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A REVIEW OF POLICY ON PUBLIC SECTOR WAGE ADMINISTRATION AND COLLECTIVE BARGAINING IN NIGERIA

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ABSTRACT

The study examines policy sector wage administration and collective bargaining against the persistent industrial relations crisis that attends public sector wage adjustment in Nigeria. Politicization of wage adjustment in the 1970s by periodic wage commissions, has been complicated by the attempt to harmonize wages across the public sector. The latter virtually choked up collective bargaining machineries in the public sector. This paper calls for the decentralization of wages and collective bargaining in order to free the collective bargaining machineries, and the streamlining of supportive institutions for wage administration. Strengthening democracy and the rule of law in Nigeria will provide room for the crystallization of the rules and regulations that govern wage administration in Nigeria.

JEL classification: J38, J58, N37

1. Introduction

PUBLIC sector wage administration has been mired in conflict since wage employment was introduced in Nigeria about 100 years ago. Several measures have been adopted in the effort to establish a clear-cut basis and processes for wage adjustment. Collective bargaining has failed to take root. Wages commissions/tribunals set up to effect wage adjustments in the public sector have ended in controversy, protests and strikes. Unilateral wage adjustments by government have proven to be just as chaotic and controversial. The economic downturn, in the last two decades, forced the Government to impose a wage freeze to keep incomes as low as possible while it grappled with economic recession. This occasioned a drastic fall in real earnings for those in public sector employment. The lack of incentives for workers in the public sector, poor allowances and low wages are identified as factors largely responsible for the pervasive corruption, prevalence of sideline activities, demoralization and the consequent blatant inefficiency and ineffectiveness in public administration. The recent upward review of wages in the public sector in September 1998 has resulted in another round of strikes and protests. Yet, this issue has to be resolved if the wider effort at reforming the public sector is to yield results.

It has become clear that the haze and confusion associated with public sector wage determination in Nigeria cannot continue. The need for a clear, practicable and sustainable framework for wage administration has never been so urgent in the public sector. This paper reviews public policy on wage administration and collective bargaining in Nigeria. The aim is to explain the reason for the failure to institutionalize wage determination processes in Nigeria, and to provide some suggestions on how to come out of this quagmire. The paper is divided into ten sections. The first is the introduction. The second examines wage administration as a problem. Section 3 looks at the theoretical basis of wage administration policies. Section 4 highlights the significance of collective bargaining for wage administration. Section 5 identifies factors that support collective bargaining institutions while section 6 presents the wages policy in Nigeria. Section 7 examines the practice of wage administration as a crisis of collective bargaining. Section 8 deals with efforts at decentralizing collective bargaining in the public sector. Section 9 reflects on key issues in wage administration in Nigeria and section 10 draws policy conclusions from the foregoing.

2. Wage Administration as a Problem

Wages, T.M. Yesufu writes, are the kernel of employment contract (1984: 151). The justification for this view is not difficult to understand. Wages and salaries are very important to the worker. They not only constitute his means of subsistence, but also determine his standard of living and that of his family. In fact, his wages determine his social status. Thus, matters relating to wages touch on the very existence of the wage earner.

For employers, wages and salaries translate into labour costs which may make up a substantial part of the cost of production. Under fluctuating market conditions, wages are usually the most variable cost in the short run. This is because wages are amenable to control. When sales fall and profit declines, there is little a manufacturer can do to reduce fixed costs, such as machines and buildings. Wages, however, can easily be reduced through retrenchment, retirement and reduction in fringe benefits. Such adjustments have an adverse effect on the workers, who naturally explore all avenues to resist such efforts. Thus, wages have the potential to bring about conflict.

Furthermore, public sector wages have a significant impact on the national economy. In industrialized countries where the majority of the workers are salaried employees, a marginal increase in wages not matched by a corresponding rise in productivity could be highly inflationary. In this era of globalization, marked by increased mobility of capital, the competitive strength of a country in the global market depends, to a large extent, on the relative cost of labour. Thus, government is compelled to pay particular attention to the minimum wage. Government is also responsible for providing social services and basic infrastructure, as well as protecting the less privileged and the environment. It, therefore, also ensures that wages are set at a reasonable level so that the worker is not exploited, and at the same time the small-scale enterprise is not put out of business. This is the essence of wage administration. To do this, the government should put in place specific policies, laws and institutions to regulate wages so that conflicting interests are reconciled to prevent the disruption of production. Wage administration attempts to prevent rises in industrial relations crises before they generate economic chaos. Wage administration is informed by the need to improve levels of productivity and ensure optimum utilization of scarce capital and other resources. There is a paradox here: the government who is also an employer and has the responsibility of checking inflation by regulating wage levels is also saddled with the responsibility of ensuring that wages are fair and reasonable. This is a major source of tension in wage administration.

3. Theoretical Framework of Wage Administration

The sensitive nature of wage administration makes the formulation of a wage determination policy essential in any industrial or industrializing country. The essence is to establish coherent and acceptable principles for the purpose of wage adjustment. These principles would deal with such issues as how wages are to be adjusted, on what basis, to what extent and how often. From these policies flow legal instruments and practices useful for institutionalizing the process of wage adjustment.

