



## **IMPACT OF FISCAL POLICY ON URBAN UNEMPLOYMENT IN NIGERIA**

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### **Abstract**

*One of the central macroeconomic objectives is the attainment of full employment or low unemployment. Constantly, economic policies are designed to steer the economy to the path of steady state equilibrium that guarantees natural rate of unemployment. Overwhelming evidences suggest that fiscal policy could be a veritable tool for tackling unemployment in emerging and developing economies. Although Nigeria has implemented (and continued to*

*implement) different stances of fiscal policy, the urban unemployment crises has continued to plague Nigerian economy. To this effect, this study sought to examine the impact of fiscal policy on urban unemployment in Nigeria. Specifically, the study investigated the impact of government spending, government revenue, fiscal deficit and public debt on urban unemployment in Nigeria. Using time series spanning from 1981 to 2018, the study estimated generalized linear model (GLM). The results obtained show that capital expenditure and government revenue have significant negative impact on urban unemployment in Nigeria. Also, recurrent expenditure and fiscal deficit were found not to exert significant impact on urban unemployment within the period. However, public debt reinforces unemployment in urban centres in Nigeria. The study therefore recommended that the Nigerian government reconsiders increased budgeting and releases of fund for capital expenditure while cutting its ever bulging personnel cost. Since urban unemployment is sensitive to revenue changes, it was also recommended that government should make effort to stabilize its revenue sources so as to ensure smoothed revenue accretion over the periods.*

