

Labour Market Distortions and University Graduate Unemployment in Nigeria: Issues and Remedies

Godwin E. Bassey and Johnson A. Atan

Department of Economics, University of Uyo, Uyo, P.M.B. 1017, Nigeria

Abstract: This study is an attempt to appraise the existing gap between the demand for and supply of university graduates in the Nigerian labour market. The study emphasizes that serious distortions exist in the market for university graduates in Nigeria, giving rise to unacceptable high level of graduate unemployment. The phenomenon of rising graduate unemployment is bound to have serious adverse social and economic consequences on the Nigerian economy. The study traces the problem to the declining quality of education, resulting from inadequate funding, insufficient and outmoded learning materials, poorly trained staff, irrelevant curricula and inadequate information on job vacancies for job seekers in the market. The study recommends, among others, the establishment of labour market information system, a legal framework for labour market information management and improved funding of university education to effectively harness the products of the Nigerian universities for sustainable economic development.

Keywords: Graduate unemployment, labour market, Nigeria

INTRODUCTION

Nigeria has the potential for rapid economic growth and development, given her rich human and material resources. Yet, the economic performance of the country has been described as erratic, dismal, truncated and largely unimpressed (Ajayi, 2002; Iyoha and Oriakhi, 2002; Kayode, 2004; Ekpo, 2008). The poor growth performance of the economy is depicted in the rising incidence of poverty, massive and graduate unemployment, skyrocketing inflation, worsening balance of payments disequilibrium, monumental external debt burden, widening income disparity and growing fiscal imbalances, which taken together constitute Nigeria's crises of underdevelopment. These problems are rooted in the pervasive distortions existing within the economy (Ekpo, 1987).

Distortion is defined as a divergence between marginal private valuation and marginal social valuation (Atoyebi and Odedokun, 1987). It exists when the prices of goods and services, as well as capital and labour, do not correctly reflect their scarcity (World Bank, 1983). According to Atoyebi and Odedokun (1987), distortions result from market failure and are endogenous or policy induced. They serve to destroy the Pareto optimality within the domestic economy by creating a divergence between the market price and social opportunity cost. Interestingly, the World Bank (1983) as cited in Atoyebi and Odedokun (1987) indicated that between 1970 and 1980 distortions explained about one third of the variations in the growth performance of 31 counties

surveyed, of which Nigeria ranked as the second most distorted economy being only surpassed by Ghana.

Within the Nigerian labour market, distortions are prevalent. These are exemplified in the rising incidence of unemployment among university graduates and those of other tertiary institutions, wage rate differential not related to productivity and rural-urban migration, among other vices. Theoretically, it is argued that distortions result in the shrinking of a country's production possibility frontier by making the ratio of marginal productivity of each pair of factor input not to equalize thus, forcing the economy to produce outside the contract curve in a two-factor commodity space (Atoyebi and Odedokun, 1987). Among the major sources of endogenous distortions in the Nigerian labour market, as highlighted by Magee (1973) include imperfect knowledge, rural-urban dichotomy, ethnicity, monopoly power through trade unions, seniority not related to economic superiority, discrimination and disguised unemployment. For policy induced distortions, the author identified taxation, subsidies and minimum wage policy and quota system as possible factors. On the whole, it is the issue of rising incidence of unemployment and indeed, graduate unemployment that has aroused the greatest concern because as noted by Obadan and Odusola (2003) "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" (p.1).

Gbosi (2006) defined unemployment as a situation in which people who are willing to work at the prevailing wage rate are unable to find jobs. A more encompassing

definition is provided by the International Labour Organization (ILO) as cited in Akintoye (2008) thus: “the unemployed is a member of the economically active population, who are without work but available for and seeking for work, including people who have lost their jobs and those who have voluntarily left work” (p.98). Unemployment assumed a doomsday scenario in Nigeria a decade after political independence. Account by Akintoye (2008) showed that between 1970 and 1980, national unemployment rate rose from 4.3 to 6.4% and further rose to 7.1% in 1987. The author attributed this development to the economic depression which engulfed the nation from 1980, resulting in massive closure of businesses and retrenchment of workers. This was followed by the placement of embargo on recruitment which further worsened the unemployment situation. However, the author reported that the Structural Adjustment Programme (SAP) had a salutary effect on job creation leading to a sharp fall in unemployment rate from 7.1% in 1987 to 1.8% in 1995. Thereafter, unemployment figure hovered around 4% between 1996 and 2000.