Two theoretical approaches may be derived from the literature on the subject. The first which Freeman (1992)[1] calls the distortionist or free market approach insists that the forces of demand and supply should determine wage levels. Those who advocate for a free market maintain that market forces set wages at opportunity cost levels and determine pareto efficient levels of employment, work rules, training, and so on. Within this environment, the role of the state is to ensure that the market functions effectively. Government intervention aimed at strengthening the market misallocates labour, wastes resources through rent-seeking, and impairs adjustment to economic shocks. It also deters investment and thus reduces the rate of economic growth. According to the argument, government regulation of wages, mandated contribution to social funds, job security, and collective bargaining, allow income to be transferred from one group to the other.

[1] The discussion on institutional intervention in the labour market is now largely discussed within the context of economic development and Freeman (1992) presents the two major conflicting perspectives.

Interest groups therefore spend their resources on rent-seeking activities rather than on those activities that will increase national output. Intervention reduces wage employment flexibility and thus adjustment to economic shock.

The second approach which Freeman terms the *institutionalist approach* sees wage administration as essentially conflictual and perceives the market as incapable of taking care of welfare. In this regard, collective bargaining, tripartite negotiations, and government-mandated wages or labour standards are seen to be pareto improvements. For the institutionalist, the apostles of the free market based their theory on an ideal world with a focus on prices. But in real situations, market mechanisms may need to be circumvented in the interest of social values. Thus, in the institutionalist's scenario, the state supports the institution of collective bargaining to ensure that it functions effectively. In situations not covered by collective agreements the state steps in by setting universal minimum wages to protect the vulnerable or the low-income group.

Of course the above do not represent all the scenarios in wage administration. Other situations may be conceived. There can be individual bargaining between employers and employees. The government may set wage levels without consulting with other parties. A third party, set up by government or mutually agreed upon by parties, may determine wage levels. The management may impose wages and working conditions or a powerful trade union may impose terms.

In all, it must be admitted that each of these approaches to wage administration has its own strengths and weaknesses. Collective bargaining, however, remains the most pre-eminent means of wage administration globally. Although it often coexists with other methods, there is no doubt about its superiority and vitality as a mechanism for wage administration.[2]

4. The Significance of Collective Bargaining

The concept of collective bargaining was originally used by S and B Webb (1902) as one method through which trade unions could maintain and improve their workers' terms and conditions of employment. Collective bargaining is a process involving several activities but characterized essentially by dialogue. It involves some form of politicking, interest accommodation, concessions and agreements. It is goal-oriented and directed towards formal agreements. Convention 154, article 2 of the International Labour Organization (ILO), advances that the term extends to "all negotiations which take place between an employer, a group of

[2] Viewing the management of production as factory regime Burawoy argues that collective bargaining 'displaces conflict between different agents of production from the shop floor, where it can lead to work disruption, and . . . reconstitutes conflict in a framework of negotiation' (1979:114-115).

employers or one or more employers' organizations, on the one hand, and one or more workers' organizations on the other, for:

- determining working conditions and terms of employment; and/or
- regulating relations between employers and workers; and/or
- regulating the relations between employers or their organizations and a workers' organization or workers."

5. Factors that Support the Collective Bargaining Institutions

It must be realized that collective bargaining runs by itself once the proper principles and procedures are put in place. Collective bargaining as a mechanism of wage determination can only be effective where fundamental freedoms, like freedom of association and the right of representation are respected; where there is rule of law, and where dialogue is elevated as an instrument for dealing with national, social and economic problems.

6. Policy on Collective Bargaining in Nigeria

Industrial relations practice in Nigeria has been influenced by the Anglo-Saxon model inherited from Great Britain. With regard to collective bargaining the Balewa administration declared its position in this manner:

> Government reaffirms its confidence in the effectiveness of voluntary negotiation and collective bargaining for the determination of wages. The long-term interest of government, employers and trade unions alike would seem to rest on the process of consultation and discussion which is the foundation of democracy in industry. Government intervention in the general field of wages should be limited to the establishment of statutory wage-fixing machinery for any industry or occupation where wages are unreasonably low by reference to the general level of wages (Fashoyin, 1980: 97)

This position was reemphasized in the Third National Development Plan, 1975-1980:

> The government continues to pursue a policy of industrial self-governance whereby it encourages employers and workers to try to settle questions of wages and conditions of employment by collective bargaining and only intervenes in the last resort or in the public interest as an impartial conciliator or arbiter (Yesufu, 1984: 40).

In practice, however, voluntarism is very difficult. Government action in industrial relations has de-emphasized collective bargaining. The state consistently 'failed to make meaningful efforts at collective bargaining with its own employees'

(Yesufu, 1984: 216). Institutions which were created to set wages in areas or occupations where wages are unreasonably low have also not functioned effectively for a notable length of time. Most wage adjustments in the public sector were done through wage commissions rather than collective bargaining. As we shall see, public sector wages have been immersed in politics. Interestingly, the wages commissions, which various governments consistently employ in wage adjustment, have consistently upheld collective bargaining as the best mechanism for wage determination. Why has collective bargaining failed to take root in Nigeria?

