

# FISCAL SPENDING AND UNEMPLOYMENT DYNAMICS IN NIGERIA (1999–2025)

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## Abstract

*Against the backdrop of rising public expenditure and persistent unemployment in Nigeria's post-1999 democratic era, this study investigates the relationship between government spending and unemployment from 1999 to 2025, with emphasis on recurrent and capital expenditure. The Autoregressive Distributed Lag (ARDL) model was employed to estimate both short- and long-run dynamics. Preliminary analyses, including descriptive statistics and unit root tests, established the data properties, while the bounds test assessed long-run relationships. The results reveal that recurrent expenditure significantly reduces unemployment in the short run, indicating that spending on wages and administrative services supports employment stability. In contrast, capital expenditure exerts no significant short-run effect, likely due to implementation lags and weak transmission mechanisms. The bounds test provides inconclusive evidence of long-run cointegration. The study concludes that the impact of government expenditure on unemployment is predominantly short-run and underscores the need to enhance the employment-generating effectiveness of public spending.*

**Keywords:** Government Expenditure, Unemployment, Fiscal Policy, ARDL Model

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JEL Classification: C32, F34, P36

## 1. Introduction

Unemployment remains one of the most persistent macroeconomic challenges in Nigeria, with significant consequences for poverty reduction, social cohesion, and long-term economic development. Despite Nigeria's abundant natural resources and growing labour force, unemployment rose to 33.3% in Q4 2020 according to the National Bureau of Statistics (2020 Labour Force Report), while the World Bank (2023 Nigeria Development Update) confirms

that job creation has consistently lagged behind population growth. Theoretical and empirical economic literature consistently emphasizes the role of macroeconomic policy, particularly fiscal policy, in influencing labour market outcomes (Keynes, 1936; Musgrave & Musgrave, 1989; Auerbach & Gorodnichenko, 2012).

From a Keynesian perspective, expansionary government expenditure can stimulate aggregate demand, increase output, and reduce unemployment, especially during periods of economic slack (Keynes, 1936). This view is reinforced by Okun's Law, which posits an inverse relationship between economic growth and unemployment (Okun, 1962). However, subsequent studies argue that the employment effects of fiscal policy depend largely on the composition and efficiency of public spending (Barro, 1990; Romer, 2012). Recurrent expenditure may support employment in the short run by sustaining public sector jobs and aggregate demand (Alesina et al., 2002). In contrast, capital expenditure on infrastructure and productive investment is expected to generate more durable employment effects by enhancing productive capacity and crowding in private investment (Aschauer, 1989; Easterly & Rebelo, 1993).

In Nigeria, fiscal policy has remained a central tool of economic management since 1999, with successive governments increasing public expenditure in an effort to address unemployment and promote inclusive growth. Major fiscal initiatives, including the National Economic Empowerment and Development Strategy (NEEDS), Youth Enterprise with Innovation in Nigeria (YouWin), and the N-Power programme, reflect sustained public spending aimed at job creation. Despite these interventions, unemployment, especially among youths, has continued to rise (National Bureau of Statistics, 2021). Scholars have attributed this outcome to structural rigidities, weak institutional capacity, fiscal indiscipline, and the persistent dominance of recurrent expenditure in Nigeria's budgetary structure (Iyoha & Oriakhi, 2002; Nnamdi-Chimwendu 2019; and Ojimadu & Ogu 2022).

Empirical evidence on the relationship between government expenditure and unemployment in Nigeria remains inconclusive. While some studies find limited or insignificant effects of public spending on employment, others emphasize that the effectiveness of fiscal policy depends on expenditure composition and implementation quality (Akinlo & Opeyemi 2019; Ezeabasili et al., 2020). Moreover, much of the existing literature relies on short sample periods or aggregate fiscal indicators, thereby overlooking the differential effects of recurrent and capital expenditure over time. The period from 1999 to 2025 provides a comprehensive framework for reassessing the expenditure–unemployment nexus in Nigeria. This period encompasses major

economic and fiscal shocks, including oil price volatility, global financial disruptions, and the COVID-19 pandemic, all of which influenced public spending patterns and labour market conditions (IMF, 2021). Examining how different components of government expenditure have influenced unemployment during this period is crucial for effective fiscal policy design.

