



# The Impacts Of Unemployment And Insecurity On Foreign Direct Investments In Nigeria

Banigo, Ubokulom Josssey

## ABSTRACT

*The study investigated unemployment and insecurity in Nigeria. The phenomenon of unemployment is ubiquitous in both developed and developing countries, albeit in different dimensions. This issue has assumed prominence in local, state and national discourses. Debates on unemployment have identified various factors responsible for its occurrence and they include mismatch in education and training vis-à-vis labour market human resource needs, poor career orientation and guidance; poor quality of education and training without a proper link to the labour market and these have affected and the ultimate consequence is a source of threat to national security.*

**Key Words:** Direct, Foreign, Impact, Investment. Unemployment

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## I. INTRODUCTION

As unemployment in Nigeria increases yearly, the government is rhetorical on how to avert or eliminate the dangers posed by unemployment to national security. Before the advent of the PetroDollar business, the agrarian economy played a prominent role in Nigeria. Indeed, agriculture provided employment for over 70 percent of the population. The industrialization wave of the 70s was phenomenal, but unfortunately, this was a false start. The government even went ahead to introduce a number of measures, including the Land Use Act in order to remove obstacles in the path of industrialization, but some of these turned out to be monumental policy mistakes.

The challenges of security and unemployment became more accentuated with the discovery of oil in Nigeria. In particular, with Nigeria's transition to an oil economy, agriculture was neglected while attention shifted to oil. Thus, able bodied men living in rural communities abandoned farming and fishing that provided enough earnings to sustain their family's needs for cities which offered limited, skilled employment opportunities for which they were not qualified. The oil industry in particular is skill and technology intensive and thus the available employment vacancies in the sector are not enough to absorb the growing working population in the country.

When General Ibrahim Badamasi Babangida toppled the government of General Muhammad Buhari in 1985, he decided to approach the International Monetary Fund (IMF) for loans which was accompanied with conditionalities such as the liberalization of the economy, removal of subsidy, de-valuation of currency, privatization of some sectors that were initially managed and controlled by the Federal Government to the private capitalist, among others.

Unemployment on a scale not seen before set in; children dropped out of schools because their benefactors were no longer gainfully employed. The consequence was loss of jobs leading to abject poverty crimes and criminality. The transition to democracy from the military raised the hope of citizens, especially on good governance. Sadly, the return to democratic rule in 1999 ushered in several violent crimes in the country at large and the Niger Delta in particular. In Rivers State, the wave of crime increased tremendously after the 2003 general election as unemployed youths became instruments for thuggery by the political class to achieve their political goals. Indeed, many militant groups were never disarmed after the elections were held. Thereafter, the violent crimes continued unabated because most unemployed youths have viewed violence as a means of survival and alternative employment. At present many unemployed youths are involved in election related violence, thuggery, gangsterism and cult activities, armed robbery and kidnappings. All these are the signpost of insecurity. This has Impact on both the local economy and direct foreign investment (DFI).

A review of the effect of unemployment and by extension insecurity on FDI report divergent views because the nature of domestic security impacts positively or negatively on the FDI, In this circumstance, it impacted negatively on FDI. This study therefore reviews the impacts of unemployment and insecurity on FDI in Nigeria,

## **II. SYNOPTIC CONCEPTUALIZATION OF UNEMPLOYMENT**

Conceptualizing the two terms unemployment and insecurity is very nebulous. Several scholars have made attempts to define them. In broad sense, the term unemployment denotes a condition of joblessness or lack of employment. In computing the country's unemployment rate, Nigeria adopts the ILO definition of unemployment. To the ILO, the unemployed population is made up of persons above a specified age who are available to, but did not furnish the supply of labour for the production of goods and services. When measured for a short reference period, it relates to all persons not in employment who would have accepted a suitable job or started an enterprise during the reference period if the opportunity arose, and who had actively looked for ways to obtain a job or start an enterprise in the near past. Accordingly, a person is to be considered unemployed if he/she during the reference period simultaneously satisfies being:

- i. 'Without work' i.e., were not in paid employment or self-employment as specified by the international definition.
- ii. 'currently available for work' i.e., were available for paid employment or self-employment during the reference period; and
- iii. 'seeking work' i.e., had taken specific steps in a specified recent period to seek paid employment or self-employment.

