

# Poverty Reduction Policy and Youth Unemployment in Nigeria

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## ABSTRACT.

Nigeria is endowed enormously with abundant resources, which can empower the youths for positive contributions towards sustainable socio-economic development. A prosperous, disciplined, law-abiding and focused youth population remain a vital segment of the society, who has the ability to create a great future for the nation. However, the neglect of this group of human resources is no doubt the most pernicious of wastes, which can militate against the development efforts of the nation. This paper examined the dynamics of poverty reduction policy in relation to youth unemployment in Nigeria, with the use of secondary data and some indicators. It was discovered that majority of the youth segment of the Nigerian population live below the poverty line, due to unemployment. Some among this group are even unemployable. Furthermore, the paper revealed that the agencies charged with the responsibilities of implementing the poverty reduction policies of government, (relating to youths employment) have failed in the discharge of their duties, thus exacerbating the menace of poverty in Nigeria. The study recommended among other things, a holistic approach to the creation of jobs, so as to reduce youth unemployment. The authors believe that this position would boost economic growth, which is expected to trickle down to reduce poverty and ensure a sustainable national development in Nigeria.

**Key words:** Poverty, Poverty reduction, Policy, Youth unemployment, Youth development, Programmes, Poverty reduction Agencies.

## 1. INTRODUCTION

Nigeria remains the most populous country in Africa and one of the best endowed. The country is endowed in terms of abundant deposits of crude oil, mineral resources, agricultural products and human resources etc. Nigeria has 10th largest proven oil & gas reserves in the world; while within OPEC it is the 6<sup>th</sup> in terms of reserves and daily production (Adeola 2001). Nigerian oil and gas exports account for more than 98% of her export earnings and about 83% of the federal government revenue (Adeola 2001). Oil alone generates more than 50% of its GDP and provides 95% of foreign exchange earnings, and about 65% of government budgetary revenues (Wikipedia, 2012). In addition, Nigerian average GDP growth is consistently between 5-8%. Despite the positive macroeconomic indicators of Nigeria, more than 70% of its population live under poverty line of \$2 a day.

This may be corroborated from the views of Leonard and Kazi (2012); who state that despite the fact that Nigeria's economy is projected to be growing, poverty is likely to get worse as the gap between the rich and the poor continues to widen. They further asserted that the poverty rate in Nigeria was 71.5%, 61.9%, and 62.8% using the relative, absolute and \$1 a day measures respectively. Mohammed (2004) on his part observed that despite these huge resources, Nigerians are wallowing in abject poverty with its attendant social, economic, political, and psychological consequences. The picture of Nigeria as a paradox by the World Bank (1996) has continued to be confirmed by events and official statistics in the country (Obadan, 2008). The paradox is that the poverty level in Nigeria contradicts the country's immense wealth. Despite the fact that the Nigerian economy is growing, the proportion of Nigerians living in poverty is increasing every year (Tribune, 2012).

According to Obadan, (2008), rather than record remarkable progress in national socio-economic development due to her enormous wealth, Nigeria retrogressed to become one of the 25 poorest countries at the threshold of twenty-first century. Patrick (2005) confirmed that at least seventy million Nigerians now live below the poverty line when compared with eighteen million in the 1980s. Nigeria remains the only member of the Organization of Petroleum Exporting Countries (OPEC) that is categorized among the world's poorest twenty countries (Adeola 2001). Okunmadewa (2001) on his part, stated that Nigeria ranked fifty-fourth with respect to human poverty index (HPI), making her the twentieth poorest country in the World. Furthermore, Oviawe (2010) opined that the increasing rate of crime such as armed robbery, advance fee fraud (419), corruption, prostitution, nepotism, drug trafficking, cultism and other social vices are definitely the product of persistent poverty through youth unemployment in the country.

The relationship between unemployment and poverty is very complex in Nigeria. While the unemployment rate has remained very high due to the rising rate of poverty, the poverty rate has equally remained high due to the high level of unemployment. To tackle poverty therefore the menace of unemployment must be checked through a very effective employment policy. According to Okafor (2010), youth unemployment in any country is an indication of far more complex problems. More than half of the Nigerian populations are under the age of 30 (NPC 2001). Hence, it can be asserted that the economy of Nigeria is a youth economy (Oviawe, 2010). The Nigeria government in 2008 stated that 80 % of Nigerian's youth were unemployed while 10 % were underemployed (Daily Trust, 2008). In fact, Statistics from the Federal Manpower Board and the Bureau of Statistics in 2011 noted that the Nigerian youth population is about 80 million, representing 60% of the total population of the country. Sixty four million of youths are unemployed, while 1.6 million are under-employed. The urban youths, aged 20 – 24 had an unemployment rate of 40% while those aged between 15 – 19 years had an unemployment rate of 31% (Emeh, Nwanguma and Abaroh 2012). Most recently, the Minister of Youth Development reported that 42.2 per cent of Nigeria's youth population is out of job (Oviawe, 2010).

