

Gender Inclusion: Informal Economy and Economic Empowerment in Nigeria

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ABSTRACT

The informal economy is a significant contributor to the Gross Domestic Product (GDP) of Nigeria, with women predominantly engaged in informal activities. This study explores the relationship between the informal economy and economic empowerment of women in Nigeria, examining the opportunities and challenges that arise from this intersection. Using qualitative approach, this work investigated how women's participation in informal economic activities affect their economic autonomy, decision-making power, and overall well-being. Findings from this research enterprise suggest that while the informal economy provides a vital source of income for women, it also perpetuates existing gender inequalities and vulnerabilities. This study argue that policies aimed at promoting women's economic empowerment in Nigeria must consider the complexities of the informal economy and prioritize inclusive, gender-sensitive interventions that address the specific needs and challenges of women in informal employment.

Keywords: informal economy, economic empowerment, gender inclusion, women empowerment, Nigeria.

BACKGROUND TO THE STUDY

Gender roles in African societies have been influenced by patriarchy that confine women to be homemaker and men as the provider of family need. As posited by Fadeke Esther Olu-Owolabi, Emmanuel Amoo, Oni Samuel, Adeola Oyeyemi and Gbadebo Adejumo (2020), contemporary studies in demography, economics, and gender analysis have for sometimes acknowledged that gender roles and modifications or alterations in family patterns are intertwined and recent global economic meltdowns, high cost of living and economic hardship have exacerbated the situation, such that hitherto designed roles are beginning to alter with women also assuming economic roles regardless of gender stereotype. Accordingly, women's involvement in the Nigerian informal economy provides them with income that helps them supplement family aggregate income thus to a reasonable degree bringing about their economic emancipation and empowerment. This essay therefore proceeds to propose a framework on the premise that will enable the empowerment of the poor to be conceptually understood and operationally explored.

There are various strands of discourses on gender roles and family stability; however, the prevalent argument according to Vidal and Lersch (2019), is that the traditional female caregiver and male breadwinner societies, that is, gender-role specialization, intensifies couples' reciprocal reliance on each other and thereby upholds family stability. Eugenia Rodríguez, Asif Islam and Mohammad Amin (2023) assert that Women constitute half of the global population, yet their participation in economic activities is far from equal to that of men. Across the globe, women lag men in labour force participation, entrepreneurship, top management positions, and firm productivity. Despite the growing evidence on gender-based gaps and their relevance, a key issue that is largely ignored is how such gaps play out in the informal economies of less developed countries. UN Women, progress of the world's women (2015), observed that from street vendors and domestic workers to subsistence farmers and seasonal agriculture workers, women make up a disproportionate percentage of workers in the informal sector. In South Asia, over 80% of women in non-agricultural jobs are in informal employment; in sub-Saharan Africa, 74%; and in Latin America and the Caribbean, 54%. Similarly, Vivian Malta, Lisa Kolovich, Angelica Martínez Leyva, and Marina M. Tavares (2021) maintain that Women are disproportionately over-represented in the informal economy in more than 90% of countries in sub-Saharan Africa. Women's average share of

informal employment in the region's non-agricultural sector is 83%, whereas for men the share is 72%. When the agricultural sector is included, these shares rise to 94% and 89%, respectively, this position is in line with the view of International Labour Organization (ILO) 2021.

Women's participation in Nigeria's labour force can be holistically discussed from three perspectives. Firstly, many women are engaged in agriculture which is the mainstay of most of the economies in Africa. Secondly, women participate in the formal sector which is also known as the "organized" sector or the "modern" sector. The last is their involvement in the informal sector. Similarly, Nwokoye (2025) insists that women are an integral part of Nigeria's workforce, contributing significantly to the economy despite facing several structural and social barriers. Indeed, the 2024 the World Bank reports that the labour force participation rate in Nigeria stands at a remarkable 83%, well above the global average of 61% and the sub-Saharan African average of 70%. This high participation rate reflect that most Nigerians, especially women, cannot afford to be unemployed due to the lack of widespread social safety net. Furthermore, female labour force participation is nearly as high as that of men at 81% for women versus 84% for men. This scenario according to Nwokoye (2025), challenges the outdated assumption that Nigerian women are active in the labour market, the type of employment they access and the conditions they work under differ significantly from their male counterparts.

Vidal and Lersch (2019), are of the view that there are significant gender differences in the informal economy. Unlike the formal economy, there are more women than men in this economy. For example, more than 95% of the female non-agricultural labour force is reported to be in the informal economy in Benin, Chad and Mali, all of which are not just in the Economic Community of West African States (ECOWAS) sub-region but more generally in the Sub-Saharan Africa. Apart from agriculture, the women's informal economy activities include food processing, handicraft production, and retail trade. The range of their activities tends to be more narrow compared to the diversity of men's activities in the informal economy like transport, manufacturing, construction, auto mechanics and trading. Additionally, women are more likely than men to be in the informal activities that are very small in size and escape counting including production for own consumption and invisible domestic work.

