Poverty and youth Unemployment in Nigeria, 1987-2011

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Abstract

The study "entitled Poverty and Unemployment in Nigeria" is crucial to the development of the Nigerian economy. The relevance of the present study well from the fact that, that Nigeria is ranked 158th on the human development index is unacceptable. The study employed incidence of poverty as a function of unemployment, agricultural, manufacturing and services contributions to real GDP, population and inflation rate in which the growth rate of the variables were modeled. The results of the study revealed that unemployment, agricultural and services contributions to real GDP as well as population have positive determining influence on poverty level in Nigeria with only agricultural sector statistically insignificant. On the other hand, manufacturing sector contribution to real GDP and inflation rate exhibited negative relationship on poverty level in Nigeria with only manufacturing sector appearing significant. The study recommended among other things, that holistic effort should be made by governments at all levels to create jobs and arrest unemployment.

Keywords: Youth Unemployment, Incidence of Poverty, Gross Domestic Product, Population, Ordinary Least Squares

I. Introduction

Nigeria is the most populous country in Africa and the eight in the world with a population of over 140 million people by 2006 census. With a nominal GDP of $207.11 billion and per capita income of $1,401 it has the second largest economy in Africa (Salami, 2011). As impressive as the above figures may appear youth unemployment has been one of the major problems facing Nigeria. A high level of un- and underemployment is one of the critical socio-economic problems facing Nigeria. While the labour force grows, with an increasing proportion of youth, employment growth is inadequate to absorb labour market entrants. As a result, youth are especially affected by unemployment. Moreover, young people are more likely to be employed in jobs of low quality, underemployed, working long hours for low wages, engaged in dangerous work or receive only short term and/or informal employment arrangements. The inadequate employment situation of youth has a number of socio-economic, political and moral consequences. This has resulted in poverty in Nigeria which is chronic and rising. The share of the total population living below the $1 a day threshold of 46 per cent is higher today than in the 1980s and 1990s—this despite significant improvements in the growth of GDP in recent years.

Unemployment and poverty are so intertwine that one can easily confuse one for the other. Although, it is possible for one to be employed and still poor, this is likely to be a case of underemployment. Thus, by unemployment, it includes those underemployed.Unemployment and underemployment reflect the failure to make use of an important factor of production, labour, for fostering economic growth in Nigeria.Low returns to labour as well as high unemployment indicates poverty. Poverty makes it difficultto make investments in education and health that would increase a person's productivity.

This is not only true for individuals; families face an inter-generational poverty trap. Families face the choice between sending their children and young family members to school and sending them to earn much-neededincome. The social aspects of the problem lie in the association of unemployment with social exclusion and a sense of hopelessness. Structural unemployment and widespread poverty are believed to be the basis for the activities of miscreants such as militant youth in the Niger Delta and the present deadly Boko Haram in northern Nigeria upsetting theseemingly peaceful and stable political situation. The activity of Boko Haram has resulted in many deaths and destruction of property worth millions of dollars.

Unemployment in Nigeria is defined as the proportion of labour force that was available for work but did not work in the week preceding the survey period for at least 39 hours. Official figures from the Bureau of Statistics puts the figure of unemployed at 19.70 per cent, about 30 million, but this figure still did not include about 40 million other Nigerian youths captured in World Bank statistics in 2009. By implication, it means that if Nigeria's population is 140 million, then 50 percent of Nigerians are unemployed Njoku and Okezie, 2011). Viewing this from the perceptive of the recent events in the Middle East where unemployment and poverty among others played a key role in the uprising, one can only conclude that Nigeria's unemployment and high poverty level poses even greater threat to its development, security and peaceful co-existence. It is in light of proffering solutions to the problems of poverty and unemployment that the current study is germane.

The objective of this paper therefore is to scrutinize the effect of unemployment on poverty in Nigeria. The paper is divided into five sections. Following the introduction, section II covered review of related literature.In section III, the method of study is unveiled. Presentation and analysis of results is done in section IV while section V concludes the study with policy remarks.

I.1 Research Questions.

Three questions are at the heart of much of academic research and public policy for development, and they formed the basic questions in this paper, namely:

What is it that makes majority of the Nigerian population the poorest region in the world?
What can be done to deliver the sustainable and broad-based poverty reduction strategy required to address this?
Is there any relationship between poverty and unemployment in Nigeria?

