



## JOURNAL OF LEADERSHIP AND DEVELOPMENT

Volume 1, Number 3 (December, 2025)

ISSN: 1595-9457 (online); 3093-0618 (print)

Website: <https://jppssuniuyo.com/jld> Email: [jppssuniuyo@gmail.com](mailto:jppssuniuyo@gmail.com)

Received: December 22, 2025 Accepted: December 30, 2025 Published: December 31, 2025

Citation: Sinclair, George A. (2025). "Labour Market Governance and Economic Performance in Nigeria: A Public Administration Perspective." *Journal of Leadership and Development*, 1 (3): 143-157.

Article

Open Access

### LABOUR MARKET GOVERNANCE AND ECONOMIC PERFORMANCE IN NIGERIA: A PUBLIC ADMINISTRATION PERSPECTIVE

George Adioni Sinclair

Department of Public Administration, Mewar International University, Masaka, Nigeria

Email: [next2george@gmail.com](mailto:next2george@gmail.com)

#### Abstract

Despite Nigeria's demographic advantages, the labour market remains constrained by pervasive informality, high under-employment, skills mismatches, and weak institutional coordination, limiting productivity and inclusive growth. In this context therefore, labour market outcomes are not solely determined by economic forces but are profoundly shaped by governance structures and administrative capacity. This paper examined the governance of Nigeria's labour market and its implications for national economic performance from a public administration perspective. Drawing on data from the Nigeria Labour Force Survey (2024) and a critical review of relevant literature, the study analyses how institutional arrangements, policy design, and implementation capacity influence economic performance within Nigeria's macroeconomic context. It argues that deficiencies in labour market governance rather than labour supply constraints alone are central to persistent employment challenges. Recent policy initiatives, including the revised National Employment Policy (2025), are examined as potential instruments for strengthening coordination, improving skills development, and promoting employment formalisation. The paper concluded by advancing policy recommendations grounded in public administration principles, emphasizing institutional strengthening, inter-agency coordination, accountability, and evidence-based policymaking as essential for repositioning the labour market as a catalyst for sustainable national development.

**Keywords:** Labour Market Governance, Public Administration, Economic Performance, Informal Employment, Institutional Capacity, Nigeria.

Copyright © 2025 By JLD. Publishers: Omega Books

This is an open access article which permits unrestricted use provided the work is properly cited.

## **Introduction**

Labour markets occupy a central position in national development. It serves as the primary mechanism through which human resources are mobilised, incomes are generated, and economic growth is translated into social welfare. Beyond their economic function, labour markets shape patterns of inequality, social mobility, and political stability, making them a critical concern for public administration and governance (World Bank, 2023). For developing economies in particular, the effectiveness of labour market governance often determines whether demographic change becomes a demographic dividend or a source of persistent socio-economic strain. Nigeria presents a compelling case for examining labour market governance. As Africa's most populous country, with a rapidly expanding and predominantly youthful working-age population, Nigeria possesses significant human capital potential. However, this potential has not been fully harnessed. Despite its status as one of the continent's largest economies, Nigeria's labour market continues to be characterised by widespread informal employment, high levels of underemployment, and persistent structural mismatches between labour supply and demand (National Bureau of Statistics [NBS], 2024). These challenges have constrained productivity growth, weakened income security, and limited the capacity of the labour market to contribute meaningfully to inclusive and sustainable economic development. The performance of Nigeria's labour market cannot be understood solely through market-based explanations. Labour market outcomes are deeply shaped by governance arrangements, institutional capacity, and policy coherence. Well-governed labour markets facilitate efficient allocation of labour, support fair and productive employment relationships, and enhance economic resilience in the face of shocks. In contrast, weak labour market governance—manifested through fragmented policy frameworks, inadequate enforcement of labour regulations, limited inter-agency coordination, and weak data systems—undermines employment quality and economic performance. These governance challenges are particularly pronounced in Nigeria, where historical policy inconsistencies and institutional capacity constraints have limited the effectiveness of labour market interventions.

Against this backdrop, understanding the relationship between labour market governance and economic performance is both timely and necessary. For policymakers and public administrators, improving employment outcomes requires more than macroeconomic growth; it demands deliberate governance strategies that align labour market institutions, education and training systems, and social protection mechanisms. This study contributes to the public administration literature by examining how governance structures and administrative capacity shape labour market outcomes in Nigeria, and how these outcomes, in turn, influence broader economic performance. Specifically, the paper analyses current labour market conditions in Nigeria, with particular attention to informality, underemployment, and skills utilisation. It examines the role of labour market governance frameworks including policy design, institutional arrangements, and implementation mechanisms and assesses their interaction with macroeconomic conditions. By adopting a public administration lens, the study highlights the centrality of institutional effectiveness, coordination, and accountability in shaping employment outcomes. Ultimately, the paper seeks to demonstrate that strengthening labour market governance is essential for repositioning Nigeria's labour market as a driver of productivity, social inclusion, and national development.

