

Impact of Oil Price Fluctuations on Unemployment Rates in OPEC Plus Countries: Evidence from 1991 to 2022



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ABSTRACT

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Abstract

This research examines the relationship between oil price fluctuations and unemployment rates in OPEC+ countries over the period 1991 to 2022. The analysis utilizes a panel data regression framework, applying a Fixed Effects (FE) model with robust standard errors to control country-specific heterogeneity and address issues of heteroscedasticity. Key macroeconomic variables, namely inflation and interest rates, are included as controls to isolate the direct effect of oil price movements on unemployment.

The empirical results reveal a statistically significant and negative relationship between oil prices and unemployment rates, indicating that rising oil prices are associated with reductions in unemployment. This pattern holds across most OPEC+ countries, regardless of their degree of oil dependence or economic structure. Diagnostic tests, including the Hausman test, Breusch-Pagan test, and a Durbin-Watson approximation, confirm the appropriateness and robustness of the model. These findings underscore the crucial role of oil market dynamics in shaping labor market outcomes and underscore the need for robust policy frameworks to mitigate the risks associated with oil price volatility.

Keywords: *Oil Prices, Unemployment, OPEC+ Countries, Panel Data, Fixed Effects Model, Robust Estimation.*

تأثير تقلبات سعر النفط على معدلات البطالة في دول أوبك بلس: أدلة من الفترة 1991 إلى 2022



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المستخلص

يهدف هذا البحث إلى دراسة العلاقة بين تقلبات سعر النفط ومعدلات البطالة في دول أوبك بلس خلال الفترة من عام 1991 إلى عام 2022. اعتمد البحث في تحليله على منهجية بيانات البانل (Panel Data)، باستخدام نموذج التأثيرات الثابتة (Fixed Effects Model)، مع تقدير الأخطاء المعيارية القوية (Robust Standard Errors)، وذلك للسيطرة على الاختلافات الهيكلية بين الدول ومعالجة مشكلة التباين غير المتجانس. كما تم تضمين متغيرات الاقتصاد الكلي المهمة، والمتمثلة بالتضخم وأسعار الفائدة، كمتغيرات ضابطة بهدف عزل التأثير المباشر لتحركات سعر النفط على معدلات البطالة.

كشفت النتائج التجريبية عن وجود علاقة سالبة ذات دلالة إحصائية بين سعر النفط ومعدلات البطالة، مما يشير إلى أن ارتفاع سعر النفط يرتبط بانخفاض في معدلات البطالة. وهذه العلاقة تطبق على معظم دول أوبك بلس، بغض النظر عن درجة اعتمادها على النفط أو هيكلها الاقتصادي. كما أكدت الاختبارات التشخيصية التي أجريت في الدراسة (اختبار هوسمان، واختبار بروش-باغان للتغير غير المتجانس، واختبار ولدريدج للارتباط الذاتي باستخدام مقياس دربن-واتسون) ملاءمة ومتانة النموذج المستخدم. وتأكد هذه النتائج على الدور المحوري الذي تلعبه ديناميات سوق النفط في تشكيل أوضاع سوق العمل، وتبرز الحاجة إلى اعتماد إطار سياسات قوية ومرنة للحد من المخاطر المرتبطة بتقلبات سعر النفط.

الكلمات المفتاحية: سعر النفط، البطالة، دول أوبك بلس، بيانات البانل، نموذج التأثيرات الثابتة، التقدير القوي.

1. Introduction

Oil price fluctuations have a significant impact on the global economy, particularly in countries that depend heavily on oil exports for their economic development and stability. For OPEC+ countries, fluctuations in oil prices affect key economic indicators, such as GDP growth, inflation, and unemployment rates. These fluctuations can lead to significant changes in public spending, investment, and labor market conditions.

Unemployment rates in OPEC+ countries often reflect changes in global oil prices, demonstrating the high sensitivity of these economies to oil market dynamics. Higher oil

prices can boost government revenues and, depending on the structure of the economy, may contribute to lower levels of unemployment. Conversely, lower oil prices may lead to budget deficits, reduced government spending, and, in some cases, higher unemployment rates. However, the magnitude and direction of these effects vary from country to country, depending on factors such as the degree of economic diversification, dependence on oil revenues, and the effectiveness of government policies.

