

THE UNEXPLAINED AND IMPACT OF UNEMPLOYMENT IN THE NIGERIAN ECONOMY: AN ECONOMETRICS ANALYSIS

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ABSTRACT

It is a known fact that the urge labour force in Nigeria affects the economy with respect to unemployment. Unemployment is a very alarming in Nigeria, information from the Federal Office of statistics does not pose any treat. The observed situation of unemployment pictures a more serious situation than what Federal Office of statistics pictures. The aim of this paper is to look at the unexplained unemployment in Nigeria with respect to economic study. Our findings show that 8% is unexplained with respect to labour force. The causes of unemployment in Nigeria include poor infrastructure, insecurity, and non-diversification of the economy and poor educational system. We recommend that government should look on other extraneous factors as well as human factors, in order to create jobs.

Keywords: Diversification, infrastructure, insecurity, unemployment.

INTRODUCTION:

Unemployment reduction is a major goal of every responsible government all over the globe. There is always friction in the market; as such, zero unemployment cannot be attained. There is unemployment where it is not possible for people who are eligible, able and willing to work cannot find jobs (Osamwonyi, 2012). Unemployment is one of the greatest challenges facing Nigeria; it has a rising trend over the years. Unemployment in Nigeria is the proportion of labour force that was available for work but did not work in a period. Labour force in Nigeria is made up of all persons aged 15 – 64 years excluding students, retired persons, and housekeepers, not interested to work. (Mankiw, 1994), says unemployment stands for wasted resources.

Unemployment has been on the increase, and (Ekpo, 2011) is of the view that Nigeria's unemployment situation is unacceptable. This paper is to find out what the causes of unemployment in Nigeria are the possibility of finding solutions as well as the unexplained unemployment, with respect to econometric study.

Unemployment exists if the number of people who are willing to work and seeking jobs exceeds the number of declared vacancies (Abedi, 2011), (Anyanwu, 1995). People who are legally qualified, willing to work and seeking jobs cannot secure gainful employment in a situation. Thus, the supply of labour force exceeds the demand for labour force; it is a situation where there are more men or applicant than available jobs. Unemployment is the non-utilization of labour force in any productive activity for a reward in terms of wages or salaries (Ta Wiah, 2006).

THEORETICAL UNDERPINNING:

An unemployed person is someone who has the required qualification, ability and readiness to work and looks for work but cannot find one. Thus, the person is involved in the labour market with the mind of getting a look. This paper uses the model of $L = f(u)$ i.e. labour force is a function of unemployed labour.

Where: L = Labour force
U = Unemployed Labour

We are looking at Labour force and Unemployed labour force. Labour force is represented as y-variable and unemployed labour force is represented as x-variable.

CAUSES OF UNEMPLOYMENT IN NIGERIA:

- Immobility of labour with respect to occupational and geographical, compounds the issues of unemployment.
- Economic growth and development is slow, thus stagnated industrialization and employment generation.
- Production made is capital intensive rather than labour intensive, this also encourages unemployment.
- Wage structures in cities and the movement of people from villages to cities is a major cause of unemployment.
- Poor educational facilities and poverty results in low level of education, cause unemployment.
- Lack of educational curricula that tilt towards low-level white collared workers, concerned with low clerical work only.
- Over-regulation in the economy hider's business expansion and this curtails job creation.
- Wage rigidity causes unemployment; it is failure of wages to adjust until labour supply equals labour demand.

UNEMPLOYMENT IN NIGERIA:

In Nigeria, we Are faced with a lot of unconducive economic conditions like poor electricity, poor roads, poor communication system, insecurity, kidnapping, poor infrastructure, etc, have lead the close down of many organisations, and this have thrown many people into the labour market. Some years

back so many textiles factories have closed down, and the trends still continues, and the chief cause is poor electricity, organisations rely heavily on generators to power their factories; and its results is inefficiency and increases unit cost of production and their produces are not competitive. It is interesting to note that the country is a dumping ground for all imports.

Other factors that lead to unemployment in Nigeria include unconcerned attitude of local Governments to create employment, non-diversification of the economy. Lack of serious emphasis on skill acquisition, no serious attention is given to the informal sector to empower the sector and graduated corpors are still in labour market.

Today, in Nigeria, we have many “half” baked graduates, this is so unfortunate, and they are unemployed. Organisations prefer Nigeria’s with foreign certificates. Higher institutions today, produced suspected graduates, not to talk of private higher institutions; it is difficult to recruit them.

We present a table of labour force and unemployment from 2003 to 2008, estimated data from 2009 to 2014 and econometrics analysis is done using regression and co-efficient of determination.

Table of Labour Force And Unemployment Labour Force

Year	Labour Force (‘M) Y	Unemployment Labour Force (‘M) X
2003	54.5	15.3
2004	56.1	6.60
2005	56.3	6.70
2006	56.5	1.60
2007	56.7	3.30
2008	56.	2.80

Source: CBN Statistical Bulletin Vol.13 Dec. 2002, World Bank (2005), Development Report (2007). CBN Statistical Bulletin 2010.

Year	Labour Force * Estimated (‘M)	Unemployment Labour Force * (‘M)
2009 *	60.1	17.23
2010 *	60.3	18.41
2011 *	60.5	19.59
2012 *	60.7	20.96
2013 *	60.9	21.94
2014 *	61.1	23.12

Source: Money Udih, 2015

* Estimated values

Econometric Worksheet for the estimation of the labour force function of unemployment force.