One worrisome trend in the Nigeria labour market of recent has been the growing incidence of unemployment among professionals such as accountants, engineers and other graduates from universities and other tertiary institutions. Akintoye (2008) reported that graduate unemployment as a percentage of total unemployment rose from 1% in 1974 to 4% in 1984. Dabalen *et al.* (2000) also reported that graduate unemployment accounted for 32% of the total unemployed labour force between 1992 and 1997. This growing incidence of graduate unemployment in the face of acute skill shortages presents a paradox which further complicates the analysis of labour market distortions in Nigerian. Expectedly, employment generation (or unemployment reduction) has remained the central focus of macro-economic goals in Nigeria. It is a continuing policy and responsibility of the federal government to use all practical means to promote higher level of employment, production and purchasing power (Essien and Atan, 2006).

In this study, attempt is made to contribute to the resolution of this paradox by taking a look at the demand and the supply sides of labour market for university graduates in Nigeria as well as appraising the existing gap in the employment market for university graduates.

THEORETICAL BACKGROUND

Both the neo-classical tradition and the Keynesian orthodoxy can be invoked to explain the observed labour market behavior for Nigerian graduates. Like every other market, labour market is made up of the supply side and the demand side of the market. Following the neo-classical tradition, the theoretical connection between the two sides of the market is based on the “subsistence wage

theory” (on the supply side) and the “wage fund” theory (on the demand side).

On the supply side, the subsistence wage theory posits that every specie (or individual) naturally multiplies in proportion to the means of his subsistence and no specie can ever multiply beyond it. This implies that there exists a strong connection between the demand for labour and its supply (Iniodu and Ukpong, 2001). The demand for labour depends on the wage fund designed for the payment of wages, which consists of the revenue which is over and above what is necessary for its maintenance and the stock which is over and above what is necessary for employment by employers (Iniodu and Ukpong, 2001). To the neo-classicists, the supply side of the labour market is infinitely elastic at what they called “natural price” of labour. This is defined as that “price which is necessary to enable the labourers to subsist and perpetuate their race without either increases or diminutions” (P.105). This natural price of labour thus depends on its cost of production-the price of food, health care, education and other “necessaries” required to support the labourer and his family (Iniodu and Ukpong, 2001). On the demand side for labour, their crucial assumption was that of diminishing returns to agriculture and industries which implies downward sloping demand curve for labour, thus separating average and marginal productivity of labour (Iniodu and Ukpong, 2001).

The Keynesian orthodoxy, on the other hand, presented a disequilibrium model in which the demand for labour depends upon the real wage rate, equals to the marginal product of labour (Ekpo, 1987). The supply of labour depends upon the money wage rate with the usual trade off between leisure and labour. Workers are presumed to be ill-informed about the general price level but are alert to the absolute amount of their money income (Ekpo, 1987). Following the formulation by Ekpo (1987), the Keynesian disequilibrium model of labour market can be specified as follows:

- Let N_T = Demand for labour
- W = Money wage rate
- MP_N = Marginal product of labour
- P = Price level and
- N_S = Supply labour.

The model consist of six equations:

$$N_d = f (W/P) \dots \quad (1)$$

$$W/P = MP_N \dots \quad (2)$$

$$\partial ND/\partial W/P < 0 \dots \quad (3)$$

$$\partial N_S/\partial W = g (W)\dots \quad (4)$$

$$N_s/W > 0 \dots \quad (5)$$

$$N_d = N_s \dots \quad (6)$$

As can be gleaned from the above formulation, the Keynesian model possesses disequilibrium generating force which thwarts the system from adjusting toward a stable equilibrium. These forces are apparent in Keynes' concept of involuntary unemployment and the expectation gap. According to Ekpo (1987) as long as the economy operates in the short-run with rigid prices and money wages, the system is in disequilibrium and involuntary unemployment becomes a distortion. Beyond the short-run, price levels tend to change as firms begin to dispose of their stock of inventories. However, because of the presence of "money illusion", money wage tend change more slowly than the price level. Thus, the Keynesian model moved close to reality by implying that the "markets do not clear" (Ekpo, 1987).

Both the neo-classical and Keynesian labour market models have been heavily criticized for their assumption that the labour market is homogenous. Rather that being homogenous, the labour supply is highly heterogeneous. Elucidating on this fact, Kannappan (1985) remarked that employment relationship covers the gamut of full-time, part-time and temporary employments while the administration cadre in establishment includes the salaried executives, independent proprietors and others in charge of small establishments with undifferentiated responsibilities. Webb (1977) explained this point brilliantly thus:

The labour market is like a jar of honey which is continually being rotated at different rates and angles. The position and shape of the honey will depend crucially on its own flexibility or stickiness and on the movement of the jar (p.723).