Olu-Owolabi et al (2020) citing (Chima 2018), posits that the informal sector contributes to 60% of Nigeria's entire economy. In like manner, Akintoye (2006), is of the view that the informal sector in Nigeria denotes "economic activities in all sectors of the economy that are operated outside the purview of government regulation. This sector may be invisible, irregular, parallel, non-structured, backyard, underground, subterranean, unobserved or residual". In Nigeria, informal economic activities encompass a range of small-scale and largely self-employment activities. This makes the measurement of the activities in Nigeria's informal sector difficult to measure. Howbeit, Kalu (2022), points out that the informal sector is upbeat, dynamic, retail and subsistence in nature but significantly contribute to the growth of the over all economy.

ILO (2001), points out that as the formal economy is not expanding appreciably in size in Africa (the public sector has, for example been shrinking), it is rather the informal economy that is growing in leaps and bounds as a survival strategy for the jobless and the poor. Therefore, in sub-Saharan countries the informal sector is larger than the formal sector in terms of the numbers of workers participating in it. It is also important to note that there are close linkages between the formal and informal economies. Some of the outputs of the informal economy feed into the formal and vice versa. In the developing world, especially sub-Saharan Africa, the majority of workers are found in the informal economy. Indeed, Olu-Owolabi (2020), states that work in the informal economy currently forms 80% of non-agricultural employment, over 60% of urban work, and over 90% of new jobs. Thus sub-Saharan Africa has the highest proportion of informal to total employment. Apart from the small size of the formal economy and its limited labour absorption capacity, the ease of entry into the informal economy constitutes one of the factors accountable for this trend. Even workers in the formal economy in several of the African countries supplement their low salaries by carrying out a second income earning activity in the informal economy.

There have been multiple published documents on gender, a key resource is a training module prepared by the United Nations Development Programme (UNDP, 2012), international labour organization (ILO) as well as the Women in Informal Employment: Globalizing and Organizing (WIEGO). These agencies have significantly

collaborated on publications on this topic. WIEGO (2016), notes that decent work deficits suffered by the workers (women and men) in the informal sector of the economy include the following:

- a. They are not covered and are, therefore, unprotected by labour and other laws. They, thus, tend to lack rights.
- b. Their work tends to be unstable and also with low income and other poor working conditions. Thus a high proportion of informal economy workers tend to be poor.
- c. They are hardly able to organize for effective representation and, therefore, have no “voice.”
- d. They are unable to benefit from public infrastructure and facilities and often have to rely on “informal, exploitative institutional arrangements for information, markets, credit, training or social security.”
- e. They are sometimes harassed and repressed by city and national authorities.
- f. They face unfair competition from formal sector work and products. For example, women’s handicrafts have in some cases been displaced by products from the formal enterprises.
- g. The workers in the informal economy tend to be poorly educated. A large proportion is without any formal education at all.
- h. They often lack shelter for their operations and are thus subjected to the vagaries of the weather and other occupational health and safety hazards.
- i. They lack appropriate technology, relevant skills, access to loans and markets to be able to upgrade their operations.
- j. Without established employee – employer relations as found in the formal economy, informal economy workers have tended to be ignored by national labour laws.

Siri (2003) citing ILO (2002) opine that people engaged in informal activities have their own political economy their own informal or group rules, arrangements, institutions and structures for mutual help and trust, providing loans, organizing training, transferring technology and skills, trading and market access, enforcing obligations, etc. What we do not know is what these informal rules or norms are based on and whether or how they observe the fundamental rights of workers.

It is important to note that the term ‘informal sector’ was first coined in the 1970s. It was introduced to describe “the activities of the working poor who were working very hard but who were not recognized, recorded, protected or regulated by the public authorities” (ILO 2002). Informal employment is often characterized by job instability, a lack of social protection, lower earnings, and higher gender gaps. UN Women (2016) finds that the gender wage gap in sub-Saharan Africa is 28% for the informal sector, far higher than the 6% gap for the formal sector. Although some of the wage gap can be explained by observable difference especially women, such as job characteristics, number of hours worked, and skills required for the job, gender wage gaps can also reflect gender discrimination-a wage premium for male workers. On another front, male roles were meant to curb women’s extremes and entrench their household decision-making power. Kalu (2022) agree with the study of Schuler and Nazneen (2018) which posits that women’s economic empowerment reduce their dependence on men and has become a threat to family stability and thus could engender divorce risks.

That the informal sector plays key role in the economic development and structure of most emergent economies of the world such as Nigeria cannot be denied. The informal sector according to International Labour Organization (ILO) refers to those parts of the economy that do not fall within the scope of organized economic activities. As a matter of fact, the global rapid expansion of the informal sector in both the economic capitals of the world and the emerging markets, has captured the attention of not only researchers but development experts, government officials, and international agencies (ILO, 2002; Chen, 2007). In view of the vitality and vibrancy generated by the actions of the informal sector globally, Onyebueke and Geyer (2011) citing Mead and Morrisson (1996) and Gërxhani (2004) opine that in the face of the huge plethora of informal sector literature,

some scholars advocate ‘country distinction’ as a scale-bound and context-specific template for gauging both the ‘national’ and ‘global’ accounts of the informality story. Furthermore, While Gërxhani (2004) according to Onyebueke and Geyer (2011) believes that distinctions exist within the broad politico-economic blocs of developed, transition, and developing countries. For Mead and Morrison (1996) as identified by Onyebueke and Geyer (2011), it is even more country-specific due to what they discover to be significant “degree of variability across countries in patterns of informality”, implicit in such scale-bound and context-specific intervention in the worldwide pool of informal sector literature is the comparisons between the ‘national account’ and the ‘global account’ of the informality narrative.

