Wage Determination in Different Economic Periods and Wage – Related Industrial Unrest in the Public Service in Nigeria.

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Abstract: This paper examined the influence of wage determination in different economic periods (boom or recession) on the frequency of industrial unrest in the public service in Nigeria. This work is prompted by the fact that the state of the economy of any nation has a way of influencing the frequency and intensity of wage-related industrial unrest in the public service. During boom periods the government is expected to be a lot more magnanimous with meeting the demands of workers and general improvements in their work conditions and as a result wage-related industrial unrest is expected to be on the increase. During periods of economic recession or austerity on the other hand, workers are expected to exercise some level of restraint with regards to wage demands knowing fully well that the money is not there. Unfortunately, in the Nigeria situation that is not always the case, even when it is clear that the funds are available, Government continues to claim that there are no funds. This explains why during periods of economic boom and recession, workers’ demands for wage increases do not abate in any way because the Government can never be trusted. When the economy was vibrant the Government did not do much to better the lots of workers, so for the workers it does not matter whether the economy is in recession or not, their demands will have to be met by Government. This paper therefore contends that government should always endeavour to do the needful in terms of improving the lots of workers when the resources are available so that when there is economic problem the workers will understand.


Introduction

Wage determination under particular economic periods such as boom, recession or austerity seems to have a way of influencing the frequency and magnitude of industrial unrest in the Public Service in Nigeria. For example, in the 1970’s when the country enjoyed enormous inflow of petro-dollars, government was more magnanimous with wage awards to workers in the Public Sector, the Udoji Commission award being a case in point (Aiyede, 2002). That situation contributed to the reduction in labour’s quest for wage demands and by implication the frequency of wage-related industrial unrest (Aiyede, 2002; Aminu, 2008). However, that is not always the case, for instance, during the regime of President Goodluck Jonathan oil sold above $100 for a very long time yet workers never benefited anything from that and the frequency and intensity of wage-related industrial unrest remained high. But when recession set in, government imposed a wage freeze and embarked on piecemeal retrenchment of workers in the Public Service. As the crisis worsened, it adopted economic and administrative reform measures (Adesina, 1995). Currency devaluation and inflation reduced salaries of public sector workers to mere pittances and corruption, brain drain and moonlighting became the order of
the day. Under this kind of situation, workers turn to “dry gun powder” looking for the slightest opportunity to embark on collective action (Adesina, 1985; Aiyede, 2002). A typical example of these economic measures is the Structural Adjustment Programme (SAP) introduced by the Ibrahim Babangida administration. This economic recovery measure which created pressures and economic constraints for both employers and employees necessarily affects the Industrial Relations System negatively (Adesina, 1995; Aiyede, 2002; Yusif, 2008). Working days lost through strikes dropped from 9.6 million in 1982 to 200,000 in 1985 in the midst of a decline in national income that had begun in 1983 (Ejiofor, 1986). Industrial unrest resulted, however, in demands by larger number of workers for payment of salary arrears and fringe benefits as real wages fell by almost 60 percent. The cause of the decline in real wages were the World Bank –advised SAP and the unfavourable terms of trade that resulted from the collapse of the world oil market between 1986 and 1989 (Ejiofor, 1986). The same kind of situation is again being experienced in Nigeria presently as a result of crash in oil price in the world market. Most state governments in Nigeria today find it extremely difficult to pay salaries; even the bailout funds received from the Federal Government by these states did not remedy the situation. It is strikes galore in the public service across the country, a situation that is very worrisome. There is therefore need to investigate how the different economic periods (boom and recession) influence the frequency of industrial unrest in the Public Service in Nigeria.

Conceptual Clarifications

Wage: Employers usually see wage as all costs incurred for the recruitment and use of labour in their enterprises. These include direct wages, fringe benefits, social security benefits paid to the employees and other costs incurred for occupational safety and health and human resource development. Employers are therefore concerned with the total cost of labour. Workers on their own see wages as the direct payment received for work done (Kessler, 1995; 2000).

Duncan (1989) and Poole and Jenkins (1998) posit that workers are concerned with the immediate quantum of disposable income, although they recognize that fringe benefits associated with terms and conditions of employment and all other benefits in cash or kind are also part of wages. The types and quantum of fringe benefits vary with countries. It is determined through government intervention with legislation and collective bargaining between employers and trade unions. It is therefore a result of tripartite consultation and agreement between the parties involved (Milkovitch and Newman, 1990). According to Armstrong (1999), the main components of payment systems include; basic pay, productivity incentives, social security, fringe benefits such as medical benefits, paid leave and allowances. Some of the allowances include rent in lieu of quarters, basic amenities for electricity, water, transport, subsidies for education of children, and Domestic Assistants (Armstrong, 1999; Bratton, 1999).

