

**UNIVERSITY OF PORT HARCOURT
THE DYNAMICS OF MANAGING CHRONIC UNEMPLOYMENT IN
NIGERIA'S DEPRESSED ECONOMY**

AN INAUGURAL LECTURE

**BY
PROFESSOR AUGUSTUS N. GBOSI**

INAUGURAL LECTURE SERIES

**NO.42
03 JUNE, 2005.**

INAUGURAL LECTURE SERIES No.42

CONTENTS

DEDICATION

1. INTRODUCTION

- 1.1 Preliminary Note
- 1.2 The Unemployment Problem
- 1.3 Definition of Concepts
- 1.4 Objectives of Study

2. LITERATURE REVIEW

- 2.1 The Theoretical Framework
- 2.2 Types of Unemployment
- 2.3 Measuring Employment and Unemployment

3. THE NATURE AND CAUSES OF UNEMPLOYMENT IN NIGERIA

- 3.1 Unemployment Trends in Nigeria
- 3.2 Major Causes of Nigeria's Current Unemployment Problem

4. THE MICRO AND MACRO CONSEQUENCES OF UNEMPLOYMENT ON THE NIGERIAN ECONOMY

- 4.1 The Conceptual Framework
- 4.2 Micro Consequences of Unemployment
- 4.3 Macro Consequences of Unemployment

5. AN EVALUATION OF GOVERNMENT EMPLOYMENT GENERATION POLICIES AND PROGRAMMES

- 5.1 The Role of Government in the Labour Market
- 5.2 Monetary and Fiscal Policies
- 5.3 Agricultural Policy
- 5.4 Industrial Policy
- 5.5 Educational Policy
- 5.6 The National Directorate of Employment (NDE)

6. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary

6.2 Conclusions

6.3 Recommendations

DEDICATION

To the Almighty God for His abundant and saving grace.

1. INTRODUCTION

1.1 PRELIMINARY NOTES

It gives me great pleasure to be called upon today to give one of this year's inaugural lectures of the University of Port Harcourt. I am aware that an address such as this, is meant to mark the installation of a Professor to the chair of the subject he sees himself as an expert.

The opportunity has come to me 5 years after my elevation to the rank of Professor by the authorities of the University of Port Harcourt. I therefore thank the Vice-Chancellor for giving me the opportunity to present my inaugural lecture today.

1.2 THE UNEMPLOYMENT PROBLEM

A high rate of unemployment and underemployment, a large public sector, low wages and poor working conditions characterize the labour market in Nigeria today. But underemployment and unemployment are a permanent feature of the informal labour market as well. To this effect, the full potentials of a labour-surplus economy are not being fully employed.

In the 1960's and 1970's the Nigerian economy provided jobs for the teeming population. The economy also absorbed considerable imported labour in the scientific sectors. The wage rate compared favourably with international standards. There was also relative industrial peace in most industries and some groups. Specifically, following the oil boom of the 1970's, there was rapid migration, especially the youths to the urban areas in search of wage employment. But following the downturn in the economy in the 1980's, the problem of unemployment started to manifest. The introduction of IMF-World Bank Structural Adjustment Programme (SAP) led to rapid depreciation of the naira exchange rate and the inability of most industries to import the raw materials required to support their output levels. A major consequence of the

rapid depreciation of the naira was the sharp rise in the general price level. This development subsequently led to a significant decline in real wages. The low wage in turn resulted in a weakening purchasing power of wage earners and declining aggregate demand. Consequently, industries started to accumulate unintended inventories. As normal economic agents, the manufacturing firms started to reduce their workforce. In the public sector, embargo was placed on employment. More importantly with the simultaneous rapid expansion in the educational sector, new entrants into the labour market increased beyond the absorptive capacity of the economy (Central Bank of Nigeria, 2003). These developments have eventually worsened the unemployment situation in the country.

1.3 DEFINITION OF CONCEPTS

There is no precise definition of unemployment in the economic literature. To the layman, unemployment means a state of joblessness. Unemployment could be defined as the percentage of the labour force that is without job but is able and willing to work. According to Briggs (1973), unemployment is defined as the difference between the amount of labour employed at current wage levels and working conditions and the amount of labour not hired at these levels. However, Gbosi (1997), has defined unemployment as a situation in which people who are willing to work at the prevailing wage rate are unable to find jobs. Here emphasis is placed on willingness. Therefore, anybody who is not actively seeking paid employment should not be counted as part of the unemployed labour force. If we do so, we may be overestimating the official rate of unemployment. Within the Nigerian context, unemployment rate is defined as the percentage of persons among the labour force (15 – 65 years) excluding students and those medically unfit, available for work but did not work (Central Bank of Nigeria, 1993).

Mathematically, unemployment rate is determined by:

$$UR = \frac{UP}{LF} \times \frac{100}{1}$$

Where:

UR = Unemployment rate

UP = Number of unemployed persons; and

LP = Total labour force.

An example is illustrated below. We assume that in 1985, Nigeria's total population was 100 million people. Out of this number, 80 million people were in the labour force but 10 million persons were unemployed. From this example, the unemployment rate is:

$$\frac{10}{80} \times \frac{100}{1} = 12.5 \text{ percent}$$

Therefore, we say that Nigeria's official unemployment rate was 12.5 percent in 1985. No matter how one defines unemployment the underlying philosophy is that those who are expected to work are indeed not working (Gbosi, 2004).

Today, unemployment has been identified as one of Nigeria's major socio-economic problems. In Nigeria, as in many other developing countries, unemployment figures put forward by government officials are downwardly biased. If the official unemployment rate is accepted, the problem of underemployment still persists in many sectors of the Nigerian economy. According to Ojo (1997), underemployment simply refers to underutilized workers whose productive capacity is below the reasonable potential. Specifically, it is a measure of the degree in which people's gainful activities fail to make the maximum use of their productive capacity. Unemployment also refers to less than full employment of the labour force. It also means employment less than full time or inadequate employment in various sectors of an economy. The problem of underemployment is an extension of unemployment.

Unemployment refers to those working zero hours and earn zero income. But underemployment refers to those working few hours but earn less income. No matter how one defines underemployment, the underlying philosophy is that people's maximum capacity is not fully utilized in the process of producing goods and services. In key sectors of the Nigerian economy today, those who are expected to be gainfully employed, are indeed underemployed. Today, graduate-unemployment has taken a new dimension in Nigeria. With scarce jobs, many more seek higher education than the ability of the already saturated labour market to absorb.

Based on selected economic indicators of performance, as shown in Table 1.1 and 1.2, the Nigerian economy is best described as "depressed economy". The word "depressed" in the economic literature is used to describe a period of low economic activity marked especially by rising levels of unemployment. Apart from unemployment, the other features of a depressed economy include largely unskilled labour force, crude technology, low productivity, huge public debt, declining real income, widespread poverty, and balance of payments disequilibrium (Gbosi, 1998).

Chronic simply means something that is marked by long duration or frequent re-occurrence. It also refers to a thing that always persists or is being encountered. Regarding chronic unemployment, it means the type of unemployment that is marked by long duration or frequent re-occurrence in the economy.

1.4 OBJECTIVES OF STUDY

This paper has three objectives. First, it reviews the theoretical and empirical literature relating to Nigeria's current unemployment problem. Second, it analyses the consequences of unemployment. Third, it evaluates the various economic and manpower policies and programmes that have been adopted

by the Nigerian government to tackle the nation's chronic unemployment problem.

In order to accomplish these objectives, the paper is divided into six sections. Section I is basically introductory and forms the main thrust of the work. In Section II, we focus on literature review and theoretical framework. In Section III, we examine the nature and causes of unemployment in Nigeria. Section IV seeks to analyze the micro and macro consequences of chronic unemployment on the Nigerian economy. While Section V reviews government economic and manpower policies, Section VI concludes the analysis.

Table 1.1. Macroeconomic Indicators of Performance, 1970 – 2000

Year	Federal Fiscal overall (₦ Million)	Inflation %	Growth Rate of GDP	Net Foreign Assets (₦ million)	Real Exchange Rate %	Interest Rate %	Real Interest Rate
1970	(460.0)	13.80	46.80	150.0	-	7.00	(6.80)
1971	170.0	15.71	26.33	280.0	-	7.00	(8.74)
1972	(59.0)	28.60	8.45	240.0	-	7.00	(21.60)
1973	166.0	5.71	59.09	410.0	-	7.00	1.29
1974	1,796.0	12.61	60.00	3,560.0	-	7.00	(5.61)
1975	(428.0)	33.60	17.09	3,670.0	-	6.25	(27.35)
1976	(1,091.0)	24.55	24.66	3,400.0	-	6.50	(18.05)
1977	(781.0)	13.45	17.41	2,960.0	-	6.00	(7.45)
1978	(2,822.0)	22.03	7.32	1,420.0	-	6.75	(15.28)
1979	1,461.0	11.46	19.03	3,230.0	-	7.79	(3.67)
1980	(1,975.0)	10.28	18.62	5,610.0	-	8.43	(1.85)
1981	(3,902.0)	20.62	40.29	2,560.0	-	8.92	(41.70)
1982	(6,2104.0)	7.73	2.36	1,060.0	-	9.54	1.81
1983	(3,364.0)	23.26	9.99	810.0	-	9.98	(13.28)
1984	(2,660.0)	39.51	11.32	1,420.0	-	10.24	(29.27)
1985	(3,039.0)	7.46	13.76	1,820.0	-	9.43	1.97
1986	(8,254.0)	5.76	0.97	4,460.0	-	10.50	4.74
1987	(5,889.0)	11.23	49.03	6,870.0	-	13.96	273
1988	(15,134.7)	54.50	33.39	7,970.0	-	16.30	(38.20)
1989	(12,160.9)	50.49	54.78	1,830.0	-	20.44	(30.05)
1990	(22,116.1)	7.35	15.94	41,320.0	-	25.30	17.95
1991	(35,755.3)	13.02	24.31	54,000.00	-	20.04	7.02
1992	(35,625.3)	44.58	69.69	39,390.0	-	24.76	(19.82)
1993	(107,270.0)	57.17	26.79	58,710.0	-	31.65	(25.32)
1994	(70,270.0)	57.04	31.25	55,994.5	-	20.48	(36.56)
1995	1,000.0	72.80	116.16	108,655.8	76.67	20.24	(52.56)
1996	37,049.1	29.30	42.79	148,982.9	81.66	19.70	(9.60)
1997	(5,000.0)	8.50	4.09	221,952.2	82.02	18.40	9.90
1998	(13,338.9)	10.00	(3.48)	209,136.2	84.22	18.30	8.30
1999	(285,104.7)	6.6	2.8	666,271.2	92.65	20.58	13.9
2000	(103,777.3)	6.9	3.8	1,275,016.9	63.8	21.32	14.4

