

Unemployment, Income Inequality and Standard of Living in Nigeria

**Joshua ZIRA
LCU/PG/000160**

**Being a M.Sc. Thesis Submitted to the Department of Economics, Faculty of Management
and Social Sciences, Lead City University, Ibadan, Oyo state, Nigeria**

**In Partial Fulfillment of the Requirements for the Award of Master of Science (M.Sc.)
Degree in Economics**

2022

Certification

This is to certify that this Thesis was carried out by **Joshua ZIRA** with Matriculation number; **LCU/PG/000160** in the Department of Economics and Development Studies, Faculty of Management and Social Sciences, Lead City University, Ibadan, under my supervision.

.....
Dr. R. Oyaromade
Supervisor

.....
Date

.....
Dr. O. O. Ogunjimi
Head of Department

.....
Date

Dedication

This thesis is dedicated to God Almighty for giving me the grace to carry out this study, and above all for His mercies and unfailing love towards me and my loving wife Dr. Mrs. Gift Zira and Family.

DO NOT COPY. LEAD CITY UNIVERSITY, NIGERIA

Acknowledgment

I specially appreciate God Almighty for His grace and mercy upon my life. I am greatly indebted to him for the favour to successfully complete this programme. My profound gratitude goes to my Supervisor Dr. Rasheed Oyaromade for his patience and encouragement throughout the period of this study. His suggestions and constructive scrutiny contributed immensely to the successful and timely completion of this Thesis.

I also acknowledge with special thanks the team of Lecturers in the Department of Economics and Development Studies for their efforts in nurturing me throughout the course period, they include: Dr. O. O. Ogunjimi, the Head of Department, Prof. O. A. Campbell, the Dean of the Faculty, Prof. W. Akerele, Dr. S. Ojo, Dr. Ogunro, Mr. Emiola and others.

I recognize the efforts of my parents Mr. and Mrs. Zira Kwada Zira for their support and encouragement over the years. My acknowledgement would not be complete without saying thank you to my sweet and dear wife, Dr. Mrs. Zira.

I will like to say big thank you to Femi Ayebameru, David Apenda, Tunde Ayilara for their support. My special thanks also go to Dr. Luka Marne, my friends and the entire staff of Agric and Solid Minerals Finance Department, Sterling Bank Plc, especially my Group Head, Mrs. Bukola Awosanya for giving me the opportunity to advance my career. I thank you all for your help in sourcing and gathering of information, assistance and prayers during the course of this study. God bless you all, Amen.

Abstract

This research study examines the impact of unemployment and income inequality on the standard of living of the Nigerian populace within the period 1981-2019. It seeks to identify the causes of unemployment and income inequality, determine the impact of unemployment on the living standard and examine the impact of income inequality on the living standard of the Nigerian populace. The data were sourced mainly from the CBN Statistical Bulletin (2020) and WDI (2020). Descriptive analysis, trend reviews, and inferential statistics such as correlation analysis, and autoregressive distributed lag approach were employed to provide answers to the research hypotheses. The findings revealed that all the variables converge to their long-run equilibrium at the first difference. Also, there exists a long-run relationship among unemployment, income inequality and standard of living in Nigeria. Findings show that the current level of unemployment negatively drives income inequality but the subsequent lags positively influenced income inequality in the short run. Meanwhile, income per capita affect short run inequality positively and significant. The long-run estimate shows that unemployment has an indirect and significant impact on income inequality in the long-run. The negative impact of income per capita on income inequality is not statistically confirmed. Furthermore, the study found that unemployment rate impacted income per capita negatively in the short run but positively in the long run. Income inequality has positive impact on income per capita statistically significant at 10% in the short run. Meanwhile, in the long run, income inequality negatively and significantly affects income per capita during the periods understudied. On the policy, the government should focus on strategies that will curtail unemployment and guarantee equal distribution of income. Possible factors responsible for high unemployment and increasing unequal distribution of income in Nigeria include non-diversification of the economy and the existence of unused labour surplus which has resulted in rigidities in the labour market and in the wage structure of the country.

Keywords: Unemployment rate, inequality, real income per capita, Nigeria.

Word Count: 298

Table of Contents

Title page	i
Certification	ii
Dedication	iii
Acknowledgement	iv
Abstract	v
Table of Contents	vi
List of Tables	viii
List of Figures	ix
Chapter One: Introduction	
1.1 Background to the Study	1
1.2 Statement of the Problem	11
1.3 Research Questions	12
1.4 Objectives of the Study	12
1.5 Hypotheses	13
1.6 Significance of the Study	13
1.7 Scope of Study	14
1.8 Limitation of the Study	14
1.9 Definition of Terms	14
Endnotes	16
Chapter Two: Literature Review	
2.1 Conceptual Review of Unemployment, Inequality and Standard of Living	19
2.2 Theoretical Review	35
2.3 Dimensions of Inequality in Nigeria	68
2.4 Empirical Review	86
2.5 Gaps in Literature	97
2.6 Conceptual Framework	98

Endnotes	102
Chapter Three: Methodology	
3.1 Model Specification	106
3.2 Theoretical Expectations	109
3.3 Method of Data Analysis	111
3.4 Criteria for Model Evaluation	113
3.5 Data Sources and Measurement	116
Endnotes	117
Chapter Four: Results and Discussion of Findings	
4.1 Presentation of the Data	119
4.2 Preliminary Analysis	115
4.3 Stationarity Test	126
4.4 Presentation of Results	129
4.5 Discussion of Findings	147
Endnotes	149
Chapter Five: Conclusion	
5.1 Summary of Findings	150
5.2 Conclusion	153
5.3 Recommendations	154
5.4 Areas of Further Studies	155
Bibliography	156
Appendices	163
Bio-data	166
University Compliance Certificate	167

List of Tables

Table	Title	Page
3.1	A’Priori Expectations	110
4.1	Descriptive Statistics of the Variables	120
4.2	Correlation Analysis	124
4.3	Augmented Dickey Fuller (ADF) Test (Trend and Intercept)	127
4.4	Cointegration Test of Unemployment and Income Inequality	129
4.5	Results of estimated ARDL model of Unemployment and Income Inequality	132
4.6	Cointegration Test of Unemployment and Living Standard	136
4.7	Results of Estimated ARDL Model of Unemployment and Living Standard	138
4.8	Cointegration Test of Income Inequality and Living Standard	133
4.9	Results of Estimated ARDL Model of Income Inequality and Living Standard	144

List of Figures

Figure	Title	Page
2.1	Minimum wage in unified labour market	41
2.2	Minimum wage in a segmented labor market	41
2.3	Marginal costs and benefits of search	45
2.4	Income share of the richest 1% in some major industrialized countries	61
2.5	Conceptual Links of Unemployment, Inequality and Standard of Living	99
4.1	Unemployment, Income inequality, income per capita	122
4.2	Bank Credit, Investment, Inflation and Trade in Nigeria	122