Determinants of Income Inequality in Selected Public and Private Sectors in Southwest Nigeria.

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ABSTRACT

This study investigated the determinants of income inequality in the public and private sectors of Southwest Nigeria, focusing on education, work experience, wage structures, government policies, and economic factors. Motivated by rising wage disparities in Nigeria's formal labour market, the study examined how structural conditions, institutional frameworks, and sectoral differences reinforce income gaps. The research drew on Human Capital Theory, Labour Market Segmentation Theory, Efficiency Wage Theory, Institutional Theory of Wage Determination, Structuralist Theory of Income Distribution, and Political Economy Theory, providing a multidimensional lens to understand the interactions between individual qualifications, labour market divisions, institutional influences, and macroeconomic factors. A comparative cross-sectional design was employed, targeting employees from state government ministries and parastatals (public sector) and commercial banks, microfinance institutions, and insurance firms (private sector) across Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti States. From a total population of 403,710 employees, a sample of 450 respondents was selected using multistage sampling. Data were collected via structured questionnaires administered both physically and online. Analysis was conducted using descriptive statistics, the Gini coefficient, correlation, variance inflation factor, multiple linear regression, and diagnostic tests. Findings revealed that education ($\beta = 0.152$, $p = 0.002$) and wage structures ($\beta = 0.198$, $p = 0.001$) significantly increased income inequality, while work experience ($\beta = 0.078$, $p = 0.058$) and government policy ($\beta = 0.064$, $p = 0.148$) had positive but insignificant effects. Economic factors also significantly exacerbated disparities ($\beta = 0.139$, $p = 0.005$). The results suggest that income inequality in Southwest Nigeria is a multidimensional issue shaped by qualifications, sectoral pay practices, institutional inefficiencies, and macroeconomic conditions. The study recommends reforms in education, wage harmonization, labour market regulation, and economic management to promote equitable income distribution and inclusive growth.

Keywords: Income Inequality, Education, Wage Structures, Work Experience, Government Policy

INTRODUCTION

Background to the Study

Historically, the public sector in Nigeria has dominated formal employment due to government-led development initiatives, while the private sector is increasingly emerging as a key source of diversification and employment generation (African Development Bank, 2019). Sectors such as telecommunications, banking, and manufacturing demonstrate private sector growth, yet disparities in wages and employment conditions persist, highlighting inequalities between the two sectors (Statista, 2025). The labour force across both sectors remains essential for sustaining economic activities, making equitable remuneration and competitive compensation structures vital for ensuring productivity, employee motivation, and economic stability.

Differences in wage determination mechanisms exacerbate income disparities. Public sector employees generally receive standardized salaries and benefits regulated by government policies, whereas private sector compensation often varies based on company performance, market demand, and individual negotiation (ILO, 2021). Factors such as education, skills, work experience, and career progression further shape these disparities. Employees with higher qualifications or specialized skills typically earn more, while longer work

experience tends to increase earnings in both sectors, though promotion systems and job security differ. Public sector stability contrasts with private sector performance-based rewards, resulting in varying levels of income inequality and employee satisfaction (Adebayo & Ogunrinola, 2020; Nwachukwu, 2019).

Government policies, labour regulations, and broader economic conditions also significantly influence income distribution. Minimum wage adjustments, labour law enforcement, inflation, unemployment, and cost of living affect employees differently across sectors (NBS, 2022; Eze & Okonkwo, 2021). While public sector wages are relatively predictable, they may not always reflect market realities, whereas private sector salaries are more responsive but less secure. These combined institutional, structural, and economic factors create multidimensional wage disparities, particularly in Southwest Nigeria, where labour mobility and diverse economic activities intensify the effects of income inequality. Understanding these determinants is essential for developing policies that promote equitable wage distribution, labour market efficiency, and inclusive growth.

Research problem

Income inequality remains a critical socio-economic challenge globally, with profound implications for economic growth, social stability, and poverty reduction. In Nigeria, income disparities are particularly pronounced, with the country consistently ranking among the most unequal worldwide. The Southwest region, despite being economically advanced, is not exempt, exhibiting stark contrasts between affluent urban centers like Lagos, Ibadan, and Abeokuta, and underdeveloped rural communities. These disparities extend across the public and private sectors, raising pressing questions about the determinants of income inequality and the mechanisms through which they operate within the region.

Government interventions, such as the establishment of a national minimum wage, aim to reduce income gaps and improve living standards. In 2024, a new minimum wage of ₦70,000 was introduced; however, inconsistent implementation, especially in the public sector, has limited its effectiveness (NBS, 2025). Reports indicate that only 40% of public sector employees have received the adjusted wage, compared to 65% in the private sector (NESG, 2025). These disparities underscore the uneven impact of policies across sectors and highlight the need to investigate the underlying determinants of income inequality, including wage structures, employment patterns, and institutional frameworks.

Distinct economic and institutional characteristics of the public and private sectors further shape income distribution. The public sector provides relatively stable wages, pensions, and job security but offers limited income growth beyond seniority-based promotions. Conversely, the private sector presents higher, performance based wages but with greater variability and job insecurity, especially for low-skilled or informal workers (Adebayo & Ogunrinola, 2019). Differences in educational attainment, skill levels, and career progression between sectors exacerbate disparities, with private sector executives earning exponentially more than entry level employees, while public sector wage differentials remain comparatively narrow (LCCI, 2021; UNESCO, 2020).

Despite these evident inequalities, existing studies often focus on national-level data or single states, neglecting a comprehensive regional and sectoral analysis of the Southwest. Moreover, prior research rarely examines multiple determinants of income inequality—such as education, work experience, wage structures, government policies, and economic conditions—simultaneously, limiting the development of effective policy interventions. Methodologically, few studies have employed robust tools like the Gini coefficient, Lorenz Curve, or Index of Income Concentration to analyze sectoral disparities within the region. This study seeks to fill these gaps by investigating the multidimensional determinants of income inequality in both public and private sectors across all six Southwest states, providing a holistic understanding to guide equitable wage policies and labour market reforms.

Research Questions

The following questions are raised for this study:

i.   How does the level of education influence income inequality in the public and private sectors of Southwest Nigeria?

ii.   What is the impact of work experience on income inequality in the public and private sectors of Southwest Nigeria?

iii.   How do wage structures and salary disparities shape income inequality in the public and private sectors of Southwest Nigeria?

iv.   What are the effects of government policies and labour regulations on income inequality in the public and private sectors of Southwest Nigeria?

v.   How do economic factors affect income inequality in the public and private sectors of Southwest Nigeria?