Wage determination: This refers to the process of setting wage rates or establishing wage structures in particular situations (Armstrong, 2007). The determination of wages is based on remuneration system suitable to the peculiarities in the industry and the labour market conditions (Brown, Marginson, and Walsh, 2003). According to Armstrong, (2007), reward management deals with the strategies, policies, and processes required in ensuring that the contributions of people to the organization are recognized by both financial and non-financial means. It is about the designs, implementation and maintenance of reward systems, which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization’s strategic goals (Armstrong, 2007).
Wage determination is not solely the outcome of market forces of demand and supply. The government has an important role in the determination of wages through its polices on wages and the legislation it creates for industrial relations. Even collective bargaining is regulated through legislations on industrial relations (Brown, Marginson, and Walsh, 2003). Apart from the legislations, the government also sets policies on guaranteed minimum wages and minimum statutory benefits due to workers. Wage determination is therefore the outcome of interactions between the tripartite partners in industrial relations, namely, the government, employers and workers represented by their unions (Armstrong, 2009; Brown, Marginson, and Walsh, 2003).

**Industrial unrest:** This is a generic term that covers all forms of industrial actions undertaken by workers and employers to express their dissatisfaction in the workplace (Anugwom, 2007). Although, strike is the most popular form of the manifestations of industrial unrest in any society, there are other forms, which do not attract much notice or public attention. Yet this latter category accounts for a significant proportion of labour-management dispute (Fashoyin, 2005). These other forms of industrial unrest are mainly used by workers and their unions as pressure methods on the employers to win their demands (Fashoyin, 2005). The types of action in this category include, work-to-rule, over time ban, lock-in/out, and intimidation (Fashoyin, 2005).

Work-to-rule aims at the restriction of output through deliberate reduction in the pace of work. In Nigeria, for instance, Work-to-rule (popularity referred to as ‘go slow’) actions have featured prominently in labour-management relations for a long time, although they became a regular instrument of union bargaining strategy following the no-strike provision of the wartime legislation (Yesufu, 1984; Ubeku, 1986; Fashoyin, 2005).

The overtime ban is a union strategy, which seeks to impose additional costs on the employer if more production is needed. Overtime ban is an effective means of securing the employer’s concession. Where, however, the union embarks on overtime ban, this has a disruptive effect on efficiency (Fashoyin, 2005). In Nigeria, for instance, this strategy is used in the banking industry where normal work usually continues for several hours after the close of banking services to the public (Yesufu, 1984; Fashoyin, 2005).

The lock-in/out is an action in which employees physically ‘take over’ the company premises, either by locking-in or locking-out the management staff, thus denying them access to or exit from the premises (Fashoyin, 2005). Unlike the first two forms, this action is often an indication of extremely unhealthy labour relations, which sometimes suggests excessive use of union power. In many cases, union leaderships do not sanction this strategy (Fashoyin, 2005).

Intimidation aims at putting the employer in a bad light by doing things, which are embarrassing or antithetical to normal work behaviour. This form of industrial action is a more recent phenomenon and now commonly used in public–oriented organizations (Ubeku, 1986; Fashoyin, 2005). This form of industrial action is used to induce the employer to negotiate. In quite a number of cases, the foregoing forms of industrial action have been used to induce the employer to negotiate. In quite a number of cases too, the foregoing forms of industrial action have also been as effective as the strike (Ubeku, 1986; Fashoyin, 2005).

Strike action is the most common form of industrial unrest in Nigeria and remains the most used instrument by organized labour in Nigeria for pushing through their demands from employers (Yesufu, 1984). Strike indicates a breakdown of cordial relationship between labour and management and is usually the one aspect of industrial relations that invites the most negative commentary. Yet the strike, distasteful as it is, performs various useful functions for the two sides of industry (Ubeku, 1986). When a union calls out
its members on strike, it is in the belief that the strike will exert pressure on the employer (and sometimes indirectly on government) to take a desired action, such as conceding a demand for improvement in terms of employment, or ameliorating an unsatisfactory working condition. All strikes, whether orthodox or political, fit into this description (Yesufu, 1984; Fashoyin, 2005). In many cases, non-strike actions serve as the first phase of an action package that ultimately ends up in a strike.