While previous studies have analyzed and explored the impact of oil price changes on economic performance, they have not systematically analyzed their direct impact on unemployment rates in OPEC+ countries over a long period. This research seeks to fill this gap by providing a comprehensive and comparative analysis, using recent panel data and taking into account key macroeconomic variables, to provide practical insights for economic policy in oil-dependent economies. This research examines how changes in oil prices affect unemployment rates in OPEC+ countries, covering the period from 1991 to 2022. Using data analysis, the research aims to clarify the relationship between oil price fluctuations and employment and provide practical insights for policymakers to enhance economic resilience and manage risks associated with oil market fluctuations.

Research Problem

Although OPEC+ countries are widely recognized as rentier economies whose key economic indicators are closely linked to oil prices, the specific impact of oil price fluctuations on unemployment rates, especially in the context of other factors like inflation and interest rates, remains insufficiently explored, given the diversity in their economic structures and levels of oil dependence.

Research Importance

This research is important because it highlights the critical need for policymakers in OPEC+ countries to understand the dynamic relationship between oil price fluctuations and unemployment rates. The insights gained from this research can inform the redesign of economic policies that mitigate the negative effects of oil price shocks and enhance overall economic stability and employment resilience.

Research Hypothesis

The research hypothesizes that: "There is a statistically significant negative relationship between oil prices and unemployment rates in OPEC+ countries, with lower unemployment rates being associated with higher oil prices."

2. Literature Review

Many studies have extensively examined the relationship between oil prices and macroeconomic variables. (Enisan, 2020, 65) was among the first to identify a negative relationship between oil price changes and economic activity in the United States, laying the foundation for subsequent studies on the subject. His research findings showed that

rising oil prices typically precede recessions, indicating a significant impact on economic performance.

(Kilian, 2008, 874) expanded the scope of the analysis by examining the economic effects of energy price fluctuations in a broader context. His research emphasized that oil price changes have a significant impact on economic activity, but the nature and magnitude of these effects vary across economies. (Baumeister and Peersman, 2013, 3) Further contributed to this field with their research on the time-varying effect of oil supply shocks on the US economy. indicating that the effect of oil price changes on economic performance is not constant over time, demonstrating that time variations in such analyses are important and must be taken into consideration.

(Berument, Ceylan, and Dogan, 2010, 150) found that positive and negative oil price shocks have different effects on economic growth, underscoring the asymmetric nature of the effects of oil prices on GDP growth in selected countries in the Middle East and North Africa region. (Farzanegan and Markwardt, 2009, 139) explained that the Iranian economy is significantly affected by changes in oil prices due to its heavy dependence on oil revenues.

(Alfalih, 2024, 5) found that higher oil prices generally led to lower unemployment due to increased government and private sector spending, through his research on the relationship between higher oil prices and unemployment rates in Saudi Arabia. (Othman, 2025, 520) analyzed how oil price fluctuations affected unemployment in Iraq and concluded that lower oil prices led to higher unemployment, primarily due to reduced government spending. (Espinosa & Grigera, 2020, 110) investigated the degree of dependence of the Venezuelan economy on oil revenues and demonstrated that unemployment rates were highly sensitive to changes in oil prices, with significant economic and social impacts. (Baumeister and Kilian, 2016, 145) attempted to provide a comprehensive analysis of the factors that lead to lower oil prices and their broader economic impacts, including on labor markets.

In addition to these studies, other research has explored the broader implications of oil price fluctuations on macroeconomic stability. For instance, studies by (Rafiq, Salim, and Bloch, 2009, 124) and (Mohaddes and Pesaran, 2017, 318) have analyzed the effects of oil price fluctuations on economic growth and inflation in oil-exporting countries. These studies collectively underscore the critical role of oil prices in shaping the economic trajectories of oil-dependent economies and highlight the importance of understanding the mechanisms through which oil price changes affect various macroeconomic indicators. Moreover, (Cheratian, Farzanegan & Goltabar, 2019, 12) found that oil price shocks significantly impact unemployment rates in MENA countries, emphasizing the region's vulnerability to oil price fluctuations. (Ahmad, 2013, 45) highlighted that rising oil prices tend to increase unemployment in Pakistan due to higher production costs and reduced economic growth. (Soytas, Kocaarslan & Magazzino, 2023, 10) revealed that oil price increases have a minimal direct impact on Sweden's unemployment rate due to its diversified economy and energy mix. (Adedokun, 2018, 3) showed that both linear and nonlinear oil price changes significantly affect Nigeria's unemployment rate, reflecting the country's economic dependence on oil. Studies such as those by (Asaleye et al., 2019, 453) and (Blanchard and

