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Socio-economic impact of graduate unemployment on Nigeria and the vision 20:2020

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Abstract

The main research question for this study is; what is the relationship between social policy, economic development, education, and the level of unemployment in the Nigerian economy? This study contributes information to employers, investors, policy makers, labor planners, academicians, employees and the job seekers. We attempt to evaluate the impact of the high level of unemployment in the country on Nigeria's Vision 20:2020. The methods of analysis include graphs, tables, pie charts, percentages and multiple regressions; combining primary and secondary data. Nigeria's Vision 20:2020 will not be entirely smooth sailing in the 8 years ahead, as there are many aspects of the Vision parameters including employment that have failed to live up to people's expectations. Rural-urban development is imbalanced; rich-poor gap is yet to be bridged. It is difficult for the unemployed and farmers in many poor areas to receive good medical services and education. This absolute poor population has not yet shaken off poverty in preparation for 2020. Many of them even have no land to farm. Their lives should be made meaningful and bearable by 2020. We recommend agriculture and tourism as Nigeria's priority sectors for employment creation. Our recommendations also include entrepreneurship, infrastructure construction for both rural and urban geography, stable polity, maximum security, sound education and health systems, international partnership, as well as regional economic, social and political integration.

Keywords: Rural infrastructure, Agriculture value-added, Financial crisis, Non-oil Exports, Higher education and entrepreneurship

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1. Introduction

Nigeria's Gross Domestic Product (GDP) growth rate, according to the National Planning Commission, (NPC, 2009) is estimated at 6.5 percent. The country's population growth rate is 2.5 percent, while high level of infrastructure deficits and limited employment growth are major constraints to socioeconomic development of Nigeria. There has not been any significant improvement in the standard of living of about 70 percent of Nigeria's population for more than a decade due to these constraints. The Nigerian economy is growing without appreciable employment opportunities for its teeming population, which has serious socio-economic consequences. The growth in crude oil revenue in Nigeria is accompanied by relatively limited employment growth, and deteriorating education standard. Graduates are intelligent and creative people with the ability to think critically (Gareth, 2011), and who compete for job in the domestic and global labor market places. Graduate unemployment imposes socio-economic costs; it is a waste of manpower resources, the investment in education and training is unused. This study defines graduate unemployment to include graduates of universities and polytechnics who are capable and willing to work but could not find a job or are discriminated for lack of experience. In this category also includes graduates who have never worked, those who have lost their jobs and seeking re-entry into the work force, and those who are underemployed or under disguised unemployment. They constitute about 60% of the Nigeria labor supply market. They belong to the "active poor"; active because of the immense youthful energies at their disposal, and are poor because they are either jobless or have jobs that pay less than is adequate for decent living (Uwem and Ndem, 2012). Many of them live on less than \$2 dollar a day. They are forced by the circumstances to work under poor, insecure and precarious conditions in the informal economy.

Many studies have focused on unemployment (Dabalén and Adekoka, 2000), youth unemployment (Uwem and Ndem, 2012), higher education and the demand for manpower (Ugwonah and Omeje, 1998), Labor market distortions, (Godwin and Johnson, 2012). This study singles out the graduate unemployment in Nigeria for critical analysis and emphasis on the socio-economic implications. Studies such as Folayan (1979), Fajana (2000), Diejomaoh (1979) show that unemployment in Nigeria was not a serious problem before and after the civil war (1967-1970). What was noticeable as at then was a temporarily gap between searching for job by graduates and processing job applications by employers. Medical doctors, engineers, lawyers, economists, accountants, lecturers etc were in short supply. There was shortage of skilled manpower. Expatriates were taken to fill some technical and professional jobs, (Civil Service Report, 1981; 1982). However, the trend has changed greatly from the late 1970s till date with the establishment of private universities, more federal universities, and polytechnics to satisfy the nation's education aspirations. The numbers of universities and polytechnics have grossly increased 107 universities in 2012, and also the Polytechnics to 92, and their curriculum expanded. However, the quality of graduates still needs to be restored and even improved from what it used to be. There is a lag in production and the resulting output in the economy. Consequently, there is the need for strong institutional, organizational and economic structures to complement Nigeria's rich natural resources. The enrollment and turn-out of graduates have exploded annually without corresponding changes in the structure of the Nigerian economy. Explosion in the number of higher institutions and the turn-out of graduates is not peculiar to Nigeria. Globally, higher education grew

massively, but uneven in most countries of the world throughout the 20th century. Rapid growth in the 1920s was followed by a decade of stagnation in the 1930s.

Growth resumed after the Second World War and accelerated in the 1960s and early 1970s. There was a decade and a half of stagnation in the late 1970s, and 1980s, followed by more fast growth in the 1990s and the early of the 21st century. High growth rates in higher education result in rapidly increasing number of graduates trying to find jobs in economies that are unable to offer them, resulting in a cyclical fluctuation in labor demand compared to labor supply. Private higher education sector is expanding most rapidly in Latin America and Asia, such as in Mexico, Brazil, Chile, Indonesia and Malaysia. In Russia, there were about 450 private universities in 2010, compared to effectively none in 1990. In Poland, in 1990, there were 112 higher education institutions, nearly all public, but in 2010, these were supplemented by 195 private institutions, (Gareth, 2011). OECD figures show that in most of the world's wealthy countries, the percentage of the population undertaking higher education has grown by 20% in the present century. In developing countries and emerging economies, the growth has been even faster. In China for instance, by 2007, total enrolment at higher education has risen to as high as 25 million, 3.5 times higher than in 1997 (Wu and Zheng, 2008). China has the largest education system in the world, and it is also experiencing high rates of graduate unemployment (Douglas, 2010; Zhou and Lin, 2009). Figures released by the manpower ministry in Indonesia show some 1.15 million unemployed graduates nationwide, too many graduates emerge without marketable skills (Jardine, 2009). Graduate unemployment is also linked to the state of the world economy. The general global employment situation is hard, especially following the economic and financial crisis from 2008. Over 30 years of rapid growth, the People's Republic of China still faces enormous pressures to create jobs and absorb large numbers of rural surplus labor, migrant workers and urban lay off and unemployed people (Li and Luo, 2008). The left-behind population in China's rural areas included 20 million children, 20 million elderly people and 47 million wives (Ye, 2009; Ye and Ye, 2005). China had about 230 million migrant workers in 2009, of whom about 145 million hunted for jobs outside their home provinces (NBS, 2010). The prospect of unemployment looms everywhere, in America, Europe, Asia, Africa etc. The unemployed are not able to take care of themselves and their families. Unemployment, low productivity, poverty and outmigration of labor are mounting pressures, working for the promotion of rural development. Rural unemployment has become an urban problem. Apart from representing a colossal waste of the country's manpower resources, unemployment generates welfare loss in terms of lower output thereby leading to lower income and well-being (Akinboyo, 1987; Raheem, 1993).

For every graduate, finding a decent job is a milestone towards self-reliance, and contributing to poverty reduction, social stability and sustainable development. One would have assumed that graduates stand a better chance to be gainfully employed than people with secondary school education. However, the growing rate of graduate unemployment puts a big question mark on the economy and the education system. According to (Ashimuneze, 2011), about 20% of Nigeria's unemployed are very poor, but are well educated and skilled, even by European and American standards. Nigeria exports far more skilled labor and trained intelligentsia than it attracts which is not healthy for self-reliance and socio-economic development. The economy should be massively diversified towards labor-intensive industries to realize more employment. Full employment will impact high productivity, increase national competitiveness in terms of penetration of world

markets, since it indicates optimal capacity utilization of human and material resources. Such a situation will reduce unemployment, increase income, improve the standard of living, and socio-economic development. According to the Year Book of Labor Statistics (1984; 1985; 1986), the world recession of 1980s was a major cause of unemployment in Nigeria. The Labor Decree 1974 (19) protects older employees from being laid off in a situation of redundancy. As labor management tried to cut down the size of the workforce, they adopted the policy of last-in-first-out coupled with the ban on recruitment. This exerted negative impact on the fresh graduates. Besides, the structure of the Nigerian economy has not achieved significant diversification. Industrialization and manufacturing have insignificant contribution to the GDP (see regression data in the appendices 1).

