

Wage Policy and Industrial Relations in Nigeria: A Review of the New Minimum Wage

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Abstract

Collective bargaining is a dual responsibility that involves labour on one side and the employers on the other. The guarantee for industrial harmony is that labour gets its (wage) rewards that are commensurate with its input. This study examined the prospects for peace within the Nigerian industrial space, given the introduction of the new minimum wage by the current administration in the country. Data was obtained from secondary materials which include – books, magazines, journals, newspapers, periodicals, the internet, etc. The analytical mode adopted was the techniques of content analysis while the radical theory of industrial relations, Fox (1966) was adopted as the theoretical framework of the study. Results showed that the new minimum wage that is being introduced by the federal government of Nigeria cannot go down well with labour as it has not adequately addressed the current level of inflation in the society. Labour would be expected to react unfavorably in no distant time and industrial dispute is inevitable. The paper therefore suggested a serious adjustment of the wage to adequately address the inflationary trend so far attained in the economy.

Keywords: *Minimum wage, Industrial relations, Inflationary trend, Wage policy, Radical theory*

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Background to the Study

Industrial relation which is popularly referred to as labour relations, revolves around an arrangement, in which employers, workers, and their representatives and, directly or indirectly, the government interact to set the ground rules for the governance of work relations. A labour relation system incorporates both societal values (e.g. freedom of association, a sense of group solidarity, and search for maximized profits) and techniques (e.g. methods of negotiation, work organization, consultation and dispute resolution). As a system, the evolution of industrial relations in Nigeria is traceable to the period between 1884-1885 when “at the Berlin conference, the British succeeded in formalizing its claims to the Nigeria basin and the activities of some private entrepreneurs was brought under control of the Royal Niger company headed by Sir Taubman George Goldie” (Ubeku 1983:37). This suggests that the history of industrial relations in Nigeria can be traced back to the colonial or even the pre-colonial era when formal and semi-formal relationships were established with the British in particular and the Europeans in general. Interestingly, the activities of the British culminated to the evolution of Nigeria as a country through the amalgamation of the Northern and the Southern protectorates in 1914 by Lord Lugard who became the colonial administrator. These colonial masters undertook several reforms as the new country matured in age and developed. Given the reform in the labour sector, the legal framework for industrial relations were created in the country.

The Nigerian labour system is predicated upon certain structures which have been put in place both procedurally and substantively to enable the system function. It operates in the order of a board of inquiry; conciliation, arbitration, and the national industrial court (I.A.P). All labour actors are meant to pass through a collective dispute procedure. The primary essence of these structures is for purposes of collective bargaining and wage determination between labour (its members) and the management.

Narrowing down to the views of Fox (1966), “employees have different values, interests and objectives” since every organization is a coalescence of sectorial groups. This is so because these employees have different values and aspirations from those of management which in this circumstance is the state. Conflict is inevitable in this situation where the Nigerian government offers minimum wage which does not conform to the expectations and demand of labour. The scenario is expected to smooth out through collective bargaining. This is what is ongoing at the moment. The Nigerian labour union (trade union) is on duty to protect the interest of the worker in the context of the current minimum wage. The extent to which industrial harmony is guaranteed in the nearest future following the introduction of the new minimum wage constitutes the problem of this study. It is against such a background that this paper seeks to ascertain the extent to which labour relations in Nigeria will remain warm for purposes of industrial harmony in this country.

Conceptual Clarification

Industrial Relations: The term industrial relations has been defined as, “the working relationship established through negotiation, custom, practice and legislation between representatives of workers' organizations on the one hand and an employer, a group of

employers or one more employers' organization on the other” (Sokunbi, 1983). This implies that, it is a subject which deals with institutionalized relationships between the two sides of industry. Fajana (2000) views industrial relations as “the rules governing employment together with the ways in which the rules are made and changed as well as their interpretation and administration”. For Dunlop (1958), “industrial relations constitute a subsystem overlapping others, viz, the economic, the political, ice-technological socio-cultural,” etc.

Minimum Wage: Minimum wage is that wage which is specially tailored to protect workers against unduly low pay. It helps to ensure equitable share of the fruits of progress to all and a minimum living wage to all who are employed and in need of such protection. Minimum wage may also be introduced by a government in power to help ameliorate the poverty situation in a country as well as reduce inequality. It is in this rein that ILO (1970) defined minimum wage as, “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period which cannot be reduced by collective agreement or an individual contract”.

Empirical Review

Past and current studies on the relationship between wage and labour relations are hereby reviewed in a tabular format as follows:

Table 1.

