

Economic Recession and Youth Unemployment in Nigeria

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Abstract

This study investigates how economic recessions impact youth unemployment in Nigeria. Secondary data on youth unemployment rate (YUEMP), recession periods (ERES) and Inflation (INF) were sourced from CBN statistical bulletin and World Bank Indicators. The ordinary least square (OLS) estimation method and the error correction model were used. Findings revealed that economic recession has a positive and significant impact on youth unemployment rate in Nigeria (i.e. $\beta = 0.36$, $p < 0.05$). While inflation rate bears a negative and significant impact on youth unemployment rate in Nigeria (i.e., $\beta = -3.47$, $p < 0.01$). Findings suggest recessions disproportionately hurt youth due to structural labor market flaws. Based on the above, the study concludes that economic recessions have a profound and lasting effect on youth unemployment in Nigeria, exacerbating existing vulnerabilities in the labour market. It is thus important for policymakers to prioritize vocational training and economic diversification in Nigeria.

Keywords: Economic recession, youth unemployment, inflation rate.

1.0 Introduction

Youth unemployment remains one of the most pressing socio-economic challenges in Nigeria. Despite being a country with a large, youthful population, Nigeria has struggled to provide adequate employment opportunities for its young people. This issue has been further exacerbated by periods of economic recession, which have led to significant job losses and reduced economic activity. The situation is alarming because youths, defined as individuals aged 15 to 35, constitute over 60% of the total population, making them a crucial segment of the workforce in the economy (National Bureau of Statistics [NBS], 2021).

Economic recessions, characterized by reduced economic output, lower consumer spending, and a general decline in business activities, have had a particularly adverse effect on youth employment. During recessions, companies tend to cut costs by reducing their workforce, halting expansion plans, and freezing new hiring. This disproportionately affects young people, as they often have less work experience and are perceived as more expendable than their more experienced counterparts (Okoye, 2020). The economic recession of 2016, driven largely by a

fall in global oil prices, and the COVID-19-induced recession of 2020 have both highlighted how vulnerable the youth labour market is to economic shocks.

The economic recession of 2016 was a turning point for the Nigerian economy, as the country experienced a negative GDP growth rate for the first time in over two decades. The recession was caused by a combination of factors, including the sharp decline in global oil prices, policy inconsistencies, and reduced foreign investment (Adewale, 2019). During this period, many businesses were forced to downsize, leading to widespread job losses. Youth unemployment surged, as the NBS reported that the unemployment rate for individuals aged 15-35 rose from 25% in 2015 to over 30% by the end of 2016 (NBS, 2017). This trend continued during the COVID-19 pandemic, which caused another economic downturn. The pandemic disrupted global trade, reduced demand for oil, and led to widespread business closures. Consequently, youth unemployment rose to 42.5% in 2020, underscoring the severity of the issue (NBS, 2021).

The persistent rise in youth unemployment during economic recessions is a clear indication that the Nigerian economy is not adequately equipped to absorb young people into the workforce during periods of economic distress. The problem is multifaceted and rooted in structural issues within the economy, such as overdependence on the oil sector, a lack of diversification, and insufficient investment in other key sectors like agriculture, technology, and manufacturing. As a result, when the oil sector suffers, the entire economy experiences a downturn, leading to job losses across various sectors (Oseni, 2018).

Moreover, there is a significant skills mismatch between what the education system provides and what the labour market demands. Many Nigerian youths are educated but lack the practical skills needed to secure employment in sectors that are less affected by economic downturns, such as technology and digital services. This disconnection between education and employment has contributed to the high rates of youth unemployment. According to Edeh and Okafor (2019), the Nigerian education system has failed to equip young people with the skills needed for self-employment and entrepreneurship, which could serve as a buffer against job losses during recessions.

Despite various government interventions aimed at addressing youth unemployment in Nigeria, many of these initiatives have yielded limited success, particularly during periods of economic recession. Programs such as the Youth Enterprise with Innovation in Nigeria (YouWiN) and the National Youth Service

Corps (NYSC) Skills Acquisition and Entrepreneurship Development (SAED) were designed to empower young Nigerians with entrepreneurial skills and funding opportunities. However, these programs have largely failed to achieve widespread and sustainable impact.

A key shortcoming of YouWiN lies in its limited reach and sustainability. Although it initially succeeded in providing seed capital and mentorship to selected young entrepreneurs, the program was constrained by insufficient funding, political discontinuity, and a lack of robust monitoring and evaluation frameworks. Many beneficiaries reported challenges in accessing continued support or expanding their businesses beyond the initial funding phase (Oyelaran-Oyeyinka, 2016). Furthermore, the selection process was sometimes marred by bureaucratic inefficiencies and alleged favoritism, undermining its credibility and effectiveness.

Similarly, the NYSC SAED program, which was introduced to instill entrepreneurial skills in graduates during their one-year national service, has been criticized for being poorly implemented. Many participants receive only rudimentary or theoretical training without adequate access to startup capital or follow-up support. The program is also plagued by logistical challenges, inconsistent curriculum delivery, and limited collaboration with the private sector, which diminishes its capacity to prepare corps members for real-world business environments (Adebisi & Oni, 2019).