Sources: Various Issues of CBN Annual Reports

1.2 Gross Domestic Product at Current Basic Prices (Naira Billion unless otherwise stated)

Activity Sector						Share in total (%)				
	1999	2000	2001	2002	2003/1	1999	2000	2001	2002	2003/1
1) Agriculture	1,127.69	1,192.91	1,584.30	1,700.45	1,940.60	35.31	26.29	30.60	31.18	27.03
a) Crop Production	948.18	1,000.07	1,328.73	1,411.05	1,628.35	29.69	22.04	25.66	25.87	22.68
b) Livestock	111.11	116.39	153.45	175.64	189.25	3.48	2.56	2.96	3.22	2.64
c) Forestry	17.68	22.44	27.46	29.11	31.15	0.55	0.49	0.53	0.53	0.43
d) Fishing	50.72	54.01	74.66	84.45	91.85	1.59	1.19	1.44	1.55	1.28
2 Industry	1,179.55	2,359.31	1,431.06	2,345.43	3,410.28	36.93	51.99	46.95	43.00	47.50
a) Crude Petroleum	1,024.46	2,186.68	2,223.67	2,089.47	3,111.11	32.07	46.19	42.94	38.31	43.33
b) Mining Quanying	4.14	4.59	6.00	5.77	6.09	0.13	0.10	0.12	0.11	0.00
c) Manufacturing	150.95	168.04	201.39	250.19	293.08	4.73	3.70	3.89	4.59	4.08
3) Building & construction	27.53	30.60	40.75	39.19	44.75	0.86	0.67	0.79	0.72	0.62
4) Wholesale and retail trade	485.67	527.49	624.86	772.72	1,041.21	15.21	11.62	12.4	14.17	14.50
5) Services	373.56	427.33	479.18	596.36	743.30	11.70	9.42	9.25	10.93	10.36
a) Transport	116.49	129.09	145.66	179.36	239.38	3.65	2.84	2.81	3.29	3.33
b) Communication	0.81	1.04	1.41	2.17	.66	0.03	0.02	0.03	0.04	0.04
c) Utilities	2.11	2.20	2.44	4.23	5.15	0.07	0.05	0.05	0.08	0.07
d) Hotel & Restaurant	5.79	6.64	7.26	8.29	9.72	0.18	0.14	0.14	0.15	0.14
e) Finance & insurance	39.39	43.78	54.38	79.45	70.11	1.23	0.96	1.05	1.46	0.98
f) Real Estate and business service	136.41	162.76	176.00	210.51	231.03	4.24	3.70	3.38	3.86	3.91
g) Producer of Govt Service	40.70	35.61	40.89	49.83	51.79	1.27	0.78	0.79	0.91	0.72
h) comm. Social and private service	32.85	47.39	52.15	62.52	81.46	1.03	0.91	1.01	1.15	1.160
TOTAL (GDP)	3,193.99	4,532.64	5,178.15	5,454.75	7,182.14	100.00	100.00	100.00	100.00	100.00
NON-OIL	2,169.53	2,350.96	2,954.48	3,364.68	4,069.03	67.93	51.81	57.06	61.69	56.67
TOTAL GDP GROWTH RATE (%)	16.84	42.07	14.12	5.33	31.65					

1/ Provisional

Source: Federal Office of Statistics (FOS) and National Planning Commission.

2. LITERATURE REVIEW

2.1 THE THEORETICAL FRAMEWORK

The literature is replete with theories, which attempt to explain some basic issues of employment in many nations. For example, in the 1920's and early 1930's economists such as Pigou (1929) and Keynes (1936) formulated a number of models to explain the problem of unemployment. A review of the literature shows that employment has typically been explained mainly in terms of stimulating growth and development. This is usually achieved through the continuous transfer of labour from rural to urban industrial centers. Some of these theories have been found inadequate in explaining the peculiar nature of employment in developing countries. However, a new body of literature has emerged which is based on the two- sector labour transfer models. Five economic models for determining employment are easily identified in the literature. For example, Todaro (1985) identified the first two as the classical and Keynesian models. The third and fourth models have emerged from the more recent neo-classical theory. The fifth group of models focuses on the "two-sector transfer" or rural-urban migration models.

According to the classical theory, an economy will always be at full employment rate. This is because the demand for labour will always equal the supply of labour at the prevailing money wage rate. Therefore, if for any reason, there is an increase in the supply of labour, the money wage would fall. As a result of this, more workers could be employed. Similarly, if there is a shortage of workers, the money wage would rise thereby eliminating the shortage. Thus, in the classical sense, there will be no voluntary unemployment.

The emergence of the Great Depression of the 1930s in the United States of America, characterized by widespread unemployment disproved the classical theory. Keynes (1936) responded by attributing the unemployment in the USA to insufficient aggregate demand in his classic "The General Theory of

Employment, interest and money”. Specifically, Keynes noted that American workers were willing to accept a reduction in money wage in order to secure more jobs. They were prepared to accept an equivalent reduction in the real wage rate which were brought about by an increase in the price level or inflation. But Keynes did not attribute this behavior to irrationality on the part of American workers. Rather, he attributed it to what he termed “money illusion”. On its part, the Keynesian model could not however, explain the unemployment situation in many economies. It then became clear that the major bottleneck to higher output and employment is not sufficient demand. But it was mainly attributed to structural and institutional constraints on the supply side of the economy.

Later Todaro (1985) was able to demonstrate a much more complex interplay of economic variables that try to explain the phenomenon of unemployment. Specifically, he showed that a combination of the shortages of capital, raw materials, intermediate products, skilled and managerial human resources with poorly functioning and insufficiently organized commodity and loan markets, poor transport and communications, shortage of foreign exchange and import dominated communication patterns existed among the rich nations. All these and many other structural and institutional factors were the real cause of unemployment in developing countries. As a result, the simple notion that expanded government and private demand would be effective in tackling the challenge of unemployment in most third world countries remained a mirage, Todaro contended.

The new classical models are based on an explanation of unemployment by resources to price incentives.

Specifically, the theory postulated that Labour and Capital are assumed to be substitutable for one another. This is because there is a wide range of possible production techniques. Each of these production techniques

represents a particular combination of labour and capital schedule to produce a given level of output. Thus, since labour is abundant in Third World countries, Labour intensive techniques would be used in the production processes, thereby creating employment. In this context, unemployment would occur if the labour force grows faster than the stock of capital and if the factor price adjustment failed to increase the demands for labour so that it matched the supply of labour. In the neo-classical view, this type of unemployment would not respond to an increase in aggregate demand unless it was accompanied by a more rapid increase in the capital stock.

The failure, of the classical, Keynesian and neo-classical models to explain the unemployment problem in developing countries has led to the development of the two-sector labour transfer models. For example, Lewis (1964), Renis and Fai (1981), Jorgenson (1987), Todaro (1989) and Hanis and Todaro (1970) have all postulated that labour would tend to move from the rural to the urban sector of an economy. The main thrust of the models is that there exists an unlimited supply of labour in the subsistence wage level in the rural sector but that the urban sector draws on the unlimited supply of labour at a wage rate above the subsistence wage level. The Tadaro model in particular, emphasizes the migration function. This model hypothesizes that the resultant urban income is the present value of expected earnings. That is a national by the individual migrant that allows for the probability of the migrant entering urban employment. The model is useful in trying to explain why policies which are devoted only to rising urban labour demand cannot be relied upon to reduce urban unemployment (Central Bank of Nigeria, 2003).

From the analysis, we have drawn the following conclusions. None of the models is capable of explaining the unemployment problem in developing countries which are complex and very unique. The models that focused on

the determinants of both Labour supply and demand appear to be more relevant application of the Nigerian situation. This is because the model seeks to take purposeful account of the institutional and economic realities of under-development, especially the phenomenon of structural dualism.

2.2 TYPES OF UNEMPLOYMENT

Our primary task in this section is to review the various types of unemployment that exist in both developed and developing economies. Thus, in order to establish the type of unemployment that exists in an economy, economists have classified unemployment as “seasonal”, “cyclical” or “technological”. We discuss each of these types of unemployment below.

Seasonal Unemployment

By seasonal unemployment, we mean the type of unemployment that occurs as a result of seasonal fluctuations. As Elrenburg and Smith (1982) observed, the demand for agricultural workers usually declines after the planting season and remains low until the harvesting season. Similarly, the demand for construction workers usually falls during the rainy season and picks up during the dry season. For example, the author made a trip to Spibat Nigeria Limited, a major French construction company that built the second Port Harcourt Refinery at Alesa Eleme, near Port Harcourt in July 1987. At that time, most of the construction workers were laid off. This is because, it usually rains heavily in the month of July in Nigeria. But when another trip was made to the company in December of the same year, most of the retrenched workers have been called back. Therefore, seasonal unemployment does not pose a serious threat to the economy.

Frictional Unemployment

By frictional unemployment, we mean that type of unemployment, which occurs when workers spend time searching for new jobs. For example, a

worker in Port Harcourt may leave his present job to Lagos with the expectation of getting a higher paid job. Unfortunately, when he got to Lagos, he could not find a job. During this period without a job, he is being classified by labour economists as a frictionally unemployed worker. Several factors are responsible for frictional unemployment. First, there is imperfect flow of information in the labour market. This is because the labour market is not dynamic as the neo-classical economists contended. Second, it usually takes a long time for unemployed workers to get in touch with potential employers who may have available job openings. Even though the size of the labour market is constant, at every point in time, there are new entrants in the labour market. Some of those workers may be searching for employment, while other employed or unemployed individuals will be leaving the labour force. Therefore, one can safely say that the level of frictional unemployment in any country may be determined by the flows of individuals into and out of the labour market and the speed with which these unemployed individuals search for and secure jobs (Gbosi, 1998).

Structural Unemployment

Structural unemployment occurs when there are some structural changes in the economy. Such structural changes may take the form of a decrease in demand for certain skills or a change in technology of a certain industry. Some workers who are structurally unemployed do not have jobs because the industry in which they would have loved to work may be decreasing output. Structural unemployment may result because there are individuals who look for jobs in a location that has no industry that can use their skills or because these individuals possess the wrong skills to offer available employers (Solomon, 1980). Our experience in this country during the past 20 years shows that many teenagers who moved from the rural areas to the urban areas do not possess the requisite skills. One can therefore argue that structural unemployment poses a more serious problem than frictional

unemployment. Whether this is true or not in the case of Nigeria remains to be explored in a later part of the paper.

Today, Structural unemployment is a serious threat to the Nigerian economy. Specifically, because of the nation's rising rate of unemployment, there has been mass exodus of people from the rural areas to the urban centres in search of paid employment. As they do not possess the required skills or related job experience, they become structurally unemployed. A high proportion of these people are usually teenagers. Presumably, most of these teenagers who left the rural areas for the urban centres do not possess the skills, which prospective employers are looking for or it might be they moved to cities that have no industries that can use their skills.

