BOOK OF PROCEEDINGS

Biennial Conference on Interdisciplinary Studies

FACULTY OF MANAGEMENT AND SOCIAL SCIENCES

GODFREY OKOYE UNIVERSITY

ENUGU STATE

Chapter Five

UNEMPLOYMENT, POVERTY NEXUS: NIGERIAN STUDY

Okorie, George Chisom
Department of Economics,
Godfrey Okoye University, Enugu State, Nigeria

Agbarakwe, Henry Ugochukwu
University of Port Harcourt Foundation, Port Harcourt, Nigeria

Anowor, Oluchukwu F.
Department of Economics,
Godfrey Okoye University, Enugu State, Nigeria

Abstract
This paper examined the relationship between unemployment rate and poverty incidence in Nigeria. It made use of secondary data for the period of 1980-2013 sourced from major Financial and Social indicators, CBN various issues and Poverty Profile for Nigeria, NBS various issues. Trend graph analysis, Correlation coefficient analysis and Granger causality tests were engaged in the analysis. The results indicated that there was a positive significant correlation between unemployment and poverty in Nigeria. This result was corroborated by the Trend graph analysis which is presented in figure 1. Furthermore, from the Granger causality tests, it was established that unemployment granger causes poverty in Nigeria. The economic implication of this result is that poverty is an increasing function of unemployment. In the light of this finding, the researchers recommend that Nigerian government should intensify efforts geared towards implementation of unemployment reduction policies. This will significantly reduce poverty incidence in Nigeria.
Keywords: Unemployment rate, Nexus and Poverty incidence.

1. Introduction
Nigeria moved into the twenty first century with twin problems of unemployment and poverty. Earlier studies considered these two development challenges separately, but recent and more rigorous analytical insights have shown that the two problems are not as separate as they appear. They can be regarded as siamese twins with unemployment problem being the flip side of poverty and poverty being the flip side of unemployment. To conceive unemployment problem and poverty as twins means that the policy thrust for dealing with one can, to a reasonable extent, be effective in resolving the other. Evidences in Nigeria show that the number of those in poverty trap has continued to increase as unemployment also continued to increase. In 1980 poverty incidence in Nigeria stood at 28% while unemployment rate averaged to 6.4, in 1985 poverty incidence increased to 46% while unemployment rate stood at 6.1%. In year 2000, poverty incidence rose up 74% and unemployment rate rose up to 18.1% and trend in both problems have being increasing with marginal fluctuations in the downward trend

In the light of this relationship, the study is motivated to ascertain the interconnectedness of these twin development problems.

2. Literature Review and Theoretical issues

2.1 Concept of Poverty

Poverty is the multi-dimensional in nature. In general, poverty is commonly defined as a situation of lack of income, or inadequate income to purchase the basic essentials of life such as food, clothing, shelter, education, security and health.

According to Ajakaiye and Adeyeye (2000) poverty can be conceptualized as a function of education, health, child mortality and other demographic variables. Poverty according to them is non availability of income to take care of these parameters. This definition is suitable for the type of poverty called income poverty and income deprivation. It is, however, weak because income is not the only deprivation faced by poor individuals. In addition to the above identified deprivation by Ajakaiye and Adeyeye (2000) is the deprivation of the opportunity to participate in societal events like the village meetings.

In order to take care of this concern, we can simply define poverty as a situation in which an individual is unable because of economic, social, political and psychological capability deprivation to provide for him/her self and family the necessities of life.

2.2 Classification of Poverty

Poverty can be classified based on the following: **Intensity**; here we have Absolute poverty and Relative poverty. **Settings**; here we have Rural poverty and Urban poverty
Absolute poverty refers to a situation where people lack the ability to purchase and the basic essentials of life like food, clothing, shelter (rent), basic education etc. It is also referred to as a condition of destitution or extreme/abject poverty (Umo, 2007)
Relative poverty, on the other hand refers to a situation in which an individual provision of goods and services is lower than that of others. This means that in this case one's poverty situation is compared with others. Therefore, relative poverty has more to do with income inequality amongst people, regions and nations.
Rural Poverty is characterized by poor material condition, low level of education, lack of infrastructures, poor health condition, underemployment, low investment and high out-migration. Urban Poverty on the other hand is characterized by environmental degradation, overcrowded accommodation, low per capita income, and other problems associated with urban areas such as Slums, ghettos and shanties (Rogers, 1998)