METHOD

This study relies mostly be qualitative, and some degree of semiotic analysis both of which basically make use of documentary evidences from journals, policy papers, books, inclusive of websites of organizations that are familiar with the thematics under review. Additionally, longitudinal approach applies to this study.

Theoretical Foundation

This study anchors on Gender Norm Theory on the one hand, and the Capability Approach on the other. While the interdisciplinary pioneering work of Sandra Bem between 1970s-1990s which has further been built upon by R. W. Connell and Judith Butler in the 1980s and 1990s, as pointed out by Sedlander, Bingenheimer, Long, Swain and Rimal (2022), the understanding of Gender Norm theory has evolved over time through the works of various scholars. Gender Norm theory entails the study of societal expectations and norms surrounding masculinity and femininity, influencing individual behaviours, opportunities and power dynamics. Similarly, Menatallah, Eiman, and Sahar (2024), as well as the Global Gender Gap Report (2024) agree that the Gender Norm theory has its relevance in economic empowerment as the understanding helps to address barriers to women’s economic participation as well as on policy and interventions which informs on policies and programmes that promote gender equality and inclusion. Among the key aspects of this theory are social construction which show that its application vary across cultures and times, whereas, power dynamics often perpetuate inequalities, limiting opportunities for women and non-binary individuals.

The second of the two theories upon which the essay anchors is Capability Approach which provides a framework for the understanding and promoting gender inclusion and economic empowerment by focusing on expanding women’s capabilities and freedoms. This approach which was propounded in 1985 by Amartya Sen has its application to gender inclusion by way of empowering women by enhancing capabilities for education, economic participation, health, etc. It also includes addressing inequalities by identifying and reducing barriers to women’s capabilities as well as promoting agency which is about supporting women’s decision-making and autonomy. Some of the key aspects of this approach are capabilities which is people's abilities to do or be things the value like education, health, economic participation. Similarly, Hicks (2002), has critically examined this approach and concludes that the methodology of Sen employs empirical analysis toward normative ends that can expand the capability of girls and women to function in all aspects of their society. Over all, Capabilities Approach focuses on enhancing individual’s capabilities and freedoms to achieve their goals and well-being. This position has been further strengthened in the seminal work of Amartya Sen (1990).

Conceptual Review

The discourses of this essay at this point identify some of the conceptual tools that are complex and yet, are mutually dependent in the processes leading to the better understanding of gender inclusion and economic empowerment

Gender Inclusion

Gender is defined according to Asuru (2017) as any aspect of the relationship between men and women that involves role assignments with direct or indirect, positive or negative impact on development goals. Similarly, WHO (2025) opine that gender refers to the characteristics of women, men, girls and boy that are socially constructed. More specifically, however, gender inclusion refers to creating an environment where individuals

of all genders feel valued, respected and supported. It also involves promoting equality, diversity, and fairness, ensuring that every person has equal opportunity as well as access to resources, regardless of their gender identity or expression. There have been varying strategies to achieving inclusion notable among which include;

- a. Education and Training; which simply bother on providing learning process on gender inclusion
- b. Community Engagement; this refer to engaging with communities and promoting inclusivity
- c. Leadership Commitment; this means demonstrating leadership commitment to gender inclusion
- d. Policy development; here it is that developing inclusive policies and practices are important in mainstreaming gender inclusion.

Despite the strategies for gender inclusion, there are key aspects of the gender inclusion ecosystem that are worthy of note, these include nut limited to;

- i. Respect and dignity: it is implied that treating individuals with respect and dignity, regardless of their gender is imperative.
- ii. Addressing Biases: It is important at all time to avoid and yet address issues of bias and stereotypes by identifying them
- iii. Equal opportunities: this is to ensure that every person has access to same set of opportunities and resources
- iv. Diversity and inclusion: it is envisaged that there should be embracing of diversity and and promoting inclusive practices
- v. Supportive environment: this is actually designed to create a supportive environment where everyone feels valued.

Kalu (2022) points out that there are certain benefits that come with with gender inclusion such as;

1. Better Decision making: it is expected that that there will be better opportunities that can lead to more informed decisions.
2. Enhanced reputation: this is expected to boost and strengthen reputation and also brand image for corporations.
3. Improved productivity: this improves productivity and performance.
4. Increased diversity: This is at best is expected to foster a diverse and inclusive culture.

