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IMPLICATIONS OF CORRUPTION ON EMPLOYMENT IN NIGERIA

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Abstracts
The main objective of the paper is to investigate the implications of corruption on employment in Nigeria. To achieve this, a model of unemployment is built using corruption, economic growth and foreign direct investment as independent variables. Time series data covering the period of 1996 to 2021 was used. From literature, it is discovered that these two variables might be indirectly related through economic growth and FDI. The VAR model was done on the data to get out the indirect relationship. Findings of the work revealed that, corruption elicits negative positive impact on unemployment showing that employment level in the country declines as corruption permeates the economy. And that, other variables pass through corruption to unemployment. Consequently, it was recommended that any attempt of the government to boost employment in Nigeria could be tantamount to futility if the menace of corruption is not dealt with head-on.

Keywords: Corruption, Employment, Natural Resource, Resource Curse, Economic growth, Institution

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1. INTRODUCTION

When the government of President Muhammadu Buhari of Nigeria assumed office in the year 2015, the hope of all Nigerians was very high owing to his impressive manifesto of tackling corruption and dealing with the widespread corruption in the country. However, upon the completion of his two-term of eight years as the helmsman of the largest black nation in the world, the menace of corruption apparently grew from bad to worse spanning all facet of country's economic sectors. Virtually both researchers and policy makers in Nigeria are fully aware of the fact that the problem of corruption has been a formidable clog in the wheel of economic progress of the country. Consequently, studies on public sector corruption receive growing attention in recent years. Macrae (1982) defines corruption as an arrangement that involves a privateexchange between two parties, which 1) has an influence on the allocation ofresources either immediately or in the future, and 2) involves the use or abuse ofpublic or collective responsibility for private ends (see also Gil, Yaron and Eyal, 2011). Nigeria is facing many problems at present; among which are high rates of corruption and unemployment. The menace of corruption and unemployment are so much that people wondering whether one causes the other. It has been found by many writers that corruption is a huge problem in many developing countries that are rich in natural resources. This, according to researchers like Dike (2008) may not be totally so as corruption is endemic in all governments and that it is not peculiar to any country, region and ethnic group.

Ironically, corruption exists in all countries, both developed and developing. This menace in these countries leads to slow movement of files in offices, police extortion tollgates and slow traffics on the highways, port congestion, queues at passport offices and gas stations, ghost workers syndrome, election irregularities, erratic electricity among others (Dike, 2008). The likelihood for an officer to be corrupted is a function of the size of the rents under his control, the power that the official has in allocating such rents and his answerability for his/her decisions or actions. Since corruption is not new, and since it is a global phenomenon, it is not peculiar to Nigeria. However, corruption is pandemic in Nigeria and in many other African and Asian nations (Transparency International, 2010).

It is reported that Nigeria's Corruption Perception Index (CPI) in the span of an eight-year period did not improve until 2006 when it ranked 142 out of 163 countries. Prior to then, the country ranked second to last for four years consecutively with its lowest CPI ranking in 1996 at 0.7. Presented in Table 1 is the corruption index for Nigeria. A close observation of the Table shows that there has been some reduction in corruption in Nigeria. In 1996 for instance, Nigeria's index was 0.7 indicative of a high corruption rate. It improved considerably through 1997, 1998, declined thereafter. With an index of 2.5 in 2009, Nigeria ranks the 14^{th} most corrupt country in the world out of 162 countries. This demonstrates that corruption is still endemic in Nigeria. It has been argued that the Nigerian government was paying lip service to the fight against corruption and there is a reign of impunity in the country which is called the rule of law. For instance, in Nigeria, the Economic and Financial Crime Commission (EFCC) has been accused repeatedly of targeting politicians from the incumbent president and governors' rival ethnic groups in its efforts to fight against looting of public funds in the country. Such accusations have the tendency to weaken the effectiveness of the fight (Adewara et al, 2013).