These issues are further compounded during economic downturns. Recessions often result in shrinking government revenues due to lower oil prices and reduced economic activity. Consequently, budget allocations to social investment and job creation programs are either significantly reduced or redirected to immediate fiscal needs. For instance, during the COVID-19-induced recession, several youth-focused initiatives were either suspended or scaled back, leading to a significant drop-in program outreach and impact (World Bank, 2020). This not only deepened the youth unemployment crisis but also revealed the fragility of such interventions in the face of economic shocks. The implications of high youth unemployment during economic recessions are far-reaching. Unemployed youths are more likely to engage in negative social behaviors, including crime, drug abuse, and violent activities. This not only affects the individuals involved, but also has broader implications for national security and social stability. According to Ugwoke (2020), high rates of youth unemployment have been linked to

increased rates of crime and social unrest in various parts of Nigeria, as young people who are unable to find jobs become frustrated and disenfranchised.

The economic consequences of youth unemployment are also severe. A high unemployment rate among the youth means that the country is not utilizing a significant portion of its labour force, leading to lower productivity and economic growth. Moreover, the government loses out on potential tax revenues from employed youths and has to spend more on social welfare programs to support the unemployed, which puts further strain on the national budget. Agbo (2018) argues that youth unemployment is a significant barrier to Nigeria's economic development, as it reduces the country's ability to compete on a global scale and limits its potential for long-term growth.

The persistence of youth unemployment during economic recessions presents a significant challenge that requires urgent attention. Therefore, this study seeks to address this problem by investigating the effects of economic recessions on youth unemployment in Nigeria, with a focus on understanding the structural causes, the effectiveness of existing government interventions, and possible solutions to mitigate the impact of future recessions on youth employment. By identifying the underlying issues and proposing viable strategies, this research aims to contribute to the discourse on how Nigeria can create a more resilient and inclusive labour market that can better withstand the effects of economic downturns.

2.0 Literature Review

2.1 Conceptual Clarification

2.1.1 Economic Recession

An economic recession is generally defined as a period of significant decline in economic activity across the economy, lasting for more than a few months. This downturn is typically visible in various indicators such as a reduction in gross domestic product (GDP), lower consumer spending, a decline in industrial production, and an increase in unemployment rates. According to the National Bureau of Economic Research (NBER), a recession is officially recognized when there is a sustained contraction in economic activity, often spanning two or more consecutive quarters (NBER, 2020).

Recessions are marked by decreased business investments, reduced household incomes, lower demand for goods and services, and a subsequent rise in unemployment. Various factors can trigger a recession, including financial crises, a sudden drop in consumer confidence, adverse government policies, or external shocks such as natural disasters or pandemics. For instance, the global financial crisis of 2007-2008 was triggered by the

collapse of the housing market in the United States, which led to a ripple effect across global financial markets (Krugman, 2009). Similarly, the COVID-19 pandemic in 2020 resulted in a worldwide recession due to widespread lockdowns, disruption of supply chains, and reduced economic activities across the globe (World Bank, 2021).

Causes of Recession in Nigeria

The causes of economic recession in Nigeria are multifaceted, with both internal and external factors playing significant roles. One of the primary causes is the country's heavy reliance on oil exports as a major source of government revenue and foreign exchange earnings. Nigeria's economy is highly dependent on the oil sector, which accounts for over 80% of its export earnings and about 60% of government revenue. Therefore, fluctuations in global oil prices have a direct impact on the nation's economy. For instance, the sharp decline in oil prices from over \$100 per barrel in 2014 to less than \$30 per barrel by early 2016 led to a significant reduction in government revenue, foreign exchange inflows, and economic growth, ultimately plunging the country into a recession in 2016 (Adewale, 2019). This dependence on a single commodity exposes the economy to external shocks and makes it vulnerable to the volatility of global oil markets.

Another significant factor contributing to recessions in Nigeria is poor economic management and policy inconsistencies. During periods of economic downturn, effective policy responses are crucial in mitigating the adverse effects on the economy. However, the Nigerian government has often struggled with implementing coherent and consistent economic policies. Issues such as delays in passing budgets, unclear fiscal policies, and challenges in implementing reforms have hampered economic growth. According to Oseni (2018), the government's inability to diversify the economy, coupled with inadequate fiscal and monetary measures, contributed to the prolonged recession of 2016. Moreover, the lack of investment in key sectors such as agriculture, manufacturing, and technology has limited the country's ability to develop alternative sources of revenue, further exacerbating economic downturns.

Furthermore, political instability and insecurity have been major contributors to economic recessions in Nigeria. The ongoing conflicts in various regions, including insurgency in the North-East, militancy in the Niger Delta, and farmer-herder clashes in the Middle Belt, have disrupted economic activities, discouraged foreign investment, and hindered the effective implementation of economic policies. These security challenges have also led to increased government spending on defense, which diverts funds away from developmental projects that could stimulate economic growth (Ugwoke, 2020). As a result, sectors such as agriculture and tourism, which have the potential to drive economic diversification, have been adversely affected.