## **Conceptual Framework and Definitions**

**Labour Market Terminology:** The labour market refers to the institutional mechanisms through which workers supply labour and employers demand labour under negotiated conditions, including wages, working hours, and contract terms (International Labour Organization, 2023). It is not only a market for labour transactions but also a system shaped by formal laws, social norms, and administrative practices that determine employment relations, social protections, and workforce development. Two sectors dominate the Nigerian labour market: the formal and informal sectors. The formal sector includes regulated employment with clear legal protections and social security benefits. In contrast, the informal sector comprising petty trading, subsistence agriculture, and unregulated small enterprises lacks formal contracts, social protections, and clear wage structures (NBS, 2024). Evidence indicates that over 93% of Nigeria's employed population engages in informal employment, underscoring the pervasive nature of informality (NBS,2024).

### **Economic Performance Indicators**

Economic performance refers to measures of how well an economy uses available resources to produce goods and services, support employment, and achieve equitable growth. Common indicators include gross domestic product (GDP), labour force participation rates, employment-to-population ratios, unemployment and underemployment rates, and productivity measures. In Nigeria, labour force participation improved to about 79.5% in the second quarter (Q2) of 2024, accompanied by an employment-to- population ratio of 76.1% and a decline in the unemployment rate to 4.3%. These outcomes represent a notable quarter-on- quarter improvement relative to the first quarter (Q1) 2024 when labour force participation was 77.3%, the employment-to- population ratio stood at 73.2%, and unemployment was higher at 5.3% (NBS, 2024).

### **Labour Market Governance**

Labour market governance encompasses the regulatory frameworks, institutional arrangements, and administrative capacities that influence labour market outcomes. Effective governance involves clear policies, strong institutions (such as ministries of labour), data systems, compliance mechanisms, and coordination among stakeholders. In the Nigerian context, labour governance also intersects with broader public administration challenges, including policy coherence, institutional capacity, and implementation fidelity.

### **Theoretical Perspectives**

Analysing labour market governance and economic performance requires grounding in both economic and administrative theories. This is because labour markets are influenced not only by market dynamics but also by institutional structures, policy frameworks, and governance mechanisms. The theoretical foundation provides a lens for understanding how labour markets function, why inefficiencies persist, and how policy interventions can shape outcomes. A combination of Classical, Keynesian, Human capital, Segmented labour market, and institutional theories is particularly useful in the Nigerian context.

### **Classical and Neoclassical Theories**

Classical and neoclassical economic theories posit that labour markets operate as self-regulating systems. According to these theories, wages adjust to balance the supply of and demand for labour, eventually leading to full employment in the long run (Samuelson & Nordhaus, 2010). Markets are therefore assumed to be efficient, with rational actors

responding to price signals such that labour allocation occurs optimally. However, these theories often assume perfect competition, complete information, and flexible wages conditions that rarely exist in developing economies. In Nigeria, rigidities such as minimum wage laws, weak enforcement of labour regulations, skill mismatches, and geographic disparities prevent the labour market from achieving full equilibrium. While classical theory highlights the potential for labour markets to self-correct, it underestimates the role of institutions, governance, and government interventions in shaping labour outcomes.

### **Keynesian Economics**

Keynesian economics challenges the notion of automatic market equilibrium. Keynes (1936) argued that labour markets could experience persistent unemployment due to insufficient aggregate demand, even when wages are flexible. From this perspective, government intervention through fiscal policies, monetary stimulus, and public employment programmes become essential to stimulate economic activity and absorb excess labour supply. In the Nigerian context, Keynesian insights are particularly relevant. The high levels of youth unemployment, underemployment, and informality suggest that demand-side constraints, not just supply-side issues, limit employment opportunities. Social investment programmes, youth empowerment schemes, and government-sponsored vocational training are examples of Keynesian-inspired interventions that aim to increase aggregate demand and stimulate labour market participation. This perspective underscores the importance of policy design, timely implementation, and macroeconomic coordination as critical elements of labour market governance.

### **Human Capital Theory**

Human capital theory emphasises that investments in education, training, and skills development. These enhance worker productivity, earning capacity, and employability (Becker, 1993). In this framework, the quality of a nation's workforce is directly linked to its economic performance. Economies with highly skilled labour forces are better positioned to innovate, attract investment, and compete globally. In Nigeria, disparities in educational attainment and vocational skills contribute to structural inefficiencies in the labour market. A significant proportion of the workforce operates in informal sectors due to limited formal qualifications or technical skills, highlighting the need for robust human capital development strategies. Labour market governance that integrates education policy, vocational training, and lifelong learning initiatives can help align workforce skills with industry demands, improving productivity and economic outcomes.

### **Segmented Labour Market Theory**

Segmented labour market theory recognizes that labour markets are not homogeneous but divided into distinct segments, each with different characteristics, wages, mobility, and working conditions. Typically, the formal sector offers regulated wages, social protections, and career progression, whereas the informal sector is unregulated, low-wage, and precarious. In Nigeria, the labour market is highly segmented. While the formal sector is concentrated in urban centers, government institutions, and multinational corporations, the informal sector dominates employment, particularly in agriculture, small-scale trade, and artisanal work. This segmentation contributes to inequality, underemployment, and low productivity. The theory underscores the importance of governance mechanisms that address disparities between segments through formalization policies, social protections, and skills development to reduce labour market duality.