There are also cases where workers have been locked out of the company premises by management. Lockout is actually the employers’ counterpart of the strike. The company gates are locked, thereby preventing workers from entering company premises (Fashoyin, 2005). Lockouts are not common occurrence in labour-management relations in Nigeria. In fact, it appears that most lockouts that occur are preceded by strike action or other forms of industrial action. Oftentimes, when workers embark on an action and the management or the third party intervention has failed to resolve it, they might find it expedient to lock out the workers, either to reduce overhead costs or to safeguard lives and properties. For this reason, it is not usually easy to separate the two phenomena in labour–management relations (Fashoyin, 2005).

Yesufu (1984: 26) observes that industrial unrest can also manifest in the form of covert or unorganized action. In his own words “the signs of un-organized discontent that result from each individual taking whatever step he can in pursuit of his own happiness are; a high rate of labour turnover, absenteeism, and general inefficiency and unwillingness to work”.

**Wage Determination in Different Economic Periods and Wage – Related Industrial Unrest in the Public Service in Nigeria: A Theoretical Review.**

In the 1970’s, the Nigeria economy achieved a high growth rate. During 1970 – 1980, for example, annual growth rate of the Gross Domestic Product (GDP) was 7 percent (central Bank of Nigeria, 1982). The labour policies of this period reflected the prosperity of the oil economy and were demonstrative of the readiness of employers to make concessions to workers (Fashoyin, 2005). The setting up of the Adebo, Udoji, and Williams’s Commissions all within five years indicates that even government policy was critically motivated by the boom. In both private and public sectors, wages and benefits rose by unprecedented proportions (Fashoyin, 2005). During 1975 – 1980, for example, the lowest-paid public employees received an unprecedented salary increase of 108 percent (Ejiofor, 1986). Employees benefit grew in form and size, both as a result of aggressive trade union pressure and the readiness of employers to make concessions (Ejiofor, 1986).

In the 1980’s, however, all these were reversed as the economy declined in absolute terms. The Gross Domestic Product (GDP) experienced a negative growth during most of the period. In response Industrial Relations Institutions adjusted to the contractions (Ejiofor, 1986; Fashoyin, 2005). Employees gave up earned benefits while in some cases, particularly in the Public Sector, benefits were withdrawn unilaterally, because of declining business and government review (Ejiofor, 1986). To stem this decline, far-reaching short and long-term economic measures were instituted. Faced with a fiscal crisis and extreme pressures from International Monetary Institutions, the state was forced to reduce imports and capital expenditures, to initiate lay-offs in the Public Sector, and to impose wage controls (Tuman, 1994). By mid 1983, the effects of the crisis were already highly visible. Austerity measures and import controls fueled tendencies towards hoarding and price gauging in urban areas, causing the average price of the basket of foods and other essential goods to jump sharply; and the combined impact of contracting state spending and capital goods supply shortages induced some plant closures, layoffs and shortened work weeks (Tuman, 1994). Although reliable data are unavailable, some estimates suggest that during
1983 and 1984, 3 million jobs (900,000 in the manufacturing sector) were eliminated as a result of the austerity measures; for much of this period, the industrial sector was estimated to have been running at approximately 30 percent of its capacity (Ejiofor, 1986; Tuman, 1994). According to Mosley (1989), while beginning the adjustments process, the regimes of Shagari (civilian, 1979 – 1983) and Buhari (Military, 1983 – 1985) ultimately fell short of implementing the full series of reforms demanded by international lending institutions.

When Babangida’s military regime assumed power in August 1985, it inherited an economy fraught with severe problems. To a large extent, the sources of Nigeria’s economic crisis were rooted in the development policies implemented under previous governments (Tuman, 1992; Mosley, 1992). Once Babangida had consolidated power, however, the state increased its commitment to extending the scope of reform with the introduction of the Structural Adjustment Programme (SAP) in June 1986 (Mosley, 1992). From 1986, this policy was evolved to include the following provisions: full or partial privatization of state enterprises; devaluation of the Naira, achieved principally through the introduction of a two-tier exchange rate; the elimination of import licenses, the provision of tax incentives and credit subsidies for export-oriented firms and the adoption of a more liberalized tariff structure; reduced public spending; deregulation of financial markets; and wage restraints (Mosley, 1992).

