



Job Creation Programmes, Unemployment and Labour Market Policies in Nigeria

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Abstract

Governments often launch job creation programmes during economic downturns to directly tackle rising unemployment rates. Job creation remains a central priority of Nigeria's labour market policies due to the country's persistently high rates of unemployment, underemployment, and informality. Despite numerous interventions such as the National Directorate of Employment (NDE), N-power, You Win, and various agricultural and entrepreneurship schemes, the outcomes have been limited in scope and sustainability. This work examines the major issues confronting job creation programmes within Nigeria's labour market teamwork. A critical challenge is the persistent mismatch between the skills supplied by educational institutions and the demands of the labour market, leaving many graduates unemployed, while reliance on oil revenues undermines the sustainability of job creation programmes, as funding fluctuates with global oil prices, while non-oil sectors remain underdeveloped. The study identifies high informality in the labour market, weak institutional coordination, and limited monitoring mechanisms as further constraints on effective programme delivery. The



paper also examines how political interference and patronage often compromise transparency, while regional and gender disparities hinder inclusivity, with women and northern youth disproportionately excluded. Moreover, most interventions are short-term and fail to create permanent or private sector-driven employment, as poor infrastructure, insecurity and business environment challenges limit private investment in creation. The study highlights Nigeria's job creation programmes that have been unable to address the structural causes of unemployment, poverty, and inequality. The study adopted the data collection method by contacting texts and journals for more information. In conclusion, meaningful progress requires a comprehensive approach that strengthens institutional capacity, fosters economic diversification, enhances skill development designed for market needs, and creates an enabling environment for private sector-led job creation.

Keywords: Job Creation, Unemployment, Labour Market Policies, Informal Sector Economic Diversification, Nigeria.

Introduction

Governments often launch job creation programmes during economic downturns to directly tackle rising unemployment rates. These initiatives can range from large-scale infrastructure projects to expanding the public sector workforce. By investing in sectors that require substantial labour input, such as construction, transportation, and public services, governments can create immediate job opportunities and stimulate overall demand in the economy.

For example, many governments used infrastructure investment as a key component of their recovery strategies during the Covid-19 pandemic, providing employment for thousands while simultaneously enhancing the nation's physical infrastructure.

Nigeria, as Africa's largest economy and most populous country, has faced persistent challenges with unemployment, underemployment, and informality in the labour market over the years; the government has introduced several job creation initiatives aimed at reducing unemployment and promoting economic inclusion in key programmes like National Directorate of Employment established in 1986 to design and implement programmes such as vocational skills development, small-scale enterprises,



and rural employment schemes; and the Youth Enterprise with innovation in Nigeria and N-power programmes. These programmes aimed at providing grants and business support to young entrepreneurs to stimulate job creation through small and medium-sized enterprises (Adebayo, 2019).

The N-Power programme is part of the National Social Investment Programme, designed to provide temporary employment, skills acquisition, and training opportunities for unemployed graduates and non-graduates.

Job creation programmes, unemployment, and labour market policies in Nigeria are interconnected challenges requiring coherent strategies. While several interventions have been implemented, Unemployment persists largely due to structural economic weakness, poor policy implementation, and lack of coordination. Sustainable solutions require strengthening vocational and digital skills development, improving access to finance for entrepreneurs, creating an enabling environment for private sector job creation and integrating social protection systems to custom vulnerable groups (Ademkinju, 2020).

Policy Response to Unemployment

Nigeria's policy responses to unemployment have been diverse but fragmented. To make them effective, the government must strengthen implementation, integrate digital and green economy opportunities, expand social protection, and ensure stronger collaboration with the private sector.

Nigeria's unemployment problems have attracted a wide range of policy responses from the government and development partners. These policies are designed to reduce joblessness, promote employability and foster economic growth. They can broadly be grouped into employment creation, skill development, social protection, and structural economic policies. Addressing unemployment effectively requires a range of policy interventions tailored to the specific causes of joblessness. Governments around the world employ various strategies to reduce unemployment and its social and economic impacts. Such as ALMPST.

