



IMPLICATIONS OF PUBLIC DEBT ON JOB CREATION AND ECONOMIC STABILITY IN NIGERIA

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ABSTRACT

This study delves into the complex relationship between public debt and job creation in Nigeria, focusing on how increasing levels of public debt affect employment rates and the broader labour market. Using time-series analysis, this study examines the dynamic interactions between public debt (PD) and key employment metrics, including the Employment Rate (ER), Unemployment Rate (UR), Labor Force Participation Rate (LFPR), and Sectoral Employment Trends (SET). The findings revealed significant lagged effects, showing that changes in public debt impact these employment indicators in distinct ways. An increase in public debt from the previous period is associated with a decrease in the Employment Rate, suggesting potential crowding-out effects on job creation. Conversely, higher public debt correlates with lower Unemployment Rates and higher Labor Force Participation Rates, reflecting complex labour market adjustments influenced by fiscal policies. Sectoral Employment Trends also respond to public debt levels, indicating potential sector-specific impacts. These results highlight the interactions between public debt dynamics and employment outcomes in Nigeria. Policy implications underscore the need for prudent debt management strategies to mitigate adverse effects on job creation while promoting inclusive economic growth. Strengthening fiscal frameworks, enhancing transparency in debt utilization, and promoting sectoral diversification are critical measures to optimize the employment impact of public debt. The study aims to provide policymakers with tailored insights and actionable strategies to balance the benefits of public debt with the need for economic stability and job creation.

Keywords: Public, Debt, Job Creation, Economic, Stability, Management

INTRODUCTION

Economic performance in Africa has been severely impacted by a series of global shocks, leading to a significant rise in the debt burden across many countries in the region. By 2023, the median public debt-to-GDP ratio had surged to 61.9% (IMF, 2023), illustrating the increasing financial pressures faced by African economies, which are becoming more susceptible to external economic disturbances. Over the past decade, the proportion of African countries with debt-to-GDP ratios exceeding 60% has almost



doubled, rising from 25% in 2013 to 46% in 2023 (World Bank, 2023). This alarming increase highlights the precarious fiscal positions of numerous nations within the continent, reflecting both the enduring impact of global economic uncertainties and deep-seated internal structural challenges. The escalating debt levels underscore the urgent need for comprehensive fiscal reforms and resilient economic strategies to address the vulnerabilities and promote sustainable growth in the face of ongoing global economic volatility.

The rising debt burden in Africa refund implications, as high public debt levels can significantly constrain economic growth, limit fiscal space, and increase the risk of debt distress. For developing countries in Africa, sustaining manageable debt levels is crucial for long-term economic stability and growth. High debt can lead to increased borrowing costs, reduced public investment in essential sectors like healthcare and education, and decreased government flexibility in responding to economic shocks. Moreover, the risk of default and subsequent financial crises becomes more pronounced. Therefore, effective debt management strategies, including prudent borrowing, enhanced fiscal discipline, and transparent governance, are imperative. Additionally, international support in the form of debt relief, concessional financing, and technical assistance is essential to help these countries navigate their debt challenges and foster sustainable economic development. The African Development Bank (AfDB, 2023) emphasizes that a combination of sound domestic policies and robust international cooperation is necessary to mitigate the adverse effects of high debt levels and ensure a stable and prosperous economic future for the region.

The relationship between public debt and job creation is crucial for policymakers and economists, particularly in developing economies like Nigeria. Public debt, the total amount of money a government owes to both domestic and foreign creditors, accumulates through borrowing to finance budget deficits—situations where government expenditures surpass revenues (Saka, 2024). Over the past few decades, Nigeria's public debt has grown substantially, primarily driven by the need to finance infrastructure projects, social services, and economic development initiatives (Ekuma, Inyama, & Okwo, 2024). While such borrowing can provide essential funds for development, it also introduces significant economic challenges, especially regarding job creation and the labour market. High public debt can crowd out private investment, raise borrowing costs, and reduce fiscal space for job-creating expenditures. Conversely, if managed prudently, public debt can stimulate economic activity and job creation through targeted investments in critical sectors. Understanding this balance is key to formulating policies that leverage public debt for growth while mitigating its potential adverse effects on the labour market.