The 'without work' condition serves to distinguish between the employed and the unemployed, and thus guarantees that these are mutually exclusive categories of the working age population, whereas the latter two criteria separate the non-employed into the unemployed and the out of the labour force.

## **III. TYPES OF UNEMPLOYMENT**

The following types of unemployment as prevalent in Nigeria – structural, frictional, seasonal, cyclical, residual, voluntary and disguised.

(a) **Structural Unemployment:** This type of unemployment occurs when there is a change in the structure of an industry or the economic activities of the country. This may be because people's tastes have changed, or it may be because technology has become outmoded and the product or service is no longer in demand. It is mostly to be found in the developing countries of Asia and Africa. This type of unemployment is due to the deficiency of capital resources in relation to their demand. It occurs when there is a mismatch of skilled workers and occupational vacancies On the labor market.

(b) **Frictional Unemployment:** This is a temporary condition and it occurs when an individual is out of his current job and looking for another job. The time period of shifting between the two jobs is known as frictional unemployment. It may also be caused by industrial friction in which jobs may exist, yet the workers may be unable to fill them either because they do not possess the necessary skill, or because they are not aware of the existence of such jobs.

(c) **Seasonal Unemployment:** This type of unemployment is due to seasonal variations in the activities of particular industries caused by climatic changes, changes in fashions or by the inherent nature of such industries.

(d) **Cyclical Unemployment:** Cyclic unemployment, also known as Keynesian unemployment, occurs when there is an economic recession. When there is a downturn in an economy, the aggregate demand for goods and services decreases and demand for labor decreases.

(e) **Residual Unemployment:** Residual unemployment is caused by personal factors such as old age, physical or mental disability, poor work attitudes and inadequate training.

(f) **Voluntary Unemployment:** This is an unemployment that people face because they choose to be unemployed. This occurs usually when individuals are bent on getting particular types of jobs they consider more rewarding than the existing ones. They remain unemployed until they find what they consider lucrative jobs.

(g) **Disguised Unemployment:** Disguised unemployment or underemployment is a situation of a labor not having enough paid work or not doing work that makes full use of his skills and abilities. It can be measured by the number of hours worked per week.

## **IV. CAUSES OF UNEMPLOYMENT IN NIGERIA**

[Some of the interrelated and interdependent factors that account for the high rate of unemployment in Nigeria include the following:

1. Low Economic Growth Rate
2. Adoption of Untimely Economic Policy Measures

3. Wrong Impression about Technical and Vocational Studies
4. The Education System
5. Rapid Expansion of the Education System
6. Neglect of the Agricultural Sector
7. Poor Enabling Environment
8. Rural-Urban Migration
9. Rapid Population Growth
10. Collapse of the Manufacturing Sector

## **V. INSECURITY**

Security is the degree of resistance to, or protection from, harm. It applies to any vulnerable and valuable asset, such as a person, dwelling, community, nation, or organization. The Oxford dictionaries define security as the state of being free from danger or threats. The system may be designed to provide maximum security against attack or incursion. It is the safety of a state or organisation against criminal activity such as terrorism, theft or espionage.