Active labour market policies (ALMPs) aim to increase the employability of job seekers and enhance the efficiency of the labour market. These policies are designed to improve the match between available jobs and workers' skills, thereby reducing both frictional and structural unemployment. ALMPs often include job training programmes, employment services, and financial incentives for employers to hire unemployed individuals (Ayakaiya, 2016).

However, job training programmes help individuals develop skills that are in high demand, facilitating transitions into new roles or industries. For example, as the



demand for help workers from declining sectors, such as coal mining, to gain the skills needed for these emerging industries. Employment services, such as job placement agencies, also play a crucial role in matching job seekers with suitable openings, thereby reducing the time and costs associated with job searches.

Subsidised employment, where governments offer financial incentives to employers to have long-term unemployed individuals, is another important component of ALMPs. These subsidies lower the cost of hiring and encourage firms to create new job opportunities, especially for individuals who have been out of work for extended periods. By actively engaging with the labour market, ALMPs promote long-term employment stability and reduce both frictional and structural unemployment.

An unemployment insurance policy provides temporary financial assistance to individuals who have lost their jobs. This support is crucial in helping individuals' transition between jobs without facing severe economic hardship. However, policymakers must carefully design unemployment insurance programmes to avoid creating disincentives for re-entering the labour force. If benefits are too generous or last too long, some individuals may opt to remain unemployed rather than actively seeking work.

To address these concerns, unemployment insurance programmes often included conditionalities, such as requiring recipients to participate in job training, attend job search seminars, or prove that they are actively seeking work. These conditions help ensure that unemployment insurance supports individuals during periods of unemployment while encouraging them to rejoin the workforce as quickly as possible (Anyaduke, 2012).

This research highlighted properly calibrated unemployment insurance programmes, which help in smoothing transitions in the labour market and reducing the negative effects of unemployment without discouraging job-seeking behaviour.

Nigeria's unemployment problem has attracted a wide range of policy responses, such as direct job creation and public works programmes, which aimed at creating jobs directly, particularly for the youth and vulnerable groups. Examples are N-power programmes, public work programmes and the graduate internship scheme. Skill development and vocational training policies and skill mismatches are major contributors to unemployment. To address this, the government has promoted vocational and technical training, from the National Directorate of Employment (NDE), established in 1986, to private training in vocational trades, entrepreneurship, and small-scale business development (Apata, 2019).

Another one is YOUWIN (Youth Enterprise with Innovation in Nigeria), which supported young entrepreneurs with training, mentorship and grants. Technical and



Vocational Education and Training (TVET) policy framework: Aims to integrate technical education with labour market needs.

Entrepreneurship and MSME development policies: Since the formal labour market cannot absorb the large workforce, this policy has focused on encouraging self-employment and entrepreneurship support (yes) programmes, which provide loans and capacity-building support to young entrepreneurs. Another is the Central Bank of Nigeria (CBN) intervention funds: programmes such as the Agricultural Credit Guarantee Scheme and Anchor Borrowers' Programme promote agribusiness employment (Aziz, 2015).

Formalisation strategies in the Nigerian labour market: In Nigeria, a large proportion of the workforce is employed in the informal sector, small businesses, petty trading, artisanal work, subsistence farming and casual labour. This sector absorbs many unemployed individuals but often provides low wages, insecure jobs and a lack of social protection. Formalisation strategies therefore aim to transform informal employment into decent, regulated and productive work, consistent with the International Labour Organization (ILO) decent work agenda.

Formalisation strategies in Nigeria, through regulatory reforms, financial inclusion, social protection, skill development, and business incentives, are essential to making job creation programmes sustainable. While challenges remain, strengthening these strategies can reduce unemployment, expand social protection, and promote inclusive economic growth. The paper highlights the value of formalisation of the informal economy as being crucial for creating a more inclusive labour market. However, the complexity of transitioning workers and enterprises from the informal to the formal economy requires careful consideration (Central Bank, 2015).