Several explanations were adduced for the failure of collective bargaining in the 1960s and early 1970s. It was argued that the poor education of the majority of the labour leaders, made them ill-equipped to negotiate effectively at the bargaining table. They, therefore, often preferred the use of wage commissions. It was equally argued that wages commissions enabled them to employ their political clout to realize their demands. Political parties also used the issue of wages to boost their chances at the polls. Others (Yesufu, 1984; Fashoyin, 1992; Otobo, 1995) have pointed to the predominance of weak and small house unions in Nigeria as being responsible for the prevalence of wild cat strikes, and the difficulty in coordination and management of unions. These perceived problems led to the reorganization of the labour movement, as well as the elaboration of a new labour relations policy in the mid-seventies by the Murtala/Obasanjo regime. The policy legitimized government intervention in the labour process, but with a view to entrenching industrial democracy. In practical terms, the policy appeared to be directed at strengthening the labour unions in order to equip them to negotiate effectively on behalf of their members.

This policy which was captioned 'Limited Intervention and Guided Democracy' was typical of the interventionist thrust that dominated development thinking and practice in the 1960s and 1970s. It was predicated on the following principles:

a. The continued guarantee of the freedom of association
b. The promotion of strong, stable and responsible workers' and employers' organizations
c. The establishment and development of a suitable institutional framework for the effective prevention and expeditious settlement of labour disputes
d. The promotion of management cooperation and of consultation at appropriate levels between workers, employers and government
e. The vigorous enforcement of the provisions of labour legislation relating to minimum conditions of employment, social security, safety, health and welfare at work.

The main objectives of the policy were:

- To give a new sense of direction and a new image to the trade union movement
- To remove completely from the trade union arena, ideological or external influences which had plagued Nigerian Trade Union unity for more than a quarter of a century
- To rationalize the structure and organization of trade unions, to ensure that they are self-sufficient financially in future and not dependent upon foreign sources of finance
- To provide facilities for trade union education as a means of improving both union leadership and the knowledge and understanding of trade unions by their rank and file
- To strengthen the administrative system for the enforcement of labour laws and regulations and to enhance institutions for promoting effective labour administration
- To continue to support the principles and objectives of the International Labour Organization (ILO) and of the African Trade Union Unity (OATUU) in the interest of Nigerians (Adefope, 1975).

It was a departure from the values that had underlined the principle of voluntarism. It was hinged on the view that "union activity especially at the central level is so important in (our) economic and social life that government has of necessity to be involved in some extent." It appeared that the Murtala/Obasanjo regime had envisaged a corporatist framework of labour relations in Nigeria such that collective bargaining, joint negotiation and consultation would be the order of the day. Two decades after, however, wage administration in Nigeria continues to be mired in conflicts and controversies.

7. Collective Bargaining in Nigeria

Collective bargaining in Nigeria may be traced to 1942 when the scope and membership of the first provincial wage committee, constituted by government representatives alone, was substantially expanded to cover the salaries of all employees and to include workers' representatives. Committees had been set up in 1937 throughout the country, to determine the wages of daily paid workers in the public sector. In 1948, three Whitley Councils were introduced in the public service in response to the growing demand by workers to participate in the determination of their conditions of work. These demands had been emphasized in the general strike of 1945, and were reflected in the recommendations of the Miller Committee of 1946. The councils were set up for senior staff, junior staff and industrial employees respectively. These councils were to perform three functions. They were to provide the best means for utilizing the ideas and experience of staff; enable staff to play a greater role in determining the conditions under which their duties are carried out; and the general principles governing conditions of service, eg, recruitment, hours of work, promotion, discipline, tenure, remuneration and superannuation. Whitleyism was an all-embracing machinery of national scope, covering federal, state and sometimes local government employees (Fashoyin, 1980: 105-6). Provincial and regional wages committees were also established in 1949. These committees acted in an advisory capacity to the chief commissioners, each of whom combined political, administrative and juridical headship of each group of provinces in Eastern, Northern and Western Nigeria. These councils and committees were, however, never effective (Akpala, 1982: 127). The failure of the Whitley Councils was largely due to their reduction to mere consultative bodies by the government whose representatives often dominated negotiation meetings. Officials hardly allowed staff to attend such meetings (Fashoyin, 1978).

With the introduction of federal principles in the administration of the country by the Macpherson Constitution of 1951, the problem of wages at the regional level was dealt with by regional governments and their employees without necessarily waiting for the creation of wage committees/commissions (Otobo, 1992: 136).

