report Africa concord, 1986)



Jeremy (1985) in his analysis of the experience long-term unemployment was fast tending towards three million people. In contrasting between contemporary experience of unemployment of the previous of mass unemployment in Britain during the 1930's his findings revealed that in this modern era people seem not to be better off than in the 1930's, it was shared predicament (John, 1996)

Charles Zimmerman and Sorokin (1980) in the quest for defining a city has made some combination of factors thus the type of occupation which people engage in, the government phenomena comprising of the building and water supply size of the community density of population, interogeneity of population, social differentiation and stratification, social mobility and also found to be flexible about the sort of work they would accept. Thus, a high proportion of the unemployed provided a relatively cheap and flexible pool of labour available to employers when demand for employment picked up.

Uchitelle and Kleinfield (1996) in their study revealed that the unemployed typically suffer loss of self-esteem. They feel ashamed and humiliated, avoid seeing friends and sink into depression. They also observed that the cumulative effect of unemployment on the society is great and that being unemployed is associated with an increase in broad range of other problems, from alcoholism and divorce to heart attack and suicide asserting that unemployment may not be a direct cause of these problems, but rather series as a trigger for problem prone people. They also observed that unemployment leads to class which would pose a class problem to the colonial system.

Awolowo (1993) in his study suggested that unemployment in Nigeria can be reduced to a tolerable limit through modernization of agriculture and a planned and full mobilization and employment of all the counting's human resources particularly at the higher levels.



Coe (1990) in his findings tried to identify natural rate of unemployment in Canada from 1971-1998, observed that the principal factor were unemployment benefits and changes in the minimum wage, unionization of labour force and in payroll taxes.

According to an International labour organization publication on the necessity of an international labour organization publication on the necessity of integrating informal sector statistics into labour market information system (LMIS) employment opportunity in the 3rd World refer essentially to the insufficient capacity of the modern sector to provide employment for the rapidly expanding labour force as consequence of which a large number of people are forced to find or create other income opportunities in the informal sector depends on the possibility to produce goods and services for which there exists an effective demand (Haam 1989:6).

The Nigerian labour market conforms to the segregation, according to Papohund (1979: 107) in his evaluating the industrial deployment of the Nigerian labour force, considered it's divergent sub-sectors modern traditional and intermediate.

Adebayo (2001) who studied unemployment rate in Nigeria from 1986 -1996 using secondary data observed that unemployment arises whenever the supply of labour exceeds the demand for it at the preventing wage rate. Causes of unemployment according to Adebayo can be analyzed from both the demand and supply side of the labour market in Nigeria. On the supply side, there is the rapidly growing urban labour force arising from rural-urban migration is usually explained in terms of push-pull factors. The push factors include the pressure resulting from manmade ratio in the rural area and the existence of serious under employment arising from seasonal cycle of climate. The factors are further strengthened in Nigeria by lack of infrastructural facilities which make rural life unattractive. The pull factor according to Adebayo (2001) includes a wide rural-urban income differentiation in favour of urban dwellers and a presumed high probability of

securing uncreative employment in the cities. Therefore, these writings and evidences showcase faintly the incidence of impacts of unemployment and insecurity its defective effects on economic growth and development

## CHAPTER THREE

### 3.0 METHODOLOGY

#### 3.1 THE MODEL

The research work makes use of econometric method. Econometric methods are statistical methods specifically adapted to the peculiarities of economic phenomena Koutsoyiannis (1997).

It is adopted because of its ability to provide a precise prediction of economic magnitude. To achieve this, method of OLS estimation is employed for the econometric analysis. This is because the method of least square has some very attractive statistical properties that have made it one of the most powerful and popular method of regression analysis.

The OLS technique, under certain assumptions has desirable statistical properties (efficiency, consistency and unbiasedness). In other words, OLS estimators are best linear unbiased estimator.