Equally criticized is the notion held by both schools that the demand for and the supply of labor depends on

the wage rate. Rejecting this claim in the Nigerian case, Ekpo (1987) had this to say:

"The Nigerian experience largely suggests that the demand for and the supply of labour are influenced by forces outside the market. It is an open secret that state of origin, ethnicity, religion, rate of profits, social class are important variables in any serious discussion on Nigerian labour market "(p.8).

LABOUR MARKET TRENDS FOR GRADUATES IN NIGERIA

For a start, the word "graduate" is used broadly in this study to refer to individuals with any from of post matriculation qualification or tertiary diploma or certificate (Pauw *et al.*, 2008). In all modern economies, universities are places where specialized human resources are developed. Therefore, they play a crucial role in generating human capacities for leadership, management and the technical expertise.

In the present day knowledge based economies that have emerged following globalization and information technology revolution, universities are expected to play a pivotal role by generating, harnessing and transmitting knowledge for sustainable development and improved standard of living. Unfortunately, it does appear that universities in Nigeria are yet to be equipped to carry out these responsibilities effectively due to limited access to university education and human capacity deficiencies. Saint *et al.* (2003) reported that in 2002, Nigeria could only boast of 15 scientists and engineers per million persons. This compared unfavorably with 168 in Brazil, 459 in China, 158 in India and 4,103 in United States of America. The import of this is that more needs to be done in terms of improving access to Nigerian universities.

Generally, access to university education provides an indicator of a country's production of skilled manpower. The trend in enrolment in federal universities over the period 2001-2007 is presented in Table 1. Evidence

Table 1: Total enrollment in federal universities by major disciplines

Discipline	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2007
Admin/Mgt Sc.	29,407	29,741	45,2477	47,886	29,757	43,808
Agric	18,557	27,201	30,457	26,455	22,022	22,604
Arts	31,182	31,456	35,585	38,589	33,998	37,652
Dentistry	-	-	-	-	-	727
Education	33,782	33,798	48,230	48,880	48,889	52,988
Engr. tech	47,278	50,983	51,816	59,702	51,824	51,421
Environ.Sc.	10,864	14,676	18,036	18,853	17,968	18,065
Law	14,396	13,896	15,430	18,506	16,299	15,008
Medicine	26,360	25,426	28,001	31,540	25,884	26,338
Pham.	5,727	5,873	5,967	5,538	4,740	5,2h61
Science	59,360	74,933	78,761	97,724	75,187	76,704
Soc. Sc.	45,320	38,154	54,450	52,924	56,725	53,946
Vet. medicine	3,474	3,365	7,273	3,771	3,735	3,066
Total	325,707	349,502	419,253	450,377	398,386	412,588
Annual growth	-	7.3	20.0	7.4	-12.6	4.9

NBS Annual Abstracts of Statistics (2008)

from the Table shows that enrollment into federal universities in Nigeria increased from 325, 707 in the 2001/2002 session to 412,588, reflecting increased demand for university education. This gives an average annual increase of about 4.4%. The highest enrollment occurred in 2004/2005 session with a total enrollment of 450,377 students. In terms of annual growth rate, total enrollment grew from 7.3% in 2002/2003 session to peak at 20% in the 2003/2004 session. Thereafter, it declined sharply to 4.9% in the 2006/ 2007 session. It is significant to note that total enrollment recorded a negative annual growth rate of -12.6% in the 2005/ 2006 session. A declining trend in enrollment growth in the face of rising demand for university educations mirrors the growing difficulty in getting admissions probably due to falling academic standards at the secondary and primary school levels. It may also reflect inability of federal university to cope with growing admission pressures due to overstrained and decaying facilities as well as dearth of academic staff.

Corroborating this fact, Saint *et al.* (2003) commented as follows:

However, efforts to expand enrollment and improve educational quality are severally constrained by the growing shortages of qualified academic staff. Between 1997 and 1999, the numbers of academic staff declined by 12% even as enrollment expanded by 13%. Long term brain drain, combined with insufficient output from national postgraduate programmes in the face of rising enrollments, has left the federal university system with only 48% of its estimated staffing needs filled (p.8).

In terms of academic disciplines, the Table reveals growing enrollment into the science and engineering programmes. The combined enrollment into engineering, medicine and sciences increased from average of 44, 333 in 2001/2002 session to average of 54,154, representing average annual increase of 3.2%. The share of the programmes in total enrollment declined marginally from 40% in 2001/ 2002 session to 39.4% in 2006/2007 session.