As the governments of the three regions were however controlled by different political parties, wage fixing became a political instrument used by rival parties to increase their chances at the polls. Ananaba (1969) and Yesufu (1984) noted that in 1949, the National Convention of Nigerian citizens (NCNC) commenced a demand for five shillings as minimum daily wage in order to gain the support of workers. The Action Group (AG) in 1954 announced the award of five shillings as the daily wage throughout the then Western Region in anticipation of the federal elections. That same year, the Nigerian People's Congress (NPC), the ruling party in the north, in turn granted two wage increases to its daily paid labour (September and October). While the first increase was in response to the recommendation of the Provincial Wages Committee, the second was purely a political move as parties struggled to demonstrate their concern for the common man. Thus, regionalism impaired the proper functioning of bargaining institutions. As the workers gained from the prevailing conditions, they never insisted on collective bargaining.

The issue of collective bargaining was first raised after independence by way of a recommendation by the Morgan Commission of 1963-64. The commission was of the opinion that collective bargaining was a veritable mechanism for determining wages and conditions of employment. It noted that 'collective bargaining between governments and employees, through Whitley Councils, has hardly been effective', and sought to remove the shortcomings of the Whitley

Councils (cited by Fashoyin, 1987: 7). It recommended that different machineries of negotiation should be set up for the public and private sectors to reflect the differences between the financing of public institutions and private enterprise. It recommended the establishment of a national joint Whitley Council - Council 'A' for employees earning not less than 621 pounds per annum while Council 'B' was to be used by employees earning below 621 pounds per annum. It recommended a special National Wages Board with responsibility for ensuring that the minimum rates of pay for unskilled and semi-skilled workers "should progressively approximate to the level of the living wage" so that, eventually, a national minimum wage would be achieved. To support these collective bargaining institutions, it further recommended the establishment of two bodies: the National Wages Advisory Council and the National Labour Advisory Council. Both bodies were eventually established in 1965. The National Labour Advisory Council, a tripartite body of government, management and labour, was to:

- Advise the government on the operation and practicality of existing and proposed legislations and the application of ILO convention recommendations
- Periodically review labour laws pertaining to wages and conditions of employment and recommend necessary changes
- Evaluate the functioning of industrial relations machineries in the country

The National Wages Advisory Council - with representatives from government, employers and labour, and four independent experts chosen from the universities - performed two main functions:

- Observing, coordinating and advising government on all aspects of the National Minimum Wage Policy for the entire nation
- Analyzing the trends in industrial relations in the country, methods of dispute settlement and the effects of a National Wages Policy on economic development

These institutions suffered the same fate as the earlier Whitley Councils and were moribund during the national crisis and civil war of 1966-70 (Otobo 1992: 137-8).

Increasing agitations by workers for improvement in their working conditions immediately after the war, called for the setting up of the Adebo Commission (1970-71). The commission was the first to carry out a comprehensive review of wages and salaries at all levels, in all the public services, and in the statutory public corporations and state-owned or state-supported schools. It inquired into ways in which wages, salaries and conditions of employment could be harmonized with those of the private sector. With regard to negotiating wages, the Adebo Commission upheld the position of the Morgan Commission, ie, that collective bargaining is the most desirable means of determining wages and conditions of work. It further introduced a Whitley Council for skilled and unskilled workers. It argued for the use of collective bargaining for both sectors of the economy on the grounds that it would "keep wages in proper 'national balance' both as regards comparison between sectors, and in relation to available real resources . . . [and] assure simultaneously, distributive equity, economic growth, full employment and monetary stability. (Cited in Sokunbi 1992: 127). It also recommended that wages boards and industrial councils be set up as machineries for the determination of wages and conditions of service for sections of the labour force which were outside the purview of collective agreements and areas where wages were unreasonably low.

Following the approval of the Commission's report, the Federal Military Government issued the Wages Board and Industrial Councils Decree No. 1 of 1973 to repeal the Wages Ordinance of 1957. This provided the legal basis for the Industrial Wages Board and the National Wages Board which were established for the private and public sectors respectively. The decree also permits the Federal Commissioner (Minister) to set up Area Minimum Wages Committees for the states after consultation with the state governments concerned. State governors could also establish equivalent bodies for local government workers after due consultation with the commissioner. These institutions were to make recommendations to the minister on wages and conditions of employment in these areas. The minister could then by order, fix wages and conditions of employment, which would thereafter, become 'statutory minimum wages' or 'statutory minimum conditions'. Again, these boards and committees were never effective because the government never utilized them.

Persistent pressure from the trade unions and increasing industrial unrest led to the establishment of the Udoji Commission in 1974. The Udoji Commission, which envisioned a unified civil service structure in its recommendations, attempted to revive the machineries for negotiation in the public sector by creating the Public Service Negotiating Councils. It advised that a technical and data gathering Public Service Review Research Unit should be established to facilitate the work of the tripartite bodies which it had recommended. Following the structure of the civil service, the council was divided into three units, Council I to deal with problems of the senior administrative and professional classes; Council II to deal with intermediate grades, junior non-technical grades, and clerical, executive secretary and typist cadres; Council III dealt with technical cadres, medical and health personnel, nurses and midwives, customs and excise and immigration. In line with the political and administrative structure of the country at that time, State Public Service Negotiating Councils were designed to tackle similar issues for the corresponding classes of public employees in the nineteen states. The Udoji Commission, however, did not leave the adjustment of wages alone. It went ahead to award an increment in the wages and salaries of public employees which was implemented uniformly among all the tiers of government. What is more, mounting protests, disputes and strikes by private sector workers pressing for similar increments caused the government to advise employers in that sector to implement the wage increments (Fashoyin, 1980: 114-5).