Economic Empowerment

Economic empowerment is thought to allow poor people to think beyond immediate daily survival and to exercise greater control over their resources and life choices. Combaz, and Mcloughlin (2014), are of the view that economic empowerment enables households to make their own decisions as concerns making investments in health, and education and taking risks in order to increase their income. It therefore follows that economic empowerment can strengthen vulnerable groups in decision making participation. Combaz, and Mcloughlin (2014) have further confirmed that evidences suggest that economic power is often converted into increased social status or decision making power. Literature in this subject matter is indeed vast, however, a large portion of it is replete with strategic issues that address gender inequality. Generally, discourses on economic empowerment centre on four (4) broad areas including;

- i. the promotion of of the assets of poor people
- ii. Transformative forms of social protection

iii. Microfinance

iv. Skill training

Accordingly, women as posited by DCED (2025) are economically empowered when they have access to resources and have the power and agency to make economic decisions about their resources. Access to resources include access to employment, and decent work, access to land, housing and other productive resources such as water and energy, access to financial resources such as banking institutions, access to social protection services, access to digital space and technology. Obtaining access to these resources furthers the economic empowerment of women and vice, versa. If a woman for instance depend on a plot of land for income and sustenance, but does not own the land, it translates to the fact that she does not have full authority of what to do with the land, and if at any point the owner decides to sell or take back the land, she is certainly not secure of access to land or indeed any similar resource in the long run.

Informal Economy

The informal sector has been identified by Fapohunda (1991) to be a heterogeneous mix that spans a wide range of economic activities. Given that this sector is made up of many unorganized economic activities, it is none the less, a key provider of employment opportunities and income to the populace. This is a clear indication that activities of the informal sector are important not only in Nigeria and other countries of Africa but on a global scale. This study therefore proceeds at this point to examine informal sector by way of definitions in the following paragraph.

Becker (2004) sees the informal sector as the unregulated segment of the market economy that produces goods and services for sale or for other forms of remuneration. Similarly, informal economy are those aspects of the economy that are not completely regulated by the government and its agencies; it is largely made up of enterprises that are neither officially registered nor maintain proper accounts of their transactions (Ezimma, Ifeanyi and Clara, 2020; BOI, 2018). Furthermore, employees of the enterprise are not adequately protected against social injustices or enjoy legal employment benefits. Notwithstanding this unsavoury description, the sector drives the economy of most developing countries and currently claims over 61% of the global active workforce, 85.8% of employment in Africa and over 65% of the labour force in Nigeria (Nnabuife, Ifeanyi and Clara, 2020; Ogunde, 2019).

More often than not, people who work in the informal sector do not declare their income and pay no taxes on them. The term informal sector includes illegal activities, such as drug peddling and smuggling. It also includes car wash stands, cleaning car windshields at traffic lights and traffic jam or even doing work at construction sites. These activities as listed here are mostly seen in Nigerian urban and cosmopolitan cities as Aba, Port Harcourt, Lagos, Abuja, Onitsha, Kaduna, Enugu, Kano etc. According to the international standards adopted by the 15th ICLS, the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. Similarly, Nnabuife et al (2020) citing Ojo (1997) and Lawanson (2011) reveal that informal sectors consist mainly of carpentry, vehicle repairs, other mechanical and electrical enterprises, including watch repairs, ironworks, metallurgy, radio repairs, textile works, including watch repairs, textile companies, including various companies related to sewing and weaving; services such as hairdressing, laundry, photography, etc. and, the retail trade that includes women in the market. Informal sector participants generally live and work under horrific, often dangerous and unhealthy conditions, usually without basic sanitation, in the slums of urban areas.

Onyebueke and Geyer (2011) have succinctly captured the trajectory of informal sector. According to them, whenever the phrase ‘informality’ comes up in informal sector discourse, it often raises some reflexive ideological questions that point to the ‘old wine in a new wine skin’ paradox. This is because, for most of human history, businesses have always had an informal character; and that the process of formalisation only began around the 16th century in Europe and North America-nearly three centuries before the British anthropologist Keith Hart coined the concept of informal sector in 1973 based on his fieldwork in Ghana which highlighted the prevalence of unregulated, unenumerated economic activities among urban workers, challenging traditional notions of formal employment. The Nigerian account of urban informality brings this issue to the fore since early

research on indigenous/traditional enterprises and crafts which of course constitutes informality, actually preceded the 'informal sector' paradigm. It is this early corpus of scholarship that provided the anchor upon which further studies were conducted until its later surrogate, the 'small-scale enterprise' thematic strand made its debut spearheaded by nascent commentators on this subject.