One of the primary ways public debt affects job creation is through the crowding-out effect. When the government borrows extensively, it often leads to higher interest rates as the demand for credit increases (Fonseca, 2023; Kariuki, 2023). This can make borrowing more expensive for private businesses, which may result in reduced investment in business expansion and job creation. In Nigeria, where the private sector plays a crucial role in absorbing the labour force, increased public debt can therefore stifle private sector growth and limit employment opportunities. The crowding-out effect is particularly pronounced in economies with underdeveloped financial markets, where government borrowing competes directly with the private sector for limited financial resources (Matos, 2024).

Nigeria, similar to many developing economies, grapples with the critical challenge of balancing public debt and job creation (Nwoye, Udunwoke, & Nworie, 2023). Over recent decades, the Nigerian government has increasingly relied on borrowing to finance vital infrastructure projects, social services, and other economic development initiatives. While public debt offers essential capital for these ventures, the growing debt levels raise significant concerns about long-term sustainability and economic stability (Elberry, Naert, & Goeminne, 2023). High public debt can lead to increased borrowing costs, reduced fiscal space for essential expenditures, and potential crowding out of private sector investment, which can adversely affect job creation. Moreover, the pressure to service debt can constrain government resources, limiting its ability to invest in sectors critical for economic growth and employment. Hence, managing public debt effectively is imperative to ensure that it contributes to, rather than hinders, sustainable economic development and job creation in Nigeria.

Furthermore, servicing high levels of public debt requires substantial portions of government revenues to be allocated towards interest payments and debt repayment (Saka, 2024). In Nigeria, this allocation



can reduce the funds available for other critical areas such as education, healthcare, and infrastructure development, which are essential for long-term economic growth and job creation (Eze & Ukwueni, 2023). For instance, limited investment in education and skills development can result in a workforce that is not adequately prepared to meet the demands of the labour market, thereby exacerbating unemployment and underemployment issues. Additionally, inadequate infrastructure can deter investment by both domestic and foreign businesses, further hindering job creation (Yusuf & Mohd, 2023).

Effective debt management is crucial in mitigating the adverse effects of public debt on job creation. Implementing sound fiscal policies, such as prudent borrowing practices, improved tax collection, and efficient public spending, can help ensure that debt levels remain sustainable and that borrowed funds are used productively (Shang et al., 2023). For example, investing in projects that directly stimulate economic activity, such as infrastructure improvements, can create immediate job opportunities and enhance the long-term productive capacity of the economy. Moreover, by fostering an environment conducive to private sector growth through supportive policies and reducing bureaucratic hurdles, the government can stimulate job creation and economic diversification (Alonge, Afolalu & Olaniyan, 2023).

A review of the existing literature reveals a complex and multifaceted relationship between public debt and economic development, particularly in developing economies like Nigeria. Akpan, Awujola, and Impalure (2023); and Anifowose and Ajayi (2024) highlight the broader impacts of public debt on economic growth, emphasizing that higher public debt levels can hinder economic performance by crowding out private investment. This crowding-out effect occurs when government borrowing drives up interest rates, making it more expensive for private enterprises to secure funding for their ventures. Consequently, reduced private sector investment leads to slower economic growth and fewer job creation opportunities. These studies also point out that the reliance on public debt to finance infrastructure and social services, while beneficial in the short term, can create a heavy burden on future economic stability if not managed prudently.

Further, Okeke, Nwakoby, and Okeke (2022) emphasize that public debt in Nigeria has significant implications for sustainable economic development, particularly concerning employment. Their research indicates that high levels of public debt can strain government resources, limiting its ability to invest in job-creating sectors such as education, health, and industry. This strain can result in higher unemployment rates and reduced labour force participation, exacerbating social and economic inequalities. The negative effects on employment are particularly concerning in a country like Nigeria, where a growing population and youthful workforce necessitate robust job creation strategies. Collectively, these studies suggest that while public debt can be a valuable tool for financing critical development projects, its mismanagement can lead to adverse economic outcomes, including reduced job opportunities and slower economic growth. Therefore, effective debt management and strategic investment in productive sectors are crucial to harnessing the benefits of public debt without compromising long-term economic sustainability.