*Keywords: Urban unemployment, Unemployment, Fiscal policy, Nigeria*

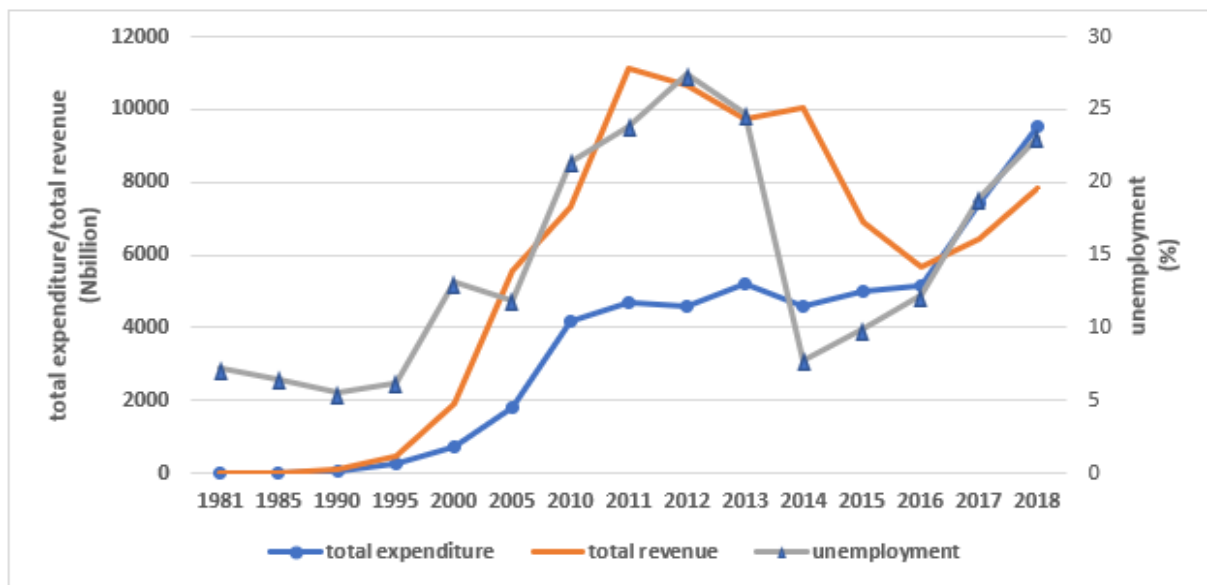
## **INTRODUCTION**

Unemployment is defined as the state of joblessness which occurs when people are without jobs and are actively searching for work (International Labour Organization, 2009). Accordingly, unemployment has become one of the major problems facing developing and emerging economies of the world (Gbosi, 2011, Isiaka, Abdulraheem & Mustapha, 2011). Although some degree of unemployment is inevitable in a complex economy with thousands of firms and millions of workers, when a country keeps its workers as fully employed as possible, it achieves a higher level of gross domestic product than it would if it leaves many of its workers standing idle. One of the major macroeconomic goals of nations is the achievement of full employment. If an economic system is not achieving full employment, it means that it is not fully mobilizing the resources in her disposal. Unemployment can be explored from the rural or urban perspective. Urban unemployment has become a serious multidimensional problem facing all age groups of every society and it is associated with nontrivial consequences. It is not only limited to socioeconomic facet, but also socio-political. It can lead to output loss, underdevelopment, brain drain, militancy, social crisis, banditry, kidnapping in cities and a lot of other psychological cum social maladies. Given the huge social and economic costs of unemployment, the use of fiscal policy instruments to tackle the problem of unemployment has become inevitable.

Fiscal policy has proven to be an important instrument necessary for the stabilization of an economy. It is the use of discretionary and non discretionary fiscal measures to regulate and control the economy in order to achieve some desired macroeconomic goals. Fiscal policy affects aggregate demand through changes in government spending and taxation. In order to increase aggregate demand, expansionary fiscal policy is engaged.

In Nigeria, government over the years has consciously implemented series of fiscal policies aimed at curtailing unemployment. Unfortunately, the problem still lingers and appears to be endemic. According to the National Bureau of Statistics [NBS] (2016), unemployment rate rose sharply from 3.9% in 1998 to 13.1% in 1999. This ugly upward spree continued till 2011 when unemployment peaked 23.9%. Although downward trend was observed in 2012, 2013 and 2014 as unemployment recorded 10.6%, 10% and 7.8% respectively, a sharp reversal was experienced in the following years as unemployment recorded 9.9% and 12.1% in 2015 and 2016 respectively (NBS, 2018). The report further shows that unemployment rose to 18.9% and 23.1% in 2017 and 2018 respectively. It also indicated that the number of people with the labour force who were in unemployment or underemployment increased from 13.6 million and 17.7 million respectively in the second quarter of 2017, to 15.9 million and 18.0 million in the third quarter 2017. Within the same period, government expenditure has increased significantly.

Figure 1. Trends in government expenditure (Fiscal policy), government revenue and unemployment in Nigeria



Source: NBS (2010, 2018); CBN, (2018)

In recognition of the dangers of persistent unemployment at both the rural and urban areas, the Nigerian government has severally embarked on employment generating programs such as National Directorate of Employment (NDE), YouWin and N-Power aimed at reducing unemployment.

Despite efforts and policies of Nigerian government at reducing unemployment, the trend of urban unemployment in Nigeria has remained considerably high. According to NBS (2010, 2018), urban unemployment rose from 2.03% in 1995 to 18.28% in 2010 while rural unemployment was 11.23%. However, while rural unemployment stood at 8.17 in 2015, urban unemployment was 12.07% and by 2016 it rose to about 14.83%. This level of urban unemployment in 2016 was higher than the aggregate unemployment rate of 12.10%. In 2018, urban unemployment rate of 25.56% is also higher than the national unemployment rate of 23.1%.

In view of this rising challenge, this study sets out to examine the impact of fiscal policy on urban unemployment in Nigeria. More specifically, the study will examine the impact of government expenditure, government revenue and fiscal deficit on urban unemployment reduction in Nigeria

## **THEORY AND LITERATURE**

### **Conceptual Issues**

#### ***Fiscal policy***

Ahuja (2014) defined fiscal policy as the taxation, expenditure and borrowing by the government. Fiscal policy is a powerful instrument in the hands of the government by means of which it can achieve the objective of macroeconomic development. Accordingly, World Bank (2014) defined fiscal policy as the way in which the government controls its expenditure and taxation to achieve predetermined objectives. This definition suggests that fiscal policy is not just an end but a means to an end. Consequently, the way a country manages its budget determines her level of economic growth, employment creation, income distribution and macroeconomic stability.

From the foregoing, fiscal policy can be summarised as the use of government spending, taxation and borrowing to influence the pattern of economic activities and also the level and growth of aggregate demand, output and employment. Fiscal policy entails government's management of the economy through the manipulation of its income and spending power to achieve certain desired macroeconomic objectives (goals) amongst which is full employment (Medee & Nembee, 2011).