### **Institutional and Governance Frameworks**

Institutional economics and public administration theories emphasise that formal and informal rules, governance structures, and administrative capacity shape economic outcomes (North, 1990). Labour market governance is influenced by the effectiveness of institutions, the quality of regulatory frameworks, and the capacity of government agencies to implement policies. Public administration theories highlight that effective governance requires coordination, accountability, transparency, and evidence-based policymaking. Weak institutional capacity in Nigeria manifested through inconsistent policy implementation, limited enforcement of labour laws, and fragmented data systems has hindered labour market efficiency. Integrating public administration insights into labour market governance allows policymakers to design and implement interventions that address structural inefficiencies, improve service delivery, and align employment outcomes with broader economic objectives.

### **Synopsis of Theoretical Framework**

Among the theories discussed, the researcher finds the Institutional and Governance Framework as the most appropriate for analysing labour market governance and economic performance in Nigeria. While Classical, Keynesian, Human capital, and Segmented labour market theories each offer valuable insights into specific dimensions of Nigeria's labour market, their explanatory power remains partial when considered in isolation. By contrast, the institutional and governance perspective provides a more comprehensive framework by capturing the structural, regulatory, and policy mechanisms through which labour market outcomes are shaped. Nigeria's labour market challenges cannot be sufficiently explained by market dynamics or aggregate demand conditions alone. Persistent unemployment, widespread informality, and weak job quality are closely linked to institutional deficiencies, including ineffective enforcement of labour regulations, fragmented policy implementation, limited inter-agency coordination, and weak labour market information systems. These governance failures lie beyond the analytical scope of classical and Keynesian models, which primarily emphasise price adjustments and demand management. Although, Human capital theory rightly underscores the importance of education and skills development, the continued prevalence of unemployment and informal employment despite rising educational attainment highlights the constraining role of institutional bottlenecks. Inadequate alignment between education systems, labour market institutions, and industry needs limits the translation of human capital investments into productive and decent employment, reinforcing the centrality of governance structures.

Similarly, Segmented labour market theory accurately characterises Nigeria's dualistic employment structure, where a small formal sector coexists alongside a dominant informal sector. However, the persistence of this segmentation is itself a product of institutional and regulatory weaknesses, including limited social protection coverage, weak formalisation incentives, and regulatory burdens that discourage firm compliance. Ultimately, labour market governance is an inherently policy-driven and administrative process. Institutional and governance frameworks explicitly foreground state capacity, accountability, regulatory effectiveness, and coordination factors that are critical for understanding why well-intentioned labour market policies often fail at the implementation stage in Nigeria. Consequently, this framework offers the most robust foundation for analysing the interaction between labour market governance and economic performance in the Nigerian context.

## **Labour Market Structure in Nigeria**

**Employment and Unemployment Patterns:** Nigeria's labour market is characterized by significant heterogeneity in employment outcomes, reflecting variations across demographic, regional, and sectoral lines. Unemployment remains a persistent challenge, although recent indicators suggest modest improvements. In Second Quarter (Q2) 2024, the national unemployment rate declined to 4.3%, down from 5.3% in First Quarter (Q1) 2024, signaling gradual progress in job creation and labour absorption (Nairametrics, 2024). However, aggregate unemployment rates mask deeper structural issues. Youth unemployment (ages 15-24) remains disproportionately high, reflecting systemic barriers such as skills mismatches, limited access to formal employment, and insufficient alignment between education systems and labour market demands (World Bank, 2020). High youth unemployment not only constrains immediate income generation but also poses long-term socio-economic risks, including increased poverty, social unrest, and underutilization of human capital. Time-related underemployment, defined as individuals working fewer hours than desired or below their skill level, also remains elevated at 9.2%, highlighting underutilization of labour capacity (National Bureau of Statistics, 2024). Underemployment constrains aggregate productivity, reduces household incomes, and limits the capacity of the labour market to contribute meaningfully to economic growth (Osabuohien et al., 2021).

### **Informal Employment Dominance**

A defining characteristic of Nigeria's labour market is the overwhelming prevalence of informal employment, which accounts for approximately 93% of all employed persons (NBS, 2024). This structural dominance has significant implications for productivity, job quality, income security, and social protection coverage. Informal sector work is typically unregulated, low-paid, and highly precarious, limiting workers' access to health insurance, pensions, and employment protections. Informality is disproportionately concentrated among workers with limited formal education. Individuals without formal qualifications are almost entirely absorbed into informal employment, whereas those with tertiary education experience lower rates of informality (Nairametrics, 2024). This divide illustrates the interplay between educational attainment, skill acquisition, and labour market segmentation. High levels of informality also constrain government revenue mobilization and complicate efforts to implement coherent employment and social protection policies.