Nonetheless, the informal sector is involved in many challenges despite the sector's contribution to the development of Nigeria's economy. Some of the challenges facing the informal sector include institutional inadequacies, precarious working conditions, poor enforcement, and non-participation of informal entrepreneurs in decision-making. The views of Woodruff (2021) align with those of De Soto (2000) on the reasons behind growth of the informal economy. In addition, the International Labour Organization (2002), Onwe (2013) cited in Nnabuife et al (2020), identifies the under-listed interrelated and overlapping reasons that explain the growth of the informal economy in Nigeria as follows;

- 1) Limited absorption of excess labour: It has been found that the limited capacity of agriculture and the formal economy to absorb excess labour has increased the size of the informal economy in addition to the increasing number of applicants. In countries like Nigeria, the informal economy tends to absorb most of the excess labour as population growth or urbanization increases, particularly in urban areas.
- 2) Restrictions on entry into the formal economy: The formal sector in most developing countries is so saturated that new entrants find it difficult to find opportunities. Entry restrictions are often in the form of monopolistic practices by officials in the formal sector.
- 3) Incapacitation of institutions: The weak ability of formal institutions to provide education, training and infrastructure, as well as other incentives for structural reforms, also contributed to the growth of the informal sector.
- 4) Redundancies: The structural adjustment programs introduced in Nigeria in 1980s and 1990s appear to have fuelled the growth of the informal economy. The observed disappearance of public sector jobs, as well as the closure of non-competitive businesses, forced many laid-off workers to find alternative means of subsistence through the informal economy.
- 5) Preference of capital over labour: Global integration, encouraging foreign companies to cross borders, has not contributed to the absorption of surplus labour. Integration has consistently benefited capital at work, especially for less skilled workers who find it difficult to immigrate. Thus the informal sector provides another avenue for these calibre of workers to get employment.
- 6) Demand for low-cost goods and services: Urban migration and the resulting demand for low-cost goods and services from formal and informal companies have also contributed to the growth of the informal economy.
- 7) Non-committed governments: Many governments in developing economies seem to be unaware of the economic importance of the informal economy and, therefore, have not committed to it. It is often believed that the informal economy will eventually disappear. The result is an informal economy with few government barriers to growth.
- 8) Economic hardship and poverty: Migration from rural cities, mainly due to poverty and lack of public services, has contributed significantly to the development of the informal economy. The lack of adequate mechanisms to help absorb the workforce in the national economy meant that the majority of employment was in the informal economy. This is especially true in developing countries.

Nature of the Nigerian Informal Economy

Whereas this section of this study may not particularly provide a telescopic panorama of the informal economy, it nevertheless, traces its trajectory with regards to what constitutes it. Nnabuife, et al, (2020) citing Cole and Fayissa (1991) agree with Ikeije, Akomolafe and Onuba (2016) whose work emphasized that one of the fundamental problems of policy relating to the informal sector is its inappropriate definition. For instance, while

certain criteria are used to define the informal sector, such as size, ease of entry, legal status, ownership, management and technology; the International Labour Organization (2003) identifies the informal sector by employment categories. ILO perhaps thought informal employment was both self-employment and wages that were often not recognized, regulated, or protected by legal or regulatory frameworks; such employment categories include; Self-employment which are self-employed workers, family business heads, and unpaid family workers; and wage workers which includes informal workers, casual workers without permanent employer, domestic workers, paid domestic workers, temporary and part-time workers, and unregistered workers; whereas, employers according to OECD (2009) includes owners and owners of informal enterprises. Informal employment mainly refers to employment in companies that have no registration and no social security protection for their employees.

Howbeit, the contributions of the informal sector in terms of job creation, capital saving and mobilization, efficiency, strong links with other sectors, use of local technology training for entrepreneurs and self cannot be overemphasized. Nnabuife et al (2020) is of the view that since the early 1980s, Nigeria's economic situation has deteriorated seriously such that income per capita has significantly plummeted while wage employment has diminished. The informal economy as posited by the Bank of Industry-BOI- (2018) has contributed to economic growth and Gross Domestic Product (GDP) accounting for more than half of global employment and up to 90% of employment in some of the poorest developing countries and accounts for 65% of Nigeria's GDP. Despite relatively high participation rates, women in Nigeria continue to face several interlinked challenges within the labour market. Nwokoye (2025), points out that a major concentration of female workers in the informal sector, where jobs are often unstable, poorly paid, and lack legal protections such as sick leave or maternity benefits. Situations of this nature expose women to particularly vulnerable and precarious conditions especially during economic shocks like COVID-19 pandemic where informal jobs were among the hardest hit. In addition, to economic vulnerabilities, cultural norms places a disproportionate share of unpaid care responsibilities on women.

Nigeria according to Onyebueke and Geyer (2011) has the largest informal sector in Africa, a predominance that stems from its massive population which according to World Population Review (2025) stands at 237' 528' 000 with 0.56 in Human Development Index (HDI) as at present and this falls short of current global average of 0.744, which places Nigeria low in human development. In addition, to decades of poor economic performance denoted by a high unemployment rate which according to National Bureau of Statistics (NBS) is 4.3% as of Q2, 2024 as well as multidimensional poverty incidence of 63% or 139million people living in poverty according to the World Bank (2025) poverty rate projection for Nigeria. World Bank (2025) studies reports that Nigeria's informal sector is significantly accounting for over 40% of GDP and an estimated 37.5million people were employed in the sector as of 2019. While employing over 92.7% of the workforce as of Q1, 2024, (NBS, 2024). Similarly, Dell'Anno and Omobola (2020) reports that the size of informal economy is well above 67% with 80.4% according to the World Bank Report (2021) of Nigeria's employment being in the informal sector. World Bank Report (2022), show that 82.1% of women actively participate in the informal sector such as agriculture and small businesses, in comparison to men. Furthermore, World Bank Report (2024) citing collection of development indicators, puts the ratio of female to male labour participation rate in Nigeria at about 95.6%, this figure indicate a relatively high female participation rate in the informal economy.