One of the most effective formalisation strategies involves simplifying business registration processes and reducing the costs of compliance. By lowering bureaucratic hurdles, especially for micro and small enterprises, governments can facilitate a smoother transition from informality to formality. A successful example of this approach is Rwanda's regulatory reforms, which significantly reduced the time and cost of starting a business (Chen, 2012).

In order to encourage this, the government can introduce fiscal incentives such as tax breaks or reduced social security contributions for small businesses that register formally. These incentives not only encourage compliance but also create a more equitable tax system, as seen in Brazil's Simples Nacional regime, which consolidates taxes for micro and small enterprises, thus promoting formalisation.



Financial inclusion is key to empowering informal workers and businesses. Providing access to credit, insurance, and banking services enables entrepreneurs to grow their businesses, thus creating stable employment opportunities.

These policies also targeted vocational training and skills development programmes that can bridge the gap between the skills required in the formal sector and those possessed by informal workers. This approach not only improves employability but also enhances workers' productivity and income potential (Desoto, 1989).

Offering health insurance to informal workers, either through subsidised programmes or public-private partnerships, can reduce their exposure to economic shocks resulting from illness or injury. Raising awareness and strengthening their legal protection is essential for improving their working conditions. Legal frameworks must be adapted to recognise and protect the rights of workers in non-standard forms of employment.

The persistence of informal employment and labour market segmentation presents complex challenges for policymakers aiming to promote inclusive economic development. Comprehensive strategies that emphasise formalisation, social protection, and skill development are essential to improving labour market conditions for informal workers. By addressing the root causes of informality and offering viable pathways into the formal economy, governments can enhance productivity, reduce poverty, and promote social equity. Sustainable development requires that no worker (formal or informal) be left behind.

This paper provides an in-depth exploration of labour market segmentation and informal employment, emphasising their significance in shaping labour market dynamics, particularly in developing economies. It begins by examining the theory of labour market segmentation, which explains how labour markets are divided into primary and secondary segments, which have distinct job characteristics and worker conditions. The causes of segmentation are discussed, such as regularity, barriers, skill mismatches, and economic necessity, all of which contribute to the growth of informal employment (Egbulony, 2018).

It also examines the social-economic implications of informal employment, highlighting its prevalence in developing countries like Nigeria and the challenges faced by informal workers. These include lack of social protections, vulnerability to economic shocks, and limited access to upward mobility. Additionally, the economic consequences of informality, such as reduced productivity and tax revenue, are analysed.



Social protection for informal workers: Social protection systems must be expanded to include informal workers, ensuring that they are not excluded from the social safety net: for instance, universal basic income is gaining traction as a potential solution for reducing poverty and ensuring economic stability, especially for informal workers. By providing a guaranteed minimum income. Universal basic income can help alleviate the financial pressures faced by those engaged in precarious employment. While controversial, universal basic income has been piloted in several countries, including Nigeria, Finland and India, showing promise in reducing poverty (Ekpo, 2019).

Expanding health insurance coverage and offering health insurance to informal workers, either through subsidised programmes or public-private partnerships, can reduce their exposure to economic shocks resulting from illness or injury.

Besides, labour rights advocacy and awareness raising about labour rights among informal workers and strengthening their legal protection are essential for improving their working conditions. Legal frameworks must be adapted to recognise and protect the right of workers in non-standard forms of employment.

Nigeria has one of the largest informal economies in Africa, with estimates suggesting that over 80% of the workforce operates in the informal sector. These workers include street vendors, artisan transport operators, subsistence farmers, domestic workers, and small-scale entrepreneurs. The informal sector plays a crucial role in job creation and poverty reduction, yet workers in this sector are often excluded from social protection systems, leaving them vulnerable to economic shocks, unemployment, illness and old-age poverty (Federal Ministry, 2016).

In Nigeria, social protection plays a vital role in addressing unemployment. It refers to policies and programmes that reduce poverty and vulnerability by promoting efficient labour markets, reducing exposure to risks and enhancing people's capacity to manage shocks. For Nigeria, this is crucial because unemployment and underemployment, fuel, poverty, inequality and insecurity are still in existence.