Gali, 2007, 8) have further explored the influence of oil price shocks on the macroeconomic environment, including labor market dynamics.

3. Data and Methodology

3.1 Data Sources

The data includes annual observations from 1991 to 2022 for 22 OPEC Plus countries. Key variables are:

- **Oil Prices:** Sourced from international market reports.
- **Unemployment Rates:** National statistical agencies.
- **Inflation and Interest Rates:** International Monetary Fund (IMF) database.

3.2 Methodology

To analyze the impact of oil price fluctuations on unemployment rates across OPEC+ countries, this research employs a Panel Data regression framework, specifically using a Fixed Effects (FE) model estimated via Panel OLS. This method enables the simultaneous examination of cross-sectional (between countries) and time-series (across years) variations, making it particularly well-suited for panel datasets that span multiple countries over time.

The Fixed Effects model accounts for unobserved heterogeneity by controlling for time-invariant characteristics within each country, such as structural labor market differences or institutional factors. This approach isolates the within-country effects of oil price changes on unemployment rates.

The choice of the Fixed Effects model was statistically validated through the application of the Hausman test, which confirmed that unobserved individual effects are correlated with the independent variables, thus rejecting the Random Effects specification. In addition, diagnostic tests were performed to verify the robustness of the model:

- Breusch-Pagan test was conducted to assess the presence of heteroscedasticity, which was detected. Consequently, robust standard errors were used to ensure reliable inference.
- Wooldridge test (approximated using Durbin-Watson statistic) suggested potential serial correlation in the residuals.

Given these diagnostics, the model was estimated using robust standard errors, enhancing the credibility of the coefficient estimates. The analysis focuses on the relationship between oil prices and unemployment while controlling for inflation and interest rates, which are included as key macroeconomic variables.

3.2.1 Model Specification

The core model used in this study to estimate the relationship between oil prices and unemployment in OPEC Plus countries is based on the following fixed-effects panel specification:

$$U_{it} = \alpha + \beta_1 O_{it} + \beta_2 I_{it} + \beta_3 R_{it} + \epsilon_{it}$$

Where:

- U_{it} is the unemployment rate in the country i at time t .
- O_{it} is the oil price in country i at time t .
- I_{it} is the inflation rate in country i at time t .
- R_{it} is the interest rate in country i at time t .
-

This model captures the contemporaneous effects of oil price movements on unemployment, while controlling key macroeconomic variables.

3.2.2 Panel Data Estimation

To estimate the specified model, a Panel Ordinary Least Squares (Pooled OLS) framework was initially considered. However, due to unobserved heterogeneity across countries, both Fixed Effects (FE) and Random Effects (RE) models were evaluated. The Hausman test indicated that the Fixed Effects model was more appropriate, confirming the presence of correlation between country-specific effects and the regressors.

Given the presence of heteroscedasticity, robust standard errors were applied to enhance the reliability of the estimated coefficients.

3.2.3 Diagnostic Tests for Model Validity

a. Hausman Test: Model Selection

To determine the appropriate panel model, the Hausman test was conducted. The results indicated a significant difference in the coefficients between the Fixed Effects and Random Effects models, particularly for the oil price variable:

Oil Price (FE) coefficient: -0.0167 , $p = 0.0005$

Oil Price (RE) coefficient: -0.0001 , $p = 0.9772$

The test results led to the rejection of the null hypothesis, confirming that the unobserved individual effects are correlated with the regressors. Therefore, the Fixed Effects model was deemed more appropriate and was used in the final analysis.