## ***Urban Unemployment***

According to Onah (2001), urban unemployment stands for the populace of the cities with diverse background, willing and able to work in urban areas but without work. Bakare (2011) opined that urban unemployment could be caused by structural factors such as rural-urban drift, technological changes and changes in industrial patterns. Similarly, Onah (2001) believes that urban unemployment could be driven by low demand, information asymmetry, economic distortion skill deficiency and political instability.

## **Review of Basic Theories**

### ***Classical theory of unemployment***

The classical economists believed in the existence of full employment in the economy. To them, full employment was a normal situation and any deviation from this was regarded as something abnormal. Therefore, the trend of the economic system is to automatically provide full employment in the labour market when the demand and supply of labour are equal (Pigou, 1933). The classical case of unemployment is premised on the assumption of flexibility of wages and perfect competition. Consequently, the classicists contend that since the economy is self-correcting, there is no need for fiscal policy. The classicists contend that fiscal policy is ineffective both in the short and long run.

### ***Keynesian theory of unemployment***

As proposed by Keynes (1936), cyclical or keynesian unemployment also known as demand deficient unemployment occurs when there is deficient demand in the economy. Keynes argues that this type of unemployment exists due to inadequate effective demand. The Keynesian model is predicated on the assumption of inflexible prices and market imperfection. The Keynesian framework, as examined by Thirlwal (1979), Grill and Zanalda (1995); Hussian and Nadol, (1997) postulate that fiscal policies are effective in correcting economic fluctuations that reinforce unemployment.

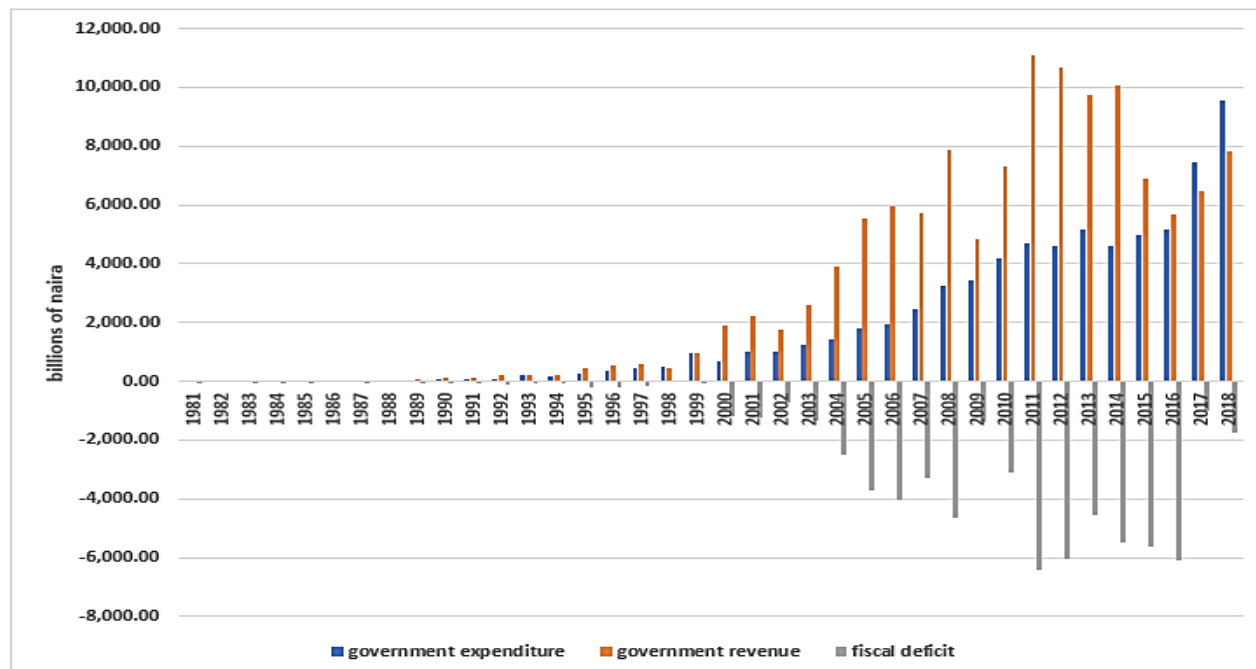
## **Trend of government revenue, government expenditure and fiscal deficit in Nigeria**

