

## Unemployment and Poverty Paradigm in Nigeria: Challenges and Prospect

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### Abstract

*Unemployment, a phenomenon commonly used as a situation of no job for employable individuals in an economy is a plague affecting almost all nations of the world in this 21<sup>st</sup> century. Although macro-economic policy framework with the aim of achieving full employment, emphasized on involuntary unemployment as distinct from voluntary unemployment.*

*Even though the upsurge is more pronounced in the developing nations, researchers having the above in mind, often limit the idea only to developing nations.*

*Unemployment in Nigeria, most particularly, graduate unemployment has reached an alarming stage in the last two decades due primarily to an upsurge in the turnout from the nation's tertiary institutions and the inelastic labour absorptive capacity of the Nigerian labour market for the service of University and Polytechnic graduates (NISER).*

*This study therefore attempts an in-depth examination of the unemployment upsurge in the nation Nigeria and the impact this has on the level of poverty in the country.*

*Charts, Percentages and Ratios were the major econometric methods employed in the study.*

*From the analysis, it was found that*

*unemployment is a major cause of poverty in Nigeria. Thus, conforming with our a prior expectation.*

*The study recommends a structural shift in the macroeconomic policies towards employment generation. Not only this, the recent rationalization of the nation public parastatals is lauded as this will involve private sector in employment generation as it is been done in the advanced nations of the world.*

**Keywords:** *Poverty, Unemployment, Macro-economic, Developing, Inelastic.*

### 1. Introduction

Unemployment is often referred to as a measure of those who are actively seeking for job but cannot find any which matches their qualification. It is defined as the condition of having no job or being out of work; the proportion of people who are able to work and actively searching for one but are unable to find it (Rafiq, et al. 2010 ).

According to IMF Report (1998), "Unemployment is measured annually as percentage of Labour Force that can't find a job. It is described by International Labour Organisation (2001) as a situation of being out of work or need a job and continuously searching for it in the last four weeks or unemployed ( age 16 or above ) but available to join work in the next two weeks.

However, people who voluntarily do not want to work; full time students, retired people and children are not included in unemployed category.

Nevertheless, it should be noted that Macroeconomic policies do not desire to provide all individuals with jobs. Thus, some people choose to be unemployed voluntarily; individuals may choose to be unemployed as they switch from one job for another; move from one region of the nation to another; or for various reasons. The goal of Macroeconomic policy therefore is to achieve Full Employment. Involuntary unemployment on

the other hand is characterized by individuals who would like a job that matches their skills, but none is available.

With this in mind, and the fact that on the side of policy makers, it is difficult to determine what is an appropriate level for full employment. There is therefore need to examine the trend of unemployment in developing nations of the world. Not only this, there is also the need to look into its impact on the level of poverty plaguing these underdeveloped countries, hence, this study on Nigeria as a case study.

Our *a priori* expectation is that there is a causal link between unemployment and poverty in Nigeria.

Poverty can be seen both as a relative concept as well as an absolute concept. Slavin (1999) in this wise, differentiate between the poor, the middle class and the rich. In his words, the poor are in the lowest quintile, while the middle and the rich are in the next three quintile and upper quintile respectively. This he did by using Lorenz Curve, measured in quintiles. This is defining poverty in a relative term, just as it corroborates Galbraith (2008). According to him, people are poverty stricken when their income, even if adequate for survival, falls drastically behind that of the community. Thus, poverty is defined relatively by comparing living standard of the people with that which is obtainable and acceptable in the country. While absolutely viewed as in those afflicted by poverty as having limited and insufficient food, poor clothing, as well as such crowded; cold and dirty shelter and having their life being painful and comparatively short.

## 2. Conceptual Issues

The phenomena unemployment and poverty are two multidimensional concepts that can better be felt than being imagined. Thus, finding concise and universally acceptable definition for these concepts is highly elusive.

As mentioned earlier, what happens when an individual decides to stay out of job due to job dissatisfaction even though there is work available? This is of course referred to as voluntary unemployment; making the definition of the subject unemployment ambiguous.

Aboyade (1995) opined that poverty is easily more recognized than defined; liken the concept to an Elephant. In his words, "*it is not altogether a semantic escapism or academic conservatism for economist to search for an objective means of identifying poverty and of separating it from its opposite phenomenon of non-poverty*".

