EFFECT OF FEDERAL GOVERNMENT EXPENDITURE ON UNEMPLOYMENT IN NIGERIA: AN EMPIRICAL STUDY

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CERTIFICATION

We certify that this work on the Effect of Federal Government Expenditure on Unemployment in Nigeria from 1981-2014, was carried Chimeziri Augustina O. with Reg. No: 20114832158 and that it has been accepted in partial fulfillment of the requirements for the award of the Master of Science (M.Sc) degree in Financial Management Technology in the Department of Management Technology of the Federal University of Technology Owerri.

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DEDICATION

This thesis is dedicated to the Almighty God, my All and All who holds the key to my life and late Mr. Isaac Chimeziri.

ACKNOWLEDGEMENT

The writing and eventual completion of this thesis is as a result of the inputs made by the Almighty God and by persons too many to mention. I must, however, mention some individuals for their unique and immense roles in making this thesis a success.

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ABSTRACT

This study on the Effect of Federal Government Expenditure on Unemployment in Nigeria for the period of 1981 to 2014 was carried out in order to find out how federal government expenditure affects unemployment so that measures can be taken to reduce unemployment that has been growing rapidly and has posed a big problem in the country. The independent variable is made of Federal Government Expenditure on Administration, economic service, social and community service, and transfer together with growth rate of Gross Domestic Product. The data were collected from Central Bank of Nigeria bulletin, Bureau of statistics and World Bank bulletin. Using ordinary least square technique on e-views version 7, data were tested and empirically analyzed. From the result analyzed, we found out that federal government expenditure variables jointly affected unemployment in Nigeria but specifically, Federal Government Expenditure on economic services proved to reduce the unemployment more than the other variables. We also empirically deduced that a percentage increase in the federal government expenditure on economic service, administration, and growth rate of Gross Domestic Product decreased on unemployment while a percentage increase in federal government expenditure on social and community service, and transfer increased on unemployment. From the causality analysis, federal government expenditure on administration and unemployment granger cause (affect) each other. The result from the co-integration analysis showed that a long-run relationship existed among the variables. Based on the findings, recommendations were made which include that federal government should increase its expenditures on economic service, administration, growth rate of Gross Domestic Product and reduce its expenditures on social and community service, and transfer. Thus this will create employment which will enhance the welfare of the citizens and also lead to increase in the nations" Gross Domestic Product.

KEYWORDS: Federal Government Expenditure, Unemployment, Growth Rate of GDP, and Social and Community Service.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The need to achieve a better standard of living of the Nigerian citizenry together with vision 2020 necessitated the writing of this project work. Although there are research works related to this topic, but the need to do more research work on "the effect of federal government expenditures on the unemployment in Nigeria" is still there hence its essence is to achieve a better standard of living of the citizenry or "good life" as opined by Okoroafor (2014). It is also worthy of note to recall that economic growth is incomplete without a good life of the citizenry. This is the reason why Tajudee and Ismail (2013) stated that economic growth and development is enhanced by expansion of infrastructural facilities, the improvement of education and health services, the encouragement of foreign/local investment, low cost housing, environmental restoration, and strengthening of agricultural sector. They equally said that governments spending on the above mentioned areas have direct social and economic beneficial effects on the citizens of a country. The term public expenditure is an aspect of public finance and public

finance is a branch of economics which assesses the government revenue and government expenditure of public authorities and adjustment of one or the other to achieve desirable effects and avoid undesirable ones www.wikipedia, (2015). Public can be financed through taxes, public debt, money emission, international aid, www.econonicswebinstitute, (2011).

By definition, public or government expenditure is the expenditure incurred by public authorities like central, state and local governments to satisfy the collective social wants of the people, (Grenade and Wright, 2012). An unemployment (or joblessness) occurs when people are without work and actively seek for work, (en.m.wikipedia.org/unemployment 2014). According to Akrani (2011), public expenditure policy not only accelerates economic growth and promotes employment opportunities but also plays a useful role in reducing poverty and inequalities in income distribution in developing countries.

For the purpose of this research work, government expenditure will be looked at from capital government and recurrent government expenditure of the federal government of Nigeria. Niloy, Emmanuel and Osborn (2003) defined capital expenditures as those government expenditures that involve

capital projects which includes education, telecommunications electricity, roads, airports, etc; while recurrent government expenditures involve public expenses on administration (wages, interest on loans, salaries, maintenance etc).

Anyafor (1990) states that public expenditure refers broadly to expenditure made by local, state and national government and agencies distinct from those of private individual organization or firm. He also states that recurrent expenditures are government expenditures made or repeatedly from year to year and capital expenditures are expenditures on new construction, land extensions and acquisition of any other fixed assets.

From the above definitions, it is therefore very important that the government should exert efficient and effective efforts in actualizing the main objectives of capital expenditure which reduces unemployment rate more than any other instrument. And the success of reducing unemployment rate will certainly lead to a better standard of living of the citizenry, reduce poverty and help the country becoming one of the top 20 economies by the year 2020 as opined by Nwosa (2014). According to www.nigeriaunemloyment (2010), the primary cause of unemployment and poverty in Nigeria was years of negligence

and adverse policies which has led to under-utilization of the diverse resources that Nigeria is endowed with. It also said that unemployment in Nigeria is a major problem both economically and socially which has resulted in more and more people who do not have purchasing power.

In Nigeria, unemployment is measured by the number of people actively looking for job as a percentage of the labour force and such information is reported by the Nigeria Bureau of statistics. According to this internet source; www.ieconomies.com/unemployment(2014), unemployment rate in Nigeria increased to 23.90 percent in 2011 from 21.10 percent in 2010.

It also states that unemployment rate in Nigeria averaged 14.60 percent from 2006 to 2011. In the work of Raheem (1993), unemployment represents a colossal waste of a country"s manpower and it generates welfare loss in terms of lower output which leads to lower income and well-being. According to him, the four major types of unemployment are cyclical unemployment, frictional unemployment, structural unemployment and classical unemployment.

Although Government has been making efforts to fight unemployment through some mix, yet it looks as nothing is been done. Government efforts could be seen from high in crease in government expenditures, job creation programmes and initiatives such as National Directorate of Employment (NDE), which was created in 1986 with the responsibility of training in skills and acquisition particularly to young school leavers. The creation of Youth Enterprise with Innovation in Nigeria (YOUWIN) in 2011 for encouraging and supporting aspiring entrepreneurial youth in Nigeria to develop and execute business ideas. The Centre for Management Development (CMD), is a Federal Government Institution for assisting small-scale industry development. The establishment of subsidy Reinvestment and Empowerment Programme (SUREP) in 2012 was also geared at job creation etc.

Finally, the importance and objectives of government expenditure towards unemployment reduction made this work of paramount importance and indispensable. This work will hereby concentrate on variables of federal government expenditures such as capital and recurrent expenditures on administration, on economic services, on social and community services, and on transfers as

they affect unemployment, thus no scholar has studied it from this perspective. And this has served as a gap which this research work will fill.

1.2 Problem of the Study

In general terms, a problem connotes a situation that appears to warrant additional investigation, (Anyanwu, 2000). Given this premise and the present obvious situation of the country, one can say that, unemployment is one of the most critical problems that is facing Nigeria and it calls for urgent government and private intervention, thus unemployment represents a colossal waste of manpower resources which generates welfare loss (Raheem, 1993).

According to www.nigunemployment/economic watch (2010), years of corruption, civil war, military rule, and mismanagement have hindered economic growth and social welfare of the country. If unemployment is reduced to minimum level, its consequences will also be reduced and this will help the nation to achieve of its 2020 goals.

However, government has been making efforts in fighting unemployment through various means and its expenditure has been on the increase yet unemployment seems untouched.

Therefore, this research is set to find out the Federal Government Expenditure on Unemployment despite the high federal government expenditures hence the pace of economic growth depends largely upon the precise form and size of total public expenditure allocated to economic and social development in an economy.

1.3 Objectives of the Study

Many countries, all over the world, are faced with the battle of getting unemployment reduced through their government expenditures and other instruments. On this note, the main objective of the study is;

To determine the effect of federal government expenditure on the unemployment in Nigeria while the specific objectives are;

a) To explore whether federal government expenditure on administration has a significant effect on unemployment in Nigeria.

b) To evaluate if federal government expenditure on economic services has significant effect on unemployment in Nigeria.

c) To investigate if federal government expenditure on social and community services has a significant effect on the unemployment in Nigeria.

d) To critically examine whether federal government expenditure on transfers significantly affect unemployment in Nigeria.

e) To find out whether growth rate of Gross Domestic Product has significant effect on unemployment.

1.4 Research Questions

The following research questions are posed for the purpose of carrying out this research work effectively;

a) To what extent does federal government expenditure on administration affect unemployment in Nigeria.

b) How does federal government expenditure on economic services affect to unemployment in Nigeria.

c) To what extent does federal government expenditure on social and community services affect unemployment in Nigeria.

d) To what extent does federal government expenditure on transfers affect unemployment in Nigeria?

e) How does growth rate of Gross Domestic Product affect unemployment in Nigeria?

1.5 Hypotheses

In order to achieve the above stated objectives, these hypotheses are formulated;

H_{01}: Federal government expenditure on administration has no significant effect on the unemployment in Nigeria.

$H_{02:}$ Federal government expenditure on economic services has no significant effect on unemployment in Nigeria.

H_{03}: Federal government expenditure on social and community services has no significant effect on unemployment in Nigeria.

H_{04}: Federal government expenditure on transfer does not significantly affect the unemployment in Nigeria.

H_{05}: Growth rate of GDP has no significant effect on unemployment Nigeria.

1.6 Significance of the Study

The successful completion of this research work will be of great importance because it touches an important aspect of challenges facing the Nigeria economy and the whole world at large. So both the researcher, students, other researchers, public

policy makers and administrators, etc will use this work as a contribution to knowledge especially on government spending and unemployment.

The study will provide an econometric basis upon which the effect of federal government expenditures on unemployment in Nigeria is examined and this will benefit policy makers.

It will provide an objective view to the relevance of federal government expenditure implications, it will benefit the students, policy makers and administrators.

It will form a basis of knowledge for students, other researchers, the society and others who may like to advance into this subject topic.

It will also provide an objective view to the implications of unemployment in Nigeria.

It will equally give a clear picture of a particular aspect of government expenditure under study.

It will equally provide objective measures in ameliorating unemployment using government expenditure which will assist policy makers and administrators in finance.

1.7 Scope of Study

This research work covers the federal government expenditures of Nigeria for a period of 34 years (i.e. 1981-2014). It also x-rays the variables that make up the federal government expenditures. The explanatory variables are federal government expenditures on administration, economic services, social and community services, transfers, and growth rate of Gross Domestic Product. The federal government expenditures comprises capital and recurrent expenditures of the above mentioned variables within same period.

The study is based on secondary data and are generated from Central Bank of Nigeria (CBN) statistical bulletin, National Bureau of Statistics (NBS), World Bank data,and internet. And the Centre of its discussion is the effect of federal government expenditures on the unemployment of Nigeria.

1.8 Limitation of the Study

This research work; the effect of federal government expenditures on unemployment in Nigeria is limited within the period of 1981-2014. The study is also limited in its subject topic and area of coverage since it would not cover all known economic variables that are likely to influence the result of the analysis. It

is also limited to the researchers finance, secondary data, time, etc but all necessary efforts are employed to conduct a thorough empirical investigation and all necessary information required to execute this work are equally employed.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

Government spending is a fiscal instrument that serves useful roles in the process of controlling inflation, unemployment, depression, balance of payment equilibrium, and foreign exchange stability (Muritala and Abayomi, 2011).They equally said that in the period of depression and unemployment, government spending causes aggregate demand to rise and production and supply of goods and services follow the same direction.

According to Nnamocha (2002), public expenditure is usually split into two namely capital and recurrent expenditure. He defined capital expenditure as expenditure incurred in:

a) The initial setting up of the business
b) The acquisition of fixed assets required for use in the business and not for resale.
c) The alteration or improvement of assets for the purpose of increasing their profit earning capacity.

He also defined it as money injected into the business permanently or for a long period of time usually beyond one

accounting period or one year. While Revenue or recurrent expenditure is expenditure incurred in:

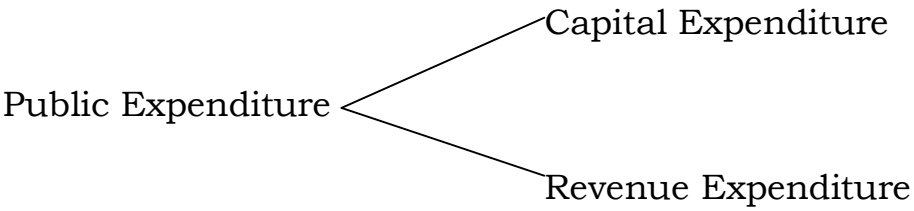
a) Maintenance of the revenue earning capacity of the fixed assets,

b) The acquisition of assets required for conversion into cash;

c) The manufacturing, selling and distribution of goods and the day to day administration of the business.