Unemployment is also very rampant in the Nigerian economy. According to Oloni (2013) the Nigerian economy has enjoyed a long period of jobless sustained economic growth since 2001. Nigeria, with half the population of West Africa and a vast spread of natural resource endowment, has the potential to be the source of growth and prosperity for the whole region.

Nigeria's current employment rate is erratic and short of expectations, such that 66% of Nigeria's citizens, educated youths especially, live below the international poverty line, at just $1.00 a day or $300.00 a year (Omotosho, 2009).

Theoretical and also a few empirical studies have attempted to link unemployment with economic growth (Oloni, 2013), informal Market (Akintoye, 2008), monetary accomodation (Eleftherios Spyromitros, Blandine and Zimmer. 2008), ICT (Atosey, 2012) and productivity (Oloni, 2011). In Literature, not many studies have established a direct relationship between corruption and unemployment. This paper will be different from others as it investigates the implications that corruption has on unemployment in Nigeria.

Many others have linked corruption with poverty and growth. Some authors argue that the relationship between corruption and employment is complex Tanzi, (1998); Razafindrakota and Roubaud (2007). Others argue that there are direct and indirect linkages between the two variables Gupta *et al* (1998); Chetwynd *et al*, (2003); N'zue and N'guessan, (2006). Salisu (2000) estimated corruption and economic growth in Nigeria, Nwaobi (2006) illustrated the relationships between natural resources, corruption and economic growth at macro level, while Aliyu and Oludele (2008) focused on the impact of corruption on the macro economy.

An empirical study by Gurgur and Shah (2005) identifies various causes of corruption and concludes that the major causes of corruption are a lack of service orientation in the public sector, weak democratic institutions, economic isolation (closed economy), colonial past, internal bureaucratic controls, inequality and centralized decision-making. In essence, the higher the quality of the bureaucracy, the lower corruption will be.Gil, Yaron and Eyal, (2011) investigated the impact of corruption on "productive" entrepreneurship following Baumol (1990) seminal work. In their empirical work a sample of 176 countries was made. They found clear evidence that corruption, after controlling for all variables that might be correlated both to corruption and to entrepreneurship, has a significant negative impact on entrepreneurship. The scope of this article is confined to corruption in relation to rent seeking which in turn affects unemployment. In this paper we study the effect of corruption on unemployment. As far we know, little has been done on this in Nigeria.

2. REVIEW OF LITERATURES AND CONCEPTUAL ISSUES

Employment and Growth in Nigeria

Nigeria is one of a typical case of the country in the world where development has been undermined and retarded by the menace of corrupt practices. A series of reforms have been carried out in the country so as to make the system efficient and result oriented. However, the anticipated gains of such efforts or reforms have not been visible due to series of factors which include that of corruption. Without doubt, corruption has permeated the Nigerian society. The situation has gone so bad to the extent that which ever way one views corruption, itinvolves a violation of public duty or deviation from high moral standards in exchange for (or in anticipation of) personal pecuniary gains. It is connected with moral and dishonest acts.

The effects of corruption are felt in the political and social, as well as the economic, spheres. Although the direct costs of corruption may be high in terms of lost revenue orfunds diverted from their intended use, the indirect costs in terms of the economic distortions; inefficiencies and waste resulting from corrupt practices are more problematic over the long-term and thus make it more difficult to address. Corruption increases the costs of doing business, wastes resources, hence radically reduce revenues accruing to the state.It also results in poor service

delivery, "moonlighting" or multiple concurrent sources of employment and refusal toperform normal functions without additional payment. Moreover, corruption deepen poverty and make it difficult for ordinary people to get ahead as the result of their own efforts.