### **Self-Employment and Workforce Participation**

Self-employment represents another prominent feature of Nigeria's labour market. A substantial proportion of workers operate their own businesses or engage in subsistence activities, particularly in rural areas where agriculture, small-scale trade, and informal enterprises dominate. While self-employment provides resilience and livelihood opportunities, it is often associated with low productivity, limited access to finance, and inadequate social protections (African Development Bank, 2021). Self-employment patterns reflect both opportunity-driven and necessity-driven labour participation. Some individuals pursue entrepreneurship as a means of economic advancement, while others resort to self-employment due to the scarcity of formal job opportunities. This duality underscores the importance of labour market governance in facilitating supportive frameworks such as access to microcredit, skills training, and formalization incentives to enhance productivity and economic contribution of self-employed workers.

### **Regional and Gender Disparities**

Labour market outcomes in Nigeria exhibit pronounced regional disparities, influenced by variations in economic structure, industrial development, and access to education. Urban areas, while offering more formal employment opportunities, often experience higher unemployment rates due to intense competition and concentrated labour supply. Rural areas, by contrast, display higher rates of self-employment and informal work, reflecting limited industrialization and subsistence-oriented economies (Osabuohien et al., 2021). Gender disparities are also persistent. Women continue to face systemic barriers to labour market participation, including cultural norms, limited access to education and training, and discriminatory hiring practices. As a result, women are overrepresented in informal and low-productivity sectors, which constrains their earning potential and economic empowerment (International Labour Organization, 2022). Addressing these disparities through targeted policies such as gender-sensitive education programme, entrepreneurship support, and formal sector inclusion is essential for promoting inclusive economic growth.

### **Governance Frameworks and Labour Policies in Nigeria**

This section examines key governance frameworks and labour policies in Nigeria, with particular emphasis on the National Employment Policy (NEP) 2025, institutional capacity for enforcement, and the regulatory and social protection environment. Labour market outcomes in Nigeria are shaped not only by economic conditions but also by the quality of governance frameworks and the effectiveness of labour related policies. Over time, successive governments have introduced reforms aimed at addressing unemployment, informality, and skills deficits. However, the persistence of labour market challenges highlights the central role of institutional design, administrative capacity, and policy coherence in determining outcomes.

### **National Employment Policy 2025**

In response to enduring labour market challenges, the Government of Nigeria introduced the Revised National Employment Policy (NEP) 2025, developed with technical support from the International Labour Organization (ILO) and other development partners. The NEP 2025 represents a comprehensive policy framework aimed at repositioning employment creation as a central pillar of national development. It seeks to strengthen employment services, enhance labour market information systems, promote skills development, and expand access to inclusive and decent work opportunities across demographic groups, sectors, and regions. A defining feature of the NEP 2025 is its emphasis on governance and coordination. Rather than treating employment as the responsibility of a single ministry, the policy adopts a cross-sectoral approach that integrates education, skills development, industrial policy, social protection, and private sector development. This reflects a public administration perspective that recognises employment outcomes as the product of coordinated institutional action. The policy also highlights the importance of evidence-based decision-making, improved data systems, and monitoring and evaluation mechanisms to ensure responsiveness to changing economic conditions. If effectively implemented, the NEP 2025 has the potential to address longstanding structural weaknesses by aligning labour supply with demand and strengthening the institutional foundations of labour market governance.

### **Institutional Capacity and Enforcement**

Effective labour market governance depends critically on the capacity of institutions to design, implement, and enforce policies. In Nigeria, responsibility for labour market

regulation and employment promotion is primarily vested in the Federal Ministry of Labour and Employment, supported by specialised departments and agencies responsible for employment services, wage determination, industrial relations, and occupational safety. At the subnational level, state and local government institutions also play important roles in labour administration and service delivery. Despite this institutional architecture, enforcement and coordination challenges persist. Public administration constraints such as limited financial and human resources, overlapping mandates, weak inter-agency coordination, and insufficient monitoring systems have historically undermined the effectiveness of labour market institutions. As a result, labour laws are often unevenly enforced, particularly in sectors dominated by informal employment. Strengthening institutional capacity requires sustained investment in administrative systems, professional training for labour inspectors and administrators, and clearer mechanisms for coordination across ministries, departments, and levels of government. Without such reforms, even well-designed labour policies are unlikely to achieve their intended outcomes.

### **Labour Regulations and Social Protections**

Nigeria's labour regulatory framework provides legal standards governing wages, working conditions, and employment relations. However, the practical reach of these regulations remains limited, especially in informal, rural, and small-scale economic activities where regulatory oversight is weak. The large size of the informal sector poses significant challenges for enforcement, contributing to precarious employment conditions, low wages, and limited worker protections. Social protection systems in Nigeria remain underdeveloped and fragmented, with coverage largely concentrated in the formal sector. A significant proportion of workers lack access to unemployment benefits, health insurance, or pension schemes, leaving them vulnerable to economic shocks and income instability. From a governance perspective, strengthening social protection is not only a welfare objective but also a labour market intervention that enhances resilience, supports productivity, and stabilises aggregate demand. Expanding social protection coverage, particularly for informal and self-employed workers, is therefore integral to improving labour market governance and fostering inclusive economic growth.