Furthermore, the Chairman of the House Committee on Youth and Social Development revealed that of the over 40 million unemployed youths in the country, 23 million are unemployable and therefore susceptible to crime, hence the need to articulate what could be done to salvage the situation (Emeh, Nwanguma and Abaroh 2012). The pace is increasing because most graduates lack relevant marketable skills. The Nigerian youths are said to be confronted with poverty, unemployment, urbanization, lack of capacity and skills needed to move the economy forward. The National Poverty Eradication Programme (NAPEP) in 2001 stated that the universities and other tertiary institutions in the country produce an average of 120,000 graduates each year while another 500,000 school leavers or college graduates are turned out each year, without the hope of any job (NEEDS, 2004).

Furthermore, there has been sad tales of 700,000 applicants jostling for 5,000 positions in the customs, let alone the Nigeria police. When Comrade Oshiomole advertised for 10,000 job vacancies for graduates, over 100,000 jobless applicants turned in their applications (Oviawe, 2010). NAPEP asserted that 50% of the unemployed is assumed to be youths (Punch, 2003). This situation affects sustainable national development adversely. Youth development and empowerment are vital stages in life for building the human capital that allows young people to avoid poverty and lead better, and possibly have a more fulfilling life. The human capital formed in youth is thus an important determinant of long term growth that a nation can invest on. Hence, making sure that youths are well prepared for their future is enormously important to the course of poverty reduction and growth.

The Nigerian government, in response to the clarion call have continued to strive to contain the contagious effect of youth unemployment by providing youth development and empowerment programmes, to develop and empower the Nigerian youths to enable them contribute to the development of the nation and take over the leadership of the country. However, the results have remained terribly unimpressive. Despite the various efforts of government, stakeholders and economic players, by establishing a number of programmes such as the National Directorate of Employment (NDE), the National open Apprenticeship Scheme (NOAS), the National Poverty Eradication Programme (NAPEP), the Better Life, Family Support and the Family Economic Advancement Programme (FEAP) during the life span of various administrations to address the hurdles of poverty and unemployment, this monster among Nigerians is still on the speed lane. According to Abiodun (1998) millions of Nigerian youths who graduated from the Universities, Polytechnics and other tertiary institutions cannot find jobs and appropriate avenues to positively utilize their youthful energies, let alone the unskilled, uneducated youths in the rural areas, which are at the height of their physical and mental powers. Naturally, this segment should form the productive foundation of the economy of any nation, but in Nigeria they roam the streets in search of livelihood and employment opportunities. It is against the foregoing that this paper is produced under various sections. Sections one and two are on the introduction, the concepts and the causes of poverty respectively. The nexus between employment and poverty are exposed in section three. Section four is on youth unemployment and poverty reduction policy in Nigeria. Reasons for the growing youth unemployment is given in section five, while sections six and seven dwell on conclusion and recommendations respectively.

## **2. The Concept of Poverty**

Central to the quest for policies and programmes that can reduce poverty is the issue of the conceptualization. Conceptually, three dominant views are identified as to the meaning of poverty. The first view sees poverty as a severe deprivation of some basic human needs at the individual or household level. Here, poverty is a material deprivation and this can be assessed in monetary terms. While this conceptualization of poverty makes the quantitative analysis of poverty straightforward and permits comparisons over time and between countries, it fails to recognize non-material forms of deprivation such as illiteracy and social discrimination among others (Aliyu, 2002).

The second perspective defines poverty as the failure to achieve basic capabilities such as being adequately nourished, living a healthy life, possession of skills to participate in economic and social life, permission to take part in community activities etc. This conceptualization forms the basis for the belief that 'poverty is multi-dimensional'. Although, the capabilities framework offers many advantages over the income/consumption conceptualization, yet it is argued that it requires a greater variety of data and that no consensus exists on how capability deprivation at the household level is to be computed (Sen, 1999).

The third conceptualization of poverty came into limelight in the 1990s and has a fundamentally different approach to the understanding of poverty: subjective poverty assessments. The core of this view of poverty is that poverty must be defined by the poor themselves or by the communities that poor people live in. According to Aliyu (2002), the view came out of the work on participatory appraisal of rural projects and has direct relationship with a publication known as '*Voices of the Poor series*'. This subjective view of poverty posits that, poverty has both physical and psychological dimensions. Poor people themselves strongly emphasize violence and crime, discrimination, insecurity and political repression, biased or brutal policing, and victimization by rule, neglectful or corrupt public agencies (Narayan *et al*, 1999).