An insecure person is one who perceives the world as a obscure jungle and most human beings as unsafe and self-serving; feels rejected and isolated, anxious and hostile; is generally pessimistic and unhappy; shows signs of tension and conflict, tends to turn inward; is troubled by guilt feelings, has one or another manifestations of low self-esteem; tends to be neurotic; and is generally selfish and egocentric. In recent times, Nigeria has been facing several security challenges. These include rise in armed robbery, kidnapping, and insurgency by the Niger Delta militants, ethnic conflicts, herders/farmers conflicts and recently, activities of the Boko Haram sect. Hundreds of Nigerians and some foreigners resident in the country have been killed as a result of one violent crime or the other, while property worth millions of Naira has also been lost to insecurity in the country. Fundamentally, no one and place are considered totally safe within the country. While those in the southern parts of the country grapple with kidnapping and other violent crimes, Nigerians in the North live in utter terror not knowing where and when the next set of bombs will explode. These security challenges have the very damaging consequence of giving the signal to the rest of the international community that Nigeria is not a safe and secure place and as such not suitable for economic investment and activities. This situation has effect on DFI and by extension the country's Gross Domestic Product (GDP).

Also, the general state of insecurity in the country is sending a wrong signal to the international community about traveling to Nigeria. Many international agencies and countries have intensified their warning to their citizens of the risks involved in traveling and doing business in some parts of the country. For instance, in a release dated 12 January 2012, the U.S. Department of State (Bureau of Consular Affairs) warned its citizens of the avoidable risk involved in traveling to some parts of Nigeria. The Travel Warning reads:

The Department of State warns U.S. citizens of the risks of travel to Nigeria, and continues to recommend U.S. citizens avoid all but essential travel to the Niger Delta states of Akwa Ibom, Bayelsa, Delta, and Rivers; the Southeastern states of Abia, Edo, Imo; the city of Jos in Plateau State, Bauchi and Borno States in the northeast; and the Gulf of Guinea because of the risks of kidnapping, robbery, and other armed attacks in these areas. Violent crime committed by individuals and gangs, as well as by persons wearing police and military uniforms, remains a problem throughout the country.

This Travel Warning replaced the Travel Warning for Nigeria dated October 13, 2011. Also, according to the release, in 2011, there were five reported kidnappings of U.S. citizens in Nigeria. The most recent occurred in November when two U.S. citizens, along with a Mexican national, were taken hostage in international waters off the Nigerian coast and held captive for over two weeks in the Niger Delta. Others have occurred in Lagos and Imo States. Also, a British and an Italian national were kidnapped in Kebbi state in May 2011. Since January 2009, over 140 foreign nationals have been kidnapped in Nigeria, including seven U.S. citizens since November 2010. Six foreign nationals were killed during these abductions, while two U.S. citizens were also killed in separate kidnapping attempts in Port Harcourt in April 2010. Local authorities and expatriate businesses operating in Nigeria assert that the number of kidnapping incidents throughout Nigeria remains underreported. Though the security services are under intense pressure to address the security challenges, the problems can be overwhelming due to the high level of unemployment.

## **VI. DIMENSIONS OF INSECURITY CAUSED BY UNEMPLOYMENT**

### **(i) Armed robbery**

Empirical studies have called into question the strength, significance and the hypothetical relationship between unemployment and crime. The theoretical basis of the debate relies on two countervailing effects of unemployment on crime, that is; a positive motivational effect and a negative opportunity effect. However, the strength and significance of the unemployment and crime relationship in empirical studies have also been shown

to be conditional on various factors with the direction of the relationship between unemployment and crime still disputed among scholars.

There is a significant relationship between unemployment and armed robbery during period of economic boom and economic crisis. This study is similar to the present study because it was carried out in Port Harcourt. However Iwarimie-Jaja's research only examined unemployment as it relates to armed robbery during period of economic boom and economic crisis without actually determining factors such as commercial motorcycle and mobile communication that makes an unemployed person to commit armed robbery.

### **(ii) Militancy**

Various definitions had been given to the term militancy. The word "militancy" can be understood as the acts of individuals, groups or parties displaying or engaging in violence, usually for a cause, whether religious, political, ideological, economic, or social. Nowadays, the term militant is synonymously used with the term 'terrorist. It is a state or condition of being contentious or inclined to fight for a cause or belief. It has also been defined as a violent response by an individual, group or sect in a region, community, state or nation due to claims of underdevelopment, political oppression, religious beliefs and segregation. Militancy therefore is paramilitary force motivated by religious or political ideology, especially one that engages in rebel or terrorist activities in opposition to a regular army" is associated with the US usage in the early 1990s as applied to a number of rightwing groups opposed to gun control and distrustful of the federal government.