Surname of Researcher, Year, Tittle of Study	Scope Covered	Methodology, Findings and Recommendations
Obiekwe (2019). The roles of labour union in Nigeria industrial harmony	Nigeria: labour union and industrial harmony and development	Secondary data was employed. The paper observed that workers join unions because of job security, wage and benefits. It concluded that disunity and politicization of trade unions weaken such unions.
Uzoh, (2016). Wage determination in different economic periods and wage-related industrial unrest in the public service in Nigeria.	Nigeria: wage determination in different economic periods, wage-related unrest in Nigeria’s public service	The paper which employed secondary data observed that government in Nigeria is not trust-worthy and does not pay workers as expected during boom
Adeniji (2015). An analysis of industrial relations practice in Nigeria and Ghana	Nigeria and Ghana: industrial relations practice in both countries-A comparism	Using secondary data, the study observed that in both countries, trade unions play significant and active roles in the struggle for independence. The paper also discovered that both countries practice collective bargaining
Onyemaechi (2014). Problems and prospects of labour management in Nigerian oil and gas industry: some conceptual and contextual issues.	Nigeria: Prospects and problems of labour management in the oil and gas industry.	An analytical study based on inferences. Results show three major problems facing the managers of labour in the oil and gas sector of the country.
Rio-Avila (2014). Unions and economic performance in developing countries: case studies from Lain America.	Latin America: Unions and economic performance in developing countries.	Using secondary data, the paper employed the Cobb-Douglas production function and found that unions have positive but mostly small effects on productivity.

Theoretical Framework

This study adopted Radical (conflict) theory of Industrial Relations, Fox (1966) as its theoretical framework.

Conflict theory is synonymous with the pluralist or the pluralistic frame of reference which is also credited to Fox (1966). The theory views the organization as coalescence of sectorial groups with different values, interests and objectives. Thus, employees have different values and aspirations from those of management, and these values and aspirations are always in conflict with those of the management. Conflict theorists argue that conflicts are inevitable, rational, functional and normal situation in organizations, which is resolved through compromise and agreement or collective bargaining. They view trade union as legitimate to managerial rule and prerogatives and emphasize competition and collaboration. This view recognizes trade unions as “legitimate representative organizations which enable groups of employees to influence management decisions” (Rose, 2008). Rose further states that the pluralist perspective would seem to be more relevant than the unitary perspective in the analysis of industrial relations in many large unionized organizations and congruent with development in contemporary society.

Methodology

This qualitative study employed data from secondary sources while the mode of analysis is content analysis. The analysis runs in the following sequence:

Research Question One: Is there a discrepancy between labour (worker) demand and the offer of the employer (state) on the issue of minimum wage?

A recent study by Eme and Ogbochie (2017) on “labour and the demand for a New Minimum wage in Nigeria: How realistic is the demand”, content analysis was employed to analyze data obtained from such secondary sources as books, journals, reports, the internet, etc., to reveal that wage reviews in Nigeria were often not structured to address the basic needs of workers since they were not engaged and involved before their implementation. In its view, the paper observed that the major fallout has always been frequent strike actions by workers to force government to act favourably. The paper recommended that wage should be fixed to reflect international (ILO) benchmark considering the level of inflation, high cost of living and lack of basic infrastructure. This paper also believes that labour demand for fifty-sixty thousand naira is quite realistic. The purpose of minimum wage is to protect workers against unduly low pay. Minimum wages has been defined as “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract”. Thus, on Tuesday November 6th, the Nigerian Labour Congress (NLC) called off a general strike after agreeing with the government to an increase to national minimum wage by 67% to 30,000 Naira (US dollar 83). The new minimum wage must be seen as a compromise agreement between workers, employers and the government which is a sign of democracy at work founded on ILO conventions of rights to collective bargaining (ILO core convention 98) and on minimum wage machinery (ILO=26) both to which Nigeria is a signatory. According to Nigerian law,

minimum wages should be adjusted every five years. This makes such adjustment a constitutional matter. However, it must be noted that the 1981 minimum wage of 125 naira was worth US 200 while the 30,000 naira of 2019 is worth only US dollar 83. These were considered by other unions like United Labour Congress (ULC) which demanded 96,000 (US dollar 264) and Trade Union Congress (TUC) that demanded 66,000 naira. The point to note here is that while labour has succeeded at getting an increase to 30,000, this achievement is much below the 1981 minimum wage of 125 naira bearing the current inflation rate and cost of living. Labour is still far from attaining a living wage.

Research Question two (2): How would the new minimum wage affect labour relations in Nigeria in the future?

Studies conducted on the effect of minimum wage on the economy present divergent views. One such study by Aniekan (2014) titled, "An empirical assessment of the effects of minimum wage increases on unemployment during democratic governance in Nigeria", revealed that minimum wage was positively correlated with unemployment with a correlation coefficient of 0.8328, but no evidence was found to support the existence of causality between the two variables. The study used ordinary least squares estimating technique, Granger causality, Cusum and Cusum squares stability test on Nigerian data during the democratic governance (1999-2012). The findings imply that minimum wage hikes were detrimental to employment creation policy of the Nigerian government during her 13years of democratic governance.