Another critical driver of economic recession in Nigeria is corruption, which has deeply entrenched itself in the fabric of public and private sector operations. Corruption undermines efficient resource allocation, deters both domestic and foreign investment, and reduces the effectiveness of government policies and expenditures. Funds meant for critical economic development projects are often embezzled or misappropriated, leading to a decline in productivity and public trust in institutions. According to Transparency International (2021), Nigeria continues to rank poorly on the Corruption Perceptions Index, reflecting widespread mismanagement of public funds. When resources intended for infrastructure, education, and healthcare are siphoned off, the economy suffers in the long run, particularly during global or domestic shocks. Corruption also increases the cost of doing business, discourages innovation, and contributes to capital flight, all of which are detrimental during recessionary periods when economic resilience is most needed.

Infrastructure deficits represent another major structural weakness that exacerbates Nigeria's vulnerability to recession. The country's inadequate and poorly maintained infrastructure, particularly in the areas of power supply, transportation, and technology, significantly hampers economic productivity and growth. Businesses incur higher costs due to reliance on alternative sources of energy, inefficient transport systems, and limited access to digital infrastructure. These challenges are particularly severe for small and medium enterprises (SMEs), which form the backbone of the Nigerian economy but lack the capacity to absorb such costs. During economic downturns, the lack of infrastructure makes it more difficult for firms to adjust, scale operations, or access markets, further deepening economic contraction.

Moreover, poor infrastructure discourages foreign direct investment (FDI), which is essential for capital formation and employment generation. Investors are often reluctant to engage in economies where basic amenities are unreliable, as it increases operational risk. In times of recession, when fiscal resources are already strained, the inability to stimulate the economy through effective infrastructure investment becomes more pronounced, making recovery efforts slower and more difficult. Together, corruption and infrastructure deficits not only hinder economic growth but also create a fragile economic environment where recessionary shocks can quickly spiral into prolonged economic crises.

2.1.2 Unemployment

Unemployment is a significant economic and social issue that refers to the condition where individuals who are capable of working, actively seeking work, and available to take up employment are unable to find jobs. It is an important indicator of the economic health of a country, as high levels of unemployment signify that the economy is not generating enough jobs to absorb its labour force. According to the International Labour Organization (ILO, 2020), unemployment occurs when people are without jobs, have

actively sought work within a recent period, and are currently available for work. Unemployment can have far-reaching consequences, including poverty, reduced economic growth, and social unrest.

Economists generally categorize unemployment into different types based on the underlying causes. The main types of unemployment include frictional, structural, cyclical, and seasonal unemployment. Frictional unemployment refers to short-term unemployment that occurs when individuals are temporarily between jobs, such as recent graduates looking for their first jobs or workers transitioning from one job to another. Structural unemployment, on the other hand, arises when there is a mismatch between the skills that workers possess, and the skills demanded by employers. This often happens when technological changes or shifts in the economy render certain skills obsolete, resulting in job loss for those who are unable to adapt (Blanchard, 2008).

Cyclical unemployment is related to the business cycle and occurs when there is a downturn in economic activity. During periods of recession, companies experience reduced demand for their goods and services, leading them to cut costs by laying off workers. This type of unemployment rises during recessions and falls during periods of economic recovery. For example, during the 2008 global financial crisis, many economies, including developed and developing nations, experienced high levels of cyclical unemployment as businesses closed down or scaled back operations (Krugman, 2009). In Nigeria, the recession of 2016 saw a significant rise in cyclical unemployment as many businesses struggled to survive amid the economic downturn, leading to widespread job losses (NBS, 2017).

2.2 Theoretical Framework

2.2.1 Classical Economic Theory

Classical economic theory posits that markets operate most efficiently when left to their own devices, guided by the forces of supply and demand. According to classical economists, unemployment is primarily a result of wage rigidity and market imperfections. In this view, if wages are too high, they may prevent employers from hiring, leading to a surplus of labour, or unemployment (Say's Law). Classical theorists argue that the economy is self-correcting; thus, any unemployment would eventually resolve itself as wages adjust downward to restore equilibrium (Smith, 1776).

The Classical Economic Theory, rooted in the works of economists like Adam Smith, David Ricardo, and Jean-Baptiste Say, is based on the assumption of laissez-faire capitalism and self-regulating markets. At its core, the theory posits that the economy naturally moves toward full employment due to flexible wages and prices. It emphasizes the Say's Law of Markets, which suggests that "supply creates its own demand," implying that any production automatically generates an equivalent demand.

However, this framework has faced significant criticisms, especially when applied to modern and developing economies like Nigeria. One of the central modern critiques is the concept of wage stickiness. Contrary to the classical assumption of flexible wages, real-world labor markets often display rigid wages, particularly downward rigidity. In developing economies, wages do not adjust quickly or sufficiently in response to excess labor supply, partly due to minimum wage laws, union activities, social norms, and subsistence-level incomes (Blanchard & Johnson, 2013). For instance, during a recession in Nigeria, even if firms face lower demand and revenues, reducing wages may not be feasible, leading to layoffs and rising unemployment, especially among youth.