The ownership structure of most of the enterprises in the informal economy is sole proprietorship, and in a number of cases with the assistance of unpaid family members and/or tenured apprentices. Another of the noteworthy attributes of this sector is its broad activity spectrum that spans the entire segments of the national economy. (Abumere, Arimah & Jerome, 1998). Apart from activity differential, the Nigerian informal sector also has distinct gender and age segmentation. For instance, the informal manufacturing sub sector (food, beverage and tobacco; wears and leather works; metal fabrication; paper and paper products, etc.), women (58.5%) have a slight dominance over men (41.5%), whereas in the non-manufacturing (water supply; building and construction; wholesale and retail trade; repair works, etc.), the reverse is the case with men (65.2%) which is in a clear majority above women (34.8%). Moreover, male-headed enterprises are much more capital-intensive than their female-headed counterparts and as such reported much more profit. For example, the proportion of male-headed enterprises to female-headed ones that reported to be earning above ₦20'000 per month (or US\$2'335) is 95.4% to 4.6%, respectively. It has been identified that these informal sector enterprises are not

only neighbourhood based but has a dominant age group cohort of 20-40 years which accounts for over 50% of the workforce. Although, many informal entrepreneurs do possess secondary school-level education, the accentuated unemployment rate in Nigeria has practically forced an increasing number of better educated persons with polytechnic diploma and university degree to enter into the informal sector which they are slowly dominating. (Onyebueke & Geyer, 2011).

Key Features of the Informal Economy

Kalu (2022), highlights some of the major features of the informal sector. They consist of, but not limited to being;

- a) **Labour-intensive:** This means that more often than not, enterprises in the informal economy do not have access to such equipment as machines and machinery as such they manual skill is used by those involved to produce goods which mostly does not have a perfect finish as would a machine.
- b) **Low-skilled labourers:** Many of the workers in this sector do not possess high skills as could be acquired from University or other tertiary institutions and technical schools. The skills most of them have may have been transferred to them in the course of apprenticeship in that trade. In other words, they are mostly artisans who are desperate enough to work for miserly meagre wages in order to meet their subsistence requirements. These are the category of persons that constitute such labour force.
- c) **Unorganised economic activities:** Most times, the operators in the informal economy are not organized basically because they do not either know how to get organized or do not see the reason to do so or even consider being organized as waste of effort. Sometimes too, they may see getting themselves organized as a ploy by the government to tax and regulate their activities. This breeds suspicion and as such, the sectors largely unorganized.
- d) **Some persons are self-employed in the informal sector because they want to avoid registration and taxation.** In addition to the above listed reasons, some persons who are better informed and sometimes sufficiently literate may simply choose to remain in the informal economy to avoid being regulated. This is more prevalent with persons who are already employed in the formal sector but want to compliment and yet supplement their income which is already being taxed by getting into informal sector as a means of making up for has been lost through taxation.

Howbeit, the informal economy has been identified according to the ILO (2021) to comprises more than half of the global labour force and more than 90% of micro and small-scale enterprises worldwide. Informality is therefore an important characteristic of labour markets in the world with millions of economic units operating and hundreds of millions of workers pursuing their livelihoods in conditions of informality. But many people work in the informal sector through necessity, not choice. There are however two features of the informal sector that are well-recognized. First is that much of the informal economy contributes greatly to the formal economy. Secondly, women constitute the majority of precarious, under-paid, informal workers. Indeed, OECD (2019) in its findings reveal that of the 2 billion workers in informal employment, 740 million are women representing 37.5% of all workers informally employed, however, World Bank Report (2025) show that informal businesses are crucial source of income to people who otherwise might not find employment in the formal regulated sector. They are important to women who in more than half of the countries 55.5% are present in higher numbers than men in the informal sector. Furthermore, the informal economy is characterized by;

- 1) it does not have any written rules or agreements.
- 2) it exists merely on verbal understanding.
- 3) it does not have fixed wages or fixed hours of work and mostly relies on daily earnings.

The root causes of informality according to the ILO (2021) are elements related to the economic context, the legal, regulatory and policy frameworks and to some micro level determinants such as low level of education,

discrimination, poverty, lack of access to economic resources, to property, to financial and other business services and to markets.

Empirical Evidence

Studies on gender inclusion and contribution to economic development in the last ten (10) years have shown that gender inclusion has a significant impact on Nigeria's economic development. For instance, Nnoje (2024) opine that the labour force participation rate among female was 52.1% in 2002, compared to 65.5% for male. Increasing women's participation in the labour market could lead to higher economic growth and development. Similarly, economic contribution of women's financial inclusion has a significant impact on economic development, with a regression line indicating that economy will develop by 1.077 for every increase in women's financial inclusion. Meanwhile, if women participate in the economy at a level commensurate with men, Nigeria's GDP could increase by 23% equivalent to 229 USD billion by 2025.