II. Literature Review- Conceptual Theoretical Issues

II.1 Concept of Unemployment

One of the greatest challenges facing the Nigeria economy is unemployment which has maintained a rising trend over the years. The total labour force in Nigeria is made up of all persons aged 15-64 years excluding students, home keepers, retired persons and stay-at-home to work or not interested. Unemployed refers to people who are willing and a capable of work but are unable to find suitable paid employment. The classical school of thought that provided the earliest thinking on economic issues did not fail to give a central point of reflection on the undesirability of unemployment. The Keynesian revolution of the 1930's, which commanded the explosive attack on economic orthodoxy apparently, treated unemployment as a central issue of great concern. Following the path of the predecessors, economists at all times and in all ages have expressed various degrees of concern over the threat of the monster called unemployment. The population of every economy is divided into two categories, the economically active and the economically inactive. The economically active population (labor force) or working population refers to the population that is willing and able to work, including those actively engaged in the production of goods and services (employed) and those who are unemployed (Njoku and Okezie, 2011).

The next category, the economically inactive population refers to people who are neither working nor looking for jobs. There seems to be a consensus on the definition of unemployment. The International Labour Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998:63). Examples include housewives, full time students, invalids, those below the legal age for work, old and retired persons. However,the application of this definition across countries has been faulted, especially for the purpose of comparison and policy formulation, as countries characteristics are not the same in their commitment to resolving unemployment problems (Akintoye, 2008).

Moreso, the preponderance of housewives who possess the ability and willingness to work, the definition of the age bracket all stand as limitations to the definition by ILO (Douglason and Gbosi, 2006). The unemployment rate is expressed as a percentage of the total number of persons available for employment at any time. This paper will focus on the relationship between unemployment and poverty as they relate to growth of Nigerian Economy. Unemployment has been categorized as one of the serious impediments to social progress. Apart from representing a colossal waste of a country's manpower resources, it generates welfare loss in terms of lower output thereby leading to lower income and well-being (Raheem, 1993). Unemployment is a very serious issue in Africa (Rama, 1998) and particularly in Nigeria (Umo, 1996). The need to avert the negative effects of unemployment on poverty has made the tackling of unemployment problems to feature very prominently in the development objectives of many developing countries.

II.2 Concept of Poverty

Poverty is not an easy concept to define. As a result, a range of definitions exist, influenced by different disciplinary approaches and ideologies. The dominant Western definition since World War II has defined poverty in monetary terms, using levels of income or consumption to measure poverty and defining the poor by a headcount of those who fall below a given income/consumption level or 'poverty line' (Grusky and Kanbur, 2006). However, this economic definition has been complemented in recent years by other approaches that define poverty in a more multidimensional way (Subramanian, 1997). These approaches include the basic needs approach (Streeten et al, 1981), the capabilities approach (Sen, 1999) and the human development approach (UNDP, 1990). Their acceptance is reflected in the widespread use of the United Nations Development Programme's (UNDP) Human Development Index (HDI), which is a composite measure of three dimensions of human development: (i) life expectancy, (ii) educational attainment and (iii) standard of living, measured by income in terms of its purchasing power parity (UNDP, 2006).

It is also reflected in the Organization for Economic Co-operation and Development's (OECD) conceptualization of multidimensional poverty, defined as interlinked forms of deprivation in the economic, human, political, socio-cultural and protective spheres (OECD, 2006). For our purposes here, poverty is also defined by a sense of helplessness, dependence and lack of opportunities, self-confidence and self-respect on the part of the poor. Indeed, the poor themselves see powerlessness and voicelessness as key aspects of their poverty (Narayan et al., 2000). Further, the acknowledgement of the multidimensionality of poverty is reflected in the range of both quantitative and qualitative methodological approaches adopted to conceptualize and measure poverty (Handley, et al., 2009).

The poverty situation in Nigeria is quite disturbing. Both the quantitative and qualitative measurements attest to the growing incidence and depth of poverty in the country (Okunmadewa, et al., 2005). This situation however, presents a paradox considering the vast human and physical resources that the country is endowed with. It is even more disturbing that despite the huge human and material resources that have been devoted to poverty reduction by successive governments, no noticeable success has been achieved in this direction. Although, predicted poverty reduction scenarios vary greatly depending upon the rate and nature of poverty related policies, actual evidence suggests that the depth and severity of poverty is still at its worst in Nigeria, SSA and South Asia (Okunmadewa et al., 2005). Within these regions, poverty is largely a rural phenomenon with an average of between 62 and 75 percent of the population living on less than a dollar a day and also tends to be deeper than urban poverty in these regions (Apata et al., 2010). Besides, it has become increasingly evident that within the African region the poor are heterogeneous and that some element of dynamics does exist with a clear distinction between chronic and transitory poverty (Barret et al., 2000).