2.3 Causes of Poverty

The causes of poverty are complex. This is so because of mutual casualty of many of the various factors impinging on poverty.
According to Obadan (1997) some of the causes of poverty among which are: Inadequate access to employment opportunities, Inadequate physical assets, Inadequate access to markets, Destruction of natural resources, Lack of power to participate in design of development programmes, Inadequate access to assistance for those living at the margin

2.4 Concept of Unemployment

One of the most striking policy dilemmas in developing economy like Nigeria is that of unemployment. The International Labor Organization (ILO) defines the unemployed as numbers of economically active population left who are without work but available for and seeking work,

including people who have voluntarily left work (World Bank, 1998). Although there seems to be convergence on this concept, its applications have been bedeviled with series of problems across countries. First, most published unemployment rates are recorded open unemployment. People's attitude on this varies from country to country. While this may be high in developed countries and where government is committed to resolving unemployment problem, it is likely to be very low in countries with opposite attitudes.

2.4.1 Classification of Unemployment

Unemployment can be classified based on causes which impede the full utilization of human economic skills or potentials. Some of the classifications of unemployment include; frictional unemployment or search unemployment, structural unemployment, cyclical unemployment or demand-deficient unemployment.

i. Frictional Unemployment

Frictional unemployment is the kind of unemployment that arises basically because of imperfect job information for both seekers and employers. Therefore, the time lag before a desired matching of the "right worker" to the "right job" will inevitably bring about frictional unemployment. Again, in Nigeria, this type of unemployment can also be attributed to the existence of "spatial friction". This refers to the fact that distance can pose a problem of labour mobility.

ii. Structural Unemployment

Structural unemployment is the type of unemployment that occurs due to changes in pattern of labour demand and supply of labour. Therefore, this kind of unemployment refers to loss of jobs brought by changes in the structure of the economy. Such a structural change may be traced to a decrease in demand for a particular item. Structural unemployment can also be traced to technological change. For example, the use of computer for word processing or desktop publishing has rendered the skills of typist and stenographers obsolete and, therefore create unemployment for them.

iii. Cyclical Unemployment

Cyclical unemployment is the type of unemployment associated with the downturn of the business cycle. The basic cause of the business cyclical unemployment is a fall in aggregate demand or reduced level of total spending in the economy. The effect of a reduction in total expenditure is that the level of investment is low and industries contract instead of expanding. Consequently, many workers are laid off while new entrants into the labour market find it extremely difficult to get jobs.

2.4.2 Causes of Unemployment in Nigeria

There are several factors that account for high rate of unemployment in Nigeria. The first is demographic. Not only is the aggregate population increasing at a fast rate, but also the proportion of the youths (ages 15 – 24) in total population is growing, a phenomenon not usually observed in the rest of the world. The second factor pertains to increased expansion in the school enrolment, with a consequent increase in school leavers seeking jobs (African Employment Report, 1988). Other factors are policy- related and they are relevant to the extent to which such policies affect the pattern of development takes place and its capacity to generate jobs. Therefore, policies relating to land

tenure, taxation, wages, education, technology etc have important bearing because they either promote or hamper employment generation.

According to Onwioduokit (2006) the larger unemployment problem can be attributed to high rates of population growth, sluggish economic growth, the inability of whatever growth takes place to generate a commensurate proportion of jobs, and the lack of both supply and demand sides of the labour market; hence, any strategy for solving the unemployment problem must take due account of them. It is now well established that growth, while necessary, is not sufficient to expand employment. In other words, it has to be a labour-intensive growth.

Accelerated growth of population on Nigeria's unemployment problem is multifaceted. First, it affects the supply side through a high and rapid increase in labour force, relative to the absorptive capacity of the economy. Second, the increase in the number of children in the population implies a serious burden on the rest part of the population, as there is a high dependency ratio. Other supply-side factors include what is termed inappropriate school curricula and the lack of employable skills (Hollister and Goldstein, 1994).