There is increasing evidence that the social and economic cost of corruption disproportionately affects the poor, who not only suffer from the lack of services and efficient government, but who are also powerless to resist the demands of corrupt officials. Different arguments have been put forward to explain the pervasiveness of corruption in Nigeria these include poverty, the personalization of public office, the political culture and the inability of leaders to overcome their colonial mentality in respect of their perception of public office (Lawal, 2007). Two of Nigerian heads of state have been named to have fortune up to $25 billion while the rest of the economies are wallowing in abject poverty. If these fortunes are invested into the economy, unemployment will be reduced (Lawal, 2007)

Corruption and Unemployment

Bribery and corruption could have a very detrimental effect on an economy and the World Bank has estimated that 0.5% of GDP is lost through corruption each year. Corruption doesnot only dampen economic growth and development, but also affects the inflow of foreign direct investment (FDI) negatively (Lee and Oh, 2007). At the microeconomic level, widespread corruption culminates in low institutional quality and inefficient institutions (Asiedu, 2003). Corruption leads to unemployment by promoting bad management in companies and significantly raising the costs of doing business (Frisch, 1996: 68) which may lead to closing down of some business or increasing the risk and uncertainties of doing business. According to Dike (2004), corrupt practices discourage and reducee investment in general and capital investment in particular.

Osuagwu (2012) observes that corruption create unfair competition by penalizing successful, yet honest, undertakings; encourage production of substandard goods and services; diverting resources away from productive investment, complicating and delaying business transactions; and destroying long-term profitability and growth. Where businesses lose out on contracts because they have chosen not to engage in corrupt behaviour, there can be consequences not only for the profitability of the businesses concerned but, indirectly, for job destruction. At the same time, a company that accedes to an act of corruption once is likely to be faced with further demands of a similar nature in the future (McCartney, 2008). Thus, the company has permanently subscribed to a commercial disadvantage and possible collapse. There is the belief that corruption and growth are closely related in developing countries. Unemployment is also closely linked with growth. Corruption, by itself, does not produce unemployment. Rather, it has direct consequences on economic and governance factors, intermediaries that in turn produce unemployment.

Two broad models are used from the literature to investigate the indirect relationship between unemployment and Corruption- the economic model and the governance model. The former postulates that corruption affects unemployment by first impacting on economic growth factors, which, in turn, impact unemployment levels. In other words, increased corruption reduces economic investment, distorts markets, hinders competition, creates inefficiencies by increasing the costs of doing business, and increases income inequalities (Dada, 2010). By undermining these key economic factors, unemployment is exacerbated.

On the other hand, the governance model asserts that corruption affects unemployment by first influencing governance factors, which, in turn, impact unemployment levels. So, for example, corruption erodes the institutional capacity of government to deliver quality public services, diverts public investment away from major public needs into capital projects (where bribes can be sought), lowers compliance with safety and health regulations, and increases budgetary pressures on government. Through these serious challenges to governance practices and outcomes, unemployment is affected Lui, (1996); Razafindrakota and Roubaud, (2007).

Eseyin, Oloni, Ogunjobi and Abiodun (2020) established that there exists a causal relationship among governance and economic growth. This causality is bidirectional. Additionally, there is bidirectional causality between economic growth and youth employment in Nigeria. The course of causality between economic growth and capital formation is unidirectional from gross capital fixed capital formation to economic growth. In any case, from the examination, the bearing of causality among work and administration can't be built up; thus, likewise there is an established relationship between employment and gross fixed capital formation. From the foregoing the linkages between unemployment, economic growth and corruption are not necessarily straight-forward, but certain issues are clear. Corruption has adverse effects on economic growth – it deters investment and affects good governance, wastes and distorts allocation of resources, undermines credibility of public authority and increases political insecurity. The combined effect of corruption and poverty has the potential to depress economic growth and increase inequality thus aggravating unemployment.

Ogunmuyiwa (2012), on the other hand, observes that coarsion theory regards that corruption have negative effects on unemployment and increases income as it has a relativelylow transaction costs compared to the benefits it. According to him, bribery is perceived to help grease the wheel fromimmediate transaction and contractual businesses. The “coarsion theory” according to Prakasam (2008) states that market transactions are costless; arearrangement of right will always take place if itleads to an increase in production value Also, corrupt practices such as speed money isperceived to be capable of enabling individuals toavoid bureaucratic delays and that governmentemployees who are allowed to levy bribes wouldwork harder thus having a positive return oninvestment (Leff, 1964).

