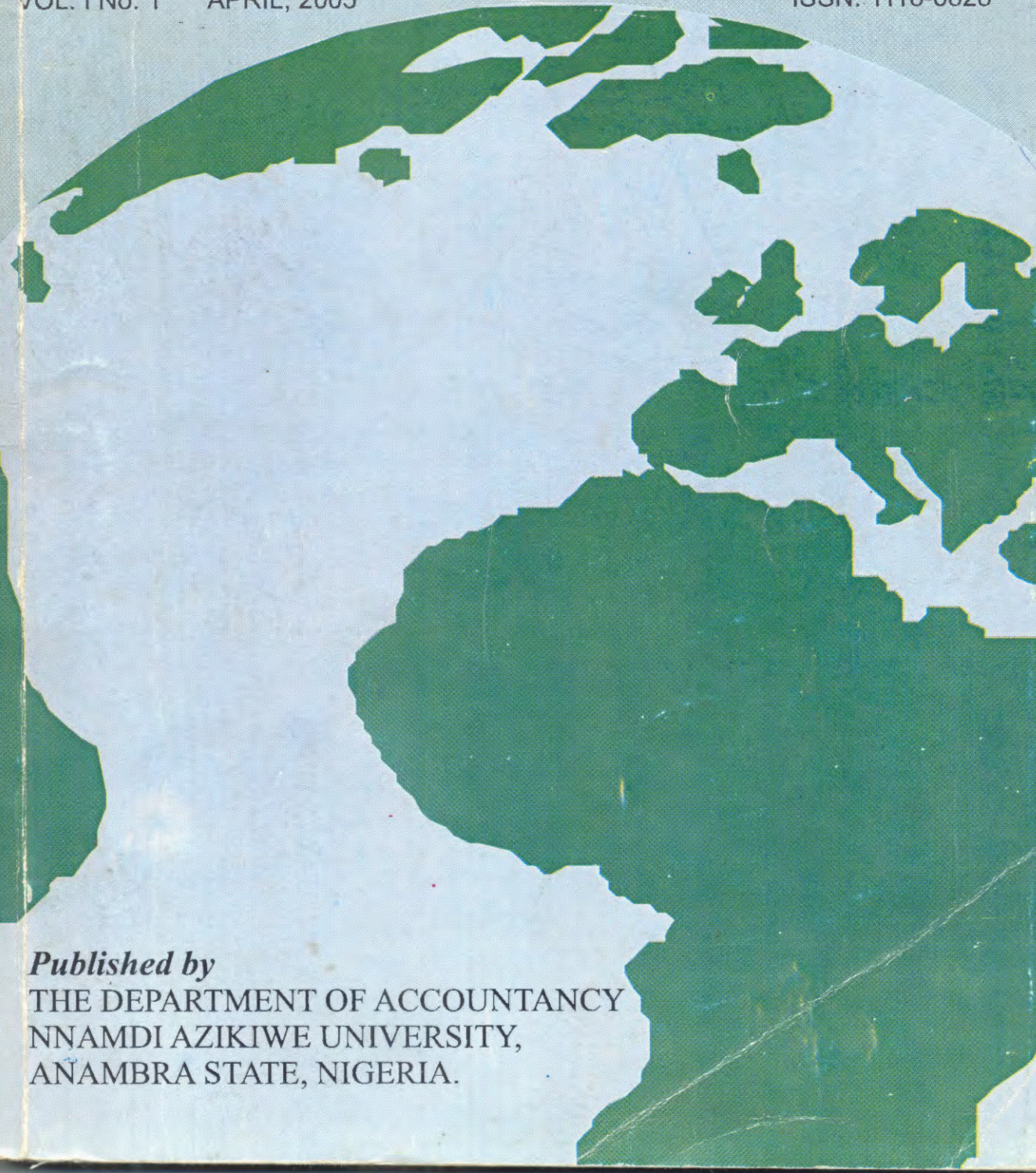


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E DUCATIONAL HUMAN CAPITAL DEVELOPMENT AND UNEMPLOYMENT IN NIGERIA

BY

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ABSTRACT

The study attempts to evaluate the role of educational human capital in enhancing skills and productivity as a means of reducing unemployment. In particular, the study focused on the link between education, human capital, productivity and unemployment. The causality between the three levels of education and unemployment in Nigeria became our specific concern and focus. Data obtained from CBN and FOS between 1988 and 2002 were disaggregated into 1988 to 2002 (15 years) 1988 to 1998 (11 years) and subsequently subjected to pair-wise Granger causality test. We found as follows; that the relationship between primary education and unemployment to be independent; the causality between unemployment and secondary education was bi-directional and the direction was however from tertiary education to unemployment. Similarly, the OLS results reveal that tertiary education had the highest impact on unemployment as its co-efficient was statistically significant. A careful examination of the diagnostics test and signs as well as the explanatory variables showed that real GDP had the least impact and our model explained about 95% of changes in unemployment rate in Nigeria.

INTRODUCTION

The adverse effects of unemployment on both individuals and the economy as a whole are quite enormous. These effects include brain drain, increase in social vices and crimes, increase in rural-urban migration, fall in national output, increased drain on government finances (e.g. unemployment compensation), potential source of political instability, high dependency ratio, low investment, low national income and a fall in the standard of living (Anyanwu and Oaikhenan 1995). Among the factors that have perpetuated underdevelopment in less developed countries (LDCs) in general and Nigeria in particular, are lack of employment opportunities due to the underdevelopment of the economies, high rate of population growth, sluggish or stagnant economies, low literacy rate, poor quality education etc.

A review of the unemployment data in Nigeria revealed that majority of the unemployed are the uneducated, followed by the secondary school graduates, and the least is the university graduates. The literature is replete with empirical studies, which have found significant relationship between improvement in human capital and unemployment.

Investment in human capital could take the following forms; schooling, on the job training, medical care, vitamin consumption and acquiring information about the economic system. Such investments have been found to increase individuals' skill and productivity. Theoretically, an increase in productivity will raise the marginal product of labour above the wage rate, which will make employers to employ more labour thereby reducing the level of unemployment.

In spite of the enviable contribution of improved human capital to both productivity and unemployment, most governments still neglect the educational sector. Nigeria is not an exception. In fact the proportion of federal government capital expenditure on education to total capital expenditure has been on the decline in recent times. It fell from 3.42% in 1998 to 1.71% in 1999. It increased to