3. Empirical Analysis

In this segment, attempt is made to examine the relationship between unemployment and poverty. The study adopts the methods of trend graph analysis, correlation coefficient analysis and Granger causality tests analysis between unemployment and poverty in Nigeria. Economic theory postulates that there should be a positive relationship between unemployment and poverty showing that the higher the unemployment rate the higher the poverty incidence. Both the correlation result reported in Appendix 1 showing positive significant relationship between unemployment rate and poverty incidence in Nigeria and the Trend graph are theory-consistent. Furthermore, the Granger causality test in Appendix 1 showed that unemployment granger causes poverty in Nigeria. The graphical presentation of this relationship is presented in figure 1 below.

Figure 1: Unemployment Rate & Poverty Incidence Trends
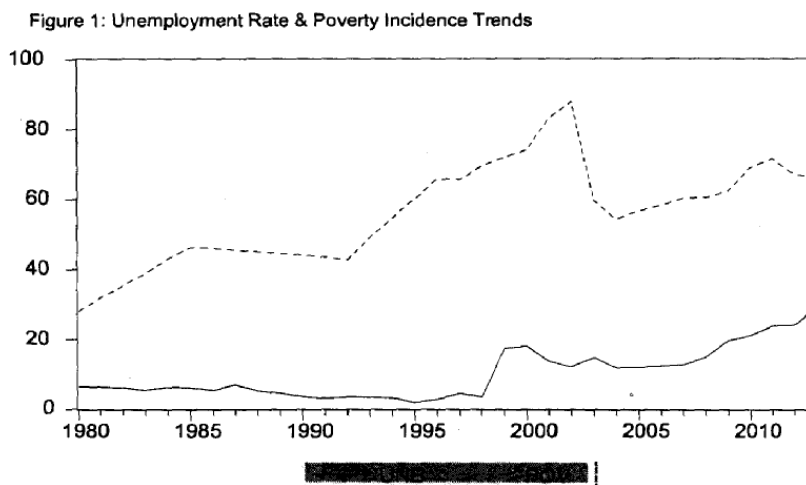
4. Conclusion

Both unemployed population and high poverty incidence constitute a growing proportion of the Nigerian population. This study has established a positive and significant correlation between unemployment and poverty. This result is inconsonance with development theories which have acknowledged the nexus between unemployment and poverty.

Thus, the result of the study must be taken with caution. The researchers are of the opinion that reduction in unemployment will significantly reduce poverty incidence in Nigeria. To that effect, recommend that Nigerian government and her agencies should intensify efforts geared towards implementation of unemployment reduction policies.

References

Ajaikaye, D and Adeyeye, V. (2001): "Concepts, Measurements and Causes of Poverty" CBN Executive Seminar, Ibadan.

Holister, R. and Golstein, M. (1994): Reforming labour markets in Near East, International Center for Economic Growth.

ILO (1998): African Employment Report, International Labour Organization; Geneva.

NBS (2000): National Bureau of statistics various years.

Obadan, M. I. (1997): *"Analytical Framework for Poverty Reduction: Issues of Economic Growth versus other Strategies "* The Nigerian Economic Society 1997 Annual Conference.

Okpara, G. C. (1998): *Methods of Data Analysis for Researchers (A Statistical and Econometric Approach).* Printed by WillyRose & Appleseed Publising Coy, Abakiliki, Ebonyi state, Nigeria.

Onwioduokit, E. A. (2006): *Character of Unemployment in Nigeria and its Links with the Macroeconomy.* The Nigerian Economic Society. Printed in by Daily Graphics Nigeria Ltd., Nigeria.

Rogers, E. M. (1998): *Social Change in Rural Societies: An Introduction to Rural Sociology.* Prentice Hall, New Jersey.

Umo, J.U. (2007): *Economics: An African Perspective.* Published by Millennium Text Publishers Limited.

World Bank (1998): *World Development Indicators.* The World; Washington DC

Appendix 1

Correlation Matrix

	UNE	POV
Pearson correlation Sig (2-tailed) UNE N	1.0000 34	0.5620* 2.042 34
Pearson correlation Sig (2-tailed) POV N	0.5620* 2.042 34	1.0000 34

*Correlation is significant at 0.05 level (2-tailed)

Pairwise Granger Causality Tests

Date: 03/16/16   Time: 14:48
Sample: 1980 2013
Lags: 4

Null Hypothesis:	Obs	F-Statistic	Probability
UNE does not Granger Cause POV	30	6.97368	0.00098
POV does not Granger Cause UNE		1.12799	0.37017

Appendix 2

Figure 1: Unemployment Rate & Poverty Incidence Trends