The benefit from revenue expenditure is usually used up entirely during one accounting period usually one year.

Figure 2.1: Structure of Public Expenditure in Nigeria



Source: Nnamocha (2002;58)

The pattern of public expenditure in Nigeria or classification according to him is as follows:

i) By levels of government

ii) By ministries, extra ministries departments & parastatals

iii) By economic life span

iv) By object of Expenditure

v) By sectorial economic function.

2.1.1 Importance and Objectives of Public Expenditure

According to www.studymaterial All.blogspot.com (2012), public expenditure helps to accelerate economic growth and ensure economic stability. Public expenditure can promote economic development as follows:

a) To promote rapid economic development.

b) To promote rural development.

c) To promote trade and commerce.

d) To promote balanced regional growth.

e) To develop agricultural and industrial sectors.

f) To build socio-economic overheads e.g. roadways railways, power etc.

g) To exploit and develop mineral resources like coal and oil.

h) To provide collective wants and maximize social welfare.

i) To promote full-employment and maintain price stability.

j) To ensure an equitable distribution of income.

The major objectives of public expenditure are:

a) Administration of law and order and justice

b) Maintenance of police force

c) Maintenance of army and provision for defence

d) Maintenance of diplomats in foreign countries

e) Public administration

f) Servicing of public debt.

g) Development of industries

h) Development of transport and communication

i) Provision for public health

j) Creation of social goals

2.1.2 Canons of Public Expenditure

The cannons of public expenditure according to Findlay Shirras (2015) are:

1. Canon of Benefit:

This canon suggests that every public spending must ultimately be sued for the social benefit – general well-being of the common people. It thus, implies that state spending should confer benefits on the community at larger rather than on an individual group or section. It means public fund should be spent in such direction which pursue common interest, and promote general welfare.

2. Canon of Economy:

It implies that public expenditure should be incurred carefully and economically. Economy here means avoidance of extravagance and wastages in public spending. Public expenditure must be productive and efficient. Hence, it must be incurred only on every essential items of common benefit, without duplication, in a way that involves minimum cost. An efficient system of financial administration is, therefore, very essential in any country.

3. Canon of Sanction:

This canon suggests that no public spending should be made without the approval of proper authority. The procedure for sanction in public expenditure is required for the enforcement of economy as well as for the prevention of misuse of public funds. As a rule, therefore, money must be spent on the purpose of which it is sanctioned by the highest authority and accounts be properly audited.

4. Canon of Surplus:

This canon suggests that saving is a virtue even for the government, so an ideal budget is one which contains an elements of surplus by keeping public expenditure below public

revenue. In other words, it means that the government should avoid deficit budgeting in the interest of its credit worthiness.

Besides the above stated canons of public expenditure, a few more canons are also suggested by some writers. For instance, the canon of elasticity has been stressed which implies that the spending policy of the state should be such that changes and flexibility must be possible in the expenses according to the changes in the requirements and circumstances.

The canon of productivity is also advocated by many. This implies that public should tend to encourage production in the economy. That means a large part of public expenditure must be allocated for developmental purposes, www.yourarticlelibrary.com (2015)

2.1.3 Federal Government Classification of Expenditure

A (i) Federal government expenditure

(ii) State government expenditure

(iii) Local government expenditure

B (i) Federal government capital expenditure

(ii) Federal government recurrent expenditure

Federal government capital expenditures are payments for non-financial assets used in production process for more than one year. It was further classified into four sub-head namely.

1) Capital expenditure on administration
2) Capital expenditure on economic services
3) Capital expenditure on social & community services
4) Capital expenditure on transfer.

Federal government recurrent expenditures are payments for transactions within one year.

It was further classified into major heads and other sub-heads namely:

Federal government expenditure on

- ADMINISTRATION

1. General Administration
2. Defence
3. Internal security
4. National Assembly

- SOCIAL & COMMUNITY SERVICES

5. Education
6. Health
7. Other social & community services

- ECONOMIC SERVICES

8. Agriculture
9. Construction
10. Transport & Communication

11. Others

- TRANSFERS

12. Public debt services
13. Pension and gratuities
14. Contingencies/Subventions
15. Others

Table 2.1: Nigeria: Expenditure Assignments

Tier of Government	Expenditure Category
Federal only	Defense; shipping; federal trunk roads; aviation; railways; posts, telegraphs and telephones; police and other security services; Regulation of labour, interstate commerce, telecommunications; mines and minerals; social security; insurance; National statistical system National Parks; Guidelines for minimum education standards at all levels; Water resources affecting more than one state;
Federal-state (shared)	Antiquities and monuments; Electricity; Industrial, commercial and agricultural development; scientific and technological research; statistics and surveys; university, technological and post-primary education; health and social welfare;
State-local (shared)	Primary, adult and vocational education; Health services; Development of agriculture and non-mineral natural resources;
Local Government	Economic planning and development; cemeteries, burial grounds; Homes for the destitute and infirm; markets; sewage and refuse disposal; Roads, streets, street lighting, drains other public facilities;

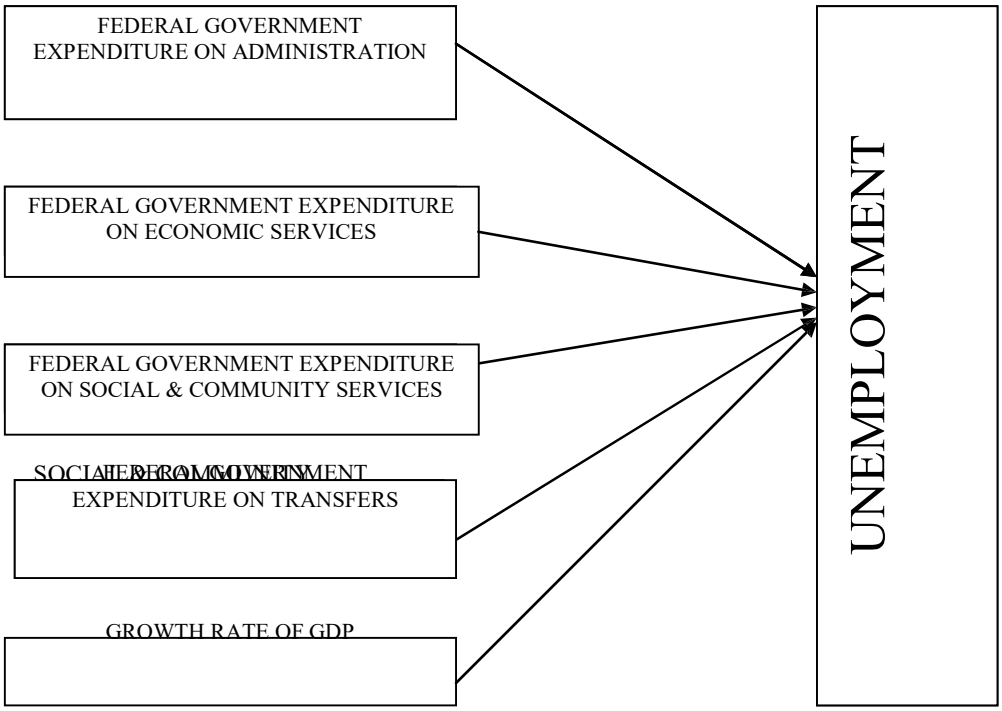
Source: 1999 constitution and various sector policy reports.

The above described distribution of expenditure responsibilities is largely in accordance with the economic principles of fiscal federalism and common practice by other decentralized countries in the world. The most general economic theory of fiscal federalism postulates that the provision of services should be located at the lowest level of government consistent with the incidence of costs and benefits, since lower tiers of governments have greater information about local conditions and can therefore provide services that are better suited to the needs of the local population. There is also widespread use made of special purpose transfers to encourage certain types of spending by lower tiers that are considered to be either national priorities or to have positive spillovers to other jurisdictions.

Figure 2.2: Conceptual Model of the Study

(Federal Government Expenditure and Unemployment)

Independent Variables Dependent Variable



Source: The Researcher"s Desk, 2015.

2.1.4 Structural Unemployment

Structural unemployment occurs when a labour market is unable to provide jobs for everyone who wants one because there is a mismatch between the skills of the unemployed workers and the skills needed for the available jobs. Structural unemployment is hard to separate empirically from frictional unemployment, except to say it lasts longer. Structural unemployment may also be encouraged to rise by persistent cyclical unemployment. If an

economy suffers from long-lasting low aggregate demand, it means that many unemployed become disheartened, while their skills (including job-searching skills) become "rusty" and obsolete. Problems with debt may lead to homelessness and a fall into the viscous circle of poverty. This means that they may not fit the job vacancies that are created when the economy recovers, www. Unemployment theory.html (2011).

2.1.5 Hidden Unemployment

Hidden, or covered, unemployment is the unemployment of potential workers that is not reflected in the official unemployment statistics, due to the way the statistics are collected. In many countries, only those who have no work but are actively looking for work (and/or qualifying for social security benefits) are counted as unemployed. Those who have given up looking for work (and sometimes those who are on government "training programs) are not officially counted among the unemployed, even though they are not employed. The same applies to those who have taken early retirements to avoid being laid off, but would prefer to be working. The statistics also does not count the "underemployed" – those with part-time or seasonal jobs who would rather have full-time jobs, those who are of

working age but are currently in full-time education are usually considered unemployed in government statistics.

Because of hidden unemployment, official statistics often underestimates unemployment rates, www.unemployment theory.html (2011).

2.1.6 Voluntary and Involuntary Unemployment

Voluntary unemployment is attributed to the individual"s decisions, where as involuntary unemployment exists because of the socio-economic environment (including the market structure, government intervention, and the level of aggregate demand) in which individuals operate. In these terms, much or most frictional unemployment is voluntary, since it reflects individuals search behaviour.

Voluntary unemployment includes workers who reject low wage jobs where as involuntary unemployment includes workers who are fired due to economic crisis, industrial decline, company bankruptcy, or organizational restructuring. On the other hand, cyclical unemployment, structural unemployment, and classical unemployment are largely involuntary in nature. However, the existence of structural unemployment may reflect choices made by the unemployed in the past, while classical (natural)

unemployment may result from the legislative and economic choices made by labour union or political parties. So in practice, the distinction between voluntary unemployment and involuntary unemployment is hard to draw. The clearer cases of involuntary unemployment are those where there are fewer job vacancies than unemployed workers even when wages are allowed to adjust, so that even if all vacancies will be filled, some unemployed would still remain.

This happens with cyclical unemployment, as macroeconomic forces cause microeconomic unemployment.

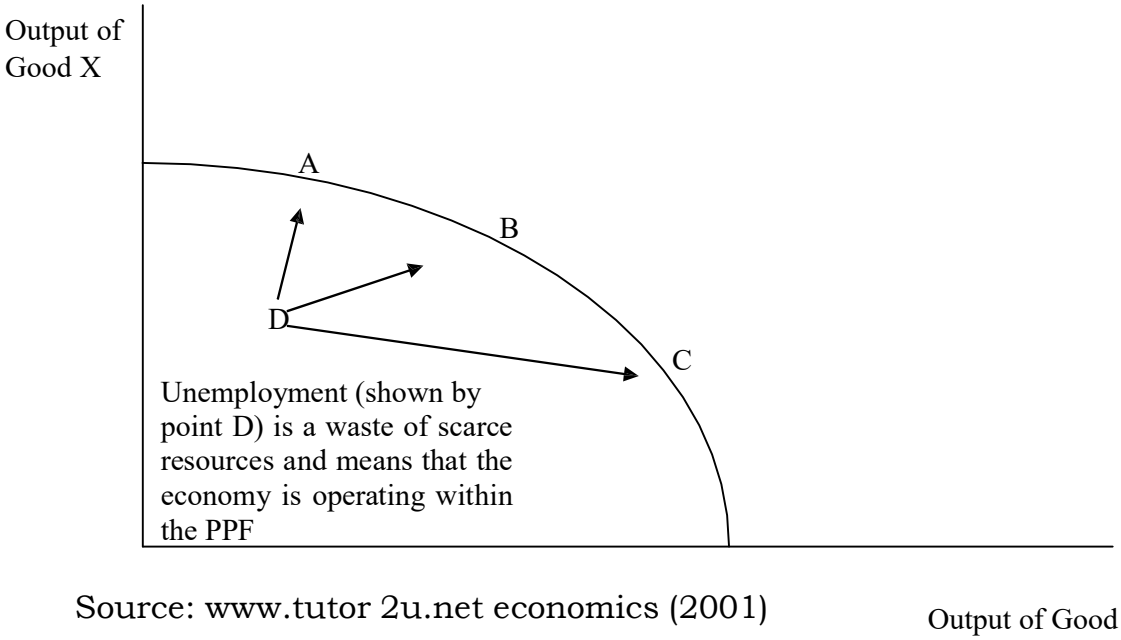
2.1.7 Economic Costs of Unemployment

Most economists agree that high unemployment are costly not only to the individuals and families directly affected, but also to local and regional economies and the economy as a whole. We can make a distinction between the economic costs arising from people out of work and the social cost of that result.