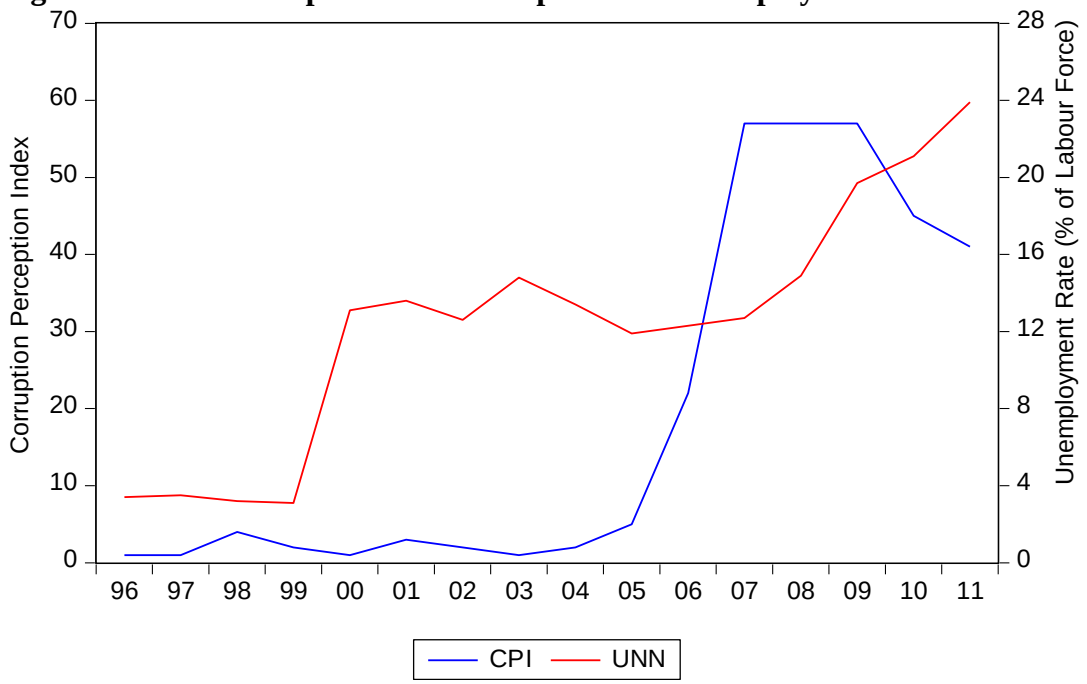
Eseyin *et.al.* (2022) investigated the determinants of private sector credit and also examine the implication of private sector credit on job creation in Nigeria from 1984 to 2020 using annual time series data from the specific objectives include to identify the determinant factors of private sector credit creation in Nigeria, to analyze the relative impact of each determinant or factor of private sector credit creation, to ascertain the impact of private sector credit on job creation in Nigeria. The study identifies significant factors that determine private sector credit which includes Interest rate, Real Gross Domestic Product and Domestic Debt. Also, Private Sector Credit statistically has no significant in explaining Labour Participation rate. Real Gross Domestic Product is the only factor that has an impact on Labour Participation rate. This work is limited due to the time series data used which stops at 2020. It is necessary that any other work on the topic should broaden the scope to incorporate Sub Saharan countries and employ the use of panel data.