Eventually, the Williams Public Service Review Panel had to be set up to look into the complaints against the grades and salary scales which were announced in the Government White Paper on the Udoji Report and to submit suitable recommendations to the federal military government. The panel recommended a unified salary structure not only for the civil service but for the entire public sector. Its argument was that it would create a situation which would allow equal pay for equal work irrespective of the area of the public sector in which an employee might be engaged (Federal Ministry of Labour 1991: 174). The federal government also set up an Anti-Inflation Task Force to address the impact of the Udoji awards on the economy. The task force reiterated the need for the establishment of a Productivity, Prices and Incomes Board (PPIB) which had earlier been recommended and emphasized by the Adebo and Udoji commissions. The PPIB was to perform certain functions that would prevent the reoccurrence of a similar crisis in the future. These functions included the following in respect of wages:

- Establish norms and guidelines for wages and salaries review
- Indicate what increases in wages and salaries can be granted without reference to the PPIB
- Ensure harmonization of wages and salaries in different sectors of the economy
- Undertake studies of wage and salary trends
- Serve as reference agency for collective bargaining in respect of wages, salaries and conditions of service
- Advise government on domestic costs and prices, and on economic and social policy which might affect the cost of living
- Advise government on trends in other incomes apart from salaries and wages on which action may be needed in the interest of equitable income distribution

As good and necessary as these functions appear, the PPIB was made moribund when a wage freeze was imposed by the military government in 1976 – the same year the board was inaugurated. As for the negotiating councils, the government did not have recourse to them in wage determination thereby giving the impression that it actually believed that collective bargaining was 'unfit for settling wages and conditions of service in the public sector' (Fashoyin, 1980:

114). Indeed, the uniformization of conditions of work as well as salary structures across the public sector actually foreclosed on collective bargaining at the level of the various governments and parastatals with the exemption of the centre.

The civilian regime that took over from the military did not improve matters. It continued to set up wage commissions. Between 1979 and 1982 three salary/wage commissions were set up - the Onosode Commission (1981) for parastatals, the Cookey Commission (1981) for the universities, and the Adamolekun Commission (1981) for federal polytechnics, colleges of technology, advanced teachers and technical colleges.

The recommendations of the Cookey Commission led to the removal of university staff from the unified salary structure set up by the Udoji Commission and to the creation of a new and enhanced University System Scale (USS) which, while appreciably increasing basic salaries, ensured that professors did not earn more than permanent secretaries, and that the salaries of Vice Chancellors were not more than those of the most senior politicians, and the highest echelons of soldiers, police, and members of the bench. The Onosode Commission merely laid down guidelines for determining remuneration in parastatals, classified into five groups, in which the upper management in some parastatals could earn a modal salary of ₦17,000 a year. A ceiling of ₦25,000 was fixed for the chairmen and members of the board of directors (Otobo 1988: 136). The report of the Adamolekun Commission was never published before the military intervened again in 1983. Thus, the only change in wage administration in the Second Republic was the separation of certain occupational groups from the unified salary structure put in place in accordance with the recommendations of the Williams Public Service Review Panel. It should also be noted that the minimum wage set in 1981 was politically settled rather than through the use of the existing collective bargaining machinery (also see Otobo, 1992, 1992a).

Thus, from the foregoing, it is obvious that in theory, Nigeria has set up a combination of government intervention and collective bargaining bodies for the administration of wages. Official policies, while consistently expressing commitment to collective bargaining as the best means of resolving issues of wages and conditions of employment in Nigeria, have generally undermined collective bargaining. For those not likely to be covered by collective agreements, the government provided, in line with the recommendations of its commissions, some institutions to cater for their interests. The point, however, is that these institutions have never been effective. For one, the harmonization of the salary structure actually foreclosed on collective bargaining at the various government levels and the pararastals with the exemption of the centre. It has created rigidity in the wage determination process. It has made the relationship of wages to productivity and ability to pay among the various governments and parastatals problematic. The acceptance of the recommendations of the Williams Panel might have been informed by the central planning approach that dominated development practices up to the late seventies. But more than that, it reflects the military's penchant for uniformity. In dealing with the issue of wages, the various military governments have exhibited a debilitating obsession with trade disputes. They tend to perceive wage issues as something that has to be dealt with in an *ad hoc* manner. Military regimes have shied away from building effective collective bargaining machineries. The regimes have been able to do this with the help of the massive rents from oil which supplied the central government with the financial power to effectively increase its responsibilities and determine priorities as dictated by the command character of military rule in which Nigeria's states were no more than units of the central government. Although Nigeria's federal constitutions have always placed labour matters under the residual list, the military has run the country as a unitary state dealing with the wage issue as a national matter. At the dawn of the economic recession, military governments imposed an indefinite wage freeze for most of the 1980s and 1990s. Public sector wages and salaries were allowed to stagnate for so long under galloping inflation that sideline activities and corruption virtually took hold of the public sector. The wage issue became immersed in the wider clamour for good governance. The clamour by labour unions for increased remuneration, and pressure from donor agencies for administrative reforms following the failure of public administration, forced the government of Ibrahim Babangida to confront the centralized and political wages adjustment process in the country. By this time, wage decentralization and collective bargaining had become highly political, tied as they were to the broader issue of fiscal federalism.