- Lost output of goods and services: unemployment causes a waste of scarce economic resources and reduces the long run growth potential of the economy. An economy with high unemployment is producing within its production possibility

frontier. The hours that the unemployed do not work can never be recovered.

Figure 2.3: Economic Cost of Unemployment



Source: www.tutor 2u.net economics (2001)

But if unemployment is reduced, total national output can rise leading to an improvement in economic welfare.

- Fiscal Costs to the Government:

High unemployment has an impact on government expenditure, taxation and the level of government borrowing each year. An increase in unemployment results in higher benefit payments and lower tax revenues. When individuals are unemployed, not only do they received benefits but also pay no tax. As they are spending less they contribute less to the government in indirect

taxes. This rise in government spending along with the fall in tax revenues may result in a higher government borrowing requirement (known as public sector net cash requirement).

- Deadweight of Investment in Human Capital: Unemployment wastes some of the scarce resources used in training workers. Furthermore, workers who are unemployed for long periods become de-skilled as their skills become increasingly outdated in a rapidly changing job market. This reduces their chances of gaining employment in the future, which in turn increases the economic burden on government and society.

2.1.8 Social Costs of Unemployment

Rising unemployment is linked to social and economic deprivation – there is some relationship between rising unemployment and rising crime and worsening social dislocation (increased divorce, worsening health, and lower life expectancy). Areas of high unemployment will also see a decline in real income and spending with a rising scale of relative poverty and income inequality. As younger workers are more geographically mobile than older employees, there is a risk that areas with above average unemployment will suffer from an ageing potential

workforce-making them less attractive as investment locations for new businesses.

The duration of unemployment affects the economic and social costs.

It is clear that unemployment carries substantial economic and social costs. These costs are greatest when longterm structural unemployment is high. Indeed many governments focus their labour market policies on improving the high employment prospects of the long-term unemployment.

Autor2u.net/economic (2001).

2.1.9 The Relationship Between Economic Growth and Unemployment Levels.

Okun"s law investigates the statistical relationship between a country"s unemployment rate and the growth rate of its economy. This law is intended to tell how much of a country"s gross domestic product (GDP) that may be lost when the unemployment rate is above its natural rate. Output depends on the amount of labour used in the production process, so there is a positive relationship between output and employment. Total employment equals the labour force minus the unemployed so there is a negative relationship between output and

unemployment (conditional on the labour force). This Okun"s law is, in essence, a rule of thumb to explain and analyze the relationship between jobs and growth. This rule of thumb describes the observed relationship between changes in the unemployment rate and the growth rate of real gross demestic product (GDP). He noted that, because of the ongoing increases in the size of the labour force and in the level of productivity, real GDP growth close to real growth of its potential is normally required just hold the employment rate steady. To reduce unemployment rate, therefore, the economy must grow at a pace above its potential.

More specifically, according to the currently accepted version of Okun"s law, to achieve a 1(one) percentage point decline in the unemployment rate in the course of a year, real GDP must grow approximately 2 percentage points faster than the rate of growth of potential GDP over that period. So, for illustration, if the potential rate of GDP growth is 2%, Okun"s law says that GDP must grow at about a 4% rate. This law represents one of most straight forward and convenient methods to investigate the relationship economic growth and employment. One of the key benefits of this law is its simplicity, and the ability

to simply state that a % decrease on unemployment will occur when the economy grows about 2% faster than expected.

2.2 Theoretical Framework

2.2.1 Wagner Law of Increasing State Activities.

Wagner, a German economist carried out his work on the correlative growth of national output and public expenditure in the economy. He stated that there was inherent tendency for the activities of government to increase in size especially having the expenditure growing faster than the national output. Musgrave interpreted Wagner"s law to mean the proportion of public sector in the total economy. F S. Nitti supported Wagner"s thesis and concluded with the empirical evidence that the law is applicable to various governments which differed widely from each other no matter the level. A drawback to this law was that it was based on historical facts and it failed to show the interest of government ability to increase its activities and public expenditures as time passes. It is therefore referred to being applicable to where the state was interested in expanding the public sector of the economy and undertake other activities for the general benefit. Wagner emphasized on the long term forces rather than short-term changes in public expenditure. He did not consider the

mechanism of increase in public expenditure since Wagner believed that the growth path of economic activities of the government is smooth and continuous. But being based on historical experience, the quantitative relationship between the extent to which public expenditure would increase and the time taken was not fixed in any logical or functional manner.

This means that it cannot be used to predict the extent of which public expenditure change in future. The model fails to use a developing economy to compare the happenings in developed economic expenditure pattern. Wagner"s law stated that in future, the state expenditure will increase at a rate slower than the national income though speaking: it had increased at a faster rate in the past. Thus, in the initial state of economic growth, the state finds out that it has to expand its activities quite fast in several fields like education, civil amenities, health, transport, communication, and so on. But when the initial deficiency is removed, then the increase in a state activities may slow down.

The factors which contribute to the tendency of public expenditure, relate to a growing role of the state in ever – increasing socio-economic complexities of modern society.

He concluded that regular increase takes place in the activity of both central government and local governments, constantly undertake new functions, while they perform both old and new functions efficiently and more completely.

2.2.2 Peacock – Wisem**an's Theory of Expenditure**

Peacock and Wiseman study was centered on the analysis of time pattern of public expenditures.

They founded their analysis upon a political theory of public determination namely that governments like to spend more money and citizens do not like to pay taxes, and that governments need to pay some attention to the wishes of their citizens. They saw taxation as setting a constraint on government expenditure. They observed a big gap that exist between the expectations of people and about public expenditure and the tolerance level of taxation. They said public expenditure does not increase in a smooth manner and continuous manner as posited by Wagner but rather in a jerk or step-like fashion. This means that in Britain the pattern of growth of public expenditure is less regular and it is quite different from the corresponding growth in the size of national output.

2.2.3 **Ernest Engel's Theory** of Public Expenditure

Ernest Engel was a German economist writing almost the time of Adolph Wagner in the 19th century. Engel pointed out that the composition of the consumer budget changes as family income increases. A smaller share comes to be spent on certain goods such as working cloth and a larger share on others, such as coats, expensive jewelries etc. As average income increase, smaller changes in the consumption pattern for the economy may be to occur. At the earlier stages of national development, there is need for overhead capital such as roads, harbors, power installations, pipe-borne water, etc. But as the economy developed, one would expect public share in capital formation to decline overtime. Individual expenditure pattern is thus compare to national expenditure and Engel findings is referred to as the declining portion of outlays on foods.

2.2.4 Marxist Theory of Unemployment

According to Karl Max, unemployment is inherent within the unstable capitalist system and periodic crises of mass unemployment are to be expected. At a first glance unemployment seems inefficient since unemployed workers do not increase profits. According to max, the only way to

permanently eliminate unemployment would be to abolish capitalism and the system of forced competition for wages and then shift to a socialist or communist economic system.

For contemporary Marxists, the existence of persistence unemployment is a proof of the inability of capitalism to ensure full employment.

2.2.5 The Classical Theory of Unemployment

In classical economic theory, unemployment is seen as a sign that smooth labour market functioning is being obstructed in some way. The classical approach assumes that markets behave as described by the idealized supply – and – demand model: the labour market is seen as though it where a single, static market, characterized by perfect competition, spot transaction, and institutions for double auction bidding. Such abstract labour market is depicted in figure 2.I below. In this case "quantity" is measured as labour services, the "price" of labour is measured as (real) wage. Workers supply labour while employers demand it. We assume that every unit of labour services is the same, and every worker in this market get exactly the same wage. The equilibrium wage in this illustration is "We" and equilibrium quantity of labour supplied is at "LE". In figure 2.I, where the

market is free to adjust, there is no involuntary unemployment. Every one who wants a job at a going wage gets one. There may be people who would want to offer their services on this market if the wage were higher as the portion of supply curve to the right of LE demonstrates. But, given the currently offered wage rate, these people have made a rational choice not to participate in the labour market. Within the classical model, involuntary unemployment can exist if something gets in the way of market forces. The presence of legal minimum wage is commonly pointed to as one such factor. In other words, the minimum wage affects only a portion of the workers, however people who are relatively unskilled, including many teenagers. But unemployment tends to affect people at all wage levels. Classical Economists suggest other "market interference" reasons for unemployment, as well. The economy might provide less than the optimal number of jobs, they believe:

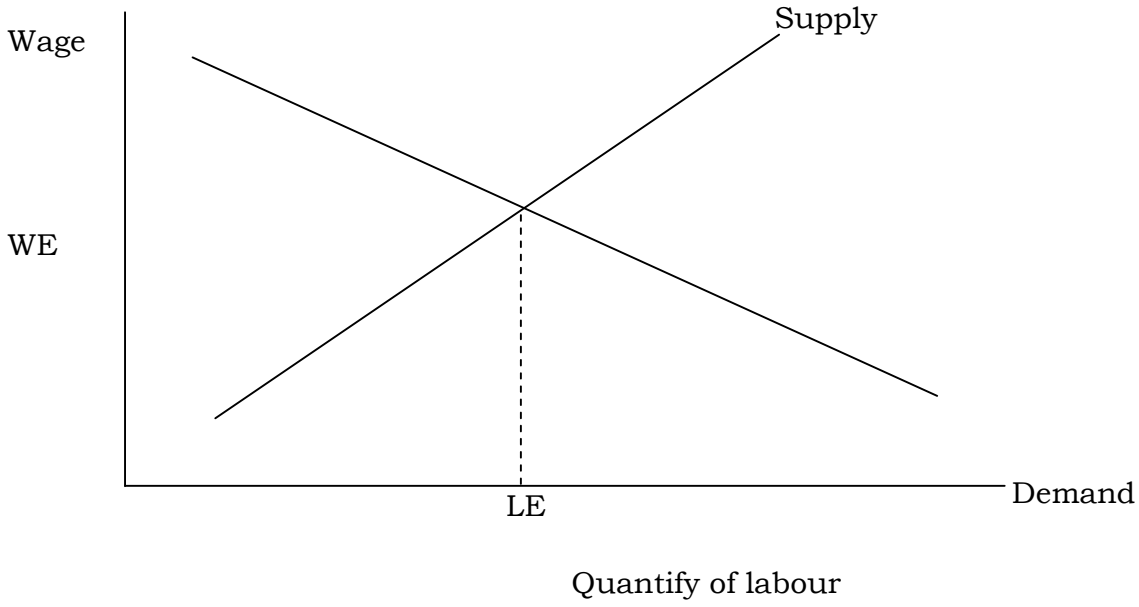
- Regulations on business reduces their growth, restricting growth in the demand for labour.
- Labour – related regulations (such as safety regulations, mandated benefits, or restrictions on layoffs and firing)

and labour union activities increase cost of labour-saving technologies and thus reducing job growth.

- Public "safety net" policies such as disability insurance and unemployment insurance reduces employment by causing people to become more less willing to seek work.

This classical theory tends to focus on getting rid of regulations and social programmes that are seen as obstructing proper market behaviour and also assume that the economy works best under the principle of laissez – faire.

Figure 2.4 A Demand and supply model for labour



Source: www.unemployment – theory.html, (2011).

2.2.6 Unemployment in the Theory of Innovations

This theory is propounded by Ekelund and Hebert in 2007. In this theory, they provided several ways by which the entrepreneur can make profits in order to reduce unemployment. According to Mouhammed (2010), those ways are:

1. Finding particular markets,
2. Acquisition of productive agents,
3. Skillful combination of factors of production,
4. Successful sales policy, and
5. Innovations. He supported the proposition that entrepreneurial profits will increase employment.

He said that innovation which creates more jobs relative to job destruction is a basic force beyond the increase in employment and the decreases in unemployment. When the entrepreneurs innovate something new such as the production of new products, the finding of a new market, the finding of a new method of production, and the introduction of new technologies and a new organization, they increase investments to materialize those innovations. Domestic investment expenditures will increase demand on the economic resources and will increase their prices. Other entrepreneurs will imitate the leaders by adopting the new

innovations. Labour and materials will be employed to produce new items. Consequently, wages will be increasing and unemployment will be declining, assuming that employment creation will outweigh employment destruction due to the new innovations. He concluded that economically unemployment represents a loss in the Gross Domestic product (GDP).