2. Causes of graduate unemployment

Economic recession and government policy can cause unemployment. According to Keynes (1936), “the level of employment in a modern economy was determined by three factors; the marginal propensity to consume (income that people chose to spend on goods and services), the marginal efficiency of capital (the rates used to see whether investments are worthy), and the rates of interest”. The distortions in the economy: instability of prices, inflation, deflation, unemployment and the fluctuations in economic activity giving rise to it, could be restored by government involvement and spending. The effective demand associated with full employment is a special case, only realized when the propensity to consume and the inducement to invest stand in a particular relationship to one another. According to the neoclassical theory, given flexible wages, the labor demand and supply could adjust itself to clear the markets, leaving only voluntary unemployment. However, there was little evidence that neither wage levels nor ‘rigidities’ on their own could be the reason for so much of the employment change that has occurred in Nigeria. Karl Marx uses the distinction between economic base and social superstructure. Relatedly, Marx’s method rests upon the materialist conception of history which claims that people make their own lives in their productive activity, creating a class distinction between the “haves” and the “have nots”, (Napoleon, 1972).

Professor A.C. Pigou in his theory of unemployment (1934) makes the volume of employment to depend on the real rates of wages and the real demand function for labor. These two fundamental factors interplay in the market to determine equilibrium employment, assuming there is no involuntary unemployment. The Keynesian revolution in economic theorizing is a pointer to inevitable economic and social change and the failure of the self-regulating market system to stabilize undesirable circumstances as evident in the post-second World War period, during the Great Depression. Poverty and unemployment are undesirable circumstances that majority of Nigerians involuntarily find themselves and should be redressed. As noted by Keynes (1936), changes in the rate of investment can shift the volume of employment, thus a change in unemployment. Involuntary unemployment is possible, as evidenced during the great depression. Against the popular view of the orthodoxy (classical economics), Keynes showed that it is possible for economies to go into a depression where the various factors of production were not used to achieve optimum economic configurations. Keynesian analysis makes clear that state planning and regulation to secure full employment

is compatible with the political concerns of liberalism for the freedom of the individual. However, fiscal indiscipline and corruption have landed most developing countries in Africa in deficit financing with negative multiplier effects on the aggregate economic activities. The abuse and the misuse of state resources by some state executives, is a painful circumstance that draws the marginalized and the vulnerable into vicious cycle of unemployment and poverty (See Figure.3.1). Nigeria witnessed this especially during the military regimes and beyond. The World Bank (2012) links high youth unemployment in Sub-Saharan Africa particularly to poorly conceptualized, inadequate, and ill-delivered technical and vocational education and training. Some countries implement measures to promote and support self-employment in their technical and vocational education and training. Canada, Netherlands, Portugal, South Korea, Finland, Spain, and Norway are good examples. ILO (2011) estimates youth unemployment at 29% in Sub-Saharan Africa, 10% in North Africa and 35% in the Middle East. Also 89% of the youth labor force is in developing countries with Asia taking the lead with 55%. The national unemployment rate of youths in Nigeria is 23.9% (SPC, 2012; NBS, 2011; Uwem and Ndem; 2012). Many students graduate in areas that may not apply directly anywhere, making it difficult for employers to consider them employable. Some of the graduates also work in occupations that do not correspond to their qualifications. Higher education has increasingly failed to guarantee good and stable jobs.

However, while there is an army of unemployed graduates, there are still vacancies in skill-intensive and high technology jobs, hence, the employment of expatriates.

Table 2.1. National unemployment rates 2003-2011

YEAR	UNEMPLOYMENT RATES
2003	14.8
2004	13.4
2005	11.9
2006	14.6
2007	12.7
2008	14.9
2009	19.7
2010	21.4
2011	23.9

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

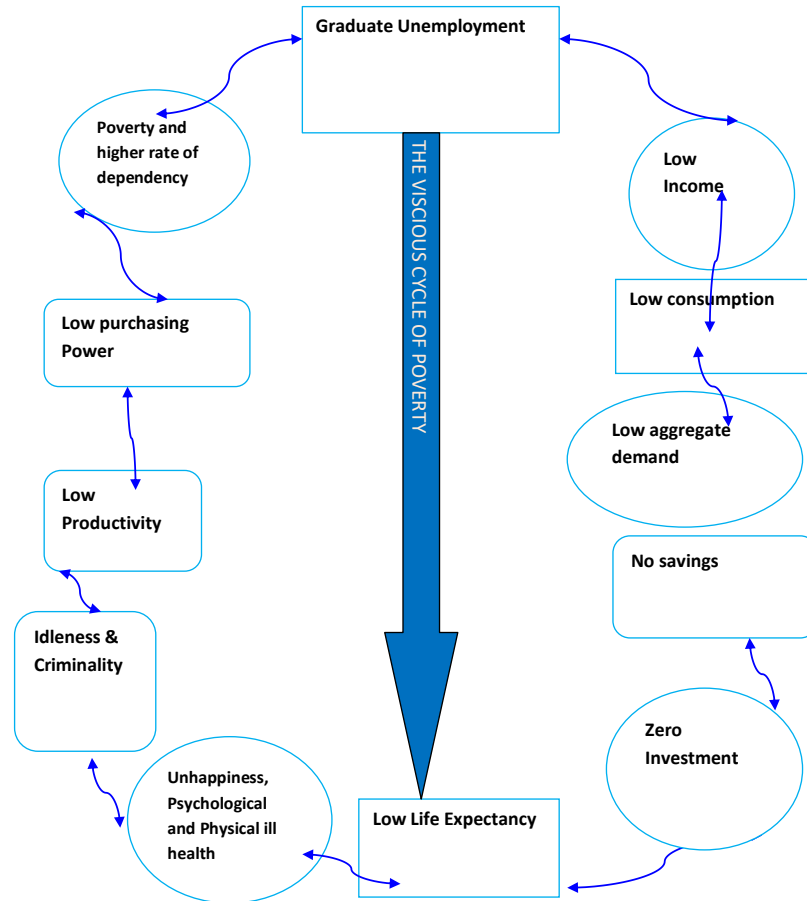


Figure 3.1. The vicious cycle of graduate unemployment, source (Constructed from field Survey, 2011)

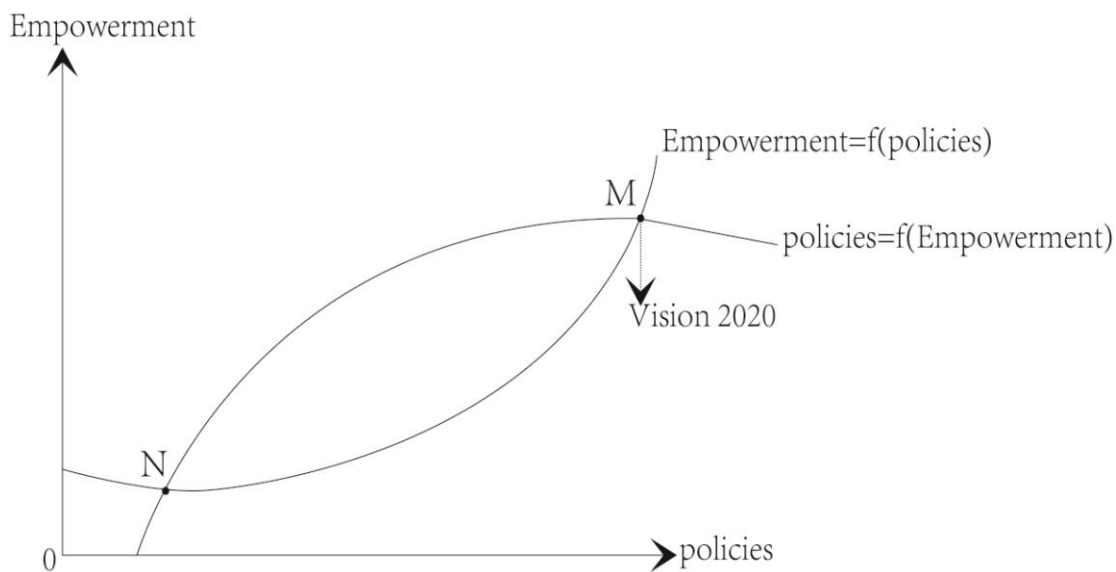
One of the major problems is the uneven distribution of infrastructure between the urban and regional geography, such that graduates are not motivated to stay in the villages and rural areas and to be self-reliance. They all migrate to the cities in search of white-collar jobs. Many graduates consider agriculture as an inferior source for gainful, long term employment. Urban unemployment is worse than the regions, because after completing their compulsory one year National Youth Service Scheme (NYSC), the graduates are crowded, jobless in the urban squalor. This has created multiple socio-economic problems in the cities and the regions, very vulnerable to criminality. Unemployment has severe social, economic and psychological consequences on the graduates, their families and the nation. After the graduates have failed to find suitable jobs to their qualifications and training, they resort to any kind of job in the informal sector. Aggregate consumption, production, savings and investment are negatively impacted as shown in Figure 3.1. The unemployed graduates also suffer social loss of responsibility, identity and respect.