8. Economic Recession and the Crisis of Wage Decentralization

The payment of public sector wages actually became a major problem in Nigeria under the civilian regime of Alhaji Shehu Shagari in the early 1980s. Several states could not pay the wages of their workforce for more than six months which led to widespread strikes. Calls were made for the first time since the Williams Report for the decentralization of the wage determination process. These calls did not materialize for two reasons. The first was that the difficulty in paying workers' salaries was largely attributed to the down turn in the Nigerian economy which (it was claimed) was due to the oil shock of the early 1980s. It was believed that the oil market would improve and that the states would soon be buoyant again. In order to stem the tide of strikes that followed, many states resorted to borrowing from local and international sources to pay salaries (Olukoshi, 1993). Secondly, decentralizing collective bargaining was politically costly given the unhealthy rivalry and competition between the political parties. No party wanted to appear less sympathetic to workers' plight than the other (Otobo, 1992). Efforts to revamp the economy of the country, however, yielded little results even as the pressure for better salaries for workers continued to mount. The problem continued to worsen till the civilians were booted out of office.

The Buhari regime which toppled the Shagari administration decided to reduce the size of the public sector workforce in order to solve the problem. The argument then was that in the face of severe payment problems, the state could no longer sustain an over-staffed and over-loaded public service. Efforts were made to trim down the work force in the civil service and parastatals everywhere. The regime moved to eliminate ghost workers and dismissed those found engaged in acts of indiscipline. The workforce was thus reduced substantially by the Buhari regime.[3]

In spite of the efforts of the Buhari regime, the problem was aggravated. By 1985, when General Babangida took over government, the economic crisis had become egregious. On assumption of power, Babangida promptly declared an eighteen-month state of economic emergency. Part of the emergency measures was the compulsory deductions of between 2 to 20 per cent from the salaries of workers in the public sector including those of the armed forces.[4] State governors also took a cue from the federal government and deducted part of the salaries of their workers. These actions did not resolve the problem. In June 1986, a comprehensive economic reform programme was introduced. The hardships caused by the reform package elicited protests from workers who called for a halt to the wage deductions. The clamour for the removal of these deductions by trade unions forced the regime to put a stop to it by October 1986. The Federal Government's large share of public revenue enabled it to continue to meet up with the wage demands of the federal civil service and federal parastatals. For many states, however, the problem remained. To assist the states, the Babangida government issued the State's (Special Development Levies) Decree No. 27 of 1986 which enabled state governors to continue deductions from the salaries and wages of public servants of the state for the purpose of the development and growth of the state.

The effort at restructuring the economy included a wage freeze and the devaluation of the naira. Inflation under the wage freeze engendered a drastic fall in real wages in Nigeria. By 1990, the freeze in wages of public sector workers had become politically unsustainable. This became clear after the anti-SAP riots

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[3] The Public Officers (Special Provisions) Decree No. 17 of 1984 protects the government from legal action by public sector employees sacked by the regime which viewed strikes and other forms of industrial action as acts of indiscipline which were largely responsible for Nigeria's economic malaise.

[4] This was effected by the National Economic Emergency Powers (Deduction from Salaries and Wages) Order of 1986.

of 1989 and 1990. In 1990, the Federal Government set up the Damachi Tripartite Committee to study wages and salary levels in relation to the cost of living and the standards of other social groups in the country with a view to recommending ways of adjusting the minimum wage. The proceedings of the committee were, however, deadlocked due to disagreements among the parties.

It was difficult for the federal government to raise wages since states still found it difficult to pay their wage bills. If it did, it had to support the action by fiscal transfers to the states or force the states to retrench more members of their workforce. The latter would amount to courting trouble. In any case, the government had to respond to the widespread display of public discontent galvanized by the labour union's clamour for a wage increase. It apparently found a way out in what it christened the policy of Deregulated Collective Bargaining pronounced in the 1991 Budget Speech which also contained relief packages for workers. The policy decentralized wage determination in the public sector required the federal, state and local governments, and parastatals to negotiate individually, wages with their workers according to their 'ability to pay'.