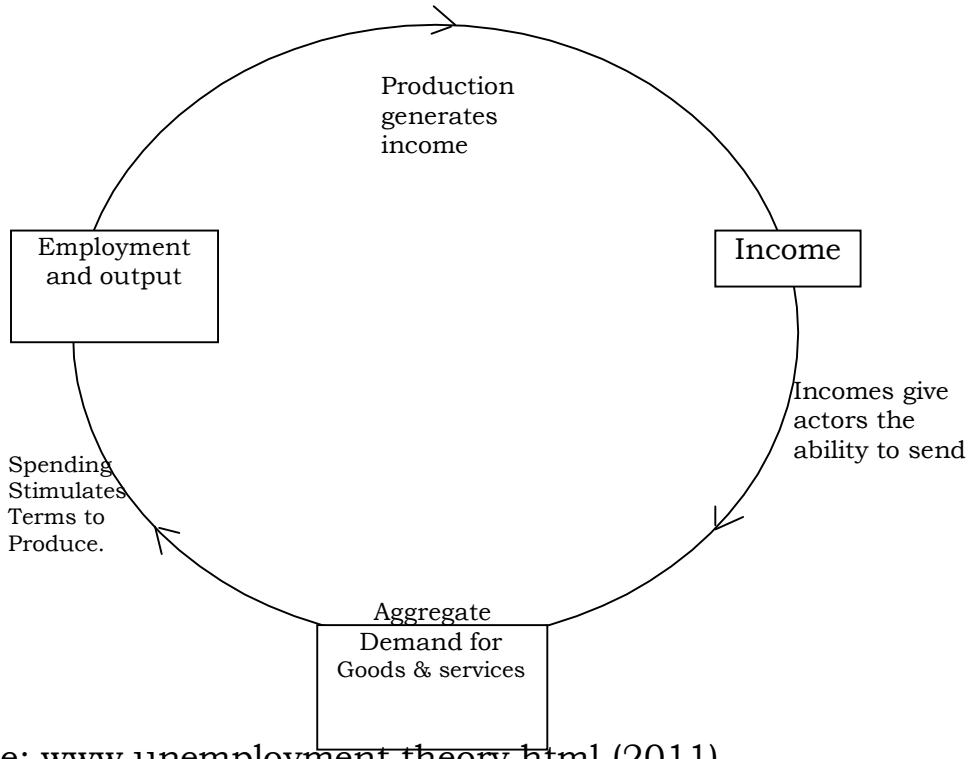
2.2.7 The Keynesian Model of Employment Determination

In the Keynesian model, aggregate employment depends on the level of aggregate demand in the country as a whole. If total spending is low, then employers will not want to produce a great deal because they do not want to end up with unsold goods. If production is low, they will not need many workers. If few workers are hired then aggregate income will be low in which can become a vicious cycle.

Keyness focus was on aggregate demand in the economy and on business expectations about future profitability. He believed that even if wages did not fall quickly in a number of labour markets, this mighty do more harm than good. If they do not buy as much, this reduces demands for the goods being produced by business all over the economy. If business can not

sell their goods, they will tend to cut back on their investments and on the number of workers they employ. Prices as well as wages may fall. Low aggregate demand for goods and services could lead to a vicious cycle of unemployment, low incomes, and low spending in the economy as a whole. He said that rather than blaming unemployment on "the wage being to high", aggregate demand in the economy has to be increased in other to stimulate living.

Figure 2.5: Keynesian Model of Employment Determination



Source: www.unemployment theory.html (2011)

2.2.8 Theories of Government Expenditure according to www.bized.co.uk (2010).

a) Theory of Transfer Payments: a transfer is a "payment for which no good or service is exchanged". In other words, money has simply been transferred from one person in society to another without anything being done for it. Normally when we transfer money we get something in exchange. It may be buying goods or services, or employing someone to do something. In the case of transfer payments, however, this does not happen. An example of this situation is unemployment benefits. The person unemployed has not done anything for the money-the government has simply transferred it to them from other taxpayers as they are in need. The main government department that deals with transfer payments is the department of social security. It makes welfare payment to those in need, but no good or service is exchanged.

Most other government expenditure is not transfer payments, as the people receiving the payments are working in some way for them.

The main examples of transfer payments are:

* Benefits – unemployment and social security
* pension

* Lottery winnings

b) Public Good and Merit Goods

In a free market economy goods and services will only be provided if firms can ensure they will receive payment for them. They will then provide whatever quantity is the most profitable. In doing this, they take account only of the costs and benefits to do them. If there is external cost or benefits, they will not take account of these. This may mean that they don"t provide the socially optimal level of output. Public goods and merit goods are goods that would either not be provided at all or would not be provided in sufficient quantity, for these reasons. Public goods are goods that would not be provided in a free market system, because firms would not be able to adequately charge for them.

This situation arises because public goods have two particular characteristics. They are "non-excludable and non-rival". We can see this if we look at the case of street lights. If a street light is provided by a firm, then it cannot exclude people from benefiting from it. When people walk under it, it is also true that they don"t make it dimmer and they don"t diminish the amount available for the next person. Street lights are therefore non excludable and non rival.

Merit goods are goods that would be provided in a free market system, but would almost certainly be under provided. Take the case of education. If there were no state education provided at all, there would still be private schools for those who could afford them, and indeed many new private schools might open. However, there would not be nearly enough education provided for everyone to benefit. This happens because the market only takes account of the private costs and benefits. It does not take account of the external benefits that may arise to society from everyone being educated. For this reasons, merit goods will be under-provided by a market. If private sector won"t provide these goods in sufficient quantity then the only way more will be provided is either if the government encourages firms to produce more (perhaps by subsidizing the good or service) or it provides them itself. A significant proportion of government expenditure arises from the government providing merit goods. The main examples are:

- Education
- Health
- Fire service

C) Current Spending Vs – Capital Spending

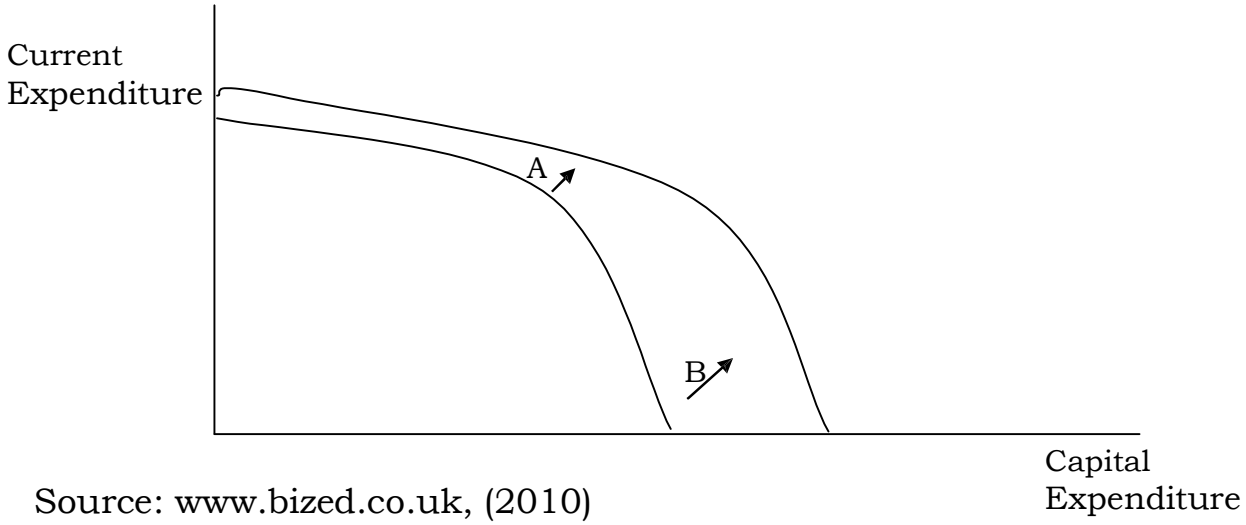
Government spending (like expenditure by private sectors firm) can be categorized as either "current expenditure or capital expenditure". Current expenditure is recurring spending or, in other words, spending on items that are consumed and only last a limited period of time. They are items that are used up in the process of providing good or service. In the case of the government, current expenditure on consumables – stationeries, drugs for health service, damages and so on.

By contrast, capital expenditure is spending on assets. It is the purchase of items that will last and will be used time and time again in the provision of a good and service. In the case of the government, examples would be the building of a new hospital, the purchase of new computer equipment or networks, building new roads and so on. The breakdown between these two types of spending is very important. Capital expenditure has a lasting impact on the economy and helps provide a more efficient, productive economy. A new hospital, for example, will be much more efficient and allow more patients to be treated for many years into the future. Current expenditure, however, does not

have such a lasting impact. Once the money is spent, it is gone and the effect on the economy is simply a short-term one.

This situation is shown on the production possibility frontier below. Point A has a high level of current expenditure and low capital expenditure. The level of growth in the economy is relatively lower. Point B in contrast has a much higher level of government investment and will help create more growth in a long-term. The government must be very careful to strike the right balance between current and capital expenditure.

Figure 2.6: Current Spending Vs Capital Spending



Source: www.bized.co.uk, (2010)

d) Automatic Spending Vs Discretionary Spending:

Automatic expenditure (not surprisingly) is expenditure that happens automatically. In other words, the government does not have exact control over the level of this type of expenditure. The most obvious example of this is spending on benefits. The

government sets regulations for who is entitled to benefits, and it sets the level of the benefits. However, the one thing that it cannot dictate is the number of people who may then be entitled to them as this will often depend on the number of people of the economy. As the economy goes into recession and people lose their jobs, more people will be entitled to the benefits.

This will mean that government expenditure will rise – not because the government chose to spend more, but simply because of the state of the economy. This spending is therefore automatic spending. Discretionary spending is, by contrast, spending the government chooses to make. In a time of recession, it may choose to spend more to try to boost the level of aggregate demand and therefore equilibrium output. At other times, it may choose to lower the level of expenditure to avoid „crowding out" private sending. Either way, is operating a discretionary fiscal policy.

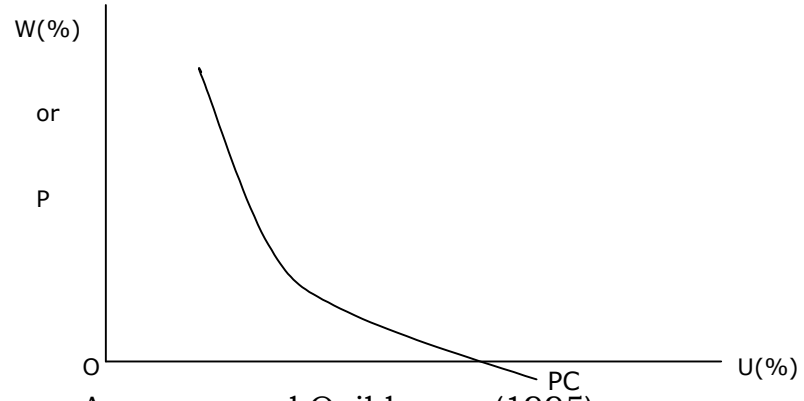
e) The Multiplier:

When the government increases the level of its spending, the effects will often go well beyond the spending itself. There will often be knock-on effects in the economy as well. To illustrate this, consider the example of previously unemployed workers who

are taken on by government, say as construction workers. They will now be earning significantly more money. They will almost certainly spend most of this money, and firms that they spend it with are also therefore better off. They are in turn likely to spend some of this extra money and so the cycle begins again….. At each stage of the cycle, the amount been passed on will become less and less. Some might be spent on foreign goods and so leave the country. Some will be lost in tax as the government takes its share of the extra income. The initial increase in expenditure has therefore led to a bigger increase in the level of income of the economy. This is known as the multiplier effect. The size of the multiplier will depend on how much income gets passed on at each stage. If the unemployed workers were to save all their extra income, then there would be no multiplier at all and the cycle would stop. However, if everyone who receives extra income spends the majority of it then the multiplier will be much bigger.

2.2.9 **The Philip's Curve: The Inflation**-Unemployment Tradeoff

Figure 2.7**: The Original Philip's Curve**



Source: Anyanwu and Oaikhenan (1995)

The Basic Tenents of the Phillips-Curve

A basic tenent of Phillips curve is that a stable but inverse relationship exists between unemployment and inflation rate as proxied by money wage rate changes. The continued existence of this observed stable relationship was deemed to have for reaching implications for policy makers for it represented a menu of policy choice between inflation and unemployment rate. This tenent of the Phillips curve, relationship meant that policy makers could choose between inflation and unemployment in the course of macroeconomic management. It meant that high levels of employment (low unemployment rate could only be obtained by tolerating a high rate of inflation. Conversely a government desirous of chievi1g low rates of inflation (table. prices) could do

so only at the cost of high unemployment rate. The existence of this trade-off as revealed in the Phillips curve relationship explain the appellation of "the twin evil of macroeconomics with which both unemployment and inflation have been dubbed.

A second tenent of the Phillips curve is that apart from the simultaneous attainment of both objectives" being in conflict, the attainable combination- of both variables were known. Hence the diagram shows that a zero rate of inflation can be obtained only at a cost of an unemployment rate of 5.5%. On the other hand, effort to attain a.7.5 % rate of wage inflation would only be compatible with a 1% point rate of unemployment. In general, the relevant policy tradeoff being the rates of exchange between policy goals at the disposal of the authorities was reflected in the slope of the curve. Since the existence of the trade off could be traced to the existence of inherent conflicts among policy objectives, efforts to solve one of the policy problems necessarily excercabate the other.