Relativity perspective of poverty as earlier discussed had been criticized for a number of reasons. For instance, it would be hard to say a set of people are poor as they could afford driving in latest model cars, live in nice houses, wear expensive jewelry etc. In addition, the lowest income quintile in one nation might be extremely better off than average citizen of the world poorest country, such as Bangladesh, Ethiopia and Somalia. While a large proportion of the people struggle to survive on 200 dollars or 300 dollars per year, homeless people in America fare considerably better off.

Uncertainty of figures between the poor and middle class and the rich cannot be overemphasized in looking at the difficulties inherent in relative poverty.

When poverty is defined in terms of ability of household or individual to possess enough resources or ability to meet their current needs, it is said to be absolute. It is not having enough today in some dimension of wellbeing. Balogun (2000), referred to it as a situation where a population or a section of population is able to meet only its bare subsistence essentials of food, clothing and shelter in order to maintain minimum standard of living. Poverty as a situation where the resources of families or individuals are inadequate to provide a socially acceptable standard of living; lack of means to change the situation ( Johnson, 1996, Repnik, 2004). The same idea is shared by Rowtree, 1998.

To be poor is to be impoverished; a trend of living where an individual, institution or society is lacking what is needed to make life worthwhile; where resources-monetary and non-monetary, are not available to take care of basic needs by which it can be said that the standard of living is better off.

In the words of McConnell (1975), "the poor are heterogeneous and they cut across geographical regions and are found in all sectors of human endeavours".

In the words of Akintoye (2008), "the application of this definition across countries has been faulted, especially for the purpose of comparison and policy formulation, as countries characteristics are not the same in their commitment to resolving unemployment problems".

### 3. Theoretical And Empirical Review

Various factors account for poverty level and, subsequently unemployment in any economy as a result of different situations in different parts of the world. The difference bothers on different endowment, and resources utilization that exist in different parts of the world, whether a nation is developed or developing. Lack of modernization tendencies, physical limitations, bureaucratic stiffing, dependency of Third World countries and exploitation by local elites in the words of Burley (1993) accounts for poverty in a nation.

Nonetheless, when the ruling class engaged in an endemic type of corruption as it is in Nigeria, to the extent that the entire citizenry lost confidence in their leaders; coupled with a corrupt and battered mindset in an economy, where educational system is relegated to the background; and heart striking unemployment prevail probably due to increased population and enhanced labour force turnout from educational institutions; poverty will be a major guest in such a nation. The condition described by Akinmulegun (2013), as including illiteracy, indebtedness, poor management and lack of credit facilities.

Tella (1997), outlined a number of theories of poverty which include the; the Functional theory; the Capitalist Entrepreneurial theory; the Individual Attribute theory; the National and Circumstantial theories; and the Power theory.

The National and Circumstantial theories identify factors in the matrix of poverty induced equation as the geographical location and the natural endowment of the environment in which person lives, unemployment and old age, and physical disabilities. This better explain the case of Nigeria; even though the nation's natural resources endowment is highly commendable as the nation is well endowed with a huge amount of resources. In addition, the power theory which posits that the structure of political powers in society determines the extent and distribution of poverty among the populace describes more importantly the situation in the nation Nigeria to the extent that a few ruling class establishes and legitimizes an exploitative property system with the use of state power and oppressive indeed. As corruption is rooted in poverty, unemployment has enhanced the spate of poverty with over 75% of the populace caught up in one type of unemployment or the other.

In the words of Kaplan (2002), unemployment can be classified into Frictional, Seasonal, Cyclical or Structural. In his words, Frictional unemployment represents job turnovers as people change jobs, move to different areas, and for other reasons that are generally temporary and voluntary. Seasonal unemployment thus refers to changes in employment that follow recurring patterns all over the years. When these are laid off during the season, the consequential effect is to make the number of unemployed rises and the number of unemployed would need to be statistically adjusted to account for this seasonal changes. This, as argued by Kaplan would prevent needless volatility in the unemployment rate that does not accurately reflect the status of the economy. A mismatch between supply of labour and demand for workers represents what is being referred to as Structural unemployment. This type of unemployment represents the most significant long-term problem for economic policy makers. Individuals who fall into this category have problem finding jobs because of a lack of adequate skills or regional unemployment problems. Thus, unemployment can be occupational, regional or international. Cyclical unemployment on its own becomes the focus of macroeconomic agenda. This unemployment results from fluctuations in the business cycle. Cyclical unemployment rises significantly during economic downturns (recession) and falls during growth phases, both having severe impact on the national rate of unemployment.