Objectives of the study

The main objective of this study is to explore the determinants of income inequality in public and private sectors in Southwest Nigeria. Specifically, the study seeks to:

i.   Determine the impact of education level on income inequality in the public and private sectors of Southwest Nigeria.

ii.   Analyze the impact of work experience on income inequality in the public and private sectors of Southwest Nigeria.

iii.   Investigate the role of wage structures and salary disparities in shaping income inequality in the public and private sectors of Southwest Nigeria

iv.   Assess the effects of government policies and labour regulations on income inequality in the public and private sectors of Southwest Nigeria

v.   Evaluate the impact of economic factors on income inequality in the public and private sectors of Southwest Nigeria.

Research Hypotheses

The following null hypotheses were formulated:

Ho_1: Education level has no significant impact on income inequality in the public and private sectors of Southwest Nigeria.

Ho_2: Work experience has no significant impact on income inequality in the public and private sectors of Southwest Nigeria.

Ho_3: Wage structures and salary disparities do not significantly shape income inequality in the public and private sectors of Southwest Nigeria.

Ho_4: Government policies and labour regulations have no significant effect on income inequality in the public and private sectors of Southwest Nigeria.

Ho_5: Economic factors do not have a significant impact on income inequality in the public and private sectors of Southwest Nigeria.

Scope of the study

This study examines the determinants of income inequality in Southwest Nigeria by comparing the public and private sectors, with a focus on education and skills, work experience, wage structures, government policies, and economic factors. Education and skills influence wage levels, while differences in career progression and sector specific pay structures contribute to income disparities. Government regulations, including minimum wage policies, taxation, and employment laws, alongside economic conditions such as inflation and labour

market demand, further shape income distribution across sectors. Geographically, the study is confined to Lagos, Oyo, Ogun, Osun, Ondo, and Ekiti states, which collectively represent a mix of Nigeria's economic hubs, administrative centers, and diverse labour markets. By analyzing both public and private sector employment, which differ in salary structures, job security, and regulatory frameworks, the study aims to identify the key drivers of income inequality. A comparative quantitative approach, using structured surveys and secondary data on wages and employment patterns, is employed to provide objective, robust, and generalizable insights that can inform equitable wage policies and labour market interventions in the region.

LITERATURE REVIEW

Conceptual Review

Income Inequality

Income inequality has also been defined by other Nigerian scholars who have examined its causes and consequences in different socioeconomic contexts. According to Olayemi and Ibrahim (2019), income inequality arises when economic gains are concentrated among a few individuals while the majority experience stagnant or declining earnings. This disparity, they argue, is exacerbated by unequal access to education, employment opportunities, and financial resources. In a similar vein, Chukwu and Adebisi (2020) define income inequality as the skewed distribution of financial resources among individuals and households, which creates economic hierarchies and social exclusion. They further highlight that in Nigeria, wage disparities between public and private sector workers, as well as gender-based income gaps, contribute to the persistence of inequality.

Akinyemi and Olawale (2018) provide another perspective, describing income inequality as the systematic disparity in earnings and wealth between different occupational groups, educational backgrounds, and regions within a country. They argue that structural factors such as corruption, poor governance, and economic mismanagement further widen the income gap in Nigeria. According to their findings, income inequality is not only a function of individual effort but also of institutional policies that determine access to economic opportunities. Similarly, Uche and Dada (2017) emphasize that income inequality in Nigeria is deeply rooted in historical and economic factors, including colonial legacies, urbanization trends, and labour market inefficiencies. They suggest that these elements have contributed to the concentration of wealth among a small elite while marginalizing a significant portion of the population.

Indicators of Income Inequality

Gini Coefficient

The Gini Coefficient is one of the most widely used measures of income inequality, providing a single numerical value that represents the disparity in income distribution within a population. It ranges from 0 to 1, where 0 indicates perfect equality (everyone has the same income), and 1 signifies absolute inequality (one individual holds all income while others have none) (World Bank, 2021; OECD, 2022). The coefficient is derived from the Lorenz Curve, which plots the cumulative proportion of total income received by the cumulative proportion of the population, allowing for a graphical representation of inequality (Jenkins & Van Kerm, 2021). Higher Gini Coefficients indicate greater inequality, often signaling structural economic imbalances that may hinder long term development (UNDP, 2022).

The Gini Coefficient is widely utilized due to its simplicity and comparability across different economies and time periods. However, while it provides an overall picture of income distribution, it does not specify whether inequality is concentrated among the poor or the rich, nor does it account for variations in wealth distribution (Atkinson & Bourguignon, 2020). Studies have shown that in many developing nations, including Nigeria, rising Gini Coefficients are associated with social unrest and diminished economic mobility, highlighting the need for redistributive policies (Ogunleye & Fadiran, 2022; ILO, 2023). Moreover, excessive income inequality as measured by the Gini Coefficient has been linked to lower economic growth rates due to reduced consumer demand and limited investment in human capital (Stiglitz, 2021).

Determinants of Income Inequality

Education Level

Education is widely recognized as a critical determinant of income inequality, as it directly influences an

individual's earning potential and access to job opportunities. According to Adebayo and Olayemi (2023), higher education levels are associated with better-paying jobs, while lower education levels often result in employment in low-wage sectors. The disparity in access to quality education in Nigeria exacerbates income inequality, as individuals with limited educational attainment struggle to secure well-paying employment opportunities (Okonkwo & Yusuf, 2022). Moreover, the quality of education plays a significant role in shaping income disparities. Eze and Adeola (2021) assert that inadequate investment in education infrastructure and disparities in educational standards between urban and rural areas contribute to skill gaps in the labour market. As a result, individuals with better educational backgrounds gain access to higher-paying jobs, while those with limited education remain in low-income positions (Bello, 2020).

Work Experience

Work experience significantly influences income inequality, as employees with extensive professional experience tend to earn higher wages than their less experienced counterparts. According to Olowu and Alabi (2022), work experience enhances job performance, leading to career advancements and salary increases. Employees with more years in the workforce acquire specialized skills that improve their productivity, making them more valuable to employers and justifying higher wages (Ogunyemi & Faleye, 2021). However, disparities in work experience across different socioeconomic groups contribute to income inequality. Olayemi (2023) notes that individuals from disadvantaged backgrounds often enter the workforce with minimal experience, limiting their earning potential. The lack of mentorship and career development opportunities further exacerbates this disparity, preventing low-income earners from advancing in their careers (Bamigboye & Adeola, 2022).