In modern times, various movements seek to apply militancy as a solution, or use militancy to rationalize their solutions for the issues. But these movements do not share common tactics. Usually, a militant uses violence as part of a claimed struggle against oppression. Quamruzzaman (2010) stated that a militia movement has five dimensions ideology, motivation, mobilization, organization and ritual. This word is sometimes used to describe anyone with strongly held views (e.g., militant Christians, militant atheists). A militant person or group expresses a physically aggressive posture while in support of an ideology or a cause. A militant person is confrontational regardless of physical violence or pacifistic methods.

### **(iii) kidnappings**

Kidnapping is defined by various scholars with varying degree of successes. It is the forcible seizure, taking away and unlawful detention of a person against his/her will. It is a common law offence and the key part is that it is an unwanted act on the part of the victim. It is forceful or fraudulent abduction of an individual or a group of individuals for reasons ranging from economic, political, and religious to [struggle for] self-determination. However, the authors later admitted that the forcefully or fraudulently abducted individuals are carried off as hostages for ransom purposes. This implies that while political and economic factors can instigate kidnapping, the economic reason is the most common predisposing factor of the phenomenon.

From the foregoing, the definition of kidnapping has no one best way to describe it, but it is clear that for an act to be deemed kidnapping, it shall involve coercive movement of a victim from one place to another, detention or seizure of that person be it a child or an adult. It is legally regarded as a restriction of someone else's liberty which violates the provision of freedom of movement as enshrined in the constitution of the Federal Republic of Nigeria, where every other law takes its cue from.

Kidnapping is on the increase in Nigeria. Statistically, Nigeria records a lot of cases of kidnapping incidents daily, and there are undoubtedly many that are unreported. From the unstable situation in the Niger Delta, kidnapping has spread across the country. These kidnappings can either be for financial or political gain. Victims were originally foreign oil workers, but today many are locals, often employees of international oil and oil service companies, and not necessarily wealthy; anyone whose family might pay a ransom can be targeted. There remains a high threat of kidnapping and other armed attacks targeting oil and gas facilities and workers. This also applies to ships and oil rigs at sea off the coast of the Niger Delta. In January 2012, kidnappers abducted a US citizen from his vehicle in the Delta and killed his security guard.

In Nigeria and many other developing countries of Africa and Asia, political factors, poverty, lack of legal/available employment opportunity among the youths are also playing a fundamental role in the rise of kidnapping. In line with the above, Nigeria has a large number of adolescents living and making a living on the streets. This has been attributed to economic factors and exposure to all forms of risks. Thus, it is no longer news that the unemployment factor in Nigeria with its alarmingly increasing rate, is among the country's top five headaches. Neither is it news that this evil monster, unemployment, has succeeded massively in pouring into the minds of its victims, bright, but negative thoughts and ideas on how to make fast cash, by ignoring all cautions. Today, the newest idea seems stronger to be 'kidnapping.'

It was not until the late 90's that the kidnapping business became popular as a route to consider, especially amongst the militant groups in the oil-rich Niger Delta. It was all along considered a veritable tool in fighting the refusal of oil operators to install in host communities in some developmental projects, for constantly sucking their resources - oil. Victims were usually foreigners, who were either staffers or expatriates of an oil operator. They would be captured, kept safely away until some huge amount is paid for their release. This trend



continued successfully for a long time. However, going by reports, a total of 353 kidnappings was reported in 2008. As of July this 2019, an estimated 512 persons have been kidnapped in Nigeria. It must have slipped at some point into the minds of some group of unemployed buddies, to want to experiment with kidnapping their own black brothers and sisters, who are either oil workers, public figures or just wealthy. The experiment obviously turned out to be a huge job offer, for as many unemployed graduates who saw it as such.