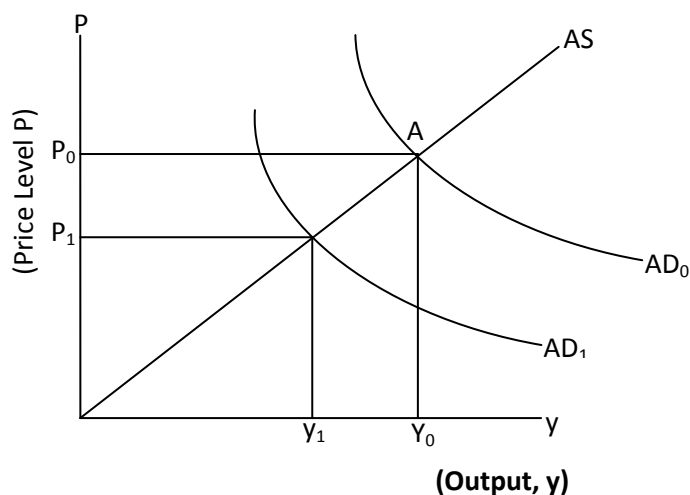
Consequently, they become structurally unemployed. Children of peasant farmers also suffer from structural unemployment. Many of these youngsters are from poor parents. As a result, some do not possess an adequate education which prospective employers may require or do not even have the relevant work experience. A good description of structural unemployment has been summarized by Shiller (1982) in this way.

“Structural unemployment is analogous to a musical chair's game which there are enough chairs for everyone but some of them are too small to sit on”.

Cyclical Unemployment

This type of unemployment occurs when there is an inadequate level of aggregate demand. In every market economy, producers produce in anticipation of demand. For example, it does not make sense for a shoe manufacturer to produce 1,000 pairs of shoes per week when he knows that the demand for his product is not effective. How inadequacy in the level of aggregate demand leads to unemployment is illustrated in figure 2.1.

Figure 2.1: Shift in Aggregate Demand Function.



In the above graph, AD represents aggregate demand while AS is aggregate supply. P is the general Price level, while Y represents a nation's total output of goods and services. Assuming that the economy is at full-employment, that is point A, and eventually a recession occurs as it was the case during the Great Depression, the economy's total demand of goods and services will fall from AD_0 to AD_1 . The general price level will fall from P_0 to P_1 . The movement of output from y_0 to y_1 is what is referred to as demand deficient unemployment. This type of unemployment was what actually worried John Magnard Keynes during his time. Some economists have argued that another name for deficient demand unemployment is when there are lack of job vacancies. Therefore, one can argue that the dramatic increase in the rate of unemployment during the Great Depression was neither due to frictional unemployment nor structural unemployment but rather to insufficient aggregate demand (Gbosi, 1998).

5. Technological Unemployment

This type of unemployment occurs when people are being replaced with machines. The argument is that as soon as a country becomes technologically advanced, there is always the tendency to use more

machines in the production of goods and services. Thus, a worker who operates one machine day after day eventually becomes specialized in a particular job. There is however, a greater risk of unemployment in such a situation. This is because the affected worker may find it difficult to change to something else especially when he is old. Nigeria is not yet technologically advanced. Therefore, technological unemployment does not pose a serious threat to our economy.

2.3 MEASURING EMPLOYMENT AND UNEMPLOYMENT

In Nigeria, a number of statistical series and estimates are used in tracing and analyzing changes in employment and unemployment respectively. The most basic of these are the official Federal Office of Statistics and National Manpower Board Labour Force Sample Survey of the labour force before independence and post-independence periods. These were based on a sample survey, which since 1967 has been conducted by the Federal Office of Statistics. It is not possible to count the number of persons in the labour force at any time without first, establishing definitions of labour force, employment and unemployment. By labour force, we mean, all persons who are 15 years and above who are working and able to work and who are either employed or seeking paid employment. This definition enables us to know that the labour force consists of the employed and the unemployed. For example, let us assume that Nigeria's total population in 1995 was 100 million people and out of this number, 90 million people were in the labour force. But out of the 90 million, only 40 million people were working while the remaining 50 million persons were actively seeking for jobs but unable to find jobs. From this example, to get the total labour force, we have to include those working and those seeking jobs but not employed. Thus we have;

Labour force (LF) = Number of employed persons (E),

Plus number of unemployed person (U) thus, we have the following result;

When we plot in the figures, we have the result below:

$$\begin{aligned} \text{LF} &= \text{E} + \text{U} \\ 90 &= 40 + 50 \end{aligned}$$

In this paper, as in most recent discussion of the topic by professional economists, business analysts and government officials, the terms labour force, employment and unemployment are used in a manner consistent with the Federal Office of Statistics. Employment is defined as, when collectively specified or not collectively specified, the total number of persons 15 years and above who are employed in civilian occupations. As earlier mentioned, unemployment means that people who are willing to work are unable to find work.

There are no perfect data available to estimate the size of the Nigerian labour force. But available estimate sources of information has been limited to the 1963 and 1973 Census of Population and the 1996 – 1997 Labour Force Sample Survey. The latter however, has formed the basis of determining labour force estimates in Nigeria. For example, the survey conducted in 1966-1967 indicated that 60 percent of the Nigerian population was in the labour force. The rate of participation in the labour force for persons in the age group 15 – 55 years and above was 78 percent. But for all persons of the age group 17 – 61 years and above were 67 percent. As Lambo (1987), observed, during the same period, an estimated 63 percent of the male and 17 percent of the female population participated in the Nigerian labour force. According to the (National Manpower Board, 1989), 30.5 million persons were in the labour force in 1977, 32.3 million in 1981 and 36.0 million in 1985. Furthermore, of an estimated population of 86.7 million people in 1990, 40 million people were in the labour force. In 1992, the population was estimated at 91.3 million people. Out of this number 53 million persons were in the labour force.

3. THE NATURE AND CAUSES OF UNEMPLOYMENT IN NIGERIA

3.1 UNEMPLOYMENT TRENDS IN NIGERIA

As earlier mentioned, unemployment rate means the percentage of the labour force that is not working or seeking paid employment. Over the years, the percentage of the Nigerian unemployed labour force has been relatively high when compared with the levels in the 1970's and early 1980's respectively. We now analyze the unemployment trends in Nigeria since 1970.

According to Central Bank of Nigeria (2003), the national unemployment rate rose from 4.3 percent in 1970 to 6.4 percent in 1980. Data in Table 3.1 are used to highlight the point. The high rate of unemployment observed in 1980 was attributed largely to the lull witnessed in the Nigerian economy during the late 1970's. Specifically, the economic downturn led to the implementation of stabilization measures. These measures included restrictions on exports. As a result of the import dependency of most Nigerian manufacturing enterprises, the restriction on imports forced many companies to operate below their installed capacity. This development caused many companies to close down or retrench a significant proportion of their workforce. In addition, government also placed an embargo on employment, with effect from September 1981, simultaneously with massive retrenchment in the public sector. To this effect, the national unemployment rate fluctuated around 6.0 percent until 1987 when it rose to an all time high of 7.0 percent. From that peak, it declined to an all time low of 1.8 percent in 1995. It then rose again to 3.4 percent in 1996 and lowered between 3.4 and 4.7 percent between 1996 and 2000 (see table 3.1). It is important to know that the observed downward trend may be traced partly to the activities in the informal sector. This however, acted like a sponge in mopping up unemployment (CBN, 1998).

Available data also show that unemployment rates vary significantly between rural and urban residents. As can be seen from the table 3.1, the average annual rate of unemployment was higher in the urban centres than the rural areas. Perhaps, this development can best be explained by using the Todaro (1989) model of rural-urban migration. The evidence is strong, therefore, that the influx of rural dwellers into the urban centres in search of better employment

Table 3.1: Unemployment Rates in Nigeria by Urban, Rural and National Classification (1980 – 2001).

Year	Urban	Rural	National
1980	6.9	3.0	6.4
1984	7.9	4.4	6.2
1985	9.8	5.2	6.1
1986	9.1	4.6	5.3
1987	9.8	6.1	7.0
1988	7.8	4.8	5.3
1989	8.1	3.7	4.5
1990	5.9	3.0	3.5
1991	4.9	2.7	3.1
1992	4.6	3.2	3.4
1993	3.8	2.5	2.7
1994	3.2	1.7	2.0
1995	3.9	1.6	1.8
1996	6.1	2.8	3.4
1997	6.1	2.6	3.9
1998	4.9	2.8	3.2
1999	5.5	2.5	3.0
2000	7.2	3.7	4.7
2001**	5.4	3.1	3.6

Sources: Federal Office of Statistics, Central Bank of Nigeria.

Opportunities has continued even when the jobs were not available. Analysis by educational status suggests that the people who have been hit hardest by unemployment have been mostly those with no schooling or those with only primary education. The number of Nigerians described as having “no schooling accounted for 22.6 and 85.4 percent of the unemployment in

1974 and 1976 respectively. The corresponding figures for primary school leavers were 64.3 and 26.5 percent. It is important to know that the incidence of unemployment for both categories of Nigerians declined significantly in the 1980's and 1990's . This was when Nigeria's school enrolment figures rose sharply and the percentage of those acquiring post-primary school education increased dramatically. However, by 1997, unemployment rate has reached a very alarming proportions in Nigeria. A greater number of the unemployed being primary and secondary school leavers and University Graduates. The situation has recently been compounded by the increasing unemployment of professionals such as bankers, engineers and doctors (Vision 2010 Report, p. iii). In recent years, graduate unemployment has taken a new dimension in Nigeria. The data in tables 3.2 and 3.3 are used to analyze the distribution of unemployment in Nigeria by educational levels during the period, 1974 to 1997 and educational enrolment can be seen from the table 3.3. Unemployment rates have been quite high among primary and secondary school leavers. However, those that were mostly hit by Nigeria's rising rate of unemployment were the secondary school leavers. As shown in tables 3.3, in 1970s the unemployed in Nigeria were mostly unskilled people or those with primary education or less. But by the 1980s, the level of unemployment among university and polytechnic graduates and other skilled persons had been very common. This is true because in recent years, many university graduates in Nigeria have taken inferior jobs because of the nation's mass unemployment problem (Gbosi, 2000).

Table 3.2: Educational Enrolment (percent)

Year	Primary	Secondary	Tertiary Institutions
1970	90.4	9.2	0.4
1980	60.8	17.2	1.9
1996	76.5	20.8	2.7
1998	76.9	19.3	3.3

Source: Central Bank of Nigeria.

Table 3.3: Distribution of Unemployment Rate by Educational Levels, 1974-1997 (percent)

Year	No schooling	Primary School	Secondary School	University Polytechnic	All Categories
1974	23.8	53.0	23.0	0.2	100
1978	38.9	41.4	19.3	0.4	100
1983	28.8	22.0	47.2	2.0	100
1987	13.7	20.8	48.5	17.0	100
1992	17.0	23.0	40.0	30.0	100
1997	14.8	20.1	53.0	12.1	100

Source:

- (i) National Manpower Board, Labour Force Sample Survey, Lagos, 1974.
- (ii) National Manpower Board, Labour Force Sample Survey, Lagos 1985.
- (iii) Business Times Various Issues.

Labour Force Sample Survey, FOS Lagos.

Table 3.4: Employment Rates by State in 2000.