Wage Structure

Wage structures play a crucial role in shaping income inequality, as variations in salary scales across industries and job categories create earnings disparities. According to Ojo and Adedeji (2022), structured salary frameworks in the public sector provide stable income levels, whereas private-sector wages fluctuate based on market demand and profitability. These differences contribute to income inequality, particularly when low-wage workers struggle to meet their financial needs (Adeyemi & Lawal, 2021). Additionally, the presence of wage gaps between skilled and unskilled workers exacerbates income disparities. Akinwale and Obafemi (2023) emphasize that skilled professionals with specialized expertise command higher salaries, whereas unskilled workers receive minimal compensation. This wage differentiation limits upward mobility for unskilled labourers, reinforcing income inequality over time (Oladimeji & Yusuf, 2022).

Government Policies and Labour Regulations

Government policies and labour regulations significantly impact income inequality by influencing wage levels, employment opportunities, and social protection measures. According to Adebisi and Adekunle (2022), effective labour policies, such as minimum wage regulations and job security laws, help reduce income disparities by ensuring fair compensation for workers. However, weak enforcement of these regulations in Nigeria has led to exploitative labour practices, particularly in the informal sector (Olawale & Ajibola, 2021). The absence of strong labour unions and regulatory oversight further exacerbates wage disparities. Adeyemo and Olatunji (2023) highlight that private-sector employers often set arbitrary wages, resulting in significant income gaps between high-earning executives and low-wage workers. Strengthening collective bargaining mechanisms can help address these inequalities by advocating for fair wages and improved working conditions (Ogunleye & Bello, 2022).

Economic Factors

Broader economic factors, including inflation, economic growth, and market fluctuations, significantly influence income inequality. According to Adebayo and Yusuf (2023), periods of economic downturns often lead to job losses, wage stagnation, and reduced purchasing power, disproportionately affecting lower-income earners. On the other hand, economic growth can create employment opportunities and increase wages, but if growth is not inclusive, income disparities may persist or even widen. Additionally, globalization and technological advancements have contributed to shifting income distribution patterns in Nigeria. Okonkwo and

Bello (2022) argue that automation and digital transformation have led to higher wages for skilled workers while displacing low-skilled labour, further exacerbating income inequality. The informal sector, which employs a significant portion of Nigeria's workforce, remains particularly vulnerable to economic fluctuations, as workers often lack social security and stable earnings (Eze & Adeola, 2021). Addressing these economic factors requires policies that promote inclusive growth, investment in workforce development, and social protection mechanisms to mitigate the adverse effects of economic instability.

Theoretical Review

Human Capital Theory

The Human Capital Theory, developed primarily by Theodore Schultz in the early 1960s and later expanded by Gary Becker (1964), posits that individuals invest in education, training, and health to enhance their productivity and earning potential. The theory suggests that just as businesses invest in physical capital to increase productivity, individuals invest in human capital to improve their skills and competencies, which in turn leads to higher wages and better job opportunities (Schultz, 1961; Becker, 1964). The fundamental assumption of the theory is that education and skills acquisition directly influence an individual's economic output, thereby reducing income inequality over time as more individuals gain access to human capital development opportunities (Oluwole & Adeniran, 2022).

Despite its wide acceptance, Human Capital Theory has faced significant criticism from various scholars. Critics argue that the theory oversimplifies the relationship between education and earnings by ignoring structural and institutional barriers such as labour market discrimination, unequal access to quality education, and economic conditions that may limit income mobility (Eze & Bello, 2021). Additionally, critics like Bowles and Gintis (1976) contend that education does not necessarily translate to higher wages due to labour market imperfections, employer biases, and the influence of social capital in employment decisions. Some studies have also shown that even highly educated individuals in developing economies like Nigeria face underemployment and stagnant wages, undermining the theory's assumption that education alone determines earnings (Okonkwo & Yusuf, 2022).

Despite these criticisms, the Human Capital Theory remains highly relevant to understanding income inequality in Nigeria, particularly in the context of disparities between public and private sector employees. In the Nigerian labour market, individuals with higher levels of education and specialized skills often have better employment opportunities and higher earning potential, particularly in the public sector, where job stability and benefits are more structured compared to the private sector (Adebayo, 2023). However, the theory also highlights the challenges faced by workers in the informal sector, where limited access to education and training restricts income growth and perpetuates economic disparities (Bello & Adeola, 2023).

Labour Market Segmentation Theory

Labour Market Segmentation Theory emerged as a critique of the neoclassical view of labour markets, which assumes a single, unified market where wages and employment conditions are determined by supply and demand. The theory was developed by Doeringer and Piore (1971), who argued that the labour market is divided into distinct segments, each with its own wage structures, employment conditions, and mobility patterns. This segmentation results in unequal opportunities and contributes to persistent income disparities. The theory highlights structural barriers that prevent workers from moving freely between different segments of the labour market, thereby reinforcing economic inequalities (Reich, Gordon, & Edwards, 1973).

One of the fundamental assumptions of Labour Market Segmentation Theory is that the labour market is not homogenous but rather divided into primary and secondary sectors. The primary sector consists of high-wage, stable employment with career advancement opportunities, while the secondary sector comprises low-wage, unstable jobs with little room for upward mobility (Piore, 1979). Another key assumption is that institutional factors, rather than purely economic forces, play a crucial role in determining employment outcomes. These include employer practices, government policies, and social norms, which contribute to the segmentation of workers based on education, skill level, gender, and ethnicity (Edwards, 1975).

Despite its contributions, the theory has been criticized on several fronts. Critics argue that it lacks a clear theoretical foundation and empirical consistency, as the classification of labour market segments can be arbitrary (Cain, 1976). Furthermore, the theory is often seen as overly deterministic, as it does not fully account for individual agency and the potential for workers to move between segments through skill acquisition and entrepreneurship (Dickens & Lang, 1985). Some scholars also contend that the theory underestimates the role of market forces in influencing wages and employment conditions, thereby limiting its explanatory power in dynamic labour markets (Lindbeck & Snower, 1988).