Against this backdrop, this study examines the relationship between government expenditure and unemployment in Nigeria from 1999 to 2025, with particular emphasis on recurrent and capital expenditure. By disaggregating government spending and adopting a time-series analytical framework, the study contributes to the fiscal policy and labour economics literature and provides evidence-based insights for improving the employment-generating capacity of public expenditure in Nigeria.

## **2. Literature Review**

### **2.1 Conceptual and Theoretical Perspectives**

Fiscal policy remains a central, yet theoretically contested, instrument for addressing unemployment in developing economies such as Nigeria. While the Keynesian economics provides the dominant analytical framework, its applicability within the Nigerian context is conditional. The Keynesian proposition that expansionary public expenditure stimulates aggregate demand, increases output, and reduces unemployment (Keynes, 1936) is theoretically consistent with Okun's Law (Okun, 1962). However, the effectiveness of this transmission mechanism in Nigeria is constrained by structural and institutional factors, including weak public sector efficiency, fiscal leakages, and the predominance of the informal sector. These conditions tend to attenuate the expected multiplier effects of government spending, thereby limiting its capacity to generate sustainable employment.

A critical issue emerging from the literature is the differential impact of expenditure composition. Although capital expenditure is widely regarded as growth-enhancing and employment-generating due to its potential to expand productive capacity and crowd in private investment (Aschauer, 1989; Barro, 1990; Easterly & Rebelo, 1993), its effectiveness in Nigeria is often undermined by poor implementation, project delays, and governance challenges. In contrast, recurrent expenditure—primarily directed toward wages and administrative costs—may stimulate short-term aggregate demand but offers limited long-term employment benefits. This divergence reveals an internal tension within the Keynesian framework itself: its predictive

validity depends heavily on efficient resource allocation and institutional quality, both of which remain inconsistent in Nigeria.

Alternative theoretical perspectives provide important counterpoints and help explain the persistence of unemployment despite fiscal interventions. Classical economics and Neoclassical economics attribute unemployment to structural rigidities, including labour market inefficiencies, wage distortions, and skill mismatches (Friedman, 1968; Lucas, 1972; Mankiw, 2020). These perspectives appear particularly relevant in Nigeria, where high youth unemployment coexists with unfilled vacancies. This reflects deficiencies in human capital development. Similarly, Supply-side economics emphasizes productivity enhancement, investment incentives, and structural reforms as prerequisites for sustainable employment generation (Barro & Sala-i-Martin, 2004; Romer, 2012). From this standpoint, fiscal policy is effective only insofar as it complements broader efforts to improve the business environment and address infrastructural deficits.

The interaction among these theoretical perspectives reveals both complementarities and contradictions. While the Keynesian approach prioritizes demand stimulation through public expenditure, classical and supply-side theories emphasize market efficiency and structural adjustment. In the Nigerian context, the evidence suggests that neither perspective is sufficient in isolation. Rather, a hybrid framework provides a more robust explanation: fiscal policy can influence employment outcomes, but its effectiveness is contingent upon the resolution of underlying structural constraints. Consequently, Nigeria's persistent unemployment problem reflects not merely inadequate fiscal expansion, but deeper issues related to policy implementation, institutional quality, and labour market dynamics. This underscores the need for a coordinated policy approach that integrates demand management with structural and supply-side reforms to achieve meaningful and sustained employment growth.

## **2.2 Empirical Evidence**

Empirical evidence on the relationship between government expenditure and unemployment in Nigeria reveals a complex and regular non-linear pattern. A dominant aspect of empirical studies supports the proposition that capital expenditure can play a significant role in reducing unemployment. Within this perspective, public investment in infrastructure and productive sectors is seen as a catalyst for job creation by expanding productive capacity and stimulating private sector participation. For instance, Nnamdi-Chimwendu (2019) demonstrates that increases in capital expenditure are associated with improved employment outcomes through

infrastructure development, while Ezeabasili et al. (2020) find that sectorally targeted public spending, particularly in transportation and energy, reduces unemployment over the medium to long term. These findings are consistent with the argument that growth-enhancing expenditure has stronger employment multipliers in developing economies.

