

## **Translation of Nigeria Economic performance on the nation's Unemployment terrain: Effects and implications**

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**Abstract:** The study which focused on examining the imminent implications of translating Nigeria's economic performance on the nation's unemployment problems is bent on assessing how Nigeria's current economic status as the biggest economy in Africa has affected its rate of unemployment. Adopting data extracts from various published statistical bulletins of the CBN, SEC, and the NBS reports, the Pearson Correlation was employed in executing the analysis carried out in this study using the SPSS version 20 statistical software. The result of the analysis showed that Nigeria's celebrated feat as the biggest economy in Africa appear yet to have had any meaningful impact on the rising/high rate of youth unemployment. This is in view of the fact that the rate of unemployment (from the analysis) maintained an increasing/upward slope status even as the economy of the country increases in growth. The study therefore recommends that a positive translation approach be deployed in ensuring that the huge output of the country's celebrated GDP growth is commendably felt by its unemployment sector. Accountability and transparency, instead of corruption, need be selflessly embraced by the country's leadership if this resolve is to be achieved.

**Keywords:** Accountability, Corruption, Economy, GDP Growth Rate, Transparency, Unemployment Rate

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### **INTRODUCTION**

Nigeria economy, in recent times, has benefited immensely from the inputs of the informal and the agricultural sectors. The impressive economic performance recorded by the country after her rebasing exercise has placed it atop the economic table of Africa as the biggest economy in the continent.

However, employment and unemployment are among and still remain sensitive indicators for measuring the development quality of any given country. According to Jamo [1] a country is said to be developing if the rate of unemployment is declining. Thus, unemployment as a macroeconomic problem is a great drawback to evident economic progress of a country, considering the fact that the loss of employment at any point in time results in a commendable reduction in the standard of living and psychological stress of people or individuals [2].

Presently, Nigeria is heavily burdened with two major problems- high rate of unemployment and Inadequate power generation/distribution, with the latter adversely contributing to the deteriorating state of the former. These duo economic setbacks appear to be

having more devastating effect on the nation's general economic wellbeing than all other prevailing problems in the socio-economic domain of the country.

Okoye and Nwoye [3] had comparatively viewed the unemployment situation in Brazil with those of Nigeria, and noted that the situation was rather different even with a higher population status than those of Nigeria. Brazil had in a 5-year period (2003-2008) worked on the deteriorating state of its unemployed population which led to a massive fall in its unemployment rate by a whopping 29.4%. The growth in employment continued during 2008 when the country experienced its lowest unemployment rate to peak at 7.9%. It is needful to mention that Brazil's population status of 192 million people, as a developing nation, quite outnumbers those of Nigeria, which is currently estimated at about 150 million people.

When the rate of employment increases in any nation, the citizenry rate of purchasing power, national security and individual savings tend to improve correspondingly, leading unavoidably to adequate enhancement of economic activities and development. Unfortunately for Nigeria, the reverse has been the

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situation as the rate of unemployment has continued to increase since the return of the country to democratic rule with a little fall in the rate recorded in 2014 (from over 37% in 2013 to 22.0% in 2014).

In 2002, for instance, the rate of unemployment which was 12.6% had, in just 2 years, jumped to 13.4% in 2004. The figure dropped to 11.9% in 2005 and adversely appreciated to 14.9% and 19.7% in 2008 and 2009 respectively. Details published by the NBS showed that the figure rose from 19.7% in 2009 to 23.9% in 2012 and finally reached more than 37% in 2013, even though economic analysts believe that it must have reached 50% in the 2013. Sadly enough, the apparent economic growth Nigeria has recorded so far seem not to have led to any measurable economic development [8] especially in the area of unemployment.

Indeed, unemployment has been a major problem for most countries across the world. The rate in the USA, for example, has increased from 5 percent in 2007 to 9 percent in 2011. Spain increased from 8.6 percent to 21.5 percent; UK moved from 5.3 percent to 8.1 percent. Ireland as at 2011 stood at 14.3 percent from 4.8 percent, Latvia from 5.4 percent to 16.5 percent, Greece from 8.1 percent to 18.4 percent, and Italy from 6.7 percent to 8.3 percent. The average for the Euro area is 10.7 percent.

Similarly in the African continent, unemployment has risen in South Africa, Africa's second largest economy, to 25 percent, having a higher rate than Nigeria at the moment. Angola at 25 percent, Botswana at 17.5 percent, Egypt at 11.8 percent, Kenya at 11.7 percent, and Namibia at 51 percent [4].