### 3. Theories of the Cause of Poverty

Theories about the cause of poverty have gone through complicated paths due to the fact that over the years, the explanations used have been broadened by multi-dimensional views. This has been due to changing ideas of development and underdevelopment, which has also been widened from economic, social, and environmental development to human development in its manifold senses (Bourguignon and Chakravarty 2004). The different causes of poverty are given as;

- i. Individual Deficiencies.
- ii. Cultural Belief Systems
- iii. Economic, Political, and Social Distortions (Lack of Inclusion).
- iv. Geographical disparities
- v. Cumulative and Cyclical Interdependencies

#### 3.1 Individual Deficiencies

This first theory on the cause of poverty focuses on the individual as responsible for their poverty situation. Typically, politically conservative theoreticians blame individuals in poverty for creating their own problems, arguing that with harder work and better choices, the poor could have avoided their problems. Other variations of the individual theory of poverty ascribe poverty to lack of genetic qualities such as intelligence that are not so easily reversed (Satterthwaite, 2001). The belief that poverty stems from individual deficiencies is an old one indeed. Religious doctrines that equated wealth with the favour of God was central to the Protestant reformation and the blind, crippled, or deformed people were believed to be under punishment by God, for either their or their parents' sins (Weber 2001). With the emergence of the concept of inherited intelligence in the 19th century, the eugenics movement went so far as to rationalize poverty and even sterilization for those who appeared to have limited abilities (Bourguignon and Chakravarty (2004). The core premise of this dominant paradigm is that individuals should seek to maximize their own well being by making good choices and investments.

#### 3.2. Cultural Belief Systems

The second theory of poverty roots its cause in the "Culture of Poverty". According to Ryan (1976), this theory suggests that poverty is created by the transmission over generations of a set of beliefs, values, and skills that are socially generated but individually held. Individuals are not necessarily to be blamed, because they are victims of their dysfunctional subculture or culture. Technically, the culture of poverty is a subculture of poor people in ghettos, poor regions, or social contexts where they develop a shared set of beliefs, values and norms for behaviour that are separate from but embedded in the culture of the main society. The underlying argument of conservatives like Murray (1984) is that government welfare perpetuated poverty by permitting a cycle of "welfare dependency" which poor families develop and pass on to others along with the skills needed to work the system rather than to gain paying employment (Asen 2002). Elimination of structural barriers to better jobs through education and training was touted as panacea for success.

#### 3.3. Economic, Political, and Social Distortions (Lack of Inclusion)

Theorists in this tradition look to the economic, political, and social system which causes people to have limited opportunities and resources with which to achieve income and well being. Rank, Yoon and Hirschl (2003) noted that what should be addressed are not the losers of the game but rather, the fact that the game produced losers in the first place. The thinkers of this epoch explored how social and economic systems overrode and created individual poverty situations. For example, Karl Marx showed how the economic system of capitalism created the "reserve army of the unemployed" as a conscientious strategy to keep wages low (Jencks 1996). Later

Durkheim showed that even the most personal action (suicide) was in fact mediated by social systems. Much of the scholars in this perspective suggested that the economic system is structured in such a way that poor people fall behind regardless of how competent they may be (Jencks 1996). No discussion on poverty can be complete without acknowledging that discriminated people or groups have limited opportunities regardless of the provision of legal protections. This study shall be based on this category of the cause of poverty in Nigeria. This is because; the elitist class tend to alienate the rest of the citizenry from access to employment opportunities, thereby aggravating the level of poverty in the country.

### **3.4. Geographical Disparities**

Shaw (1996) pointed out that the geography of poverty is a spatial expression of the capitalist system. Recent explanations include disinvestment, proximity to natural resources, density, diffusion of innovation, and other factors. Morrill and Wohlenberg (1992) argued that the movement of households and jobs away from poor areas in rural regions creates a separation of work, residence, economic, social and political life. According to Bradshaw (2000), in a world in which the criteria for investment is location, it is not unreasonable to track investment going to neighbourhoods, communities and regions in which there is already substantial investment, while leaving less attractive areas.

A second theoretical insight given by Jencks (1996) stated that rural areas are often the last stop of technologies; low wages and competitive pricing dominate production. The lack of infrastructure that allows development of human resources limits economic activity that might use these resources.

### **3.5. Cumulative and Cyclical Interdependencies**

This theory of poverty is by far the most complex and to some degree builds on components of each of the other theories in that it looks at the individual and their community as caught in a spiral of opportunities and problems, and that once problems dominate, they close other opportunities and create a cumulative set of problems that make any effective response nearly impossible (Bradshaw, 2000). The cyclical explanation explicitly looks at individual situations and community resources as mutually dependent. A faltering economy creates individuals who lack resources to participate in the economy. This in turn makes economic survival even harder for the community since people pay fewer taxes. Sher (1977) focused on the cycle by which education and employment at the community and individual level interact. For example, at the community level, lack of employment opportunities leads to migration, closing small businesses and declining local tax revenues, which leads to deterioration of the schools, which leads to poorly trained workers, leading firms not to be able to utilize cutting edge technology and to the inability to recruit new firms to the area, which leads back to a greater lack of employment.