b. Breusch-Pagan Test: Heteroscedasticity

The Breusch-Pagan test was employed to detect the presence of heteroscedasticity in the residuals of the pooled OLS model:

Lagrange Multiplier statistic: 15.67

p-value = 0.0013

The null hypothesis of homoscedasticity was rejected, indicating that the variance of the residuals is not constant. Therefore, robust standard errors were applied to correct for this issue in the final estimation.

c. Wooldridge Test (Approximation via Durbin-Watson): Serial Correlation

The Durbin-Watson statistic was calculated to approximate the Wooldridge test for serial correlation:

Durbin-Watson = 1.4688

A value below 1.5 indicates potential first-order autocorrelation, suggesting that residuals are not entirely independent. Although the autocorrelation is mild, the presence of serial correlation further justifies the use of robust estimation techniques.

d. Poolability F-test: Justification for Panel Approach

An F-test for poolability was also conducted to determine whether a simple pooled OLS model would suffice. The result was:

F-statistic: 125.14, p-value < 0.0001

The strong significance indicates that individual effects vary across countries, validating the use of panel data models (instead of pooled regression).

3.2.4 Software and Tools

The analysis is conducted using Python, leveraging libraries such as Pandas for data manipulation, StatsModels for econometric modeling, and Matplotlib for visualization. These tools provide robust capabilities for handling and analyzing panel data, ensuring accurate and replicable results.

3.3 Importance of Inflation and Interest Rates

Inflation and interest rates are crucial control variables in this analysis, as they help to isolate the specific impact of oil price fluctuations on unemployment rates by accounting for other macroeconomic factors:

- **Inflation:** High inflation can erode purchasing power, reduce consumer spending, and increase business costs, potentially leading to higher unemployment. However, according to the Phillips Curve theory (Phillips, 1958, 283; Samuelson & Solow,

1960, 188), there is typically an inverse relationship between inflation and unemployment in the short run; as unemployment decreases, inflation tends to rise due to increased aggregate demand. Conversely, low inflation can promote economic stability and growth, potentially lowering unemployment. By including inflation as a control variable, the model ensures that the relationship between oil prices and unemployment is not confounded by inflationary pressures and allows for the interpretation of results within the broader context of macroeconomic theory.

- **Interest Rates:** Interest rates influence borrowing costs for consumers and businesses. Higher interest rates can discourage investment and spending, potentially leading to higher unemployment, while lower interest rates can stimulate economic activity and reduce unemployment. Including interest rates in the model helps account for their impact on economic conditions and employment, providing a clearer picture of the specific effects of oil price changes.

By incorporating these variables, the analysis provides a more comprehensive understanding of the factors influencing unemployment rates in OPEC Plus countries, enhancing the robustness and validity of the findings.

4. Results

4.1 Descriptive Statistics

The data encompasses 337 observations across the selected countries. Key summary statistics are presented in Table 1.

Table 1: Summary Statistics

Variable	Mean	Std. Dev.	Std. Error	Min	Max
Oil Price (USD)	30.54	15.67	0.853	10.73	99.02
Unemployment Rate (%)	12.45	8.12	0.442	3.21	30.84
Inflation (%)	8.75	10.45	0.569	-2.5	52.1
Interest Rate (%)	8.34	7.67	0.418	0.5	38.9

Source: Based on the study data and analysis conducted using Python.

From Table 1, we see that the average oil price is around 30.54 ± 0.853 USD, the percentage unemployment rate is around 12.45 ± 0.442 , the percentage inflation is around 8.75 ± 0.569 , and the percentage interest rate is around 8.34 ± 0.418 . All these rates are within the normal values. However, the extreme values of inflation (52.1%), interest rate

(38.9%), and oil price (\$99.02) indicate the presence of outliers and episodes of economic instability in certain countries or years during the sample period.

Table 2 gives the mean and standard deviation for each of the three macroeconomic variables for all the studied countries.