Table 1: Corruption Perception Index and Unemployment Rate

Year	Perception Index (PI)	No of Countries Evaluated	Rating	Rank	Unemployment Rate
1996	0.7	54	54	1	3.4
1997	1.8	52	52	1	3.5
1998	1.9	85	81	4	3.2
1999	1.6	99	98	2	3.1
2000	1.2	90	90	1	13.1
2001	1	102	100	3	13.6
2002	1.6	91	90	2	12.6
2003	1.6	132	132	1	14.8
2004	1.4	145	144	2	13.4
2005	1.9	158	154	5	11.9
2006	2.2	163	142	22	12.3
2007	2.2	183	127	57	12.7
2008	2.7	183	127	57	14.9
2009	2.5	186	130	57	19.7
2010	2.4	178	134	45	21.1
2011	2.4	183	143	41	23.9

Source: CPI from Transparency International several years

Fig 1: The Relationship between Corruption and Unemployment



***Note: The lower the corruption in the country, the higher the CPI**

Figure 1 shows the graphical relationship between unemployment and corruption. The graph shows that as corruption goes up, as in 1996-2004, unemployment also went up. From 2005 to 2007, unemployment went down a bit to 12%. Corruption remains stagnant between 2007 and 2009; then it started to increase as well as unemployment were also in the upward trend.

3. METHODOLOGY

As earlier stated above, corruption has an indirect relationship with unemployment through variables like growth and Foreign direct investment. For this reason, the Vector Autoregressive method is used to capture its impact on unemployment. In this study,the Corruption Perception Index (CPI) measured bythe Transparency nternational (TI) will be used tomeasure corruption. The CPI index indicates theaverage values of corruption in member and sampledcountries within the annual survey carried out. Scoresrange from 0 to 10 and a higher score indicates a very low level of corruption, while very low score indicate a high level of corruption. Hence, if the sign ofcorruption regressed on unemployment is positive; it means that as corruption decreases, unemployment decreases.

To investigate the response of macroeconomic variables to asymmetricand innovations in unemployment, an unrestricted Vector Autoregressive model (VAR)is adopted. The VAR model provides a multivariate framework where changes ina particular variable (oil price) are related to changes in its own lags and tochanges in other variables and the lags of those variables.

The VAR treats allvariables as endogenous and does not impose *a priori* restrictions on structuralrelationships. Since the VAR expresses the dependent variables in terms ofpredetermined lagged variables, it is a reduced-form model. Once the VAR hasbeen estimated, the relative importance of a variable in generating variations inits own value and in the value of other variables can be assessed (Forecast ErrorVariance Decomposition (FEVD)). FEVD assesses the relative importance of unemployment in the volatility of other variables in the system. The dynamic response ofmacroeconomic variables to innovations in a particular variable can also betraced out using the simulated responses of the estimated VAR system (ImpulseResponse Functions (IRF)). Thus, the IRF enables the determination of thedynamic effects of corruption on unemployment in the Nigerian economy.

Theunrestricted VAR model of order p is presented in equation (1)

$$Y_t = \alpha_o + \alpha_1 Y_t + ...\alpha_p Y_{t-p} + \beta Z_t + \varepsilon_t \quad (1)$$

Where Y_t is a vector of endogenous variables, Z_t is a vector of exogenous variables, α_i and β are coefficient matrices and p is the lag length. Theinnovation process ε_t is a time invariant positive-definitive variance –covariance matrix an unobservable zero-mean white noise process . The VAR systemcan be transformed into its moving average representation in order to analysethe system's response to corruption, that is:

$$Y_t = \mu \sum_{i=0}^{\infty} \gamma \varepsilon_{t-1}$$

Where γ is the identity matrix, μ is the mean of the process. The moving average representation is used to obtain the forecast error variancedecomposition and impulse response function. In the restricted VAR models, the vector of endogenous variables, according to our first Cholesky ordering, consists of the Gross Domestic Growth Rate (GDPG), corruption (Corrt), Unemployment (UNN) and Foreign Direct Investment (FDI).

The innovations of current and past one-step ahead forecast errors are orthogonalised using Cholesky decomposition so that the resulting covariancematrix is diagonal. This assumes that the first variable in a pre-specified orderinghas an immediate impact on all variables in the system, excluding the firstvariable and so on. In fact, pre-specified ordering of variables is important andcan change the dynamics of a VAR system.