Another limitation of the classical theory is its inattention to involuntary unemployment. While the classical view assumes that unemployment results from voluntary choices (e.g., unwillingness to work at prevailing wages), contemporary macroeconomics—especially Keynesian thought—has shown that economies can experience persistent unemployment due to aggregate demand deficiencies. This is highly relevant to Nigeria, where economic shocks (e.g., oil price crashes) often reduce government spending and private investment, leading to a fall in demand for labor, without any automatic adjustment mechanism kicking in, as classical theory would predict.

Furthermore, informal sector dynamics, common in developing countries, challenge classical assumptions. Many workers in Nigeria operate outside formal labor markets, meaning wage signals and employment statistics may not reflect true economic conditions. Classical theory also underestimates the role of government intervention in correcting market failures. In Nigeria, government spending, subsidies, and public works programs are often crucial for economic stability and employment generation, especially during downturns—yet classical theory advocates minimal state involvement.

2.2.2 Keynesian Economic Theory

Keynesian economics, developed by John Maynard Keynes during the Great Depression, fundamentally challenges classical economic views by emphasizing the role of aggregate demand in driving economic activity. Keynes argued that recessions occur when there is insufficient demand for goods and services, leading to lower production, layoffs, and increased unemployment. He proposed that during downturns, government intervention is necessary to stimulate demand through fiscal policies such as increased public spending and tax cuts (Keynes, 1936).

However, while Nigeria has often adopted Keynesian-style fiscal expansion to tackle economic slowdowns, the outcomes have largely fallen short of expectations. This failure stems not from the theoretical shortcomings of Keynesianism, but from implementation challenges that undermine its effectiveness. One major issue is the persistent delay and inefficiency in budget execution. Despite annual budgets reflecting counter-cyclical

intentions—such as increased capital spending on infrastructure and social programs—poor public financial management often results in underutilization of allocated funds. According to the World Bank (2022), Nigeria's budget implementation rate, particularly for capital projects, remains below 60% in many years, thereby limiting the fiscal stimulus's intended impact on economic recovery.

Another critical problem is revenue instability, especially due to Nigeria's heavy dependence on crude oil exports. In theory, Keynesian fiscal stimulus should be funded either through borrowing or increased tax revenue. However, during recessions, falling oil prices shrink government revenues, leading to budget deficits that are not matched by sufficient or efficient borrowing. As a result, the government often resorts to pro-cyclical fiscal tightening—cutting spending when it should be increasing it—thereby contradicting Keynesian prescriptions. This was evident during the 2016 recession, when the government announced expansionary intentions but significantly cut capital expenditure due to falling oil revenues and borrowing constraints.

Moreover, fiscal leakages due to corruption and mismanagement dilute the effectiveness of government spending. Large portions of public funds are lost to inflated contracts, ghost projects, and misappropriation, thereby weakening the multiplier effects of fiscal injections into the economy (BudgIT, 2021). In such an environment, increased government spending does not necessarily translate to increased aggregate demand or employment, as Keynes predicted. This is particularly damaging in sectors like infrastructure, where investment could have created substantial jobs for young Nigerians.

The inefficiency of fiscal policy in stimulating youth employment is another dimension of failure. Although government programs have targeted job creation—such as through budget allocations to N-Power and other social intervention schemes—these efforts have largely been inadequate, poorly coordinated, or unsustainable. The Keynesian idea that public sector employment can help reduce joblessness is not fully realized in Nigeria due to poor targeting, lack of continuity, and inadequate monitoring mechanisms.

2.2.3 Structural Unemployment Theory

Structural unemployment theory highlights the role of economic structure and labour market dynamics in causing unemployment. It posits that unemployment results from a mismatch between the skills of the labour force and the requirements of available jobs, often exacerbated by technological changes and globalization. In Nigeria, for example, the educational system may not equip graduates with the skills demanded by the labour market, leading to high levels of structural unemployment among youth (Adewale, 2019).

The Structural Theory of Unemployment explains joblessness not as a result of short-term economic fluctuations (as in Keynesian or Classical models), but as a product of

deep-rooted, long-term imbalances in the economic structure of a country. These imbalances often include mismatches between the skills of the labor force and the requirements of employers, geographic misalignment between jobs and job seekers, and insufficient structural transformation from traditional to modern sectors. In the Nigerian context, the structural theory provides a compelling lens through which to understand the persistent and high levels of youth unemployment, despite various macroeconomic reforms and interventions.

Nigeria's economy is characterized by a dual structure: a small formal sector with limited job opportunities and a vast informal sector that absorbs the bulk of labor. Structural theorists argue that developing economies like Nigeria struggle with unemployment because of inadequate integration between these sectors. The formal sector—dominated by oil, finance, and telecommunications—requires specific technical and professional skills, yet the education and training systems in Nigeria often do not equip graduates with the competencies demanded by these industries (Okafor, 2011). This results in a large pool of underemployed or unemployed youths, even as vacancies in specialized fields remain unfilled.

