

HUMAN CAPITAL DEVELOPMENT AND UNEMPLOYMENT IN NIGERIA

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**A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES IN
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FEBRUARY, 2021

ACCEPTANCE

This is to attest that this thesis is accepted in partial fulfillment of the requirements for the award of the degree of Doctor of Philosophy (Ph.D) in Economics in the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota.

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DECLARATION

I, AFOLAYAN, OLUFUNMILAYO TOPE (14PAF00827) declare that this research was carried out by me under the supervision of Dr. Henry Okodua of the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota and Prof. Hassan Oaikhenan of the Department of Economics and Statistics, Faculty of Social Sciences, University of Benin, Benin City, Nigeria. I attest that the thesis has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this thesis are duly acknowledged.

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CERTIFICATION

We certify that this thesis titled “**Human Capital Development and Unemployment in Nigeria**” is an original research carried out by **AFOLAYAN, OLUFUNMILAYO TOPE (14PAF00827)** in the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria, under the supervision of Dr. Henry Okodua and Prof. Hassan Oaikhenan. We have examined and found the work acceptable as part of the requirements for the award of the degree of Doctor of Philosophy (Ph.D) in Economics

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DEDICATION

I dedicate this thesis to the Glory of GOD Almighty, the Alpha and Omega, one who was, is and forever will be. HE alone knows the end right from the beginning. All Glory, Honour and Majesty belong to the Most High.

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LIST OF ABBREVIATIONS

ARDL	Autoregressive Distributed Lag
CBN	Central Bank of Nigeria
CIA	Central Intelligence Agency
EG	Economic Growth
ED	Economic Development
FOS	Federal Office of Statistics
GDP	Gross Domestic Product
GEE	Government Education Expenditure
GHE	Government Health Expenditure
GNP	Gross National Product
GRAD	Graduates' Turn-Out
HC	Human Capital
HCD	Human Capital Development
HCI	Human Capital Investment
HDI	Human Development Index
ILO	International Labour Organisation
IMF	International Monetary Fund
LAC	Labour Absorptive Capacity
NBS	National Bureau of Statistics
NISER	Nigerian Institute of Social and Economic Research
OECD	Organisation for Economic Cooperation and Development
OLS	Ordinary Least Squares
SAP	Structural Adjustment Programme
SSA	Sub-Saharan Africa
UN	United Nations
UNDP	United Nations Development Programme
UnE	Unemployment
UNESCO	United Nations Educational, Scientific and Cultural Organisation
VECM	Vector Error Correction Mechanism
WDI	World Development Indicators
WHO	World Health Organisation

ABSTRACT

Unemployment has remained persistent in Nigeria, despite government's efforts at developing human capital through the rising school enrolments. This study examines human capital development and unemployment in Nigeria, while accounting for the relevance of measures of some environmental factors that enhance the capacity of the economy to absorb labour, using data that spanned the 1975-2017 sample periods. Specifically, it probes the effect of graduates' turn-out (the adopted educational output measure, as proxy for human capital development), examines the impact of the measures of labour absorptive capacity on unemployment, and also investigates the nature of the interaction of government expenditures on education and health (as fiscal instruments), and its relevance in explaining unemployment. The study is premised on the Keynesian Framework, which hinges the remedy for unemployment on government intervention, through its fiscal operations for enhanced productive capacity and growth in employment. Through the adoption of the Autoregressive Distributed Lag (ARDL) technique of estimation, the Bounds testing approach establishes a long run relationship among the adopted variables in the model. Findings from the ARDL estimations reveal that the magnitude of the coefficient of graduates' turn-out is lower and statistically significant, when the variables that capture the labour market absorptive capacity are incorporated, than when they are unaccounted for. This implies that, in the absence of these environmental factors, the annual turn-out of graduates significantly contributes to the rising level of unemployment in Nigeria. This finding shows that the presence of adequate labour absorptive capacity is able to create enough space, which partly absorbs the graduates' turn-out effect, thereby lessen the number that would have been unemployed. Equally, the measures of the absorptive capacity are observed to be the major drivers of unemployment. This implies that the challenge of unemployment in Nigeria is more of the inadequacy of the factors, which enhance the economy's capacity to absorb labour, and not necessarily that of graduates' turn-out. Moreover, finding indicates that investments in education and health interact as complements, and that the interaction is statistically significant in explaining unemployment, during the period covered by the study. This suggests that the interaction of the two fiscal tools produces optimal outcome, than when implemented independent of each other. The study concludes that continuous turn-out of graduates, without the adequate provision of the factors that stimulate employment creation, will heighten the level of unemployment in the long run. Following the findings, specific policies that ensure the provision of adequate infrastructure necessary to create employment, thereby enhancing the nation's capacity to absorb labour and improve the labour market position, are essential. These include, but not limited to the increase in capital stock, provision of sufficient access to and consumption of electric power, good monetary policy that ensures the reduction in the cost of borrowing, thereby enhancing the private sectors access to credits, should be embraced by the relevant authorities. Furthermore, proper policy coordination by the Ministries of Education and Health, relevant for optimality in the drive towards reducing significantly the current level of unemployment, is recommended.

Keywords: Baseline, capacity, graduates, interaction, Keynesian, unemployment.