The federal government's effort at embracing the full benefits of entrepreneurship in Nigeria could be traced back to the years 1990-1999[14]. This was a period when the training and motivation of unemployed graduates to be gainfully employed in out of school entrepreneurship development programmes gathered momentum. Today, The Federal Government through its various educational agencies like the National Board for Technical Education (NBTE), the National University Commission (NUC), and the National Youths Service Corps (NYSC) programme has given directives that ensured that entrepreneurship development courses are incorporated into the curricular of tertiary institutions and NYSC programme in Nigeria [3].

This is about 25 years later (1990 – 2015), and the unemployment story seemed to have worsened, with many graduates loitering the streets of the federation in search of jobs that are possibly non-existent. The questions worth attending to are; how many Nigerian graduates and youths can the federal government

statistically boast of to have potentially benefited from the numerous strivings of the government since 1990, even in recent times through her ITF programmes, SURE-P internship schemes, YouWin packages, NDE various training workshops and programmes? How many of such jobs truly enjoy job security and commendable wage pay? How many of such beneficiaries of the various skills oriented training outfits of the government have been able to set up and grow such small scale businesses that should have possibly birthed medium or large scale businesses by now, at least, in 25 years? What has been the impact of this claimed development so far on the economy, or is the nation distractively still being carried away by the GDP output of the rebasing exercise? Has the nation since numerically felt the impact of these young industries, at least, at reducing the harsh effect of youth's unemployment? Has it in anyway meaningfully contributed to the nation's economic growth since then, or are we to continue in relying on supposed success estimates and expected performance forecasts? Can the government thus far, account credibly to her citizens the actual statistics of the new commendable jobs that have since been created by these young industries and the breakdown of the various geo political zones and states where these jobs exist/have been created? .

It is a widely accepted view in economics that the growth rate of the Gross Domestic Product (GDP) of an economy increases employment and consequently reduces unemployment.

Generally, the economic theory that can be used in explaining this relationship between economic growth and unemployment is Okun's law. Okun's law is an empirical observation on the relationship between unemployment rate and economic growth. Arthur Okun [15] was the first economist who studied the empirical relationship between unemployment and economic growth. He postulated that:

- *When GDP grows rapidly, the unemployment rate declines.*
- *When growth is very low or negative, the unemployment rate rises.*
- *When growth equals potential, the unemployment rate remains unchanged.*

Okun's law also postulated that a 1% increase in the growth rate above the trend rate of growth would only lead to 0.3% in the reduction of unemployment. Reversing the causality a 1% increase in unemployment will mean roughly more than 3% loss in GDP growth. This relationship implies that the rate of GDP growth must be equal to its potential growth just to keep the unemployment rate constant.

To reduce unemployment therefore, the rate of GDP growth must remain above the growth rate of potential output. Osinubi [5] attests to this stating that

growth reduces poverty through rising employment, increased labour productivity and high real wages. But his discoveries showed that, rather than crushing unemployment rate in Nigeria, the nation's acclaimed economic growth appear to be exacerbating it.

However, economic growth does not automatically translate into widely shared gains. Policy choices, appropriate strategies development and transparent implementation process void of corrupt practices matter so much. It must be noted that successful countries across the globe have coherent macroeconomic, employment, trade, industrial, environmental and social policies. ILO et al, [6] believe that an inclusive and sustainable development will depend on the integration of growth-promoting macroeconomic policies with

developmental industrial policies and redistributive measures, all geared towards the creation of decent employment. It is against this backdrop that the study intends to find out how Nigeria's current economic status as the biggest economy in Africa has affected its rate of unemployment.

The above objective has prompted the need for the study to ask- "how has Nigeria's current economic status as the best economy in Africa affected her rate of unemployment?"

H<sub>0</sub>: Nigeria's current economic status as the best economy in Africa has not significantly affected her rate of unemployment.