4. PRESENTATIONS OF ANALYZED DATA

Table 2: Result of Unit Root Test

Variable	Levels	1st Difference	2nd Difference	Level of Integration
GDPGR	-2.284254	-4.754929	-	I(1)
Corruption (CPI)	-1.311306	-2.332434	-4.186703	I(2)
Unemployment (UNN)	-0.480050	-3.570994	-	I(1)
Foreign Direct Investment (FDI)	-4.634604	-	-	I(0)
ECM	-2.486312	-	-	I(0)

Source: Authors' Computation (2013)

Table 3: Variance Decomposition

Year	UNN	CPI	GDPG	FDI
Variance Decomposition for UNN				
1	100.0000	-	-	-
5	53.88921	40.02547	3.290811	2.794509
10	33.71146	57.22361	4.470415	4.594511
Variance Decomposition for CPI				
1	0.035052	99.96495	-	-
5	5.526569	83.17124	5.160143	6.142052
10	9.340240	79.45106	5.232892	5.975808
Variance Decomposition for FDI				
1	24.43241	17.93311	57.63448	0.000000
5	8.063489	65.09498	20.80029	6.041247
10	8.433837	64.56865	20.61652	6.380995
Variance Decomposition for GDPG				
1	1.882291	14.84115	30.07187	53.20469
5	24.75767	22.70810	20.26562	32.26861
10	21.17799	33.63454	17.55557	27.63191

Source: Authors' Computation, 2020

Table 4: The VAR Model

S.E.	UNN	CPI	FDI	GDPG
3.562838	100.0000	0.000000	0.000000	0.000000
4.454698	95.25083	4.150566	0.542106	0.056495
5.030856	88.98350	9.700995	1.144955	0.170548
5.881584	68.97004	27.97417	1.715275	1.340511
6.839427	53.88921	40.02547	3.290811	2.794509
7.783998	43.61599	49.36978	3.625569	3.388665
8.500191	38.36063	53.71955	3.914547	4.005278
9.007354	36.17093	55.15932	4.307926	4.361826
9.418405	34.71160	56.45736	4.369208	4.461825
9.759427	33.71146	57.22361	4.470415	4.594511
S.E.	UNN	CPI	FDI	GDPG
13.64209	0.035052	99.96495	0.000000	0.000000
23.25879	0.444121	93.25745	3.364338	2.934093
30.23407	1.964367	88.23983	4.668296	5.127508

33.17733	3.520236	85.53325	4.923572	6.022940
34.41035	5.526569	83.17124	5.160143	6.142052
35.37955	6.983597	81.91476	5.109238	5.992405
36.37619	7.909668	81.02949	5.106040	5.954800
37.39850	8.625497	80.18965	5.210948	5.973906
38.43065	9.026691	79.81452	5.206346	5.952440
39.37466	9.340240	79.45106	5.232892	5.975808
S.E.	UNN	CPI	FDI	GDPG
4.210756	24.43241	17.93311	57.63448	0.000000
6.128813	13.31217	43.92929	42.69086	0.067692
8.642721	6.781608	69.53180	22.49977	1.186830
9.722534	5.690443	70.85785	18.03647	5.415236
10.19090	8.063489	65.09498	20.80029	6.041247
10.44819	7.717722	65.37114	20.76073	6.150413
10.47220	7.745039	65.14188	20.70430	6.408786
10.56330	8.621005	64.04061	21.01010	6.328281
10.71372	8.390658	64.87149	20.58248	6.155374
10.75796	8.433837	64.56865	20.61652	6.380995
S.E.	UNN	CPI	FDI	GDPG
0.055515	1.882291	14.84115	30.07187	53.20469
0.062681	17.21806	17.06882	23.93999	41.77313
0.071153	24.96385	21.76732	20.19515	33.07367
0.072564	24.77592	22.65427	20.31395	32.25587
0.072667	24.75767	22.70810	20.26562	32.26861
0.074154	23.86960	25.43460	19.68836	31.00744
0.077566	21.82517	31.24390	18.12849	28.80245
0.079068	21.25367	32.43681	17.96642	28.34310
0.079793	21.22486	33.09949	17.75644	27.91921
0.080284	21.17799	33.63454	17.55557	27.63191