So far, the list of victims has grown so tall. It becomes less difficult to predict the future from here. In an interview after his release, a victim of kidnapping identified his kidnappers as "young graduates who did not have employment and were looking for how to survive." If the activities of kidnapping are not checked, everybody will become a potential target, even the so called 'common man.' If the Government, in their usual check-back approach, fails to address the unemployment situation in the country, soon the entire country may have to go for a ransom at one time or another. The kidnappers believe they should take their destinies into their hands and grab whatever they could, using the barrel of a gun in the face of the systematic looting of funds by government officials, to have a fair share of national resources (Ngwama, 2014).

## **VII. KEY FACTORS THAT IMPACT NEGATIVELY ON DIRECT FOREIGN INVESTMENT TO NIGERIA**

The causes of all these conflicts and violence associated to unemployment and insecurity could be hinged on poor leadership failure, institutional failures, corruption, maladministration, and absence of data for planning. Commenting on conflict, Egobueze (2021) stated it is an expressed struggle between two interdependent parties who perceive incompatible goals, scarce rewards and interferences from the other part in achieving their goals; it could also be inter personal. It is a situation in which people, groups or countries are involved in a serious disagreement or argument; this could be a violent or fighting, or a situation where there are opposing ideas, opinions, feelings or wishes, a situation where it is difficult to choose.

Describing corruption, Egobueze and Ojirika (2018, p. 191) opined that Broadly speaking, it may describe acts that are considered unethical, such as fraud, graft, bribery, stealing, perjury, lying, dishonesty, indiscipline, and such other immoral acts like merchantization of sex for gratification, as common in some lecturer – students" relations or awards of contracts in business environments. Corruption in Nigeria has hindered DFI to the country. It affects all aspects of the States' live including planning and implementation of policies. Furthermore, policy failures have critical role in causing unemployment and insecurity which impact on DFI. Comenting on the Amnesty Programme which was as a result of insecurity in Nigeria, Ejezie, Osai and Egobueze (2020, p.1) held that " Nigeria, prior the program, almost moved into what could be described as a failed State. Her economy was in shambles and the lives of citizens were in threat and the State drift to almost the Hobbesian state of nature. Anarchy was let loose and the State almost could not hold sway. This hydrophobic state of affair, occasioned by the hydraheaded crisis led to the amnesty programme." Prior to the Programme, there was exodus of multinational companies from the Niger Delta, and by extension Nigeria due to the fear of kidnap, which became a lucrative business. Many foreign governments that had business relations with Nigeria placed ban of their citizens to some areas in Nigeria, especially, the Niger Delta. This discouraged DFI to Nigeria.

The next issue was data. "Data is an essential instrument for national development. Both the public and private sectors are handicapped without viable infrastructure for information generation and dissemination" (Agwor, Egobueze and Nwaoburu, 2021,p. 58). Sadly, lack of data can affect "proper planning, monitoring and evaluation of development programmes and projects and also in arriving at a good decision with respect to their government policy formation" (Shangodoyin and Lasisi, 2011, p.131). This has posed challenges to planning, and accounts for low output on DFI in the Country because, the Nigerian State is bereft of adequate data that highlights the number of unemployed, key areas of strength of the state and what is required for trunks of investment.

Nigeria as a state has not strategic in managing the unemployment crisis. The decision making process has been in sham. Decision making becomes efficient and effective if it is rooted in strategic management. A good manager makes decisions within the strategic context (Odili and Egobueze, (2021, p. 791).

## **VIII. CONCLUDIN REMARKS**

In conclusion, Nigeria as a state has suffered a lot of setbacks due to unemployment and instability and this has impacted negatively on DFI to the country. Several factors have been mentioned in this study that leads to poor DFI to Nigeria. To resolve all these, there must be fiscal regimes in place in the State that addresses key issues of unemployment and insecurity. That is the only direction that may lead to better inflow of DFI to Nigeria.

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