Dabalen et al. (2000) say it is perhaps the most difficult challenge getting accurate data on unemployment and labor market information in Nigeria. The informal sector exists along side with the formal sector, and most hiring and firing decisions by firms are normally undocumented and uncoordinated. Another factor is

the ethnicity and discrimination by some unscrupulous, sit-tight office holders which makes recruitment extremely secretive and unannounced. Vacancies were filled before they were announced, without competition, test of qualification or efficiency. Consequently, most of employment-related data are collected through secondary means which lack accuracy or by direct interview, questionnaire survey which some unemployed hide their identity due to the stigma associated with unemployment. Some people who claim they are employed are not in decent jobs; however, this is difficult to differentiate since they also earn income.

3. Socioeconomic impact of unemployment on Nigeria’s vision 20:2020

As shown in the Figure.3.2, the adoption of pro-poor policies depends on the empowerment of the poor; their empowerment in turn depends on the adoption of pro-poor policies. Here, there are two levels of equilibrium. Nigeria is operating within the low level of equilibrium “N”. The equilibrium at “M” has a high degree of empowerment and the policy environment is markedly pro-poor. The opposite holds at equilibrium “N”. Nigeria needs more pro-poor policies and more people empowerment to get from “N” to “M” in her vision 2020. The country’s pro-poor policy strength lies in agriculture and tourism sectors where she has comparative and competitive advantages.



Figures 3.2. Equilibrium of policies and empowerment for vision 20:2020

The dual political-economy equilibrium of policies and poor empowerment can have positive or negative multiplier effect; depending on how pro-poor is the policy. The Vision 2020 is an economic transformation

blueprint of the government (NPC, 2009). Nigeria's Vision 2020's intent is to position Nigeria to become one of the top 20 economies in the world by the year 2020. It is to be achieved through linking the objectives of the National Economic Empowerment & Development Strategy (NEEDS 2004-2007), to launch Nigeria into a path of sustained economic development (Ezrim et al., 2010). The key parameters of this Vision 2020 are: agriculture, health, education; (competent manpower and employment), manufacturing, infrastructure, stable democracy, and a globally stable, competitive macro economy. In our analysis, Vision 20:2020 can impact on Nigeria's unemployment situation and unemployment if not urgently treated could impact negatively on the Vision 20:2020.

4. What are the key lessons for Nigeria?

Underinvestment in cocoa, oil palm, rubber, cotton, cassava, cashew, pineapple, rice, groundnut and other cash crops has worsen the unemployment situation in Nigeria. Agriculture and rural development strategy can curb rural-urban migration. Lessons from other countries are useful here, in China for instance, rural and particularly agricultural growth reduced inequality and poverty within both urban and rural areas, as well as between them (Ravallion and Chen, 2007). It will be hard for Nigeria to attain the "Vision 2020" without addressing squarely the problem of unemployment, poverty, inequality and the mono-product economy structure. High unemployment rate (Table 3.1) in Nigeria is the bane of social policy, it is widening inequality. It is certainly inhibiting growth and poverty reduction efforts. High inequality is a double handicap (Martins, 2009). Depending on the sources of inequality; notably how much comes from inequality of opportunity, it means lower growth and that the poor share less in the gains from that growth. Nigeria must adopt pro-poor policies in order to attain her vision. The extent of adoption of pro-poor policies depends on the degree of empowerment of the poor people. The policy reform campaigns of the government cannot be fully realized without reaching a minimum level of pro-poor empowerment. Once this minimum level is reached, Nigeria's reform can be rapid. Pro-poor reforms will create empowerment (jobs) for the poor, by raising their command over economic and political resources and household consumption demand, thereby enhancing their influence over policy.

Table 3.1. 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

From the data presented in Table 3.2, the absorptive capacity of Nigeria labor market has remained very weak and relatively inelastic as reflected in the registered unemployed and total placement.

Social policy has a direct impact on agriculture, education, health and unemployment. Take government policy on infrastructure for instance, investment in infrastructure stimulates economic activities which generates employment. Improvement in infrastructure such as roads, railways, electricity, communication, water, housing, health and education infrastructure implies a reduction in unemployment. NISER (2010) in a situational analysis found the causes of unemployment in Nigeria which include; managerial incapability, effort duplication, unaccountability, low quality of training inputs, inadequate funding, policy inconsistency, poor governance, unwieldy scope of programs and ineffective targeting of beneficiaries.

Nigeria is presently underutilizing its manpower capacities, relative to its potential for significant development. Similarly, Nigeria's capacity to employ its own population seems to have diminished progressively, despite the country's abundant resources. The graduates are turned out at geometric progression, while employment grows at arithmetic ratio, oil revenue figures does not translate into job creation for the poor.

Table 3.2. Labor statistics 2007-2011

Year	population	Labour Force	Employed	Unemployed	Newly Unemployed	Economically Active
2007	144,925,607	59,294,283	51,763,909	7,530,374	463,323	81,448,191
2008	149,563,227	61,191,700	52,074,137	9,117,563	1,587,189	84,054,533
2009	154,349,250	63,149,835	50,709,317	12,440,517	3,322,954	86,744,278
2010	159,288,426	65,170,629	51,224,115	13,946,515	1,505,997	89,520,095
2011	167,912,561	67,256,090	51,181,884	16,074,205	2,127,691	92,384,738

Source: NBS/NCC GHS 2009, CBN Annual Reports, 2010, 2011

Unemployment is not peculiar to Nigeria. In the analysis of unemployment, the International Labour Organization,(ILO,2011) explained that "between 2008 and 2010, unemployment rates among developed nations jumped from 8.8 percent to 12.5 percent for people with less than high school education; and from 4.9% to 7.6% for people with only a high school education. For those with equivalent of university degree or more, the jobless rate went from 3.3% to just 4.7%". Educational funding appears to have a strong relationship with the quality of university education, and a negative relationship with unemployment. Countries that have highest education expenditure as a percentage of the Gross Domestic Product (GDP) such as the United States, Canada, Australia, South Korea, Japan, and Britain, have lower rates of graduate

unemployment. Statistics on educational attainment, graduation rates, GDP per capita and unemployment rates also were provided by the OECD (2010; EPI, 2012).