Chronic poverty is considered the component of total poverty that is static and transitory poverty component that is attributable to the inter-temporal variability (Jalan and Ravallion, 1996). The isolation of the process underlying chronic and transitory poverty is considered essential in understanding the extent to which each poverty type may obscure the other or even distort the effects of government anti-poverty programmes. A national poverty survey carried out indicates that the high tropic areas have moderate poverty while the northern regions have poverty levels that are as high as 60 percent (NBS, 2009). The average national poverty incidence indicates that this situation has not improved during the last 20 years in a majority of SSA countries.

According to Garcia, Kohl, Ruengsorn and Zislin (2006), Nigeria's main challenges include, reducing poverty, diversifying its economy from the oil and gas sector towards more labor intensive sectors, and improving health and education. The oil has increased economic volatility and inflation while those living in poverty being most vulnerable to volatility and inflation. To add to it, instability of government revenues and a crowding out of agriculture (which provides the source of income to the poor) have made the situation worsen. The oil industry does not employ a sizeable number of unskilled workers, thereby contributes little to reducing poverty.

Ford (2007) discusses the oil crisis in the oil producing region of Nigeria. He states that poverty has been linked to high crime rates, especially in the Niger Delta region where there is a sharp contrast between the rich and the poor. The masses cause social unrest because the wealth gotten from their territory does not get to them. In the Nigerian society, the best way to acquire wealth is to enter the political sphere. Most of the time political success is tied to criminal activities. He ends the article by stating that the link between economic and political power must be broken for progress to be made.

II.3 Empirical Literature

Apata, et al., (2010) examine the determinants of rural poverty in South-Western Nigeria. The study uses a probit model on a sample of 500 smallholder farmers to establish factors that influences probability of households' escaping chronic poverty. The study found that access to micro-credit, education, participation in agricultural workshops/seminars, livestock asset, and access to extension services significantly influence the probability of households' existing chronic poverty. On the other hand, female headed households' and distance to the market increases the probability of persistence in chronic poverty while gender disparities in property rights in favour of women empowerment through legal rights to property act as key chronic poverty ameliorating factors among the farming communities.

A couple of recent studies have attempted to examine the contributions of Informal Sector to employment generation. Ajibefun and Daramola (2003) using a sample of 180 examine the efficiency of micro enterprises in the Nigerian economy. The study reported evidence of a wide variation in technical and allocative efficiencies, both within and across industries. They also found that education of owner of a business enterprise was a significant factor influencing efficiency, an indication of the need for more proactive actions to raise the level of efficiency and thus employment and reduce unemployment among the firms in the sample. Sanda (2006) uses a sample of 360 firms in Kano and its environs to examine whether or not, in comparison to large firms, small firms are relatively better at creation of employment opportunities. Their results were positive in that small firms were found to be relatively better, and the conclusion they derived was that a policy that gives special preference to small firms is justified.Muhammad, et al., (2011) examines the role played by unemployment on the making of the Nigerian Gross Domestic Product (GDP) for a period of nine years (2000 - 2008). Using the regression analysis, findings showed that unemployment has an enormous effect (over 65 percent) on the making of the Nigerian GDP and there exist an inverse relationship between the model (unemployment) and the GDP - increase in the model leads to decrease on the GDP and vice versa.

Ibrahim and Umar, (2008) assess the determinants of poverty as well the poverty coping strategies among farming households in Nasarawa State, Nigeria. The study employed simple random sampling to select 150 farming households and used Costs of Calorie method and Discriminant Analysis to determine the incidence of poverty as well as its determinants respectively. The incidence of poverty among the sampled households was found to be high and the major determinants of poverty include household size, number of income sources of the household head, number of household members employed outside agriculture and the number of literate adult males and females in the household. The major poverty coping strategies include skipping of meals, reduction in the quantity of meals served and engaging in wage labour. The study recommends that the farming households should be effectively involved in the formulation of strategies for imparting knowledge on family planning to the farming households. Bakare (2010) examines the determinants of the urban unemployment in Nigeria. The variables for include level of unemployment and demand for labour, supply of labour, population, inflation, capacity utilization, gross capital formation and nominal wage rate. Using time series secondary data and parsimonious error correction mechanism, the study found that the rising nominal wages and the accelerated growth of population which affected the supply side through a high and rapid increase in labour force relative to the absorptive capacity of the economy appear to be the main determinant of high unemployment in Nigeria.