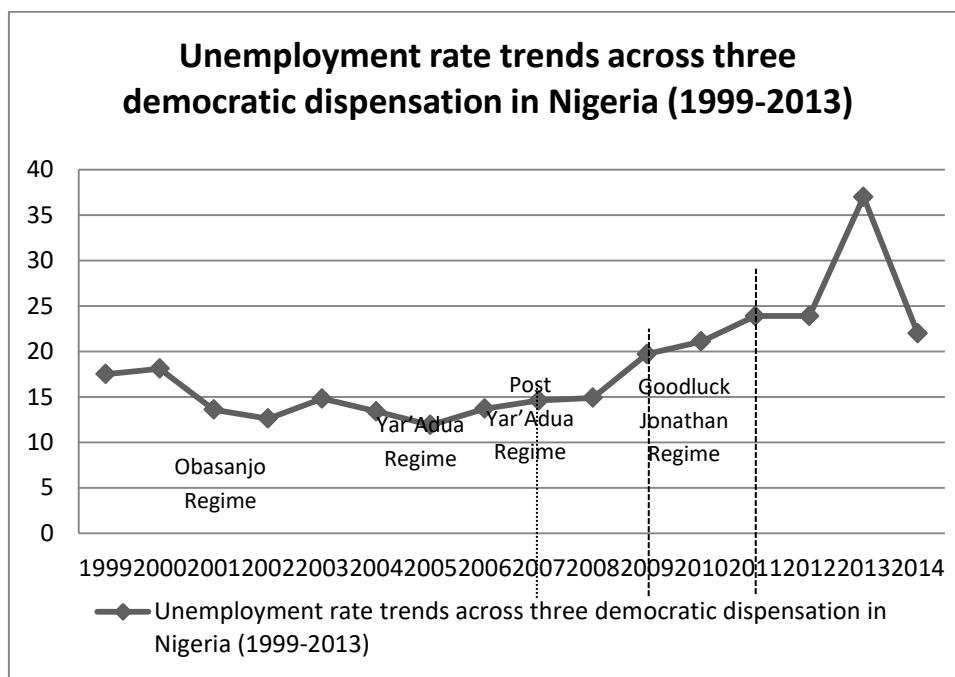


Chart 1: Nigeria's unemployment rate trends across three democratic dispensation since 1999

## LITERATURE REVIEW

Unemployment rate in Nigeria amidst economic growth has reached unacceptable dimension [7]. The fact that the economy has failed to provide gainful employment opportunities for a larger proportion of her young unemployed population is an indication of development failure in Nigeria [3].

According to Adio [13], Nigeria has a major problem, and that is the inability of the country to translate the purported growth into more jobs, reducing poverty and inequality. Although the news of even commendable development being achieved has kept the social media very busy in Nigeria, traces of its impact on the sufferings of a larger percentage of its population especially the unemployed cannot be seen.

Moreso, the fact that the reactive measures deployed by post 1999 administrations through various skills acquisition channels/programme like ITF, SURE-P Internship Scheme, YOUWin, and CBN's different entrepreneurship packages, may have yielded some positive results that contributed to a slight reduction in the unemployment rate of the country from 37% in 2013 to 22% in 2014, does not also write off the fact that evidences of the effect of this reported slight fall cannot be visibly substantiated seeing the level of poverty and frustration that is currently eating deep into the circles of the looming number of youths, school drop outs, and graduates rolled out annually by the country's tertiary institutions.

This entails that, however true the current statistics of the World Bank regarding Nigeria's current unemployment rate may be (22% in 2014), the unique

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fact that unemployment is prevalent or is said to have occurred when people who are able and willing to work are without jobs, or cannot find work that is effective and productive to do, remains. Asaju et al, [8] equally stressed that when people undertake jobs that are contrary to or lower than their academic qualifications or areas of specialization, unemployment is believed to loom in such a region or territory.

Does this imply that such resolve by the government of Nigeria to translating the impact of this economic buoyancy into the unemployment sector of the country is being delayed? Or does this mean that such resolve is inadequately being pursued or implemented thereby lacking transparency to the detriment of the nation? How much confidence has the federal government been able to secure from its citizenry seeing the visible effect of this unsolved problem on both the young and old? The heightening onslaught of insurgency and the recent call for amnesty as a redress to the deteriorating security situation in the North Eastern part of Nigeria may not have resulted if the imminent impact of the nation's economic status in Africa had been felt earlier by the younger generation of Nigerians.

### **The Role of Industrialization**

It is pertinent to state that one significant trend prevalent in the developmental process which has remained consistent since civilization is that all developed nations that are known for their flexible upward sloped economic growth are industrialized. Industrialization is associated with heavy investments financed through capital accumulation [9].

Aside the current security challenges especially at the northern parts of Nigeria, the problem of unstable and insufficient Power generation/distribution has also been identified as a major challenge constraining economic growth, more job creation in the Northern Nigeria, and the development of other sectors in the country [3].