In the context of this study, Labour Market Segmentation Theory is highly relevant for understanding income inequality in Nigeria, particularly the disparities between public and private sector employment. The Nigerian labour market exhibits clear segmentation, with the public sector offering higher job security, better wages, and benefits compared to the private sector, where employment conditions are often precarious (Ogunyomi & Ojikutu, 2014). This segmentation contributes to wage gaps and limits mobility between sectors, reinforcing income inequality (Okafor, 2012).

Empirical Studies

Several studies have examined sectoral income inequality and its effects on job satisfaction in Nigeria. Matthew (2020) found that performance-based pay in the banking sector heightened income disparities compared to the manufacturing sector, influencing employee satisfaction levels. Similarly, Eze and Mohammed (2020) demonstrated that public sector wage increases reduced the public-private wage gap but inadvertently widened inequality within the private sector. Studies by Enoma Ojo (2020) and Nwankwo et al. (2021) further highlighted that macroeconomic policies, digitalization, and skill-biased technological changes disproportionately benefit high-skilled workers, emphasizing the need for policy interventions that promote equitable growth and skill development across sectors.

Empirical research has also explored the role of regulatory and institutional mechanisms in mitigating wage disparities. Olaleye et al. (2021) and Nwosu et al. (2022) examined the effect of tax reforms and CEO-to-worker pay ratios, finding that tax incentives and pay transparency can reduce executive pay disparities, though these effects were largely confined to formal sector employees. Similarly, Iheonu et al. (2021) and Adeniran and Yusuf (2022) highlighted that labour protection laws and strict enforcement of labour standards reduce firm-level wage inequality, while trade unionization in manufacturing (Adeleye & Okafor, 2022; Adekunle & Ogunrinola, 2022) consistently lowered wage dispersion, particularly in large firms, underscoring the importance of institutional frameworks in promoting wage equity.

Several studies have focused on education, vocational training, and work experience as key determinants of income inequality. Adenuga and Oyinlola (2021) and Okonkwo et al. (2021) found that formal sector experience and secondary education increase earnings, though informal workers and underqualified graduates experience limited returns. Ibrahim and Adeola (2022), Eze and Nwachukwu (2023), and Ojo et al. (2024) emphasized that vocational training, government investment in education, and literacy programs can improve income levels, particularly for lower-income or rural populations, highlighting education as a long-term tool for reducing inequality. However, studies also noted persistent gender and regional disparities in wage returns, requiring targeted interventions.

Finally, recent research has examined the impact of policy interventions, social protection, and sectoral shifts on income distribution. Studies by Adeniran and Mustapha (2023), Okafor et al. (2023), Nwankwo et al. (2023), Bakare et al. (2023), and Ogunleye and Yusuf (2023) showed that minimum wage adjustments, gig economy regulations, social safety nets, and digital labour rules can compress lower-end wage inequality but may inadvertently widen upper-end disparities or create sector-specific challenges. Resource dependence and occupational licensing also emerged as drivers of inequality (Olaleye & Yusuf, 2022; Adebowale & Okafor, 2023), while sector-specific performance pay, especially in tech startups, amplified wage gaps (Eze et al., 2023). Collectively, these studies underscore the multifaceted determinants of income inequality in Nigeria, encompassing education, labour laws, sectoral policies, and economic structures, pointing to the need for integrated, context-sensitive solutions.

METHODOLOGY

This study adopted a comparative cross-sectional research design to examine the determinants of income inequality in Southwest Nigeria by comparing the public and private sectors. This design was considered appropriate because it allowed data to be collected at a single point in time, facilitating an in-depth analysis of income distribution patterns and the factors influencing wage disparities between the two sectors. A quantitative research approach was employed to measure income inequality using the Gini coefficient and to apply econometric techniques for analyzing the determinants of wage disparities. The study relied on both primary and secondary data sources, including household income surveys, labour market reports, and government employment statistics. Primary data were collected through structured questionnaires administered to employees in selected public and private sector organizations across the six states of Southwest Nigeria: Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti.

The population of the study covered all employees in selected public and private sector organizations across the six states of Southwest Nigeria, totaling 403,710 individuals. This included an estimated 335,400 public-sector employees in state government ministries and parastatals and 68,310 private-sector employees in the banking sector, encompassing commercial banks, microfinance banks, and insurance firms. Using Taro Yamane's (1967) formula, cited in Israel (2009), the sample size for the study was determined from the total population of 403,710 employees in Southwest Nigeria. With an acceptable sampling error of 0.05, the formula yielded a sample size of 399.6, which was rounded up to 400. To account for potential non-responses and enhance the generalizability of the findings, an additional 50 respondents were included in the sample.

Table 3.1: Stratified Sample Size for each sector

S/N	States	Public Sector (Sampled employees from the State Government Ministries & Parastatals)	Private Sector (Sampled employees from the Banking Sector, including commercial banks, microfinance banks and insurance firms)	Total Sampled Size
1	Lagos	$\frac{120,000(400)}{403710} = 119$	$\frac{25,360(400)}{403710} = 25$	144
2	Ogun	$\frac{26,800(400)}{403710} = 27$	$\frac{8,500(400)}{403710} = 8$	35
3	Oyo	$\frac{115,000(400)}{403710} = 114$	$\frac{15,310(400)}{403710} = 15$	129
4	Osun	$\frac{18,700(400)}{403710} = 19$	$\frac{6,540(400)}{403710} = 6$	25
5	Ondo	$\frac{41,600(400)}{403710} = 41$	$\frac{8,700(400)}{403710} = 9$	50
6	Ekiti	$\frac{13,300(400)}{403710} = 13$	$\frac{3,900(400)}{403710} = 4$	17
	Total	**333**	**67**	**400**

Source: Author's Compilation (2025)

The study used a well-structured close-ended questionnaire, designed to gather quantitative data from respondents in both the public and private sectors across the six states of Southwest Nigeria. The questionnaire adopted a 4-point Likert scale approach, with response options: Strongly Agree (SA), Agree (A), Disagree (D), and Strongly Disagree (SD). This scale is chosen to eliminate neutrality, compelling respondents to express either agreement or disagreement with the statements provided.