States	Composite	Urban	Rural
All states	12.9	5.8	16.0
Abia	7.7	N.A	8.4
Adamawa	11.4	4.2	11.9
Akwa Ibom	18.5	9.2	18.8
Anambra	6.7	4.3	8.2
Bauchi	21.6	16.8	21.9
Bayelsa	6.0	N.A	6.9
Benue	10.8	1.4	11.3
Borno	14.6	4.6	16.6
Cross River	16.6	7.3	18.3
Delta	13.0	23.6	10.2
Ebonyi	33.2	N.A	37.9
Edo	4.6	1.8	5.3
Ekiti	17.4	10.1	22.6
Enugu	14.0	4.7	15.3
Gombe	1.6	26.0	N.A
Imo	15.5	21.1	25.0
Jigawa	6.3	10.1	5.8
Kaduna	7.0	7.1	7.0
Kano	2.4	4.8	2.1
Katsina	25.8	9.5	26.6
Kebbi	36.3	55.0	35.0
Kogi	10.4	N.A	14.4

Lagos	0.9	1.1	N.A
Nassarawa	12.0	1.4	12.6
Niger	8.0	5.7	8.1
Ogun	3.1	7.6	1.3
Ondo	12.9	9.3	15.5
Osun	0.6	1.1	N.A
Oyo	3.2	1.2	3.2
Plateau	10.6	2.9	11.0
Rivers	14.1	2.7	11.0
Sokoto	13.6	10.9	13.8
Taraba	46.8	N.A	49.8
Yobe	15.0	7.5	16.5
Zamfra	40.4	40.0	40.0
FCT	4.3	4.4	9.8

Source: Federal Ministry of Statistics (FOS) N.A. Not Available

The national unemployment rates mask the peculiarities of the constituent states of the Nigerian federation. For instance, the old Bendel (Edo and Delta), Imo, Rivers and Cross River States have generally experienced very high unemployment rates, compared to the low rates experienced in Niger, Katsina, Kwara, and Kano states. But rural unemployment have been common in Borno and Kwara states. Anambra, Lagos, Plateau, Sokoto, Ogun and Oyo states have mostly experienced high urban unemployment rates (Federal Office of Statistics, 1985 and 1990). The data in table 3.4 is cited to highlight the point. In terms of gender distribution, about 19 states (including Abuja) have reported higher female than male unemployment rates. Twelve of the states are located in the northern part of the country.

The incidence of underemployment has been acknowledged in the literature as a serious constraint to economic progress. This constraint has contributed significantly to the widening gap between the reported and actual unemployment figures in Nigeria in 1984. For example, 7.1 and 21.1 percent were recorded for the urban and rural areas respectively. They rose to 11.2 and 28.7 percent respectively in 1992 and 5.8 and 6.0 percent respectively in

2000 (See Table 3.1). In almost all cases, rural underemployment rate was twice the rate of urban unemployment (CBN, 2003).

Data from the Federal Office of Statistics suggest that the composite unemployment rate as at March 2003 was 2.3 percent compared with 3.8 percent at the end of December 2002. The urban and rural unemployment rates were estimated at 2.4 and 2.3 percent respectively compared with 3.3 and 2.7 percent in the preceding year. The reduction in unemployment rates was attributed to the various government efforts aimed at addressing the problem through poverty alleviation programmes. The decline in unemployment rates was also reflected by an increased number of people engaged in informal sector activities. The bulk of such people could be regarded as underemployment. A further analysis of the unemployed by educational level showed that secondary school leavers accounted for 58.8 percent, primary and tertiary 4.7 and 12.4 percent respectively. Those without any form of schooling accounted for 19.3 percent.

According to CBN (2003), Nigeria's unemployment rate declined substantially to only 2.3 percent in 2003. This should be treated with caution because unemployment statistics in Nigeria are not well-documented. Specifically, unemployment statistics provided by government officials in Nigeria are downwardly biased. If the official unemployment rate is accepted, the problem of unemployment still persists in all sectors of the Nigerian economy today. Today, every Nigerian knows that unemployment is one of the country's major socio-economic problems (Gbosi, 1997). The point being made here is that Nigeria's unemployment rate, especially for 2003 is higher than 2.3 percent.

3.2 MAJOR CAUSES OF NIGERIA'S CURRENT UNEMPLOYMENT PROBLEM

The traditional theories of unemployment discussed earlier provided a good framework for our understanding of the causes of unemployment in an economy. As the Nigerian case has demonstrated, these theories cannot best explain the major causes of Nigeria's unemployment problem. In recent years, several factors have been identified to be responsible for the problem. These factors include bad educational planning, bad economic policies, global economic crisis, predominance of small-scale enterprises, imperfect flow of market information, rapid population growth, financial sector distress, and unstable political environment. We analyze each of them in the discussion that follows:

Bad Educational Planning:

It is a widely held view that the high rate of unemployment among our graduates is traceable to our educational system. The architects of this view believe that our educational system does not equip our graduates with adequate skills and tools necessary for them to meet societal needs. They also contended that our educational system is faulty because it does not prepare the graduates for self-employment (Obi, 1980). In the view of Eze (1983), the nature of unemployment in Nigeria is not only traceable to the Keynesian prescription or instability of effective demand. Rather, it is mainly due to the lack of what he called fundamental disequilibrium. This is because the problem comes from lack of proper skill expansion in our educational institutions, faulty curricular and orientation. The government is also blamed for the wrong orientation of students and poor salary structure in the public sector that has no special incentives for those who possess such skills.

It has also been observed that the current proliferation of higher educational institutions and those seeking higher education for white-collar jobs is the

main factor responsible for the problem. This is closely related to the problem of mismatch between educational and economic planning. Consequently, the rate of graduates turn out rises faster than the expansion of job opportunities. In the view of Gbosi (1999), our educational system is liberal arts-biased. Every year, our higher educational institutions turn out thousands of liberal arts graduates who are not in higher demand in the labour market. There are no accurate statistics on the number of people who graduated from our higher educational institutions each year. The number is as high as 200,000. This figure, however, does not include those from primary and secondary schools. If the latter were included, the number would have been as high as 500,000. We thus have an influx of graduates into the already saturated labour market. Most of these school leavers apparently could not find jobs. Consequently, they joined the array reserves of the unemployed. This is the situation Nigeria finds herself today.

Bad Economic Planning

Another factor identified to be responsible for Nigeria's current problem is bad economic planning. When General Babangida took over the administration of the country in August 1985, the nation was facing a serious economic and financial crisis. In order to remedy the situation, several economic and manpower policies were adopted having major implications for labour-management relations. One of such policies was the introduction of the Structural Adjustment Programme (SAP) in July 1986. The major objective of the programme was to restructure and diversify the productive base of the economy. The major instruments of the SAP included trade liberalization, tariffs reforms, devaluation of the naira and commercialization and privatization of public enterprises. Under SAP, many industrial establishments ceased operation because of shortage of essential raw materials, spare parts and other factors of production. Specifically, because of SAP, many manufacturers were not able to import certain raw materials and spare parts

from overseas. This was so because SAP raised the prices of imported raw materials substantially thereby making it impossible for manufacturers to produce at full capacity utilization. The situation, however, was very serious for the marginal firms which have no other option but to cut down their workforce and some have even folded up. The SAP also succeeded in increasing the frequency of retrenchment in both the public and private sectors of the Nigerian economy. The situation, however, is more serious in the public sector (the largest single employer of labour) with the on-privatization and commercialization of public enterprises (Fashoyin, 1987). The data in Table 3.3, shows that the rising levels of graduate unemployment in Nigeria under SAP actually exceeded their pre- SAP levels. Presumably, the problem is from the implementation of the various SAP policies and not the programme itself. This is because other developing countries which have embarked on major economic reform policies are not in as bad a shape as Nigeria is today. For example, interest and exchange rates in Nigeria have been rising substantially, (See Table 3.5). This will lead to unemployment.

Table 3.5: Levels of Interest Rates Between 1970 and 2002

Year	Interest Rate (Prime %)	Exchange Rate N/US\$(+)
1970	7.00	0.7143
1971	7.00	0.6579
1972	7.00	0.657
1973	7.00	0.657
1974	7.00	0.6162
1975	6.00	0.6267
1976	6.00	0.6308
1977	6.00	0.6514
1978	7.00	0.6475
1979	7.50	0.5605
1980	7.50	0.5445
1981	7.75	0.6369
1982	10.25	0.6702
1983	10.00	0.7486
1984	12.50	0.8083
1985	9.25	0.9996

1986	10.50	3.3166
1987	17.50	4.1916
1988	16.50	5.3530
1989	26.80	7.6500
1990	25.5	9.0001
1991	20.1	9.7545
1992	29.80	19.6609
1993	36.09	22.6309
1994	20.19	22.6309
1995	20.20	81.2
1996	19.10	81.2
1997	18.40	82.0
1998	18.30	83.8
1999	28.60	101.81
2000	25.80	121.43
2001	31.20	134.41
2002	30.00	134.05

Source: Federal office of statistics: (FOS) & Central Bank of Nigeria (CBN)

Note: The official exchange rate between 1995 and 1999 was N21.8861 to US.\$.

Global Economic Crisis

Nigeria's current unemployment problem is also traceable to global economic crisis. The global economic crisis which began in the 1980's actually worsened the unemployment situation in Nigeria. As a result of glut in the international oil market, the price of crude oil per barrel dropped from U.S. \$40 in 1980 to U.S. \$15 in 1986. In the 1990's, the situation did not show any remarkable improvement. As a result of the sharp drop in revenue from oil, the government was not able to execute most of its employment generation programmes. Specifically, the government reduced its expenditures and also placed embargo on further employment in the public sector. During the period, there were also frequent retrenchments and compulsory retirement in the public sector to further ease government financial burden. These developments eventually led to a decline in

employment and an increase in Nigeria's unemployment rate. It is important to know that the rising levels of unemployment observed in the Nigerian economy in the 1980's and 1990's occurred as a result of global economic crisis.

The global economic crisis experienced in the 1980's and 1990's has, since extended to this millennium. For example a major event that occurred in the world economy was the terrorist attack on the World Trade Centre in New York and the Pentagon, the United States Defence Department on September 11, 2001. Apart from the loss of thousands of lives, property worth billions of dollars were destroyed as a result of this ungodly act. This unpleasant development left a permanent impact on the world economy and Nigeria in particular. International economic transactions have been adversely affected since the incident occurred. Specifically, Nigeria suffered greatly because the act adversely affected the inflow of foreign resources into Nigeria thereby worsening the nation's unemployment. This is because many foreign investors were reluctant to come to Nigeria during that period. The general outlook of the world economy for the period 1996 -2001 is shown in tables 3.7 and 3.8.

Table 3.7 World Output Growth 1996-2001 (Annual Percentage Change)

Region and Sub-Region	1996	1997	1998	1999	2000	2001
World	4.1	4.1	2.6	3.4	4.7	2.4
Advanced Economics	3.2	3.5	2.4	3.2	4.2	1.1
United States	3.6	4.4	4.4	4.2	5.0	1.0
European Union	1.6	2.6	2.9	2.6	3.4	1.7
Japan	3.3	1.9	1.1	0.8	1.7	1.5
Other Advanced Countries	4.1	4.6	1.1	5.6	5.9	4.0
Developing Countries	6.5	5.8	3.5	53.8	5.6	3.5
Africa	5.3	3.2	3.2	2.7	3.2	8.6
Asia	8.3	6.5	4.1	5.9	6.7	1.8
Middle East, Malta, + Turkey	4.8	5.4	3.6	0.8	6.7	1.0
Western Hemisphere	3.6	5.4	2.2	0.3	4.3	4.9
Countries in Transition	-0.5	1.6	-0.8	2.4	4.9	3.0

Central and Eastern European	4.0	2.5	2.1	1.8	3.8	5.0
Russian	-3.4	0.9	-4.9	3.2	7.5	6.8
Tran Caucas & Central Asia	-3.1	1.4	1.6	2.7	6.3	2.5
Output per Capital						
Advanced Economics	2.3	2.8	2.1	2.8	3.6	0.5
Developing Countries	4.6	4.4	3.7	3.2	3.9	2.5
-Africa	5.7	2.9	3.3	2.3	3.0	-
-Sub-Sahara	5.2	3.5	2.6	2.2	3.1	-
-Countries in Transition	-02	2.0	-0.7	2.6	6.0	-

**Source: World Economic Outlook International Monetary Fund (IMF)
Spring, 2001 Washington, DC.**

Table 3.8 Inflation (Percent).