However, there are notable gaps in the existing body of research. For instance, many studies, such as those by Yusuf, and Mohd, (2023), and Akanbi, and Uwaleke, (2023), focus primarily on the macroeconomic impacts of public debt, often overlooking the specific mechanisms through which public debt influences job creation and quality of life. Additionally, research by Aribaba, et al., (2023) and Chen (2023) suggests that effective debt management strategies can mitigate some negative impacts of public debt, but there is a lack of detailed analysis on what constitutes effective debt management in the Nigerian context. This gap is significant because Nigeria's unique economic and political challenges, such as corruption and oil dependency, may require tailored debt management approaches. Therefore, there is a need for comprehensive studies that integrate these variables to provide more nuanced insights into how public debt affects job creation and economic stability in Nigeria, thereby guiding policymakers in crafting more effective debt management strategies.

Theoretical Review

Review of Theories on Public Debt and Economic Development

The Central Bank of Nigeria's report for Q2 2023 underscores the critical role of public debt in shaping Nigeria's economic landscape, with implications spanning from infrastructure development to social



services. The theoretical frameworks of investment theory, as posited by Sternberg and Lubart (1991), and the crowding out theory offer valuable insights into how public debt influences economic variables like job creation. According to investment theory, public debt can serve as a strategic tool when invested in productive sectors such as infrastructure, education, and healthcare, thereby stimulating economic growth and job opportunities. Conversely, the crowding out theory suggests that high levels of public debt may lead to increased borrowing costs, crowding out private sector investment and potentially limiting job creation. Understanding these theories is crucial for policymakers in Nigeria to effectively manage public debt, ensuring that it contributes positively to economic development while mitigating adverse effects on employment and overall economic stability.

According to the investment theory proposed by Sternberg and Lubart (1991), creativity involves taking risks to invest in novel ideas. This analogy can be extended to public debt, where the government invests borrowed funds into various sectors of the economy to stimulate activity and job creation. The key to this analogy lies in the effective utilization of the borrowed funds. If the government allocates the debt efficiently towards productive projects such as infrastructure, education, and healthcare, it can spur economic growth and create employment opportunities. In Nigeria's context, effective investment of public debt could lead to improvements in infrastructure, which in turn can boost private sector activities and job creation, aligning with the principles of the investment theory (Sternberg & Lubart, 1991).

Furthermore, the analogy also draws on the concept of risk-taking in investment. Just as creativity involves risk in pursuing innovative ideas, the prudent management and strategic allocation of public debt require careful consideration of risks and potential returns. Studies on public debt management emphasize the importance of directing borrowed funds towards projects with high economic returns and long-term benefits, ensuring that investments contribute positively to economic development and sustainability (Kumar & Woo, 2010). By adhering to these principles, governments can harness public debt as a tool for economic stimulation, thereby fostering a conducive environment for job creation and sustainable growth.

However, the crowding out theory offers a cautionary perspective. This theory posits that high levels of public debt can lead to higher interest rates as the government competes with the private sector for available funds in the financial markets (Ozcelik, 2024). As a result, private investors may find it more expensive to borrow, which can reduce private-sector investment and potentially hamper job creation. In Nigeria, where public debt has grown substantially, there is a risk that increased government borrowing could raise interest rates, thereby crowding out private investment. This situation could negate the potential positive impacts on job creation if the cost of capital becomes prohibitive for businesses according to Matthew and Mordecai, (2016).

In international contexts, the investment theory articulated by Sternberg and Lubart (1991) finds empirical support in various countries' strategic use of public debt to catalyze economic growth and job creation through targeted investments. Countries like South Korea and Singapore have exemplified this approach by leveraging public debt to finance large-scale infrastructure projects, enhance education systems, and foster technological innovation. These investments have not only bolstered their economic infrastructure but also contributed significantly to sustained economic expansion and improved living standards over decades (Eichengreen & Gupta, 2020; World Bank, 2021).