#### 3.2 MODEL SPECIFICATION.

An economic method is a representation of the basic features of economic phenomena. It is an abstraction of the real world (fonta, ichoku and Anumundu, 2003 ). The specification of a model is based on the available information relevant to the study in question. That is to say, the information of an economic model is dependent on the available information on the study as embedded. In standard error theory and other major empirical work or else, the model will be non-theoretical.

Koutsoyannis (1977) opined that it always pays to incorporate only what is known from the subject matter into the model building process based on this our model specified as follows:

$$RGDP = F(\text{UNEMP}, \text{GEHT}, \text{GEED}, \text{RIR})$$

Where G.D.P= Gross domestic product



UNEMP = Unemployment

INF = Inflation

HCD = Human capital development

RIR = Real interest rate

Mathematically the model is expressed as:

$$GDP = B_0 + B_1 UNEMP + B_2 INF + B_3 HCD + B_4 RIR + U_t$$

Where  $B_0$  = the intercept or the constant

$B_1$ - $B_4$  = the co-efficient of the explanatory variables

$U_t$  = stochastic error term.

Gujarati (2003) defines  $U_t$  as a random variable that has well defined probabilistic properties.

The stochastic error term represent other determinants of economic growth not explicitly taken into account by the above model.

### **3.3.1 ESTIMATION TECHNIQUES AND RESULT EVALUATION.**

The estimation procedure here would be that of OLS. The emphasis would be to note whether the variables are well behaved or not. It is aimed to ascertain their level of statistical significant or otherwise. The result of the model will be evaluated on the basis of three (3) criteria namely; Econometric apriori expectation, statistical test of significance and econometric test

### **3.3.2 THE STATISTICAL CRITERIA**

Statistical tests are done to evaluate the reliability of the estimated parameter in accordance with statistical theory and expectation. The statistical tests carried out include;

(A) The t-test, this is used to test the significance of the individual parameters of the regression model. The decision to accept null hypothesis is based on the value of the test statistics obtained from the data at hand.

(B) The f-test, this would be carried out to ascertain whether;

i. An individual regression co-efficient is statistically significant

ii. All partial slope co-efficient are zero.

iii. Two or more co-efficient are statistically equal.

iv. There is structural stability of the regression model.

v. Co-efficient satisfies some linear restrictions.

(C) Co-efficient of determination ( $R^2$ ); the goodness of fit test is done using the square of the correlation coefficient. It shows or explains the percentage in the total variation of the endogenous variable being explained by the change in the explanatory variables. It measures the extent to which the explanatory variables are responsible for judging the explanatory power of the regression.

#### 3.3.4 ECONOMETRIC TESTS.

The test will be performed on the regression result in order to evaluate it according to the classical assumption of OLS.

These tests are discussed briefly below;

a) Test for multi-colonearity: This will be used to test the linear colonearity among the explanatory variables and correlation matrix would be employed in this test.

b) Test for stationary: This will be used to test whether the mean value, variance and co-variance of the stochastic process are constant overtime. The Augmented Phillip-Perron test would be employed in this test

c) Test for co-integration: This is used to find out if there is a long run relationship among the variables using the Phillip-Perron test

d) Heteroscedasticity test: This is used to know whether error term of the explanatory variables of the estimated model have equal variance, this will be done using Phillip-Perron test.

#### 3.4 NATURE AND SOURCE OF DATA

Data used in this research are secondary data, sourced from the reports and bulletin of the following;

- i. Central bank of Nigeria (CBN)
- ii. National Bureau of statistics.



## CHAPTER FOUR

### 4.0 DATA PRESENTATION AND DATA ANALYSIS

The unit of root test was ran using Philip-Perron test, the Philip-Perron test is a unit root test that is used in time series analysis to test the null hypothesis that a time series is integrated of the same order or not, the Philip-Perron test is named after Peter C.B. Philips and Pierre Perron.