Bello and Abdul, (2010) examine poverty situation in Nigeria by employing the data of economic growth and millennium development goals (MDGs) expenditure. The methodology employed was panel data analysis consisting of pooled model, fixed-effects, random-effects and weighted least square. The results revealed that, a unit increase in per capita GDP led to 0.6 percent increase in poverty. Similarly, a unit increase in MDG expenditure resulted in 11.56 units increase in relative poverty in the pooled model. The study concluded that economic growth and MDG spending has not substantially reduced poverty over the sample period.

II.4 Growth Profile of Unemployment in Nigeria

In table 1 below, the growth of unemployment by states in Nigeria is shown in which Abia, Adamawa, Bauchi, Delta, Kebbi and Zamfara are among the states with the highest level of unemployment in Nigeria.

Table 2: Unemployment Rates by states in Nigeria 2002- 2011

State	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Abia	14.8	11.4	9.7	7.9	13.5	10.9	14.5	14.5	15.5	11.2
Adamawa	12.9	11.9	16.7	21.4	17.9	11.9	29.4	29.4	31.4	18.4
A/Ibom	12.3	14.4	14.4	14.4	15.3	13.5	34.1	34.1	36.1	18.4
Anambra	6.6	9.1	9.5	9.8	10.8	11.1	16.8	16.8	17.8	12.2
Bauchi	10.4	20.5	25.1	29.7	23.9	7.3	37.2	37.2	39.2	41.4
Bayelsa	3.5	7.1	14.0	20.9	16.0	6.9	38.4	38.4	40.4	23.9
Benue	8.2	4.8	11.7	18.6	10.8	67.4	8.5	8.5	9.5	14.2
Borno	6.4	0.8	3.6	6.3	5.8	7.8	27.7	27.7	29.7	29.1
C/River	7.9	12.0	11.5	11.1	16.9	11.8	14.3	14.3	15.3	18.2
Delta	14.9	17.1	10.8	4.5	13.8	18.9	18.4	18.4	20.8	27.2
Ebonyi	2.8	16.7	11.8	7.0	10.9	11.5	12.0	12.0	13.0	23.1
Edo	4.8	3.1	6.5	9.9	8.6	5.1	12.2	12.2	13.2	35.2
Ekiti	17.5	8.2	7.9	7.5	8.7	15.6	20.6	20.6	22.6	12.1
Enugu	15.2	16.5	21.6	27.4	20.0	11.5	14.9	14.9	15.9	25.2
Gombe	13.4	7.6	15.2	22.8	15.6	10.5	32.1	32.1	34.1	38.7
Imo	19.9	22.1	19.3	16.5	21.5	7.6	20.8	20.8	22.8	35.9
Jigawa	6.1	20.5	19.8	19.1	21.6	17.4	26.5	26.5	28.5	35.9
Kaduna	8.4	19.6	15.9	12.1	14.1	5.9	11.6	11.6	12.6	30.3
Kano	12.8	25.9	22.5	19.1	19.4	12.7	27.6	27.6	29.6	21.3
Katsina	10.4	20.3	22.1	23.8	19.3	5.8	37.3	37.3	39.3	28.1
Kebbi	12.3	19.8	19.9	19.9	15.2	11.8	12.0	12.0	13.0	25.3
Kogi	19.9	14.9	11.8	8.7	12.5	16.5	19.0	19.0	21.0	14.4
Kwara	8.8	5.4	4.2	2.9	7.5	16.4	11.0	11.0	12.0	7.1
Lagos	8.0	25.6	16.1	6.5	15.5	10.2	19.5	19.5	20.5	8.3
Nasarawa	1.6	5.1	6.9	8.7	8.1	7.6	10.1	10.1	11.1	36.5
Niger	6.3	6.7	3.5	0.2	3.6	17.0	11.9	11.9	12.9	39.4
Ogun	9.2	1.3	1.9	2.5	2.3	3.9	8.5	8.5	9.5	22.9
Ondo	16.8	7.3	6.8	6.2	6.7	5.8	14.9	14.9	16.9	12.5
Osun	1.0	0.4	1.2	1.9	2.7	6.3	12.6	12.6	13.6	3.0
Oyo	7.0	0.8	3.1	5.3	4.3	6.5	14.9	14.9	15.9	8.9
Plateau	11.8	0.4	1.6	2.8	2.9	8.7	7.1	7.1	8.1	25.3
Rivers	6.6	15.3	11.2	7.0	25.0	4.7	27.9	27.9	29.9	25.5
Sokoto	4.1	4.9	4.5	4.1	6.4	12.1	22.4	22.4	24.4	17.9
Taraba	16.8	23.8	13.6	3.4	14.0	5.9	26.8	26.8	28.8	12.7
Yobe	15.0	12.1	10.7	8.0	13.6	19.9	27.3	27.3	29.3	35.6
Zamfara	46.4	71.5	61.3	51.1	50.8	12.8	13.3	13.3	14.3	42.6
FCT	14.4	5.3	5.9	6.5	16.4	16.4	21.5	21.5	23.5	21.1
Nigeria	12.6	14.8	13.4	11.9	13.7	14.6	19.7	19.7	21.5	23.9