Region & Sub-Region	1996	1997	1998	1999	2000	2001
GDP Deflator						
Advanced Economics	1.9	1.7	1.4	0.9	1.3	1.7
United State	1.9	1.9	1.3	1.5	2.0	2.5
European Union	2.5	1.9	1.3	1.5	1.5	2.2
Japan	-0.6	0.3	-0.1	-01.4	-1.7	1.5
Consumers prices						
Advanced Economics	2.4	2.1	1.5	1.4	2.3	2.3
United State	2.9	2.3	1.5	2.2	3.4	2.9
European Union	2.5	1.8	1.5	1.4	2.3	0.7
Japan						
Other Advanced Economics	3.2	2.4	2.6	1.0	2.2	2.0
Developing Countries	15.3	9.7	10.1	6.6	6.2	6.0
Regional Groups						
Africa	27.0	14.1	11.2	12.0	12.7	12.8
Asia	8.3	4.7	7.5	2.4	2.4	10.8
Middle East & Asia	29.6	27.7	27.6	23.2	20.7	19.1
Western Hemisphere	21.2	12.9	9.8	8.8	8.1	6.3
Countries in Transition	42.4	27.4	21.8	43.9	20.1	16.0
Central & Eastern European	23.3	41.8	17.1	10.9	12.8	9.3
Russia	47.6	14.7	27.7	85.7	20.8	21.0
Transcaucasus and Central	75.5	29.6	19.3	41.8	34.6	18.4

Sources: *World Economic Outlook International Monetary Fund (IMF)
Spring 2001. Washington DC.
World Economic Outlook International Monetary Fund (IMF)
Spring 2001. Washington DC.*

Predominance of Small-Scale Enterprises

The Nigerian industrial sector is predominantly dominated by small-scale enterprises. In recent years, most of these enterprises have been operating at a marginal level. To this effect, any increase in costs of production usually force these enterprises out of business. A case in point is what happened to Nigeria's Flour Mill Industry when an embargo was placed on the importation of wheat, its major raw material. The industry had to depend largely on local raw materials which of course were scarce and relatively expensive. Those enterprises that could not relate the increase in costs to their productive capacity had no other option than to reduce their work-force or fold up as they did in most cases. This subsequently led to a fall in employment, and the nation's unemployment problem worsened again.

Imperfect Flow of Labour Market Information

Generally, a market is a place where exchange takes place, where demand and supply work themselves out. In every market, there are always buyers and sellers. The labour market is no exception. The labour market is not perfectly competitive, as neo-classical economists contended. There are imperfections in the labour market, which eventually create the natural rate of unemployment. But natural rate of unemployment, we mean that rate which occurs because of imperfections and frictions in the labour market.

Labour market information is almost non-existent in Nigeria. If it does, it is usually unreliable and mis-leading. This therefore has hindered the mobility of labour from one geographical region to another. For example, there may be job openings in Lagos and job seekers in the remote rural areas will not know about them. This is one reason why most rural dwellers have remained unemployed in Nigeria today.

6 Rapid Population Growth

Another major factor responsible for Nigeria's current unemployment is rapid population growth. In recent years in Nigeria, the per capita economic growth is zero. The growth of the economy cannot catch up with rapid population growth. The total population of Nigeria was estimated at 88.7 million in 1985. Out of this figure, 57.7 percent constituted the labour force. Within the Nigerian context, the labour force is defined as all persons who are 15 years and above who are actively working or seeking paid employment. In 1990, Nigeria's population was estimated at 88.7 million and 102.5 million in 1997. Today, Nigeria's population is about 120 million people. The major consequence of the galloping population growth and rapid urbanization is mounting unemployment especially in the urban centres in the face of rural migration. The swelling of the population in the cities led to high level of unemployment in Nigeria (Gbosi, 2004).

7 Financial Sector Distress

Financial sector distress can be defined as a situation in which a country's financial system is unable to mobilize resources for rapid economic growth and development. It can also be regarded as a situation where the banks and finance industry as a whole have negative capital and current profits are insufficient to cover losses to such an extent that the financial services industry is incapable of generating internally positive capital. Financial distress is not a new phenomenon in Nigeria. In recent years, however, the high incidence of distress in Nigerian banks has warranted considerable attention.

As Gbosi (2000) observed, during the period, 1987-1992, the banking and finance industry offered gainful employment to many Nigerian graduates. But today, the story is different because of the high incidence of distress that has characterized the Nigerian banking industry. Those distressed banks that cannot stand the test of time have no other option than to cut down on their

work force. In fact, some of the distressed banks and finance houses have finally closed down and their employees have been shown the way out. The employees of the distressed banks eventually joined the army reserves of the unemployed. A case in point is what happened to employees of African Continental Bank (ACB), Commerce Bank, Crystal Bank, Pan African Bank, Mercantile Bank and most recently Savannah Bank. The point being made here is that the high incidence of distress in the Nigerian banking and finance industry has further worsened the unemployment situation in the country. As can be seen from table 3.3, the unemployment situation in Nigeria started to worsen again from 1992 to 1994. These were the years when the Nigerian banking and finance industry was characterized by a high incidence of distress. This is true because distress in Nigerian banks reached the peak in 1994 (Gbosi, 1995)

8 Unstable Political Environment

It is important to know that we cannot separate politics from economics. A stable political environment usually enhances macroeconomic stability. Today, however, many developing countries are characterized by military coups, inter-tribal warfare, border disputes and complete breakdown of law and order. The latter has been very frequent in Nigeria in recent years. The youth restiveness in some communities in the Niger Delta today deserves a special mention. It has been observed that political stability usually attracts foreign investment. Actually, the inflow of foreign resources has facilitated the expansion of Nigeria's industrial activity thereby making the sector to contribute significantly to the Gross Domestic Product (GDP). This is because foreign investment brings about foreign exchange. As a result, it leads to creation of new employment opportunities, thereby developing new skills. From the standpoint of national economic benefit, the core of the case for encouraging inflow of capital is the increase in real income arising from the investment, which is greater than the resultant income of the investor

(Meier, 1988). As the Nigerian case has demonstrated, the country has been relatively politically unstable as a result of large-scale bribery scandal against our lawmakers. As a result, many countries fear coming to do business in Nigeria. Specifically, no foreign government will allow its citizens to go and do business in a country that is politically unstable. To this effect, all the benefits associated with foreign investment will be drastically reduced especially that of creating new employment opportunities.

From the analysis, we have shown that Nigeria's current unemployment problem is caused by a combination of economic, social and political factors. In fact, Bajoma (1996) has classified the causes of unemployment in Nigeria into three major categories. They are economic causes of unemployment, social causes of unemployment and political causes of unemployment. Under the economic causes of unemployment in Nigeria, he included factors such as the legacy of colonial rule, the oil boom era (1974 – 1981), and consumption pattern. Social causes of unemployment include factors such as rural – urban migration, demographic factors and educational factors. Finally, the political causes of unemployment include political instability, ethnicity problem, emigrants from neighbouring countries and the political economy of unemployment.

4. THE MICRO AND MACRO CONSEQUENCES OF UNEMPLOYMENT ON THE NIGERIAN ECONOMY

4.1 THE CONCEPTUAL FRAMEWORK

It is important to know that the word “labour” does not refer to any other factor of production but to people. Unemployment means that an economy is not utilizing its human resources efficiently. This has been the state of affairs in Nigeria over the past 20 years. In the preceding section of the paper, we analysed the various causes of unemployment in the Nigerian economy. At this stage of our analysis, we shall focus mainly on the consequences of unemployment in the Nigerian economy. In order to have a better understanding of the adverse effects of unemployment, we classify these consequences into two categories. Thus, we have the micro and macro consequences. From the Greek word “micro” means smaller while “macro” means larger. Therefore, in our analysis of the consequences of unemployment, we shall examine the impact on the individual and the national economy.

4.2 MICRO CONSEQUENCES OF UNEMPLOYMENT

As earlier mentioned, unemployment means that some people are without jobs. To the individuals concerned, the impact of unemployment is the loss of income associated with not working. If the head of a family is unemployed for a long period, this will cause financial hardship for the whole family. This is a serious problem in a developing economy like Nigeria where the “unemployment compensation schemes” practiced in the advanced countries have not yet been introduced. Furthermore, the psychological effects of unemployment on the unemployed is a serious one. Specifically, the unemployed individual sees himself as a nuisance to society. This is true in a country like Nigeria where one’s status is often associated with the job one holds.

More importantly, in recent years, most unemployed teenagers have become violent and have rebelled not only against their parents but also the government. Some have also engaged themselves in illegal services such as hard drugs, prostitution, alcoholism, gambling and other social vices. This is the plight of Nigerian youths today. Mass unemployment is partly responsible for all these social vices.

4.3 MACRO CONSEQUENCES OF UNEMPLOYMENT

In this section, an attempt is made to analyse the macro consequences of unemployment on Nigeria's economic growth and development. One of the adverse consequences of unemployment is that it usually brings about a decline in a nation's total output of goods and services. In fact, Bajoma (1996), also shares the view that unemployment reduces the Gross National Product (GNP) of a nation and of course contributed to the low living standard of the people.

Whenever, those who are expected to work in an economy are gainfully employed, the economy will end up producing enough goods and services for its citizens. To put it another way, the economy will be operating in a higher production possibility curve. A production possibility curve is a curve that shows the maximum output an economy could produce in a given period using its available resources. If an economy is not using its labour resources efficiently, it will end up producing on a lower production possibility curve.

In recent years, Nigeria has been operating on a lower production possibility curve, as shown in figure 4.1. Rising levels of unemployment might have been responsible for this unpleasant development. If our labour resources are efficiently utilized, we shall be producing enough consumption and investment goods on a higher production possibility curve, such as point A on the graph. In recent years, however, rising levels of unemployment have

forced the Nigerian economy to produce on a lower production possibility curve.

This is point B in figure 4.1.

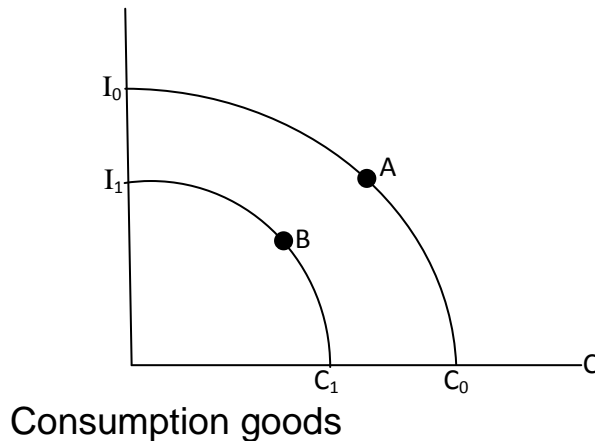


Figure 4.1 Production Possibility Curve.