The informal sector, which includes petty trading, artisan work, small-scale farming, and unregistered businesses, plays a significant role in Nigeria's labor market. According to the National Bureau of Statistics (NBS, 2022), over 80% of the workforce is engaged in informal employment. While this sector provides a buffer against mass unemployment, especially in times of economic recession, it is typically low-paying, precarious, and lacking in job security or benefits. From a structuralist perspective, the dominance of the informal sector highlights the failure of the economy to transition into a modern, industrialized state capable of generating stable and productive employment.

Moreover, the informal sector is largely excluded from policy formulation and access to finance, which limits its capacity to grow into a more formalized and productive segment of the economy. Structuralists argue that without significant investments in education reform, infrastructure, and institutional development, informal workers will remain trapped in low-productivity jobs, perpetuating poverty and inequality. The informal sector, while crucial, is thus both a symptom and a product of Nigeria's structural weaknesses—insufficient industrialization, poor human capital development, and fragmented labor market institutions.

The structural theory also underscores the importance of inclusive development policies that target the foundational elements of the economy, such as vocational training, industrial policy, regional integration, and gender equity. In Nigeria, youth unemployment is not just a problem of aggregate demand or cyclical downturns; it reflects a systemic failure to align economic growth with employment generation across

diverse sectors and regions. Addressing youth unemployment, therefore, requires more than fiscal stimulus—it demands structural transformation.

2.3 Empirical Literature

Several studies have established a clear correlation between economic recessions and rising unemployment rates, particularly among youth. For instance, Ojo (2018) analyzed the impact of the 2016 recession on employment in Nigeria, noting that youth unemployment surged from 13.9% in 2015 to over 30% in 2016. This study utilized time-series data from the National Bureau of Statistics (NBS) and employed regression analysis to assess the relationship between GDP growth and unemployment rates. The findings indicated that economic contractions lead to significant increases in unemployment, particularly among young job seekers who are often at a disadvantage in the labour market.

Similarly, Afolabi et al. (2020) conducted a study on the effects of macroeconomic indicators on youth unemployment in Nigeria during periods of economic recession. Their analysis showed that declining GDP and increasing inflation negatively impacted job creation, exacerbating youth unemployment rates. Using econometric modeling, the researchers highlighted that economic growth is a critical determinant of youth employment opportunities, emphasizing the need for policies that stimulate economic activity during downturns.

Adewale (2019) explored the structural challenges contributing to youth unemployment in Nigeria, emphasizing that graduates often lack the skills required by employers. The study employed qualitative methods, including interviews and focus group discussions, to gather insights from stakeholders, including employers, educators, and unemployed youth. The findings revealed a significant skills gap, particularly in technical and vocational training, which is exacerbated during recessions when businesses prioritize experienced workers over inexperienced graduates.

In another study, Adebayo (2021) investigated the role of educational attainment in youth unemployment rates during economic crises. The study found that higher educational levels do not necessarily translate to better job opportunities for young people during recessions, as many graduates struggle to find employment that matches their qualifications. The study used cross-sectional data collected through surveys of unemployed youth in urban areas, providing a comprehensive view of the challenges faced by graduates in a contracting economy.

Ogunleye (2021) evaluated the impact of the N-Power program on youth employment during the economic recession. The study utilized a quasi-experimental design, comparing beneficiaries of the program with a control group of non-participants. The

findings revealed that while the program provided temporary employment and skill acquisition opportunities, it was not a sustainable solution for long-term job creation.

In another study, Afolabi (2021) assessed the Youth Enterprise with Innovation in Nigeria (YouWiN) program, focusing on its effectiveness in fostering entrepreneurship among young people. The study employed a longitudinal approach, tracking the performance of businesses established through the program. The results indicated that while YouWiN had positive effects on entrepreneurship, many young entrepreneurs faced significant challenges, including limited access to financing and market opportunities, particularly during economic downturns.

Okafor and Uche (2020) conducted an econometric analysis of the impact of inflation, GDP growth, and interest rates on youth unemployment from 2000 to 2019. Their findings indicated a strong inverse relationship between GDP growth and youth unemployment, with rising unemployment rates closely correlated with periods of economic contraction. The study utilized time-series data and autoregressive distributed lag (ARDL) modeling to analyze the dynamics between these variables. The authors concluded that stimulating economic growth is essential for reducing youth unemployment, especially during recessions.

Similarly, Nwosu and Onuoha (2021) focused on the impact of oil price fluctuations on youth employment in Nigeria. Given that the Nigerian economy heavily relies on oil exports, their research highlighted how falling oil prices during the 2014-2016 recession led to job losses across various sectors, disproportionately affecting young workers. The authors employed a vector autoregression (VAR) approach to establish the causal relationship between oil prices, economic growth, and unemployment rates. They emphasized the need for economic diversification to mitigate the adverse effects of such downturns on youth employment.