However, this positive view is moderated by literatures that emphasizes the role of institutional and structural constraints in weakening fiscal policy effectiveness. In the Nigerian context, the dominance of recurrent expenditure has been identified as a critical limitation, as it primarily sustains administrative functions without significantly expanding productive capacity. Ojimadu and Ogu (2022) argue that this expenditure pattern constrains the employment-generating potential of fiscal policy, this is similar to earlier observations by Iyoha and Oriakhi (2002) regarding persistent fiscal distortions that crowd out capital investment. Even where capital expenditure is increased, its impact is often undermined by weak implementation mechanisms, project delays, and inadequate maintenance of public infrastructure. This suggests that the effectiveness of fiscal expansion is not solely a function of spending levels, but also of governance quality and institutional efficiency. Reinforcing this position, reports by the World Bank economic update (2020; 2022–2024) highlight how weak public financial management systems, limited fiscal space, and the predominance of informal economic activities reduce the employment responsiveness of government spending in Nigeria.

These institutional concerns help explain a third strand of the literature, which finds that the relationship between government expenditure and unemployment is weak, inconsistent, or highly context-dependent. Cross-country evidence from Sub-Saharan Africa indicates that while capital expenditure may correlate with reductions in unemployment, such effects are neither automatic nor robust in environments characterized by macroeconomic instability and weak governance frameworks (African Development Bank, 2021; World Economic Forum, 2023). Similarly, findings from the International Monetary Fund suggest that fiscal multipliers for employment tend to be small or insignificant in economies with shallow financial systems and high exposure to external shocks, particularly commodity price volatility (International Monetary Fund, 2021; International Monetary Fund, 2023). The experience following global disruptions, including the COVID-19 pandemic, further illustrates that while emergency fiscal interventions may temporarily cushion employment losses, their long-term effectiveness is limited in the absence of structural reforms (OECD, 2022; United Nations Economic Commission for Africa, 2023).

These foregoing reveal that although capital expenditure holds theoretical and empirical promise for reducing unemployment, its effectiveness in Nigeria is conditional and often attenuated by structural and institutional deficiencies. The coexistence of positive, constrained, and insignificant findings underscores the need to move beyond simplistic generalizations and adopt a more nuanced analytical approach. In particular, there remains a critical gap in the literature regarding long-span, disaggregated analyses that capture both recurrent and capital expenditure dynamics within Nigeria's evolving macroeconomic environment. Addressing this gap is essential for providing a more definitive understanding of how fiscal policy can be effectively leveraged to achieve sustainable employment outcomes.

### **2.3 Literature Gap**

Despite extensive research on fiscal policy and unemployment, notable gaps remain. First, existing studies provide inconclusive evidence regarding the relative employment effects of recurrent and capital expenditure. Second, many studies focus on short sample periods or aggregate fiscal indicators, limiting understanding of the differential effects of expenditure components over time. Third, recent economic disruptions and fiscal adjustments in Nigeria necessitate updated empirical investigation.

This study addresses these gaps by examining the relationship between recurrent and capital government expenditure and unemployment in Nigeria over an extended period spanning 1999–2025, thereby providing updated and disaggregated evidence on the employment effects of fiscal expenditure.

### **3. Methodology**

This study investigates the relationship between government expenditure (recurrent and capital) and unemployment in Nigeria from 1999 to 2025 using secondary time-series data. To achieve this, a quantitative ex-post facto research design was adopted. The study is anchored on the Keynesian theory of fiscal policy, which posits that government intervention through public expenditure and taxation can influence macroeconomic outcomes, particularly employment. Keynes (1936) argued that during periods of underemployment and low aggregate demand, increased government spending stimulates economic activity and job creation. The study also draws on Wagner's Law, which links public expenditure growth with economic development and labor market expansion. These frameworks justify the investigation of government expenditure and taxation as critical fiscal instruments influencing unemployment in Nigeria.

### 3.1 Data Types and Sources

Annual time-series data spanning 1999–2025 were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin (2019 & 2025 editions), the National Bureau of Statistics (NBS, 2025), and supplemented with international macroeconomic series from the World Bank World Development Indicators (WDI, 2025). All variables were compiled as annual, numeric observations and harmonized to ensure consistency across sources.