### **Labour Market Challenges and Economic Impacts**

**Structural Mismatches and Skills Gaps:** One of the most persistent challenges confronting Nigeria's labour market is the growing disconnect between the skills produced by the education and training system and those demanded by the economy. Despite increasing levels of educational attainment, particularly at the secondary and tertiary levels, many graduates lack the technical, vocational, and soft skills required by employers. This structural mismatch has resulted in a paradoxical situation in which a large pool of educated job seekers coexists with unfilled vacancies in key sectors such as manufacturing, construction, information and communication technology, and agribusiness. The roots of these skills gaps lie in weak coordination between education policy, labour market institutions, and the private sector. Curricula in many educational institutions remain overly theoretical and insufficiently responsive to evolving labour market needs. Limited emphasis on technical and vocational education and training (TVET), inadequate internship and apprenticeship opportunities, and outdated training facilities further constrain the development of job-relevant skills. As a result, graduates often enter the labour market without practical

experience or competencies aligned with industry requirements, leading to prolonged job searches, underemployment, or absorption into low-productivity informal activities.

From an economic perspective, structural mismatches and skills gaps impose significant costs on productivity and competitiveness. Firms face higher recruitment and training costs, reduced efficiency, and slower innovation due to shortages of appropriately skilled labour. At the macroeconomic level, the under-utilisation of human capital limits potential output and weakens the economy's capacity to diversify beyond resource-dependent sectors. Persistent skills mismatches also contribute to youth unemployment and underemployment, exacerbating income inequality and social vulnerability. Addressing these challenges requires coordinated governance interventions that integrate education and training systems with labour market demands. Strengthening partnerships between government, educational institutions, and the private sector, expanding TVET and work-based learning programmes, and improving labour market information systems can help reduce skills mismatches. From a public administration perspective, effective coordination, policy coherence, and institutional capacity are essential to ensuring that investments in human capital translate into improved employment outcomes and stronger economic performance.

### **Informality and Economic Productivity**

The predominance of informal employment remains one of the most defining features of Nigeria's labour market and a major constraint on economic productivity. A substantial proportion of the workforce is engaged in informal activities characterised by low wages, unstable employment relationships, and limited regulatory oversight. While the informal sector plays a critical role in absorbing labour and providing livelihoods, particularly in the absence of sufficient formal employment opportunities, its dominance has profound implications for productivity, fiscal capacity, and long-term economic transformation. Informal jobs are typically associated with low levels of capital investment, limited access to formal credit, and minimal use of modern technology. Small and micro-enterprises operating informally often lack legal recognition, which restricts their ability to access financial services, participate in formal value chains, or benefit from government support programmes. Consequently, productivity levels in the informal sector remain low, and opportunities for innovation, skills upgrading, and economies of scale are severely constrained. This limits the capacity of both workers and enterprises to move into higher value-added activities.

From a macroeconomic perspective, widespread informality weakens economic performance by reducing aggregate productivity and hindering economic diversification. Informal enterprises tend to operate in low-productivity sectors such as subsistence agriculture, petty trade, and small-scale services, reinforcing structural dependence on low value-added activities. In addition, informality narrows the tax base, constraining public revenues and limiting the government's ability to invest in infrastructure, education, and social services that are essential for productivity growth. The absence of social protection for informal workers further increases vulnerability to economic shocks, undermining labour market stability and aggregate demand. Addressing informality therefore requires a governance-oriented approach that balances livelihood protection with productivity enhancement. Policies aimed at simplifying business registration, expanding access to finance, providing targeted business development services, and extending social protection coverage can create incentives for gradual formalisation. From a public administration perspective, improving institutional coordination, reducing regulatory barriers, and

strengthening enforcement mechanisms are critical to integrating informal workers and enterprises into the formal economy. Such integrations are essential not only for improving job quality but also for enhancing national productivity and supporting Nigeria's broader economic development objectives.

### **Youth Unemployment and NEET Challenges**

Youth labour market outcomes represent one of the most pressing challenges for Nigeria's socio-economic development. A substantial proportion of young Nigerians particularly those aged 15 to 24 are classified as NEET, meaning they are Not in Education, Employment, or Training. This disengagement reflects both structural deficiencies in the education system and limited access to formal employment opportunities, creating a vulnerable demographic cohort that is poorly integrated into productive economic activity. The NEET phenomenon has significant long-term economic and social implications. Economically, high levels of youth disengagement translate into under-utilisation of human capital, lower aggregate productivity, and constrained innovation potential. Many NEET youths are forced into informal or precarious work when opportunities arise, perpetuating low-income cycles and limiting the accumulation of skills or experience that could enhance employability. This dynamic hamper Nigeria's capacity to diversify its economy and limits the effectiveness of broader human capital investments. Socially, youth disengagement poses risks to social cohesion and political stability. Extended periods of unemployment or underemployment can foster frustration, increase vulnerability to criminality or radicalisation, and exacerbate regional inequalities, particularly in conflict-prone areas of northern Nigeria. These risks underscore the importance of integrating youth employment strategies within the broader framework of national development and public administration.