The Military Government in spite of itself had to reckon with collective bargaining. The aim of the policy, according to the government, was to promote satisfactory collective bargaining in the public sector as well as relate obligations to the fiscal strength of the different tiers of government. Efforts to effect this policy through a 45 per cent increase in the wages of federal civil servants in 1992-1993 were, however, catastrophic. It was attended by strikes and protests by state workers demanding a similar increment. The central government had to back-pedal. The civilian state governors eventually reached an agreement with the federal government on how to raise funds to pay the new wages. A National Wages and Salaries Commission was later inaugurated by the Babangida Government to periodically review workers' salaries and make recommendations to the government. The commission is not known to have taken off effectively perhaps for lack of executive capacity.

It has since become clear that while the federal government had resolved to maintain this policy, the labour unions were determined to resist it. This conflict was played out in September 1998, when the federal government once again unilaterally effected a wage increase by establishing a new minimum wage of ₦5,200 for federal workers while requiring the states to negotiate with their workers. The labour unions would not hear of any complaints by state administrators, this time military officers, that they could not raise the funds. The issue triggered a rash of agitations, strikes and public demonstrations by workers particularly in Lagos, Rivers, Ekiti, Osun and Kano states. Many state administrators threw open their books to convince the workers of their genuine inability to match the new structure approved at the federal level without assistance from the federal government.

The agitations in the states were still on when the federal government back-pedalled by unilaterally cutting the minimum wage from ₦5,200 to ₦3,000. The government explained that the new minimum wage had to be cut because of the drastic fall in the price of crude oil, Nigeria's major source of revenue. The fall in the price of crude oil had rendered it unaffordable and unbearable. Workers were upset. The government set up a committee headed by the Chief of General Staff to look into ways of resolving the wage crisis. After six months of parley, the talks broke down. The Nigerian Labour Congress (NLC) maintained that it could not go below ₦3,600 for federal employees and workers in Delta, Rivers and Lagos states and ₦3,080 for workers in other states. Citing the position of the Vision 2010 Committee, it argued that a worker with three children required at least ₦13,500 per month to live above the poverty line. It also maintained that the congress' position was informed by rising prices triggered by the decision of the Federal Government to increase the prices of petroleum products and electricity charges (NLC advertorial *The Guardian*, March 10, 1999: 28).

After series of negotiations, a new minimum wage of ₦3,500 for federal government workers was agreed upon. Those in the states and local governments were to get ₦3,000 as minimum wage. The agreement restored future salary negotiations in the National Public Service Negotiating Council which would henceforth serve as the machinery for collective bargaining in the civil services of the federation. The implementation of this agreement continued to generate industrial relations problems in some states of the federation which further affected the civilian government, especially in Osun State where protesting students seized the state's radio station and announced the overthrow of the state government.

9. Key Issues in Wage Administration in Nigeria

Public sector pay and minimum wage: The minimum take-home pay of the least paid public sector worker is often referred to as the minimum wage in the discourse on the wage crisis in Nigeria (see Adebayo, 1999). There has been a lot of confusion in dealing with this issue. The Minimum Wage Act of 1981 put the minimum wage at ₦125 and made it mandatory for organizations employing not less than 50 workers. This Act was reviewed in 1988 by the Babangida administration limiting its coverage to organizations employing not less than 500 workers. The minimum monthly wage in Nigeria until 1999 when the Obasanjo government effected a wage adjustment was ₦250, a figure set by the Babangida regime in 1991. The current minimum wage of ₦5,500 set by the Obasanjo regime was politically determined without a clear-cut basis. Thus, the national minimum wage has to be carefully examined by the government in tune with the economic and social realities of the country.

The minimum wage problem cannot also be disposed of in the context of institutionalizing collective bargaining without addressing the frequency and modality of its adjustment. In Nigeria, wage adjustment takes place within long and unspecified intervals. This has reduced the national minimum wage to a purely political issue. Even so, the sensitive nature of the wage issue makes it imperative that the basis and intervals at which wages are to be adjusted should be settled institutionally. In countries where wage administration is given the seriousness it deserves, clear basis for adjustments are usually established (Adebayo, 1999). Nigeria has to examine her economy and decide the basis and frequency of wage adjustment in order to stem the regular crises that attend wage adjustment in the public sector. This is necessary to remove the arbitrary use of income policies to suppress wages in ways that threaten institutional effectiveness.

The socio-political environment: Official policy in Nigeria has affirmed free collective bargaining as the means of dealing with issues relating to employment conditions and wages. For collective bargaining to take root, it needs some basic socio-political requirements. The most fundamental is the presence of the rule of law, and respect for fundamental human rights. Freedom of association and the right of representation are indispensable, but these conditions are usually absent during military rule. The ILO convention nos. 87 and 154, on the freedom of association and collective bargaining respectively emphasized this need. The conventions have been ratified by Nigeria. Unions are also to enjoy the right to strike, while employers reserve the right of lock out. It is expected that these values will become more entrenched as we consolidate the current democratic dispensation. The Nigerian experience demonstrates the incompatibility of militarism with institutionalizing collective bargaining.