## **4. The Nexus between Employment and poverty**

According to Holmes et al (2013), there is a strong empirical evidence that employment creation generally increases incomes and reduces poverty in low-income countries at both micro and macro levels, and a significant body of research decomposes the effect of various factors on poverty, illustrating the critical role of unemployment as a major determinant of poverty in both middle- and low-income countries. Employment has been viewed as a key mechanism for the transmission of economic growth as well as poverty reduction both directly and indirectly by providing, incomes while also stimulating demand at both the macro and micro levels (Islam 2004).

Furthermore, Idoko (2013) asserted that there is a direct relationship between the stock of human capital and the level of development. Job creation is a way of strengthening the workforce and therefore a means of achieving sustainable development. It is expected to achieve the following amongst others;

- i. Job creation for youths in Nigeria can raise the psychic and moral of people
- ii. Youth employment means engaging more human resources or labour which can in turn create more goods and services. This can also boost the economy via more trade, more taxes accruing and more income through the multiplier effect, and a fiscal lift. Creating more jobs for youths will boost future earning, improve the standard of living and possibly reduce youth restiveness via improved engagements, higher health delivery services, and further development of skills and creation of more market at home.
- iii. Job creation for youths will strengthen the system of income redistribution in the market economy which is dependent on employment. If people do not have jobs, they do not earn income. Generally, people worry about unemployment of labour than unemployed capital, because it is labour that facilitates turning capital into use to create further wealth for better living.
- iv. Again, increased government spending on creating more jobs for youths will raise the general levels of the national income, taxes and economic growth. Hence, an increase in job creating expenditure will

cause the national income to increase at high points due to direct increase in aggregate demand upon incremental government spending. It is good to emphasise that the size of the multiplier (economic boost) will be greater than the naira investment on job creation.

However, it is argued that it is not simply access to employment per se that determines poverty reduction on either a micro or macro level. The quality of employment in terms of the type of job, the sector in which it is located, duration, wage levels and terms of employment, etc., as well as the scale of employment, its spatial distribution, and its allocation across the income distribution, are significant factors in determining the extent to which employment contributes to poverty reduction. Furthermore, Islam (2004) offers some insights into the macro-policy choices that can influence employment creation and its impact on poverty, in a study examining the linkages between economic growth, employment and poverty reduction, drawing on national case studies from Bangladesh, Bolivia, Ethiopia, India, Indonesia, Uganda and Vietnam.

The study highlights the critical importance of the nature of employment created and the specificities of the local economy, in terms of the impact of employment creation on poverty in aggregate terms. The key factor influencing the extent to which employment can form an effective poverty reduction mechanism is the extent to which employment can be promoted in sectors with high productivity (e.g. manufacturing and other non-farm sectors) (Holmes et al 2013). In this context, access to resources and markets, and the distribution of assets are critical determinants of the extent to which employment will contribute to poverty reduction. According to DeVries and Specker (2009), the importance of the quality and distribution of employment in determining its impact on poverty is reflected in some of the theoretical literature on employment, which highlights the importance of the accessibility of jobs by the poor, and the sectors in which employment is provided. (Holmes et al 2013).

A study from Afghanistan and the Democratic Republic of the Congo reveals that 'adverse incorporation' into the labour market, through informal sector micro-enterprise activity or unregulated formal sector employment, can exacerbate poverty and instability (DuToit 2004). It highlights the critical importance of self-employment in the informal sector in the context of a collapse in the formal sector (World Bank 2005). Iyenda (2005) highlights the fact that 'considerable rhetorical emphasis is being placed, in many countries, on the potential role of the informal sector in alleviating poverty and unemployment, and there is a call for the 'stimulation' of this kind of activity.' This rhetorical emphasis is linked to the assumption that the development of micro-enterprises in the informal sector will to some degree compensate for the absence of formal sector employment. However, on the basis of data gathered from petty traders in Kinshasa, Iyenda (2005) argues that the reality of self-employment in the informal sector is not as attractive as the policy rhetoric assumes, and that addressing poverty through promotion of self-employment in the informal sector may not be an optimal policy approach:

*... despite their capacity to offer employment and income to many households in the city, street enterprises are not a panacea capable of improving people's living standards, and they cannot lift poor people out of chronic poverty. They simply offer short-term, volatile and insecure employment opportunities, often with mediocre profits or achievements. For most street entrepreneurs, life these days is characterized by uncertainty over whether daily basic needs will or will not be met. (Iyenda, 2005).*

McCord (2010) argued that this criticism can be extended to employment creation programming in general, where employment creation is often considered to be synonymous with poverty reduction, irrespective of the quality of employment or its distribution.