Source: NBS (2010); CBN Annual Report and Statement of Account (various issues)

II.5 Average Growth of Poverty, Unemployment other Variables

Table 2 below shows the growth profile of incidence of poverty, unemployment, agricultural, manufacturing and services contributions to real GDP in Nigeria.

Growth rate of population and inflation rate is equally shown in the table. For the period 1987-1991, poverty level in Nigeria averaged 44.0 percent while unemployment recorded 4.6 percent. Poverty level increased to 54.3 percent while unemployment declined to 3.0 percent in the period of 1992-96. Poverty and unemployment levels further increased to 67.4 and 10.2 percent between 1997-2001 respectively before declining to 57.4 percent for poverty level while unemployment recorded 13.0 percent between 2002-06. In the last period, 2007-2011, poverty level in Nigeria averaged 60.0 percent while unemployment increased to 18.5 percent respectively.

Table 2: Average Growth Profile of Poverty, Unemployment and other Variables

Year	Poverty	Umemploy	Agric	Manuf	Services	Populatn	Inflatn
1987-1991	44.0	4.6	4.4	6.9	8.7	164.3	27.4
1992-96	54.3	3.0	2.8	-2.8	3.5	2.9	51.3
1997-2001	67.4	10.2	4.1	1.5	10.7	2.9	10.2
2002-06	57.4	13.0	16.6	9.3	11.5	3.5	13.6
200-11	60.0	18.5	6.2	8.3	29.1	3.2	10.8

Source: BSS (2010); CBN Annual Report and Statement of Account (various issues)

The table also revealed that between 1987-1991, agricultural contribution to real GDP was 4.4 percent, manufacturing 6.9 percent and services sector averaged 8.7 percent. During the 1991-96, the real sector contributions declined to 2.8 percent for agriculture, -2.8 percent for manufacturing while services sector averaged 3.5 percent. In 1997-2001, the contribution of the agricultural sector to real GDP was 4.1 percent, manufacturing 1.5 percent and 10.7 percent for the services section. An increase for the real sector contributions between 2002-06 recorded 16.6 percent for agriculture, 9.3 percent for manufacturing and 11.5 percent for services sector. In the final period, there was a decline in contributions to real GDP from agriculture and manufacturing while services sector recorded an increase. Thus, agricultural sector contribution was 6.2 percent, 8.3 percent for manufacturing and 29.1 percent for services sector. It can also be seen from table 2 that average population and inflation growth rates for the period 1987-1991 was 164.3 and 27.4 percent respectively. During the 1992-96, average population growth declined to 2.9 percent while inflation increase to 51.3 percent and between 1997-2001, population growth remained the previous level while inflation rate declined to 10.2 percent. In 2002-06 periods, average population growth was 3.5 percent and 13.6 percent for inflation. Finally, in 2002-2011, average population and inflation growth declined marginally to 3.2 and 10.8 percent respectively.