In their study examining the relationship between gender inequality and economic growth in Nigeria from 2009-2023, Olamide and Harrison (2024), found a bi-directional causality between the two, suggesting that reducing gender inequality can lead to economic growth. Indeed, the Gender Development Index (GDI), remained at 0.87 for seven (7) consecutive years, indicating minimal change in gender development disparities. However, there was a marginal increase to 0.88 in 2022 and 2023, suggesting slight improvement in closing the gender gap. Again, Ogunnaike (2025) reporting gender inclusion in Ogun State, maintained that programmes like the Ogun State Women's Empowerment Scheme, which provides training and financial support to women, can help increase women's economic empowerment. In like manner, as of 2023, women held only 3 of the 109 seats of the Senate of the Federal Republic of Nigeria which is 2.8% and 15 of the 360 seats in the House of Representatives which is 4.2% of representation. It is evident that providing financial support, education and training can help increase women's participation in not only politics but more fundamentally in the economy. This position is further strengthened when implementing policies that promote gender equality in education, employment and political representation is crucial for Nigeria's economic growth and development.

The nexus between Informal Economy and formal economy

The prevalence of the informal sector appears to be creating some convergence between it and the formal sector. According to Dasgupta (2019), the thinking during the 1950s-1960s was that with coherent economic policies and good institutions, low-income countries with traditional economies could be transformed into robust modern economies. Small scale enterprises and casual workers would be smoothly absorbed into the modern, formal economy, swallowing the surplus labour from the traditional economy. Dasgupta (2019) further maintained that as at 1980, even advanced market economies saw the emergence of the informal sector as production structures shifted toward small-scale, decentralized units. At the same time, standard jobs were being replaced by contract arrangements with hourly wages but few benefits, or into piece-rate jobs with no benefits. A significant portion of goods and services production were being subcontracted to small-scale informal units. In the process, the informal economy became a permanent, albeit subordinate feature of market based economic development.

Considering the enormous impact and influence the informal economy seems to have on both national and global economies, the convergence of the two sectors (informal and formal) seems inevitable. Accordingly, will the formalization of informal sectors be a strategy for correcting the job market as a whole? For the self-employed or employees in informal enterprises, formalization generally means registering their business followed by obtaining a license and ultimately regularly paying taxes. However, these workers will only be willing to bear this cost if they perceive benefits from operating formally. These benefits include enforceable commercial contracts, tax breaks and incentive packages to raise their competitiveness, membership with trade union associations, access to government subsidies and incentives, employer contribution to pensions and right to organize and bargain collectively.

What would a policy framework look like for an inclusive job market with broad objectives to move workers from informal to formal status? Here are two suggestions:

1. **Robust legal protection:** The United Nations Commission on Legal Empowerment of the Poor outlines three areas of legal rights for the working poor - property rights, business rights, and labour rights. Enforcing these rights allows informal workers to realize the economic value of their assets. They also allow for better working conditions and worker benefits, as well as allow access to the financial market. This implies a heightened need for the poor to have access to justice and the judiciary system.
2. **Inclusive hiring targets and on-the-job training:** Informal work is often undertaken because of barriers to entry to formal work. These barriers include the absence of requisite educational qualifications and the lack of corporate networks. The formal sector can bridge this gap by employing people from low-income households, investing in them through on-the-job training along with on-field exposure to working systems. A few firms engage in such processes through Corporate Social Responsibility (CSR) objectives. However, mainstreaming this process by setting targets for hiring people who are found to be worthy of training would make the formal sector more inclusive.

Changing the face of informal enterprises is a complex multidimensional process, where policymakers will have to understand the nature of eclectic categories of informal workers, their constraints as well as their potential to contribute to overall GDP.

Regulating the informal sector

Saha and Abebe (2021) opine that in Africa, micro, small and medium-size enterprises (MSMEs) in the informal economy are particularly vulnerable to economic impacts of the COVID-19 pandemic, the impact of which are still being felt to some degree. As already noted, these small businesses are usually engaged in agriculture, retail trade, transportation or construction. Safeguarding firms and workers in the informal sector will require a mix of swift context-specific short-term and more medium to longer-term measures that focus on building resilience and capabilities. To this, Commonwealth Report (2020) proposes the following under-listed five recommendations on how governments can help ensure their survival:

- a) **Health and safety guidelines and support schemes for informal workers.** Informal sector workers are highly vulnerable to getting infected as they mostly live and work in congested spaces and lack adequate access to water and clean sanitation. Hygiene and sanitation are critical. As a short-term strategy, African governments can immediately put in place health guidelines for informal traders, as has been done in South Africa. In the medium to long-term, health insurance schemes that afford significant protection for workers in the informal sector, such as Ghana's National Health Insurance Scheme, can provide better prenatal care, preventive health check-ups and attention from trained health professionals.
- b) **Adequate short-term welfare support with coverage from public works programs.** To reduce the risk of extreme poverty and food insecurity, governments are announcing online payments, in-kind transfers (food distribution) and social grants. However, access to these measures can be complex and more effective and targeted social safety nets for the informal sector are needed. Cash transfers can be particularly effective as macro-economic stabilizers, since they can take effect with less delay than other discretionary fiscal measures. However, in the medium to long-term, generating employment through paid work opportunities and public works programmes will be important.
- c) **Maintaining liquidity for firms and re-thinking operating models.** To survive the crisis, small businesses in the informal sector need urgent liquidity support. As of May 2020, fiscal policy stimulus vary greatly across countries, ranging from 0.1 to 4 per cent of GDP. Such short-term increase in the liquidity of MSMEs and should go through the channels that entrepreneurs already know and trust. This means community-based financial and microfinance institutions should be considered essential services during the crisis, and provided emergency liquidity, if within regulation. The crisis will force a fundamental rethinking of business and operating models that will transform the small business sector for years to come. Short-term measures may provide immediate support, but do little to build long-term sustainability. This requires a structural reduction the finance gap for MSMEs by extending microfinance systems and including other services such insurance, technical assistance in accessing loans and business trainings.

- d) Adjusting to supply chain disruptions plus private sector development interventions. Value chain disruptions have huge impacts, as MSMEs in the informal sector rely on day-to-day sales for survival. To avoid insolvencies in the short-term, these businesses will increasingly rely on stimulus measures that lower operational costs and waive existing debts. Expanding business links is also possible, whereby large, formal businesses can work with small, informal businesses as their outlets or distributors of essential goods to people's doorsteps. Stimulus packages should improve working spaces and infrastructure of the informal economy, such as communal markets, in a way that promotes social distancing. This would allow them to become operational in the short-term. In the long-term, business performance and competitiveness could be enhanced through more comprehensive private sector development interventions. These should combine access to finance, consulting and business training with industry-specific networking, regulations, standards, innovation and linkage programmes.
- e) Structural policies for resilience: Resilience will depend on structural policies that support training and resources, provide information and invest in building capabilities. In the short-term, these should help MSMEs adopt new working modes and digital technologies that respond to new realities as was experienced during COVID-19, such as teleworking, online retail or home delivery etc. However, this requires some basic infrastructure in place (such as internet infrastructure and connection) and familiarity with digital platforms, along with consumer demand for such services. Less than 30% of the African population has access to the internet, compared to 90% in the more advanced countries and 60% in other developing countries. At the same time, mobile money services are on the rise amongst African small businesses, increasing productivity, turnover and revenues, and credibility. Medium to long-term digital transformation can help ensure MSMEs can bounce back strongly. Simple digital solutions and training that do not require large upfront capital outlay will make it easier to adapt.

CONCLUSION

Historically, challenges faced by the informal economy in Nigeria show that stakeholders interventions in the informal sector according BOI (2018) have been focused on how to regulate businesses, and effectively integrate them into the formal economy. However, the Nigerian informal sector players face a myriad of challenges including inadequacy of technology, education, markets, land and physical infrastructure, limited access to finance, and limited skills development. This is bearing in mind that there are multiple perspectives on the informal economy; some associate it with lost revenue, unfair competition, low productivity, human rights abuses, and environmental degradation; while others associate it with entrepreneurship, flexibility, and resilience. Overall, the informal economy is enduring; but suitable regulations and policies are required to improve the sector and introduce formalization. The decision for these businesses to formalize depends on the benefits that are derived from formalization over the risks of remaining in the informal economy. If the former outweighs the latter, only then does formalization seem like a viable option to the operators.

Olubiyi (2021) points out that there is a need for government to embark on series of measures, interventions, and support to encourage the formalization of these businesses to sustain economic growth and development. As mentioned earlier, this informal sector is too large and important to be ignored; concerted effort to identify and protect them is crucial for sustainability and economic development. As a matter of fact, the BOI (2018) citing the 2017 IMF report revealed the exponential increase of the Informal Sector (IS) in Nigeria, which has become a major contributor to the Nigerian economy, accounting for a significant portion of employment and national GDP. According to the IMF, the Nigerian informal sector accounted for 65% of Nigeria's 2017 GDP. In this context, careful attention must be paid to the informal economy and policy solutions need to be in place to encourage and induce their formalization. These suggestions, if efficiently considered might, in turn, reduce the size of the informal economy in the country.

More recently, the reality of the COVID-19 according to Olubiyi (2021), brought to the fore the convergence of the informal and formal economies such that the harsh reality that affected most of these businesses needed government support and it was therefore, a good avenue for the government to have a mass identification and registration of the informal economy through social interventions and palliative.

Finally, policymakers will have to assess the situation and be innovative and adaptive in responding to gaps in their proposed measures. Overall, short-term measures to help the informal MSME sector should be linked with longer-term resilience programmes for more sustainable traumatic recovery such as was experienced with post-COVID-19. BOI (2018) opine that policy interventions to support the informal sector must therefore be two-fold. Firstly, efforts should be made to create more formal jobs to draw workers out of the informal sector. Secondly, policies should be introduced to address identified challenges in the informal sector towards improving productivity and incomes of informal sector players.

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