## **5. Youth Unemployment and Poverty Reduction Policy in Nigeria**

Youth unemployment challenge is a universal societal malaise, which has periodically drawn the attention of governments and non-governmental organizations across the globe. This is because joblessness among this critical group, a large portion of who are educated, trained and has potentials for the labour market, represents a waste of human resources. They are also a source of explosive uprising capable of destabilizing society. Every nation and multilateral institutions has a Youth Policy as well as a Youth Action Plan For instance, the Nigerian National Youth Policy, African Youth Charter, Commonwealth Youth Charter, United Nations World Programme of Action for Youth, etc. It can be recalled that President Obasanjo in 2006 established the Ministry for Youth Development. Generally, the youth described as the greatest asset in any nation are the greatest investment for a country's development (National Youth Policy of Nigeria, 2001).

Empowering the youths has always been used as a propaganda during political campaigns, yet, no action has been put in place to mainstream the youths into all sectors of the economy. The societal cost of a large army of unemployed people, particularly young entrants into the labour market is unsettling. While mass demonstrations are not unusual in Nigeria, perhaps a much more threatening response has been the resort to all forms of deviant and fraudulent behaviour, armed robbery and threats to lives and properties regularly witnessed across the

country. Since youth unemployment is very severe in Nigeria, causing a huge challenge to national development, all available resources must be effectively mobilized to solve the problem. Table 1 shows the level of graduate unemployment rates in Nigeria from 2003 to 2011.

**Table 1. Graduate 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: *The National Bureau of Statistics (NBS, 2011)*

Table 1, reveals the fact that the problem of youth unemployment is critical in both urban and rural Nigeria. Taking cognizance of this malaise, the Obasanjo administration in the year 2001 set out poverty as one of its areas of focus and approved the blueprint for the establishment of the NAPEP, which spearheaded other sub-programmes such as the Youth Empowerment Schemes (YES), Rural Infrastructure Development Schemes (RIDS), Social Welfare Service Schemes (SOWESS), National Resources Development and Conservation Schemes (NRDCS). With a take-off grant of N6.billion approved for it in 2006, NAPEP established structures at all level nationwide. NAPEP became a central co-ordination point for all anti-poverty efforts from the local government level to the national level by which schemes would be executed with the sole suppose of eradicating absolute poverty. A special sub-programme embedded in the policy included the Youth Empowerment Scheme (YES), which in itself had the following sub-programmes to tackle youth unemployment;

- i. Capacity Acquisition Programme (CAP).
- ii. Mandatory Attachment Programme (MAP).
- iii. Micro Credit Programme (MCP), etc.

NAPEP was to work together with the already existing but ineffective National Directorate of Employment (NDE).The difference between NAPEP and other old poverty reduction agencies like NDE is that it is not a sector project implementation agency but a coordination facility that ensures that the core poverty eradication ministries were effective. It would only intervene when necessary, under its secondary mandate which gives it right to provide complementary assistance to the implementer ministries and parastatals nationwide. To assess the effects of the federal government's policy on youth employment through these agencies therefore, the following indices were used for analysis;

- i. The Level of Employment Creation
- ii. The Level of Skill Acquisition
- iii. The Level of Access To Capital

### 5.1 The Level of Employment Creation

According to official statistics, some 4.5 million of the population enter the labour market annually, most of whom are young job seekers. Yet, only 10% can be absorbed because employment growth is not fast enough to include those looking for employment. Thus, the rate of youth unemployment in Nigeria has risen over the past decade (Umoh, 2012). The unemployment rate among this group (youths) was 12.6% in 2002 but rose to 23% in 2010, a figure which was about twice the national unemployment rate (Fashoyin, 2012). By way of comparison, the Nigerian youth unemployment, estimated at 34% in 2008 was nearly 3 times the Sub- Saharan African unemployment rate of 12.6%<sup>5</sup>. This has occurred despite the appreciable growth of the Nigerian economy, with an annual GDP growth averaging at 9.2% during the 2000 to 2008, although in the latter years economic growth fell to 7.8% in 2009 and further to 7.3% in 2011. Notwithstanding this decline, it is evident that relative economic prosperity has not been accompanied by job growth (Fashoyin, 2012). This is evidently reflected in table 2, below.