In comparison, academic programmes in business, arts, education and social sciences recorded average enrollment of 34,922 in 2001/2002 session as against 47,099 in 2006/2007 session, representing average annual increase of 5.8%. The share of these programmes in total enrollments increased from 42.9 to 45.7% during the period.

Table 2 presents a gory picture of the bleak employment prospect for university graduates in Nigeria since they belong to the professional and executive cadre. In 1990 although 10,182 applied for jobs, only 3,695 vacancies were declared out of which 986 (9.6%) were recruited. The situation was worse in 2000 (eleven years after) when 104,960 registered unemployment vied for a meager 115 vacancies of which only 110 were recruited. It is disturbing to note that whereas the number of registered unemployment was soaring high over time, the number of declared vacancies was reducing steadily, betraying the crippling nature of the Nigerian economy.

In Table 3 the rate of unemployment by age group is depicted. The Table illustrates the alarming nature of graduate unemployment in Nigerian since majority of the new entrants into the labour market falls into the age bracket of 15-24 years. In this age bracket, the rate of unemployment averaged about 30% unemployment averaged about 30% between 2003 and 2007 as against

Table 2: Registered unemployed and vacancies declared (professional and executives) 1990-2004 (selected years)

Year	Registration	Vacancies declared	Placement	Percentage of placement to vacancies	Percentage of placement to registration
1990	10,182	3,695	986	26.6	9.6
1993	108,153	12,605	79	0.001	Negligible
1995	32,442	3,708	49	1.3	-do-
1998	99,376	38	2	5.3	-do-
2000	104,960	115	110	95.7	-do-
2001	84,359	127	93	73.2	-do-
2002	94,663	121	102	84.3	-do-
2003	61,961	917	657	71.6	1.1
2004	87,731	617	510	82.7	0.005

CBN Statistical Bulletins 2002 and 2008

Table 3: Unemployment rates by age group (2003-2007).

Year	Age brackets				All groups
	15-24	25-44	45-59	50-64	
2003	32.1	14.7	10.7	13.4	14.8
2004	28.9	11.4	7.7	10.1	13.4
2005	34.2	11.3	6.6	9.7	11.9
2006	30.8	8.8	4.8	7.3	13.7
2007	30.7	8.5	4.5	7.1	14.6

NBS Annual Abstracts of Statistics (2008)

Table 4: Output of Nigerian Universities by discipline 1990-2005

S. No.	Discipline	1990	1992	1994	1996	1997	1998	2001	2002	2003	2004	2005
1	Administration	2,890	3,471	3854	2,726	3,283	1,022	14,078	14,078	19,153	12,895	8,530
2	Agriculture	1,138	1,220	2,307	2,218	3,197	1,022	2,248	2,966	3,012	2,869	974
3	Arts	5,003	2,711	6,549	6,955	7,118	811	6,655	7,645	8,743	6,692	3,829
4	Education	11,687	6,728	11,529	15,713	14,697	1,406	10,520	10,520	10,026	8,363	5,665
5	Engineering/tech.	1,848	16	2,735	3,104	3,720	2,187	5,852	6,497	7,227	5,808	2,012
6	Environmental sc.	989	372	515	769	964	1,068	1,787	1,811	2,187	1,822	1,502
7	Law	2,222	1,228	1,175	1,576	1,970	307	2,927	4,498	5,896	3,877	1,681
8	Medicine	355	895	1,726	2,212	1,353	253	2,921	2,665	2,895	2,644	732
9	Pharmacy	534	243	392	374	411	559	255	494	417	710	42
10	Sciences	4,306	2,716	6,089	7,078	7,508	41	9,180	9,060	11,308	8,303	6,702
11	Social sciences	5,643	4,386	8,049	8,150	10,076	1,534	11,689	18,909	17,345	14,122	7,283
12	Veterinary medicine	174	103	1,506	259	274	3,518	119	205	254	118	61
13	Others	-	206	924	-	-	31	1,255	1,770	1,649	950	491
	Total	37,389	25,928	47,346	5,043	55,571	12,855	67,356	80,956	87,222	69,171	39,504

National Bureau of Statistics: Annual Abstracts of Statistics (various issues)

Table 5: Percentage of unemployed person by level of education in urban and rural Nigeria 1990-2005

Edu. level	1990	1992	1994	1996	1998	2000	2001	2002	2003	2004	2005
All levels	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No schooling	18.4	19.0	15.6	20.0	28.2	11.9	14.0	16.6	11.0	14.9	Na
Primary	25.3	3.7	14.8	11.5	15.8	26.2	21.0	16.1	18.3	15.8	Na
Secondary	54.4	61.7	69.9	51.3	49.5	52.8	55.2	57.4	59.7	52.8	Na
Post secondary	2.0	5.6	9.8	17.2	6.5	9.1	9.7	9.9	11.0	16.5	Na

National Bureau of Statistics: Annual Abstracts of Statistics (various issues.)

the national figure of about 13%. Whereas the national rate of unemployment showed a steady decline over the period, the rate unemployment among new entrants (graduates) showed an upward trend.

