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# Macroeconomic Consequences of Youth Unemployment

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***Abstract- Youth unemployment is a persistent macroeconomic issue that poses serious risks to social stability and economic growth, particularly in emerging nations like Kenya. With a focus on Kenya, this paper examines the complex effects of young unemployment from both a global and Sub-Saharan African standpoint. It draws attention to how youth unemployment lowers household income and consumption, causes underutilization of human capital, lowers tax revenue, and raises state spending on social welfare programs. Long-term societal repercussions, such as a rise in crime, mental health problems, drug misuse, and political instability, exacerbate these economic implications. The mismatch between education and labor market demands, fast population expansion, poor policy execution, and restricted access to formal work opportunities and capital are some of the structural factors contributing to youth unemployment in Kenya that are also covered in the paper. It recommends comprehensive policy measures, such as funding for Technical and Vocational Education and Training (TVET), labor market changes, entrepreneurial encouragement, and regional development projects, based on contemporary empirical evidence and literature. The paper concludes that addressing youth unemployment is crucial to achieving sustained economic growth, lower inequality, and accomplishing Kenya's Vision 2030 objectives.***

***Indexed Terms- Youth unemployment, Macroeconomics, Economic Growth***

## I. INTRODUCTION

Youth unemployment is a significant macroeconomic issue that has immediate and long-term effects on economies around the world. Some of the effects of youth unemployment include stunted economic growth, higher dependency ratios, lower tax revenue, and the possibility of social upheaval (Olubusoye, Salisu, & Olofin, 2023). Due to fundamental economic constraints, governments throughout the world continue to struggle to integrate young people into productive employment. The effects of youth unemployment are more pronounced among developing nations, especially for countries within the Sub-Saharan Africa region, like Kenya. This article discusses the macroeconomic effects of youth unemployment with a focus on Kenya. The article examines the significant consequences of youth unemployment and the strategies the Kenyan government can implement to reverse this rising socio-economic challenge.

## II. MACROECONOMIC CONSEQUENCES OF YOUTH UNEMPLOYMENT

Due to its detrimental effects on economic growth and development, youth unemployment has remained a major problem in many nations (Maskaeva & Msafiri, 2021). One of the direct consequences of youth unemployment at the macroeconomic level, as pointed out by Ali et al (2021) is the loss of productive labor. The potential output of the youthful population can be slowed by the underutilization of human capital when a sizable proportion of the youthful population remains out of the formal labor force. A study by Negera (2024) noted that youth unemployment, especially in Sub-Saharan Africa, lowers household income, consumption, and savings while also raising dependency ratios, which stifles economic growth and aggregate demand. This leads to a reduction in investments due to low income and diminished private sector profitability. Furthermore, persistent youth unemployment can lead to the devaluation of human capital, a phenomenon called the "scarring effects," which further reduces future employability and productivity (Anowor et al., 2023). The devaluation of human capital compromises a country’s capacity to innovate and compete in international markets, trapping economies into low-productivity cycles (Giombini et al., 2023).

Another significant consequence of youth unemployment is that it places a considerable strain on public resources (Buny & Philip, 2023). According to Umoh (2025), governments with high unemployment rates are often compelled to increase social expenditure on welfare, subsidies, and public employment programs to curb social unrest and poverty. However, these policies are typically unsustainable over the long term, especially in low-income countries with limited tax bases. Fagbemi et al. (2022) highlights the susceptibility of public finances to labor market shocks by pointing out that many Sub-Saharan countries struggled to fund emergency job and cash transfer initiatives after the COVID-19 pandemic due to pre-existing fiscal restrictions. Furthermore, there is a substantial opportunity cost associated with the lost income taxes paid by young people facing unemployment. According to Osabohien et al. (2019), young people without jobs pay less taxes, limiting the government's ability to fund vital infrastructure, healthcare, and education, thereby extending the unemployment cycle.

Youth unemployment has macroeconomic ramifications that go beyond statistics to include the social fabric of economies. High rates of youth unemployment are frequently associated with higher rates of migration, radicalization, social instability, and criminality (Ehinomen & Afolabi, 2015). According to Mwakalila (2022), disenfranchised youth are more likely to be recruited into criminal or extremist networks in areas that are unstable and prone to violence. In addition to the financial cost of law enforcement, conflict management, and reconstruction, such instability has a huge negative impact on economic activity. Picatoste and Rodriguez-Crespo (2020) also argue that youth unemployment also makes it more difficult to accomplish the Sustainable Development Goals (SDGs), particularly goal 8, which focuses on decent work and economic growth. For countries with consistently high rates of unemployment, reducing poverty, attaining inclusive growth, and enhancing human capital indicators are often expected to be more difficult.

Globally, there is a strong link between youth unemployment and economic disparity. According to a recent study conducted in 42 African nations between 1991 and 2020, young unemployment is largely caused by wealth disparity, especially in nations with inadequate redistributive systems (Njifen, 2024). Youth unemployment feeds poverty, which in turn limits access to options that could reverse unemployment, creating a vicious cycle. Furthermore, the effects of globalization seem to be mixed according to Mwakalila (2022). Rigid labor markets and inadequate urban planning frequently counteract the benefits of increased global economic integration, which has expanded markets and drawn investment, reducing youth unemployment in several African nations. Therefore, for globalization to be successful, labor reforms and policies specifically aimed at youth employment must be implemented.