II.6 Poverty Profile in Nigeria

Poverty is still pervasive in Nigeria. Available statistics reveals that the poverty incidence in Nigeria has been on the increase since the 1980s. As reported by the UNDP (2010), between 1980 and 1996, the percentage of the core poor rose from 6.2 percent to 29.3 percent, and declined to 22.0 percent in 2004. According to Omotola (2008), about 70 percent of the population now lives in abject poverty. There is the geographical dimension of poverty in Nigeria. According to Aigbokhan (2000), poverty is higher in the rural areas than in urban areas. In 2004, the urban population with access to water was 67 percent, while it was 31 percent in the rural areas. In terms of sanitation services, 53 percent of the urban population had access to sanitation services and 36 percent in the rural areas. This is worse than the situation in Cameroon, South Africa, Zambia, and Zimbabwe (World Bank, 2008). Given the figures above, the rural dwellers in Nigeria grapple with difficult living conditions compared to the urban dwellers. This explains why there is prevalence of diseases among the rural poor in the country (Segun, 2010).

As observed by Garba (2006), the world's per capita income as of 2003 was $7,140. Comparing this to Nigeria's per capita income of $290 makes the country one of the poorest in the world. This relegated Nigeria to the ranks of Togo ($270), Rwanda ($220), and Mali ($210). Other indicators of development, such as life expectancy, for which Nigeria is ranked 155th out of the world's 177 countries, and infant mortality, for which Nigeria is ranked 148th among 173 countries, were consistent with Nigeria's low rank in income per capita (CIA, 2009). Based on these facts, Nigeria has been classified as a poor nation; a situation which can be described as a bewildering paradox given the vast resource base of the country. According to Earth Trends (2003), 70.2 percent of the Nigerian population lives on less than $1 a day, while 90.8 percent lives on less than $2 a day. The total income earned by the richest 20 percent of the population is 55.7 percent, while the total income earned by the poorest 20 percent is 4.4 percent.

This explains the alarming increase in poverty and the sharp inequality between the rich and the poor. Looking at the area with the highest measure of welfare per capita, the leading area in Nigeria, which is Bayelsa with a poverty incidence of 26.2 percent between 1995 and 2006, is still below the leading areas in Ghana (Greater Accra-2.4 percent), Cameroon (Douala, Capital of Littoral-10.9 percent) and South Africa (Baoteng-19.0 percent) (World Bank, 2008). In terms of the human development index, Nigeria is ranked 158th of the 159 countries surveyed in 2005 (CIA, 2009) (see table 3). Using selected world development indicators, the life expectancy at birth in 2006 for male and female in Nigeria was 46 and 47 years, respectively. Between 2000 and 2007, 27.2 percent of children under five years of age were malnourished. This is alarming compared to 3.7 percent between the same periods in Brazil, another emerging economy.

Table 3: Human Development Index, 1975-2005; Ranked Highest to Lowest in 2005

Rank	Country	1975	1980	1985	1990	1995	2000	2005
151	Zimbabwe		0.55	0.579	0.645	0.654	0.613	0.513
152	Togo	0.423	0.473	0.469	0.469	0.514	0.521	0.521
153	Yemen				0.402	0.439	0.473	0.508
154	Uganda			0.42	0.434	0.433	0.48	0.505
155	Gambia	0.29				0.436	0.472	0.502
156	Senegal	0.342	0.367	0.401	0.428	0.449	0.473	0.499
157	Eritrea					0.435	0.459	0,483
158	Nigeria	0.321	0.378	0.391	0.411	0.432	0.445	0.470
159	Tanzania				0.421	0.419	0.433	0.467

Source: CIA (2009); Segun, O. (2010)

Worse still, the mortality rate for children under five years old is given as 191 per 1,000 births in 2006. This situation is very ridiculous compared to the figures of 69 per 1,000 births in South Africa, 108 per 1,000 births in Togo, 120 per 1,000 births in Ghana, and 149 per 1,000 births in Cameroon (World Bank, 2008). This implies that there is a general high level of poverty in the Nigeria (Segun, 2010).An analysis of the context reveals that poverty holds sway in the midst of the plenty. Nigeria is the eighth largest oil producing country in the world, but it harbors the largest population of poor people in sub-Saharan Africa and is ranked158th on the human development index. There is pervasive high-income inequality, which has perpetuated the concentration of wealth in the hands of a few individuals (Action Aid Nigeria, 2009).