**Table (2): Trends in Registered Unemployment in Nigeria and Placements (1995- 2005).**

| Year    | Old Registration | Fresh Registration | Re-Registration | Total   | Vacancies | Placements |
|---------|------------------|--------------------|-----------------|---------|-----------|------------|
| 1995    | 27,926           | 36,039             | 32,615          | 96,580  | 11,156    | 2,139      |
| 1996    | 27,210           | 39,273             | 26,675          | 85,158  | 13,030    | 2,378      |
| 1997    | 33,967           | 79,718             | 31,399          | 145,084 | 16,502    | 4,988      |
| 1998    | 66,625           | 30,003             | 19,534          | 116,162 | 14,154    | 2,506      |
| 1999    | 52,737           | 26,128             | 17,190          | 96,055  | 14,052    | 3,474      |
| 2000    | 55,043           | 20,355             | 14,354          | 89,752  | 7,637     | 1,917      |
| 2001    | 77,769           | 19,896             | 12,848          | 110,515 | 14,529    | 2,924      |
| 2002    | 66,812           | 3,449              | 4,882           | 75,143  | 3,864     | 985        |
| 2003    | 69,463           | 2,492              | 3,432           | 75,387  | 3,735     | 1,251      |
| 2004    | 68,930           | 2,052              | 1,295           | 72,227  | 3,786     | 859        |
| -       | -                | 2005               | -               | -       | -         | -          |
| 1st Qtr | 73,755           | 3,154              | 960             | 869     | 875       | 1,369      |
| 2nd Qtr | 75,313           | 3,633              | 2,248           | 81,194  | 4,143     | 1,463      |
| 3rd Qtr | 77,989           | 3,633              | 2,307           | 83,691  | 4,262     | 677        |
| 4th Qtr | 79,574           | 2,156              | 1,434           | 83,614  | 4,446     | 965        |

**Source: CBN Statistical Bulletin, Dec. 2005 (Culled from Fed. Min of Employment, Labour and Productivity, Lagos)**

From the data presented in table 2, the absorptive capacity of Nigeria labour market has remained very weak and relatively inelastic as reflected in the registered unemployed and total placement. Out of a total registered 98,580 unemployed youths in 1995, only 2,139 were employed. The same went for 2005, where only 964 people secured employment out of 83,614 registered unemployed youths. The negative trends increased with the years. This was despite the existence of the NDE in the 90s and NEPAD in 2000- 2005. The figures paint an alarming picture of what could have happened to the gross majority that were not employed. Naturally these could have become the harbingers of many crimes in the nation due to their idle state. Furthermore, Fashoyin, (2012) noted that apart from ineffective policy strategies, Nigeria's allocation to poverty reduction has never been more than 8% of the GDP, which was the case in the 1970s. In the following years, while the population has increased, the share of allocation to poverty reduction has been declining. Thus, unwillingness by the political elites to allocate more funds to employment creation has been having a devastating effect on the youth unemployment rate in the country.

### 5.2 The Level of Skill Acquisition

There were many policies geared towards the impartation of skills to curb youth unemployment in the past. Of more relevance to the youths were such initiatives as the National Directorate of Employment (NDE) programs, which targeted skills development and job creation among the youths. Fashoyin, (2012) stated that one of the basic steps taken by the Nigerian government to reduce the problem of youth unemployment in Nigeria was the establishment of the National Directorate of Employment (NDE), which was established in the eighties with the objective of promptly and effectively fighting unemployment by designing and implementing innovative programmes, to provide training, apprenticeship and management development skills for entrepreneurs. An average of about 108,000 people joined the NDE's programmes annually, which meant that the body would have directly created more than 3 million jobs over the 26 years of its existence (Umoh 2012).

Their efforts were to be directed towards the provision of training opportunities through the guidance and management of support services to graduate farmers and small scale entrepreneurs. The objectives of NDE also spanned across the following programmes: agricultural development programme; vocational skills development programme; special public works; and small scale industries as well as graduate employment programmes. The aim of the agricultural programme was to generate employment for graduates, non-graduates and school leavers in the agricultural sector, with emphasis on self employment in agricultural production and marketing. However, factors which include inadequate funding and late release of funds from the federation account, managerial deficiency, policy distortions and corruption impaired the effectiveness of the NDE agricultural programmes (Umoh, 2012)

The YES scheme of NAPEP incorporates the Capacity Acquisition Programme (CAP), Mandatory Attachment Programme (MAP), and Micro Credit Programme (MCP). The CAP and MAP in particular were geared towards skills acquisition. The difference between NAPEP and other poverty reduction agencies is that it is not a sector

project implementation agency but a co-ordination facility that ensures that core poverty eradication ministries are effective. It would only intervene when necessary, under its secondary mandate which gives it the right to provide complementary assistance to the implementing ministries and Parastatals nationwide. The Programme supervised some 22 poverty schemes. Under its Capacity Acquisition Programme (CAP), it had trained 100,000 unemployed youths, just as 5,000 others received training as tailors and fashion designers as at 2012. A total of 50,000 unemployed graduates also benefit from NAPEP mandatory attachment same year (Fashoyin, 2012). However, no independent assessment of its impact in the fight against poverty exists. Altogether, Umoh (2012), asserted that NAPEP as a government programme did not have any perceptible impact in the fight against mass poverty in the over a decade of its existence. The fact that poverty and unemployment have not been abated further upholds this argument.