2.3 Empirical Framework

In 2013, the effect of government purchases on unemployment was examined by Holden and Sparnman in 20 OECD countries for the period of 1980 to 2007. The study

observed that an increase in government purchases equals one percent of Gross Domestic Product reduced unemployment by about 0.3 percent point in the same year. The effect was observed to be greater in down turns than in booms, and also greater under a fixed exchange rate regime than a floating regime.

Eric Mayer, Stephen Moyen and Nikolai Stahlar (2010) studied Government expenditure and unemployment in 2010. They investigated the unemployment rate after a government expenditure shock. They argued that it is an important objective of fiscal policy to cushion the labour market and in particular, the unemployment rate from adverse business cycle effects. This objective prevailed especially in the aftermath of the current financial and economic depression when government Organization of Economic Co-operation and Development countries expanded structural deficits on average from – 2.3 percent in 2007 to a projected value of – 6.7 percent in 2010 in order to prevent economic activity and labour markets from imploding. Their analysis highlights the forces that shape the interaction between labour supply and labour demand following a fiscal policy shock. They revealed in particular that i) highly sticky prices, ii) high degrees of risk aversion, iii) low degree of

convexity in utility of labour, iv) high replacement rates, and v) debt – financed expenditures increase the fiscal unemployment multiplier.

Aminu and Anono (2012) investigated the relationship between unemployment and inflation in Nigerian economy between 1977 and 2009 through the application of Augmented Dikey-Fuller Techniques to examine the unit root property of the series after which Granger causality test was conducted to determine the causation between unemployment and inflation and other techniques were equally employed. The results of the study indicated that inflation impacted negatively on employment. The causality test revealed that there was no causation between unemployment and inflation in Nigeria during the period of the study and a long-run relationship exists between them as confirmed by the cointegration test. Among their recommendations is the use of inflation, unemployment theory that is drawn from data sourced within the country and also improvement in the existing theories in order to ensure their applicability in the Nigerian context, so as to achieve desired reduction in unemployment and inflation which in turn boost economic development.

Nwosa (2014) studied the impact of government expenditure and poverty rates in Nigeria for the period of 1981 to 2011 using the ordinary Least Square (OLS). The study observed that government expenditure has positive and significant impact on unemployment rate while it has a negative and insignificant impact on poverty rate. The study recommends that urgent attention should be accorded to rising unemployment and high poverty rates in order to achieve the objective of being among the 20 economies of the world by 2020 and to meet her MDG goal of halving poverty rate by 2015.

Danjuma and Bala (2012) explored the role of governance in employment generation in Nigeria. The study exployed primary data obtained through the use of interviews and observed that unemployment rate in Nigeria had created tension and hatred among the haves and have not leading to communal clashes; resulted in the emergence of militants groups (like Boko Haram sect and Niger Delta Militant), prostitution, armed robbery, and child trafficking, constituting hiccups to security of lives and properties. The study recommended that investment in education will help in skills development training.

Adawo et al (2013) examined issues relating to high unemployment rate in Nigeria. The study observed that labour force in Nigeria grew at more or less a steady rate of 0.3% every year while gross domestic product (GDP) growth rate grew a 3.5% over a period of 33 years. Suggesting that Nigerian economy experienced a jobless growth. The study also noted that the causes of unemployment in Nigeria include" poor infrastructure; non-diversification of the economy; in security; and poor educational system that does not readily produce employable graduates. The study recommended that government at all levels should partner with the private sector and diversify the economy in order to create jobs.

George and Oseni (2012) researched on the relationship between electricity and unemployment rates in Nigeria. Using ordinary least – square regression model established that the major cause of unemployment in Nigeria can be traced to in inadequate and unstable power supply to the industrial sector and advised the government and the policy makers to invest more in electricity power generation and ensures that the industrial sector is given a higher priority in the supply of electricity if the high unemployment rate is to abated.

Shadi (2014) explored the relationship between the rates of unemployment in Jordan with rates of foreign labour, force government expenditure, and economic growth. He utilized economic statistical data from different resources about Jordan to study the topic. The study found significant negative correlation between unemployment rate and migration labour force, and positive significant correlation coefficient with government expenditure. Another result was the significant prediction relationship between unemployment as dependent variable and government expenditure rate as explanatory variable.

Emeka (2011) studied youth unemployment and implications for stability of democracy in Nigeria. He said that youths represent a very important stakeholder in any society and a useful resources in the nation building. He also said that for the youths to become useful resources in Nigerian project, they must be gainfully employed. He identifies the major causes of unemployment as; the rapid growing urban labour force arising from rural urban migration; lack of infrastructural facilities which make rural life unattractive; the rapid population growth which has resulted in the rapid growth of the labour force that is

far outstripping the supply of jobs; the outdated school curricula and lack of employable skills; the rapid expansion of educational system which directly leads to increase in the supply educated manpower without a corresponding demand for them; absence of vibrant manufacturing sector that has the capacity to absorb unemployed youths in Nigeria; unfriendly investment climate in Nigeria etc. the study concludes that addressing the problem of youth unemployment must involve all the stakeholders and this is a major step towards stabilizing and entrenching democracy in Nigeria.

CHAPTER THREE

3.0 Methodology

3.1 Introduction

This chapter is interested in the set of methods, steps, procedures and strategies the researcher adopted in the course of gathering information (data) about the effect of federal government expenditure on unemployment in Nigeria for the period of 1981 to 2014 under the following subheadings; Research design, scope of the study and sources of data, Data analysis method, specification of model/mathematical expression of model, test of hypothesis, Test statistics, test of model significance etc.

3.6 Research Design

The researcher will adopt a descriptive statistics and inferential statistic, while the inferential statistic would handle analysis covering the formulated hypotheses under section 1.5 of this study, other objectives of the study will be taken care of through the descriptive statistics.

3.7 Sources of Data and Method of Collection

Based on the nature of the research, all the data set come from secondary sources. All the data concerning government

expenditure are generated from the Central Bank of Nigeria (CBN) Statistical Bulletin specifically from Bulletin Volume 22,23, and 24 . For the unemployment, its data set was generated from the National Bureau of Statistics (NBS) publications, and internets. Finally the data for growth of GDP came from World Bank statistical data.

The researcher equally reviewed relevant related literatures from text books, in the libraries, materials from internet, journals including local and international, other researchers works etc.

3.8 Model Specification

In order to find out the effect of Federal government expenditure on unemployment rate in Nigeria as the major objective of the study and having reviewed some relevant literatures, that are concerned, the following model is hereby formulated;

UNE = F (FEA, FEE, FES, FST, GRG) ……(1)

The mathematical expression of this model is;

$UNE_T=B_o+B_1FEA_T+B_2FEE_{T+}B_3FES_T+B_4FET_{T+}B_5GRG+U_t$**….(2)**

Where:

UNE = Unemployment (dependent variable)

F= Function

FEA =Federal government expenditure on Administration

FEE = Federal government expenditure on Economic services

FES = Federal government expenditure on social & community services

FET = Federal government expenditure on Transfers

GRG = Growth rate of gross domestic product

Bo = Intercept

B_1- B_5 = The respective coefficients of the explanatory variables.

Ut = error term of a specified period of time.

3.9 Data Analysis Techniques

3.9.1 Least Square Regression Method

Ordinary least squares (OLS) or linear least square is a method for estimating the unknown parameters in a linear regression model. This method minimizes the sum of squared vertical distance between the observed responses in the data set and the responses predicated by the linear approximation by a simple formular, especially in the case of multiple on the right hand side of a model.

$Y = Bo + B_1X_1 + B_2X_2 + B_3X_3$

Bo indicates the value of Y when all values of the explanatory variables are zero. Each B (beta) parameter indicates the average

change in Y that is associated with a unit change in X, whilst controlling for the other explanatory variables in the model. The formula is $Yi=B_1+B_2+Ui$ by Gujarati (2013).

3.5.2 Coefficient of Determination, R^2

The coefficient of determination, written as R^2, indicates how well data points fit a statistical model-sometimes simply a line or curve. It is a statistic used in the context of statistical models whose main purpose is either the prediction of future outcomes or testing of hypotheses. It indicates how well observed outcomes are shown by the model. If R^2 is high, it shows that X_1, X_2 are important in determining the values of Y says Egbulonu,(2007).

Formular is $R^2 = b_1 \frac{\Sigma X_1 + Y + b_2 \Sigma X_2 Y}{Y^2}$

R^2 measures the proportion or percentage of the total variation in Y explained by the regression model. It's a non-negativity quantity and its limits area is 0 to 1 ($0 \leq R^2 \geq 1$).

An R^2 of 1 (one) shows a perfect fit, that is Yi = Yi for each i. where R^2 is zero, it shows no relationship between regressed and regressor. Finally, R^2 is a statistical measure that shows how well the regression line approximates the real data points.

3.5.3 Joint Significance of Explanatory Variables (F-Test)

The F-test measures the overall – significance of the model under study. F-statistic tests the hypothesis that all slope coefficients are zero.

This statistic has F (K-1, n-k) distribution under the null hypothesis and normality assumption, and its p-value indicates probability that the hypothesis is indeed true i.e. the explanatory variables have no significant effect on the explained variable. Fcal

$$= \frac{\text{RMS}}{\text{EMS}}$$

Decision Rule for F – test; if F* > Fα (k-1, n-k), reject Ho. Alternatively, if the P value of F obtained from model is sufficiently low, Ho is rejected.

3.5.4 Individual Significance of Explanatory Variables (t-test)

For the testing of the independent variables, the researcher made use of the t-test. The t-stat istic is simply calculated as tα/2, n-k. Large values of t shows that the null hypothesis can be rejected and that the corresponding coefficient is not zero.

Decision Rule: reject H0 if the t calculated is greater than the t-tabulated (tα/2, n-k) while Hi is accepted otherwise vice versa.

Both the decision rules for t and f were in accordance as opined by Nworu (2010). The t formular is given below as

$$tcal = \frac{\hat{b}_1}{S.E\ (\hat{b}_1)}$$

3.5.5 Autocorrelation Test

In order to check whether there is any evidence of serial correlation between the residuals, the researcher adopted Durbin-Waston statistic. Here, a value that is smaller than 2(two) indicates a positive autocorrelation while a value that is greater than 2 (two) indicates a negative autocorrelation. The formula as given by Egbulonu (2007) is

$$d = \sum_{t=2}^{n} \frac{(et - ei_{-1})}{\sum_{i=1}^{n} et^2}$$

3.6 Test for Data Properties

3.6.1 Test of Stationarity (Unit Root Rest)

Establishing stationarity is essential because it helps to eliminate bias result from a data set. A time series is said to be stationary if it"s mean and variance are constant over time, and the value of it"s covariance between the two time periods depends only on the lag (distance) between two time periods. If there is no stationary, the processing of the data may produce biased result and the consequences are unreliable interpretation and

conclusion. The Augmented Dickey-Fuller (ADF) was adopted here. The ADF tests were done on level series and first order differenced series. A variable is said to be integrated of order one (1) if it must be differenced once to become stationary. Formular according to Gujarati (2013) is $Yt = PYt\text{-}1 + ut \qquad -1 \leq P \leq 1$

The decision criterion for rejection of the hypothesis of a unit root, and acceptance of stationarity is that the ADF test statistic must be smaller than the 5% mackinnon critical value in absolute figures.

3.6.2 Co-Integration Test

Where all the variables are not found stationary at levels, the work will be exposed to cointegration test. According to Granger (2013), two variables will be cointegrated if they have a long-term, or equilibrium, relationship between them . For the co-integration to be established, the Trace and maximum Eigen value statistic must be greater than the mackinon critical value at 1% and 5% levels of significance. The co-integrating equation is drawn from the normalized co-integrating coefficient with the lowest log likelihood.

3.6.3 Error Correlation Model

This error correction mechanism helps in correcting the past periods disequilibrium. It's a short-term dynamic adjustment to the co-integration equation. When a long-run equilibrium relationship exists among the variables, there must be an associated adjustment model. ECM involves the leading and lagging of the variables so that short-term dynamism will be introduced in the model. Here, the vector error correction model (VECM) is applicable as a result of the nature of the model.

Decision Rule: If the ECM co-efficient is greater than zero (0), it implies that there is disequilibrium meaning that unemployment rate is reduced by the increase in government expenditure. If the co-efficient is less than zero, it means that unemployment is not reduced by decrease in government expenditure.