This has further led to capacity under-utilization in all sectors of the Nigerian economy. The overall result is that the economy will be characterized by sluggish economic growth (Gbosi, 2004). Nigeria's capacity utilization and growth rates, for the period, 1980 – 2000 are shown in Table 4.1.

Another macro consequence of unemployment is that it may transfer financial resources from the domestic economy to the rest of the world. The point being made here is that whenever a nation's labour resources are not fully utilized, as has been the case in Nigeria in recent years, fewer amount of goods and services will be available to the citizens. Consequently, the average price level will rise substantially. This is what is called inflation. Nigeria's inflation rate for the period 1970 – 2000 is shown in Table 1.1. As can be seen from the Table 1.1, Nigeria's inflation rate was only 13.8 percent in 1970. However, by the end of 1995, it has risen to an unprecedented high of 72.8 percent. In recent years, Nigeria's inflation rate has been rising although not steadily. Inflation is also one of Nigeria's macroeconomic problems today. Apart from rapid growth in money supply restriction in

aggregate demand and unrealistic wage increase, unemployment is another cause of inflation in Nigeria in recent years, Gbosi (1999). As a result of this development, prices of domestic goods will be higher relative to foreign goods. In order to consume those goods and services that the domestic economy cannot produce in large quantities, its citizens will have no other option but to buy from other countries. This will have the effect of worsening the country's balance of payments position. This is because the value of the country's imports will exceed her exports.

The national income identity below is used to explain this phenomenon.

$$\text{GNP} = C + I + G + (E - M).$$

In the equation below:

GNP = Gross National Product

C = Consumption

I = Investment

G = Government Expenditure

E = Exports; and

M = Imports.

As can be seen from the equation, M takes on a negative sign indicating that it is a source of capital outflow. As earlier mentioned, unemployment is bad because it leads to a fall in the standard of living. As more people are not working, there will be a decline in national income.

Finally, another macro consequence of unemployment is that it usually leads to an increase in crime rate in an economy. Several studies have been carried out by economists and sociologists regarding the relationship between unemployment and crime rate. Their findings show that there is a direct relationship between crime rate and unemployment. For example, in an empirical work, Gbosi (1999), has shown that about 36 percent of the variation in crime rate in Nigeria was explained by unemployment, during the

period, 1974 – 1994. If accurate statistics on crime rate and unemployment are available, the correlation will provide a strong evidence that rising rate of unemployment will lead to an increase in crime rate in Nigeria.

Table 4.1: Capacity Utilization and Growth rates, 1980 – 2000

Year	Capacity Utilization Rate	Growth Rate
1980	36.10	8.2%
1981	35.60	4.4
1982	29.64	4.3
1983	33.30	2.3
1984	34.42	1.0
1985	34.60	2.2
1986	34.70	3.4
1987	32.40	3.1
1988	33.30	2.4
1989	33.60	2.8
2000	32.70	3.0

Sources: (1) Central Bank of Nigeria.

(2) Federal Office of Statistics.

5. AN EVALUATION OF GOVERNMENT EMPLOYMENT GENERATION POLICIES AND PROGRAMMES

5.1 THE ROLE OF GOVERNMENT IN THE LABOUR MARKET

In Nigeria, as in other countries, the government plays a major role in the labour market. For example, Federal and State government's manpower programmes aim at increasing the skills and employment opportunities of individuals discouraged by retrenchment or lack of educational preparation. The Rivers State Skills Acquisition Scheme and the National Open Apprenticeship Scheme of the National Directorate of Employment generation programmes in Nigeria. Others include Labour-Management relations, educational programmes and monetary and fiscal policies. In this paper however, we shall specifically focus on Nigeria's contemporary economic and manpower programmes aimed at enhancing employment opportunities.

The major role of a sound human resources development programme is to provide guidelines for public and private policy that will help to develop the efficient utilization of the labour force (Levitan, Magnum and Marshall, 1975). Generally, the goals of manpower programmes fall into three categories. First, the programmes seek to help match the supply and the demand for labour and also to increase the efficiency of the labour market mechanism. Second, they aim at helping workers who suffer particular disadvantage in competing for available jobs. Finally, they are designed to provide every worker, the vocational preparation for the occupation of his choice and at the same time to ensure the actual labour requirements that will be met. However, because of limited public and private manpower resources, only marginal progress can be expected in the realization of these goals. Nevertheless, a strong case has always been made for effective manpower programmes. Manpower policies aim at minimizing labour market imperfections. Specifically, through improved labour market such as better

reporting of job vacancies and counseling, the duration of unemployment may be significantly reduced. In addition, through special rehabilitation and training programmes for disadvantaged workers coupled with increased effort to break discrimination and restructuring of jobs for those with few skills, workers with deep-seated and long lasting unemployment can become more productive and self-efficient. More importantly, with increased education and training for workers with better vocational guidance and with good preparation of occupational demands, workers can increasingly be placed in occupations of their choice in which their skills will be used productively in the economy. Measures that can be adopted to increase productivity, reward, satisfaction and availability of employment are potentially far-reaching. Such improvements would affect all those who are in, can be drawn into, or will eventually enter the labour force, especially those who would encounter the most problems in their work lives. As a result of this potential impact, manpower programmes must be recognized as an increasingly important economic factor. Above all, to be fully effective, manpower efforts must be put to work in concert with other government economic policies. To this effect, the relationship between manpower policy and other economic policies of the government should be fully articulated in order to achieve the desired objectives of the policy-makers.

5.2 MONETARY AND FISCAL POLICIE

The primary objective of government economic policy is to regulate aggregate demand for goods and services. This will in turn affect the level of total output. Generally, monetary and fiscal policies are the most popular tools used to achieve this goal. Specifically, by changing the quantity of money in circulation, the government can stimulate or cool down business and consumer spending. As more money is injected into the economy, consumption will increase, profits will rise, interest rates will fall and private investment will be stimulated. On the contrary, if the quantity of money is

reduced, money incomes will rise less quickly so that consumer pays less and funds for investment are difficult to acquire thereby decreasing aggregate investment.

In addition, by changing its taxation and spending (fiscal policy), the government can change the amount of cash in the hands of consumers and adjust its own demand for goods and services. But tax increase and reduced government spending will lead to a decline in aggregate demand. On the other hand, tax cuts and increased government spending will stimulate aggregate demand. One of the major reasons for regulating aggregate demand is to balance production of goods and services with consumption. The intended purpose is to guarantee an economic climate in which the labour needed to produce goods and services will be fully employed in various sectors of the economy. Monetary and fiscal policies can also be used to alter the level of employment by affecting the demand for final factors, which in turn change the demand for labour in the economy. Over the years, Nigeria's monetary and fiscal policies have been designed to solve the problems of rising levels of unemployment, inflationary pressures, sluggish economic growth and external sector instability. This will have the effect of stabilizing the labour market and the macroeconomic environment in general.

Since 1989, the Federal Government has established several rural banking programmes that will cater for grass root economic operators. The data in Table 5.1 is used to highlight the point. And in recent years, several other monetary and fiscal policy measures have been adopted to stabilize the labour market.

Table 5.1: Rural Banking Programme of Government

Programme	Year Established	Target Group	Nature of Intervention
Peoples Bank of Nigeria (PBN)	1989	Underprivileged in rural and urban area	Encouraging saving and credit facilities
Community Banks (CB)	1990	Rural residents, micro enterprises in rural and urban areas	Banking facilities

Source: CBN Publications

One of the objectives of monetary policy is to promote external sector stability. The macroeconomic environment which guided monetary policy in the pre-SAP era could be referred to as the period of boom and bust. Specifically, the period was characterized by the growing influence of the oil sector, the prevailing role of the public sector in the economy and over-dependence on the external sector. Therefore, the objectives of monetary policy were the maintenance of relative price stability and a healthy balance of payments position. Prior to the deregulation of the financial sector in 1987, monetary policy in Nigeria depended mainly on the direct monetary instruments such as credit ceilings, selective controls, and administered interest and exchange rates. As earlier mentioned, Nigeria embarked on economic deregulation with the inception of SAP in 1986. Under SAP, the objectives of monetary policy were the stimulation of output and employment and the promotion of domestic and external stability. Under SAP, monetary policy has a structural component involving movements towards a market-based financial system designed to facilitate the mobilization of financial savings and to encourage more efficient allocation of financial resources. However, since 1998, the focus of monetary policy has been the maintenance of price stability and at the same time accommodate government efforts to stimulate output (Gbosi, 2001).

When the third National Development Plan (1980 – 1985) was designed, government revenue was at its peak in Nigeria. During the period, there was considerable improvement in both domestic revenue and foreign exchange earnings. This subsequently led to rapid growth in aggregate income and expenditure. Consequently, fiscal policies were geared towards combating inflationary pressures. Since the inception of the IMF-World Bank Structural Adjustment Programme (SAP) in 1986 however, fiscal policy was to combine reliance with other policy measures, which aimed at improving efficiency. In order to improve fiscal balance target, certain general principles were designed to enhance effectiveness of public spending. These measures included restraint in growth of the Federal wage Bill, an increase in residual supplies to ensure adequate maintenance of infrastructures and mobilization of resources to economic and quasi-economic parastatals (CBN 1993). As Gbosi (1996) observed, the various policy measures adopted during the period 1986 – 1993 apparently did not achieve their objectives. For example, by the end of 1994, Nigeria's inflation rate has jumped to an unprecedented height of 74.5 percent. To this effect, the government announced in the 1995 budget that fiscal policy would complement the objectives of monetary growth of the real sector. Since 1996, the primary objectives of fiscal policy have been to maintain an optimal balance between government revenue and tax expenditures.

AGRICULTURAL POLICY

Agriculture is often regarded as the chief employer of labour in Nigeria. Like in other developing countries, the agricultural sector has been and is still the major employer of labour in Nigeria. In the 1970's about 75 percent of the civilian labour force was employed in the agricultural sector. But today, the agricultural sector has lost its past glory in terms of its contributions to the GDP, foreign exchange earnings and employment respectively. For example, in 1980 only 60 percent of the labour force was employed in

agriculture. Thus in order to boost agricultural activities, several policy measures were adopted by the government. In order to facilitate its access to credit, commercial and merchant banks were directed to lend to the agricultural sector not less than 8 percent of their total credit in 1980. Furthermore, in order to enhance the banking system's lending, a total of ₦100 million Agricultural Credit Guarantee Scheme Fund was established by the Central Bank of Nigeria (CBN) for agricultural purposes only. Also, additional financial resources were made available to farmers through specialized financial institutions such as the Nigerian Agricultural and Co-operative Bank and the People's Bank of Nigeria. In recent years, several rural banking programmes have been established by the CBN to bring lending facilities to the rural dwellers. Specifically, commercial banks have been directed to open branches in specialized locations in rural areas. These programmes were designed to promote rural transformation (CBN 1998).