### 3.2 Model Specification

To investigate the objective of the study, the following empirical model was employed:

$$UNEMP_t = \alpha_0 + \alpha_1 RE_t + \alpha_2 CE_t + \alpha_3 GDP_t + \alpha_4 INF_t + \mu_t \quad [1]$$

Where:

**UNEMP<sub>t</sub>** = Unemployment rate in year t, measured in percentage (%) of total labour force

**RE<sub>t</sub>** = Recurrent expenditure in year t, measured in Naira (₦) billions, nominal terms

**CE<sub>t</sub>** = Capital expenditure in year t, measured in Naira (₦) billions, nominal terms

**GDP<sub>t</sub>** = GDP growth rate in year t, measured as annual percentage growth (%)

**INF<sub>t</sub>** = Inflation rate in year t, measured as annual percentage change (%) of Consumer Price Index (CPI)

**μ<sub>t</sub>** = Error term capturing unobserved factors affecting unemployment in year t

### 3.3. Method of Estimation

The model was estimated using the Autoregressive Distributed Lag (ARDL) bounds testing approach which was selected for its suitability with small samples and variables integrated of order I(0) or I(1). ARDL enables simultaneous estimation of short-run dynamics and long-run relationships, which is critical for understanding how recurrent and capital expenditures influence unemployment over time.

## 4. Results and Discussion

### 4.1. Descriptive Statistics

This section presents the empirical results of the study on the influence of fiscal policy on unemployment in Nigeria for the period 1999–2025 as obtained from descriptive statistics, unit root tests, Autoregressive Distributed Lag (ARDL) estimations, and bounds cointegration tests.

**Table 4.1. Descriptive Statistics**

	<b>UNEMP</b>	<b>GDP</b>	<b>RE</b>	<b>CE</b>	<b>INF</b>
<b>MEAN</b>	42.801	110.229	15.206	2.408	13.192
<b>MEDIAN</b>	42.185	32.883	6.378	1.783	12.000
<b>MAXIMUM</b>	44.974	957.499	73.637	11.204	28.920
<b>MINIMUM</b>	41.867	1.623	2.925	1.431	0.230
<b>STD. DEV.</b>	1.028	206.115	18.257	1.913	5.850
<b>JARQUE-BERA</b>	3.144	147.869	23.303	351.547	2.948
<b>PROBABILITY</b>	0.208	0.000	0.001	0.000	0.229
<b>SUM</b>	1070.033	2755.731	380.142	60.187	329.790
<b>SUM SQ. DEV.</b>	25.332	1019602.	7999.677	87.796	821.231
<b>OBSERVATIONS</b>	27	27	27	27	27

**Source: Research Output, 2025.**

Table 4.1 presents the descriptive statistics of data on unemployment (UNEMP), gross domestic product (GDP), recurrent expenditure (RE), capital expenditure (CE), and inflation (INF) in Nigeria over the period under review. The results indicate that the average unemployment rate stood at 42.80 percent, with values ranging between 41.87 percent and 44.97 percent. This suggests a relatively moderate variation over the period, as reflected by the low standard deviation of 1.03.

Government expenditure variables exhibit substantial variability compared to unemployment. Recurrent expenditure recorded an average value of 15.21, with a wide range between 2.92 and 73.64, indicating significant fluctuations in routine government spending. The high standard deviation of 18.26 further confirms considerable dispersion around the mean, while the positive skewness and high kurtosis suggest that recurrent expenditure experienced occasional sharp increases during the period. Similarly, capital expenditure averaged 2.41, with values ranging from 1.43 to 11.20, reflecting relatively lower but volatile investment spending.

Macroeconomic control variables also display considerable dispersion. GDP recorded a mean value of 110.23, but its large standard deviation of 206.12 indicate substantial fluctuations in economic performance, Inflation averaged 13.19 percent, with moderate variability and a distribution that appears relatively stable, as confirmed by the Jarque–Bera statistic.

The descriptive statistics reveal that while unemployment remained relatively stable, fiscal expenditure components and macroeconomic indicators exhibited substantial volatility. This variation in government spending patterns provides a useful basis for investigating the extent to which recurrent and capital expenditures influence unemployment dynamics in Nigeria.

#### 4.2. Unit Root Test.

The Augmented Dickey-Fuller (ADF) unit root test results presented in Table 4.2 indicate that majority of the variables, namely unemployment rate (UNEMP), gross domestic product growth rate (GDP), and recurrent expenditure (RE), were non-stationary at their level forms, as their test statistics failed to reject the null hypothesis of a unit root at conventional (5%) significance levels. However, these variables became stationary after first differencing, implying that they are integrated of order one, I(1).