### ***Profiling fiscal deficit, government revenue, government expenditure in Nigeria***

One of the most important objectives of fiscal policy is to reduce national debt and to check the interest payment on such debt from rising so as to prevent high deficit in the future. Government revenue, expenditure and fiscal deficit have been on the rise since 1980. According to CBN (2014), government expenditure and revenue stood at N11.4 billion and N13.2 billion in 1981. Both indicators of fiscal policy rose to N60.27 billion and N98.10 billion

respectively in 1990 and N701.06 billion and N1, 906.16 respectively in 2000. By 2010, both government expenditure and government revenue have increased to N4, 194.58 billion and N7, 303.67 billion. The sharp rise was attributed to deliberate efforts of government to achieve economic transformation and tackle massive unemployment that characterizes the economy. Today, government budget is in excess of N8 trillion.

Figure 2. Trend of government revenue, government expenditure and fiscal deficit in Nigeria



Source: CBN (2016)

Despite the changing dynamics of government fiscal policy, unemployment has continued to rise. The growing mass of urban unemployment and under-employment has thus raised consciousness amongst government, policy makers and government on how to curb this anomaly.

### Empirical Literature Review

Bakare (2011) examined the determinants of urban unemployment crisis in Nigeria. The study used time series data and parsimonious error correction mechanism to test for the relationship between the level of unemployment and demand for labour, supply of labour, population, inflations, capacity utilization, gross capital formation as well as nominal wage rate. Empirical findings showed that the rising nominal wages and the accelerated growth of population which affected the supply side through a high and rapid increase in labour force relative to the

absorptive capacity of the economy appear to be the main determinant of high unemployment in Nigeria. The study recommended programmes that will integrate rural development and re-orientation of economic activity and social investments towards the rural areas so as to create an appropriate rural-urban economic balance.

Oluseyi and Elegbede (2012) investigated causes of unemployment in Nigeria and implication on graduate unemployment in Nigeria. The study used descriptive survey as well as primary and secondary sources of data. The study revealed among other that rural-urban migration, lack of information and imposition of minimum wage bring about unemployment in Nigeria. The study recommends that there is the need for re-evaluation since the planning of human resource use in Nigeria has been based on guess work.

Johnson (2013) examined the relationship between tax policy, inflation and unemployment in Nigeria spanning from 1970 to 2008 using the Ordinary Least Square (OLS) method and co-integration. The study revealed that taxes have a negative effect on inflation rate in line with the theory but with insignificant coefficient. The result further showed a negative relationship between taxes and unemployment which is contrary to economic theory.

Asaju, Arome and Anyio (2014) investigated the rising rate of unemployment in Nigeria: The socio-economic and political implications using descriptive survey and content analysis. The result showed that corruption, lack of good governance, inadequate infrastructural facilities, lack of human capacity development, ineffective educational system, neglect of agriculture, the effect of globalization process, among other factors were responsible for high level or rate of unemployment in Nigeria.

Eze and Nwambeke (2015) examined the effects of deficit financing on unemployment rate in Nigeria. The study adopted the ex-post facto research design and the error correction mechanism. The variables of the study are unemployment rate, deficit financing, interest rate, exchange rate, non-banking financing and non-banking public financing. The result revealed among others that deficit financing through banking sector source of financing and non-banking sector increased unemployment and thereby causing instability in the economy. The study recommended policies that are needed to achieve economic stability in Nigeria through reduction of the level of unemployment rate in Nigeria.

Elegbede (2017) examined the causes of unemployment in Nigeria as well as the consequences and implications of graduate unemployment in Nigeria using the descriptive approach. The study revealed that economic recession, governmental policy, employment of expatriates and trade union wage demand increases the rate of unemployment. The study recommended population control, reduction in the rate of expansion of higher education, review

of funding for higher education, diversification of the economy and exploring the possibility of labour export.