TABLE 4.1 RESULT OF UNITS ROOTS TEST (PHILLIP-PERRON)

VARIABLES	t-statistics	Probability value	Level of integration	Level of significance
HCD	-6.7716	0.0000	I (1)	1%
INSER	-7.0847	0.0000	I (1)	1%
D(LNRGDP(-1))	-3.389834	0.0021	I (1)	1%
YTUMT	-4.1007	0.0031	I (0)	1%
INF	-2.7143	0.0820	I (0)	10%
D(LNINT_R(-1))	-3.389834	0.0021	I (1)	1%
M <sub>2</sub>	-5.8002	0.0000	I(1)	1%

## 4.2 Regression Analysis

The purpose of regression analysis is to show the impact of the independent (explanatory) variables on the dependent (explained) variable. Therefore, the regression result is shown below;

TABLE 4.2 REGRESSION RESULT

C	Coefficient	Std. Error	t-Statistic	Prob.
S	41100.17	16358.93	2.512400	0.0231
HCD(-1)	1.35E-06	4.97E-07	2.715757	0.0153
INF(-1)	-14.95677	178.1448	-0.083958	0.9341
INSER(-1)	-26474.79	8831.552	2.997726	0.0735
LN_INT_R(-1)	0.717208	0.106729	6.719910	0.0000
M2(-1)	-0.013330	0.005828	-2.287222	0.0361
YTUMT(-1)	1120.410	837.9067	1.337154	0.1999
D(HCD(-1))	-6.21E-07	4.52E-07	-1.375431	0.1880
D(INF(-1))	182.0841	157.3967	1.156849	0.2643
D(INSER(-1))	-1828.198	8201.703	-0.222905	0.8264
D(INT_R(-1))	-0.011189	0.269249	-0.041557	0.9674
D(M2(-1))	0.009761	0.009661	1.010384	0.3273
D(YTUMT(-1))	-1654.5919	644.3863	-2.567702	0.0578
@TREND	2657.767	1159.787	2.291599	0.0358

The regress result in 4.2 shows both the short run and long run impact of the explanatory variable on the explained. The human capital development (HCD) has a positive impact on RGDP. A unit increase in HCD will increase RGDP by  $1.35 \times 10^{-6}$ . This result is significant at 5%. Insecurity impacts negatively on RGDP in the short run. A unit percentage in insecurity will reduce RGDP by 26474 naira. This finding supports the apriori expectation of negative relationship between insecurity and RGDP. It is significant at 10%. Money supply impacts negatively on the RGDP. One naira in money supply will reduce RGDP by 0.013%.

Youth unemployment has a negative impact on RGDP. A percentage increase in youth unemployment will reduce RGDP by 1654.59 naira holding other variables constant. This result is significant at 10%. Notice that  $R^2$  -Adjusted is over 90%, meaning that only less than 10% variation in the explained variable is captured in the stochastic random term. The value of the probability of the F-statistic is 0.0000 is less than 1%, 5% and 10%. So it shows that the model is of good fit.

The value of the Durbin-Watson statistic is 2.07 and shows that the result is free from first order serial correlation.

Since the variables are integrated of order one, it is paramount that co-integration test is performed to determine whether or not long run co-movement occurs after short-run disequilibrium has been proved. The Johansen co-integration test is used to ascertain co-integration among the variables.

The trace test shows that at least six variables are co-integrated in the long run. That is the probability value (0.0171) is less than 5% and 10%. Also, the maximum eigenvalue test shows that at least three variables are co-integrated in the long-run.

The Granger causality test shows that there is no causality between YTUMT and RGDP. More so, there is no causality between INSER and RGDP, but INSER does Granger cause YTUMT, meaning that there is uni-directional causality running from INSER to YTUMT.