II.7 Classification of Poverty

Relative Poverty Measurement: Relative poverty is defined by reference to the living standards of majority in a given society that separates the poor from the non-poor. Households with expenditure greater than two-thirds of the total household per capita expenditure are non-poor whereas those below it are poor. Further households with less than one-third of total household per capita expenditure are core-poor (extreme poor) while those households greater than one-third of total expenditure but less than two-thirds of the total expenditure are moderate poor. Accordingly, the poor category is sub-divided into those in extreme poverty and those in moderate poverty, where extreme poverty is more severe than moderate poverty. Those in moderate poverty constitute a greater portion of the growing middle class in Nigeria who are at the point of crossing over to the non-poor category. Similarly, the non-poor are divided into the fairly rich and the very rich (NBS, 2012 Report). According to the Nigeria poverty profile of 2012 Report, Nigeria's relative poverty measurement in 2004 stood at 54.4 percent (table 4), but increased to 69 percent (or 112,518,507 Nigerians) in 2010. The North-West and North-East geo-political zones recorded the highest poverty rates in the country with 77.7 percent and 76.3 percent respectively in 2010, while the South-West geo-political zone recorded the lowest at 59.1 percent (see table 5). Among States, Sokotohad the highest poverty rate at 86.4 percent while Niger had the lowest at 43.6 percent in the year under review (NBS, 2012 Report).

Absolute Poverty:is defined in terms of the minimal requirements necessary to afford minimal standards of food, clothing, healthcare and shelter. Using this measure, 54.7 percent of Nigerians were living in poverty in 2004 but this increased to 60.9 percent (or 99,284,512 Nigerians) in 2010. Among the geo-political zones, the North-West and North-East recorded the highest rates of70 and 69 percent respectively, while the South-West had the least at 49.8 percent (table 5). At the State level, Sokotohad the highest at 81.2 percent while Niger had the least at 33.8 percent during the review period (NBS, 2012 Report).

Table 4: Relative Poverty Headcount, 1980-2010

Year	Poverty Incidence (%)	Estimated Population (million)	Population in Poverty (million)
1980	27.2	65	17.1
1985	46.3	75	34.7
1992	42.7	91.5	39.2
1996	65.6	102.3	67.1
2004	54.4	126.3	68.7
2010	69.0	163	112.5

Source: National Bureau of Statistics, HNLSS (2010)

Table 5: Incidence of Poverty by Zone (%)

Zone	Absolute Poverty	Relative Poverty	Dollar per Day
North-Central	59.5	67.5	59.7
North-East	69.0	76.3	69.1
North-West	70.0	77,7	70.4
South-East	58.7	67.0	59.2
South-South	55.9	63.8	56.1
South-West	49.8	59.1	50.1

Source: Source: National Bureau of Statistics, HNLSS (2010)

The-Dollar-per-day measure: refers to the proportion of those living on less than US$1 per day poverty line. Applying this approach, 51.6 percent of Nigerians were living below US$1 per day in 2004, but this increased to 61.2 percent in 2010. Although the World Bank standard according to NBS (2012 Report) has be marginally increase to US$1.25, the old reference of US$1 was the standard used in Nigeria at the time that the survey was conducted. The North-West geo-political zone recorded the highest percentage at 70.4 percent, while the South-West geo-political zone had the least at 50.1 percent (table 5). Sokotohad the highest rate among States at 81.9 percent while Niger had the least at 33.9 percent (NBS, 2012 Report). Although, it is bad enough that the ratio of Nigerians within the range of relative is scary, that of those groaning under absolute poverty is by no means flattering. It should be noted that two prominent states from the North-West and North East, Sokoto and Niger, have become a reoccurring decimal in measuring the highs and lows in poverty index. There is no doubt that the Sokoto poverty index is dismal, but it does not in any way suggest that other states in the Federation have any course to celebrate as indicated in the South-West with almost 60 percent relative poverty (see table 5).

III. Methodology

The method of study employed is the Ordinary Least Squares (OLS) while data used (1987-2011) which are secondary in nature, are sourced from the Central Bank of Nigeria, Statistical Bulletin (2010), and Annual Report and Statement of Account (various issues). The growth rate of the data is employed for the test except otherwise thus:

PGR = f (UNM, AGR, MNR, SVR, POP, INF)……………………………..(1)
In stochastic term, equation (1) becomes:
$LPGR = \beta_0 + \beta_1 UNM + \beta_2 LAGR + \beta_3 LMNR + \beta_4 SVR + \beta_5 POP + \beta_6 INF + \varepsilon$…….(2)
Where:
PGR = log of growth rate of incidence of poverty
UNM = unemployment rate
AGR = log of growth rate of agricultural contribution to GDP
MNR = log of growth rate of manufacturing contribution to GDP
SVC = growth rate of services sector contribution to GDP
POP = growth of the population
INF = inflation rate
E = white noise error

A priori Expectation: An increase in unemployment, population and inflation rate or the general price level should normally have direct effect on poverty level. On the other hand, increase in agricultural output, manufacturing output and services are expected to depress poverty level.