The model adapted for this study is based on the widely recognized income inequality function, often expressed in terms of the Gini coefficient (G) as a function of key determinants. A general form of this model can be represented as:

$G = f(Edu, Exp, Wage, Pol, Econ)$…………………………………….3.1

Where:

- G = Gini coefficient (income inequality)

- Edu = Education and skills level

- Exp = Work experience

- Wage = Wage structures and salary disparities

- Pol = Government policies and labour regulations

- Econ = Economic factors (such as inflation, cost of living, and employment rates)

This model has been applied in various empirical studies to examine income inequality across different economies. However, to enhance its applicability to Southwest Nigeria and account for the sectoral differences between public and private sector employees, modifications have been introduced. The key modification made to the model involves incorporating a sectoral dummy variable (Sect) to capture the disparities between the public and private sectors. Since income structures, wage-setting mechanisms, and benefits differ significantly between the two sectors, this modification allows for a more robust analysis of sector-specific influences on income inequality.

Additionally, a regional control variable (State) is introduced to capture variations in income distribution across the six states in Southwest Nigeria. Since economic opportunities, cost of living, and employment structures vary between states like Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti, incorporating this control variable strengthens the model's accuracy in explaining income inequality at the subnational level.

Based on the modifications, the new model is specified as:

$G = \beta_0 + \beta_1 Edu + \beta_2 Exp + \beta_3 Wage + \beta_4 Pol + \beta_5 Econ + \beta_6 Sect + \beta_7 State + \varepsilon$…………………..3.2

Where:

- Sect = Sector dummy (1 = Public Sector, 0 = Private Sector)

- State = Regional control variable capturing state-specific effects

- β_0 = Intercept

- $\beta_1 - \beta_7$ = Coefficients of the explanatory variables

- ε = Error term

These modifications are necessary because income distribution mechanisms differ significantly between the public and private sectors in Nigeria. While the public sector follows a structured salary system with government-mandated increments, the private sector often operates on performance-based pay, leading to potential wage gaps. Similarly, state-level economic variations influence employment opportunities and salary scales, making it essential to account for regional differences. The inclusion of these variables enhances the predictive power and contextual relevance of the model in assessing income inequality in Southwest Nigeria.

The study employed a systematic approach to analyze income inequality in Southwest Nigeria, ensuring reliable and robust results. It began with descriptive statistics to summarize key variables such as income,

education, work experience, and wage structures, providing an initial understanding of the data and identifying potential outliers. The Gini coefficient was then computed to quantify income inequality, both at aggregate and disaggregated levels, allowing comparisons across public and private sectors and different states. Correlation analysis and Variance Inflation Factor (VIF) tests were conducted to examine relationships among variables and detect multicollinearity. The primary estimation was performed using Ordinary Least Squares (OLS) regression, incorporating sectoral and regional controls to assess the impact of determinants like education, experience, wage structures, government policies, and economic factors on income inequality. Finally, diagnostic tests, including Breusch-Pagan, Durbin-Watson, and Ramsey RESET, were applied to validate the model, ensuring that any issues such as heteroscedasticity, autocorrelation, or model misspecification were appropriately addressed.

RESULT AND DISCUSSION

Analysis of the Administered Questionnaire

Table 4.1: Distribution of Questionnaire by States

S/N	States	Nos Distributed		Nos Returned		Return Rate
		Public Sector	Private Sector	Public Sector	Private Sector	
1	Lagos	119	25	87	23	27.5
2	Ogun	27	8	25	8	8.3
3	Oyo	114	15	98	14	28.0
4	Osun	19	6	19	6	6.3
5	Ondo	41	9	37	9	11.5
6	Ekiti	13	4	13	4	4.3
TOTAL		400		343		85.8

Source: Researcher's Data Output (2025).

Table 4.1 shows the distribution and return of questionnaires across six states in Southwest Nigeria for both public and private sector respondents. A total of 400 questionnaires were administered across the six states, combining both sectors, while 343 were successfully returned, representing an overall return rate of 85.8%. Lagos State recorded the highest participation, with 119 questionnaires distributed to the public sector and 25 to the private sector, of which 87 and 23 were returned. Oyo State followed, with 114 public sector and 15 private sector questionnaires distributed, and 98 and 14 returned. Ogun State had 27 and 8 questionnaires distributed to the public and private sectors, respectively, with 25 and 8 returned. Osun State achieved full returns for all administered questionnaires, 19 for the public sector and 6 for the private sector. Ondo and Ekiti States had smaller contributions, with 37 of 41 and 13 of 13 questionnaires returned in the public sector, and 9 of 9 and 4 of 4 in the private sector. These results indicate a strong response from respondents across the six states, providing a reliable dataset for further analysis.

Descriptive Statistics Analysis of Respondents

Table 4.2 Bio-data of the Respondents

		Frequency	Percent
Gender	Male	198	57.7
	Female	145	42.3

Age	18-25 years	45	13.1
	26-35 years	145	42.3
	36-45 years	100	29.2
	46-55 years	53	15.4
Marital Status	Single	120	35
	Married	200	58.3
	Divorced	23	6.7
Educational Qualification	HND/Bachelor's Degree	180	52.5
	Master Degree	140	40.8
	Doctorate Degree	23	6.7
Residential State	Lagos	110	32.1
	Ogun	40	11.7
	Oyo	95	27.7
	Osun	25	7.3
	Ondo	45	13.1
	Ekiti	28	8.2
Years of Experience	6-10 years	110	32.1
	11-15 years	140	40.8
	16 years and above	93	27.1
Sector of Employment	Public Sector	279	81.3
	Private Sector	64	18.7
Job level/position	Junior Staff	120	35
	Mid-Level Staff	110	32.1
	Senior Staff	75	21.9
	Management/Executive	38	11.1
Monthly Income Range	₦50,000 – ₦100,000	100	29.2
	₦101,000 – ₦200,000	140	40.8
	₦201,000 – ₦300,000	70	20.4
	Above ₦300,000	33	9.6

Source: Data Output, 2025

Table 4.2 presents the bio-data of the 343 respondents in the study, providing insights into the socio-demographic characteristics of employees in both public and private sectors across Southwest Nigeria. The

data reveal that 198 respondents (57.7%) are male, while 145 (42.3%) are female, indicating a slightly higher male representation within the workforce. This gender distribution suggests that income inequality in the study context may be influenced by gender-related disparities, as male dominance could affect access to higher-paying positions and career advancement opportunities. In terms of age, the majority of respondents fall within the 26–35 years age group (42.3%), followed by 36–45 years (29.2%), 46–55 years (15.4%), and 18–25 years (13.1%). The predominance of young and mid-career employees implies that income distribution and career progression policies could have long-term effects on overall income inequality, given that this group constitutes the bulk of the active workforce. The marital status of respondents shows that 200 individuals (58.3%) are married, 120 (35%) are single, and 23 (6.7%) are divorced. Marital responsibilities often influence financial needs and household income, suggesting that married employees may have different consumption patterns and financial obligations that could interact with income disparities across sectors. Educational qualification also plays a role, as most respondents hold HND or Bachelor's degrees (52.5%), followed by Master's degrees (40.8%) and Doctorate degrees (6.7%). This distribution highlights the potential impact of education on income levels, as higher educational attainment is generally associated with access to better-paying jobs, which may exacerbate income inequality between employees with different qualifications.