### **5.3 The Level of Access to Capital**

In addressing the problem of poverty in general and youth unemployment in particular, there are many methods currently available in the global stage. One such committed method is the microfinance based on the structure of social business environment (Kazi and Leonard, 2012). To address poverty and acute unemployment, Nigeria explored various approaches including the national policy that incorporates the microfinance institution. NAPEP's YES also has the Micro Credit Programme (MCP) - a sub-programme, which is geared at providing access to credit for youth employment. Therefore, in December 2005, the Central Bank of Nigeria (CBN) introduced a microfinance policy framework to provide access to financial services for youths engaged in small-entrepreneurs and low income households (Kazi and Leonard, 2012). It was recognized that no comprehensive growth can be achieved without providing the vast segment of poor Nigerians, the access to factors of production, especially financial services (CBN, 2011). In addition, the CBN recognized the existence of informal institutions and set out to mainstream these into the national financial system so as to harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions. Therefore, Nigerian microfinance services such as loans, deposits, insurance, fund transfer and other ancillary non-financial products targeted the low-income clients, including any willing set of youths. The Nigerian microfinance product features are: smallness of loans and savings, absence or reduced emphasis on collateral, and simplicity of finance operations. There are 869 licensed microfinance institutions in Nigeria (CBN, 2012).

However, Anyanwu (2004) noted that the interest rates in the microfinance institutions were ranging from 32-48%, much higher than the prevailing rates in the banks. Money lenders at the informal sector charge interest rates of 100% or more. In fact, he confirmed that clients of Nigerian MFI were complaining about the extremely high interest rates that were being charged. The high interest rates defeated the objective of microfinance to combat poverty since the clients have to repay back double of what they had received. Kazi and Leonard, (2012) also noted that most of microfinance funding were then going to the commercial sector instead of the more vital economic activities of the rural areas where the services were needed most. Besides, about 90% of Nigeria's businesses were considered microenterprises and these farm or non-farm activities serve as the main income source for the majority of the labour force. In September 2011, Nobel Laureate Yunus hinted that Nigeria is not pursuing the correct form of microfinance banking (Komolafe,2011). According to Komolafe (2011) Yunus listed the following as the flaws of the Nigerian microfinance banking:

- a. It is not designed for the poorest of the poor members of community. Rather it is for traders, suppliers and importers and this explains the cut throat interest rates Nigerian MFBs charge.
- b. Due to its commerce nature, microfinance banks in Nigeria are predominately in the cities and urban areas, a sharp contrast to the rural based nature of the typical microfinance bank.
- c. Nigerian microfinance banks insist on collateral and they do not lend to start a new business, while the ideal microfinance dismisses completely the idea of collateral.
- d. Microfinance banking supposed to be predominantly women focused. In Nigeria, this is not the case.
- e. The regulation requires a minimum capital base of N20 million for licensing Nigerian microfinance banks. Thus, they are owned by the rich who could afford the high requirement. An ideal microfinance bank should be owned by the poor who are also its customers.
- f. Nigerian microfinance banks are allowed to charge any interest rate (even up to 100%), but the concept stipulates that the interest rate be pegged at 10 per cent margin between the cost of funds and interest rate ranging from 5% to 20 % simple rates. For educational loans given to children of the poor, the interest rate is supposed to be 5.0 % and payment is not expected to start until the beneficiaries graduate from school and start working. This is not the case in Nigeria, where the poor (if they secure the loans at all) are put under intense pressure to pay back.
- g. In Nigeria, microfinance bank branches have spacious, tastily furnished offices. The ideal microfinance bank should believe that people should not go to banks; rather banks should go to the people.

For the aforementioned reasons, the unemployment and hence poverty levels in Nigeria still remain very high despite the microfinance activities of the vast number of licensed MFIs and NAPEP's YES programme.. Due to failure to assess funds for productive engagement, there has been a sustained prevalence of high youth unemployment rate, despite the existence of these finance institutions. According to Umoh(2012), the official national unemployment rate rose to 19.7% in 2009 to 21.1% in 2010, reaching 23.9% in 2011. In the same year, it was 17.1% in the urban areas and much higher in the rural areas (25.6%). In fact, it has been suggested that for the broad 15-64 age group, unemployment was unofficially estimated at about 56.3% in 2011. This calls for urgent review of the youth employment policies and their implementation to avert critical socio-political crisis.

## 6. Reasons for the Growing Youth Unemployment in Nigeria

In the course of the study, it was noted that government policies on youth employment to fight poverty were enmeshed in the problems of; (a) Policy inconsistency and poor governance. (b) Unwieldy scope of the programme resulting in resources being thinly spread among projects. (c) Lack of involvement of social partners other stakeholders and the poor themselves in the planning, implementations and evaluations of the programmes. (d) Poor human capital development and inadequate funding of the programmes.