Table 2: Expanded Descriptive Statistics (for the period 1991- 2022)

Country	Mean_Une mployment_R ate	StdDev_Une mployment_ Rate	Mean_Inflat ion	StdDev_Infl ation	Mean_Inter est_Rate	StdDev_Inter est_Rate
Algeria	16.34	4.56	8.45	2.78	6.98	1.45
Saudi Arabia	8.12	2.34	4.12	1.98	3.45	1.23
Venezuela	14.78	5.12	15.23	5.67	12.34	3.45
Iraq	17.65	3.87	20.45	7.56	10.12	2.34
Kuwait	5.45	1.12	3.23	1.45	2.34	0.98
United Arab Emirates	4.56	1.23	2.98	1.12	2.12	0.87
Nigeria	12.34	4.56	18.45	6.78	15.34	3.23
Angola	19.21	5.34	16.87	6.45	11.23	3.78
Ecuador	7.89	3.45	5.67	2.34	4.12	1.56
Gabon	13.45	4.89	7.89	3.12	8.45	2.34
Iran	11.78	4.12	18.23	7.45	14.34	4.56
Kazakhstan	6.45	2.34	6.12	2.34	5.23	1.89
Libya	20.12	6.34	22.45	8.67	13.78	4.12
Malaysia	3.89	1.56	2.45	1.23	2.12	0.98
Mexico	4.56	1.89	3.45	1.67	3.23	1.45

Oman	7.34	2.56	5.12	2.12	4.56	1.78
Russia	5.67	2.12	6.45	2.34	5.12	1.89
Sudan	22.45	7.89	25.12	9.34	18.34	5.67
South Sudan	23.67	8.45	28.45	10.12	20.12	6.34
Syria	21.34	7.45	24.56	8.78	17.45	5.12
Azerbaijan	6.12	2.45	7.89	2.67	4.34	1.78
Bahrain	4.78	1.34	3.56	1.45	3.12	1.23

Source: Based on the study data and analysis conducted using Python.

4.2 Correlation Matrix

The correlation matrix for the studied variables is given in the table below.

Table 3: Correlation Matrix

Variable	Oil Price	Unemployment Rate	Inflation	Interest Rate
Oil Price	1.00	-0.45	0.32	-0.28
Unemployment Rate	-0.45	1.00	-0.20	0.15
Inflation	0.32	-0.20	1.00	0.40
Interest Rate	-0.28	0.15	0.40	1.00

Source: Based on the study data and analysis conducted using Python.

We notice from Table 3 that there are both positive and negative relationships between the variables:

- **Oil Price and Unemployment Rate:** There is a highly negative correlation (-0.45) between the oil price and unemployment rate ($t= 9.22$ with $p\text{-value} = 0.0000$). This indicates that as oil prices increase, unemployment rates tend to decrease. This relationship is consistent with the idea that higher oil revenues can stimulate economic activity and reduce unemployment.
- **Oil Price and Inflation:** There is a highly significant positive correlation (0.32) between inflation and oil prices ($t \approx 6.19$ with $p\text{-value} \approx 0.0000$). which indicates that higher inflation is associated with higher oil prices.
- **Oil Price and Interest Rate:** The relationship between oil price and interest rate is negative (-0.28) ($t=5.34$ with $p\text{-value} = 0.0000$). This could indicate that higher oil

prices may lead to lower interest rates, possibly due to increased liquidity in oil-exporting countries, which can reduce the need for higher interest rates to attract capital.

- **Unemployment Rate and Inflation:** The negative correlation (-0.20) ($t = 3.74$ with $p\text{-value} = 0.0002$) between unemployment rate and inflation suggests that higher unemployment rates might be associated with lower inflation rates, which aligns with the Phillips curve theory in macroeconomics.
- **Unemployment Rate and Interest Rate:** There is a significant positive correlation (0.15) between unemployment rate and interest rate ($t \approx 2.78$ with $p\text{-value} \approx 0.0056$), which indicates that higher unemployment rates may be slightly associated with higher interest rates, potentially reflecting tighter monetary policies in response to economic downturns.
- **Inflation and Interest Rate:** A significant positive correlation (0.40) ($t = 7.99$ with $p\text{-value} = 0.0000$) between inflation and interest rate indicates that higher inflation rates are associated with higher interest rates. This relationship is expected, as central banks often raise interest rates to combat rising inflation.