Youth unemployment has significant macroeconomic repercussions in Sub-Saharan Africa. It discourages investment and savings, lowers household income, and slows GDP growth (Mwakalila, 2022). Negera (2024) claims that low national productivity and growing public welfare costs are directly tied to the region's high youth unemployment rate. Additionally, his study highlights that young people who experience prolonged unemployment are more likely to be permanently excluded from the labor force, which further reduces their economic potential.

Enhancing youth employment outcomes requires investments in human capital, especially in the areas of health and education. According to a study conducted by Buny and Philip (2023). In approximately 40 Sub-Saharan African nations, young job chances are much improved by higher government spending on basic and secondary education. This implies that social investments are intricately linked to macroeconomic stability and growth, which are not solely the result of fiscal and monetary policy. Furthermore, the COVID-19 epidemic exposed the weaknesses of Sub-Saharan economies, since interruptions in service-based industries that primarily employ young people caused youth unemployment to skyrocket (Fagbemi, Osinubi & Olatunde, 2022). The epidemic also showed that African governments had little financial flexibility, which made it harder for them to respond with significant social protection or stimulus (Mekonnen & Amede, 2022).

## III. YOUTH UNEMPLOYMENT IN KENYA

Over the past decades, youth unemployment has remained a significant socio-economic challenge in Kenya. According to the Quarterly Labor Force Report for 2022 by the Kenya National Bureau of Statistics, the unemployment rate for youths aged 20–24 stood at 14.6%, while those aged 25–29 had stood at 10.5% (KNBS, 2023). Long-term unemployment, which is defined as being unemployed for 12 months or more, was notably high among the youth in this period, with long-term unemployment for those aged 20–24 at 9.9%, which was the highest among all age groups (KNBS, 2023). Further, the report showed that labor underutilization, which combines unemployment and time-related underemployment, was also prevalent among the youth. The combined rate for individuals aged 20–24 stood at 21.3%, indicating that over one-fifth of this age group were either unemployed or working fewer hours than they desired (KNBS, 2023).

Empirical literature on the unemployment rate in Kenya shows that it is approximately 39%, and the greatest category of unemployed individuals in this bracket is the young people (Kiprono & Njaramba, 2023). The wide-ranging effects of this high young unemployment rate include elevated poverty, social discontent, and an increased likelihood of engaging in criminal activity.

Recent statistics from the World Bank report that youth unemployment in Kenya is still a major concern. While the general unemployment rate was 5.4% as of 2024, based on this report, the young unemployment rate was roughly 8.4% (World Bank, 2024). Despite these numbers, a sizable percentage of Kenyan jobs are in the informal sector, which frequently offers little to no job security and pay. Since only around 10% of the workforce is officially employed, many young people are left in low-skilled, self-employed positions with few opportunities for promotion (Kiprono & Njaramba, 2023). Another significant indicator of youth unemployment in Kenya is the percentage of youth not in education, employment, or training (NEET). According to the Kenya National Bureau of Statistics, 19.4% of individuals aged 20–24 fell into the NEET category in 2023, underscoring the challenges faced by young people in accessing education and employment opportunities (KNBS, 2023). These statistics highlight the pressing need for targeted interventions to address youth unemployment in Kenya.

## IV. MAIN CAUSES OF YOUTH UNEMPLOYMENT IN KENYA

Youth unemployment in Kenya is the result of many factors. The disconnect between the demands of the labor market and the educational system is one of the main causes of youth unemployment in Kenya, according to the World Bank (2024). According to Khakina (2024), a large percentage of degree holders are unemployed since their theoretical knowledge does not correspond with the real-world demands of the corporate world. The imbalance between the capabilities that companies require and those that job seekers offer is made worse by the overabundance of graduates in some professions and the absence of proper career counseling (Khakina, 2024). According to the KNBS (2024), many graduates leave school without the technical or practical skills required by employers, especially in fast-growing sectors like ICT, construction, or manufacturing. According to the economic survey report by KNBS (2024), Kenya's economy is not generating enough formal employment opportunities to keep up with the growing youth population.

Further, according to the economic survey, most jobs created in recent years are in the informal sector, which is low-paying and lacks job security. The high population growth adds around 1 million job seekers annually, yet only about 150,000-200,000 formal jobs are created per year (KNBS, 2024). This, compounded by the fact that employment opportunities are concentrated in urban areas, while most youth live in rural regions with limited infrastructure, connectivity, and private investment. The rural youth thus face barriers in accessing employment information, mentorship, or capital (KNBS, 2024). Sam (2016) reports that although Kenya has youth policies like the National Youth Employment Authority (YEA) and funding initiatives such as the Youth Enterprise Development Fund, these often suffer from poor implementation, limited awareness among youth, and corruption and mismanagement of funds. This reduces the impact of well-intentioned government programs.