### Knowledge Gap

Bakare (2011) contended that since rural and urban unemployment are driven by different factors, the effect of economic policy on any of the components of unemployment may be dissimilar. None of the reviewed literature examined the effect of fiscal policy on any component of unemployment. Following the evidence obtained from Nigeria Bureau of Statistics (2016) which showed that urban unemployment crisis is worsening, this study undertakes to examine the effect of fiscal policy on urban unemployment in Nigeria. In so doing, we intend to fill the prevailing gap in the body of literature.

## RESEARCH METHOD

### Model Specification

The main thrust of this study is to examine the impact of fiscal policy on urban unemployment in Nigeria. Following Braconier and Holden (1999) and Blanchard and Perotti (2002), we specify a single-equation model as follows:

$$UUEM = F(CAEX, RECEX, BUD, DEBT, REV, RGDPG, OILP, INF) \quad 3.1$$

Where,

*UUEM* = Urban unemployment rate, *CAEX* = capital expenditure, *RECEX*, *BUD* = budget deficit, *DEBT*, public debt outstanding, *REV* = government revenue, *RGDP* = real GDP Growth, *OILP* = oil price, *INF* = inflation.

While *UUEM* entered the model as the dependent variable, *CAEX*, *RECEX*, *BUD*, *DEBT* and *REV* entered the model as deterministic explanatory variables and *RGDPG*, *OILP* and *INF* entered the model as control explanatory variables.

Specifying urban unemployment-fiscal policy equation in the context of generalized linear model, equation 3.2 would be re-specified as follows:

$$UUEM_t = \beta_0 + \beta_1 CAEX_t + \beta_2 RECEX_t + \beta_3 BUD_t + \beta_4 DEBT_t + \beta_5 REV_t + \beta_6 RGDP_t + \beta_7 OILP_t + \beta_8 INF_t + \mu_t \quad 3.2$$

Where,

$\beta_0$  = intercept coefficient,  $\beta_1 - \beta_8$  = slope coefficients and  $\mu_t$  = stochastic error term

The estimation techniques used in this study is GLM methodology. Procedurally, the unit root properties of the series were first investigated, followed by the co-integration and the error correction model.



## Data

This study employed time series data collected from 1986 to 2018. This period is chosen because it represents the period of active fiscal policy management in Nigeria. Hence, the study explored such fiscal policy instruments such as capital expenditure, recurrent expenditure, fiscal deficit, public debt and urban unemployment in Nigeria.

## Model Justification

The study adopted GLM because unlike the Ordinary Least Square Model (OLS) it allows for response variables that have error distribution models other than a normal distribution. The GLM generalizes linear regression by allowing the linear model to be related to the response variable through a link function and by allowing the magnitude of the variance of each measurement to be a function of its predicted value. In addition, since the models are fitted through maximum likelihood estimation, optimal properties of the estimates are more guaranteed. Thus, violation of the classical assumptions of the time series used in the model may not bias the estimate.

Procedurally, the time series properties of the data for analysis were examined using unit root test and cointegration test. While the unit root test examined the stationarity status of the time series, the cointegration test examined the existence of long-run relationship. Furthermore, the study estimated the models using GLM methodology. Finally, the efficiency and robustness properties of the estimates and error term were evaluated through diagnostic estimations.

## ANALYSIS AND RESULT

### Result of Stationarity Test

The results of unit root tests are presented in Table 1 below. From the table, both the Augmented Dicker-Fuller (ADF) and Phillip-Perron (PP) tests indicate that all the variables were stationary in first difference except UUEM and RGDP which was stationary at level in both ADF and PP tests. The result suggests that the time series are realization of stochastic processes.

Table 1: Traditional Unit Root Test Results (Trend and Intercept)

Variables	ADF	Critical Values	Order of Integration	PP	Critical Values	Order of Integration
<b>UUEM</b>	-5.262	-4.253*	I(0)	-5.252	-4.253*	I(0)
<b>CAEX</b>	-6.196	-4.253*	I(0)	-6.611	-4.253*	I(0)
<b>RECEX</b>	-5.519	-4.263*	I(1)	-5.499	-4.263*	I(1)

<b>BUD</b>	-5.175	-4.263*	I(1)	-8.827	-4.263*	I(1)
<b>DEBT</b>	-5.136	-4.263*	I(1)	-6.874	-4.263*	I(1)
<b>REV</b>	-4.786	-4.263*	I(1)	-5.123	-4.263*	I(1)
<b>RGDP</b>	-4.669	-4.285*	I(1)	-8.750	-4.263*	I(1)
<b>INF</b>	-5.094	-4.263*	I(1)	-4.992	-4.263*	I(1)
<b>OILP</b>	-9.923	-4.263*	I(1)	-7.098	-4.263*	I(1)

Table 1...