Labor market supply of university graduates: The composition of skills or specialization that entered the labour market between 1990 and 2005 is given in Table 4. At the beginning of the period, the largest share of labour market entrants with university education found employment in education sector.

For a populous country such as Nigeria, where delivery of education services is an urgent matter, it is not surprising that many of the university graduates are absorbed into the education sector. However, increase in the supply of other crucial skills such as medicine, phammacy, agriculture and engineering have been much less dramatic.

Judging by the sizes of graduate output, evidence from Table 4 suggests a tendency for the federal universities to produce fewer graduates in crucial areas. In 1996, education and social sciences supplied 15,713 and 8,150 graduates respectively. In contrast, science-related majors who entered the labour market that year were about 7,000. In more specialized professional disciplines such as medicine and pharmacy, the numbers were even much smaller. About 2,121 graduates in medicine, 374 pharmacists and only 259 veterinary medicine graduates were produced for a nation of about 140 million people. The number of gradates in some critical areas should be a source of concern since there is a shortage of these skills. The analysis so far reveals that the supply of university graduates in Nigeria has grown over time particularly in the fields of education, social sciences and arts.

Labour market demand for university graduates: The demand for labour is derived from production and distribution activities in the goods and service sectors. As a result, its size and shape are sensitive to what happens in the national economy (Dabalen *et al.*, 2000). The demand for labour in Nigerian economy has been poor and volatile at best. It is perhaps the most difficult challenge getting or securing accurate information on labour demand while collecting labour market information. As noted Dabalen *et al.* (2000), the reason for this is that, hiring decisions by firms are typically uncoordinated and in many cases unannounced.

Additional labour analysis problem in Nigeria stems from the fact that no systematic collection of labour market information takes place. In many cases, information on labour demand are obtained through secondary data such as manpower surveys, the labour market studies and direct interviews with major employers.

One way of examining the contribution of university education to the demand for labour is by taking a look at unemployment in Nigeria by level of education. From Table 5, two important conclusions can be drawn about labour market conditions in Nigerian. First, school leavers with more than secondary education experience significantly lower unemployment rate than those with secondary education or less. The difference is very sharp when secondary school leavers are compared with post-secondary graduates. This suggests that graduates of universities and other tertiary institutions stand better chances of obtaining employment compared to those with only secondary education or less.

Table 6: Applications and hires into the federal civil service

Years	Number of applications	Number of graduates	Proportion of graduates	Number of offers	Percentage of absorption
1993	9,650	-	-	2,459	25.5
1994	8,694	5673	65.2	617	7.1
1995	14,312	9398	66.5	756	5.3
1996	10,250	7220	70.4	329	3.2
1997	19,441	6390	65.6	179	1.9
1998	8,172	5139	62.9	138	1.6
1999	63,414	n.a	n.a	226	0.4
2000	50,500	n.a	n.a	3,301	6.6

National Bureau of Statistics, Annual Abstracts of Statistics (various issues)

Table 7: Advertised job openings in the Nigerian economy 1991-1999

Sub-sector	1 st quarter 1991		1 st quarter 1993		1 st quarter 1994		1 st quarter 1996		1 st quarter 1997		1 st quarter 1998		1 st quarter 1999		Total 1991-1999	
	Nos.	(%)	Nos.	(%)												
Engineering	191	18	267	23	136	16	181	30	65	17	53	18	72	10	902	19
Computer	97	9	79	7	52	6	19	5	61	16	35	12	72	10	415	9
Administration	176	16	159	4	249	30	109	28	65	18	61	20	73	20	895	19
Accounting	147	14	173	15	139	16	44	11	87	23	45	16	80	11	719	15
Marketing	132	32	90	8	84	10	61	16	6	18	52	17	9	1	439	9
Education	96	9	73	6	74	9	10	3	5	1	20	7	1	0	277	6
Insurance	30	3	40	4	17	2	6	2	5	1	2	1	2	0	100	2
Agriculture	34	3	23	2	1	0	4	1	4	1	-	-	6	1	72	2
Health	165	15	245	21	93	11	18	5	14	4	31	10	390	50	955	20
Total	1068	100	1147	100	845	100	389	100	375	100	302	100	703	100	4774	100

Labour Market Quarterly Report, NISER Ibadan in Dabalen *et al.* (2000)

Second, the employment opportunity of post-secondary graduates has been declining over time. In 1990, only 2% of the unemployed had post-secondary education. The number increased to 17% in 1992 and 16.5% in 2004. This finding supports the argument that unemployment rates among university graduates and graduates of other tertiary institutions have been on the increase in recent times.

