

Effect of Unemployment and Growth on Nigeria Economic Development

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Abstract

Inflation is a primary cause of unemployment. And yet, learned men and reputable advisers prescribe it, and powerful politicians and officials apply it as a cure for unemployment. In the name of "full employment" they create money and credit that generate the business cycle, misdirect human labour, reduce productivity of labour, and create mass unemployment. It was in the light of the above statement that brought the research to examine the effects of unemployment and growth of Nigeria economy. In making the research work explicit, Pearson Product Moment Statics was used to test the stated hypotheses. From the result of the finding, it was discovered that there is significant relationship between gross domestic products, inflation rate exchange and unemployment rate in the growth of Nigeria economy. Based on this, it was recommended that, government should also instill laws that will imbibe discipline, encourage and boost hardworking in the society. Opportunities should be made available and open to everybody without the power play of godfathers for easy bank credit. The billions of money being wasted on National Directorate of Employment by the federal government should be converted to loans for people without means but with viable and profitable projects that could guarantee employment through the production of both industrial and agriculture consumable products or goods.

Keywords: Unemployment, growth, Economic Development

Background to the study

The Nigeria economy has had a truncated history. In the period 1960-1970, the Gross Domestic Product (GDP) recorded 3.1 percent growth annually. During the oil boom era roughly 1970-1980, GDP grew positively by 6.2 percent annually – a remarkable growth. However, in the 1980s, GDP had negatives growth rates. In the period 1988-97 which constitutes the period of structural adjustment policies and grew at a positive rate of 4.0. In the years after independence, industry and manufacturing sectors had positive growth rates except for the period 1980-1988 where industry and manufacturing grew negatively by -3.2 and -2.9 percent respectively. The growth of agriculture for the periods 1960-1970 and 1970-1978 was unsatisfactory. In the early 1960s, the agricultural sectors suffered from low commodity prices while the oil boom contributed to the negative growth of agriculture in the 1970s. The boom in the oil sector lured labour away from the rural sector to the urban centers.

The contribution of agriculture to GDP, which was 63 percent in 1960, declined to 34 percent in 1988, not because the industrial sector increased its share but due to neglect of the agricultural sector. It was therefore not surprising that by 1975, the economy had become a net importer of basic food items. The apparent increase in industry and manufacturing from 1978-1988 was due to the activities in the mining subsector, especially petroleum. Capital formation in the economy has not been satisfactory. Gross Domestic investment as a percentage of GDP, which was 16.3 percent and 22.8 percent in the periods 1965-1973 and 1973-1980 respectively decreased to almost 14 percent in 1980-1988 and increased to 18.2 percent in 1991-1998. Gross National saving has been low and consists mostly of public saving especially during the period 1973-1980. The current account balances before official transfer are negative for 1965-1973, 1980-1988 and 1999-1998.

The economy never experienced double-digit inflation during the 1960s, by 1976, however, the inflation rate stood at 23 percent. It decreased to 11.8 percent in 1979 and jumped to 41 percent and 72.8 percent in 1989 and 1995 respectively. By 1998, the inflation rate had, however, reduced to 9.5 percent from 20.0 percent in 1996. Unemployment rates averaged almost 5 percent for the period 1976-1988. However, the statics especially on unemployment must be interpreted with caution. Most job seekers do not use the labour exchanges apart from the inherent distortions in the country's labour market. Based on some basic indicators, it appears that the economy performed well during the years immediately after independence and into the oil boom years, however, in the 1980s the economy was in a recession. The ongoing economic reform programme is an attempt to put the economy on a recovery path with minimal inflation. The problem of this research stem from the fact that, economic development is targeted at people. Hence, the investigation shall be focusing on population, employment, unemployment, and economic development in relation to other factors associated to labour force in Nigeria.

Specifically, the following hypotheses were formulated to guide the study:

- H_{01} -There is no significant relationship between unemployment rate and Domestic Product on Nigeria economy.
- H_{02} -There is no significant relationship between unemployment rate and inflation rate on economy.

- H0₃-There is no significant relationship between unemployment rate and exchange rate on Nigeria economy

Methodology Sample

This research work is highly descriptive and empirical as it embraces the use of a comprehensive field survey technique of design.

Sources and methods of Data Collection: The estimation of the models of this research work is carried out using Nigerian time series data over the period of 1980-2006. Performances of unemployment will be measured on Gross Domestic Product (GDP), exchange rate and inflation rate on the Nigeria economy.

Secondary source of data form the bedrock of this research work. As earlier mentioned, the sources that had been designed to obtain data for this study is the secondary sources.

Secondary data are refined, classified, analysed and published data. They are developed originally for the same purpose apart from helping to solve a particular problem. This study basically depends on secondary source of data collection techniques, such data shall be generated from the following sources:

- Central Bank of Nigeria Statistical Bulletin
- Central Office of Nigeria Economic and Financial review
- Federal Office of Statistics now the Nigeria Bureau of Statistic
- Annual Digest of Statistics

Model Specification

In building up model for this study, the ordinary least square method (OLS) will be employed.