Addressing youth NEET challenges requires a multi-pronged governance and policy approach. The Revised National Employment Policy (NEP) 2025 explicitly prioritises youth engagement through targeted skills development programmes, entrepreneurship support, apprenticeship schemes, and improved access to information about employment opportunities. Enhancing coordination between educational institutions, training providers, and the private sector is essential to ensure that curricula and vocational programmes equip young people with skills relevant to labour market demands. Furthermore, expanding access to finance, mentorship, and social protection for youth-led enterprises can foster inclusive employment and promote economic resilience. From a public administration perspective, the NEET challenge highlights the critical role of institutional effectiveness, inter-agency coordination, and policy implementation capacity. Policies that fail to account for local labour market realities, gender disparities, and regional economic differences risk leaving significant portions of the youth population disengaged. Strengthening monitoring and evaluation systems, improving labour market information dissemination, and designing evidence-based interventions are therefore essential for reducing NEET rates and enabling young Nigerians to participate fully in the economy.

### **Gender Disparities and Labour Market Access**

Gender disparities remain a persistent challenge in Nigeria's labour market with important implications for both economic efficiency and social equity. Qualitative evidence suggests that women's labour market performance are shaped not only by participation rates but also by the nature and quality of employment available to them. Women are disproportionately concentrated in informal, low-wage, and low-productivity activities, particularly in small-scale trading, subsistence agriculture, and domestic work sectors characterised by limited

job security, weak social protection, and constrained opportunities for skills upgrading. Beyond sectoral segregation, women's experiences within the formal labour market reveal systematic disadvantages. Interviews and institutional assessments point to gender-based wage differentials, occupational crowding, and restricted access to career progression often reinforced by workplace norms that undervalue women's leadership potential. Women remain markedly underrepresented in managerial, technical, and decision-making positions, reflecting both discriminatory hiring practices and limited access to professional networks and mentorship. These outcomes are underpinned by a combination of structural, social, and institutional barriers.

Social norms related to caregiving responsibilities and mobility constraints continue to shape women's job choices, while institutional weaknesses such as inadequate childcare infrastructure, limited enforcement of labour protections, and gender-blind employment policies further constrain women's ability to engage in stable and productive work. Collectively, these qualitative factors help explain why improvements in aggregate labour market indicators have not translated into equitable gains for women's economic empowerment. Cultural and social norms play a critical role in shaping labour market outcomes for women. Societal expectations around caregiving, household responsibilities, and mobility restrictions constrain women's employment choices and limit their availability for formal or full-time work. In addition, inadequate childcare infrastructure and family support policies exacerbate these constraints, forcing many women to opt for informal, flexible, or part-time employment that is typically less secure and lower paying. Access to finance, technology, and markets is another key barrier. Women entrepreneurs often face difficulties in obtaining credit due to limited collateral, restrictive lending practices, and exclusion from formal financial networks. This limits the capacity of women-led businesses to scale, innovate, or participate effectively in value chains, perpetuating cycles of low productivity and income inequality.

The economic implications of gender disparities are substantial. By under-utilising women's skills, knowledge, and labour potential, Nigeria's economy foregoes significant productivity gains, reduced poverty, and broader human capital development. Studies indicate that narrowing gender gaps in employment and entrepreneurship could substantially increase GDP and improve the inclusivity of economic growth. Addressing these disparities requires deliberate governance and policy interventions. The Revised National Employment Policy (NEP) 2025, emphasises gender-responsive measures, including targeted skills development programmes for women, incentives for female entrepreneurship, and mechanisms to promote equal access to employment opportunities. From a public administration perspective, successful implementation depends on institutional capacity to design and enforce gender-sensitive policies, integrate gender considerations into labour market planning, and monitor outcomes effectively. Expanding social protection, improving childcare infrastructure, and promoting flexible work arrangements are also critical to enabling women to balance economic participation with caregiving responsibilities. Ultimately, reducing gender disparities is not only a matter of social justice but also a strategic economic imperative. By creating an inclusive labour market that supports women's full participation, Nigeria can harness untapped human capital, enhance productivity, and achieve more equitable and sustainable economic growth.

## **Labour Market Governance and Economic Performance**

**Mechanisms Linking Governance and Growth:** Effective labour market governance strengthens economic performance through multiple interrelated mechanisms. First, efficient resource allocation ensures that labour supply aligns with demand across sectors, reducing skills mismatches and underemployment. Transparent and responsive labour market information systems are essential in this process, providing policymakers, employers, and workers with accurate data to guide employment decisions, wage setting, and workforce planning (OECD, 2019). Second, skills development represents a critical pathway through which governance influences growth. Public investment in education, vocational training, and lifelong learning enhances human capital, improves worker productivity, and fosters innovation. Countries with well-developed skills ecosystems experience higher rates of technological adoption, industrial competitiveness, and economic diversification (Becker, 1993; World Bank, 2020). Third, formalisation incentives play a central role in bridging the gap between the informal and formal labour markets. Policies such as tax breaks, simplified registration procedures, and access to social protections encourage informal enterprises to integrate into the formal economy. This transition increases social security coverage, enhances government revenue mobilization, and strengthens the capacity of the state to regulate and support labour market development (ILO, 2018). Fourth, inclusive labour policies targeting youth, women, and marginalized regions expand labour force participation and promote equitable growth. By reducing systemic barriers, such policies not only improve social cohesion but also tap into underutilized human capital, thereby increasing overall economic productivity (African Development Bank, 2021).