Geographically, respondents are concentrated in Lagos (32.1%) and Oyo (27.7%), with smaller proportions in Ogun (11.7%), Ondo (13.1%), Osun (7.3%), and Ekiti (8.2%). The higher representation in economically significant states such as Lagos and Oyo suggests that regional disparities in employment opportunities and economic development could contribute to variations in income levels, reinforcing inequality between states. Regarding work experience, 140 respondents (40.8%) have 11–15 years of experience, 110 (32.1%) have 6–10 years, and 93 (27.1%) have 16 years and above. Since income typically rises with experience, this distribution indicates that mid- to high-experience employees may earn more than less experienced colleagues, further influencing income inequality.

The sectoral composition shows that a majority of respondents are employed in the public sector (81.3%), while only 18.7% are in the private sector. This imbalance is important because public sector salaries are often standardized, whereas private sector earnings can vary widely, which may affect the observed patterns of income inequality between the two sectors. Job levels further highlight organizational hierarchy, with 35% of respondents classified as junior staff, 32.1% mid-level, 21.9% senior staff, and 11.1% management/executive. The relatively small proportion of higher-level employees, who typically earn more, underscores the potential for a small group of top earners to widen income disparities.

Finally, the monthly income distribution shows that 140 respondents (40.8%) earn between N101,000–N200,000, 100 (29.2%) earn N50,000–N100,000, 70 (20.4%) earn N201,000–N300,000, and only 33 (9.6%) earn above N300,000. The concentration of respondents in lower- and middle-income brackets indicates that most employees earn modest salaries, while a small proportion of high earners could create a significant gap in income distribution. Overall, the socio-demographic profile suggests that gender, age, marital status, education, experience, sector, job level, and regional factors are all likely determinants of income inequality among employees in Southwest Nigeria, providing a critical foundation for further analysis in this study.

Gini Coefficient Analysis

Using the monthly income ranges (N50,000–N100,000, N101,000–N200,000, etc.) and frequencies:

Table 4.3: Income Range

Income Range	Frequency	Midpoint (N)
N50,000–N100,000	100	75,000
N101,000–N200,000	140	150,500
N201,000–N300,000	70	250,500
Above N300,000	33	350,000

N = 343

Estimation Mean Income

y = (100 x 75,000) + (140 x 150,500) + (70 x 250,00) + (33 x 350,000)

343

y = 7,500,000 + 21,070,000 + 17,535,000 + 11,550,000

343

y = 57,655,000　　　　=　　168,000

343

 Income Share for each group:

f_k　=　Total Income of Group

Total Income of all groups

Group I:　　　　　7,500,000　　　　=　0.13

57,655,000

Group II:　　　　21,070,000　　　=　0.365

57,655,000

Group III:　　　17,535,000　　　=　0.304

57,655,000

Group IV:　　　11,550,000　　　=　0.2

57,655,000

Table 4.4: Gini Coefficient Analysis of Respondents' Income

Income Range (N)	Freq.	Midpoint (N)	Total Income (N)	Income Share f_k	Cumulative Income Share S_k	$f_k.(S_{k-1}+S_k)$
50,000–100,000	100	75,000	7,500,000	0.13	0.13	0.0169
101,000–200,000	140	150,500	21,070,000	0.365	0.495	0.2281
201,000–300,000	70	250,500	17,535,000	0.304	0.799	0.3933
Above 300,000	33	350,000	11,550,000	0.2	0.999	0.3596
Total	343	–	57,655,000	1.000	–	0.9979

Gini Coefficient Calculation:

G = 1 - $\sum f_k$ (Sk-1 + Sk) = 1- 0.9979 = **0.002**

Hence, the computed Gini coefficient of 0.002 suggests an extremely low level of income inequality among respondents in this sample. This indicates that the majority of employees earn within similar lower- and middle income ranges, with only a few higher earners. While this points to a relatively equitable distribution, it may underestimate inequality in reality, especially between the public and private sectors.

Pearson Correlation Analysis

Table 4.5: Pearson Correlation Analysis Result

Variables	G (Gini)	Edu	Exp	Wage	Pol	Econ
G (Gini)	1					
Edu	0.412	1				
Exp	0.385	0.362	1			
Wage	0.451	0.378	0.334	1		
Pol	0.398	0.341	0.298	0.352	1	
Econ	0.437	0.315	0.309	0.367	0.325	1

Source: SPSS Outout (2025): Where: G = Gini coefficient (income inequality), Edu = Education and skills level, Exp = Work experience, Wage = Wage structures and salary disparities, Pol = Government policies and labour regulations, Econ = Economic factors (such as inflation, cost of living, and employment rates)

The Pearson correlation matrix showed that all the independent variables were positively associated with income inequality, as measured by the Gini coefficient, across the public and private sectors. Education and skills ($r = 0.412$) and work experience ($r = 0.385$) were positively correlated with income disparities, indicating that higher qualifications and longer tenure often corresponded with higher earnings, thereby widening gaps between employees. Wage structures exhibited the strongest correlation ($r = 0.451$), underscoring the significant influence of pay design on income inequality. Government policies and labour regulations ($r = 0.398$) and economic factors ($r = 0.437$) also contributed to disparities, highlighting that inconsistent enforcement and adverse macroeconomic conditions can exacerbate income gaps. Moderate intercorrelations among the independent variables (ranging from 0.298 to 0.378) suggested minimal multicollinearity, confirming each variable's distinct effect.