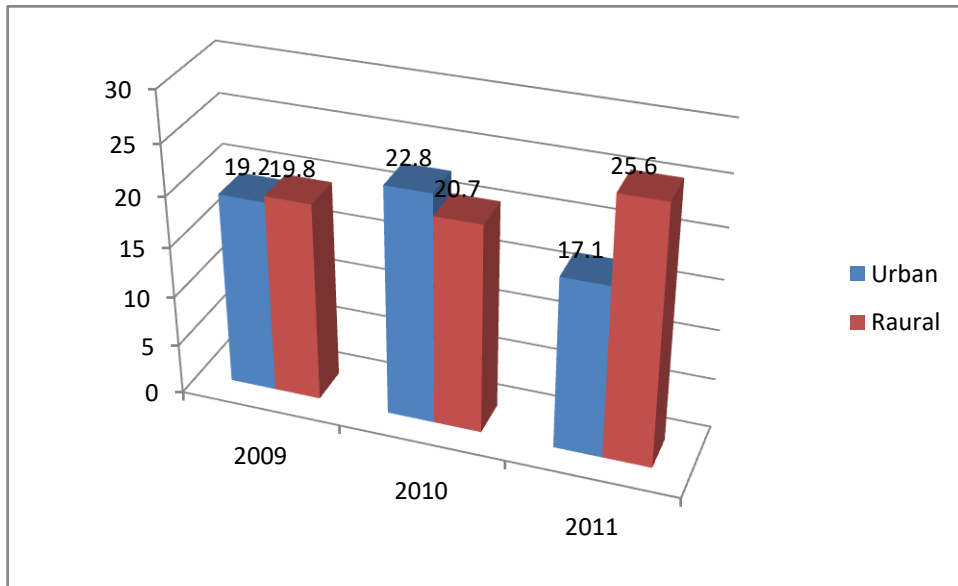


Figure 3. Rural and urban unemployment rates 2009-2011

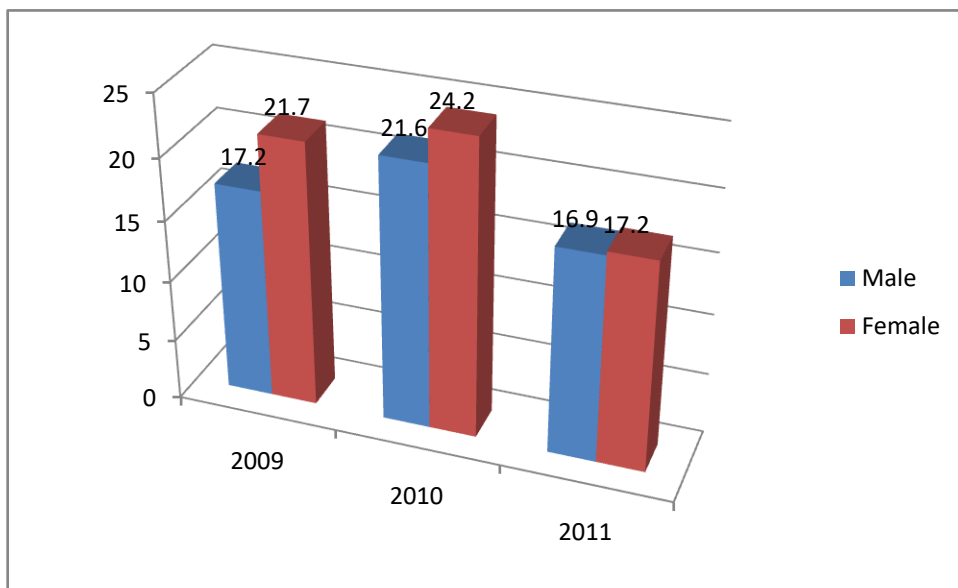


Figure 3.2. Male and female unemployment rates

World Bank, (2012) emphasizes on targeting small agricultural systems through new and innovative public-private partnerships, increased public investments in research and extension systems and development- oriented local governance and institutions. According to Ezrim et al, (2010), "emphasis should be on developing cooperatives, farmer associations, business associations and scientific organizations explicitly supporting the needs of small scale agricultural producers and entrepreneurs to capture and add value to on-farm, post harvest and off-farm enterprises".

Nigeria's former military rulers failed to properly fund higher education and diversify the economy away from its overdependence on the capital-intensive oil sector, which provided 95% of foreign exchange earnings and about 80% of budgetary revenues (CIA Report, 2012; Oreopolous et al., 2012). A 2009 publication on the state of graduate unemployment in Nigeria has information that close to 64 million youths were unemployed or underemployed in the country. The same document had also noted that in 2008, only 10% of graduates of universities and other institutions ever got paid employment in the country. The sophisticated cases of kidnapping, fraud of different dimensions, armed robbery, 419, political jobbers, and several others are not unconnected with poverty and unemployment. The frustration, arising from the situation, can propel youths to vices such as prostitution, cultism, armed robbery, drugs and child trafficking, kidnapping, hostage taking and a host of others.

Agriculture, which is the comparative advantage of the Nigerian economy belongs to the non-oil sector, and has always performed far below optimum since the commercialization of crude oil in Nigeria. Among the causes of unemployment in Nigeria include policy inconsistency, duplication of programs, economic and social mismanagement, poor state of infrastructure, insecurity, low foreign direct investment (FDI), dearth of manufacturing, corruption, capital flight, and ineffective targeting of beneficiaries. The technical education curriculum has not practically encouraged entrepreneurship, self-reliance and self-employment. Many of Nigeria's graduates are still searching and waiting endlessly for government employment, under the "illusion that the government owes one a job and a living." This illusion has led to frustrated demand for decent jobs. The graduates should shift their "mindset from being someone else's staff to becoming their own bosses. They should demonstrate entrepreneurship, creativity, ingenuity, and innovativeness, and to collaborate and start small ventures of their own. The agricultural sector has provided huge opportunity in cocoa, rubber, cassava, rice, palm oil and sugar plantation potentials across the country. The private sector and non-governmental organizations should rather take the lead in employment generation. Many foreign companies are certainly interested in setting up industries in Nigeria, given the country's abundant natural endowments. However, insecurity of lives and investment, ethnic and religious conflicts and political uncertainties are some factors that hinder such initiatives. Safety and security should be serious government responsibilities in Nigeria as it is in the United States of America, Europe and East Asia.

Several thousands of young able bodied men and sometimes, women who daily hawk call cards on Nigeria roads or operate motorcycle are qualified for decent jobs. The graduate unemployment situation is traceable to the declining quality of education, caused by inadequate funding, insufficient and out-of-standard learning materials, poorly trained staff, irrelevant curricula and inadequate information on job vacancies, (Godwin and Johnson, 2012). Most of the departments and colleges do "recycled teaching" that lacks practical and innovation content. Theory is emphasized at the expense of practical. Many teachers and students are yet to

be familiar with computerization and information technology. There is dearth of qualified academic staff due to brain drain. Also, ethnicity and job discrimination have contributed to the negative employment situation in the country.

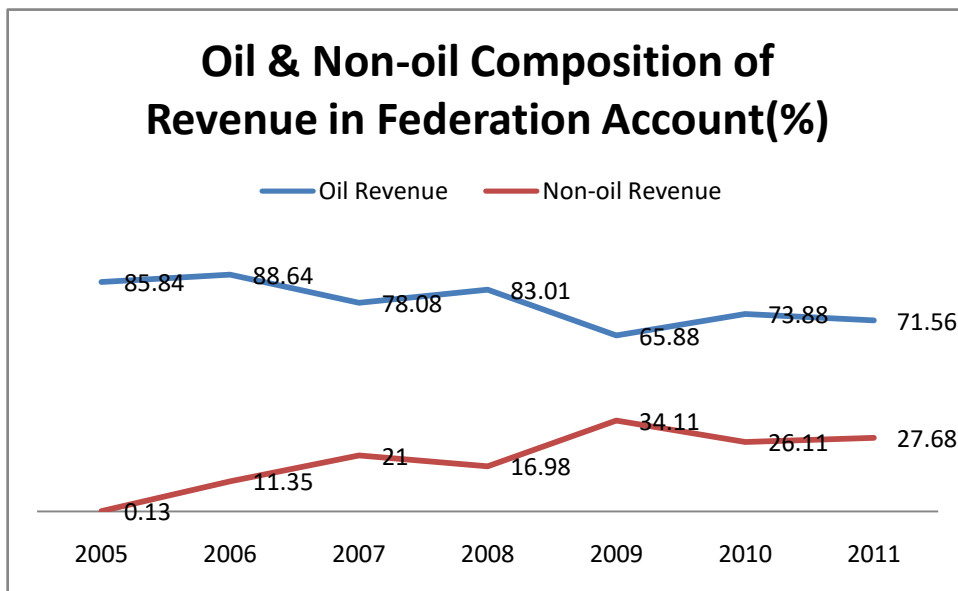
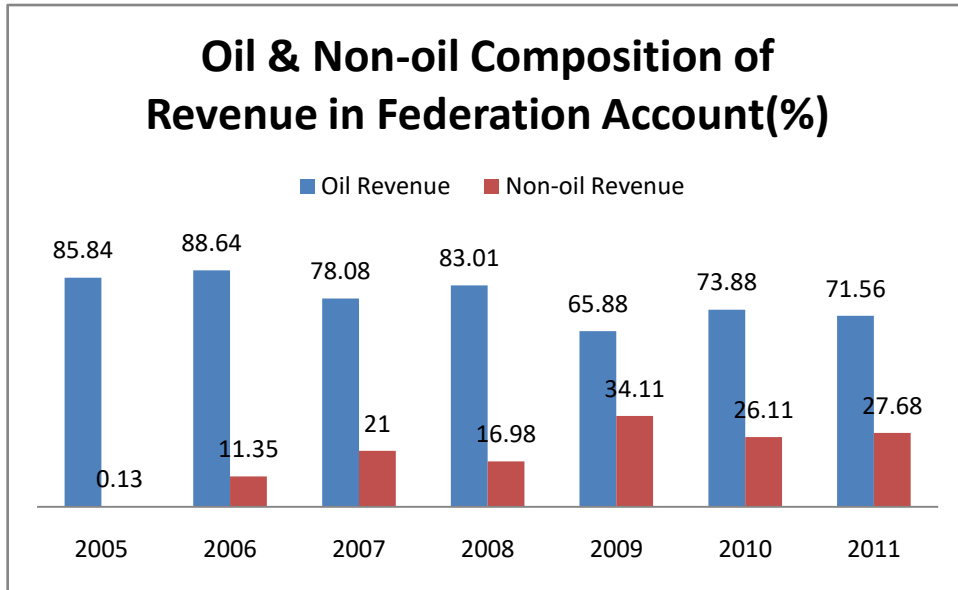