Although industrialization plays a key role in the attainment and sustenance of a sound economic system in any nation, the absence of a reliable energy source has greatly underscored the efficiency, productive functionality and upward performance consistency of the economy in Nigeria.

Indeed, rapid and sustainable real economic growth is a necessary condition for economic development and reduction in unemployment. However, for growth and development to occur, there is the need for a relatively stable macroeconomic environment which is an indicator for low risk and a condition for attracting investment and boosting entrepreneurial activities.

### **Empirical Frameworks**

In their studies, Akeju and Olanipekun [4] looked into the validity of Okun's law for Nigeria and examined the impact of unemployment on the Nigerian Economic growth, testing the sensitivity of GDP output to change in unemployment rates in both short run and long run. Using cointegration estimate analysis they found out that unemployment rate in Nigeria had an insignificant effect on output growth.

This they believed indicated that a high growth rate and a high unemployment level were prevalent side by side in the country. They however stressed that a few proportion of the country's labour force is captured in the nation's economic robust growth thereby promoting high unemployment growth in the country.

Aurangzeb, and Asif [10] conducted an investigative study into the relationship between unemployment, GDP, growing population, exchange rate, and inflation in China, Pakistan and India and discovered after relevant regression analysis, cointegration analysis and Granger causality analysis carried out, that all the variables selected for the study have a significant positive impact on the rate of unemployment for Pakistan, even as the GDP showed significant positive impact on unemployment in Pakistan. This result is in contradiction to the theory where growth and unemployment has an inverse relationship. They however found out that the result of India and China showed negative impact of growth on the unemployment rate of both countries. This they said revealed that when economic growth takes effect in these two countries, employment opportunities are boosted and unemployment rate falls. They advised that Pakistan needs to improve on the area of taking advantage of her growth to reduce unemployment rate in the country.

Osinubi [5], conducted a study on the relationship between Growth, Unemployment and Poverty in Nigeria using the regression analytical tool (three stage least square) and found out that growth in Nigeria does not trickle down to the poor, noting that increase in growth in Nigeria is met with synonymous increase in unemployment rate, implying that the economy is growing as the rate of unemployment increases.

Sodiye and Ogunrinola [11], who in their study adopted the econometric method for the purpose of estimating the employment- economic growth relationship in Nigeria, also found out that the growth rate of GDP (GDPGR), though having a positive coefficient with employment revealed that the correlation coefficient was relatively low with the employment level in the economy (0.09).

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However, some unique causes of increased unemployment in the midst of robust economic growth in Nigeria have been noted. These are:

1. The stigma of corruption. Embezzlement of public funds, diversification public resources, personalization of public utilities and facilities, commendable monthly kick backs upon being offered an employment over a reasonable period of time, under payment of actual monthly wage, revocation of initially approved appointment for selfish reasons, budget delay etc, are some reasons behind the unemployment status of some youths in Nigeria.
2. Poor power generation and distribution is still a nightmare to prospective young entrepreneurs who may wish to venture into the competitive market with the hope of growth and expansion at heart. Majority of such innocent young firms have always ended up being frustrated out of business shortly after commencement due to their inability to withstand the huge cost of powering the young firm's productive activities with external sources of energy- generator. Although the power sector has been privatized (partially), the dream of achieving constant power supply in Nigeria appear to be far from within the nation's grasp considering illicit and shameful interest of her leaderships in the budget funds earmarked and voted yearly for the actualization of this aging national dream.
3. The venom of ethnicity/tribalism. The syndrome of who do you know and are you from here has also greatly undermined the efficiency of the labour market. One cannot imagine a situation whereby sensitive vacant positions in the public and private sectors of the Nigerian economy are being given out to incapable or non productive hands on grounds of relationship (not on merit or competency).
4. Terrorism and religious violence resulting in the non occupancy of available jobs by unemployed youths for fear of loss of life, is also sensitive contributory factor.
5. Poor wage/salary package or better put as exploitative medium has actually led so many degree holders to being overworked by their employer on a magre salary scale and constant threat of being laid off. Many prefer not to put up with such jobs for health hazard reasons.
6. Inefficiency and inadequacy of the private sector has incapacitated many privately owned establishments in Nigeria from taking in more hands, or even employing qualified hands or degree holders into their organisations. Most prefer to engage school drop outs or amateurs in order to take advantage of them and pay less.
7. High cost of industrialization in Nigeria could also be responsible for the few jobs created annually in Nigeria. A situation whereby the few surviving industries in Nigeria power their operations on exorbitant cost on diesel and fuel cannot be said to be a promising ground for business expansion and the creation of more gainful jobs. Most companies in Nigeria have this unhealthy preference of using fewer hands to execute more jobs daily- employing 2 employees/labourers do jobs meant for 10 labourers.
8. Poor implementation approach to government policies and strategical plans. Nigeria, since independence, has never lacked an economic or national plan for the country as a whole. Rather, what the country lacks and continues to lack is a disciplined and transparent approach to the full implementation of such sound well articulated national or economic plans.
9. The problem of job mismatch cannot be left out in this crisis. Although this is not a new phenomenon across the globe, the situation in Nigeria appear to be more sympathetic. A situation whereby some graduates in this modern age of innovation cannot booth the computer let alone operate one is quite worrisome. Some employers of labour, in defence, are of the opinion that the problem is not always the non availability of competent well paying jobs but the absence of qualified, competent and disciplined hands to man such jobs.