A study by Eze (2019) analyzed the skill gaps in Nigeria's labour market and their contribution to youth unemployment during economic downturns. Using a survey of employers and educational institutions, the research found that a significant proportion of employers reported difficulties in finding adequately skilled candidates for available positions. The study identified gaps in technical skills, soft skills, and work experience as critical factors leading to high unemployment rates among young job seekers. The findings highlighted the need for reforms in the education system to align training programs with market demands.

In a related study, Adeyemi (2022) explored the relationship between vocational training and youth employability in Nigeria during the COVID-19 recession. The research employed a mixed-methods approach, combining quantitative surveys with qualitative

interviews of vocational training graduates. The findings indicated that participants who had undergone vocational training had higher chances of securing employment compared to those without such training. However, the study also revealed that many training programs were not adequately tailored to the current labour market, underscoring the necessity for continuous curriculum updates to meet evolving industry needs.

Ogunbiyi (2021) assessed the impact of the National Directorate of Employment (NDE) programs on reducing youth unemployment during the 2020 COVID-19 recession. The study utilized a comparative analysis of youth unemployment rates before and after the implementation of NDE programs. The results indicated that while NDE initiatives provided short-term employment opportunities, the overall impact on long-term youth unemployment was limited due to inadequate funding and support for beneficiaries.

Another noteworthy evaluation is provided by Ekong and Effiong (2021), who analyzed the YouWiN program's effectiveness in promoting entrepreneurship among young Nigerians. Their research used a case study approach to examine the experiences of YouWiN beneficiaries and the sustainability of their businesses. Findings revealed that while the program had initially increased entrepreneurship, many businesses struggled to survive beyond the funding period due to market challenges and lack of continuous support. The study concluded that government interventions must incorporate mentorship, access to finance, and market linkages to enhance the sustainability of youth-owned enterprises, particularly during economic downturns.

A study by Adefemi (2021) focused on the differences in youth unemployment rates across Nigeria's geopolitical zones during the 2016 recession. The research employed spatial econometric techniques to analyze data from various states, revealing significant disparities in unemployment rates. Northern states reported higher unemployment compared to southern states, attributed to variations in economic activities, educational attainment, and access to job opportunities. The study highlighted the importance of regional policies that consider local contexts in addressing youth unemployment effectively.

3.0 Methodology

3.1 Research Design

The ex-post facto research design will be used in this study since it dealt with events that had already happened, and secondary data could be easily gathered. Expo-facto design was chosen for the study design because it aims to determine the cause-and-effect linkages between the variables of interest and cannot be manipulated because it is not under the researcher's control.

3.2 Sources of Data

The study will make use of secondary data in the form of yearly time series data in order to examine the empirical influence of economic recession on youth unemployment in Nigeria. The Central Bank of Nigeria Statistical Bulletin (2023 edition) and World Development Indicators (WDI) were the sources of data. The chosen data, which spanned 43 years, was collected between 1981 and 2023. Because some data points for Youth unemployment rate from WDI were missing, the study relied on interpolation/extrapolation as the case may be to cover the missing data points.

3.3 Model specification

Examining how Nigeria's economic slump affects young unemployment is the study's goal. Inflation rate and economic recession will be represented in this study as independent variables (1 indicating no recession and 0 denoting recession), with the young unemployment rate serving as the dependent variable. Utilising multiple regression analysis, the study's goals will be met. The following is the functional form of the model for the objectives:

$$YUEMP = f(ERES, INF) \dots\dots\dots (3.1)$$

Where:

YUEMP = Youth unemployment rate

ERES = Dummy for Economic Recession

INF = Inflation rate

The mathematical relationship for equation 3.1 is given as:

$$YUEMP = a_0 + a_1ERES + a_2INF \dots\dots\dots (3.2)$$

The econometric model from equation 3.2 is specified as:

$$YUEMP = a_0 + a_1ERES + a_2INF + u_t \dots\dots\dots (3.3)$$

Where all the variables remained as defined above. u_t is the error term. a_0, a_1 and a_2 are parameters to be estimated. The a priori expectation for ERES in equation 3.3 is positive, while the apriori expectation for the INF in equation could be negative.

3.4 Definition of Variables in the Model

Economic Recession (ERES): Economic recession is defined as a significant decline in economic activity across the economy that lasts for an extended period, typically visible in real GDP, income, employment, industrial production, and wholesale-retail sales. According to the National Bureau of Economic Research (NBER), a recession is officially recognized after two consecutive quarters of negative GDP growth. During a recession, businesses may reduce production, leading to layoffs and hiring freezes, which

significantly impacts employment levels, particularly among vulnerable populations like youth.

The relationship between economic recession and youth unemployment is profound and multifaceted. Economic downturns lead to reduced consumer and business spending, which in turn causes businesses to cut back on operations, resulting in layoffs and hiring freezes. Young people, often characterized by limited work experience and fewer established professional networks, are particularly vulnerable during these times.