Figure 3.3 (a,b). Oil & non-oil composition of revenue in federation account (%)

However, Government is demonstrating political will. Nigeria's democracy is becoming more stable, there are comprehensive market-oriented reforms. The Nigerian banking system has been modernized. There has been increased lending to Small and Medium Scale Enterprises (SMEs) at low interest rates. There are signs of improved fiscal management and increased transparency. Infrastructure delivery, election, the rule of law, public-private partnership, agriculture and power (energy) has been the focal points of government reforms in a bid to attain Vision 20:2020. The tracking down of Boko Haram, the success of the Amnesty Program in the Niger-Delta initiated by late President Umaru Musa Yar'adua, the cooperation of MASSOP, BAKASSIB, and OPC and the understanding of AREWA, the Christians and the Muslims will make Nigeria investors' destination. This will create more jobs in the long run. The idea of politics being the dream job should be discarded, because actually politics is not a job, it is a call to service. Government should make politics less lucrative and give more incentives to entrepreneurship.

5. Methods

The main research question for this study is; what is the relationship between social policy, economic development, education, and the level of unemployment in the Nigerian economy?

This study uses both secondary and primary data. Secondary data sources are the National Bureau of Statistics (NBS), the Central Bank of Nigeria (CBN). International Labor Organization (ILO), the National Institute of Social & Economic Research (NISER), The Nigeria Chamber of Commerce & Industry (NCCI).

The multiple regression equation is of the form:

$$EMP = f(NO, AGRIC, MANU, FDI, EXEDU) \quad (1)$$

where:

NOE= Non-oil Exports as percentage of GDP

AGRIC= Percentage contribution of Agric Sector to GDP

AVA= Agricultural Value-added

MANU= Manufacturing Capacity Utilization and its percentage of GDP

EMP= Employment (dependent variable)

EXEDU= Expenditure on Education as percentage of GDP

FDI= Foreign Direct Investment as percentage of GDP

We transformed the model in equation into regression form thus:

$$X = \Phi_0 + \Phi_1 NOE + \Phi_2 AGRIC + \Phi_3 MANU + \Phi_4 FDI + \Phi_5 EXEDU + \ell \dots (2)$$

Table 4.1. Regression results

Dependent Variable: EMP				
Method: Least Squares				
Date: 11/14/12 Time: 09:26				
Sample: 1990 2011				
Included observations: 22				
	Coefficien			
	t	Std. Error	t-Statistic	Prob.
	-			
C	31.23358	20.09194	-1.554533	0.1396
NOE	2.179707	1.541884	1.413664	0.1766
AGRIC	0.909569	0.535637	1.698107	0.1088
	-			
MANU	0.247564	2.070105	-0.119590	0.9063
FDI	0.392776	1.072184	0.366333	0.7189
EXEDU	0.396876	0.555343	0.714650	0.4851
R-squared	0.274568	Mean dependent var		8.572727
Adjusted R-squared	0.047870	S.D. dependent var		7.156228
S.E. of regression	6.982842	Akaike info criterion		6.951790
Sum squared resid	780.1613	Schwarz criterion		7.249347
	-			
Log likelihood	70.46969	Hannan-Quinn criter.		7.021885
F-statistic	1.211164	Durbin-Watson stat		1.008230
Prob(F-statistic)	0.348354			

Foreign Direct Investment (FDI) is the sum of equity capital, the net inflows of investment as shown in the balance of payments (BOP). It also includes reinvestment of earnings, other long-term and short-term capital investment to acquire a lasting management interest in enterprises operating in the Nigerian economy. Manufacturing capacity utilization and its percentage of GDP has been too weak to generate the desired jobs in the Nigerian economy. The regression sum of squared ($R^2=0.274568$), which is the goodness of fit of NOE, AGRIC, MANU, FDI, and EXEDU for the dependent variable (EMP), shows that these independent variables have only contributed about 27% to economic growth and employment drive in the country. In other words, it means that the Nigerian economy has been under-performing due to the factors that are responsible for unemployment which are mentioned in this study. The coefficient of the constant term $C = -31.23358$ is a confirmation to this fact. The a priori statistical, economic and econometric expectations for the coefficients of the constant term and the independent variables are neither zero nor negative. This means that when the mentioned independent variables are performing at near full capacity, employment increases towards full employment. They should expectedly have positive relationship with employment, and negative relationship with unemployment. At the 5% level, none of the variables measured in this regression results was statistically significant as shown in the t-statistic (column 4).

Trade liberalization and other terms of economic liberalization (promoted by WTO) have led to reductions in trade protection and to a more liberal world trading system. A case in hand is the Nigeria textile industry, where trade has destroyed a substantial percentage (40%) of domestic jobs in this industry (Eneji et al., 2012). Excessive dependence on imports and uncontrolled taste for foreign goods and services is responsible for Nigeria's domestic capacity underutilization, budget deficits and unemployment at home. There is huge import substituting opportunities in Nigeria's agricultural value-added and foods industry.

Imported foods like frozen fish, canned meat, rice, semovita, canned vegetables, edible oils, sugar, tobacco, biscuits, bread, etc, which Nigeria has huge production potentials can create jobs if infant industry protection and import substitution policies are seriously implemented. Unfavorable political and economic climate coupled with insufficient power supply are industry and employment constraints. Unclear economic laws and insufficient aggregate demand have worsened the unemployment situation. Budget deficits to GDP have been financed by monetary expansion, which has inflationary consequences and also draws down on foreign reserves. Bitter lessons from Greece, Spain and other failing economies call for fiscal restraint. High imports, with huge amount spent on petroleum subsidy have resulted in Nigeria's unmanageable public debts. Employment is also negatively affected by excessive imports as it depends on capacity utilization and aggregate demand. The Cocoa rebirth program (2005) introduced by former President Olusegun Obasanjo need to be encouraged and replicated in groundnut, cotton, cassava, rubber, palm oil, sugar etc with emphasis on value-added production across the industry. It is important to have an effective Agricultural Rural Empowerment Scheme. Nigeria does not need to import wheat or semovita, given the huge cassava and corn potential in the country.

6. Results from primary data and discussion

We administered 500 questionnaires to fresh graduates of the University of Jos and the University of Calabar. Parts of the respondents are also the unemployed who registered with an Abuja-based Non-Governmental

Organization (NGO) known as Youth Empowerment for Impartation and Change (YEFIC). The results are sorted, classified and analyzed as presented in Table 4.2.1.