#### 4.3 DISCUSSION OF FINDINGS

- ❖ Base on the findings, it is revealed that Human Capital Development (HCD) has a positive impact on Real Gross Domestic Product(RGDP)
- ❖ Also, the findings showed that Money Supply(  $M_2$ ) has a negative impact on Real Gross Domestic Product(RGDP)



- ❖ Again, Youth unemployment (YTUMT) has a negative impact on real Gross Domestic Product (RGDP)
- ❖ Youth unemployment (YTUMT), Insecurity (INSER) and Real Gross Domestic Product (RGDP) are co-integrated in the long run
- ❖ Finally, the result showed that there is no causality between Youth unemployment (YTUMT) and Real Gross domestic Product (RGDP); and between Insecurity (INSER) and real Gross Domestic Product (RGDP).

## **CHAPTER FIVE**

### **5.0 SUMMARY OF FINDINGS, CONCLUSION AND POLICY RECOMMENDATION**

#### **5.1 SUMMARY OF FINDINGS**

The multiple regression model employed in this study has helped in no small measure in determining the relationships between unemployment, insecurity and growth of Nigeria economy. The model has really justified the role of some variables like interest rate, human capital development in adjusting the relationship between unemployment and growth of the economy.

In the study, it was discovered that unemployment impacts negatively on the RGDP, the reason is that a percentage increase in youth unemployment will reduce RGDP by 1654.59 naira holding other variables constant. This result is significant at 10%. It is important to state at this point that the discovery of crude oil in 1958 has led to reckless abandonment of agricultural sector which today account for the high level of unemployment in the country. Some other causes of unemployment includes the rapidly growing urban labor force arising from rural urban migration, the out dated school curricula and lack of employable skills, rapid expansion of the educational system which directly leads to increase in the supply of educated manpower above the corresponding demand for them.

Base on the findings, it is revealed that Human Capital Development has a positive impact on Real Gross Domestic Product. Also, the findings showed that Money Supply has a negative impact on Real Gross Domestic Product. Again, Youth unemployment has a negative impact on Real Gross Domestic Product. Youth Unemployment, Insecurity and Real Gross Domestic Product are co-integrated in the long run.

Finally, the result showed that there is no causality between Youth unemployment and Real Gross domestic Product and between Insecurity and real Gross Domestic Product.

## **5.2 CONCLUSION**

Having investigated the relationship between unemployment and RGDP, it can be confidently stated that over dependence on crude oil has done much harm to the Nigeria economy especially in the area of escalating rate of unemployment and insecurity, and unemployment has also increased the rate of insecurity in the society. The discovery of crude oil has led to the abandonment of agriculture as well as other productive sectors that would have absorbed the unemployed in the society in Nigeria. It is a general belief that political usefulness over rides economic rationality but it is not so in developed countries. As a matter of fact it is propose that the federal government should take adequate step towards the reduction of unemployment and this will also reduce the rate of insecurity in Nigeria society without considering whether it satisfies political interest or not. What matters is the interest of the Common people.

Also, the presence of insecurity in any environment constitutes threat to lives and properties, hinders business activities, and discourages local and foreign investors, all of which stifles and retards socio-economic development of a country. In Nigeria there has been rising wave of insecurity since the country attained independence in 1960. This rising wave has not abated but has assumed a dangerous dimension which is even threatening the corporate existence of the country as one geographical entity. The elimination of these threats should be a major goal of governments in Nigeria at all levels as the country cannot achieve any significant development amidst insecurity, violence and unemployment. Government must be proactive in dealing with security issues and threats, through modern methods of intelligence gathering, and intelligence



sharing, training, logistics, motivation, deploying advanced technology in managing security challenges and providing employment for the unemployed youths.

The adaptation of the recommendation made in this study can go a long way in reducing unemployment and insecurity and as such would assure maximum development and utilization of the nation's manpower.