Sources of labour demand for university graduates:

Dabalen *et al.* (2000) identified three major sources of employment for Nigerian University graduates. These are the public sector, the private sector and self employment.

The public sector: The public sector comprises government ministries, schools and parastatals. Traditionally, the public sector is regarded as a major employer of graduates from universities and tertiary institutions. The establishment surveys showed that the public sector in Nigeria absorbed about 60% of the formal sector workers in the 1990s (Dabalen *et al.*, 2000).

In their incisive study of labour market for Nigerian graduates, Dabalen *et al.* (2000) confirmed from manpower surveys and tracer studies that 58 and 35% of graduate employees worked in the public sector in 1984 and 1991 respectively.

However, a close study of the applications and hires into the Federal Civil Service in Nigeria reveals a very gloomy prospect for graduate employment in Nigeria. As depicted in Table 6, whereas 14,312 applications were received in 1995, of which university graduates accounted for 66.5%, only 756 job offers were made, representing about 5.3% of the labour supply. Throughout the 1990s less than 10% of the job applicants were able to find jobs.

From the Table, it is obvious that the absorptive capacity of the Nigeria Federal Civil Service continued to degenerate over time, thus compounding the problem of graduate unemployment in Nigeria.

The private sector: A review of labour market research in Nigeria leads to two consistent observations, concerning graduate employment in the private sector. First, the share of graduate employments in the private sector, both historically and at present, had been smaller than the share in the public sector. Second, the share of graduates finding jobs in the public sector has fallen drastically relative to the private and self-employment sector. These bleak prospects for graduate employment have caught the attention of policy makers as well as media commentators. It is hard to ignore labour market studies that reported high unemployment rates among graduates. One of these is the manpower surveys by the Manpower Board in which just 51% of those who graduated in 1994/95 claimed to have been employed in contrast to an overall graduate employment rate of 80% for all respondents to this particular study (Omoifo *et al.*, 1997). The estimate above is also consistent with the recent labour market studies that reported 22% of the graduates surveyed as unemployed (Federal Government of Nigeria: National Manpower Board, 1998).

The demand for critical skills (university graduates):

For decades, the Nigeria Institute of Social and Economic Research (NISER) in Ibadan has monitored advertised job openings in the Nigeria economy. It is observed that many job vacancies are usually filled without advertisement. Table 7 reproduced from Dabalen *et al.* (2000) presents

information showing the pattern of vacancies in various professions between 1991 and 1999.

Record of announced vacancies for high level skills in nine major sub-sectors of the economy is presented above during the entire period. The largest number of advertised job openings was in health sub-sector (20%). This was followed closely by engineering (19%), administration (19%) and accounting (15%). Other sub-sectors with relatively fewer vacancies were marketing (9%), computer services (9%), education (6%), insurance (2%) and agriculture (1%). The higher number of advertised vacancies in the health sub-sector is a recent phenomenon. The sudden rise in demand for health workers should not be surprising. The appearance of HIV/AIDS as a national concern would lead to demand for more trained medical personnel.

THE GAP

From the analysis so far, a large mismatch appears to exist between the labour market demand and the labour output or supply for Nigerian graduates. The same analysis shows that the employment prospects of new graduate entrants have drastically deteriorated. The main reason for this poor employment condition (gap) is the weak performance of the Nigerian economy. There are two reasons for this bad performance. One is the policy environment which in this case includes the institutions that structure incentives to reward investment in productive assets. The second reason is an inadequate level and quality of inputs that businesses in the economy employ. One vital input is skilled human resources, especially the quality of the university trained portion of the work force.

It is widely accepted that the policy environment for economic growth in Nigeria has not been favorable for many years. A discussion of why this has been the case is not the subject of this study. But suffice it to say that the Nigerian economic policy environment, particularly in the educational sector, has been characterized by policy inconsistencies, lack of focus, half-hearted implementation, bureaucratic bottlenecks and massive corruption.