SAP generated an extreme downward pressure on wages. Throughout the manufacturing sector, average real wages dropped, and the numbers of worker benefits were cut or eliminated (Ejiofor, 1986; Mosley, 1989). Wages covered by the scope of collective bargaining were frozen in 1984 by the Productivity, Prices and Incomes Board (PPIB). While this freeze was lifted in early 1988, real wages did not increase since prices grew at a much faster rate than wages did during this period (Mosley, 1989). For example between 1989 and 1990 alone, nominal average wages in the industrial sector increased by approximately 2 percent (Tuman, 1994). If we consider the evolution of the Minimum Wage Structure, a similar picture emerges as well. In 1981, the National Minimum Wage Act established a Minimum Wage of 125 naira per month for all enterprises employing more than 50 workers. Nevertheless, after many rounds of negotiations involving officials from the Nigeria Labour Congress, the Ministry of Labour and the Nigeria Employers’ Consultative Association, the government raised the minimum wage only in January 1991, and then only to 250 naira per month (Tuman, 1994). Labour leaders were largely critical of this move, however. They argued that the Minimum Wage would have to be increased to at least 1,490 naira per month in order to restore the purchasing power against record inflation from 1981 – 1990. Official data, in fact supported labour’s claims: the index number of urban consumer prices jumped from 100 in 1980 (the base year) to 1,160.9 in June 1990 (Mosley, 1992). This situation put workers and their unions on edge and increased their propensity to embark on protests (Ejiofor, 1986; Tuman, 1994).

Finally and perhaps most importantly, unions and organized workers have generally faced an increasingly uncertain (and at times, inhospitable) political climate in which they operate. In order to guarantee the successful implementation of SAP, Babangida regime gave itself a wide degree of latitude in settling economic policies (Tuman, 1994). These powers, established and extended in the National Economic Powers Decrees of 1985 and 1986, permit the state to intervene in the internal affairs of unions and Nigeria Labour Congress, to restrict (and ban) worker protests, to decertify some militant unions and to limit strike actions (Tuman, 1994). If unions continued to enjoy limited collective bargaining rights, the government’s selective actions against labour especially when considered in the context of the economic crisis tended to create a chilling effect on worker militancy (Mosley, 1992; Tuman, 1994).
Workers and unions’ responses to austerity and restructuring can be interpreted usefully through an examination of actions undertaken in two partially overlapping but distinct spheres of analysis. On one hand, union activities can be analyzed from within the framework of regulated and institutionalized industrial relations (for instance, collective bargaining, strike petitions etc.) (Mosley, 1992). On the other hand, it is possible to consider the political strategies pursued by individual unions, the Nigeria Labour Congress (NLC), and newly emerging civic groups and popular movements acting in concert with the Labour Movement. While activities taking place in this later sphere are monitored closely by the State, there has been on the whole, more political space for organizing through the NLC and other civic groups (Mosley, 1992). Indeed, even as certain unions have made concessions in the process of wage and benefit negotiations, the congress has continued to be assertive on the national political scene by attempting to organize a workers’ political party and by calling for national adjustment (Tuman, 1994).

Studies conducted by Ejiofor (1986), Fashoyin (1986) and Ubeku (1986) indicated that one way of measuring changes in workers’ responses to restructuring and austerity is to examine data on the frequency of strikes. The data on the long run trends in Nigerian strikes appear to show a somewhat strong relationship between emergence of the oil boom and the tendency toward increasing worker militancy during the 1970s. This trend continued well into the early 1980s, including the early years of economic crisis. In the period covering October 1979 to March 1983, for example, there was an average of approximately 200 strikes per year, with an average loss of 3,286,000 man-days. In 1983 alone, 816,793 workers participated in 154 strikes resulting in the loss of 7,268,044 man-days. Nonetheless, with the exception of more pronounced strike activities in 1989 and 1990, data collected showed that the general tendency for the post-1983 period was towards a significant reduction in both the number of workers participating in strikes and number of days lost to industrial disputes (Ejiofor, 1986; Fashoyin, 1986; Ubeku, 1986).

The post-1983 pattern of strike activity partly reflects the increasingly inhospitable environment in which unions have had to bargain since 1983, the threats of plant closure, employer lockouts and unemployment have been more pronounced for organized workers (Ejiofor, 1986). Given the uncertainties facing organized workers who initiate strikes, union leaders shifted their bargaining tactics to accommodate defensive strategies (Fashoyin, 1986). The shift toward union tolerance and accommodation was not, however, uniform throughout the Nigerian Labour Movement.