Unemployment Labour Force				
x	y	x ²	Xy	y ²
15.3	54.5	234.09	833.85	2970.25
6.60	56.1	43.56	370.26	3147.21
6.70	56.3	44.89	377.21	3169.69
1.60	56.5	2.56	90.4	3192.25
3.30	56.7	10.89	187.11	3214.89
2.80	56.9	7.84	159.32	3237.61
Σx = 36.6	Σy = 337	Σx ² = 343.83	Σxy = 2018.15	Σy ² = 18931.9

y = a + bx Regression line

$$a = \frac{\sum x^2 \sum y - \sum x \sum xy}{n \sum x^2 - (\sum x)^2}$$

$$b = \frac{n \sum xy - \sum x \sum y}{n \sum x^2 - (\sum x)^2}$$

$$\text{Coefficient of Determination } (r^2) = \frac{(n \sum xy - \sum x \sum y)^2}{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}$$

$$a = \frac{343.83 \times 337 - 36.3 \times 2018.15}{6 \times 343.83 - (36.3)^2}$$

$$= \frac{42611.855}{745.29}$$

$$= 57.17$$

$$b = \frac{6 \times 2018.15 - 36.3 \times 337}{6 \times 343.83 - (36.3)^2}$$

$$= \frac{-124.2}{745.29}$$

$$= -0.17$$

Thus, the regression line is $y = 57.17 - 0.17x$

The Coefficient of Determination is

$$r^2 = \frac{(6 \times 2018.15 - 36.3 \times 337)^2}{[6 \times 343.83 - (36.3)^2] [6 \times 18931.9 - (337)^2]}$$

$$= \frac{(12108.9 - 12233.1)^2}{2062.98 - 1317.69 \times 113591.4 - 113569}$$

$$= \frac{(-124.2)^2}{745.29 \times 22.4}$$

$$= \frac{15425.64}{16694.50}$$

$$= 0.92$$

From the above, econometric study, the regression line to predict for year 2009, 2010, 2011, 2012, 2013 and 2014 $y = 57.17 - 0.17x$ given either labour force or the unemployed.

Given the unemployed labour force of 2.75 million, the labour force is

$$y = 57.17 - 0.17 \times 2.75$$

$$y = 57.17 - 0.4675$$

$$y = 56.70 \text{ million.}$$

And with a labour force of 70 million, the unemployed labour force will be $y = 57.17 - 0.17x$

$$70 = 57.17 - 0.17x$$

$$57.17 - 0.17x = 70$$

$$\begin{aligned} -0.17x &= 70 - 57.17 \\ -0.17x &= 12.83 \\ x &= \frac{12.83}{0.17} \\ x &= 16.6 \text{ million} \end{aligned}$$

The Federal government of Nigeria – President Buhari’s government can plan 16.6 million unemployment using the regression line above with labour force of 70 million.

The coefficient of determination, 0.92 explains the relationship between the labour force and the unemployed. The higher the coefficient of determination the higher the reliability. It gives a best fit of 92% of the total variation. However, 8% is unexplained in the relationship between labour force and unemployed and it is attributed to other extraneous or human factors.

EFFECT OF UNEMPLOYMENT:

Unemployment in Nigeria has a dual effect, to the individual unemployed and to the society as a whole. People that are not engaged in work are not happy with respect to a world of material consideration. We have the social effect of unemployment, which include, depression, personal hardship, involvement in crime, problem with married people, longevity of marriage plan, broken homes, no job a man can lead to wife in fidelity.

Government’s expenditure or transfer payments increase due to unemployment. Unemployment leads to poverty and inequality. Unemployment is “waste” of resources expended on training the unemployed when exchange value of education is considered in absolute sense. Increasing crime rate in Nigeria because of unemployment.

RECOMMENDATIONS:

We cannot proffer solutions without proper look at the causes of unemployment. Unemployment is surely from lack of infrastructure, especially economic infrastructure, like, electricity, railway, roads, and communication networks. Nigeria is too hearty dependent on oil without a genuine effect to diversity. Foreign and local investors are discouraged from Nigeria because of insecurity. Not to measure, but we have sharp corrupt practices and government do not think about the unemployed. However, we recommend the following:

- To overhaul our educational system, to produce better graduates.
- To discourage corruption and give welfare package to the unemployed.
- To make laws that gives jobs to best corpers and graduates yearly.
- To collaborate with private sector so as to diversity in the economy; since government cannot provide all employment.
- At state and local levels, government should collaborate with farmers to modernize agriculture, as this will reduce joblessness.
- Government at all levels should include in their budgets, expenses met for job creation, and this should not be diverted to other areas.
- Proper collation of all the unemployed at local levels to the states, and then to the Federal for proper planning.
- Government at all levels should collaborate with small and medium scale owners that are labour intensive.
- Government should establish skill acquisition centres and at the end all apprentice on graduation be given assistance to establish a business.
- Government at all levels should fix infrastructures, as this will reduce joblessness.
- Government should provide selective credits to informal sectors that has near limitless capacity to absorb migrants.
- Government should eliminate insecurity at all levels to encourage investors.

The table of labour force and unemployment labour force from 2003 – 2008 shows the relationship that unemployment is rising year in, year out compared with total labour force.

CONCLUSION:

This paper has shown that the growth of labour force in Nigeria is about 0.33% annually and the rate of unemployment is 8% and this rather too high for Nigeria.

The Nigeria government currently in power should see unemployment as a national challenge that need immediate attention with respect to CODS Analysis – Challenge, Opportunities, Developmental needs and strength analysis.

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