The second variable-the quality of skilled labour-is germane to the discussion as it has exacerbated distortions in the labour market. From the analysis so far, it is clearly demonstrated that one major source of the gap is the abundance of university trained labour vis-à-vis demand. Many university graduates are produced than the economy can absorb and has resulted in a graduate unemployment rate in many areas.

Because so many people in whom the public resources have been invested are idle or unproductively utilized, the social costs to the nation, measured in terms of lost productivity are enormous. Another reason arises

from the wide gap that exists between what is taught in the universities and what the employers of labour actually require. Citing some tracer studies, Dabalen *et al.* (2000) pointed out that the graduate of Polytechnics assigned more favourable grading to "use of knowledge acquired during study to my work" than university graduates, thus suggesting that university programmes lack practical content. Among the university graduates that are able to find work, employers express major reservations concerning the quality of their education. There are three widely agreed points with regard to the quality in university education which leads to the existence of the gap between the world of work and the world of learning.

- **Quality deterioration is accelerating:** It is observed that the quality of university graduates had worsened over time. It is also believed that the decline in quality levels is actually increasing rather than leveling off. Studies by Anyanwu and Iloeje (1998) revealed that a major employer in the telecommunication sector confesses that some recent graduates do not have even basic skills. Re-echoing the same problem, Saint *et al.* (2003) observed that "a study of the labour market for graduates found that employers believe that university graduates are poorly trained and unproductive on the job... and short comings are particularly severe in oral and written communication and in applied technical skills"
- **Quality deterioration is of particular concern in key skill areas:** Beyond their general agreement regarding falling standard of university education, many employers cited key skill areas as particularly worrying. According to Ugwuonah and Omeje (1998), two of these skill areas were communication and technical proficiency. Poor abilities in the oral and written expression in English were mentioned almost like a chorus. Graduates in systems analysis and in electronic data processing were especially critical of their training.

These findings illustrate the wide gap that exists between what is taught in the universities and what the labour market requires. Among the reasons adduced for the quality deterioration in university education are incessant strikes, lack of employee motivation, weak accountability for educational performance, shortage of staff, corruption and admissions based on quotas rather than merit (Saint *et al.*, 2003).

- **Poor quality staff produces poor quality graduates:** Many scholars and employers are quick to state that the quality of the graduates supplied is a reflection of the quality of academic staff, learning resources (libraries and laboratories, etc) and funding limitations. The problems of staff quality are seen to

Table 8: Allocation and disbursement of education trust fund to Universities (N. m)

Year	Allocation	Disbursement	Outstanding	Disbursement (%)
1999	2,125.0	2,125.0	-	-
2000	1,050.0	720.0	330.0	69.0
2001	1,794.1	1,610.9	183.2	89.8
2002	2,193.5	2,281.4	(87.9)	104.0
2003	1,050.0	969.3	80.7	92.3
2004	1,515.8	536.1	979.7	35.4
2005	2,025.0	361.7	1663.3	17.9

National Bureau of Statistics Annual Abstracts of Statistics (2006)

be severe. The decline in staff quality is reflected in the high rates of “brain drain”, the declining numbers of professors and associate professors in the university system. Another dimension to the problem is the declining staff/students ratio over time. Saint *et al.* (2003) reported that between 1987/88 and 1997/98 students enrollment increased by 12% while staffing grew by just 3%. The divergence in growth rate of staff and student numbers generated a decline in staff/student ratios from 1:14 to 1:20. By 2000 staff/ student ratio had fallen to 1:24 (Saint *et al.*, 2003).

- **Social networks:** Another central reason for this gap in the analysis of labour market is that it does not account for the importance of social networks in the employment process. Here personal connections are keys for both workers and employees. Employees are more likely to apply for jobs where they have personal connections and are more likely to be hired if they apply.
- **Inadequate funding:** It is generally admitted that part of the yawning gap in the quality of university graduates stem from inadequate funding. Because the federal government provides nearly all of its universities’ budget requirements, the financial stability of the universities is tied to the fiscal fortunes of the government. Unfortunately, in the last two decades, the federal budget has not been stable. This is because it is tied, very closely to oil revenues, which has witnessed a lot of instability. The instability in the funding profile of Nigerian universities is aptly captured in Table 8. The disbursements of Educational Trust Fund to Universities fluctuated from N2.1 billion in 1999 to N720 million in 2000 but rose again to N2.2 billion in 2002 only to drop sharply to N969.3 million 2003. Also, inadequacy of funding is reflected in the percentage of disbursements to total allocation which dropped from over 100% in 2002 to 35.4 and 17.9% in 2004 and 2005, respectively.