Source: Authors' Computation, 2020

Table 5: Vector Autoregression Estimates

	UNN	CPI	FDI	GDPG
UNN(-1)	0.622536	0.320719	-0.230289	-0.006604
	(0.39879)	(1.52697)	(0.47131)	(0.00621)
	[1.56106]	[0.21004]	[-0.48861]	[-1.06279]
UNN(-2)	0.063388	1.155346	-0.135461	-0.002562
	(0.45289)	(1.73412)	(0.53525)	(0.00706)
	[0.13996]	[0.66624]	[-0.25308]	[-0.36311]
CPI(-1)	0.045769	1.206042	0.157878	-0.001003
	(0.10581)	(0.40515)	(0.12505)	(0.00165)
	[0.43255]	[2.97676]	[1.26248]	[-0.60826]
CPI(-2)	0.164872	0.511443	0.523777	-0.000210
	(0.12410)	(0.47517)	(0.14666)	(0.00193)
	[1.32858]	[1.07635]	[3.57127]	[-0.10844]
FDI(-1)	-0.127504	-0.397577	-0.791971	0.000876

	(0.20101)	(0.76965)	(0.23756)	(0.00313)
	[-0.63433]	[-0.51657]	[-3.33377]	[0.27973]
FDI(-2)	-0.128999	-0.118821	-0.659480	0.001752
	(0.18362)	(0.70308)	(0.21701)	(0.00286)
	[-0.70253]	[-0.16900]	[-3.03890]	[0.61217]
GDPG(-1)	- 2.614778	98.38650	3.937815	0.029886
	(29.4368)	(112.713)	(34.7899)	(0.45868)
	[-0.08883]	[0.87289]	[0.11319]	[-0.06516]
GDPG(-2)	-9.964987	21.04727	11.22134	-0.255702
	(26.6680)	(102.112)	(31.5177)	(0.41554)
	[-0.37367]	[0.20612]	[0.35603]	[-0.61536]
C	4.750891	0.123927	3.125301	0.016451
	(2.68454)	(10.2791)	(3.17274)	(0.04183)
	[1.76972]	[0.01206]	[0.98505]	[0.39328]
R-squared	0.851628	0.877806	0.834990	0.470638
Adj. R-squared	0.614232	0.682296	0.570973	-0.376342
Sum sq. Resids	63.46909	930.5337	88.65232	0.015410
S.E. equation	3.562838	13.64209	4.210756	0.055515
F-statistic	3.587378	4.489816	3.162642	0.555666
Log likelihood	-30.44561	-49.24205	-32.78479	27.81752
Akaike AIC	5.635087	8.320292	5.969256	-2.688218
Schwarz SC	6.045910	8.731115	6.380079	-2.277395
Mean dependent	13.59286	21.35714	1.858864	0.076193
S.D. dependent	5.736317	24.20301	6.428621	0.047321
Determinant resid covariance (dof adj.)		39.57141		
Determinant resid covariance		0.643798		
Log likelihood		-76.37796		
Akaike information criterion		16.05399		
Schwarz criterion		17.69728		

Source: Authors' Computation, 2023

5. DISCUSSION OF RESULTS

Unit Root Test

The analysis is based on time series data. This therefore, requires some specific approaches to the analysis. It is generally known that the econometric estimation of a model based on time series data demands that the series bestationary as non-stationary series usually result in spurious regression. Engleand Granger (1987) provide a standard technique to deal with this problem. This involves testing the variables of an equation for stationarity. The estimation therefore begins by conducting unit root test to ascertain the stationarity orotherwise of the variables and the appropriateness of the specification for VAR estimation. estimation. Thus, the Augmented Dickey and Fuller is employed. Table 2 reports the result of the result of the augmented dickey Fuller (ADF) Unit Root test. Only the FDI variable was stationary. This investigation reveals that GDPG, and UNN were integrated of order two I(1); while the CPI variable was integrated of order one I(2). However, the linear combination of the variable was stationary showing a state of stationarity.