Table 4.2.1. Causes of graduate unemployment

Reasons/Ratings	5	4	3	2	1	Eva
Policy Inconsistency	51.3%	22.5%	11.5%	10.6%	7.2%	4.094
Economic and social mismanagement	54.2%	22.4%	11.8%	6.6%	5%	4.142
Poor state of infrastructure	50.6%	22.5%	15.4%	8.3%	3.2%	4.09
insecurity	45.5%	20.6%	15.3%	10.4%	8.2%	3.848
Low FDI	40.2%	35.2%	12.3%	7.2%	5.1%	3.982
Corruption	55.2%	30.6%	7.8%	3.8%	2.6%	4.324
Brain Drain	16.4%	28.3%	32.3%	15.2%	7.8%	3.303
Faulty Vocational and technical education	25.6%	26.2%	10.9%	13.6%	23.7%	3.596
Dearth of manufacturing	35.4%	45.4%	7.2%	7%	5%	3.992
Ineffective target of beneficiaries	41.6%	22.8%	10.6%	15.6%	7.4%	3.696
Efforts Duplication	35.3%	15.2%	22.3%	14%	13.2%	3.454
Global economic crisis	25.4%	22.8%	20.8%	15.6%	15.4%	3.272

5= most important factor. 1= remote factor

Eva=Evaluation.

Source: Field Survey 2012

Unemployment undermines human dignity for the graduates, exacerbating poverty, inequality, and sprawling life cycle disadvantages, as well as retarding national productivity. The costs of the crisis of unemployment are very high; it causes economic and social insecurity, worsening income poverty.

Developing strong national strategies for graduate's empowerment through quality education, infrastructure and social policy for unemployment support will curb the consequences.

Table 4.2.2. Rural development indicators in support of self-employment

Indicators/Rating	Very high-	Higher	High	low	Very low	Average
Affordable & reliable energy sources	5%	10%	8%	30%	47%	1.96
Access to clean drinking water	15%	20%	30%	20%	15%	3
Value-added agriculture chain	-	15%	10%	50%	25%	2.15
Access to healthcare	10%	20%	25%	40%	15%	3
Sports & recreation facilities	-	10%	20%	50%	20%	2.2
Access to transportation & housing infrastructure	5%	5%	20%	20%	50%	1.95
Access to formal bank credits/microfinance	5%	15%	20%	28%	32%	2.33
Access to national market	10%	16.8%	22.9%	30.3%	20%	2.665
Access to modern agricultural technology	-	10%	20%	40%	30%	2.1
Access to television, network& ICT	-	15%	18.3%	40.8%	25.9%	2.224
Microenterprise projects	5%	10.1%	15.2%	30.4%	39.3%	2.111

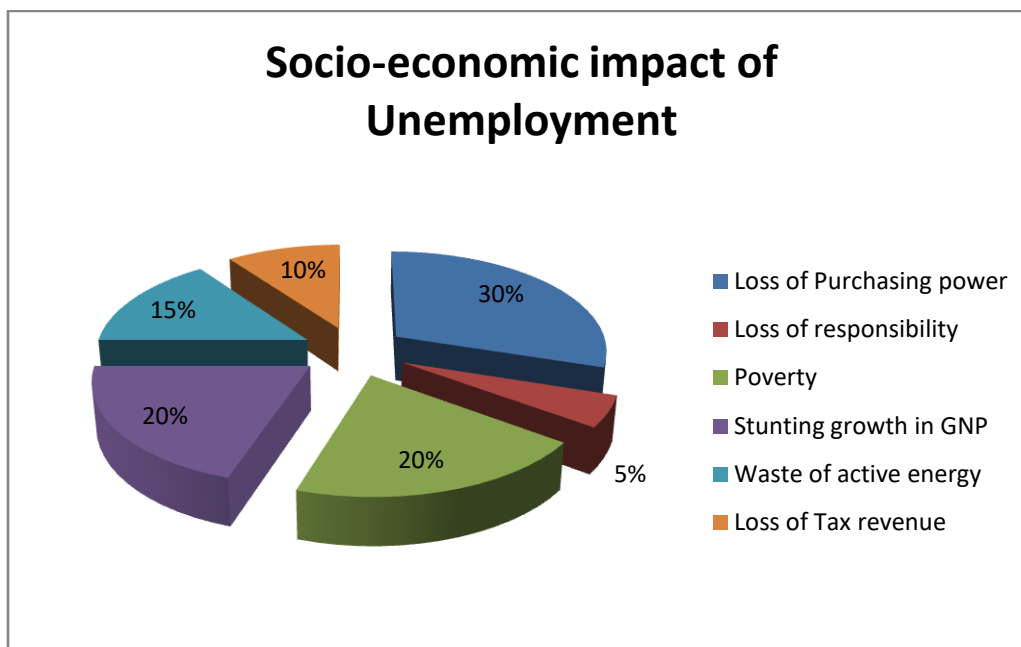


Figure 4.1. Pie chart of unemployment in Nigeria

The socio-economic impact of graduate unemployment is more severe, given that the traditional African culture of being “your brother’s keeper” is eroded. In the traditional African culture, the concepts of brother, father, mother, sister, uncle etc were extended beyond their English meanings to accommodate all family members bonded associates and kinsmen (Uwem and Ndem, 2012). However, the notions of scarcity, thrift and greed popularized largely by the received capitalist ideology and its narrow “commonsense” of profit and competition have engulfed the African culture and broken down the social mechanisms of self-help, community efforts, which the African governments have not been able to replace with viable social security network as it is in the developed countries. Many poor, unemployed are suffering in silence.

Unemployment causes premature death resulting from criminality, incapacitation, stroke, hypertension, malnutrition, diabetes, vehicular accidents and all the tragedies associated with poverty. Facing the pressure to earn income and survival, the unemployed engages in risky and sometimes immoral jobs. Besides, poor quality of graduates is partly due to poor funding of education and low number of qualified teachers. Most of the best brains leave the country to Europe, North America, and East Asia for these reasons. After completing their postgraduate studies in these continents, they remain there on paid jobs. They do not return home to give back to their own system. Brain drain or human capital flight becomes a cause of unemployment and also a result of unemployment. Ogundeowole (2002) attributes unemployment in Nigeria to bad government. Unemployment in Nigeria has caused wide rural-urban migration, worsening the disparities between the two regions. The population of idlers in Lagos, Abuja, Kano, Calabar, Port Harcourt etc is alarming. The unemployed migrate to these cities with the hope of getting jobs; since the economic and social structures in their various hometowns are poor, 5-6 years later; they still do not find decent jobs (see Table 4.2.3).

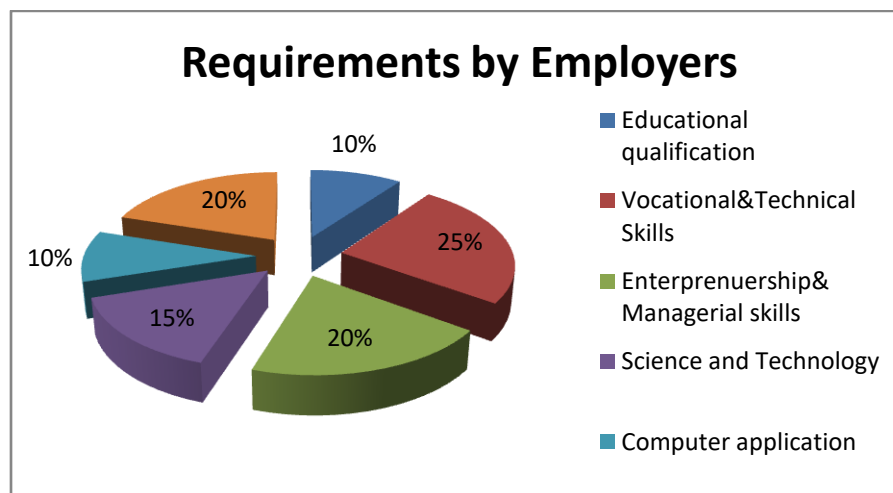


Figure.4.2. Requirements by employers

In the communication skills, graduates with excellent analytical and communication skills in English, French, German, Japanese or Chinese stand a better chance to be globally marketable.