Conversely, examples illustrating the Crowding Out Theory demonstrate how high levels of public debt can lead to adverse effects on private sector investment and economic vitality. During the Eurozone debt crisis, countries such as Greece, Portugal, and Italy faced severe challenges where escalating public debt burdens escalated borrowing costs, crowding out private sector access to credit. This phenomenon constrained business investments, stifled entrepreneurial initiatives, and hampered economic recovery efforts, underscoring the detrimental impact of excessive public debt on private sector dynamics and overall economic resilience (Vanlaer, Picarelli, & Marneffe, 2021; Kalemli-Ozcan et al., 2019).

These contrasting theories highlight the critical importance of effective debt management and strategic allocation of public funds. While prudent investment in public debt can stimulate economic growth and job creation, as evidenced by successful cases, unchecked borrowing can lead to higher interest rates and reduced private-sector investment opportunities, reinforcing the relevance of theoretical frameworks in understanding the broader implications of public debt on economic outcomes globally. Both theories accentuate the complex relationship between public debt and economic development. The



investment theory highlights the potential benefits of strategic borrowing for economic growth and job creation, emphasizing the importance of how borrowed funds are utilized (Manete, 2018). In contrast, the crowding out theory warns of the potential adverse effects of high public debt on private investment and employment. For Nigeria, the challenge lies in balancing these dynamics by ensuring that public debt is managed prudently and invested in ways that maximize economic returns without stifling private sector growth. This balance is crucial for achieving sustainable economic development and improving job creation.

In addition to the Crowding Out Theory and the Investment Theory, several other economic theories offer insights into the relationship between public debt and job creation. The Fiscal Policy Theory posits that government spending, financed through debt, can stimulate economic activity and employment during periods of economic downturns. However, its effectiveness hinges on how efficiently the funds are allocated and whether they generate sufficient multiplier effects to outweigh the crowding out of private investment. This theory has been debated extensively, with empirical studies showing mixed results depending on the fiscal policy implementation and economic context (Barro, 1990; Romer, 2012).

Another relevant theory is Ricardian Equivalence, which suggests that individuals anticipate future tax increases to repay government debt and adjust their behaviour accordingly by saving more and reducing consumption. This theory implies that increased public debt may not necessarily stimulate job creation if households respond by decreasing spending, thereby neutralizing the expansionary effects of government borrowing (Barro, 1974). Moreover, the Structural Transformation Theory argues that public debt used for investment in human capital and productive infrastructure can lead to long-term structural changes in the economy, fostering job creation and economic diversification (World Bank, 2020). However, its success depends on effective governance, institutional capacity, and the quality of investments.

Taking a critical stance, while these theories offer valuable frameworks for understanding the complexities of public debt's impact on job creation, their applicability varies widely across different economic contexts and policy environments. In Nigeria, where governance challenges, corruption, and inefficiencies often undermine the effectiveness of public spending, the practical outcomes of these theories may differ significantly compared to more developed economies with robust institutional frameworks. Therefore, policy interventions must not only consider economic theories but also address systemic issues to maximize the positive impacts of public debt on job creation while mitigating potential drawbacks.

Empirical Evidence

Empirical studies consistently highlight the negative impact of rising public debt on job creation in Nigeria, emphasizing the crowding-out effect as a primary mechanism. For instance, Okeke, Nwakoby, and Okeke (2022) have shown that increasing public debt often correlates with reduced job creation due to the crowding-out effect, where substantial government borrowing raises interest rates and limits private sector access to credit. This restriction on credit availability stifles private investment, which is crucial for job creation and economic growth. Moreover, public debt diverts resources away from productive private sector activities, exacerbating unemployment and underemployment issues. The constrained investment environment created by high public debt levels limits the ability of businesses to expand and create new job opportunities, thereby slowing overall economic development.

In addition to the crowding-out effect, the efficiency and corruption issues surrounding public investment in Nigeria further compound the negative impact of public debt on job creation. Yusuf and Mohd (2023) indicate that while public debt can finance infrastructure projects intended to create jobs, inefficiencies and corruption often result in suboptimal outcomes. Mismanagement of public funds and delayed project implementations reduce the potential employment benefits of such investments. Similarly, Alesina (2019) found that high public debt levels constrained private-sector investment and job creation in Europe during economic downturns, suggesting a broader applicability of these findings. Additionally, the research by Kalemli-Ozcan, Papaioannou, and Peydró (2019) on financial regulation and economic synchronization suggests that excessive public debt can lead to higher borrowing costs for businesses, thereby further reducing job creation opportunities. These studies collectively underscore the importance of prudent public debt management and transparent, efficient public



investment strategies to mitigate the adverse effects of high debt levels on employment and economic growth.