Workers organized in strategically important sectors of the economy have generally adopted more militant bargaining strategies, often with tangible results (U.S Department of Labour, 1991-1992). This has been particularly true in the oil sector, where the state’s continuing reliance on foreign exchange earned from oil exports has rendered it vulnerable to disruptions in crude oil productions. The National Union of Petroleum and National Gas Workers (NUPENG), for example, was successful in resisting cutbacks and wage reductions proposed by the Nigerian National Petroleum Corporation (NNPC) in 1983 and 1987 (U.S Department of Labour, 1991-92). Despite the fact that remunerations in the oil sector are far above average wages in other sectors, oil workers have continued to be strike prone. Between 1990 and 1993, the rank- and-file called a number of successful wildcat strikes (U.S Department of Labour, 1991-92). The reason for this may not be far from the fact that even though wages in the oil sector may be far above average wages in other sectors, workers in that sector still feel that they do not get all that is due to them from the employers.

Presently in 2016 the situation in Nigeria is tense as a result of the poor state of the economy. About 27 out of the 36 states owe arrears of salaries to their workers meaning that they have lost the capacity to
pay salaries. This situation has increased the frequency of wage-related industrial unrest in the public service. Workers argue that it is difficult to know when the resources are available because of the attitude of Government, even when they are sure that the funds are available, Government does not accede to the demands of workers and when agreements are reached with workers, Government hardly honours these agreements. Oil which is the major source of revenue for the country sold very well in the international market for some years but nothing meaningful was done with the proceeds and workers were told the same old stories and as a result they never benefited anything from the boom. It is therefore difficult for workers to give Government benefit of the doubt even in this period of economic recession because it is difficult to trust Government.

The theoretical thrust of this paper is the Marxian theory. The Marxian theory is associated with the great German Philosopher Karl Marx (1818-1883). Marx (1844; 1964) asserts that capitalism entails the need for companies to be profitable. If they are not, capital could not be invested in them and they would not survive. To be profitable, they have to be based on the extraction of surplus value (the difference between the value of the work done and the wages paid) and the exploitation of workers. Marx (1944; 1864) maintains that only labour produces wealth. Thus, wealth in capitalist society is produced by the labour power of the workers. However, much of this wealth is appropriated in the form of profits by the capitalists who own and control the means of production. The wages of workers are well below the value of the wealth they produce. There is therefore a contradiction between the forces of production, in particular the labour power of the workers which produces the wealth, and the relations of production which involves the appropriation of much of that wealth by the capitalists who form the ruling class. Marx (1844;1964) further postulates that work which entails the production of goods and services holds the key to human happiness and fulfillment, as work is the most important and the primary social activity. As such, it can provide the means to either fulfill people’s potential or to distort and pervert their nature and their relationship with others. Like their products, workers are reduced to the level of a commodity. A monetary value is placed on their work and costs of labour are assessed in the same way as the cost of machinery and raw materials. Like the commodities they manufacture, workers are at the mercy of market forces of the law of demand and supply (Marx, 1844; 1964).

The Marxian theory adequately captures the situation in Nigeria. The situation in Nigeria is that the political and the administrative elite, who form the ruling class and are also in the minority, have cornered the common wealth, leaving majority of the people most of who belong to the working class impoverished. In Nigeria, the difference in pay between managers and ordinary workers is one of highest in the world. This difference has also been increasing over the years (NLC, 2008; 2009). At the same time, owners and managers of banks, top government officials and members of the political class have seen their pay and wealth swell astronomically while workers have had to survive on starvation wages. This has frequently led to workers demanding higher wages, a situation that generates industrial unrest. This is because workers must fight back so as to get at least minimal increases in their wages (NLC, 2008; 2009).

**Conclusion**

It is an undisputed fact that the economy has a way of influencing the determination of wages of workers. When the economy is in good shape (boom) it is expected that Government should graciously increase the wages of the workers so that they can also benefit from the boom. When the economy is not in good shape especially during recession the capacity of Government is usually reduced in terms providing adequately for workers and the workers are expected to understand the situation and therefore exert less pressure on Government in terms of wage demands. This is
however not the situation in the public service in Nigeria especially in recent time. This is because successive governments in Nigeria have been very deceitful in their dealings with workers and their unions to the extent that even when it is obvious that the resources are available Government still talk about paucity of funds just to ensure that workers do not get what is due to them.

Government enters agreements with workers with the intention of not keeping to the agreements. Wages and salaries of workers are not reviewed unless they embark on strike action, so strike in Nigeria is now a way of reminding Government of its obligations to the workers. In Nigeria workers continue to groan under the tutelage of those who are privileged to find themselves in the corridors of power both during periods of economic boom and periods of economic recession. This is mainly as a result of the repressive character of the Nigerian state with its rigid class structure reinforced at every point in time. This explains the high level of poverty, inequality, unemployment, hopelessness and helplessness amongst workers in the land. The same set of people continue to recycle themselves in power and it is this same people that have plundered the commonwealth which is why our economy is today in recession.

References