Table 4.6: Variable Inflation Factor

Independent Variable	VIF	Tolerance
Edu (Education)	1.28	0.781
Exp (Experience)	1.22	0.82
Wage (Wage Structures)	1.31	0.764
Pol (Government Policies)	1.19	0.841
Econ (Economic Factors)	1.25	0.8

Source: SPSS Output (2025)

The results in Table 4.6 indicate that all independent variables in the model exhibit low levels of multicollinearity, making them suitable for inclusion in the regression analysis. The VIF values for education (Edu = 1.28), work experience (Exp = 1.22), wage structures (Wage = 1.31), government policies (Pol = 1.19), and economic factors (Econ = 1.25) are all well below the common threshold of 5. This suggests that none of

the predictors are highly correlated with one another, meaning that each variable contributes uniquely to explaining variations in income inequality (Gini coefficient). Correspondingly, the tolerance values, which are the reciprocal of VIF, are all above 0.7 (ranging from 0.764 to 0.841), further confirming that the predictors are independent enough to avoid inflated standard errors in the regression analysis.

Multiple Linear Regression Analysis

Table 4.7: Multiple Linear

Dependent Variable: Income inequality in the public and private sectors of Southwest Nigeria

Variables	Coefficient (β)	Std. Error	T-Value	P-Value
Constant	0.212	0.073	2.91	0.004
Edu (Education)	0.152	0.048	3.17	0.002
Exp (Experience)	0.078	0.041	1.90	0.058
Wage (Wage Structures)	0.198	0.052	3.81	0.000
Pol (Government Policies)	0.064	0.044	1.45	0.148
Econ (Economic Factors)	0.139	0.049	2.84	0.005

R= 0.687 $R^2 = 0.472$
Adjusted R2 = 0.460   F-statistics = 39.52
P-value = 0.0000001

Diagnostic Test

	Test Statistics	P-Value	Decision
Normality of Residuals (Shapiro-Wilk)	0.983	0.072	Residuals are approximately normally distributed (p > 0.05)
Heteroskedasticity (Breusch-Pagan)	4.851	0.088	No evidence of heteroskedasticity (p > 0.05)
Autocorrelation (Durbin-Watson)	2.032	-	Residuals are independent; no autocorrelation

Source: SPSS Output (2025)

The multiple linear regression results in Table 4.7 examine the determinants of income inequality in the public and private sectors of Southwest Nigeria. The model shows a good overall fit, with an R of 0.687, R² of 0.472, and adjusted R² of 0.460, indicating that approximately 46% of the variation in income inequality (Gini coefficient) is explained by education (Edu), work experience (Exp), wage structures (Wage), government policies (Pol), and economic factors (Econ). The F-statistic of 39.52 (p < 0.001) confirms that the model is statistically significant overall, implying that the set of predictors reliably explains variations in income inequality across sectors.

Looking at the individual predictors, education (β = 0.152, p = 0.002), wage structures (β = 0.198, p < 0.001), and economic factors (β = 0.139, p = 0.005) are statistically significant. This indicates that higher educational attainment, more pronounced wage disparities, and adverse economic conditions (such as inflation and unemployment) are associated with increased income inequality. Work experience (β = 0.078, p = 0.058) and government policies (β = 0.064, p = 0.148) are not statistically significant at the 5% level, suggesting that their

influence on income inequality is weaker or less consistent in this context. The positive coefficients for all variables indicate that increases in each factor tend to raise the Gini coefficient, with wage structures showing the strongest effect.

The diagnostic tests show that the regression assumptions are reasonably satisfied. The Shapiro-Wilk test (0.983, p = 0.072) confirms that residuals are approximately normally distributed, while the Breusch-Pagan test (4.851, p = 0.088) indicates no heteroskedasticity, meaning the variance of residuals is constant. The Durbin-Watson statistic of 2.032 shows that residuals are independent, with no evidence of autocorrelation. Collectively, these diagnostics suggest that the regression estimates are reliable and unbiased.

DISCUSSION OF FINDINGS

This study provides valuable insights into the determinants of income inequality in the public and private sectors of Southwest Nigeria. Several statistical analyses were conducted; however, findings from the multiple linear regression serve as the basis of this discussion. Through the analysis, it was established that education has a positive and statistically significant effect on income inequality in the public and private sectors of Southwest Nigeria to the tune of 0.152(p=0.002<0.05). This indicates that the higher the academic qualifications of employees, the higher the expected income in the public and private sectors of Southwest, Nigeria. This amounts to a high level of income inequality among employees in both sectors, as every employee has different academic qualifications. This implies that employees with higher academic qualifications generally secure better-paying jobs and greater opportunities for career advancement, while those with lower qualifications remain confined to low-wage roles. This creates stratification in income distribution, as each employee's earnings are strongly tied to their level of educational attainment. The significance of this result lies in its implication for both policymakers and employees. Empirical evidence further supports this finding: Olaniyan and Okemakinde (2020) demonstrated that education significantly improves earnings prospects in Nigeria, while Ijaiya et al. (2021) and Adegbite and Ojo (2022) confirmed that wage disparities are largely driven by variations in academic qualifications. Conversely, some studies challenge this conclusion. Akinyemi and Adeyemi (2022) argued that wage inequality in Nigeria is often sustained by institutional distortions such as nepotism, weak labor protections, and wage compression policies.

Also, it was established that work experience has a positive but insignificant effect on income inequality in the public and private sectors of Southwest Nigeria to the tune of 0.078(p=0.0058>0.05). Apparently, the longer an employee stays in a job, the more experience they gather, and this would amount to high income. This practice appears obtainable only in the Private sector, while not obtainable in the public sector, where the majority of the positions held are through favoritism and godfatherism and not by years of experience. This could be attributed to the fact that in the Nigerian labor market, promotions and wage increases are not always strictly tied to years of service but are often influenced by educational qualifications, political considerations, or organizational restructuring. As a result, while longer years of work may yield some incremental increases in pay, such increments are not significant enough to widen or explain income inequality across the workforce. The insignificance of the result highlights the reality that experience alone may not be a strong determinant of wage disparities in the region, particularly where institutions undervalue seniority in favor of credentials or external factors. Empirical studies lend support to this position. For instance, Fapohunda (2018) and Oginni and Afolabi (2021) found that in Nigerian organizations, educational attainment and professional certifications carry greater weight in wage determination than experience. Similarly, Adeyemi and Akinwale (2022) noted that wage increments associated with tenure are modest and often eroded by inflation, thereby limiting their impact on income inequality. On the contrary, some studies provide an opposing perspective. For example, Oyekanmi (2019) and Olatunji (2020) reported that in certain sectors such as banking and oil, longer work experience significantly influences wages due to structured promotion systems tied to tenure.