Note: \* Indicates stationary at the 1% level, and \*\* Indicates stationary at 5% level.

Source: Researcher's Computations Using E-views 9.5.

### Result of Co integration Test

Having established the stationarity of the series, it is crucial to investigate the existence of long run relationship among the variables. Since the result of the unit root test showed the stationarity of the series at order zero  $I(0)$  and order one  $I(1)$ , ARDL bounds testing approach was used to determine the existence of a long-run cointegrating relationship between urban unemployment and instruments of fiscal policy in Nigeria. The result of the cointegration test is presented in table below.

Table 2: Result of Bounds Test for Cointegration

Null Hypothesis: No Long-run Relationships Exist		
Test Statistic	Value	K
F-Statistic	5.843044	9
Critical Value Bounds		
Significance	Lower Bound	Upper Bound
5%	2.86	4.01

The cointegration test result shows that the F-statistic is greater than the lower and upper bound critical value at the 5% significance level. Thus the null hypothesis of no long-run relationship is rejected at the 5% significance level. It can therefore be inferred that the variables are cointegrated.

### Result of Error correction Model

In order to ascertain the adjustment dynamics of the urban unemployment in the short run, we estimated Engel-Granger error correction model.

Table 3: Summary of ECM statistics

Variable	Coefficient	Std. Error	t-Statistic
D(CAEX)	-0.023446	8.257443	-0.002839
D(RECEX)	0.136922	0.055516	2.466362
D(BUD)	0.506517	0.160761	3.150748
D(DEBT)	0.152639	0.145887	1.046283
D(REV)	0.588848	0.300732	1.958048
D(RGDP)	-0.328018	0.841244	-0.389921
D(OILP)	-4.435762	2.202069	-2.014361
D(INF)	62.37442	22.71789	2.745607
ECM(1)	-0.377473	0.060115	-2.952235
C	1.235111	0.598050	2.065229

The result presented in the table above shows that the error correction term is -0.377 with a t-statistics of -2.952. According to Gujarati (2004), the negative coefficient of the error correction term and the significance thereof at 5% significance level ( $-2.952 > 2.0$ ) implies that short run disequilibria are usually corrected as the variable searches for its long run equilibrium path.

### Impact of Fiscal Policy on urban Unemployment

The study examined the impact of selected fiscal instruments on urban unemployment. The selected fiscal instruments include capital expenditure, recurrent expenditure, budget deficit, debt outstanding and government revenue. The estimates of the generalised linear model (GLM) are presented in Table 4 below. From the table, capital expenditure, budget deficit and government revenue entered the model with negative signs while recurrent expenditure and debt outstanding entered the model with positive signs. Specifically, increasing capital expenditure by one unit could reduce unemployment by 0.03 units.

Table 4: Summary of statistics of the GLM estimates of the effect of fiscal policy on urban unemployment

Variable	Coefficient	Std. Error	z-Statistic
Capital expenditure (CAEX)	-0.030897	0.007456	-4.144102
Recurrent Expenditure (RECEX)	0.030200	0.023800	1.268914
Budget Deficit (BUD)	-0.290711	0.765862	-0.379586

Debt outstanding (DEBT)	0.429930	0.040580	10.59461	Table 4...
Revenue (REV)	-0.002623	0.001240	-2.115693	
Real GDP (RGDP)	0.004884	0.000568	8.601179	
Oil price (OILP)	0.002313	0.000937	2.467386	
Inflation (INF)	-0.030200	0.023800	-1.268914	
Constant (C)	21.76297	4.459302	4.880353	

In the same vein, increasing budget deficit and revenue by one unit could reduce unemployment by 0.29 units and 0.002 units respectively. However, increasing recurrent expenditure and debt outstanding by one unit could raise unemployment by 0.003 units and 0.42 units respectively. It is also important to note that real GDP and oil price which are control variables had a positive relationship with urban unemployment.