3.7 Granger Causality Test

Causality means the relationship between cause and effect. Basically, term "causality" suggests a cause and effect relationships between sets of variables, say, Y and X by Pearl (2012). A major implication of granger causality is that if two variables say Y and X, are co-integrated, then either Y must

granger X or vice-versa. In this study, the researcher adopted the Pairwise granger causality. It"s formula is according to Gujarati (2013) is $Y_t = \sum \alpha I\ Xt - 1 + \Sigma$ BjYt – j + Ult The decision rule is to reject H_o if P-value ≤ 0.05 and vice versa.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Presentation of Data

The data upon which this research was conducted is hereby presented as collected from the annual accounts and reports of central bank of Nigeria, National Bureau of statistics of Nigeria, World Bank statistical data and internet.

Table 4.1 Data Presentation

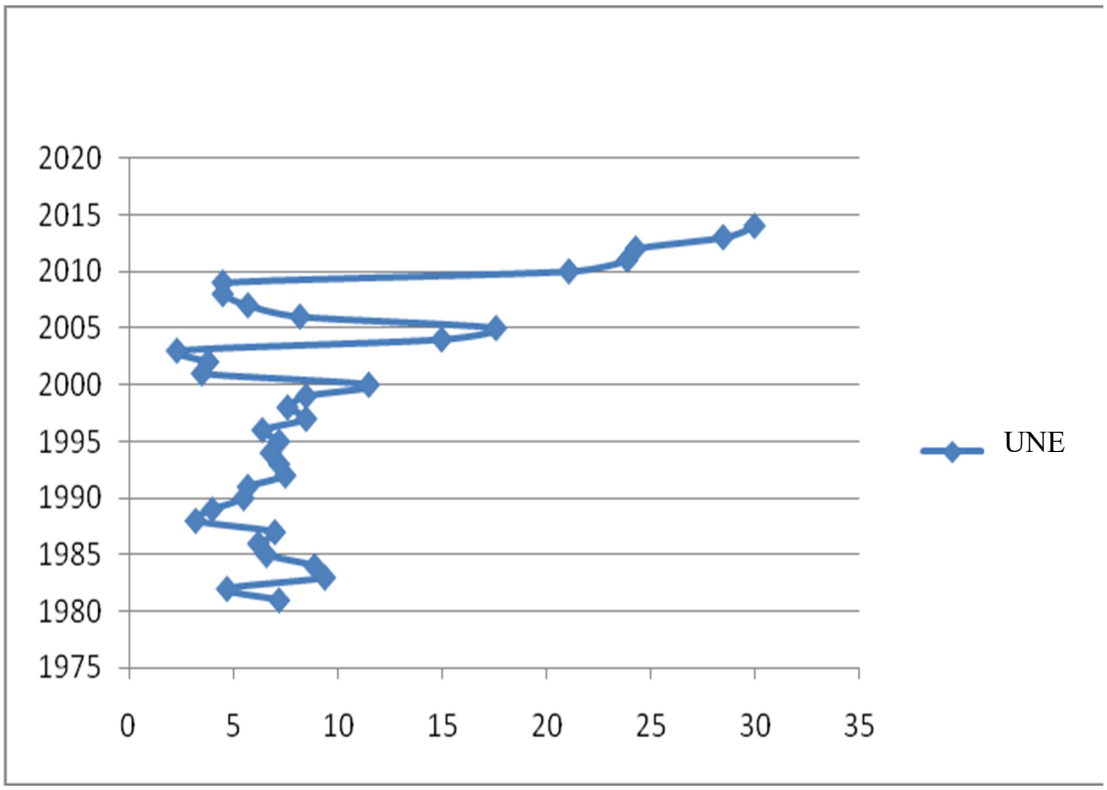
YEAR	Unemployment%	Exp. On Admin **N'million**	Exp. On Econ.service **N'million**	Exp. On Social **N'million**	Exp. On Transfer **N'million**	Growth rate of GDP %
1981	7.2	1,635.00	3,805.05	1,593.75	4,379.89	-13.13
1982	4.7	1,424.77	2,742.05	1,303.14	6,453.25	-1.05
1983	9.4	1,995.00	2,462.88	1,315.41	3,863.20	-5.05
1984	8.9	1,362.80	867.50	591.99	7,105.35	-2.02
1985	6.6	1,889.80	1,167.28	1,614.75	8,369.27	8.32
1986	6.2	1,717.70	1,378.85	1,123.48	12,003.63	-8.75
1987	7.0	5,699.28	2,854.36	9.19.63	12,588.44	-10.75
1988	3.2	7,676.40	3,349.90	3,840.20	12,883.00	7.54
1989	4.0	8,888.00	5,345.30	6,074.90	20,720.10	6.47
1990	5.5	9,460.10	5,099.40	5,492.00	40,216.70	12.77
1991	5.7	10,298.80	4,448.40	4,168.60	47,668.60	-0.62
1992	7.5	13,803.01	5,416.81	3,468.75	70,108.84	0.43
1993	7.2	38,651.87	26,094.56	18,235.12	108,247.35	2.09
1994	6.8	29,320.74	31,012.67	15,079.82	85,479.97	0.91
1995	7.2	42,095.70	49,067.10	23,036.40	134,568.90	-0.31

1996	6.4	61,410.88	122,582.16	24,645.38	150,710.66	4.99
1997	8.5	105,733.30	175,813.50	28,962.13	117,706.23	2.80
1998	7.6	85,949.20	212,436.62	44,807.03	143,920.50	2.27
1999	8.5	226,010.50	410,657.52	88,624.70	222,033.26	0.47
2000	11.5	197,809.60	140,100.53	112,750.25	250,390.51	5.32
2001	3.5	230,055.85	312,766.25	132,966.41	342,207.99	4.41
2002	3.8	340,087.20	268,284.84	184,652.68	225,153.41	3.78
2003	2.3	395,932.20	194,052.83	158,343.58	477,659.67	10.35
2004	15.0	444,533.36	226,503.53	164,423.16	626,433.54	33.74
2005	17.6	606,245.90	329,343.25	223,007.76	682,103.10	3.44
2006	8.2	707,422.48	341,894.46	272,850.36	620,320.40	8.21
2007	5.7	853,332.98	537,447.51	407,533.00	550,201.50	6.83
2008	4.5	1,018,126.36	818,038.13	485,100.58	756,987.00	6.27
2009	4.5	1,139,683.00	820,200.62	474,99.95	845,954.33	6.93
2010	21.1	1,531,649.31	825,241.28	698,339.80	938,018.12	7.84
2011	23.9	1,659,669.50	697,037.76	712,655.53	1,163,650.54	6.79
2012	24.3	1,499,900.00	551,100.00	737,500.00	1,411,478.00	6.53
2013	28.5	1,375,470.00	797,000.00	998,780.00	1,606,570.00	5.40
2014	30.0	2,307,810.00	363,650.00	1,230,680.00	1,669,240.00	6.31

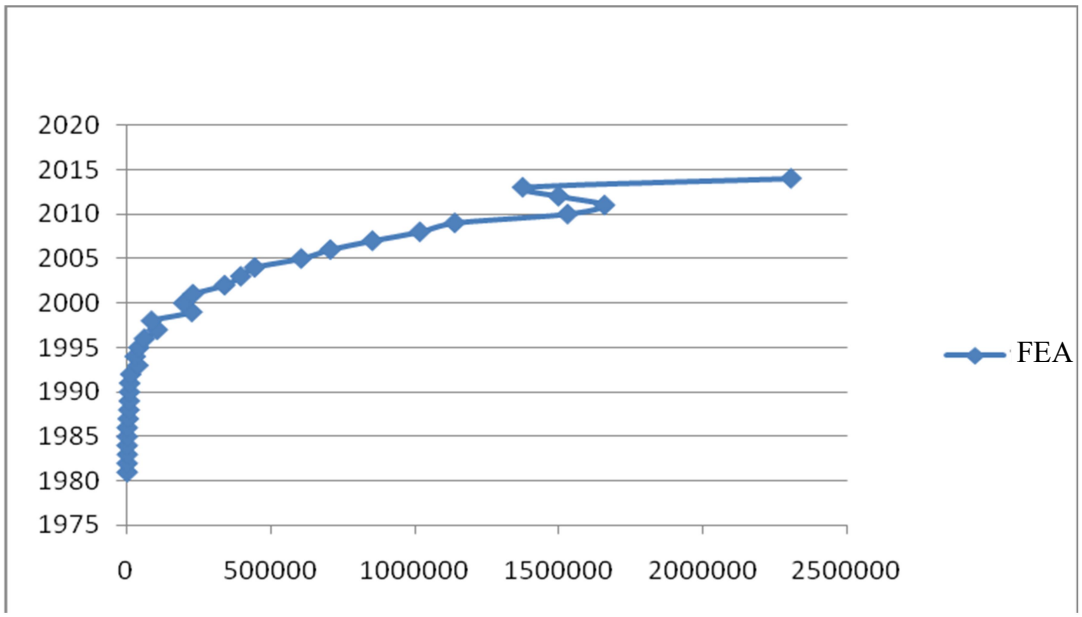
Source: CBN Annual Report vol. 23, 24, NBS, World Bank data and www.academic journal of inter-disciplinary study.

