

**HUMAN CAPITAL DEVELOPMENT AND EMPLOYMENT GROWTH IN
NIGERIA**

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**HUMAN CAPITAL DEVELOPMENT AND EMPLOYMENT GROWTH IN
NIGERIA**

BY

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**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF ECONOMICS
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NIGERIA. IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF MASTER OF SCIENCE (M.Sc) DEGREE IN ECONOMICS**

MAY, 2021

ACCEPTANCE

This is to attest that this dissertation is accepted in partial fulfillment of the requirements for the award of the degree of Master of Sciences in Economics in the Department of Economics and Development Studies, College of Business and Social Sciences Covenant University, Ota, Nigeria

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DECLARATION

I, OLUWAKEMI, MOPELOLA BABARINDE (18PAF01771) declares that this research was carried out by me under the supervision of Prof. Oluranti Olurinola of the Department of Economics and Development Studies, College of Management and Social Science, Covenant University, Ota, Nigeria. I attest that the dissertation 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 dissertation are duly acknowledged.

OLUWAKEMI, MOPELOLA BABARINDE

Signature and Date

CERTIFICATION

We certify that this dissertation titled “**HUMAN CAPITAL DEVELOPMENT AND EMPLOYMENT GROWTH IN NIGERIA**” is an original research work carried out by **OLUWAKEMI, MOPELOLA BABARINDE (18PAF01771)** in the Department of Economics and Development Studies, College of Management and Social Science, Covenant University, Ota, Ogun State, Nigeria under the supervision of Prof. Oluranti Olurinola. We have examined and found this work acceptable as part of the requirements for the award of Master of Science in Economics.

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DEDICATION

This project is dedicated to Almighty God for helping me throughout this program and for enablement towards the completion of this project to him alone is the Glory. To my Late Father Dr, A.A Babarinde, continue to sleep in the Lord, you are greatly missed. I also dedicate this work to my Mother for the unquantifiable support. To my Lovely Husband, Oladapo Fajuyitan who provided all the support I needed in every phase, thank you so much darling, it is also my joy to dedicate it to my little angels Ibukunoluwa Eliana and Ilerioluwa Thiago Fajuyitan, you both brightened my life and a proof of answered prayers.

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LIST OF ABBREVIATIONS

ARDL	Autoregressive Distributed Lag
ADF	Augmented Dickey Fuller
CBN	Central Bank of Nigeria
CPI	Consumer Price Index
CUSUM	Cumulative Sum Control Chart
ECOWAS	Economic Community of West African States
ECM	Error Correction Model
FMOLS	Fully Modified Ordinary Least Squared
GDP	Gross Domestic Product
GMM	Generalized Method of Moment
ICT	Information and Communication Technology
ILO	International Labour Organization
LSDV	Least-Squares Dummy Variable
NBS	National Bureau of Statistics
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
PP	Phillips-Perron

ABSTRACT

Employment growth is an important macroeconomic objective of government as decline in employment signifies waste of resources and decline in welfare. Much emphasis has been laid on the importance of developing human capital in line with the emerging realities in the contemporary labor market. The study specifically sought to uncover short-run and long-run effects of education and health investments on employment and to determine the nature of causality existing between the human capital development indicators and employment growth in Nigeria. The study used annual time series data from 1981 to 2019 and tested for unit root in the series using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. In order to examine short-run and long-run effects, an ARDL model is estimated while a TY-VAR model is estimated to examine causality with the aid of Granger causality tests. The findings of the estimated ARDL model showed that the human capital development (measured as the human capital development index) has statistically significant influence on employment growth both in the short-run and in the long-run. The result of the Toda-Yamamoto Granger causality test support causality from employment to human capital but not vice versa. On the other hand, unidirectional causality was found from inflation to human capital development and from inflation to real wage. Human capital was found to Granger cause real wage but only at the 10 percent level. The study recommends improvement on existing quality of education and incentives to improve quality of delivery in the education sector in order to raise overall productivity and employment.

Keywords: ARDL, Employment growth, Human capital, Toda-Yamamoto