The consequences of inadequate and unstable funding of universities are reflected in the poorly equipped laboratories, outdated libraries, poorly remunerated staff and crumbling teaching facilities. It bears emphasizing that in the area of improved funding of universities, the

government can not do it alone. There is need for individual universities to partner with the private sector and individuals on a mutually beneficial basis. Here, a leaf could be borrowed from Britain, where “the universities have to link with agencies outside of the system (such as industry, business and research councils) to supplement their income. Also, the state has created through its national evaluation system, mechanisms within which universities compete with each other, for extra financial rewards from the state for good performance (Morley, 2001).

- **Curriculum development:** Most curricula of Nigerian universities bear little or no practical relevance to the needs of the economy. It is argued that the university curricula emphasize “much theory and too little practical training” (Dabalen *et al.*, 2000). The recent explosion in information technology and computerization has not been adequately reflected in the course contents of the universities. For instance, some tracer studies pointed out that employers repeatedly complain that many newly hired graduates were not familiar with computers or the tools that the company uses in production. Graduates were also reported as incapable of technical solutions to routine problems as expected of individual with their levels of training. (Anyanwu and Iloeje, 1998; Ugwuonah and Omeje, 1998). As a result, a number of firms put their recruits through intensive post-employment training to prepare them for their responsibilities in the work place. This has the implication of increasing the production cost and lowering profitability of the business.

CONCLUSION

This study has emphasized that a serious disconnection exists between the supply of and the demand for graduates in the Nigerian labour market. The mismatch has been and continues to be socially costly to Nigeria. The large numbers of unemployed graduates and the low productivity of those who find work reflect poor social return on the investment.

At present, there is widespread agreement on the broad outlined of the causes of declining quality of education. These include inadequate financing, insufficient and irrelevant learning material, including old and outdated equipment, books and journals, poorly-paid and trained academic staff, outmoded and inflexible managerial structure, unplanned expansion of enrolment leading to oversupply of graduates and irrelevant curriculum.

The tragedy is that while the causes of low quality of university education and its consequences are widely acknowledged, there are no mechanisms in place to

correct them. Education sector in Nigeria cannot go on in its present form. It is inevitable that hard choices have to be made in order to improve quality of teaching and learning and curriculum and reduce the social cost of graduate unemployment in Nigerian.

RECOMMENDATIONS

The following recommendations should be given serious consideration if the existing widening gap in the labour market for Nigeria graduates should be bridged.

- **Establishment of Labour Market Information System (LMIS):** This refers to an institutional arrangement whereby information, concerning the size and composition of the labour market, the way it functions, noting its problems, opportunities and the employment related demands of participants is collated and analyzed. Needless to say that obtaining accurate information on labour market is perhaps the most daunting challenge confronting policy makers and planners, academicians, employers of labour and even job seekers interested in labour market information. The institutionalization of a system for effective collection, measurement, evaluation and analysis of information on skill composition and requirement, training opportunities, productivity, wage levels, working conditions, vacancies and labour regulations, is an urgent requirement as a precondition for narrowing or closing the gap between the world of work and the world of learning. There is need, in this regard to invigorate the recently established labour exchange institution to properly perform that role.
- **Establishment of a legal framework for labour market information management:** At present, there seems to be no broad based legal framework in the country supporting the collection and dissemination of labour market information. A few statutes on labour matters are silent on the issue of labour market information management or superficial in the handling of such issues. There is therefore, the need to institute a legal framework that will make it mandatory for all stakeholders in labour related issues to supply accurate and timely information on labour matters.
- **Establishment and improvement of national database:** Although keeping of database is not a new phenomenon in Nigeria, but the approach used have been uncoordinated and disaggregated. There is need to institute a national data base on labour matters using new technology of information and communication in order to improve on the availability and usefulness of labour market information.

- **Improving the quality of work force:** It must be understood, that the main problem facing the Nigerian labour market is not lack of labour but lack of highly skilled labour. This is explained by the fact that while shortages exist in some specialized skill areas, large scale unemployment exists side by side. The deteriorating quality of the work force has been shown in the falling standard of education especially at the university level. It is generally believed that the falling quality of university education is a reflection of the outmoded content of most university curricula, the low morale of academic staff, the inadequacy of learning facilities and resources and the poor funding of the university by the government. Therefore, the solution to this problem lies in taking concrete steps to update the academic content of the university curricula, improve the morale of academic staff through adequate incentives, on-the-job training and exposures to workshops and seminars and the improvement in the general funding of the university by the government. Finally, there is the need for universities in Nigeria to partner with the private sector on a mutually beneficial basis, such that the products from the universities can be timely available and relevant to the needs of the industry.

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