DATA ANALYSIS

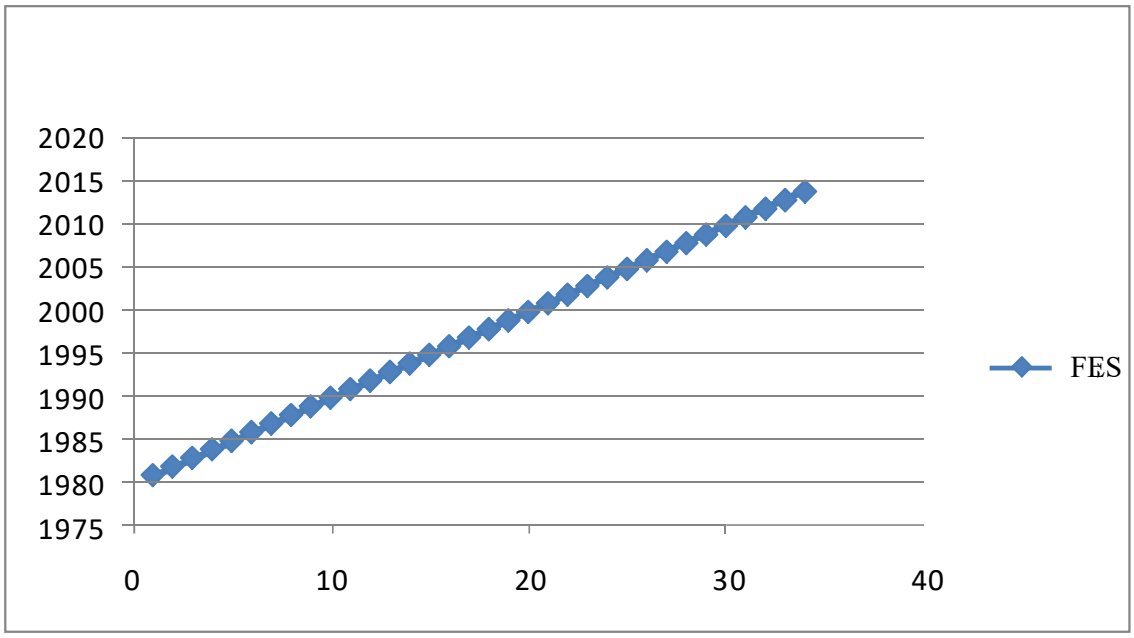
UNEMPLOYMENT



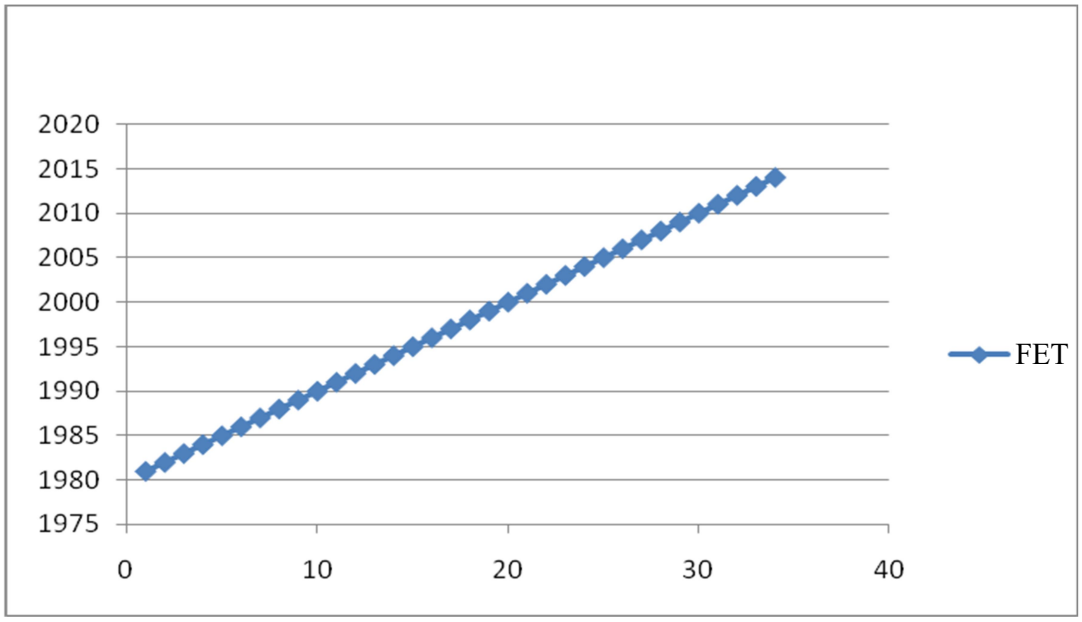
FEDERAL GOVERNMENT EXPENDITURE ON ADMINISTRATION



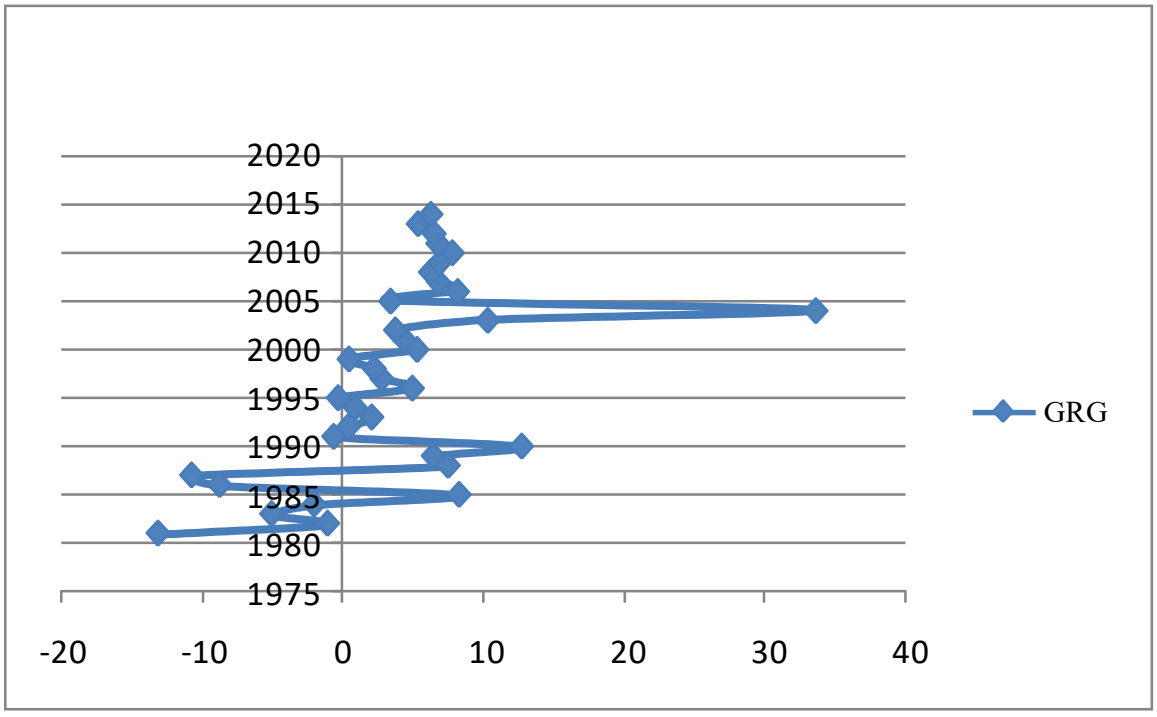
FEDERAL GOVERNMENT EXPENDITURE ON SOCIAL AND COMMUNTY SERVICES



FEDERAL GOVERNMENT EXPENDITURE ON TRANSFER



GROWTH RATE OF GROSS DOMESTIC PRODUCT



4.2 Test for Validity of the Assumption of the Model

Table 4.2: Test for Stationarity Using Unit Root Test

VARIABLES	AT LEVEL	AT 1ST DIFFERENCE	AT 2ND DIFFERENCE	5% CRITICAL	LEVEL OF INTEGRATION
UNE	-1.665437	-5.276765	-5.680131	-2.960411	1(1)
FEA	3.229916	-0.668403	-6.352585	-2.967767	1(0)
FEE	-0.838630	-5.504841	-10.63838	-2.960411	1(1)
FES	3.374087	-0.142785	-9.974305	-2.967767	1(0)
FET	3.165505	-3.786718	-5.222.93	-2.960411	1(0)
GRG	-4.536680	-6220647	-5.979275	-5.979275	1(0)

Source: E-view version 7. See appendix

Decision

The result from the table above shows that government expenditure on administration (FEA), government expenditure on social and community services (FES), government expenditure on transfers (FET) and growth rate of GDP (GRG) are stationary at level while government expenditure on economic services (FEE) and unemployment are stationary at 1st difference using augmented dickey fuller test at 5% level of significance.

Table 4.3 Test for Long-run Relationship Using Johensen C-integration

Date: 08/03/15 Time: 12:52

Sample (adjusted): 19832014

Included observations: 30 after adjustments

Trend assumption: linear deterministic trend

Series: UNE.

Exogenous series: FEA FEE FES FET GRG

Warning: Critical values assume no exogenous series lags interval (in first differences): 1 to 1.

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE (s)	eigen value	Trace Statistic	0.05 Critical value	Prob.**
None*	0.444289	17.62519	3.841466	

Trace test indicates 1cointegration eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

* mackinnon-Haug-michelis (1999) P-values.

Unrestricted Cointegration Rank Test (maximum Eigen value)

Hypothesized No. of CE(s)	Eigenvalue	max-Eigen statistic	0.05 critical value	Prob**
None*	0.444289	17.62519	3.841466	0.0000

Max-eigen.value test indicates 1 cointegration eqn(s) at the 0.05 level

* denotes rejection of the null hypothesis at the 0.05 level

** mackinnon-Haug-michelis (1999) P-values

Unrestricted cointegrating coefficients (normalized by b^{1*}SII* b=1):

UNE
0.381839

Unrestricted Adjusted coefficient (alpha)

D(UNE)	-2.817317

Since the trace statistic value (17.62519) greater than 0.05 critical values (3.841466) shows that there is long-run relationship among the variables of the model as shown in table 4.3 above.

Table 4.4 Causality Test

Pairwise Granger Causality Tests Date:
08/03/15 Time: 12:53
Sample: 1981 2014
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
FEA does not Granger Cause UNE	30	7.60550	0.0026
UNE does not Granger Cause FEA		485499	0.0165
FEE does not Granger Cause UNE	30	9.1 7103	0.0010
UNE does not Granger Cause FEE		0.13355	0.8756
FES does not Granger Cause UNE	30	14.3638	7.E-05
UNE does not Granger Cause FES		0.98669	0.3869
FET does not Granger Cause UNE	30	9.02121	0.0011
UNE does not Granger Cause FET		3.20309	0.0578
GRG does not Granger Cause UNE	30	0.98701	0.3867
UNE does not Granger Cause GRG		0.29102	0.7500
FEE does not Granger Cause FEA	30	11 .5632	0.0003
FEA does not Granger Cause FEE		1.70816	0.2017
FES does not Granger Cause FEA	30	0.09025	0.9140
FEA does not Granger Cause FES		3.65870	0.0404
FET does not Granger Cause FEA	30	3.35723	0.0511
FEA does not Granger Cause FET		5.43549	0.0110
GRG does not Granger Cause FEA	30	1.01341	0.3774
FEA does not Granger Cause GRG		0.77466	0.4716
FES does not Granger Cause FEE	30	4.24480	0.0259
FEE does not Granger Cause FES		14.6519	6.E-05
FET does not Granger Cause FEE	30	4.44811	0.0223
FEE does not Granger Cause FET		0.02505	0.9753
FRG does not Granger Cause FEE	30	0.35560	0.7042
FEE does not Granger Cause GRG		0.19947	0.8205
FET does not Granger Cause FES	30	8.83384	0.0013
FES does not Granger Cause FET		6.98 124	0.0039
FRGDP does not Granger Cause FES	30	0.41321	0.6660
FES does not Granger Cause GRG		0.95272	0.3993
FRGDP does not Granger Cause FET	30	0.74118	0.4867
FET does not Granger Cause GRG		2.22049	0.1295

Source: E-views 7.

From table 4.4 above, there is a bi-directional causality between federal government expenditure on administration and unemployment in Nigeria. It means that both of them granger cause or affect each other. There is a unidirectional causality between federal government expenditure on economic service, social service, transfer and unemployment in Nigeria. This means that only these federal government expenditure variables granger cause unemployment in Nigeria without unemployment granger causing them. Finally, there is no causality between growth rate of GDP and unemployment in Nigeria meaning that none affects each other.

Table 4.5 The Regression Analysis

Dependent variable: UNE

Method: Least squares
Date: 11/17/15 Time: 15:21
Sample: 1981 2014
Included observations: 32

Variable	Co-efficient	Std.Error	t-statistic	Prob.
C	5.347185	0.922954	5.793555	0.0000
FEA	-3.69E-06	5.42E-06	-0.068145	0.5011
FEE	-1.40E-06	5.09E-06	-2.754523	0.0102

FES	1.00E-05	1.29E-05	0.778737	0.4427
FET	1.24E-05	6.54E-06	1.902644	0.0674
GRG	-0.086635	0.102056	-0.848901	0.0431

R-Square	0.772337	Mean dependent var	9.779412
Adjusted R-squared	0.731683	S.D dependent var	7.421499
S.E of regression	3.844284	Akaike info criterion	5.959195
F-statistic	7.619568	Durbin-waston stat	1.921366
Prob (F-statistic)	0.000000		

Source: E-views 7

From the regression table above, the model is hereby stated below as;

UNE = 5.347185-3.69E-06FEA – 1.40E-06FEE+1.00E-0 FES + 1.24E – 05 FET – 0.086635GRG

The result of table 4.5 above shows that federal government expenditure on administration and economic services have negative relationship with unemployment in Nigeria meaning that as federal government expenditure on the two variables increases, unemployment decreases. There is also a negative relationship between growth rate of GDP and unemployment which means that increase in growth rate of GDP will bring a decrease in unemployment.

But there is a positive relationship between federal government expenditure on social and community services, and on transfer meaning that as federal government expenditure on the two variables increases, unemployment will increase.

The constant value (5.347185) is positive meaning that even if all the explanatory variables of the model are zero the constant will remain positive.

4.2.1 Test for Co-efficient of Determination using Adjusted R^2

From table 4.5 above, adjusted R^2 0.731683 = 73%, shows that the explanatory variables included in the model accounted for 73% variations in the dependent variable, this means that these variables federal government expenditure on administration, economic service, social and community service, and transfer, together with growth rate of GDP influence unemployment to the tune of 73 %.

4.3 Test For Individual Significance Using T-test.

The T-statistic is adopted here to test for the statistical significance of the individual variables in the model. Based on the formulated hypotheses in chapter one, the individual tests are as follows:

Hypothesis One

H_0: Federal government expenditure on administration has no significant effect on unemployment in Nigeria.

H_a: Federal government expenditure on administration has a significant effect on unemployment in Nigeria.

From table 4.5, t calculated is = -0.681645 and t-tabulated, t 0.025,28 is = 2.05.

Decision Rule

Since t, calculated is less then t, tab, we do not reject the null hypothesis but conclude that federal government expenditure on administration does not have significant effect on unemployment.

Hypothesis Two

H_0: Federal government expenditure on economic services has no significant effect on unemployment.

H_a: Federal government expenditure on economic services has significant effect on unemployment.

From table 4.5, t calculated is -2.754523 and t tabulated,t 0.025, 28 is 2.05

Decision Rule

Since t calculated is greater than t tabulated we do not accept the null hypothesis rather we conclude that government expenditure

on economic services has a significant effect on unemployment.

Hypothesis Three

Ho: Federal government expenditure on social and community services has no significant effect on unemployment in Nigeria.

Ha: Federal government expenditure on social community services has significant effect on unemployment in Nigeria

From table 4.5 t calculated is = 0.778737 and t tabulated, t, 0.025, 28 is = 2.05.

Decision Rule:

Since the tcal (0.778737) is less than t tab (2.06), the null hypothesis is hereby not rejected while the conclusion is that federal government expenditure on social and community service has no significant effect on unemployment.

Hypothesis Four

Ho: Federal government expenditure on transfer has no significant on unemployment in Nigeria.

Ha: Federal government expenditure on transfer has significant effect on unemployment in Nigeria.

From table 4.5 above, tcal =1.902644 and t-tab,t 0.025,28 = 2.05

Decision Rule

Since t cal is less than t-tab, the null hypothesis is not rejected while conclusion is that federal government expenditure on transfer has no significant effect on unemployment.

Hypothesis Five

H_0: Growth rate of gross domestic product has no significant effect on unemployment in Nigeria.

H_a: Growth rate of gross domestic product has significant effect on employment in Nigeria.

From table 4.5 above, tcal = -0.848901

Decision Rule: Since the t cal is less than t- table, the null hypothesis is not rejected and this means that growth rate of gross domestic product has no significant effect on unemployment.