5.4 INDUSTRIAL

Immediately after the Nigerian Civil War in 1970, one of the primary industrial policies of the government was employment creation. The purpose, however, was not only to produce locally import substitutes or a gradual transfer of technology to Nigeria but there was also the need to create more employment opportunities for the rapidly growing population. An important ingredient that is needed to facilitate industrialization is foreign investment. Thus, using this as a means of enhancing industrial production and raising the level of employment, several fiscal measures were adopted to attract foreign investment. These measures included conferring tax holidays of 3-4 years on any company granted pioneer status depending on the size of its capital expenditures, and manufacturers of import communities that were committed to re-investment of the whole amount paid on imports used in the manufacture of goods exported.

Above all, since 1989, monetary policy has emphasized that a major part of the tool through which government planned to enhance employment, would be the promotion of small-scale enterprises. Over the years, the government had put in place a number of policy measures which aimed at generating employment. These measures included the establishment of the National Directorate of Employment (NDE) nationalizing private sector contribution to employment through creation of such organs as the National Farmers' Credit Programme, Industrial Development Centre (IDCs) and the annulment of Nigerian Enterprises Promotion Decree, Nigerian Industrial Development Bank (NIDB). Nigerian Bank for Commerce and Industry (NBCI), Industrial Training Fund (ITF) and Raw Materials' Research Centre and Development Council (RMRCRDC) just to mention a few (Damachi, 2001).

5.5 EDUCATIONAL POLICY

Over the years, the educational structure of the Nigerian labour force has improved significantly. For instance, the National Policy on Education of 1977 specifically made provisions for the expansion in educational facilities. The intention was to meet the country's manpower needs.

However, Nigeria took another bold step in restructuring its educational system with the adoption of the IMF World Bank Structural Adjustment Programme in 1986. Specifically, the educational system was changed from 6-5-4 to 6-3-3-4 system. Under the 6-3-3-4 system, students are taught carpentry, introductory technology and crafts. The 6-3-3-4 educational system places more emphasis on vocational education as opposed to the 6-5-4 system which only succeeded in promoting white-collar job seekers. It is assumed that the new educational system will promote the labour market goals of the system.

Since the adoption of the 6-3-3-4 system, thousands of youths have learnt vocational skills and have found self-employment. Many of them have

publicly testified of becoming employers themselves (CBN, 1993). Despite the laudable objectives of the new educational policy, graduate unemployment still remains a major socio-economic problem in Nigeria today.

5.6 THE NATIONAL DIRECTORATE OF EMPLOYMENT (NDE)

As earlier mentioned, since 1981, unemployment had become one of Nigeria's major socio-economic problems. Thus, on March 26, 1986, the Babangida Administration set up a committee known as Strategies for Dealing with Unemployment under the auspices of the Federal Ministry of Employment, Labour and Productivity. The Committee's terms or reference included the following:

- (i) strategies for dealing with mass unemployment especially those of school leavers.
- (ii) a thorough examination of the existing agencies and programmes of the Ministry of Labour.
- (iii) to recommend programmes of action which can be put into immediate effect for reducing high level of unemployment; and
- (iv) to recommend long-term measures aimed at removing the root cause of unemployment and to establish appropriate institutional framework for analyzing and dealing with unemployment as they arise.

In October of the same year, the government released the sum of N25 million for the implementation of the Committee's recommendations. Therefore, the National Directorate of Employment (NDE) was established by the federal government and charged with the task of finding lasting solutions to Nigeria's unemployment problem especially that of youth unemployment. Initially, the main programmes of the NDE were the National Youth Employment Programme, Small-Scale Industrialist and Graduate Employment Programme, Special Works Programmes and Agricultural Programme.

Vocational Skill Development Programme, primarily aims at providing unemployed school leavers with skills in special trades which are in demand in Nigeria. These trades include motor vehicle mechanic, brick-layer, welding, painting, shoe-repairing and hair-dressing. These skills were to be acquired through apprenticeship in Industries, Workshops, Vocational Centres and laboratories. The Small-Scale Industries and Graduate Employment Programme intends to assist both graduates and non-graduates establish small-scale industries in their respective areas of competence. Some of the small-scale industries to be established by the participants in the programme include grain milling, rice-milling, starch extraction, vegetable oil processing or pottery making. It is important to know that the NDE promotes graduates employment through a range of training schemes. The objectives of these schemes were to explore self-employment and self-reliance as alternatives to limited opportunities for paid employment. Specifically, the NDE's role in employment generation is to promote long-term structural change in employment expectation and job practices for Nigerian graduates. In recent years, a range of strategies and incentives have been developed to promote graduate self-employment (Damachi, 2001). The Special Works Programme aims at creating immediate employment opportunities in both State and Federal Establishments for unemployed school leavers. Finally, the Agricultural Programmes' main task is to encourage unemployed agricultural graduates and other persons who have interest in agriculture to take farming as a career of promoting self-employment. To enable the NDE achieve its intended objectives, arrangements were made by the financial institutions to grant loans to those who are interested in self-employment. In addition to loans obtained from banks, a ₦35 million job creation Guarantee Loan Fund was established by the NDE. This was to make the granting of loans by banks easier. To analyze the impact of the NDE on employment, we first compare the NDE's projected intake under its various programmes and the number of actual placements in each of the programmes. Secondly,

we compare the country's unemployment rate after the establishment of NDE. As earlier mentioned, the country's unemployment rate put forward by government officials was 10.0 percent in 1986. But by 1987, it had jumped to 12.2 percent. Thus, within these two years period, 1986-1987, Nigeria's unemployment rate had increased by almost 22 percent. The analysis shows that the presence of the NDE has not made any significant impact on unemployment. Available evidence shows that the NDE was not able to meet its job placement objectives. The NDE, at the end of 1987, was able to meet its target in the Special Works Programme, which achieved surplus of 9.1 percent in 1987. But in the other programmes (National Youth Employment and Skill Development and Small-Scale industries), the Directorate actually falls below its target. In these areas, it recorded a deficit of 28.5 percent and 65.9 percent respectively. From this analysis, it can be argued that at the end of 1987, the NDE, however, marginally met its target (Gbosi, 1996).

According to CBN (1987), 1,248,109 new jobs were directly created by the NDE in 1987, through its various activities. Out of this number, 137,200 were non-graduates, while the rest made up of both graduates and non-graduates were staff recruited by the NDE for its own presence and its related activities. This large number would also have joined the swelling ranks of the unemployed without the presence of the NDE. The government's record shows that there were 3 million unemployed persons in Nigeria in 1987. Most observers, however believe that the number is higher than the 3 million being put forward by the government officials. Employment statistics in Nigeria are not well documented. Therefore, one has to work with whatever figures that are being given by the government officials.

To further evaluate the impact of the NDE on employment, we subtract the number of persons now offered employment through the NDE's programme

from the unemployed persons given by the government. Thus, we have 3,000,000 – 1,248,109; this gives us 1,751.891 unemployed persons. This represents a relatively small decline in unemployment. It is just like a drop of water on the ocean. Although, this represents a relatively small decline in unemployment, the argument is that without the NDE's activities, this small decrease would not have occurred (Gbosi, 1993). As Ojo(1993) puts it, about 142.072 jobs were created by the NDE under its various programmes in 1987 compared with 94,365 and 242,160 jobs in 1988 and 1989 respectively. And by December 1990, the cumulative number of jobs created by the Directorate stood at 776,813. It also important to know that the additional jobs were created in 1991 and 1992 respectively. Specifically, as part of the SAP relief package introduced in May 1992, the Federal Government directed the NDE to create one million jobs in order to tackle the nation's unemployment problem. In recent years, the National Directorate of Employment (NDE) continued with the implementation of its four core programmes namely, the Vocational Skill Development, Special Public Works, Small-Scale Enterprises and Rural Employment Promotion Programme.

Available data from the NDE indicated that about 36,400 unemployed youth were recruited for vocational training in 80 different trades nation-wide under the National Open Apprenticeship (NOA) in 1998 compared with 32,000 in 1997. Also, under the School-on-Wheel Scheme, training materials for four(4) cycles were procured in some states. To this effect, 2000 youths were trained on the conversion of waste to decorative objects under the Waste-to-Wealth Scheme.

Furthermore, Resettlement exercises were carried out in the form of procurement of tools, equipment and cash awards for 900 NOA graduates in six states. These states were Anambra, Bayelsa, Borno, Kano, Katsina, and

Taraba. In addition, the Small-scale Enterprises programme was organized into Entrepreneurship Development programme (EDP) and micro enterprise job creation schemes through officials assistance (financial and in kind). A total of 50,000 Youths Corps members were trained on establishment and operation of business, while 52 small enterprises benefited from business improvement training under the EDP. Also training assistance were given to corps members, rural-based development associations and co-operatives on the making of established blocks in Borno State, while 40 motorcycles were distributed to unemployed persons in Gombe and Plateau States under the micro-enterprises/job creation scheme.

The NDE is a grass-root oriented programme. Therefore, its functions and programmes are over all the 36 states of the federation. Through Rural Employment Promotion Programme distribution of irrigation pumps were made to 930 farmers in 16 states in the north to enhance crop production. In like manner, crop-processing machines were also distributed to unemployed person in Cross River, Edo, Enugu, Ogun, Ondo and Osun states resulting in the creation of 945 direct jobs. The Special Public Works engaged 1600 youths in 16 states for community development activities followed by employment of 360 youths in road maintenance works using light construction tools and equipment. Without the NDE and its related activities, the number of new jobs created would not have been possible. Furthermore, in recent years, the NDE has established several programmes that have created employment for many unemployed Nigerians, especially school leavers (Gbosi, 2004).

6. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 SUMMARY

In the preceding sections of the paper an attempt was made to analyze the nature, causes and consequences of unemployment in Nigeria and public policies designed to solve the problem. It is not possible to cover all aspects of the topic within the confine of a study of this nature. However, most of the essential aspects of the causes and consequences of Nigeria's current unemployment problem have been covered. The research methodology has been presented in an elementary way. To this effect, it is hoped that this study will serve as a foundation for our understanding of the causes and consequences of unemployment in a developing world economy or initiate further research in this area.

With the exception of section one, the remaining sections of the paper present an analysis of the nature, causes and consequences of Nigeria's current unemployment problem. Specifically, Section 2 provides the theoretical framework on which the rest of the work is built. The traditional theories of unemployment reviewed in this paper enable us to know the types of unemployment that occurs in an economy. However, they cannot best explain how Nigeria's current unemployment problem originates. To this effect, one of the major objectives of the paper was to identify the factors that are responsible for Nigeria's current unemployment problem.

Unemployed graduates usually work less than they would have actually wanted to work. Thus we see them taking inferior jobs out of frustration. And above all, Nigeria is now losing her best brains not because she does not need them at home, but because of the nation's unemployment problem. Today, many Nigerians have migrated to Saudi Arabia, South Africa, Kuwait, Britain and the United States in search of jobs.

We anticipated that Nigeria's rising level of unemployment was responsible for the decline in the country's total output of goods and services over the 1980 – 2000 period. Our analysis shows that only 4 per cent in Nigeria's growth rate was explained by unemployment. Therefore, we cannot conclude that unemployment actually has a negative impact on Nigeria's growth rate. This may be attributed to the unique structure of the Nigerian economy.