## Statistical and Econometric Evaluation

### Z-test of Significance

Z-test, being analogous to the t-test, evaluates the individual significance of the estimates. The null hypothesis that an estimate is zero (that is, not statistically significant) will only be rejected if the p-value of the estimate is less or equal to 0.05. The result shown in table 4.5 below indicates that capital expenditure, revenue, debt outstanding, real GDP and oil price are statistically significant while recurrent expenditure, budget deficit and inflation are not statistically significant.

Table 5: Z-test of significance

Variable	Coefficient	z-Statistic	p-value	Remark
Capital expenditure (CAEX)	-0.030897	-4.144102	0.0000	Statistically significant
Recurrent Expenditure (RECEX)	0.030200	1.268914	0.2045	Not statistically significant
Budget Deficit (BUD)	-0.290711	-0.379586	0.7043	Not statistically significant
Debt outstanding (DEBT)	0.429930	10.59461	0.0000	statistically significant
Revenue (REV)	-0.002623	-2.115693	0.0344	Statistically significant
Real GDP (RGDP)	0.004884	8.601179	0.0000	Statistically significant
Oil price (OILP)	0.002313	2.467386	0.0136	Statistically significant
Inflation (INF)	-0.030200	-1.268914	0.2045	Not statistically significant

### **Likelihood Ratio (LR) Test**

Likelihood Ratio (LR) Test is analogous of the F-test. It evaluates the overall test of statistical robustness and reliability of the regression model. The test is implemented under the null hypothesis of no good fit and non-reliability of the model. The null hypothesis can only be rejected if *P-value* is less than 0.05. The LR statistics shown in table 6 indicates that the null hypothesis was rejected.

Table 6: *Summary of LR statistics*

LR statistic	p-value	Decision
5839.009	0.000000	Reject the null hypothesis of no good fit

This implies that the model has good fit and is reliable for inference. Also, it indicates that the values for the parameters (coefficients) maximize value of the likelihood function.

The robustness, appropriateness and predictive power of the estimated econometric model is evaluated based on Ramsey Reset specification test, Serial Correlation LM test and Heteroskedasticity test.

### **Ramsey RESET Test**

Given that neither the F-statistics nor LR is significant at 5% as shown in table 4.7 below, we conclude that there is no specification error. This implies that the model is specified in the correct form: urban unemployment follows a linear path. Also, the relevant fiscal policy variables and other explanatory variables for urban unemployment were not omitted from the model. The outcome of the test also implies that there is correlation between the explanatory variables and the error term; there is no simultaneity problem and there are no significant measurement errors. In other words, the  $\varepsilon \sim N(0, \delta^2, I)$ .

Table 7: Ramsey RESET Test

Equation: RESULT1			
Specification: UUEM CAEX RECEX BUD DEBT REV RGDP OILP INF C			
Omitted Variables: Squares of fitted values			
	Value	Df	Probability
t-statistic	0.466463	23	0.6453
F-statistic	0.217588	(1, 23)	0.6453
Likelihood ratio	0.291892	1	0.5890

**Serial Correlation LM Test**

From table 8 below, the null hypothesis of no serial correlation is not rejected. We therefore conclude that there is no serial correlation in the estimated model. This follows from the fact that probability of the obs\*R-squared for the test is 0.71– greater than the 5 percent significance level – which leads us to accept the null hypothesis of the test that there is no serial correlation in the estimated model.

Table 8: Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.643590	Prob. F(2,22)	0.2208
Obs*R-squared	1.201934	Prob. Chi-Square(2)	0.7100

**Heteroskedasticity Test**

The summary statistics of the Breusch-Pagan-Godfrey Heteroskedasticity test reported in table 9 below indicates that the null hypothesis is not rejected. Thus, we conclude that there is no problem of heteroskedasticity in our model.