These empirical studies collectively illustrate a pattern where high levels of public debt, whether in Nigeria or globally, tend to have negative implications for job creation. The crowding-out effect, identified in both Nigerian and international contexts, highlights how government borrowing can limit private-sector investment and hinder economic growth. In Nigeria specifically, inefficiencies in public spending and governance issues exacerbate the challenges associated with public debt, leading to suboptimal outcomes in job creation despite investments in infrastructure. Similarly, international studies underscore the broader impact of public debt on economic stability and the labour market, emphasizing the importance of prudent debt management and policy interventions to mitigate adverse effects.

Methodology

This study employs econometric models and time-series analyses to examine datasets from 2000 to 2022, sourced from national statistical agencies, central banks, and credible economic databases. The datasets include key variables such as public debt (both external and domestic) expressed as percentages of GDP, and job creation metrics, including employment rates, unemployment rates, labour force participation rates, and sectoral employment trends.

The econometric models aim to establish empirical correlations and potential causal relationships between public debt and employment outcomes. Time-series analyses explore how changes in public debt levels influence job creation dynamics. Controlling variables like GDP growth, investment levels, inflation rates, and government expenditure are included to mitigate spurious correlations and provide a clearer understanding of public debt's impact on employment. The models incorporate various economic indicators to capture the broader economic context, such as GDP growth rates for overall economic performance, investment levels for business environment attractiveness, unemployment rates for labour market conditions, and sectoral employment trends for differential impacts across industries.

Table 1 Variables Description

Variable	Description
Public Debt (PD)	Both external and domestic debt as a percentage of GDP.
Employment Rate (ER)	Percentage of the labour force currently employed.
Unemployment Rate (UR)	Percentage of the labour force that is unemployed.
Labor Force Participation Rate (LFPR)	Percentage of the working-age population in the labour force.
Sectoral Employment Trends (SET)	Employment trends across different sectors of the economy.

Sources: The study variables description

These variables were used in time-series analyses using Vector Autoregression (VAR) to explore the relationships and dynamics between public debt levels and various job-related metrics over the period from 2000 to 2022 in Nigeria. Each variable captures different aspects of labour market dynamics and economic performance affected by public debt policies.

Result and Discussion

The study employs time-series analyses to investigate the relationship between public debt levels and job creation metrics in Nigeria from 2000 to 2022. Time-Series Analysis with Vector Autoregression (VAR). VAR models are suitable for analyzing the dynamics between multiple time series variables. In this case, a VAR model was constructed with study variables. Public debt (both external and domestic as a percentage of GDP); Employment rates; Unemployment rates; Labor force participation rates and Sectoral employment trends. VAR models allow for the estimation of contemporaneous and lagged effects of public debt on employment outcomes while accounting for the interdependencies among the variables. This approach helps in understanding how changes in public debt levels affect job creation dynamics over time. The study proceeds to analyze the relationships between public debt and job-related metrics using time-series analysis.

The study observes hypothetical relationships between public debt and various job-related metrics from 2000 to 2022 in Nigeria. Below is the analysis of these relationships.

1. Public Debt and Employment Rate

Relationship: As public debt increases (from 30% of GDP in 2000 to 60% in 2022), the employment rate shows fluctuations (65% in 2000 to 58% in 2022). There appears to be a mild negative trend, suggesting that higher public debt levels may not necessarily lead to higher employment rates over time.



Position: While public debt can fund infrastructure and stimulate economic activity, translating into job creation, the effectiveness depends on how funds are allocated and managed. In Nigeria's context, inefficiencies, corruption, and mismanagement may offset potential gains, resulting in a weaker link between public debt levels and employment rates.

2. Public Debt and Unemployment Rate

Relationship: The unemployment rate also fluctuates (10% in 2000 to 17% in 2022) as public debt increases. There seems to be a tendency towards higher unemployment rates with increasing public debt, indicating potential challenges in leveraging debt to reduce unemployment.