However, in the case of crime rate and unemployment rate it was observed that Nigeria's rising crime rate may not be unconnected with the country's rising unemployment especially that among the youth.

An evaluation of the various policy measures and programmes adopted by the Nigerian government to enhance employment and training opportunities have partly achieved their objectives. The conclusion is based on the observed marginal reduction in the levels of unemployment in Nigeria especially from 1987 to 1994. In spite of the conclusions drawn from this study, available data still shows that unemployment is one of Nigeria's major macro-economic problems in recent years. A high level of unemployment is not good for the health of a developing country like Nigeria. Therefore, it is recommended that appropriate steps should be taken by the government and the organized private sector to tackle Nigeria's current unemployment problem.

6.2 CONCLUSION

Our analysis shows that Nigeria's current unemployment problem cannot be divorced from the downturn in the economy, which started in the early 1980s. In the mid 1970's when the Nigerian economy was buoyant because of the boom in the world oil market, unemployment was very minimal. But the problem of mass unemployment began in the 1980's as earlier mentioned. Specifically, during that period, the price of crude oil dropped from 40 U.S dollars to about 15 U.S dollars. The Nigerian economy was not ready for

such a sudden and dramatic downturn. Today, the Nigerian economy is in shambles. Specifically, the economy is characterized by the phenomenon “stagflation”. It is sad to hear that a country which earned about 50 billion American dollars from crude oil sales between 1979 and 1981 has now found herself in the worst economic crisis.

It is interesting to hear the story of the rise and fall of Nigeria. But it has happened too soon. Perhaps, what has happened to the Nigerian economy may sound strange, but that is a characteristic feature of any dependent capitalist economy. It is true that capitalist societies experience booms and depressions in their economies. The only difference with the Nigerian experience is that the shift from boom to depression has happened too soon. The reason is that the Nigerian economy is not only capitalist in nature but also dependent and peripheral. Our economy has been highly dependent on foreign advanced capitalist economies. Therefore, whenever there is a global economic crisis as we, now experience, the dependent economies bear the crunch.

Available data shows that the Nigerian economy is still characterized by high and unstable interest rates, fast depreciation of the naira exchange rate and rising rate of inflation. These developments will further lead to declining productivity, low utilization of installed industrial and agricultural capacity and severe constraints on capital inflows and debt servicing in the balance of payments. More importantly, rising costs of production which characterized the Nigerian industrial sector in recent years had forced many marginal firms out of production. Some have even folded up thereby worsening Nigeria’s unemployment problem.

In Nigeria today, university graduates no longer feel comfortable in our society. The days are gone when final year students writing their degree examinations see on their various campuses’ thousands of employers waiting

to recruit them on fat salaries and excellent conditions of service. What we now see in Nigeria is thousands of our graduates hopelessly roaming the streets of our big cities searching for jobs they cannot find. Many of those who are fortunate to get jobs, are in fact underemployed. In Nigeria today, many university graduates have taken to different jobs mainly for the purpose of employment rather than practicing their specialized skills. Today, one can see a graduate engineer taking to taxi driving rather than working as a practical engineer.

6.3 RECOMMENDATIONS

Our analysis shows that Nigeria's current unemployment problem actually warrants prompt attention. In the light of the above, the following recommendations have been proposed. The federal government is called upon to reduce the official retirement age from 65 to 60 years. Such a policy will have the effect of withdrawing old and unproductive persons from the labour market. This will either directly or indirectly create new employment opportunities for the young graduates. These graduates will be more productive in other sectors of the economy, than on the farms where they are currently under-employed. Second, the government should endeavour to provide basic infrastructural facilities for the rural areas. The availability of the facilities will enable industrialists establish both small and medium scale industries in the rural communities, thereby creating new employment opportunities. The Nigerian government is called upon to de-emphasize liberal-arts oriented form of education and place more emphasis on vocational education. The major advantage of vocational education is that it creates room for self-employment.

The Nigerian government should endeavour to provide a stable political environment for the country. Political stability will create a stable economic environment, which is vital for both domestic and foreign private investments.

Finally the organized private sector is called upon to join the government to find a lasting solution to Nigeria's mass unemployment problem. Multinational corporations should strictly adhere to all government labour policies on employment. In order to demonstrate a total commitment of an enabling environment, both the government and organized private sector should first get the Nigerian economy back on the track of sustainable growth. A stable macroeconomic environment will create more jobs, raise income and reduce inflation, stabilize the naira exchange rate, foster economic growth and development thereby enhancing the standard of living of all Nigerians.

REFERENCE

- Ahmed, A.A. (1985), "The Current State of the Nigerian Economy and Challenges to the Policy-makers", Lagos. CBN Economic and Financial Review.
- Angaye, G.S (1994), "Socio-Economic Development in Nigeria", Port Harcourt. Pam Unique Publishers.
- Bajoma, O. (1996), "Manpower Utilization in Nigeria. Analysis of Some Causes and Consequences of Unemployment", Lagos. FBN Bi-Annual Review.
- Briggs, J. E. (1973), "Unemployment Statistics and What They mean". In Monthly Labour Bulletin, Washington, D.C.U.S. Department of Labour.
- Central Bank of Nigeria (2003), "Annual Report and Statement of Account" Abuja, CBN.
- Central Bank of Nigeria (2003), "Contemporary Economic Policy Issues in Nigeria", Abuja. CBN.
- Central Bank of Nigeria (2000), "The Changing Structure of the Nigerian Economy and Implications for Development", Lagos.Realm Communications.
- Central Bank of Nigeria (1998), "Annual Report and Statement of Accounts", Abuja. CBN.
- Central Bank of Nigeria (1993), "Perspectives of Economic Policy Reforms in Nigeria", Lagos. CBN.
- Central, Bank of Nigeria (1987), "Annual Report and Statement of Accounts", Lagos. CBN.
- Central Bank of Nigeria/World Bank (1994). "Employment Policies and Poverty in Nigeria". CBN.
- Elrenburg R. & Smith, R. (1982), Modern Labour Economics and Public Policy, Illinois, Scott Foreman Company.
- Eze, A.I. (1980), Economics of Education. The Nigerian Experience, Ibadan, Africana Publishing Company.

- Falokun, S. O. (1989), "Inter-Sectoral Indicators of Employment Potential in Nigeria". Monograph Series No. 2, Ibadan, NISER.
- Fashoyin, Tayo (1987), "Labour Management Relations in Nigeria Economic Recovery", Lagos. Management in Nigeria.
- Federal Government of Nigeria (1997), "National Workshop on Employment Statistics", Abuja.
- Federal Office of Statistics (1998), "Labour Force Sample Survey", Lagos. FOS.
- Gbosi, A. N. (2004), The Labour Market in Nigeria Today, Port Harcourt, Emhai Books.
- Gbosi, A. N. (2003), Economics of Human Resources Development, Port Harcourt, Sanbross Printing Press.
- Gbosi, A. N. (2001), Human Resources and Manpower in the Nigerian Economy, Port Harcourt, Emhai Books.
- Gbosi, A. N. (2000), "A Comparative Study of Macroeconomic Performance in Nigeria", Port Harcourt. Nigerian Journal of Monetary Economics.
- Gbosi, A. N. (2000), "Employment Generation Policies". Labour Market Stability and Work Future in Nigeria's Deregulated Economy", Cardiff, England, Management Research News.
- Gbosi, A. N. (1999), "Under-utilized Human Resources and International Mobility of Labour in Developing Countries. The Nigerian Experience", Cardiff, England, Management Research News.
- Gbosi, A. N. (1999), "An Analysis of the Micro and Macro Consequences of Inflation on the Nigerian Economy". Anbasad, India, ANVESAK.
- Gbosi, A. N. (1998), "The Causes and Consequences of Under-utilized Human Resources in Developing Countries. The Nigerian Experience". Lagos, FBN Bi-Annual Review.
- Gbosi, A. N. (1998), "Expansion in Educational Facilities and Labour Market in Nigeria". New Delhi, Journal of Educational Planning and Administration.

- Gbosi, A. N. (1997), "Chronic Unemployment in Nigeria". Napean , Australia, International Journal of Employment Studies.
- Gbosi, A. N. (1997), "The Labour Market in Nigeria Under Regulation and Deregulation: A Comparative Analysis". Bradford, England, International Journal of Manpower.
- Gbosi, A. N. (1996), "Fiscal Policy and Macroeconomic Stability in A Developing Economy, Lessons from Nigeria's Experience, 1975 – 1995", Lagos. FBN Bi-Annual Review.
- Gbosi, A. N. (1995), "Nigeria's Recent Monetary Policies. A Review and Appraisal". Benin, The Nigerian Economic and Financial Review.
- Gbosi, A. N. (1993), "The Nature, Causes and Consequences of Unemployment on the Nigerian Economy". Pambasad, India, ANVESAK.
- Gbosi, A. N. (1985), "Labour Policy in Nigeria, 1995 – 1975". Ife, Quarterly Journal of Administration.
- Haris, J. R. & Todaro, W.P. (1970), "Migration, Unemployment and Development: A two-sector Analysis". American Economic Review.
- Hijani, H. A. & Okonta, H. N. (1988), "Problems of Measuring Unemployment in Nigeria", Lagos. Economic and Financial Review, CBN.
- International Labour Organization (1998) "World Labour Report", Geneva ILO Office.
- Jorgison, D. V. (1987), "Surplus Agricultural Labour and the Development of a Rural Economy". Oxford Economic Papers.
- Keynes, J.M. (1936), The General Theory of Employment, Interest and Money. London, Macmillan.
- Lewis, M. A. (1964), Economic Development in the Third World, London, Longman.
- Levitan, S. Marshall, G. and Mangun, R. (1975), Human Resources and Labour Markets, New York. Harper and Row Publishers.

- Meier, G. (1988), *International Economics: The Theory of Policy*, New York, Oxford Press.
- Obi, F. O. (1981), "Education and Graduate Unemployment in Nigeria: An Alternative View", Unpublished Paper, Port Harcourt, Department of Economics, University of Port Harcourt.
- Ogbe, W. (1987), "Perspectives Policy and Solutions to Nigeria's Unemployment Problems", Lagos. *Economic and Financial Review*, CBN.
- Ojo, F. (1997), *Human Resources Management*, Lagos. Allen and Evans Company.
- Olalokun, F. O. (1979), *Structure of the Nigerian Economy*, New York, St. Martins Press.
- Pigou, A. C. (1929), *The Theory of Unemployment*, London.
- Shiller, Bradley, R. (1982), *The Economy Today*, New York, Random House.
- Solomon, Lewis (1980), *Economics*, Boston, Adison Wesley Publishing Company.
- Todaro, M. R. (1989), "A Model of Labour Migration and Urban Unemployment in Less-Developed Countries", *American Economic Review*.
- Todaro, M. R. (1988), *Economic Development in the Third World*, London Longman.
- World Bank (1998), "World Development Indicators", Washington, D. C. The World Bank.
- World Bank (2000), "World Development Indicators", Washington, D.C., The World Bank.