Limitation to the Data Collection

One of the problems was lack of good data base being experienced in almost all the developed countries especially Nigeria and the deliberate reluctance of most organization involved in releasing information to strategic nature

Table 1. PRESENTATION OF DATA

YEAR	EMPLOYMENT RATE	INFLATION RATE (%)	GDP (#MILLION)	EXCHANGE RATE
1980	18,661	9.9	69,185.6	0.5461
1981	25,623	20.9	70,395.9	0.6100
1982	188,438	7.7	70,243.1	0.6729
1983	106,496	23.2	65,958.0	0.7241
1984	112,588	39.6	62,472.2	0.7649
1985	120,945	5.5	68,286.2	0.8938
1986	95,580	5.4	70,806.2	2.0206
1987	85,158	10.2	71,194.9	4.0179
1988	145,084	38.3	77,733.2	0.5367
1989	116,162	40.9	83,179.0	7.3916
1990	96,055	7.5	92,238.5	8.0378
1991	89,752	13.0	94,235.5	9.9095
1992	110,513	44.5	97,019.9	17.2984
1993	75,143	57.3	97,604.2	22.0511
1994	75,387	57.0	100,936.7	21.8861
1995	72,277	72.8	103,078.6	21.8861
1996	81,730	29.3	106,600.6	21.8861
1997	85,441	8.5	109,972.5	21.8861
1998	85,832	70.0	113,509.0	21.8861
1999	84,727	6.6	116,655.5	92.6934
2000	86,024	6.9	121,207.8	102.1052
2001	84,368	18.6	126,323.8	111.9433
2002	85,928	12.9	131,424.5	120.9702
2003	85,648	14.0	136,460.0	129.3565
2004	130,060	15.0	131,424.5	133.5004
2005	311,119	17.9	133,124.8	132.1470
2006	356,245	8.2	133,669.9	128.6516
2007	387,614	13.7	132,739.7	131.433

Sources: Central Bank of Nigeria Statistical Bulletin (2006) 8.0378

PRESENTATION OF REGRESSION RESULTS

Model

UER=GDP+EXR+INF+ μ

Dependent Variable: UER

Method: Least Squares

Variable	Coefficient	Std Error	T Statistics	Prob.
C	63653.07	9123.840	6.976566	0.0000
GDP	310E.05	0.000176	0.176879	0.8611
INF	-2995.925	523.7997	-5.71601	0.0000
EXR	3165.109	414.2765	7.640087	0.0000
R Squared	0.782880	Mean dependent var.		99560.01
Adjusted R Squared	0.755740	SD dependent var.		25247.60
S.E of regression	12478.04	Info criterion		21.83289
Sum Squared res	3.74E.109	Schwarz Criterion		22.02321
Log likelihood	-301.6605	F Statistic		28.84597
Durbin-Watson Stat.	1.695506	Prob (F-Statistics)		0.000000

Source: Computer Printout using E-view Econometric Software Packages.

Result and Discussion

From the regression result obtained from the model above $(UER = GDP + INF + EXR + \mu)$ the value of the coefficient of determination (R_2) of 0.782880 shows that variations of the dependent variable (Unemployment Rate) is in accordance with the endogenous variable except that of gross inflation rate. The adjusted R_2 of 0.7557440 indicated that the model has a good result. The F-Statistics of 28.84597 shows that the model statistically is significant. Also the regression result of the analysis above indicated that Gross Domestic Product (GDP) exerts a positively strong relationship with dependent variable at 3.1005 level of significant. Also exchange rate (3.165.109 is positively related to dependent variable unemployment rate) at 0.05 level of significant respectively on the hand, the rate of inflation is inversely or negatively significant to the rate of unemployment at -2995.925.

Therefore, since their calculated values of 0.78280 is greater than their critical values of 0.05 level of significance, thus we reject the null hypothesis (H_0) to accept the alternative hypothesis (H_1) which means that there is significant relationship between gross domestic product, inflation, exchange rate and unemployment rate in the growth of Nigeria economy.

CONCLUSION

This study has envisaged the effects of unemployment of growth of Nigeria economy. Optimal unemployment has also been defended as an environmental tool to break the constantly accelerated growth of the GDP to maintain levels sustainable in the context of resources constraints and environmental impacts.

However, the tool of denying job to willing workers seems a blunt instrument for conserving resources and the environment –it reduces the consumption of the unemployed work force, all focused towards the goal of developing more environmentally efficient methods for production and consumption might provide a more significant and lasting cumulative environmental benefits and reduce resource consumption. If so, the future economy and work force would benefit from the resultant structural increase in the sustainable level of GDP growth.

Furthermore, the prevalence of unemployment is usually measured using the unemployment rate, which is defined as the percentage of those in labour force who are employed.

Based on the various findings of the study, it is highly imperative to offer the following liable suggestions and recommendations. The National Directorate of Employment should be matched with Ministry of Labour, where everybody seeking employment, especially the youth and fresh school leavers would be mandated to register for employers to seek and engage their pool of workers, the Nigerian government should enact new law directing all already registered and existing companies in Nigeria to immediately replace those so called expatriates with Nigerians. Where a special skill is needed and a Nigerian cannot be found within the country to fill such position, the company should be compelled to search for a Nigerian outside. The billions of naira being wasted on National Directorate of Employment should be converted to loans for people without means but with viable and profitable projects that could guarantee employment through the production of both industrial and agricultural consumable products or goods.

Government should put in place, measures to ensure that inflation if not totally eradicated, should not exceed a 'single digit'.

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