

researchcub.info1.1 BACKGROUND TO THE STUDY

The issue of employment is very germane to any economy; this is why one of the main macroeconomic objectives of any country is to attain full employment. The issue of employment is paramount to Africa and Nigeria in particular, where high-level poverty is obvious with rising unemployment rates. However, in order to combat the problem of poverty, Oni (2006) argued that reducing the level of unemployment will increase the income level in the economy and thereby reduce the level of poverty. To increase the level of employment, some scholars have argued that the flow of goods and services (trade flows) could propel employment generation, especially in developing countries.

According to Pieper (2006), growth in employment has a feedback on economic growth, such that an increase in labour incomes would expand domestic demand, which in turn would lead to sustainable GDP growth and reducing risks of excessive reliance on uncertain foreign markets. Given this fact, trade can absorb Nigeria's surplus labour and this can go long way in alleviating poverty for the majority of the poor Nigerians.

Economists have long been interested in factors which cause different countries to grow at different rates and achieve different levels of wealth. One of such factors is foreign trade. Nigeria is basically an open economy with international transactions constituting a significant proportion of her aggregate output. To a large extent, Nigeria's economic development depends on the prospects of her import and export trade with other nations. Foreign trade provides both foreign exchange earnings and market stimulus for accelerated economic growth (Obadan, 2004). Nigeria's relatively large domestic market can support growth but alone cannot deliver sustained growth at the rates needed to make a visible impact on unemployment and poverty reduction. Hence Nigeria has continued to rely on foreign market as well (World Bank, 2002).

Many economists generally agree that openness to international trade accelerate development. The more rapid growth may be a transition effect rather than a shift to a different steady states growth rates, clearly, the transition takes a couple of decades or more so, that is, it is reasonable to speak of foreign trade openness accelerating growth rather than merely leading to a sudden one time adjustment in net income (Dollar and Kraay, 2001).

Nigeria is characterized with a 'dualistic' labour market in which the minority of workers have regular formal sector jobs, while majority works in the informal sector, with a large pool of surplus labour. This is seen from its rapidly increasing labour force. The impact of trade liberalisation on employment growth in Nigerian economy; considering the vision of the country, the welfare of its people and its economic position in the world today, tend to be a special area of interest for the academic world and for policy makers.

1.2 STATEMENT OF THE RESEARCH PROBLEM

In spite of the country's large pool of surplus labour, rapidly growing labour force and increasing employment, the share of employed workers in total labour force has been declining since 1980, coupled with this, in the last two decade, the trend has been below 70%, which is an indication of high unemployment as more than 30% of its active population are unemployed.

This trend is not surprising as Nigeria is highly dependent on imports for most of its raw materials inputs (CBN, 2007) and the employment effect of these imports might be positive if a significant portion of imports serves as inputs for labour intensive industries. However, this trend has given rise to debates in

developing countries where concerns have been expressed over the loss of jobs due to import competition (Ghose 2003) and deindustrialisation as result of increased imports

However, government has tried to reverse this trend through the implementation of policies to diversify the country's export base away from oil so as to promote a stronger export performance. Such export policy includes export promotion strategies in which incentives were given for the promotion of non-oil exports particularly agriculture and labour intensive manufactures. As noted by Carneiro and Arbache (2003) and Rama (2003), export promotion improves employment level in countries embracing the strategies. Therefore, there had been an ongoing argument between government and public, while the former opined that her export promotion policies have increased the level of employment, majority of the people believe that unemployment is on the rise; it is against this backdrop that we consider it interesting to determine whether the flow of imports and exports have brought any significant effects on employment growth in Nigeria.

1.3 OBJECTIVES OF THE STUDY

The main objective of this research is to empirically examine the impact of trade liberalisation on employment growth in Nigeria between the year 1981 to 2013.

Specifically, the study also seeks:

To examine the trend in trade liberalisation vis a vis employment growth in Nigeria.

To examine the extent at which trade liberalisation can generate employment.

Proffering appropriate framework based on the policy recommendations made.