In addition, wage structure strongly influences income inequality positively and at a significance level with the coefficient and probability values of 0.198 and 0.001, respectively. This implies that differences in how wages are determined and distributed across sectors play a major role in shaping disparities in income among workers in Southwest Nigeria. In both the public and private sectors, wage determination often reflects hierarchical positions, bargaining power, and institutional practices, which means that workers with similar skills or qualifications may earn differently depending on the pay structure of their organizations. The significance of this finding highlights the entrenched role of wage-setting mechanisms in driving inequality, suggesting that

policies on salary harmonization and collective bargaining have deep implications for fairness in income distribution. Empirical studies support this assertion. Adegoke and Fapohunda (2021) observed that salary structures in Nigeria's public sector are rigid and less responsive to performance, while private-sector wages are more flexible but often highly unequal. Similarly, Olatunji and Adeyemi (2022) found that unequal wage structures across firms create systematic income gaps, with high earners benefiting disproportionately. In the same vein, Ejiogu and Nwankwo (2023) reported that disparities in pay systems are among the most significant institutional factors explaining wage inequality in Nigeria. On the contrary, some studies argue that wage structures can sometimes reduce inequality. For example, Okafor (2020) and Momoh (2022) noted that standardized pay systems in unionized industries, such as education and health, help narrow wage disparities by ensuring uniform salaries regardless of gender, ethnicity, or location.

Furthermore, the analysis result showed that government policy has a positive but statistically insignificant effect on income inequality in the public and private sectors of Southwest Nigeria, with a coefficient of 0.064 and a probability value of 0.148 ($p > 0.05$). This suggests that although government policies, such as wage regulations, minimum wage adjustments, and employment schemes, are designed to influence income distribution, their impact on inequality in practice has been minimal. The insignificance could be attributed to weak policy implementation, corruption, and inconsistencies in enforcing reforms across different sectors. For instance, while the introduction of new minimum wage laws is expected to reduce disparities, delays in adoption by state governments and weak compliance in private firms dilute the potential benefits. Thus, government policy appears to play a limited role in shaping income inequality, compared to more direct determinants such as education and wage structure. Empirical evidence supports this finding. For instance, Fapohunda (2021) and Akinyemi and Olatunji (2022) found that government wage policies in Nigeria have had limited influence on bridging income gaps due to uneven compliance and political interference. Similarly, Nwachukwu and Obi (2023) reported that poverty alleviation and redistribution policies in Nigeria are often undermined by corruption and poor targeting, limiting their effect on reducing inequality. However, contrary evidence exists. Studies by Olawale (2020) and Ejiogu (2022) suggest that when policies are well-enforced, such as during the full implementation of the 2019 minimum wage reform, income inequality narrows significantly, particularly among low-skilled workers.

Finally, it was established that economic factors significantly exacerbate income inequality in the public and private sectors of Southwest Nigeria to the tune of 0.139 ($p = 0.005 < 0.05$). This implies that inflation, exchange rate fluctuations, unemployment, and economic instability directly worsen disparities in earnings among employees. For instance, inflation erodes the purchasing power of lower-income workers more severely, while those in higher income brackets often have access to assets or investments that act as hedges. Similarly, currency depreciation raises the cost of imported goods and services, disproportionately affecting middle- and low-income earners. The significance of this finding suggests that structural weaknesses in Nigeria's macroeconomic environment play a critical role in reinforcing inequality, meaning that resolving disparities in income distribution cannot be divorced from stabilizing the broader economy. Empirical evidence strongly supports this finding. Oginni and Afolabi (2021) reported that inflation and currency depreciation are primary drivers of income inequality in Nigeria, with poorer households disproportionately affected. Likewise, Adeyemi and Akinwale (2022) found that macroeconomic instability undermines wage equality by reducing real incomes among low- and middle-income earners. More recently, Nwachukwu and Obi (2023) confirmed that unemployment and rising costs of living exacerbate wage disparities, particularly between the public and private sectors. On the other hand, some studies contradict this outcome. For example, Ejiogu (2021) argued that during periods of oil boom, favorable economic conditions helped narrow income inequality in Nigeria by raising wages across both skilled and unskilled labor.

CONCLUSION AND RECOMMENDATIONS

The study revealed that income inequality in the public and private sectors of Southwest Nigeria is significantly shaped by educational attainment, work experience, wage structures, government policies, and broader economic factors. Education had a strong and significant positive effect, suggesting that higher qualifications translate into higher earnings and thereby widen disparities among employees. While work experience showed a positive but insignificant effect, indicating that tenure alone does not guarantee fair wage progression, wage structures emerged as a key determinant, reinforcing inequalities through sector-specific pay practices. Government policies, though designed to regulate and stabilize labour market conditions, had only a

marginal influence, reflecting gaps in implementation and consistency. Broader economic factors significantly exacerbated inequality, highlighting the vulnerability of wage earners to inflation, unemployment, and macroeconomic shocks. Collectively, these findings show that inequality is not merely a labour market issue but also a structural challenge influenced by institutional, economic, and policy dynamics. Based on these insights, the study concluded that addressing income inequality requires a holistic, multi-sectoral approach involving reforms in education, wage standardization, labour market regulation, and economic management to promote fair income distribution and inclusive The following recommendations were made:

i. Since education significantly drives income inequality by differentiating workers' earnings, government and private organizations should invest in policies that broaden access to quality and affordable education. Scholarships, vocational training, and skill-development programs should be prioritized to ensure that workers from disadvantaged backgrounds can compete fairly in the labor market. ii. Given that work experience had a positive but insignificant effect, wage systems in both public and private organizations should be redesigned to reward seniority alongside educational attainment. Introducing structured promotion frameworks and experience-based salary increments could enhance fairness and encourage employee retention. **iii.** Since wage structure significantly exacerbates inequality, there is a need to harmonize pay systems across sectors. Government agencies, in collaboration with labor unions, should develop policies that ensure fair and transparent salary scales, particularly in industries with wide disparities.

iv. Because government policies showed a positive but insignificant effect, reforms should focus on improving policy implementation and enforcement mechanisms. Anti-corruption measures, better monitoring of wage laws, and targeted redistribution programs, such as conditional cash transfers and subsidies for low-income earners, should be scaled up.

v. Since economic factors significantly worsen inequality, macroeconomic stabilization should be prioritized. Policies to control inflation, stabilize exchange rates, and reduce unemployment should be implemented alongside broader economic diversification strategies to reduce dependence on volatile oil revenues.

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