### **5.3 RECOMMENDATIONS**

Based on the finding of this research, the policy recommendations are as follows;

- Base on the research findings, it was revealed that there is negative relationship between unemployment and real gross domestic product. This connote that unemployment has a negative socio-economic implication. Therefore, the Nigerian government should diversify the economy so as to save the nation from the ills of mono-economy of overdependence on crude oil. This will in turn reduce the level of unemployment in the country.
- Formulation of effective unemployment policy which will absorb the unemployed citizens especially into informal sectors of the economy. The policy may include the creation of vocational skills, provision of loans, etc.
- Unemployment can be addressed meaningfully by encouraging local industrial production. These factories will provide employment opportunities that will absorb many idle hands and hungry mouths. Again, it will reduce insecurity level in Nigeria.
- Invest more in the agricultural sector which as at today is the largest employer of labour in the economy. Farming has become increasingly unattractive. Efforts should be made by the government to modernize agriculture so as to make it attractive to the unemployed able bodied youths.

- Change in the educational system so that school leavers and graduates alike would be job creators rather than job seekers.
- The real panacea for solving insecurity challenge in Nigeria is for government to accelerate the pace of development. Development in this context consists of creating an economy with relevant social, economic and physical infrastructure for business operations and industrial growth, to provide gainful employment, high level of educational facilities, and medical care for the people.
- Governments at all levels should ensure that rising poverty indices are reversed and a realistic social security programme is pursued and systematically implemented to ensure that the populace meets their basic needs.

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**APPENDIX ONE**

YEARS	RGDP	INT R	HCD	YUNEM	INSER	INF	M2
1980	205222.1	205222.06	926,150,000		0	10	15100
1981	199685.3	199685.25	616,400,000		0	20.8	16161.7
1982	185598.1	185598.14	710,550,000		0	7.7	18093.6
1983	183563	183562.95	623,500,000		0	23.2	20879.1
1984	201036.3	201036.27	525,700,000		0	17.8	23370
1985	205971.4	205971.44	537,050,000		1	7.4	27389.8
1986	204806.5	204806.54	486,600,000		1	5.7	33667.4
1987	219875.6	219875.63	444,950,000		1	11.3	45446.9
1988	236729.6	236729.58	763,650,000		1	54.5	47055
1989	267550	267549.99	1,197,200,000		1	50.5	68662.5
1990	265379.1	265379.14	1,476,200,000		1	7.4	87499.8
1991	271365.5	271365.52	1,155,600,000	13.4	1	13	129085.5
1992	274833.3	274833.29	1,542,900,000	13.4	1	44.6	198479.2
1993	275450.6	275450.56	5,341,800,000	13.3	0	57.2	266944.9
1994	281407.4	281407.4	6,655,800,000	13.4	1	57	318763.5
1995	293745.4	293745.38	8,894,800,000	13.4	1	72.8	370333.5
1996	302022.5	302022.48	10,101,650,000	13.3	1	29.3	429731.3
1997	310890.1	310890.05	10,873,500,000	13.3	1	8.5	525637.8
1998	312183.5	312183.48	19,352,800,000	13.3	1	10	699733.7
1999	329178.7	329178.74	23,871,900,000	13.4	0	6.6	103607.5
2000	356994.3	356994.26	42,874,950,000	13.3	0	6.9	1315869
2001	433203.5	433203.51	52,198,050,000	13.3	0	18.9	1599495
2002	477533	477532.98	86,313,200,000	13.1	0	12.9	1985192
2003	527576	527576.04	59,560,800,000	13.3	0	14	2263588
2004	561931.4	561931.39	76,777,650,000	13.3	0	15	2814846
2005	595821.6	595821.61	95,860,480,000	13.3	0	17.9	4027902
2006	634251.1	634251.14	130,889,190,000	13.3	0	8.2	5832489
2007	672202.6	672202.55	184,000,000,000	13.3	0	5.4	9166835
2008	718977.3	718977.33	208,189,000,000	13.3	0	11.6	10780627
2009	776332.2	776332.21	183,688,500,000	13.3	0	11.5	11525530
2010	814741.2	814741.2	216,498,000,000	13.3	0	13.7	13303495
2011	834161.8	834161.83	414,000,000,000	13.3	0	10.8	15643210
2012			341,460,000,000	13.3	0	12.2	16.8
2013			352,745,000,000	13.2	0	8.5	13.2
						8.1	



## APENDIX TWO

Null Hypothesis: D(HCD) has a unit root  
 Exogenous: Constant  
 Bandwidth: 0 (Newey-West automatic) using Bartlett kernel

	Adj. t-Stat	Prob.*
Phillips-Perron test statistic	-6.771635	0.0000
Test critical values:		
1% level	-3.653730	
5% level	-2.957110	
10% level	-2.617434	

\*MacKinnon (1996) one-sided p-values.