On the relationship that exists between unemployment and poverty, various researchers had one time or the other come out with different opinions.

In their empirical findings, Aiyedogbon and Ohwofasa, (2012) employed incidence of poverty as a function of unemployment among others, and thus the results of their study revealed that unemployment has positive determining influence on poverty level among other factors in Nigeria.

In addition, Umaru et al. found a one-way causation between corruption and unemployment, and thus found a link between unemployment and poverty among others, even though they opined that there is no causality between them. They therefore recommend that policy makers should take step to reducing unemployment and poverty.

### 4. Measurement of Unemployment

People who are considered eligible to work are major factor to reckon with in the measurement of unemployment. On the other hand, Labour force encompasses all employed and unemployed people. The age

limit is often regarded as 16 years and above. However, excluded from the labour force are Students, Housekeeper for a working Spouse, those who have given up looking for work, the aged, and others who are considered non-labour force participants. Unemployment rate is defined as the ratio of the number of unemployed to the labour force.

Given schematically as;

$$\text{Unemployment Rate} = \frac{\text{Number of Unemployed}}{\text{Labour f}}$$

Thus, unemployed individuals are those who are actively looking for work or are waiting to return to a job from which they have been laid off.

#### 4.1 Unemployment, Poverty and The Nigerian Economy

Unemployment in Nigeria, particularly in the form of Graduate Unemployment has become endemically pronounced in the last two decades. This situation is due primarily to upsurge in the turnout from the nation's Tertiary Institutions (Universities, Polytechnics and Colleges of Education). Not only this, it is also a result of inelastic labour absorptive capacity of the Nigerian labour market for the service of these graduates (NISER).

Unemployment and Poverty in Nigeria have attracted the attention of various categories of institutions; government, corporate bodies and individual alike. To this end, government in Nigeria over the years had embarked on a number of programmes to eradicate the twin plagues of unemployment and poverty. As such, programmes that featured in Nigeria in the past include; Directorate of Food, Roads and Rural infrastructure (DFRRI ), Better Life Programme ( BLP ), Family Support Programme (FSP), National Directorate of Employment (NDE), Family Economic Advancement Programme (FEAP), Peoples Bank of Nigeria (PBN), Federal Urban and Mass Transit Programme, National Agricultural Land Development Authority (NALDA). Despite the laudable programmes outlined above and the urge scarce resources devoted to poverty alleviation, the level of poverty and unemployment and the general wellbeing of many Nigerians have failed to improve. Obadan (2002), thus referred to the situation as *embarrassing paradox of poverty* in the midst of plenty in Nigeria. In addition, Akinmulegun (2013), opined that all these are as a result of poor implementation of the various programmes in the nation Nigeria. He further stressed that the programmes were ineffective due to the endemic corruption prevailing in the nation especially among the ruling class and the misappropriation of resources of the country.

### 5. Presentation Of Findings

The comparative analysis of unemployment level across some set of nations as at 2002 is as presented in table j below:

**Table j:** Global Rates of Unemployment;

| Country       | % Unemployment |
|---------------|----------------|
| Australia     | 6.3            |
| Britain       | 5.1            |
| Canada        | 7.6            |
| France        | 9.1            |
| Germany       | 9.6            |
| Japan         | 5.2            |
| Spain         | 12.9           |
| United States | 6.0            |
| Euro area     | 8.4            |
| Nigeria       | 11.6           |

**Source:** NBS Annual Abstract of Statistics, 2008; The National Bureau of Statistics (NBS 2010-2011) socio-economic survey of unemployment.