**Table 4.2. Unit Root Test Results**

SERIES	OUTPUT AT LEVELS		OUTPUT AT 1 <sup>ST</sup> DIFFERENCE		DECISION
	Coefficient	P values	Coefficient	P values	
UNEMP	-3.020686	0.0649	-3.012363	0.0000	I(1)
GDP	-3.029970	0.9984	-3.040391	0.0152	I(1)
RE	-3.012363	1.0000	-3.020686	0.0003	I(1)
CE	-2.991878	0.0001			I(0)
INF	<b>-2.991878</b>	<b>0.0380</b>			I(0)

**Source: Research Output, 2025**

In contrast, the inflation rate (INF) and capital expenditure (CE) were found to be stationary at level, I(0), indicating that they do not possess a unit root and exhibit a stable mean and variance over time.

#### 4.3. ARDL Model Estimation

The ARDL bounds testing procedure, developed by Pesaran et al. (2001) is adopted in this study because, it offers the advantage of simultaneously estimating both the short-run dynamics and the long-run relationships among variables, while accommodating small-sample properties. The absence of I(2) variables ensures the validity of the computed F-statistics in the bounds test, thereby strengthening the reliability of the subsequent cointegration and dynamic estimations in this study.

**Table 4.3. ARDL Estimate Result (Dependent Variable UNEMP)**

<i>REGRESSORS</i>	<i>COEFFICIENTS</i>	<i>STANDARD ERROR</i>	<i>T-STAT</i>	<i>PROB</i>
<i>UNEMP(-1)</i>	1.347973	0.120851	11.15402	0.0000
<i>RE</i>	-0.021885	0.007779	-2.813274	0.0147
<i>RE(-1)</i>	-0.022240	0.006086	-3.654299	0.0029
<i>RE(-2)</i>	0.013034	0.006482	2.010635	0.0656
<i>CE</i>	0.072036	0.152733	0.471643	0.6450
<i>GDP</i>	0.002237	0.000835	2.677840	0.0190
<i>GDP(-1)</i>	-0.000566	0.000322	-1.757833	0.1023
<i>GDP(-2)</i>	-0.000367	0.000309	-1.188914	0.2557
<i>INF</i>	0.009525	0.014163	0.672533	0.5130
<i>R-squared</i>	0.968079			
<i>Adjusted R-squared</i>	0.945981			
<i>F-statistic</i>	43.80686	Durbin-Watson stat	2.766935	
<i>ECT<sub>t-1</sub></i>	-0.348592 (0.0001)*		t-stat - 6.555424	

**Source: Research Output with E-views 10, 2025**

The ARDL (1, 2, 0, 2, 0) model, selected using AIC, was employed to estimate the relationship between recurrent expenditure (RE), capital expenditure (CE), and unemployment (UNEMP), with GDP growth and inflation as controls. The results in Table 4.3 highlight important short-run dynamics. Recurrent expenditure exerts a negative and statistically significant effect on unemployment in both the current period (−0.021885;  $p = 0.0147$ ) and its first lag (−0.022240;  $p = 0.0029$ ), indicating that increases in recurrent spending reduce unemployment in the short run, likely through public sector employment and demand-side effects. However, the second lag is positive (0.013034;  $p = 0.0656$ ), suggesting that these gains are not sustained and may reverse over time due to inefficiencies or diminishing returns.

In contrast, capital expenditure is positive but statistically insignificant (0.072036;  $p = 0.6450$ ), implying no immediate impact on unemployment, possibly due to implementation delays and the capital-intensive nature of public projects. GDP growth shows a positive and significant relationship with unemployment (0.002237;  $p = 0.0190$ ), indicating the presence of jobless growth, likely driven by the dominance of low labour-absorbing sectors. Inflation is positive but insignificant, suggesting limited direct influence on unemployment.

The model exhibits strong explanatory power ( $R^2 = 0.968$ ) and overall significance (F-statistic  $p < 0.01$ ), with no evidence of autocorrelation ( $DW = 2.77$ ). The error correction term is negative and significant ( $ECT_{t-1} = -0.348592$ ;  $p < 0.01$ ), confirming a long-run relationship, with about 34.86% of short-run disequilibrium corrected annually. This indicates a moderate speed of adjustment. The findings emphasize the short-run effectiveness of recurrent expenditure, the limited role of capital expenditure, and the persistence of structural issues such as jobless growth, underscoring the need for more efficient and growth-oriented fiscal policy.