Table 4.2.3. Change in physical and social infrastructure in 40 poor villages in Plateau and Nasarawa States (%)

Indicators	1999	2004	2008	2011
Villages with electricity access to total villages	16.5%	19.8%	20.4%	22%
Villages with telephone access to total villages	4.8%	15.6%	40%	60%
Villages with post access to total villages	10.7%	18.4%	25.6%	40%
Villages with motorable road access to total villages	5.21%	10.2%	15%	20%
Villages with drinkable water access to total villages	11.6%	13.5%	20.6%	22%
Villages with cable radio access to total villages	20.23%	33.3%	38.4%	41.8%
Villages with TV transmission access to total villages	1.84%	4.7%	5%	10%
Villages with kindergartens to total villages	12.5%	15.84%	18%	25.7%
Villages with primary schools to total villages	20.6%	23%	25.09%	40%
Villages with clinics to total villages	5.14%	9.5%	20%	22.8%
Villagers with no clinics, but with qualified birth caring doctors	6.5%	8.58%	10.5%	15.7%

Source. Field Survey, 20011

Farmers' income: Taking a critical view of regional development based strategy for poverty reduction, it is necessary to look at the performance in terms of regional development variables that can affect farmers' income. It is obvious that farmers' income are too low, there are no incentives and motivation for graduates to stay in rural areas, or take up farming as a descent self employment. The provision of rural infrastructure listed Table 4.2.3 will not only affect farmers' income but also the profitability of farming.

20% of the graduates interviewed have very poor, old parents who have invested their life savings to see their ward through graduation, hoping that the young graduate would find a decent job and assume responsibility over the family. 30% of the graduates got married before or during the National Youth Service Corps (NYSC). Bearing children before finding a job increases their social and economic responsibilities, thus increasing the burden of unemployment.

Opportunities exist in the agricultural sector which is Africa's comparative advantage. Many of the graduates in related fields can be encouraged with soft loans to go into fish farming, cattle rearing, mushroom farming, bee/honey farming, cassava farming and processing, rabbit farming, poultry, rice farming etc all in commercial quantity, well packaged for domestic consumption and exports. 90% of the graduates (for OND, HND, Bachelor, and Masters Degrees) are youths in the age bracket 20-35 years. They are active, with vigor, and the energy to contribute to national productivity.

The overriding concern is how to grow output and reduce unemployment. Amidst the tight unemployment market, employers are demanding for several years of working experience from fresh graduates or potential candidates. While the fresh graduates need the job to gain experience, employers need the experience to give the job. However, the Nigerian government in 2012, has introduced Employment Tax Relief (ETR, 2012), where companies income tax (exemption of profits) order, 2012 for any company with a minimum net employment of 10 employees of which 60% are employees without any form of previous experience after graduating from school. The major hope for the economy at the moment is policy support aimed at stimulating growth in the non-oil sector in recent times.

7. Discussion

In a related study by Elegbede (2006), employment of expatriates was seen as one of the causes of unemployment in Nigeria. However, we find that expatriate jobs play a complementary role in the economy, where Nigerian professionals and experts are absent. Their presence can be used for technology transfer to indigenous labor. The employment of expatriates in technological and professional jobs is not the cause of unemployment in Nigeria. Rather, their employment plays a complementary role in the economy, where there are no qualified Nigerians for such positions. Government failures, corruption, tribalism, weak policy implementation, ethnic and religious conflicts, but not employment of expatriates, are the causes of graduate unemployment in Nigeria. Ethnic and religious conflicts have destroyed jobs, especially the insurgence of the Boko Haram in the North.

Globalization and technological innovation have had a profound impact on labor markets all over the world. Disappointing employment performances are often associated with global trend in economic downturn. Employers are adjusting employment requirements coupled with high technological drive of their organizations in response to tougher global competition in a competitive market. Hence, the graduates' unconventional way of reading to pass examinations without ICT broad-base and vocational, critical thinking skills does no longer fit in. The education curriculum needs to be more dynamic, pragmatic and innovative, especially equipping graduates with skills required in science and technology, agricultural high technology

and manufacturing sector. Employers require graduates to have, apart from certificates, practical problem-solving skills appropriate for job fulfillment. Other attributes include technical and managerial skills, excellent personal and social skills, communication and analytical skills (NUC, 2004; Bankole, 2002; Ofari-Sarpong, 2002; Kahn, 2010). Low education quality feeds into poor workplace learning capacity. Studies by Anyanwu and Iloeje (1998) found that graduates who seek employment in the telecommunication sector do not possess the basic skills, as revealed by a major employer in the sector. Other graduates who were later employed were found to be poorly trained and unproductive on the job, technically and professionally unsatisfactory and poor in oral communication skills. Intensive post employment training of these poorly turn-out graduates increases labor cost to the employers and lowers organization's profits. According to Ugwuonah and Omeje (1998), graduates in systems analysis and in electronics data processing were especially doubtful of their training. Incessant strike actions in the tertiary institutions by the academic and non-academic staff unions, coupled with poor research funding of the higher institutions of learning were the major causes of graduate underperformances at jobs. Political uncertainty breeds economic crisis and unemployment as the necessary FDI are crowded out of the economy. The economic environment was unstable in an uncertain democracy. Politicians who play ethnic and tribal politics even make things worse. Politicians have used their ethnic, party and religious affiliations as a tool for election campaign, as seen in the print media. This sends negative message to prospective investors about the stability and security of the political economy. These have negative impact on FDI, national productivity and employment. A strong connection between the government, academia, industries, and NGOs is needed to make the educational system more skill-oriented, entrepreneurship-friendly and easy to find related jobs. Also, an effective unemployment support system where the unemployed graduates are financially supported is needed. By so doing, education curriculum will be in tune with macroeconomic policies and employers' demands. Also, the quality of education and political factor has affected the aggregate growth rate of the economy, job creation and job destruction patterns. Structural factors remained crucial; lack of economy diversification, manufacturing and oil sector dominance are primary causes of unemployment. They have negative employment impact.

8. Recommendation

Unemployment Insurance Benefits and social security system should be taken into serious consideration. There should be high-level, strategic international diplomacy about Nigeria's image so as to attract FDI. Investments in Nigeria are more selling and profitable than before, as the democracy stabilizes. Government should settle the problem of insecurity and poor state of infrastructure. The Ministry of Labor and Productivity should ensure that all employment in the country is based on merit without any prejudice or sentiment. We also recommend economy diversification, promotion of manufacturing, agricultural value-added, international trade and Foreign Direct Investment (FDI). Nigeria's rich natural and cultural heritage can profitably fertilize the hospitality sector of the tourism industry across the six geo-political zones. There is need for "job clinics" and job fairs culminating to effective dialogue amongst the public sector, private sector, graduates and Non-Governmental Organizations (NGOs). We also recommend private sector job

initiatives and self employment initiatives as remedies to graduate unemployment. Presently, there is a mismatch between higher education, skill set and labor market demand in the country, therefore the education curricular needs to be revised especially at high school and higher education levels. Government at all levels should develop stronger public-private partnerships for roads, agriculture, health care and electricity. We also recommend higher institutions' exchange programs for students and teachers, international research collaboration and partnership. University partnership with industry, science and technology parks, business and research councils as in Japan, USA, Britain, Canada, Australia, South Korea etc would enhance the quality of education; make it more practical and employer-oriented. The content of the curricula of higher institutions of learning needs further revision and implementation, in line with domestic and global labor market demands. Admissions to higher institutions of learning must shift from the quota system and be based strictly on merit. The libraries, laboratories and research workshops need to be fully equipped and upgraded, creating room for innovation. We recommend full implementation of industrial, innovation and entrepreneurship policies. National policies and technological trends are much more important determinants of employment than politics. ICT-based activities will have a positive impact on growth and jobs. Investment in physical and human capital. FDI plays a key role in technology transfer, industrial restructuring and the creation of jobs.

Strategic alliance between small producers and agribusiness, intensify scale of national R&D efforts, improvement in national innovation systems and research capacity building in agriculture value-added chain. Widespread access to sound basic education and healthcare will complement economic growth. Wider access to Universal Primary Education (UBE) and quality Junior and Senior Secondary School (JSS&SSS), with science and technology innovation focus. The objective is to produce quality graduates that would compete favorably in a competitive global economy and getting high-wage jobs after graduation. Universities should partner with the private sector development initiative to enable students create and apply knowledge throughout the learning process. The public-private partnerships (PPPs) can create jobs. Building the technical, vocational, entrepreneurial, managerial and scientific capacity of the graduates to solve the country's pressing social and economic problems. The graduates should have the capacity to solve, impact and transform their societies and also have a positive impact on the standards of living and quality of life of the poorest strata of society. Social policy that better reduce the socioeconomic impact of graduate unemployment, contribute to poverty reduction, social inclusion, free and fair competition for jobs by young graduates are also recommended. Nigeria needs rural reforms and increased investments in rural infrastructure, agricultural research and development (R&D).