IV. Results and Interpretation

In estimating the model in table 6 below, the Cochrane Orcutt Iterative method was applied as the OLS whose results was not presented could not give a better results. The dependent variable for the study is incidence of poverty (PGR) while independent variables include growth rate of unemployment (UNM), growth rate of agricultural contribution to real GDP (AGR), growth rate of manufacturing contribution to real GDP (MNR), growth rate of services sector contribution to real GDP (SVC), growth rates of population and inflation. In order to achieve better results, only three variables were logged and they included poverty, agricultural and manufacturing sectors. Similarly, the autoregressive process of order one (inverted AR) was adopted to correct for presence of serial autocorrelation.

Table 6: Cochrane Orcutt Iterative Estimation; Dependent Variable: LPGR

Variable	coefficient	std error	t-statistics	Probability
C	3.96	0.109	36.5	0.00
UNM	0.02	0.005	2.9	0.02
LAGR	0.05	0.043	1.2	0.26
LMNR	-0.15	0.037	-4.0	0.00
SVC	0.01	0.003	2.9	0.02
POP	0.01	0.006	2.4	0.04
INF	-0.01	0.007	-0.7	0.50
AR(1)	-0.09	0.211	-0.4	0.69
R^2 = 0.84; F-Stat = 6.2; DW = 1.61				

The results showed that the R^2 of 0.84 means that the six independent variables explained about 84 percent of poverty rate during the period of 1987-2011 in Nigeria. The F-stat of 6.2 revealed that the entire model is significant while the DW = 1.61 falls within the acceptance region (1.59 -2.41) of no autocorrelation. The results further revealed that unemployment, agricultural and services contributions to GDP as well as the nation's population growth have positive significant impact on incidence of poverty in Nigeria with agricultural sector appearing insignificant. The implication of positive relationship means that a unit increase in unemployment, for example, led to 0.02 percent increase in poverty level within the period under review. The fact that the variable is significant means that the impact was felt in the system. The other three variables with positive relationship with poverty rate also exhibited the same implication as unemployment. The relationship between agricultural and services sectors contributions to GDP and poverty level in Nigeria gave credence to the findings of Abdul (2010) who earlier reached a similar conclusion on the relationship between GDP and poverty in Nigeria.

On the other hand, manufacturing sector contribution to GDP and inflation rate exhibited negative relationship with poverty level in Nigeria with the t-statistic for manufacturing highly significant and that of inflation rate insignificant. This means that a percentage increase in manufacturing led to 0.15 percent decrease in poverty level in Nigeria. Although, inflation rate was not significant, the results showed that inflation does not contribute to poverty level in Nigeria during the period under consideration. Finally, the constant of 3.96 showed the level of povertyat the beginning of 1987 or that poverty level would be positive in the absence of all the independent variables. This is so because the R^2 of 0.84 means there were still other factors influencing poverty in Nigeria but were not included in the model.

V. Conclusion and Recommendation

The study entitled *Poverty and Unemployment in Nigeria* is crucial to the development of the Nigerian economy. The present study becomes so relevant when it is considered that poverty is persistent in the midst of plenty in Nigeria. That Nigeria is ranked 158^{th} on the human development index is unacceptable. From the evidence of various development indicators shown in this study such as unemployment rate by states, average growth profile of poverty, unemployment and other relevant variables, relative and absolute poverty among others and the results of our empirical findings, the major conclusion reached is that Nigeria is indeed a poor country with majority of her population wallowing in abject poverty.

In the empirical findings, the study employed incidence of poverty as a function of unemployment, agricultural, manufacturing and services contributions to real GDP, population and inflation rate in which the growth rate of the variables were modeled. The results of the study revealed that unemployment, agricultural and services contributions to real GDP as well as population have positive determining influence on poverty level in Nigeria with only agricultural sector statistically insignificant. On the other hand, manufacturing sector contribution to real GDP and inflation rate exhibited negative relationship on poverty level in Nigeria with only manufacturing sector appearing significant. It is therefore recommended that holistic effort should be made by governments at all levels to create jobs and arrest unemployment. The federal and state governments should endeavor to convince the citizens to adopt birth control and finally the real sector of the economy should be boosted to contribute meaningfully in reducing poverty in Nigeria.

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