For informal workers, social protection is particularly important because it reduces vulnerability to health, income and employment shocks. It encourages formalisation by linking benefits (health insurance, pensions, and credit access) to registration. It books productivity since healthier and more secure workers are more productive. It stimulates job creation by supporting small businesses and self-employed workers to expand. (ILO, 2024).

The strategies for informal social protection workers in Nigeria: this includes Health protection, through the National Health Insurance Authority, which mandated universal health coverage and expanded community-based health insurance schemes to



informal workers. For example, states like Lagos and Kwara have piloted schemes where market women, artisans, and transport workers are enrolled in affordable health packages. Pension and old-age security and unemployment and income support were also introduced. The micro pension plan (2019) under the National Pension Commission (PenCom) allows self-employed persons and informal workers to contribute flexibly to retirement savings (Int. Budget, 2025).

Cooperatives and trade associations are being mobilised to encourage enrolment. Nigeria, unlike some countries, does not have a national unemployment insurance scheme. Instead, support comes through cash transfer and public works programmes. The conditional cash transfer programme provides monthly stipends to poor households, indirectly cashiering unemployed and informal workers. Special public works programmes (2020) offered 774,000 temporary jobs (1,000 per LGA), targeting informal and unemployed workers.

Access to finance and enterprise and empowerment programmes provides microloans to small-scale entrepreneurs. The Bank of Industry (BOI) and Development Bank of Nigeria link financial support to business registration, nudging informal operators toward formality. Skill development and employability were to be developed through the National Directorate of Employment (NDE), which runs skills acquisition and vocational training for artisans, traders, and unemployed youth: digital upskilling initiatives like the Digital Nigeria programme prepare informal digital workers for more secure employment opportunities (National Budget, 2019).

Job Creation Programme in the Nigerian Labour Market: The paper examines the role of job creation programmes in Nigeria, which represent an essential pillar of national labour market policy and economic planning. While they have contributed to employment, skill development and poverty reduction, their impact remains constrained by structural challenges in governance, funding and coordination. Sustainable progress requires aligning these programmes with broader economic reforms, enhancing accountability, and fostering an enabling environment for private sector-led job growth (Nweke, 2017).

In essence, effective job creation programmes are central to unlocking Nigeria's demographic dividend, ensuring inclusive growth, and achieving the Sustainable Development Goals (SDGs) related to decent work and economic prosperity.

Job creation programmes in Nigeria are deliberate policy measures and institutions designed by the government, private sector, and development opportunities to reduce poverty and promote inclusive economic growth. They aim to address Nigeria's chronic unemployment problem, particularly among youths and women, by



enhancing employability, promoting entrepreneurship, and facilitating productive engagement across different sectors of the economy (Nwankwo, 2018).

The Nigerian labour market has historically struggled with high unemployment, underemployment, informality and skill mismatches. Therefore, job creation programmes serve as practical responses to structural and cyclical unemployment, providing a bridge between economic growth and social inclusion.

The main objective of job creation programmes in Nigeria includes reducing unemployment and underemployment, particularly among the youth population. Empowering individuals through skills training, vocational education, and entrepreneurship development. Stimulating economic diversification beyond oil dependence. Encouraging private sector participation in employment generation. Promoting inclusive growth and poverty reduction through targeted social interventions and fostering decent and sustainable jobs in line with International Labour Organization (ILO) standards (Obi, 2019).

Nigeria has implemented numerous national, regional and sectional job creation initiatives since the 1980s. Some of the most significant include the National Directorate of Employment (NDE). Established in 1986, the NDE focuses on skills acquisition, vocational training, small business creation, and rural employment. It runs four core programmes, such as:

- i. Vocational Skills Development
- ii. Small-Scale Enterprises (SSE)
- iii. Special Public Works
- iv. Agricultural Employment

These programmes have trained millions of Nigerians, particularly youths, in trades and entrepreneurship: introduced in 2011, YouWin! promotes entrepreneurship and innovation among young Nigerians by providing grants to fund viable business plans. It helped create thousands of jobs through small and medium enterprise development.