Nigerians are the "engine room" of the West African economy. Arbitrary political geography fixed by colonial partitions is fostering ethnically diverse, heterogeneous and geographically dispersed population which Nigeria must carefully manage to foster cohesion, Bakassi is an instant example. Greater national and regional political cooperation, market integration, inter-country transportation, electricity and communication infrastructure development are very urgent. Nigeria needs a railway connecting Cameroun and also Benin Republic, as it also needs peace in Mali. Nigeria must continue to fine-tune the political and economic climate in order to attract FDI and trade consistent with the country's comparative advantage.

Regional peace and stability in Cameroun, Ghana, Niger, Mali, Guinea, and Benin etc is a priority for Nigeria. The economic advantages will include employment generation across the borders.

9. Conclusion

The interdependence of economies world-wide is such that global economic fluctuations or crises have the possibilities of impacting on domestic employment. Graduate unemployment challenges are not peculiar to Nigeria. However, the size and causes differ from one country to another. The Nigeria case differs because of the vast potentials to create jobs existing without the appropriate supportive system. Nigeria should use crude oil revenues to build a diversified economy, equip her citizens with technical skills and the legal framework that guarantees their certainty and encourage private entrepreneurship. Beyond equipping its people, the proposed review of the Nigerian constitution should ensure that citizens are guaranteed a minimum standard of living.

The vision of sustainable development can only be attained by generating employment, especially for the graduates of Universities and Polytechnics. Overdependence on the petroleum sector cannot guarantee the required job for the teeming graduates, besides, certain global market forces might lead to a drop in the demand for crude oil and its products in the nearest future. Nigeria should borrow a leaf from other countries, like Germany, which had over three million Small and Medium scale Enterprises built on individual entrepreneurship and the government provides them with the right framework to ensure their success. Also, the higher institutions of learning need to teach graduates employable skills. There is considerable need for attention to infrastructure, education and employable skills, agriculture and the food chain, due process, security, law and order. By the time Nigeria solves its internal development challenges by itself, it will indeed be a great nation, but whether this vision is attainable by 2020 is still uncertain given the litany of socio-economic challenges at the moment.

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Appendices

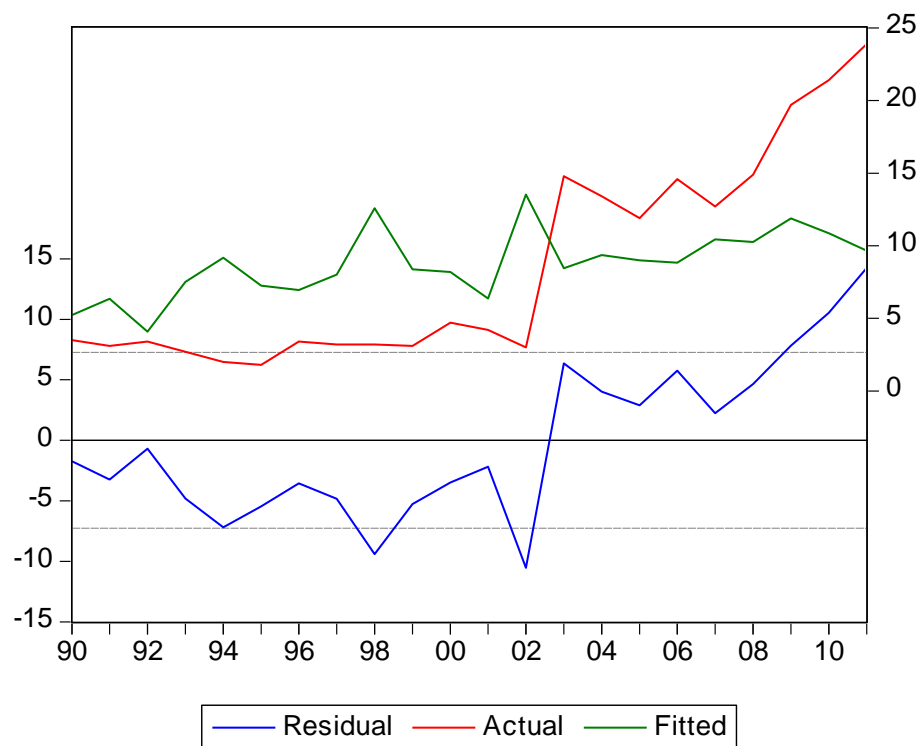
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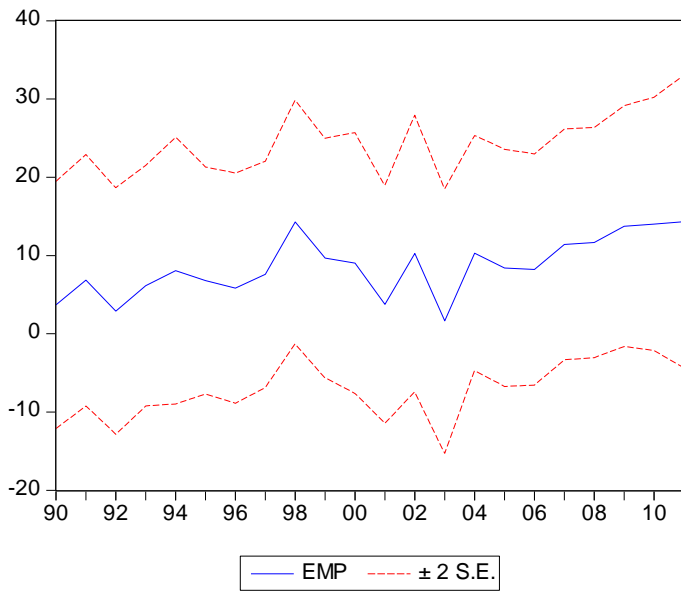
Year	NOE (% of total Visible Exports)	AGRIC (% of GDP)	MANU (% of GDP)	FDI% of GDP	EXEDU (% of GDP)	UEMR
1990	2.96	31.52	5.49	2.06	0.89	3.50
1991	3.84	32.97	6.05	2.61	0.47	3.10
1992	2.05	32.92	5.65	2.74	0.10	3.40
1993	2.28	32.96	5.38	6.30	3.23	2.70
1994	2.59	33.70	5.29	8.28	2.68	2.00
1995	2.42	34.19	4.91	3.84	3.46	1.80
1996	1.78	34.12	4.75	4.51	3.91	3.40
1997	2.34	34.60	4.63	4.25	4.37	3.20
1998	4.53	35.00	4.19	3.27	8.96	3.20
1999	1.63	36.69	4.32	2.89	9.9	3.10
2000	1.27	35.83	4.24	2.48	12.55	4.70
2001	1.44	32.09	4.18	2.48	6.88	4.20
2002	5.43	27.22	3.79	3.17	11.55	3.00
2003	3.06	25.65	3.63	2.96	6.58	14.8
2004	2.46	36.60	3.68	2.13	7.41	13.4
2005	1.46	36.19	3.57	4.44	6.76	11.9
2006	1.82	34.60	3.91	3.34	9.22	14.6

2007	2.39	36.49	3.79	3.64	9.48	12.7
2008	2.43	36.98	4.02	3.96	8.54	14.9
2009	3.46	37.06	4.17	5.08	6.98	19.7
2010	3.59	38.66	4.16	2.99	5.36	21.4
2011	4.88	34.83	8.02	6.82	6.45	23.9

Source: CBN Annual Report 2010, CBN Statistical Bulletin, 2010-2011, World Investment Report, 2012

- Regression residual and unemployment forecast from the regression results





Forecast: EMP	
Actual: EM	
Forecast sample: 1990 2011	
Included observations: 22	
Root Mean Squared Error	5.954988
Mean Absolute Error	4.955945
Mean Abs. Percent Error	103.7931
Theil Inequality Coefficient	0.292125
Bias Proportion	0.000000
Variance Proportion	0.312343
Covariance Proportion	0.687657