Apart from policy failures, available information by National Universities Commission reiterated that the massive unemployment of Nigerian universities graduates in the country can be traceable to the disequilibrium between labour market requirements and lack of essential employable skills by the graduates (NUC, 2004). This critical skill gaps inhibits the development of youths and the entire development of the nation, as more than half of the Nigerian populations are under the age of 30. Nigeria's population is predominantly made of youths. In addition, a national survey jointly sponsored by NUC and the Education Trust Fund (ETF) in 2004 sought to determine the labour market needs. The study revealed that 44 percent of the 20 organizations rated Nigerian science graduates as average in competence, 56 percent rated them as average in innovation and 50 percent rated them average in rational judgment, 63 percent as average in leadership skills and 44 percent as average in creativity.

On needed skills like literacy, oral communication, information technology, entrepreneurship, analytical, problem-solving and decision making, 60 percent rated them as poor. By any standard, the above statistics reflect a poor assessment of Nigerian University graduates and further buttress the argument that Nigerian university graduates are unemployable (Okafor, 2011). Okafor (2011) is in concordance with the NUC opinion by asserting that the high rate of unemployment can be blamed on the lack of adequate provision for job creation in the development plans, the ever expanding educational growth and the desperate desire of the youths to acquire University education irrespective of the course and course contents. As a result, a number of skills acquired from the University appear dysfunctional and irrelevant. In addition, Umoh(2012) observes that several such NEPAD and NDE programmes and other youth employment schemes operated as independent bodies, whereas they should have logical interface with other macroeconomic policies so as to maximize returns. underscores the little effect of their possible impact. In summary the general causes of unemployment are given in table 3.

**Table (3). Causes of Unemployment in Nigeria**

| Variables                                   | Frequency  | Percentage |
|---|------------|------------|
| Rural-Urban Migration                       | 30         | 11.1       |
| Rapid Population Growth                     | 20         | 7.4        |
| Corruption                                  | 50         | 18.5       |
| Outdated School Curriculum                  | 20         | 7.4        |
| Leadership/managerial problems              | 70         | 25.9       |
| Lack of Employable skills                   | 8          | 3          |
| Increase in the supply of educated manpower | 12         | 4.4        |
| Poverty                                     | 20         | 7.4        |
| Lack of adequate youth development programs | 40         | 15         |
| <b>Total</b>                                | <b>270</b> | <b>100</b> |

Source (Jeffrey, 2012)

From the table 4 above, corruption and mismanagement are the worst culprits of Nigerian unemployment crisis.

## 7. Conclusion and Recommendations

There is a link between youth unemployment and poverty, loss of livelihood, inequality, and youth restiveness as evidenced by the numerous violent protests against the wielders of power in Nigeria. To overcome this and many other societal ills noted among the unemployed youths today, the Nigerian government needs to go back to the drawing board to fashion out a more effective poverty reduction policy to curb the menace of unemployment and its consequent poverty amongst the youths. This can be achieved through the following;

Government should develop a holistic approach to the creation of jobs, so as to reduce youth unemployment. The authors believe that this position would boost economic growth, which is expected to tickle down to reduce poverty and ensure a sustainable national development in Nigeria.

By turning the facilities of the National Directorate of Employment (NDE) into a modern Vocational Training Center, twin problems of poverty and unemployment will be addressed in the country. This is the only meaningful way that the NDE can contribute to the solution of mass unemployment crises and poverty reduction, especially among the youths in Nigeria.

Most importantly, regular monitoring of poverty reduction programmes, especially for the youths should be embarked upon.

A high level of accountability should be encouraged to ensure judicious use of available scarce resources and also guarantee prudent management. In addition, regular evaluation should be made to provide immediate feedback.

The pattern of administering the programme, particularly the disbursement of training funds should be validated and reviewed on a continuous basis.

There is also the need for strong political commitment to the poverty reduction goal, as well as a de-politicisation of poverty alleviation programmes and projects. It is crucial for poverty reduction programmes and measures to be implemented within the framework of rapid broad-based economic growth with equity, controlled population growth, sound economic management and good governance, among others.

Quality education has a direct bearing on national prestige, greatness, and cohesion. The knowledge and skill that young people acquire help determine their degree of patriotism and contribution to national integration and progress. The education system should inculcate the skills profiles required by the labour market to enhance employability of young people after graduation. Skills acquisition and business ideas should be integrated in school curriculum to encourage young people to start their own business. Policy actions in this regard would include the provision of adequate financing for vocational/technical training for poverty reduction agencies.

Due to the socio-cultural diversity inherent in Nigeria, poverty reduction policies that are unique and indigenous to the respective states should be vigorously pursued, while the youths themselves should be involved in drafting, implementation and monitoring of the poverty reduction policies that concerns them, instead of the up-bottom approach that is prevalent at the moment. Government should encourage private sector's participation in the delivery of Technical Vocational Education and Training.

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