The N-power programme (2016) was part of the National Social Investment Programme (NSIP). N-power provides temporary employment and digital technical skills training to young graduates and non-graduates. Beneficiaries are deployed in areas such as education, agriculture, health and ICT (Odunole, 2015).

The Graduate Internship Scheme (GIS) was implemented under the Subsidy Reinvestment and Empowerment Programme (SURE-P). GIS offered one-year internship placements for unemployed graduates to gain work experience and improve employability. The Small and Medium Enterprises Development Agency of Nigeria,



SMEDAN, was to support job creation through SME promotion, entrepreneurial training, business formalisation, and access to finance.

Agricultural empowerment programmes and initiatives, such as the Anchor Borrowers Programme (ABP), the Youth in Agribusiness Scheme, and the National Fadama Project, create jobs in agriculture and agribusiness value chains, particularly for young people and rural dwellers (Olawala, 2010).

Structural and cyclical unemployment in Nigeria: Unemployment in Nigeria remains a persistent challenge, shaped by both structural and cyclical dynamics. Structural unemployment is driven by deep-rooted issues such as mismatches between education outputs and labour market needs, weak industrialisation, high informality, regional inequalities, and the dominance of the oil sector. These factors have created a long-term disconnect between available jobs and the skills or locations of workers. On the other hand, cyclical unemployment is closely tied to Nigeria's macroeconomic fluctuations, particularly its dependence on oil revenues. Economic downturns, oil price collapses, inflation and global crises such as the COVID-19 pandemic have triggered sharp increases in unemployment by reducing aggregate demand and forcing firms to cut jobs (Ogbeide, 2015).

The interaction between these two forms of unemployment makes the Nigerian labour market highly vulnerable. Even when cyclical conditions improve, structural weaknesses prevent sustainable job absorption. This dual challenge undermines social stability, fuels poverty and inequality, and limits the country's capacity to harness its demographic dividend. Therefore, tackling unemployment in Nigeria requires not just short-term responses to economic shocks but also long-term reforms to address structural deficiencies in the labour market (Adisa, 2019).

Structural and cyclical unemployment in Nigeria's labour market are deeply intertwined. Structural issues such as skills mismatches, weak industrial growth and informality create a persistent baseline of high unemployment. Cyclical downturns driven by oil price shocks, inflation and global crises then worsen the situation, pushing more Nigerians into joblessness and underemployment.

Addressing these challenges requires labour market reforms that improve skills training, economic diversification, social protection systems, and macroeconomic stability to cushion cyclical shocks (Onodugu, 2016), while unemployment in Nigeria requires a dual strategy. Cyclical unemployment must be mitigated with countercyclical fiscal and monetary policies, while structural unemployment must be resolved through reforms in education, industrialisation, and labour market systems. Only by tackling both dimensions simultaneously can Nigeria build a resilient labour market capable of

generating decent and sustainable employment for its rapidly growing population (Oye, 2011).

Conclusion

In essence, effective job creation programmes are central to unlocking Nigeria's demographic dividend, ensuring inclusive growth, and achieving the sustainable development goals related to decent work and economic prosperity. Job creation programmes in Nigeria represent an essential pillar of national labour market policy and economic planning. While they have contributed to employment, skill development, and poverty reduction, their impact remains constrained by structural challenges in governance, funding, and coordination; sustainable progress requires aligning these programmes with broader economic reforms, enhancing accountability, and fostering an enabling environment for private sector-led job growth.

Recommendation

To improve the effectiveness of job creation programmes in Nigeria, policy focus should emphasise:

- i. Long-term investment in education and transparency in programme management
- ii. Institutional strengthening and transparency in programme management.
- iii. Public-private partnership to scale up job creation
- iv. Inclusion of informal sector workers in formalisation and social protection strategies

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