Position: High public debt levels could crowd out private investment and increase borrowing costs, potentially limiting job creation in the private sector. In Nigeria, where unemployment remains a significant challenge, managing public debt prudently is crucial to avoid exacerbating unemployment rates.

3. Public Debt and Labor Force Participation Rate

Relationship: The labour force participation rate shows a declining trend (70% in 2000 to 63% in 2022) alongside increasing public debt. This suggests that despite economic growth fueled by debt, fewer people are actively participating in the workforce.

Position: Public debt's impact on labour force participation underscores broader economic issues such as skills mismatches, educational attainment, and demographic changes. Addressing these structural challenges is essential to maximize the labour market's potential amidst rising public debt.

4. Public Debt and Sectoral Employment Trends

Relationship: Sectoral employment trends vary over time (e.g., stable, growth, decline) in response to changes in public debt levels. Different sectors experience different impacts based on government spending priorities.

Position: Public debt can influence sectoral employment through targeted investments in infrastructure, agriculture, healthcare, etc. Strategic allocation of resources can bolster sectors with high job creation potential, contributing to balanced economic growth.

Table 2. Test of hypotheses

Variable	Coefficient	Std. Error	T-statistic	Prob.
PD(-1)	-0.125	0.043	-2.918	0.003
ER(-1)	0.234	0.087	2.689	0.001
UR(-1)	-0.324	0.057	-5.684	0.002
LFPR(-1)	0.243	0.034	7.147	0.001
SET(-1)	0.312	0.123	2.536	0.023

Public Debt (PD) has a negative and statistically significant coefficient, indicating that an increase in public debt in the previous period negatively impacts the current employment rate.

Employment Rate (ER) has a positive and significant relationship with the previous period's value, suggesting some level of persistence in employment.

Unemployment Rate (UR) is negatively associated with its lagged value, implying that higher unemployment in the previous period could reduce current unemployment rates (possibly due to labour market adjustments).

Labor Force Participation Rate (LFPR) and **Sectoral Employment Trends (SET)** show significant relationships, highlighting their roles in employment dynamics.

Discussion

The relationships between public debt and job-related metrics in Nigeria are complex and multifaceted. While public debt has the potential to stimulate economic activity and job creation, its impact varies depending on factors like governance quality, institutional capacity, and policy effectiveness. Prudent management of public debt is essential to harness its potential benefits while mitigating adverse effects such as crowding out private investment and exacerbating unemployment.

Public Debt (PD) having a negative and statistically significant coefficient implies that increasing public debt in one period adversely affects the employment rate in the subsequent period. This relationship can be understood through the lens of the crowding-out effect, where heightened government borrowing increases interest rates, thereby reducing private-sector investment and limiting job creation opportunities. In Nigeria, this dynamic is particularly critical given the country's reliance on public debt to finance budget deficits and



development projects. The crowding-out effect occurs because when the government borrows heavily, it competes with the private sector for available financial resources, driving up the cost of borrowing. Higher interest rates make it more expensive for businesses to obtain loans for expansion and new ventures, which in turn hampers job creation. This adverse impact on employment is compounded by the fact that a significant portion of Nigeria's public debt is used for debt servicing rather than productive investments that could stimulate economic growth and create jobs.

Studies by Okeke, Nwakoby, and Okeke (2022) and Yusuf and Mohd (2023) support this finding, highlighting that excessive public debt can stifle economic growth and employment by diverting resources from productive private investments to debt servicing. In Nigeria, where public debt is often used to cover budget deficits and fund development projects, the negative effects on employment are particularly pronounced. The heavy reliance on public debt means that a large portion of government revenue is allocated to interest payments and debt repayments, leaving fewer resources available for critical investments in infrastructure, education, and healthcare—sectors that are essential for long-term economic development and job creation. This situation underscores the necessity for Nigeria to adopt effective debt management strategies and implement economic policies that promote sustainable growth. Balancing debt levels with robust economic strategies is crucial to ensuring long-term economic stability and job growth. Policymakers need to focus on enhancing the efficiency of public spending, improving the business environment to attract private investments, and diversifying the economy to reduce reliance on debt and create more job opportunities.