While others are on a decrease since 2002, Nigerian case has been on an increase and in a geometric trend. This is presented in the table ii below also in a percentage form;

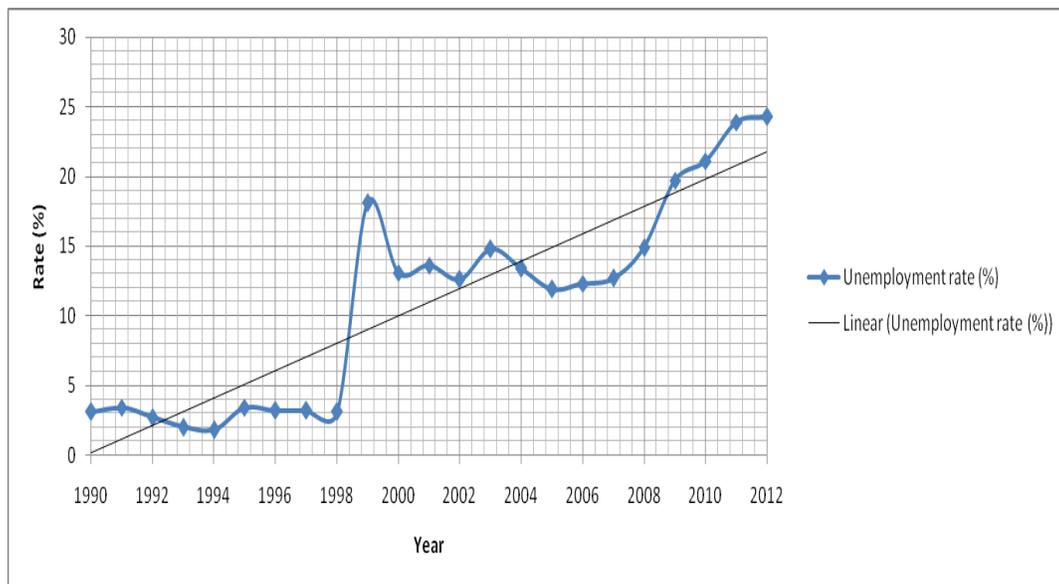
**Table ii:** Percentage of Unemployment Rate;

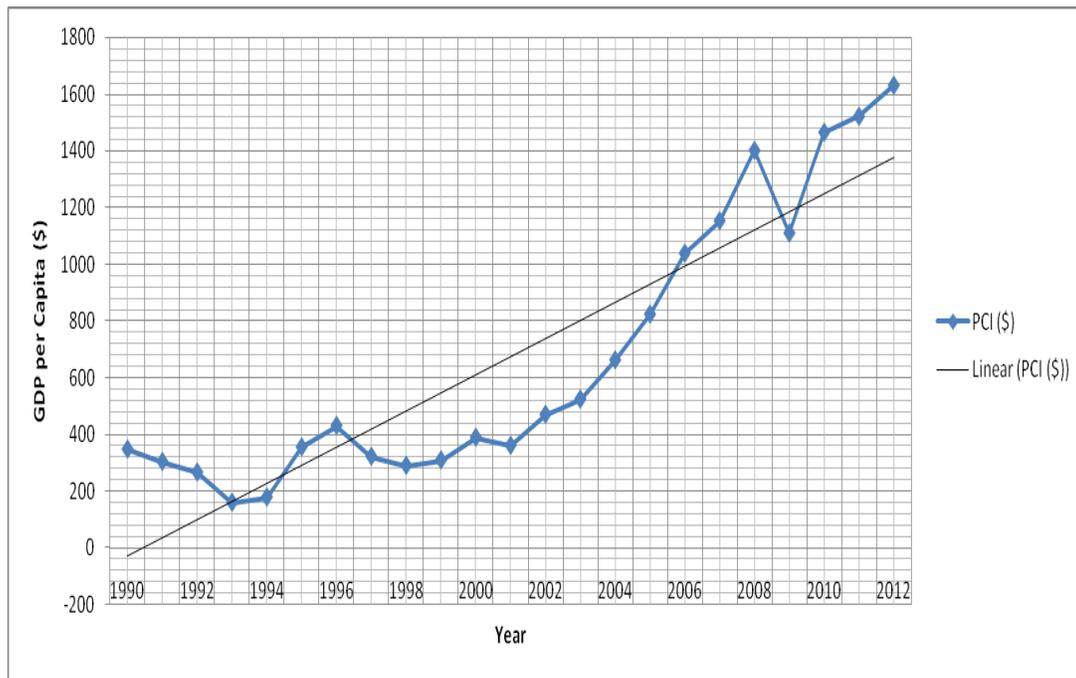
| Year | Percentage of unemployment rate (absolute) |
|------|--|
| 2000 | 13.9                                       |
| 2001 | 13.6                                       |
| 2002 | 11.6                                       |
| 2003 | 14.8                                       |
| 2004 | 13.4                                       |
| 2005 | 11.9                                       |
| 2006 | 14.6                                       |
| 2007 | 12.7                                       |
| 2008 | 14.9                                       |
| 2009 | 19.7                                       |
| 2010 | 21.1                                       |
| 2011 | 23.9                                       |
| 2012 | 24.3                                       |

Source: IMF ([www.economywatch.com](http://www.economywatch.com)) retrieve on16/10/2013.