Residual variance (no correction)	1.49E+21
HAC corrected variance (Bartlett kernel)	1.49E+21

Phillips-Perron Test Equation  
 Dependent Variable: D(HCD,2)  
 Method: Least Squares  
 Date: 08/03/15 Time: 13:50  
 Sample (adjusted): 1982 2013  
 Included observations: 32 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(HCD(-1))	-1.207781	0.178359	-6.771635	0.0000
C	1.32E+10	7.31E+09	1.808980	0.0805
R-squared	0.604509	Mean dependent var		3.62E+08
Adjusted R-squared	0.591326	S.D. dependent var		6.24E+10
S.E. of regression	3.99E+10	Akaike info criterion		51.71792
Sum squared resid	4.78E+22	Schwarz criterion		51.80953
Log likelihood	-825.4867	Hannan-Quinn criter.		51.74828
F-statistic	45.85504	Durbin-Watson stat		2.076072
Prob(F-statistic)	0.000000			

Null Hypothesis: D(LNRGDP) has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on SIC, maxlag=7)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.389834	0.0194
Test critical values:		
1% level	-3.670170	
5% level	-2.963972	
10% level	-2.621007	

\*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation  
 Dependent Variable: D(LNRGDP,2)  
 Method: Least Squares  
 Date: 08/03/15 Time: 14:03  
 Sample (adjusted): 3 32  
 Included observations: 30 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LNRGDP(-1))	-0.547050	0.161379	-3.389834	0.0021
C	0.026839	0.010982	2.443848	0.0211
R-squared	0.290977	Mean dependent var		0.001697
Adjusted R-squared	0.265655	S.D. dependent var		0.051768
S.E. of regression	0.044362	Akaike info criterion		-3.328532
Sum squared resid	0.055103	Schwarz criterion		-3.235119
Log likelihood	51.92798	Hannan-Quinn criter.		-3.298648
F-statistic	11.49097	Durbin-Watson stat		2.007692
Prob(F-statistic)	0.002097			

Null Hypothesis: D(LNINT\_R) has a unit root  
 Exogenous: Constant  
 Bandwidth: 4 (Newey-West automatic) using Bartlett kernel

	Adj. t-Stat	Prob.*
Phillips-Perron test statistic	-3.256247	0.0264
Test critical values:		
1% level	-3.670170	
5% level	-2.963972	
10% level	-2.621007	

\*MacKinnon (1996) one-sided p-values.

Residual variance (no correction)	0.001837
HAC corrected variance (Bartlett kernel)	0.001435

Phillips-Perron Test Equation  
 Dependent Variable: D(LNINT\_R,2)  
 Method: Least Squares  
 Date: 08/03/15 Time: 14:08  
 Sample (adjusted): 3 32  
 Included observations: 30 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LNINT_R(-1))	-0.547050	0.161379	-3.389834	0.0021
C	0.026839	0.010982	2.443848	0.0211



R-squared	0.290977	Mean dependent var	0.001697
Adjusted R-squared	0.265655	S.D. dependent var	0.051768
S.E. of regression	0.044362	Akaike info criterion	-3.328532
Sum squared resid	0.055103	Schwarz criterion	-3.235119
Log likelihood	51.92798	Hannan-Quinn criter.	-3.298648
F-statistic	11.49097	Durbin-Watson stat	2.007692
Prob(F-statistic)	0.002097		