Inflation Rate: is the percentage increase in the general price level of goods and services in an economy over a specific period, typically measured annually. It reflects how much the purchasing power of money has declined, affecting consumers' ability to buy goods and services. Inflation is commonly measured using indices such as the Consumer Price Index (CPI) or the Producer Price Index (PPI). Inflation rate is a critical economic variable that influences youth unemployment through its effects on living costs, business operations, and overall economic conditions. High inflation can exacerbate existing unemployment challenges for young people, limiting their job opportunities and affecting their economic stability.

3.5 Method of Data Analysis

The study makes use of the Ordinary Least Squared (OLS) estimation technique to estimate the models specified above. This is because the OLS is known to generate unbiased and unique regression estimates for the model specified above. The estimation procedure is given below.

4.0 Results and Discussions

4.1 Unit root test result

Table 4.2: ADF Unit Root Test Output

Variable	Levels		First Difference		Order of integration
	ADF statistics at Level	5% critical value	ADF statistics at First Difference	5% critical value	
YUEMP	-2.35842	-2.785123	-3.685541	-2.785123	I(1)
ERES	-0.25848	-2.785123	-4.013584	-2.785123	I(1)
INF	-0.25187	-2.785123	-3.154535	-2.785123	I(1)
ECT	-3.62547	-2.854352	-	-	I(0)

Source: Author Computation 2024

The order of integration of the variables is checked in this study using the Augmented Dickey-Fuller (ADF) unit root tests; the findings are shown in Table 4.2. According to the Augmented Dickey-Fuller (ADF) findings, the variables' stationarity qualities and order of integration are the same. In other words, all of the variables are I(1) series and are seen to be stationary in the same order. After initial differencing, the ADF result showed that YUEMP, ERES, and INF are stationary (1), while the Error Correction term was seen to be stationary at level as predicted. This research uses the Johansen cointegration test since all the variables are stationary of I(1), which is a requirement for determining the long-run features of the series using that test. The test's outcome is shown in table 4.3 below.

Table 4.3: Johansen cointegration test results

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.385453	35.25574	28.35647	0.0005
At most 1 *	0.258510	21.84615	17.25175	0.0009
At most 2	0.125255	0.568546	3.248864	0.4212

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Source: Author's computation

The Johansen cointegration test result shows that presence of two cointegrating equations both for the unrestricted cointegration rank test (trace) and the Maximum Eigenvalue test. This is an indication that the variables in our model in chapter three above do have a long-run relationship amongst them. This is a justifiable reason for the estimation of the error correction model. The two cointegrating equations show that there are two distinct, stable long-term relationships among the variables included in the model. This is significant because it indicates that the variables are not drifting apart over time; instead, they are tied together by at least two separate equilibrium processes.

Economically, the implication of the two cointegrating equations is that the system is driven by more than one underlying long-term force. These forces represent constraints or balances that the variables must adhere to over time. Thus, when the system deviates from these equilibria due to short-term shocks, adjustment mechanisms (typically captured by the error correction terms in an Error Correction Model, ECM) will act to bring the system back toward these long-run paths. Thus, the error correction model was estimated, and the result is presented in table 4.4 below.

Table 4.4: Error Correction Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.699164	0.147431	4.742310	0.0002
ERES	0.361564	0.154407	2.341629	0.0316
INF	-3.473022	0.607977	-5.712422	0.0000
ECT(-1)	-0.343878	0.048030	-7.159717	0.0000
R-squared	0.758295	Mean dependent var		0.900000
Adjusted R-squared	0.674223	S.D. dependent var		4.351492
S.E. of regression	2.483694	Akaike info criterion		4.889629
Sum squared resid	141.8809	Schwarz criterion		5.301868
Log likelihood	-69.23407	Hannan-Quinn criter.		5.026275
F-statistic	6.215587	Durbin-Watson stat		2.081799
Prob(F-statistic)	0.000000			

Source: Author's computation

The regression result in Table 4.4 shows that the coefficient of Economic Recession (ERES) is 0.3616 with a p-value of 0.0316, indicating a statistically significant positive relationship between recessionary periods and youth unemployment. Specifically, during recession years, youth unemployment increases by approximately 0.36 percentage points. This result is consistent with economic theory, which posits that recessions lead to reduced production, business closures, and cuts in labor demand—effects that disproportionately impact young job seekers.

The coefficient of the Inflation Rate (INF) is -3.4730 and highly significant (p-value = 0.0000), indicating a negative relationship between inflation and youth unemployment in the short run. At first glance, this appears counterintuitive, as one might expect inflation to be associated with economic instability. However, in some developing economies like Nigeria, moderate inflation may reflect increased economic activity and monetary expansion, which could stimulate job creation. This result might also reflect a Phillips Curve-type tradeoff, where falling unemployment correlates with rising prices due to increased aggregate demand.

The Error Correction Term (ECT(-1)) is -0.3439, highly significant (p-value = 0.0000), and bears the correct negative sign. This implies that approximately 34% of any disequilibrium in the previous period is corrected in the current year, pointing to a relatively moderate speed of adjustment towards long-run equilibrium. The significance of this term validates the existence of a long-run relationship among the variables and confirms the appropriateness of an error correction model.