The above table seems to present an ideal Nigerian situation. However, on-the-spot assessment of situation contradicts this stance, to the extent that employable class that is out of job or could not see job constitutes an outrageous proportion of the populace. People that are even engaged in what can be said to be Uncensored employment (or what other people referred to as Underemployment) in which an employee find himself as a graduate of higher institution doing the job of a lower class. Or better still earning far less than \$2 per day. This emphasized the fact that one can be employed and still be poor. This is the prevalent condition on-the-spot assessment of Nigerian unemployment situation most especially as it affects the graduate unemployment.

**Graphical Comparison of Unemployment and Gross Domestic Product Per Capita**





Source: Author's Computation, 2013.

From the above graphs, we can see that as the Per Capita GDP is increasing so also the level of unemployment is increasing, contrary to the expecting decrease in the unemployment rate as Per Capita GDP increases. This shows that the nation's wealth is in the hands of few and favoured citizens. These are those referred to as exploitative elites. As a result of the above, the growth in Nigeria's GDP has not contributed to the employment generation in the country, thus, the upsurge unemployment level being experience in the nation. **The graduate unemployment rate is presented on regional basis in table iii below as in Eneji et al. (2013):**

**Table iii: Graduates Unemployment Rates 2003 - 2011**

| YEAR | RURAL | URBAN | TOTAL |
|------|-------|-------|-------|
| 2003 | 8.3   | 17.3  | 25.6  |
| 2004 | 12.8  | 25.2  | 38    |
| 2005 | 13.3  | 19.0  | 32.3  |
| 2006 | 13.4  | 18.8  | 32.2  |
| 2007 | 13.4  | 18.7  | 32.1  |
| 2008 | 21.7  | 15.8  | 37.5  |
| 2009 | 19.8  | 19.2  | 39    |
| 2010 | 20.7  | 22.8  | 43.5  |
| 2011 | 25.6  | 17.1  | 42.7  |

Sources: ILO 2010; The National Bureau of Statistics (NBS2010-2011) socio-economic survey of unemployment

## 6. Conclusion and Policy Recommendations

The need to adopt formidable policy framework in tackling the twin menace of unemployment and poverty most especially in the Developing nations of the world and in Nigeria in particular, where they have become endemic cannot be overemphasized. Poverty causes unemployment and vice versa Aiyedogbon and Ohwofasa, (2012), Umaru et al.(2013). When the larger proportion of a nation is poor as it seems to be in Nigeria, Private Participation Programmes (PPP) would be a nightmare. This consequently leads to people

getting poorer. What Obadan (2002) referred to as Paradox of Poverty. The vicious cycle thus completes with greater unemployment as a result of poverty causing poverty as well.

Unemployment in Nigeria, most particularly, graduate unemployment has reached an alarming stage in the last two decades due primarily to an upsurge in the turnout from the nation's tertiary institutions and the inelastic labour absorptive capacity of the Nigerian labour market for the service of University and Polytechnic graduates (NISER).

The study among others found that unemployment is a major cause of poverty in Nigeria. Thus, conforming with our *a priori* expectation and corroborates the findings of both Aiyedogbon and Ohwofasa, (2012). To the extent that poverty also leads to unemployment as a major factor in poverty alleviation; private participation programme in employment generation is affected.

To this end, concerted efforts should be adopted in fighting this menace before they become insurmountable.

The study recommends a structural shift in the macroeconomic policies towards employment generation. In addition, according to Akinmulegun (2013), there is need for greater rationalization of the nation's public parastatals. This will involve private sector in employment generation as it is been done in the advanced nations of the world, the general phenomenon of Private Participation Programmes (PPP), (Akinmulegun 2013).

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