4.4 Testing For The Joint Significance (F-Test)

H_0: Federal government expenditure on administration, economic service, social and community service, and transfer together with growth of Gross Domestic Product jointly do not affect unemployment in Nigeria.

Ha: At least one of the variables of Federal government expenditure together with growth rate of GDP affects unemployment in Nigeria.

Decision Rule

Since F calculated (18.99781) as depicted in table 4.5 above is greater than F. tabulated ($F_{0.05,28,5=2.56}$) we do not accept the null hypothesis but conclude that all the explanatory variables jointly affect unemployment in Nigeria significantly.

4.5 Test For Auto-Correlation

Using Durbin-waston test which tests for the first – order autocorrelation as indicated above in table 4.5 as (Durbin-waston stat.= 1.921366) implies no positive auto-correlation in the model, therefore, the classical assumption of the model is not violated.

4.6 Discussion of Findings

From the empirical analysis of this research work, the independent variable (federal government expenditure together with growth of GDP) depicted a positive and significant effect on the independent variable (unemployment) by its F-statistic, (18.99781) meaning that a direct relationship exist between

federal government expenditure and unemployment in Nigeria, and could be attributed to the nature of the Nigerian"s economy that is dependent on oil sector and importation. This outcome from this research is in variation with Okun"s law which stated that government expenditure has positive relationship with employment and negative relationship with unemployment. This outcome is not in agreement with Philip"s curve; the inflation – unemployment tradeoff which depicted an inverse curve linear relationship between inflation rate and the rate of unemployment. But this outcome is in accordance with the work of Nwosa (2014),that government expenditure has a positive and significant impact on unemployment.

This report is in line with the findings of Aminu and Anono (2012) who also indicated that Federal government expenditure on administration does not have a significant effect on unemployment. However, it shows a negative relationship with unemployment this implies that it"s increase will lead to an insignificant decrease in unemployment. This is deduced from the result given by the negative co-efficient of -3.69E-06 with tcal of -0.681645 from table 4.5 above. It also means that a percent

increase in administration will result to a 0.68 percent decrease on unemployment in Nigeria.

Federal government expenditure on economic services as depicted in table 4.5 above, shows a negative coefficient of -1.40E-06 with tcal of -2.754523 meaning that a percentage increase in federal government expenditure on economic services will lead to a 2.4 percentage decrease to unemployment in Nigeria. Its tcal also shows a significant negative effect on unemployment and this is in accordance with the definition of Tajudee and Ismail (2013) which stated that economic growth and development is enhanced by expansion of infrastructural facilities. This result is also in agreement with Maxist theory of unemployment that emphasized on socialist or communist economic system as against capitalism.

The result further shows that federal government expenditure on social and community services has a positive and insignificant effect on unemployment in Nigeria. This is evidenced by the negative coefficient of 1.00E-05 with its tcal as 1.902644. This outcome means that a percentage increase in federal government expenditure resulted to 1.91 percentage increase on unemployment in Nigeria within the period of study. This result

is not in disagreement with Peacock-Wiseman"s theory of expenditure that founded their analysis upon a political theory of public expenditure and concluded that governments like to spend more and citizens do not like to pay taxes, and that governments needs to pay some attention to the wishes of the citizens. It is also in agreement with Wagner"s Law of increasing state activities, where he said that factors which contribute to the tendency of public expenditure, relate to a growing role of the state in ever-increasing socio-economic complexities of modern society.

The result from the study also indicated a positive and insignificant relationship exist between federal government expenditure on transfer and unemployment in Nigeria. This outcome is in agreement with the theory; money has simply been transferred from one person in the society to another without anything being done for it. It shows a percentage increase in federal government expenditure on transfer led to a 1.90 percentage increase in unemployment in Nigeria within the period of study.

The growth rate of gross domestic product from the empirical finding above showed a negative and insignificant

relationship with unemployment rate. This negative effect is in line with Okun"s law that stated increase in the growth rate of an economy decreases unemployment rate especially when the growth rate is greater than the potential growth rate.

Finally, there is no positive autocorrelation in the model as shown from the Durbin-Waston statistic with value of 1.921366 which indicates the absence of auto correlation in the model.

CHAPTER FIVE

5.0 Summary, Conclusion and Recommendations

5.1 Summary

This study empirically investigated the effect of federal government expenditure on unemployment in Nigeria covering the period of 1981 – 2014. This work is structured into five chapters. The topic was chosen as attempts in proffering solution to reduce the unemployment using federal government expenditure disaggregate together with growth rate of GDP as the explanatory variable and unemployment as the explained variable.

During the course of this research work, the federal government expenditure on administration, economic services, social and community services, transfer, and growth rate of GDP were reviewed and regressed against the unemployment. From the empirical analysis, it is confirmed that federal government expenditure together with growth rate of GDP affected unemployment significantly within the period under study by 18.99 percent. Federal government expenditure on administration and economic service revealed negative effect on unemployment, growth rate of GDP also revealed negative effect

on unemployment but federal government expenditure on social and community services, and transfer revealed positive effect on unemployment.

Among the explanatory variables under study, only government expenditure on economic services has significant negative effect on unemployment while others were insignificant. The explanatory variables of the model were able to explain the variation of the dependent variable at about 73% and a long run relationship existed among the variables.

The result from this empirical study equally deduced no positive autocorrelation in the model and this has validated the efforts and recommendations of this research work.

Finally, there is bi-directional causality between federal government expenditure on administration and unemployment in Nigeria meaning that both variables affected each other while there is unidirectional causality between federal government expenditure on economic service, social and community service, and transfer and unemployment meaning that only these variables affected unemployment without unemployment affecting them. There is no causality between growth rate of GDP and unemployment meaning that non affected each other.

5.2 Conclusion

Based on the findings, federal government expenditure aggregate in Nigeria together with growth rate of GDP have a positive relationship with unemployment but only government expenditure on economic services affected unemployment significantly and negatively. This emphasizes the need to pay a higher attention to economic services more than the other federal government expenditure disaggregates in Nigeria in order to reduce unemployment. Since federal government expenditure on administration showed a negative insignificant effect on unemployment in Nigeria, the federal government should thoroughly ensure that it"s expenses on administration brings reduction on unemployment in Nigeria. The researcher also noted that increase in federal government expenditure on social and community service and transfer increase unemployment in Nigeria, but the increase is higher on transfers and this calls for a reduction on federal government expenditure on transfers. Empirically from this study, there should be concerted efforts in the economy to increase the growth rate of GDP so that unemployment will be reduced since it has shown an inverse relationship with unemployment.

Finally the result showed that reducing unemployment involves a combination of so many economic variables and not just with one variable. Therefore, both private individuals and corporations should be involved in assisting the federal government to expand on its economic activities most especially, having proof to be significant in unemployment reduction in Nigeria from this study.

5.3 Recommendations

Having exhaustively and empirically dealt with the study, the following recommendations are hereby stated based on the findings.

1. Federal government expenditure on administration should be ensured that it brings about reduction on the unemployment hence it has shown negative and bi-directional relationship with unemployment from the causality test, so the federal government should investigate when such result is not obtained. Thus keeping workers employed is always a chief concern of economic policymakers and a low unemployment rate is an indication of good economic performance.

2. It is strongly recommended that federal government expenditure on economic service should be increased more than any other aspect of government expenditures in order to achieve a desired reduction on unemployment whilst transparency and proper accountability is maintained in the system, thus a percentage increase on it will reduce unemployment by 2.75 percent.
3. Federal government should put up mechanism in tracking information when expenditures are been miss-channeled thus almost the expenditures yielded insignificant effect on unemployment rate while they were meant to significantly affect unemployment as propounded by government expenditure theorists like Wagner, Peacock, Ernest e.t.c.
4. There should be adequate check and balances concerning federal government expenditures on these various sub-headings, their outcomes or effects toward unemployment so that the federal government will ascertain its position at all times and be able to make necessary amendments when and where necessary thus they shown bi-directional and unidirectional effect on unemployment in Nigeria.

5. The federal government should also ensure that there are functional laws and constitutions that governs its expenses and at the same time due punishments to offenders. This will help in achieving the expected results from expenditures of the federal government in fighting unemployment.
6. It is also recommended that federal government expenditure on transfers should be reduced because among the expenditures, it yielded the highest positive result which showed that it increased unemployment more than others. Since it"s unproductive, exchange of money for nothing, it has to be reduced else it will create room for embezzlement and fraud as a result of its nature. It does not encourage employment creation.
7. Federal government should also ensure that more of its expenditure is channeled to productive sectors and finally employ possible means to increase the growth rate of GDP since it has negative relationship with unemployment in Nigeria.
8. Finally, federal government should be aware that its aggregate expenditure together with growth rate of GDP positively and significantly affected unemployment therefore;

it should readdress its expenditure pattern in such a way that it yields the desired result which is reduction of unemployment. It could achieve this by spending more on those expenditure variables with negative coefficients than those with positive coefficients as they have depicted from the analyses.

5.4 Suggested Area for Further Studies

Because research is continuous and seldom does a researcher exhaust his field of study, though a meaningful work has been presented in this project, the researcher hereby made the following suggestions for other researchers who may wish to do the same or related topics in the future:

i. The effect of federal government expenditure on unemployment by adding more independent variables and more dependent variables.

ii. The effect of federal, state and local government expenditure on job creation.

iii. To investigate on the effect of gross domestic product on employment since they have positive relationship.

5.5 Contribution to Knowledge

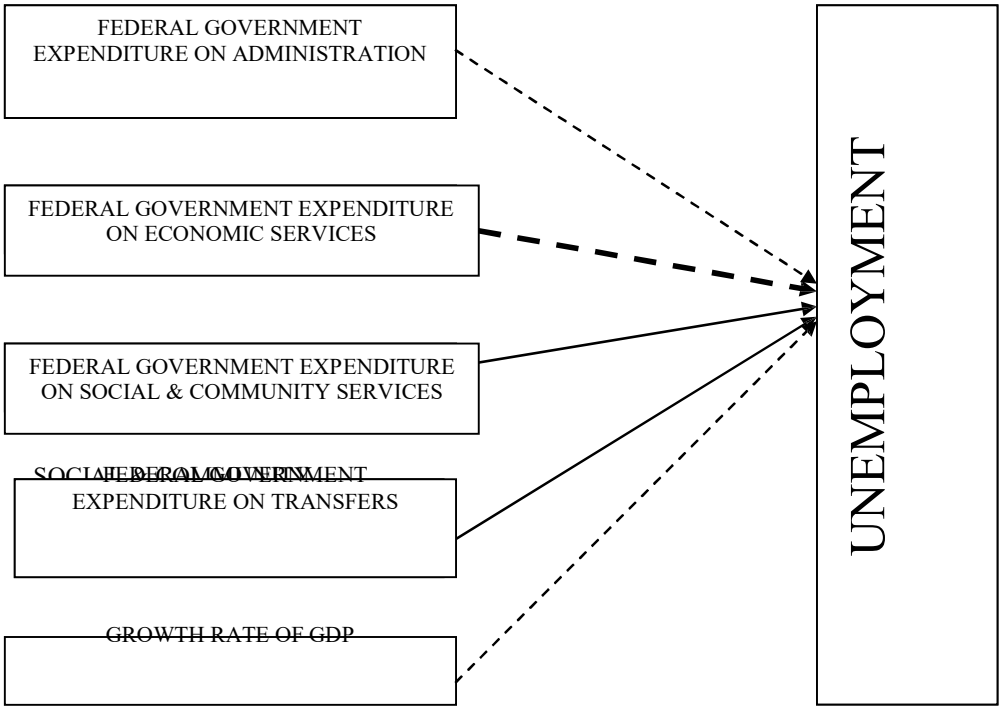
1. Through the review of related literature, empirical study, conceptual meaning and empirical analysis, this research work has unbounded the idea from those government expenditure theories that portrayed government spending as an automatic cushion to unemployment instead of seeing it as being conditional. In other words, for a government expenditure to yield a desired result, that government has to meet up with good economic and social conditions in any society especially in developing countries like Nigeria.
2. This research work is an evidence that a bi-directional causality exist between government expenditure and unemployment in Nigeria. A negative significant relationship also exist between federal government expenditure and unemployment and a percentage increase in federal government expenditure reduced unemployment by 2.75 percent as at the period study.
3. This research work is an expansion of knowledge to the work of Nwosa (2014) in period and scope of this study. It is also a contribution to other researchers work concerning

government expenditure and unemployment but its uniqueness is made visible by studying federal government expenditure disaggregate and unemployment in Nigeria and it has shown that some federal government expenditure variables react positively to unemployment while some react negative.

Figure 5.1: Conceptual Model of the Study after analysis

(Federal Government Expenditure and Unemployment)

Independent Variables Dependent Variable



Source: The Researcher"s Desk, 2015.

where:

——— Positively insignificant

------- Negatively insignificant

— — Negatively significant

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