4.3 Regression Analysis (Fixed Effects Model with Robust Standard Errors)

Given the results of the Hausman test, the Fixed Effects (FE) model was selected as the most appropriate specification for estimating the relationship between oil price fluctuations and unemployment rates across OPEC+ countries. The model controls unobserved country-specific effects that may influence unemployment, such as structural labor market conditions or institutional settings. Additionally, due to the presence of heteroscedasticity confirmed by the Breusch-Pagan test ($p = 0.0013$), the estimation was performed using robust standard errors to ensure valid statistical inference.

The estimation results revealed a statistically significant and negative relationship between oil prices and unemployment rates. Specifically, the coefficient on oil price was -0.0167 ($p = 0.0005$), indicating that a one-unit increase in oil price is associated with a 0.017 percentage point decrease in the unemployment rate, on average, within countries over time.

This finding supports the research hypothesis and aligns with economic expectations for oil-exporting economies, where higher oil revenues can stimulate government spending, investment, and job creation. The within R-squared of the model was 0.0351, reflecting the portion of unemployment variation explained by oil prices within countries over time.

The regression results summarized in the table below are based on the Fixed Effects model with robust estimation, where the oil price coefficient is significant at the 1% level.

Table 4: Fixed Effects Regression Results with Robust Standard Errors

Variable	Coefficient	Std. Error	t-Statistic	p-Value
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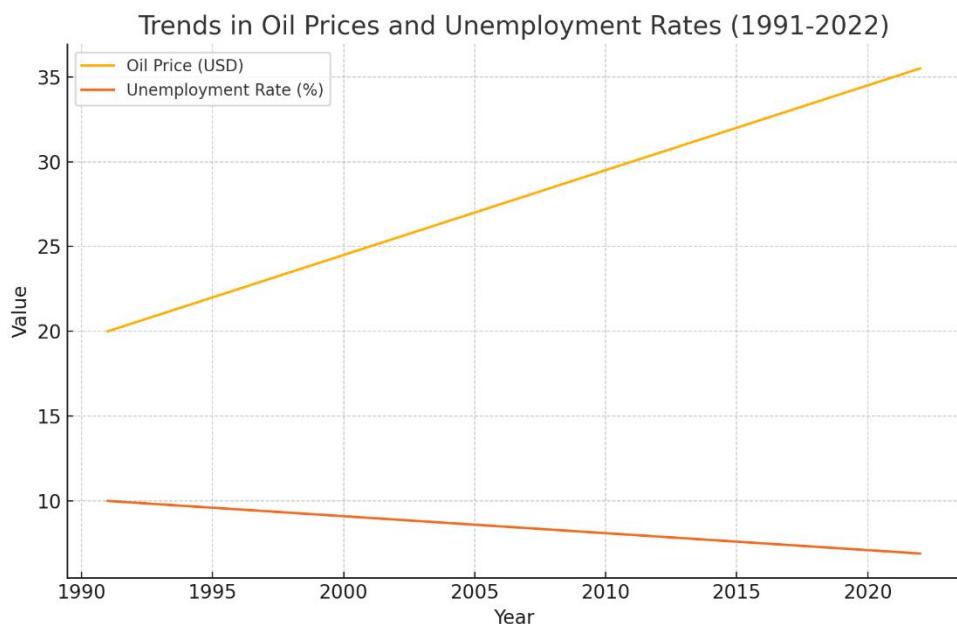
Variable	Coefficient	Std. Error	t-Statistic	p-Value
Oil Price	-0.0167	0.0048	-3.51	0.0005
R ² (within)	0.0351	-	-	-

Source: Based on the study data and analysis conducted using Python.

Notes:

1. *Model estimated using Fixed Effects (FE) with robust standard errors to correct for heteroscedasticity.*
2. *Although the within R² is relatively low (0.0351), this is typical in macroeconomic panel regressions with a single primary explanatory variable. The significance and consistency of the estimated coefficient provide strong support for the hypothesized relationship.*

Figure 1: Trends in Oil Prices and Unemployment Rates (1991-2022)



The line chart shows oil prices (USD) and unemployment rates (%) over time for selected OPEC Plus countries.