## V. MACROECONOMIC CONSEQUENCES IN KENYA

Youth unemployment results in the underutilization of labor, which decreases national output and hinders GDP development. Kenya loses a significant amount of potential human capital, especially educated young people with undeveloped abilities (Ruto, 2021). According to the World Bank (2024), Kenya's youth unemployment rate has contributed to the country's ongoing low labor productivity, particularly in the agricultural and service industries. This has jeopardized Kenya’s Vision 2030 objective of becoming a middle-income economy. Further, over 83% of all occupations in Kenya are in the informal sector, where most young people who are unable to obtain official employment find work (KNBS, 2024). These positions frequently have low compensation, no benefits, and no work stability. Many young people end up "working poor," which means they have jobs but are unable to pay for necessities. Vulnerability is further increased by informal employment, which restricts access to finance, pensions, and health insurance (Ruto, 2021).

It is also linked with increasing rates of crime, extremism, and substance addiction, especially in urban slums like Mathare, Kibera, and Kayole. Kibichii and Mwaeke (2024) claim that adolescent gang involvement and petty crime have increased because of unemployment, placing a strain on the criminal justice system. Additionally, disengaged teenagers are more susceptible to being recruited by extremist organizations, especially those located in border regions. Dependency ratios rise when young people are high because families continue to assist unemployed youth into adulthood. Programs for social safety, education, and healthcare are under pressure as a result (Abdi, 2022). Another consequence of youth unemployment in Kenya has been that many educated young people from Kenya leave their country in search of better opportunities elsewhere, around the world . Although remittances from these countries boost the local economy, local industry and public sectors like health and education suffer from the loss of skilled workers (Ooko, 2023).

## VI. POTENTIAL SOLUTIONS FOR YOUTH UNEMPLOYMENT

One important way to bridge the skills gap among Kenyan youth is through Technical and Vocational Education and Training (TVET) institutions. Compared to 80% of degree graduates, just 12.5% of TVET diploma graduates were unemployed, according to a survey by Ouma (2021). This suggests that employability is greatly increased by skill-driven education. Promoting TVET programs could therefore have a key role in lowering youth unemployment rates by giving young people employable, real-world skills (Ouma, 2021).

Addressing young unemployment has also been significantly aided by government initiatives. The Kenya Youth Employment and Opportunities Project (KYEOP), which has helped more than 155,000 youth, is one noteworthy initiative. According to the World Bank (2024), the initiative has contributed to the establishment of over 86,000 firms, the creation of about 125,000 jobs, and a remarkable 50% increase in incomes. These programs enable youth to become self-employed and create jobs for others by offering financial assistance and entrepreneurial training. Other initiatives that could offer solutions include:

1. Private Sector Engagement: Training can be made to meet the needs of the market by promoting closer cooperation between the private sector and educational institutions. Internships, apprenticeships, and on-the-job training programs can boost young people's employability by giving them real-world experience. Tax credits or other subsidies should be used to encourage businesses to hire and train young people.

2. Encouragement of Innovation and Digital Skills: With the expanding digital economy, it is necessary to give young people ICT and digital entrepreneurial skills. Young people can be prepared for chances in technology, freelancing, and the global gig economy through digital literacy initiatives, coding boot camps, and innovation hubs.

3. Improving Career Guidance and Counseling: A lot of young people don’t know about new job marketplaces or non-traditional employment options. Enhancing career counseling services in TVET and

educational institutions can assist students in making well-informed decisions and pursuing occupations in high demand.

4. Increasing Youth Entrepreneurs' Access to Financing: In addition to training, many young business owners have trouble finding reasonably priced financing. The Youth can launch and grow enterprises by establishing financial products tailored to their needs, reducing collateral requirements, and assisting microfinance institutions.

5. Regional and Rural Development Initiatives: Urban areas are the focus of many youth employment programs. Reducing rural-urban migration and fostering inclusive economic growth can be achieved by increasing employment and training possibilities in rural areas. This entails funding the agro-processing, rural infrastructure, and agriculture value chains.

6. Labor Market Policy Reforms: Labor regulations must be changed to encourage youth employment, for example, by offering incentives to employers who hire fresh graduates. Young people can also benefit from flexible contracts and youth wage subsidies when they enter the workforce.

7. Strengthening the Informal Sector: Since many young people are employed in the informal sector, policies that promote the sector, like access to social safety, formalization incentives, and skill development, can enhance the quality of jobs and stability of income.

## CONCLUSION

Youth unemployment has serious macroeconomic repercussions that hinder social cohesiveness, impede economic growth, and worsen income inequality. High rates of teenage unemployment result in underutilization of productive labor, lower consumer spending, and more public expenditures on social safety nets, according to the report. Together, these elements limit a nation's economic potential and impede its future progress. Furthermore, the psychological and skill devaluation impacts on young people without jobs could have long-term effects on social stability and production. To integrate young people into productive jobs and promote inclusive growth in Kenya, addressing youth unemployment will necessitate a complex strategy that includes policy reforms in education, labor markets, and economic planning.

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