1.4 RESEARCH QUESTION

This study aims at answering the following research questions:

- i Does a long or short run relationship or both exist between trade flows and employment?
- ii. To what extent is Nigeria's total employment growth rate attributed to domestic factors and external factors?
- iii. What are the factors that hinder trade liberalisation?

1.5 RESEARCH HYPOTHESIS

The following hypothesis will be tested in the course of this study:

H0: Trade liberalisation has no significant impact on employment growth in Nigeria.

H1 Trade liberalisation has significant impact on employment growth in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The findings of this study will provide an insight as to whether trade liberalisation has any significant impact on Nigeria's employment growth. Hence, policy makers will be able to formulate an articulate and comprehensive policy with respect to trade liberalisation management in Nigeria. This research will also provide an objective view to the relevance of trade liberalisation on employment growth in Nigeria. The findings of this research will also serve as a useful reference material for further research on the impact of trade liberalisation on employment growth in Nigerian economy.

1.7 RESEARCH METHODOLOGY

The analysis that will be made in this study shall be based on macroeconomic data in Nigeria economy. Due to the linearity nature of the model formulation, Ordinary Least Square (OLS) estimation method would be employed in obtaining the numerical estimates of the coefficients in the model using Eviews.

Two multiple regression models shall be used in the estimation. The model shall seek to investigate the effect of trade liberalisation on employment growth in Nigeria. This is a follow up on the objectives of study stated earlier.

1.8 SCOPE OF THE STUDY

The economy is a large component with lot of diverse and sometimes complex parts; this research work will only look at a particular part of the economy (Trade). This work cannot cover all the facets that make up the Trade sector, but will look at trade liberalisation has been used by the government for the stabilization, and attaining economic development.

The empirical analysis and estimation covers the period between 1981 and 2013. This restriction is unavoidable because of the non-availability of some data.

The data for this study would be obtained mainly from secondary sources; particularly from Central Bank of Nigeria (CBN) publications such as the CBN Statistical Bulletin, CBN Annual Reports and Statements of Accounts, and National Bureau of Statistics publications.

1.9 LIMITATIONS OF THE STUDY

Finance is one of the elements that assist a good research. Financial constraint created difficulties in the process of this research work; however, it did not hinder the research.

The main limitation of this study is time constraint. The time allotted for the completion of this research is not adequate based on recent and contemporary happening with respect to the impact of trade liberalisation on employment growth in Nigerian economy.

ORGANISATION OF THE STUDY

This study shall be divided into five chapters. The first chapter provides the background of the subject matter justifying the need for the study. Chapter two presents related literature concerning trade liberalisation on employment growth in Nigeria. The research methodology, which includes the theoretical framework, sources of data, model formulation, estimation techniques etc, are stated in chapter three while data presentation, analysis and interpretation of regression result were made in chapter four. Concluding comments in chapter five reflects on the summary, conclusion, recommendations and suggestion for further studies based on the findings of the study.

1.11 DEFINITION OF TERMS

The following words are operationally defined as they would be used in this research study.

Trade liberalisation: The removal or reduction of restrictions or barriers on the free exchange of goods between nations. This includes the removal or reduction of both tariff (duties and surcharges) and non-tariff obstacles (like licensing rules, quotas and other requirements).

Foreign Trade: This is a trade between two or more countries. It is also referred to as international trade or external trade. It is a trade outside the national boundaries of countries. Foreign trade could be bilateral trade, which is trade between two countries or multilateral trade, which is trade between more than two countries.

Employment: This is a state of having a legitimate paid work. This is the opposite of unemployment.

Economic Growth: This refers to the increased over time of an economy's capacity to produce those goods and services needed to improve the well-being of the citizens in increasing number and diversity. It is the study of the process by which productive capacity of the economy is increased over time to bring about rising level in national income.

Economic Development: This is a multi-dimensional process involving the provision of basic needs, acceleration of economic growth, reduction of inequality and unemployment, eradication of poverty as well as changes in attitude, constitution and structure in the economy.

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IMPACT OF TRADE LIBRALIZATION ON EMPLOYMENT GROWTH IN NIGERIA (1981-2013)

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