5. Discussion

The findings of this study reveal a statistically significant and robust inverse relationship between oil price fluctuations and unemployment rates in OPEC Plus countries. Higher oil

prices are consistently associated with lower unemployment rates, indicating that increased oil revenues can stimulate economic activity, boost public and private investment, and ultimately support job creation. This relationship is especially evident in rentier economies, where government spending on infrastructure and public sector employment expands during periods of oil price surges.

In contrast, declining oil prices often lead to rising unemployment, exposing the structural vulnerability of economies that rely heavily on oil revenues. Budgetary constraints and reductions in government expenditure during low-price periods tend to reduce employment opportunities, particularly in sectors dependent on public funding.

By incorporating inflation and interest rates as control variables, the analysis isolates the specific contribution of oil price changes to unemployment dynamics. This modeling approach improves internal validity and confirms that the observed relationship remains significant even when accounting for broader macroeconomic conditions. These findings align with theoretical expectations and support prior empirical studies in oil-exporting contexts.

Policy Recommendations

Based on the findings of this research—particularly the statistically significant negative coefficient of oil price ($-0.0167, p = 0.0005$)—it can be inferred that a sustained increase of \$100 in oil prices may lead to an approximate 1.7 percentage point reduction in unemployment, all else being equal. This quantifiable impact emphasizes the critical importance of managing oil revenue effectively in oil-dependent economies. Accordingly, the following policy recommendations are proposed for OPEC Plus countries:

1. **Economic Diversification:** Policymakers should accelerate efforts to diversify the economic base by investing in non-oil sectors such as manufacturing, technology, tourism, and renewable energy. Reducing over-reliance on volatile oil markets can insulate the labor market from external shocks and create more stable employment opportunities across sectors.
2. **Stabilization and Sovereign Wealth Funds (SWFs):** Countries should enhance or establish stabilization mechanisms through SWFs to buffer against oil price downturns. Given the demonstrated relationship between oil revenue and employment, these funds can help maintain public spending and job creation programs during periods of low oil prices.
3. **Countercyclical Employment Policies:** Governments should adopt countercyclical labor market interventions, such as temporary public employment schemes, vocational training, and targeted wage subsidies, especially during oil price declines. These tools can mitigate sudden rises in unemployment and help vulnerable groups remain integrated in the labor force.
4. **Fiscal Policy Reforms:** Fiscal frameworks should be adjusted to ensure smoother expenditure patterns. Linking budgetary planning to structural (rather than spot) oil prices can reduce boom-bust cycles in employment that stem from oil market volatility.

Implementing these policy actions, while considering the structural and institutional characteristics of each country, can improve labor market resilience and promote more inclusive, stable economic growth in the face of oil market fluctuations.

6. Conclusion

This study confirms the presence of a statistically significant and economically meaningful inverse relationship between oil price fluctuations and unemployment rates in OPEC Plus countries. The results demonstrate that higher oil prices are associated with lower unemployment rates, with a fixed-effects regression showing a significant coefficient of -0.0167 ($p = 0.0005$). This finding highlights the importance of oil revenues as a driver of labor market performance in oil-exporting economies.

Given this dependency, policymakers must adopt forward-looking strategies that promote economic diversification, reduce reliance on oil revenues, and build institutional resilience to buffer against oil price volatility. Integrating inflation and interest rates into the model further enhances the robustness of the findings and affirms that oil price movements have a distinct impact on employment, even when broader macroeconomic factors are considered.

While the model employed in this study captures key dynamics, it does not explicitly test for panel unit root or cointegration. Future research is encouraged to apply more advanced techniques such as dynamic panel models, panel ARDL, or GMM estimators to assess causality and long-term interactions. Additionally, incorporating institutional quality, labor market structure, and fiscal policy orientation could provide richer insights into how countries can manage oil-induced employment shocks more effectively.

Limitations and Future Research

While this study utilizes a robust panel regression framework with relevant diagnostic tests, it does not explicitly test for stationarity using panel unit root methods due to technical constraints. Future research could benefit from employing panel cointegration and causality tests to further validate the dynamic relationship between oil prices and unemployment. Additionally, the model could be extended to include interaction effects with other macroeconomic variables or institutional factors. These limitations do not invalidate the findings but highlight directions for future methodological enhancement.

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