Variance Decomposition

The results are summarized in Table 4. Following Table 4, analyses of thevariance ecomposition are provided. The essence of the variance decomposition is that it measures the proportion of forecast error variance in one variable explained by innovations in itself and the other variables. But it shouldbe noted that the VAR was estimated with the sets of contemporaneous structural restrictions specified in the equations.

Unemployment

Unemployment response to a shock in corruption increases from zero in the short-run, it increases to 40.02547 in the medium term and to 57.22361 in the long- run. This is second to own response which decreased from 100.0000 in the short-run to 53.88921 in the medium term and 33.71146 in the long-run. This is in line with Frisch (1996) who argued that corruption leads to unemployment by promoting bad management in companies and significantly raising the costs of doing business (Frisch, 1996: 68) which may lead to closing down of some business or increasing the risk and uncertainties of doing business. This is the case in Nigeria as in many countries.

Oloni (2011) in a survey of the textile industry in Nigeria, discovered that only 37 was operational in 2011, out of the 128 firms in 1980 and that the remaining industries have closured down as a result of smuggling, erratic supply of electricity which may be as a result of corrupt practices. Unemployment response to a shock in economic growth is negative, the magnitude of the decrease, and increases from zero in the short-run, to 3.290811 in the medium term and to 4.470415 in the long- run. This percentage increase in the magnitude of the negative impact of growth on unemployment is low. This corroborate the finding of World Bank (2009) who argued that although Nigeria has made significant progress in economic growth, the impact on employment has not been evident.

Unemployment response to a shock in foreign Direct Investment is negative, the magnitude of the decrease, increases from zero in the short-run, to 2.794509 in the medium term and to 4.594511 in the long- run. This supports Ayanwale (2007), who observes that FDI inflows are expected to result in improved competitiveness of host countries exports and investment. As exports and investment increase, they will have a multiplier effect on GDP. Increased exports and investments may also generate foreign exchange that can beused to import capital goods. Further, if the additional investment embodies neutral/labour intensive techniques, employment will rise.

Corruption

The corruption response to a shock in unemployment is positive, (though not as much as those of unemployment to corruption) increases from 0.035052 in the short-run to 5.526569 in the medium term and to 9.340240 in the long- run. This is second to own response which was 99.96495 in the short-run and deceases to 83.17124 and 79.45106 in the medium and long run respectively. Another variable that is important here is FDI whose contribution was zero in the short-run, 6.142052 in the medium term and 5.975808 in the long run. Growth is found to have positive effect on corruption.

Foreign Direct Investment

Investigation on the responses of FDI to shocks in corruption appears very high. From the VAR model, we can see that this is negative. Thus, with the short run 17.93311 percent, 65.09498 percent in the medium term and 64.56865 percent in the long-run, it means corruption is very critical on the country's FDI.

Economic Growth

The response of growth to corruption and Unemployment is very significant, even though negative. For unemployment, unemployment is reduced by economic growth by 1.882291 percent in the short run, 24.75767 percent in the medium term and 21.17799 in the long-run. For corruption, corruption reduces growth by 14.84115 percent in the short run, 22.70810 percent in the medium term and 17.55557 percent in the long-run. Economic growth's response to FDI in the short-run is 30.07187, 20.26562 in the medium term and 17.55557 in the long-run. These responses are the indirect effects of FDI on corruption and unemployment through growth.

6. CONCLUSION

The objective of this study was to explore the empirical relationship between unemployment and corruption in Nigeria. Data were collected from secondary sources analysed with the aim of achieving the stated objective. From the findings of the study the following can be inferred. Corruption has positive effects on unemployment and vice versa. The relationship is mostly indirect through economic growth and Foreign Direct investment. Also, that both variables are (corruption and unemployment were harmful to economic growth and Foreign Direct Investment in the country.

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