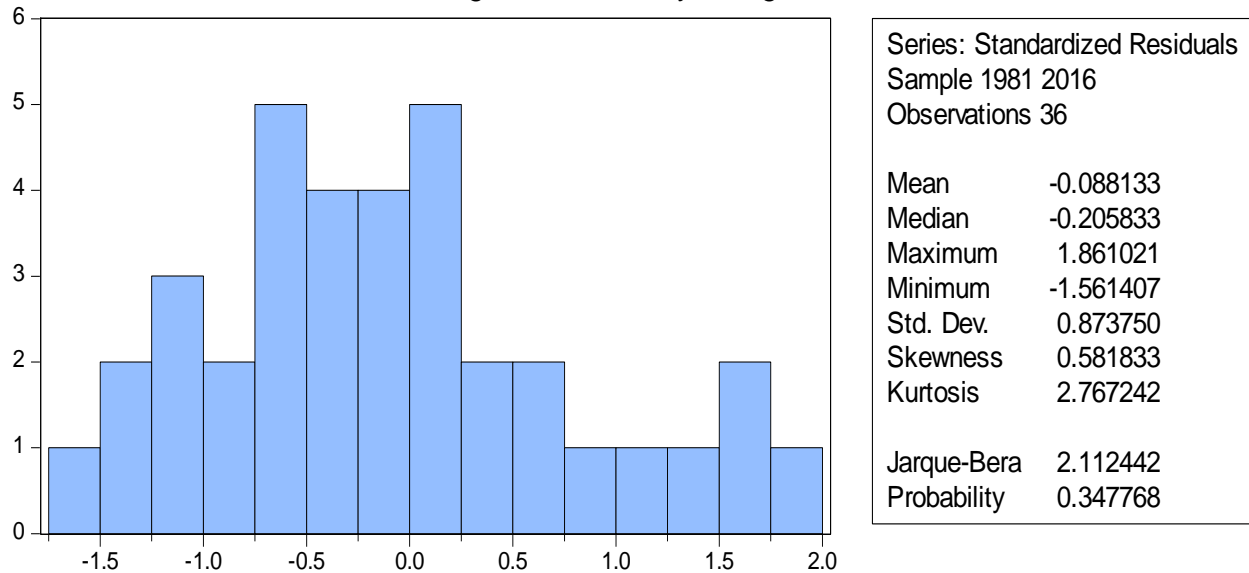
Table 9: Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.924131	Prob. F(6,24)	0.1179
Obs*R-squared	10.06866	Prob. Chi-Square(6)	0.1218
Scaled explained SS	2.747063	Prob. Chi-Square(6)	0.8399

**Normality Test**

Normality test ascertains whether (or not) the stochastic error term is normally distributed. The null hypothesis that the residual is normally distributed is rejected only if the p-value of the Jarque-Bera statistics is less than 0.05. Given the Jaque-bera statistics of 2.12 with probability of 0.348 in the figure below, the null hypothesis cannot be rejected. Thus, we conclude that the residual is normally distributed.

Figure 3: Normality histogram



## CONCLUSION AND RECOMMENDATIONS

The thrust of this work was to ascertain the impact of fiscal policy on urban unemployment in Nigeria. Employing the generalised linear model for estimation, the results obtained indicates that capital expenditure is a veritable tool for tackling unemployment situation in Nigeria. Capital expenditure directly leads to increase in firm investment which in turn leads to increase in employment. Revenue was also found to exert negative effect on unemployment. In other words, increase in revenue earning could lead to increase in job creation which ultimately will lead to decrease in unemployment. The study also found that although rising fiscal deficit can lead to fall in urban unemployment, its effect on urban unemployment in Nigeria within the period under study was not significant. On the other hand, public debt was found to exert positive effect on unemployment. This implies that increase in public debt leads to increase in the rate of urban unemployment. Technically, high debt outstanding implies high debt servicing expenditure which represents huge opportunity costs for the economy. As debt servicing bulges, expenditure on job creating and productive options dwindles and unemployment worsens.

Similarly, the study recommended for government to strengthen and diversify its revenue base since the dependence on a single revenue source such as oil revenue could complicate the effect of revenue volatility on the domestic economy. Furthermore, the study also recommends that fiscal policies should include or enhance measures that support employment generation, bring about a sustained job recovery and finance the necessary investments in private sector-driven job creation.

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