It is generally believed in many circles that minimum wage policy supported by a strong social policy is an efficient mechanism against poverty and income erosion of the poorest households. Hence, Herr and Kazandziska (2011) assert that "minimum wage is one of the instruments which can control wage dispersion and in this way reduce income inequality". The international Labour Organization (ILO)(1970), believes:

The elements to be taken into consideration in determining the level of minimum wages include (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups; (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

A number of economists are opposed to increases in minimum wage on the grounds that it boosts unemployment. However, other economists have argued that the demand for unskilled labour is relatively inelastic, so a higher minimum wage boosts the incomes of unskilled workers as a group. That again, they say, justifies the policy even if it increases unemployment.

In their study of the impact on employment resulting from an increase in New Jersey's minimum wage in the early 1990s, Card and Krueger's (1994), found that, "the increase in New Jersey's minimum wage did not decrease employment". According to Besanko (2011),

“as provocative as it was, Card and Krueger's study has presented a finding that is at odds with the implication of the analysis of the minimum wage usually presented in microeconomics textbooks”. In Nigeria, it has been the common practice for government to set up Ad-hoc commissions for purposes of wages and bonuses reviews following agitations from workers. This quickly reminds one of the fact that collective bargaining has never played a significant role in wage fixing and labour relations especially in the public sector in Nigeria. Fixing of wages and salaries have always been based on the recommendations of wage review commissions. It may also be necessary to set the records straight by providing the following chronicle of wage review commissions in the country beginning from the very first in 1934:

Table 2: Wage Review Commission in Nigeria, 1934-2010

S/N	Commission	Year
1	The Hunt Commission	1934
2	Bridges Committee Of Enquiry	1941
3	The Tudor Davis Commission	1945
4	The Harraign Commission	1946
5	The Miller Commission	1947
6	Phillipson-Adebo Commission	1948
7	The Gorsuch Commission	1954
8	Mbanefo Commission	1959
9	The Morgan Commission	1963
10	Eldwood Commission	1966
11	The Adebo Commission	1970/1971
12	Udoji Commission	1972
13	The Cookey Commission	1981
14	Dotun Phillips Commission	1985
15	The Allison Ayida Review Panel	1994
16	Philip Asiodu Committee	1998/1999
17	Ernest Shonekan Committee	2000
18	Justice Alfa Belgorie Committee	2009/2010

Source: National Salaries, Incomes and Wages Commission (2010).

In related development, a study on minimum wage, retrenchment and unemployment in Nasarawa state by Eleguand Ikwumokoni (2018), revealed that poor implementation of minimum wage has adverse socio-economic implications which include retrenchment, increase on rate of unemployment, percentage payment of salaries as practiced in some states (e.g. kogi), embargo on promotion and other welfare benefits and the general effect on the economy as whole. Thus, studies reveal mixed results from minimum wage adjustments which will certainly attract agitations and resistance by workers and their unions leading to industrial disharmony. The new minimum wage in Nigeria is likely to elicit such responses from labour in the course of its implication.

Findings

The synthesis of the data in this study revealed the following:

1. The new minimum wage in Nigeria from the period starting from 2019 does not reflect the reality in the economy. This is because the rate of inflation, cost of living, measure of infrastructure and other necessary variables have not been considered in fixing it.

2. It has been revealed that this current wage which takes effect any moment from December 2019, is lower than that in 1981 which was ₦125 considering the value of the Dollar.
3. The two points above indicate that the wage has not been fixed in accordance with international standards e.g. the ILO standards
4. Since the wage has not taken adequate cognizance of the current rate of inflation and costs of living, labour is most likely to start agitation in the nearest future. It is this vein that industrial harmony is foreseeable in the nearest future.
5. As the agreement was made on the eve of elections, it may be right to perceive it as having been politically motivated.
6. Minimum wages in Nigeria have hardly been done by collective bargaining as should be the case. This is evident in the number of salary review commissions listed on the table above (1934-2010).
7. Wage review in Nigeria is a constitutional matter that should come on regular basis- i.e. every five years to address the realities of the times.

Conclusion

This paper concludes that the implementation of the new minimum wage would elicit more agitations and resistance from Nigerian workers in the shortest possible time. The implication is industrial disharmony which will spell doom for an ailing economy as Nigeria. The bane of the new minimum wage is that the policy from which it emanated has not been founded on standard international specifications (ILO) as it has failed to consider issues bothering on inflations, living standards, unemployment rate, etc. Thus, rather than the desired blessing to workers and the economy, it will have led to mass retrench, embargo on promotions and welfare packages and increased rate of unemployment. In this regard, this paper rolls out a number of suggestions.

Recommendations

1. The new minimum wage should be reviewed shortly, i.e. before five years since it is already being implemented. This is to ensure that it reflects the realistic of the inflationary trend currently in the economy.
2. Efforts should be made to ensure that the current wage structure adheres to standards as stipulated by the international community especially the International Labour Organization (ILO).
3. Again, efforts should be made to resist political undertones which influence wage policies in the country.
4. Collective Bargaining principles should constitute the bedrock of wage fixing rather than the current use of wage review commissions.
5. All above suggestions should be considered and adopted as the only way to forestall agitations and disharmony in labour relations in the country.

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