## MATERIAL AND METHODS

Time series data of the country's unemployment rates and GDP growth rates, for the years 1999-2013 were extracted from various Statistical bulletins of the CBN and National Bureau of Statistics, and analytically tested through the Pearson Correlation statistical tool using SPSS version 20 statistical software. The following model specification was however estimated for this study:

### Model Specification:

$$GDP\% = \alpha + \beta_1 UEMPR + \mu$$

Where

GDP% = Gross domestic product growth rate

UEMPR = Unemployment Rate

Using the Pearson Correlation statistical tool, the following hypothesis was tested.

H<sub>0</sub>: Nigeria's current economic status as the best economy in Africa has not significantly affected her rate of unemployment..



**Table-1: Correlations**

		GDP Growth Rate %	Unemployment Rate
GDP Growth Rate %	Pearson Correlation	1	.208
	Sig. (2-tailed)		.458
	N	15	15
Unemployment Rate	Pearson Correlation	.208	1
	Sig. (2-tailed)	.458	
	N	15	15

Source: SPSS Ver. 22

**RESULTS AND DISCUSSION**

From the output of the above table, we discovered that a positive association (.208) exists between Nigeria's rising rate of unemployment and her rate of economic growth, such that as growth is being witnessed in the country's economy, a consequent increase in the rate of unemployment is equally recorded. In other words, the positive impact of Nigeria's massive GDP output (presently US\$ 510 billion after the rebasing exercise), has not been significantly felt by her overwhelming number of unemployed frustrated youths, except in 2014 when the World Bank announced that the country's unemployment rate has fallen from over 37% to a claimed 22.0% (about 15% decrease).

The implication of the result obtained in the study is that as the country continues to celebrate her current status as Africa's largest economy, it finds it difficult to positively translate the impact of such commendable economic progress on the plight of her unemployed youths. This is arguably consistent with the views of the World Bank as reported by Mahmoud and Mohammed [12] who stressed that the reduction of unemployment rates ought to be consistent with the achievement of sustainable economic growth. The Keynesian views on recovery policy also lend support to this finding since High Rate of Growth prompted by High Operation Rate ought lead a country to a Low Rate of Unemployment. But Nigeria's case, based on the findings of this study, has been the reverse.

However, there is not much overlap between the rate of unemployment in Nigeria and her GDP growth rate as the two variables shared only 4.3% of their variance (.208 x .208 x 100).

**CONCLUSION AND RECOMMENDATIONS**

A positive translation of a country's increase in GDP output on its unemployment rate is quite a commendable approach that would go a long way to strengthening the country's local market, image at the global scene towards boosting foreign direct investments, and other forms of participation by foreign investors in its market. Much more, accountability and transparency, instead of corruption, need to be selflessly

embraced by the country's leadership if this resolve is to be achieved.

It is worthy of note that insecurity and ineffective fight against insurgency is often a product of high unemployment rate that readily undermines the confidence of foreign investors in the viability and fruitfulness of the local market environment. When a larger percentage of a nation's energetic resources (youths) are not productively maximized and tied to some productive activities that yield meaningful economic output, the GDP of such victim country tend to suffer from a fluctuating or slow paced upward growth. The current administration should intensify effort that would ensure that beneficiaries of government's various training and internship schemes like ITF, SURE-P, do not end up being unemployed again after the elapse of their training period. There is therefore need to ensure that these beneficiaries are actually acquiring the necessary basic skills that would enable them set up their own business outfit after the training to help create jobs for the growing number of graduates yearly.

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