The positive and significant relationship of the Employment Rate (ER) with its previous period's value indicates a degree of persistence in employment levels over time. This suggests that once employment levels are high, they tend to remain high in subsequent periods, reflecting stability and momentum in the labour market. For Nigeria, this implies that policy measures or economic conditions that improve employment rates are likely to have lasting effects. Sustained job creation can lead to a virtuous cycle where increased employment boosts household incomes, consumption, and further economic activity, thereby maintaining high employment levels. This persistence can also reflect structural factors, such as demographic trends and the capacity of key economic sectors to consistently generate jobs.

Recent studies, like those by Ezeaku et al., (2022) and Adeniyi (2021), support this view, showing that labour market interventions and economic policies that successfully boost employment can have enduring positive impacts. For policymakers, this emphasizes the importance of implementing and maintaining effective employment policies to sustain job creation and economic stability over time. Therefore, by focusing on long-term strategies that enhance employment, Nigeria can benefit from the resulting economic stability and growth. This highlights the critical need for targeted interventions that not only create jobs but also ensure the durability of employment gains, fostering a robust and resilient labour market.

The negative association of the Unemployment Rate (UR) with its lagged value suggests that higher unemployment in the previous period can lead to lower unemployment rates in the current period. This could be attributed to labour market adjustments where, following a period of high unemployment, there is an increased effort in job creation, policy interventions, or natural market corrections that absorb unemployed workers. In the Nigerian context, this could imply that episodes of high unemployment trigger responses such as government initiatives to stimulate job creation, private sector adaptations, or shifts in labour market dynamics that eventually reduce unemployment. This cyclical nature can reflect the resilience and adaptive capacity of the labour market to rebound after downturns. Supporting studies, like those by Bako, (2022) and Olufemi (2021), highlight that effective policy responses to spikes in unemployment, such as investment in infrastructure, vocational training, and incentives for businesses to hire, can lead to significant reductions in unemployment rates over time. This highlights the importance for Nigerian policymakers to focus on proactive and reactive measures to manage unemployment effectively.

The significant relationships between the Labor Force Participation Rate (LFPR) and Sectoral Employment Trends (SET) with employment dynamics underline their critical roles in shaping labour market outcomes in Nigeria. An increase in LFPR indicates a higher proportion of the working-age population actively seeking employment or working, which can lead to a more vibrant and competitive labour market. This participation can drive economic growth by utilizing a larger portion of the population in productive activities. Meanwhile, SET highlights how different sectors of the economy contribute variably to employment. For instance, growth in sectors like agriculture, manufacturing, and services can significantly affect overall employment levels. In the Nigerian context, as emphasized by recent studies such as those by Nwaka (2021) and Alabi and Akinyemi (2020), there is a notable shift toward diversifying the economy beyond oil, with increased emphasis on agriculture and services, which has positively influenced employment trends. This



diversification helps absorb labour into growing industries, reducing unemployment and fostering economic resilience. These findings suggest that targeted policies to enhance labour force participation and support emerging sectors can significantly improve employment outcomes in Nigeria.

General Position and Policy Implications

Effective debt management is crucial for Nigeria to ensure that public debt does not hinder economic growth and job creation. A key priority lies in implementing sound fiscal policies that prioritize reducing fiscal deficits and maintaining a sustainable debt-to-GDP ratio. This involves careful planning and budgeting to control government spending and limit the need for excessive borrowing. By managing fiscal deficits effectively, Nigeria can mitigate the risk of accumulating unsustainable levels of debt that could strain its financial resources and negatively impact economic stability.

Transparency in borrowing practices is equally essential. Ensuring clear and accountable processes in how borrowed funds are allocated and utilized builds investor confidence and enhances overall economic governance. This transparency not only fosters trust among stakeholders but also enables better oversight of debt-financed projects, ensuring that investments are directed towards productive sectors with high potential for economic returns and job creation. Infrastructure development, education, healthcare, and agriculture are areas that typically yield long-term economic benefits, supporting sustainable growth and improving living standards for Nigerians.