### **Empirical Evidence from Nigeria's Labour Market**

Empirical evidence from Nigeria's labour market reveals a pattern of measured short-term improvement alongside deep-seated structural constraints in labour market governance. The national unemployment rate declined to 4.3% in the second quarter (Q2) of 2024, while labour force participation increased to 79.5%, indicating improved labour absorption and utilisation relative to earlier periods (National Bureau of Statistics, 2024). These gains may reflect the combined effects of public employment programmes, skills acquisition initiatives, and post-pandemic labour market adjustments. Notwithstanding these positive trends, informal employment remains overwhelmingly dominant, accounting for approximately 93% of total employment. The prevalence of informality continues to suppress labour productivity, weaken access to social protection, and limit the transmission of employment gains to sustained formal-sector growth (NBS, 2024). As a result, improvements in headline labour market indicators have not translated into commensurate gains in job quality or economic security. This coexistence of improving aggregate indicators and persistent informality underscores the structural dualism of Nigeria's labour market. It highlights the limits of employment expansion in the absence of effective labour market governance, institutional enforcement, and human capital alignment. The evidence points to the need for comprehensive governance reforms that address informality, regional employment inequalities, and skills mismatches in order to fully mobilise Nigeria's labour force as a driver of inclusive and sustainable economic growth.

### **Policy Coherence and Public Administration**

The effectiveness of labour market governance in promoting economic growth is contingent on adherence to key public administration principles, including accountability, transparency,

coordination, and evidence-based policymaking (Denhardt & Denhardt, 2015). Policies targeting the labour market must be coherent with broader economic strategies, such as industrial development, education reform, and social protection programme to maximize their impact. For instance, aligning vocational training programme with the needs of emerging industries improves employability and reduces skills mismatches. Integrating social protection schemes with formalisation incentives encourages informal sector workers to participate in the formal economy, thereby increasing revenue mobilization and enhancing economic resilience. In essence, policy coherence ensures that labour market interventions are mutually reinforcing, creating a governance environment that not only improves labour outcomes but also drives sustainable economic performance.

### **Policy Recommendations**

To strengthen labour market governance and enhance its contribution to sustainable economic performance in Nigeria, a comprehensive and coordinated set of policy interventions is required. These recommendations address structural weaknesses in skills development, informality, data systems, social protection, inclusivity, and institutional capacity.

- i. **Enhance Skills Development and TVET Systems:** Nigeria's labour market is characterized by persistent skills mismatches between labour supply and industry demand. Strengthening Technical and Vocational Education and Training (TVET) systems is therefore critical. Education and training curricula should be regularly updated in collaboration with the private sector to reflect current and emerging labour market needs, particularly in areas such as digital skills, renewable energy, agro-processing, and manufacturing. Expanding apprenticeship programmes, work-based learning, and public-private partnerships can improve school-to-work transitions. Additionally, investment in teacher training, modern training facilities, and certification frameworks will enhance the quality and credibility of vocational qualifications, thereby improving employability and productivity.
- ii. **Formalise Informal Employment:** Given that the informal sector accounts for a large proportion of employment in Nigeria, policies aimed at formalisation are essential for improving job quality and expanding the tax base. Formalisation should be incentive-based rather than punitive. Measures such as access to microcredit, business development services, digital financial tools, and simplified business registration processes can lower the cost of entering the formal economy. Providing legal recognition, access to markets, and social protection benefits can further encourage informal enterprises and workers to formalise. Gradual and sector-specific approaches are necessary to avoid disrupting livelihoods while promoting productivity and decent work.
- iii. **Strengthen Labour Market Information Systems (LMIS):** Effective labour market governance depends on reliable and timely data. Strengthening labour market information systems will improve evidence-based policymaking and labour market forecasting. This includes investing in regular labour force surveys, integrating administrative data across ministries and agencies, and leveraging digital platforms for real-time data collection. Improved data disaggregation by age, gender, region, and sector will enable policymakers to design targeted interventions for vulnerable groups, particularly youth and women. A robust LMIS will also enhance transparency, reduce policy fragmentation, and support private sector decision-making.