The R-squared value of 0.7583 indicates that about 76% of the variation in youth unemployment is explained by the model, suggesting a good fit. The adjusted R-squared (0.6742) is slightly lower, accounting for the degrees of freedom, but still shows a substantial explanatory power.

The F-statistic of 6.2156 and its associated p-value (0.0000) indicate that the overall model is statistically significant at the 1% level, meaning that the explanatory variables, taken together, significantly affect youth unemployment. The Durbin-Watson statistic is 2.0818, which is close to the ideal value of 2. This suggests that there is no serious autocorrelation in the residuals—a desirable property in time series regression.

4.3 Hypotheses Testing

Hypothesis one (H_{01}): Economic recession has no significant impact on youth unemployment (coefficient = 0)

- t-statistic = 2.342, p-value = 0.0316

The p-value is less than the 5% significance level, suggesting that we reject the null hypothesis and conclude that economic recession significantly affects youth unemployment. The positive coefficient further implies that during recessionary

periods, youth unemployment increases, which aligns with expectations from macroeconomic theory.

Hypothesis two (H_{02}): Inflation has no significant impact on youth unemployment

- t-statistic = -5.712, p-value = 0.0000

The p-value here is effectively zero, well below all conventional significance levels (1%, 5%, 10%). Hence, we reject the null hypothesis and affirm that inflation significantly affects youth unemployment. Interestingly, the negative sign of the coefficient suggests that higher inflation is associated with lower youth unemployment in the short run—possibly reflecting increased economic activity or demand-driven inflation, which may temporarily boost employment.

4.4 Model Stability test

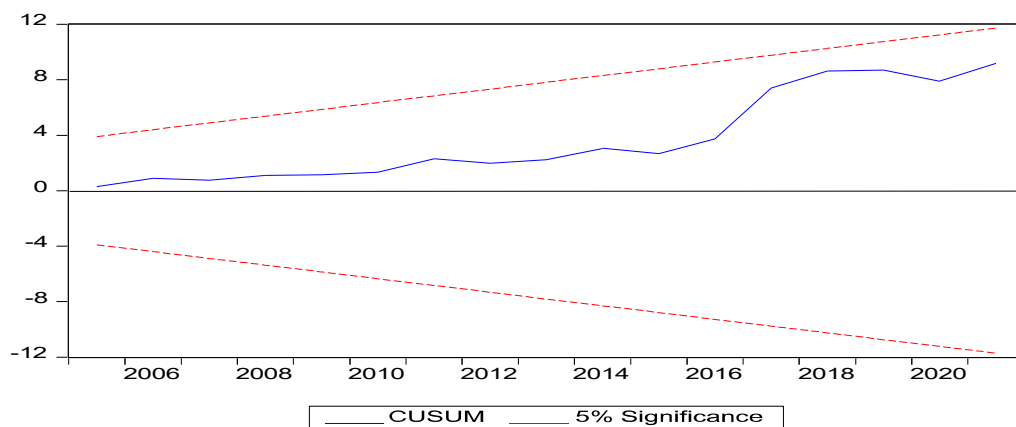


Figure 4.1: CUSUM-Squared Graph

The CUSUM graph expressed in Figure 4.1 shows that the residuals of the estimated ECM model is stable, as the cumulative sum plot lies in between the upper- and lower-5 percent significance bounds. In terms of policy reliability, the CUSUM graph in Figure 4.1 carries important implications. A stable CUSUM plot, that is, one that remains within the bounds implies that the estimated relationships among variables are consistent over time, meaning that the policy recommendations derived from the model are likely to be reliable and robust.

5.0 Conclusion and Recommendations

The study examined the effect of economic recession on youth unemployment in Nigeria, highlighting the multifaceted nature of the relationship between economic downturns and rising unemployment rates among young people between 1981 and 2023. The study revealed that economic recession has a positive and significant impact on youth unemployment rate in Nigeria. Also inflation rate has a negative and significant impact on youth unemployment rate. However, economic recessions, particularly the significant downturns experienced in the 1980s, 1990s, and more recently in 2016 and 2020, have consistently led to increased youth unemployment. The study observed that the major factors contributing to youth unemployment in Nigeria include a mismatch between educational qualifications and labour market demands, high inflation rates, limited job opportunities, and inadequate government interventions aimed at addressing youth employment challenges. The findings also revealed that during recessions, businesses often reduce hiring or lay off workers, disproportionately affecting young job seekers who are typically less experienced and have fewer employment options.

Based on the above findings, the following recommendations are made:

1. Since ERES significantly increases unemployment ($\beta=0.36$), anti-recession policies (e.g., stimulus for youth-intensive sectors) are urgent.
2. Strengthened and made more sustainable programs. This includes providing adequate funding and resources for programs like N-Power and YouWiN, as well as ensuring they offer long-term support such as mentorship and access to financing.
3. Encouraging youth entrepreneurship through access to credit, training, and market opportunities can empower young people to create their own jobs. The government and private sector should collaborate to establish incubators and support networks for young entrepreneurs.

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