#### 4.4. Bounds Cointegration Test

The Bounds test result provides evidence on whether a long-run (level) relationship exists among the variable. The computed F-statistic is 4.977, which is compared with the critical bounds values. At the 5% significance level, the lower bound  $I(0)$  is 2.56 and the upper bound  $I(1)$  is 3.49. Since the F-statistic (4.977) is greater than the upper bound value (3.49), the null hypothesis of no levels relationship is rejected. This outcome is consistent even at the stricter 1% level, where the upper bound is 4.37, and the F-statistic still exceeds it.

This implies that there is a stable and statistically significant long-run relationship among the variables included in the model. In other words, the dependent variable and its regressors move together over time and are cointegrated. Overall, the result justifies the use of the ARDL error correction framework and supports further interpretation of both the long-run coefficients and the associated error correction term

**Table 4.4. Bounds Test Results**

Test Statistic	F-Bounds Test		Null Hypothesis: No levels relationship	
	Value	Signif.	I(0)	I(1)
F-statistic	4.977152	10%	Asymptotic: n=1000 2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37
Actual Sample Size	23		Finite Sample: n=35	

**Source: Research Output, 2025**

## 5. Discussion of Findings

This study examined the relationship between recurrent and capital government expenditure and unemployment in Nigeria using the ARDL framework over 1999–2025. The bounds test indicates a long-run relationship among the variables, as the F-statistic (4.977) exceeds the upper bound critical values at conventional significance levels. This is further supported by the

error correction term ( $ECT_{t-1} = -0.348592$ ,  $p < 0.01$ ), which confirms convergence to equilibrium. However, the speed of adjustment (about 34.86% annually) suggests that although equilibrium exists, adjustment is only moderate, reflecting persistent structural rigidities in the Nigerian economy.

In the short run, recurrent expenditure has a negative and statistically significant effect on unemployment, supporting the Keynesian view that government spending stimulates aggregate demand and employment. This finding aligns with Ojimadu and Ogu (2022), who emphasize the immediate employment effects of recurrent spending. However, the sign reversal at longer lags indicates diminishing effectiveness over time, suggesting inefficiencies and limited sustainability. This is consistent with Iyoha and Oriakhi (2002), who argue that excessive recurrent spending may weaken long-term productive capacity. By contrast, capital expenditure is statistically insignificant, diverging from studies such as Nnamdi-Chimwendu (2019) and Ezeabasili et al. (2020), which find positive employment effects. This inconsistency can be attributed to implementation failures, governance challenges, and the capital-intensive nature of public projects in Nigeria, which limit their short-run employment impact. This supports broader institutional arguments (World Bank, 2020; African Development Bank, 2021) that fiscal effectiveness depends on efficiency and execution quality.

The positive and significant relationship between GDP growth and unemployment provides evidence of jobless growth, contradicting Okun's Law and reflecting structural imbalances, particularly the dominance of low labour-absorbing sectors. Inflation, however, is insignificant, suggesting that price dynamics do not directly drive unemployment within the study period.

While the existence of cointegration suggests a theoretical long-run linkage between fiscal policy and unemployment, the relatively slow adjustment and mixed short-run dynamics indicate that fiscal policy alone is insufficient. The findings reinforce the need for improved expenditure efficiency and complementary structural reforms to achieve sustained employment outcomes in Nigeria.

## **6. Conclusion and Policy Implications**

This study examined the relationship between government recurrent and capital expenditure and unemployment in Nigeria over the period 1999–2025 using the ARDL framework. The results confirm the existence of a long-run relationship among the variables, as evidenced by

the bounds test and the negative, significant error correction term. However, the moderate speed of adjustment indicates that convergence to equilibrium is slow, reflecting persistent structural and institutional constraints that weaken the effectiveness of fiscal policy.

The findings further reveal that recurrent expenditure reduces unemployment in the short run, consistent with its demand-stimulating role, but its impact diminishes over time, raising concerns about sustainability and efficiency. In contrast, capital expenditure does not exert a significant influence on unemployment, suggesting that its potential employment benefits are constrained by implementation inefficiencies and weak linkages to labour-intensive sectors. The evidence of jobless growth reinforces the structural nature of unemployment in Nigeria, where economic expansion has not translated into proportional employment gains.

Overall, the study concludes that while fiscal policy can provide short-term labour market support, it has not effectively addressed the structural drivers of unemployment. This underscores the need for a more strategic alignment of public expenditure with productive, labour-intensive activities, alongside improvements in governance, implementation efficiency, and broader structural reforms to ensure that fiscal interventions translate into sustained employment outcomes.

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