- iv. **Expand Social Protections:** Expanding social protection coverage is vital for improving economic security and labour market resilience. Current social safety nets in Nigeria cover only a limited segment of the workforce, particularly excluding informal workers. Extending social protection to informal and self-employed workers through contributory and non-contributory schemes can reduce vulnerability and income shocks. Strengthening unemployment insurance mechanisms, occupational health and safety standards, and minimum wage enforcement will improve job quality and worker welfare. Enhanced social protection also supports aggregate demand by stabilizing incomes during economic downturns.
- v. **Promote Inclusive Employment Policies:** Labour market policies must be inclusive to ensure broad-based economic growth. Gender-responsive employment policies such as equal pay enforcement, childcare support, and workplace protections can increase female labour force participation. Youth employment initiatives should focus on entrepreneurship support, digital skills development, and targeted wage subsidies to ease entry into the labour market. Regionally targeted employment programmes are also necessary to address spatial inequalities, particularly in rural and conflict-affected areas. Inclusive policies not only reduce disparities but also maximize the productive potential of Nigeria's diverse labour force.
- vi. **Improve Institutional Capacity and Governance:** Weak institutional capacity remains a major constraint on effective labour market governance in Nigeria. Strengthening institutions requires investment in human resources, digital systems, and administrative efficiency within labour-related ministries and agencies. Improved inter-agency coordination is essential to align education, employment, and social protection policies. Establishing clear monitoring and evaluation frameworks will enhance accountability and ensure that labour market interventions achieve their intended outcomes. Transparent and participatory governance processes can also build trust among stakeholders and improve policy compliance.

## **Conclusion**

This study affirms that labour market governance plays a central role in shaping Nigeria's economic performance. While recent improvements in employment indicators are encouraging, structural issues such as pervasive informality, skills gaps, and weak institutional capacity continue to limit the labour market's potential contribution to inclusive growth. Public administration frameworks that prioritise coordinated policy action, institutional strengthening, and evidence-based interventions are essential for enhancing labour market governance. By aligning policy instruments with human capital development, formalisation initiatives, and inclusive employment strategies, Nigeria can achieve more resilient and equitable economic performance.

## **References**

- African Development Bank (ADB, 2021). *African economic outlook 2021: From debt resolution to growth-The road ahead for Africa*. African Development Bank.
- Becker, G. S. (1993). *Human capital: A theoretical and empirical analysis with special reference to education* (3rd ed.). University of Chicago Press.
- Business Day Nigeria. (2024). *10 key takeaways from Nigeria's 2024 labour force survey*. <https://businessday.ng/news/article/10-key-takeaways-from-nigerias-2024-labour-force-survey/> << Accessed on the 11/11/2025 >>

- Denhardt, J. V., & Denhardt, R. B. (2015). *The new public service: Serving, not steering* (4th ed.). Routledge.
- International Labour Organization. (ILO, 2018). *World employment and social outlook: Trends 2018*. International Labour Office.
- International Labour Organization. (ILO, 2023). *World employment and social outlook: Trends 2023*. <https://www.ilo.org/global/research/global-reports/weso/trends2023> << Accessed on the 05/12/2025>>
- Keynes, J. M. (1936). *The general theory of employment, interest and money*. Macmillan.
- Lagos Business News. (2024). *Nigeria's labour market in 2023: Unemployment at 5.4%, informal jobs dominate workforce*. <https://lagosbusinessnews.ng/2024/09/25/nigerias-labour-market-in-2023-unemployment-at-5-4-informal-jobs-dominate-workforce/> << Accessed on the 20/11/2025>>
- Nairametrics. (2024). *Workers with no formal education account for 99% of informal jobs in Nigeria*. <https://nairametrics.com/2024/11/26/workers-with-no-formal-education-account-for-99-of-informal-jobs-in-nigeria-nbs/> << Accessed on the 19/10/2025>>
- Nairametrics. (2024). *Nigeria's unemployment rate drops to 4.3% in Q2 2024*. <https://nairametrics.com/2024/11/25/nigerias-unemployment-rate-drops-to-4-3-in-q2-2024-down-from-5-3-in-q1-nbs/> << Accessed on the 21/12/2025>>
- National Bureau of Statistics. (NBS, 2024). *Nigeria Labour Force Report Q2 2024*. [https://www.nigerianstat.gov.ng/pdfuploads/NLFS\\_Q2\\_2024.pdf](https://www.nigerianstat.gov.ng/pdfuploads/NLFS_Q2_2024.pdf) << Accessed on the 21/10/2025>>
- National Employment Policy (NEP, 2025). *A Bold Step Toward Inclusive Growth and Decent Work for All* | ILO. (2025). International Labour Organization. <https://www.ilo.org/resource/news/nigeria-launches-national-employment-policy-2025-bold-step-toward-inclusive> << Accessed on the 28/10/2025>>
- North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press.
- Organisation for Economic Co-operation and Development. (OECD, 2019). *OECD employment outlook 2019: The future of work*. OECD Publishing.
- Osabuohien, E. S., Efobi, U. R., Odebiyi, J. T., Fayomi, O., & Salami, A. O. (2021). *Governance and employment outcomes in Africa*. Springer.
- Samuelson, P. A., & Nordhaus, W. D. (2010). *Economics* (19th ed.). McGraw-Hill.
- World Bank. (2020). *World development report 2020: Trading for development in the age of global value chains*. World Bank.
- World Bank. (2023). *Nigeria economic update*. World Bank.