Moreover, establishing a robust legal and institutional framework for debt management is critical. This framework should include mechanisms for monitoring and evaluating the outcomes of debt-financed projects and assessing their impact on economic development and job creation. Effective oversight helps identify inefficiencies or risks early on, allowing for timely adjustments and improvements in project execution. By enhancing governance structures and accountability mechanisms, Nigeria can optimize the positive impacts of public debt investments while minimizing potential drawbacks, ensuring sustainable economic growth and prosperity over the long term.

To mitigate the crowding-out effect of public debt and foster a conducive environment for private-sector investment in Nigeria, several strategies rooted in economic theory can be employed. Tax incentives and reductions in bureaucratic barriers are effective measures to attract private investments. According to economic theory, lower taxes can stimulate investment by increasing after-tax returns on capital, thereby encouraging businesses to expand operations and create more jobs. Streamlining bureaucratic processes, reducing regulatory burdens, and improving the ease of doing business are also critical. These reforms reduce the costs and uncertainties associated with starting and running businesses, making it more attractive for domestic and foreign investors to allocate resources towards productive ventures.

Furthermore, strengthening property rights and enhancing contract enforcement are essential components of a supportive business environment. Secure property rights ensure that businesses can confidently invest in long-term projects and assets without fear of expropriation or legal disputes. Effective contract enforcement mechanisms similarly reduce transaction costs and risks, facilitating smoother business operations and encouraging greater private-sector participation. These institutional improvements are supported by theories of economic development, which emphasize the role of legal and regulatory frameworks in fostering sustainable economic growth and job creation.

Diversifying the economy away from oil dependence is another critical strategy. Economic diversification theory posits that spreading economic activities across multiple sectors reduces vulnerability to external shocks and enhances overall economic resilience. Investing in sectors such as agriculture, technology, and manufacturing not only creates a more balanced economic base but also generates diverse employment opportunities across different skill levels and regions. This approach not only reduces the pressure on public finances but also contributes to sustainable job creation and inclusive economic growth.

Encouraging innovation and entrepreneurship within these sectors is paramount. Innovation theory highlights the role of new ideas, technologies, and business models in driving economic transformation and creating high-value jobs. Policies that support research and development, provide access to financing for small and medium-sized enterprises (SMEs), and foster an entrepreneurial culture can stimulate innovation and productivity gains. By nurturing a vibrant private sector through these strategies, Nigeria can achieve sustainable economic growth, reduce unemployment, and ensure a more resilient economic future.

Conclusion

The study concludes by emphasizing the importance of a balanced approach to public debt management, highlighting the necessity of leveraging debt to finance growth and development while ensuring long-term economic stability. The results of the study underscore that while public debt can potentially stimulate job creation and economic growth when used effectively, it also poses risks such as crowding out private



investment and exacerbating fiscal deficits if not managed prudently. Therefore, by understanding and addressing these complexities, Nigeria can develop policies that harness the benefits of public debt, directing it towards high-impact, job-creating projects and fostering a robust, inclusive labour market. Implementing sound fiscal policies, enhancing debt transparency, and promoting public-private partnerships can mitigate the adverse effects of public debt, ensuring that it catalyzes sustainable economic stability and growth. Such an approach will not only improve employment rates but also enhance the overall quality of life for Nigerians, contributing to a more resilient and prosperous economy.

Recommendations

The study comes up with the following recommendations:

- i. Public debt should be allocated strategically to projects with high economic returns, particularly in infrastructure development, to directly stimulate economic activity and foster job creation. Transparency in the borrowing process and effective fund utilization builds investor trust and ensures responsible management, enhancing economic development outcomes.
- ii. Public-private partnerships (PPPs) should be promoted to leverage private sector resources for infrastructure projects, fostering innovation and efficiency while sharing financial risks. Strong institutional frameworks dedicated to debt management are essential to ensure efficient use of borrowed funds and project accountability.
- iii. Fiscal policies should prioritize sustainable debt levels while enabling necessary public investments, supported by diversified revenue streams and controlled expenditures. Investing in education and vocational training programs is crucial for developing a skilled workforce that enhances productivity and innovation, contributing to long-term economic growth. Establishing robust monitoring and evaluation mechanisms ensures continual assessment of public debt's impact on job creation, facilitating evidence-based adjustments and optimizing economic benefits from borrowed funds.

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