The status of collective agreement: Another problem that has arisen from the Nigerian situation relates to the status of collective agreements, the end product of collective bargaining. The collective agreement is the document which sets out all that has been agreed in areas of joint negotiation and serves as the charter on which the employers and unions agree. This agreement may be procedural or substantive. The legal status of a collective agreement is very crucial because it affects the behaviour of parties to the agreement. Where parties consistently disregard collective agreements, there will be a loss of confidence in the bargaining outcome, and the process will be wasteful. In Nigeria, due to the principle of voluntarism adopted from Britain, collective agreements are not normally regarded as expressing a legal relationship and so are not legally enforceable. For an agreement to be enforceable, under general law of contract both parties must express an intention to create a legal relation. The law groups agreements are divided into two categories: domestic or social agreements and commercial agreements. While social agreements do not express a legal relation, commercial agreements are presumed to express a legal relation. Nevertheless, both cases can be debunked by evidence to the contrary. No matter how much a collective agreement appears to be a commercial agreement, precedents show that within the Nigerian setting, it is never treated as expressing a legal relationship. In *Ford Motors Company Limited* v *Amalgamated union of Engineering and Foundry Workers*, based on the facts and intention of the parties, it was held that a collective agreement does not express a legal relationship. The Supreme Court in *F.O. Anene* v *Joe Allen Company Limited* opted for the application of agreement upon the parties' acknowledgment themselves, to be bound by the agreement (Adeogun, 1987). Thus, in Nigeria a collective agreement may be binding only in honour. It is worth reiterating that the chances of enforcing a collective agreement are necessary for the institutionalization of collective bargaining and for peaceful and positive industrial relations. Constant default in keeping with collective agreements invariably makes nonsense of the bargaining process, rendering it a meaningless and wasteful exercise. It would be recalled that the failure to honour the 1992 agreement between the Federal Government and ASUU has been the source of the industrial relations crisis within the universities in Nigeria. Perhaps it is time for Nigeria to adopt the American approach, which accords collective agreements the status of an enforceable contract.

Public sector collective bargaining and fiscal federalism: The constitution has always assigned decisional ultimacy to the central government in Nigeria. The dominance of the centre over the states/regions has only progressed, from relative independence and dominance of the regions in the first republic, to a situation where the centre has become so strong that the country can effectively carry the toga of unitarism at the threshold of the fourth republic.

The advent of the military witnessed the gradual erosion of the power of the regions. The creation of states in 1967 which split the existing four regions into 12 states, not only reduced the resources of each unit, it also reduced the size and influence of each of the units over the centre. Over the years, the number of states has increased from these 12 states to 19 in 1976, 21 states in 1987, 30 states in 1991, and to 36 States in 1996. State creation has been done largely through decrees issued by central military governments rather than by referendum, as is the case in most federations. Secondly, it has involved the fragmentation of the country into smaller units rather than the addition of new territories leading to a shrink in the size of each state. The resources of the states have decreased not just accordingly, but more steeply through the stripping of the power of state governments over some major sources of independent revenue by the central government under military rule. State governments now rely heavily on the federal government for funds and have found it increasingly difficult to finance their statutory functions and services allotted to them. They have had to rely on grants and subsidies from the federal government in order to cope with minimal responsibilities (DPC Economic intelligence April, 1999). Centralization has gone so far as to create a situation where states are unable to independently negotiate wage rates and employment conditions with labour unions because of their near absolute dependence on the central government for revenue. This implies that the problem of non-correspondence between responsible and fiscal allocations has to be tackled in Nigeria.

10. Conclusion

From the foregoing, it is clear that there is an urgent need to institutionalize collective bargaining in the public service. Since it has become clear in the literature on structural adjustment that the fall in wages, which caused most public sector workers to fall below the poverty line, is largely responsible for the pervasive demoralization, corruption, and perhaps more importantly, the flourishing of sideline activities in our nation. Thus, it is reasonable to maintain that the crisis of the bureaucracy would have been averted or rendered less egregious if collective bargaining had taken root in the public sector. It must be admitted that the difficulty in measuring the productivity of public sector workers makes it difficult to establish clear yard sticks for negotiations. The PPIB was set up to solve this problem but the board was never allowed to play its role. For one, the arbitrariness of the military did not permit the respect for due process, and as Fashoyin has argued, governments have often confused the status of the state as a sovereign authority with its status as an employer. Fashoyin also rightly pointed out that many of the substantive issues which are within the scope of the public service negotiating councils have been decreed either by legislative, executive acts, or through political commissions periodically set up by the government or have been covered by civil service rules (1992: 172). Asking state agents to negotiate with unions over such issues therefore appeared confrontational. Ultimatums and threats of strikes are perceived as direct challenges to the legitimacy and authority of the state which need to be crushed with force. This problem has been carried over to civilian rule because of the process of militarization.

The prominent position of the trade unions among civil society organizations and their urban location make them strategic centres of power. Naturally, regimes are tempted to exploit the wage situation to score political goals. This perhaps accounts for the preference for wages commissions in wage determination. Wage commissions are usually political in nature and often end up making recommendations and awards that are tempered by political considerations in their implementation. This means that they are not reliable mechanisms for wage adjustment. Successive commissions have recognized the salience of collective bargaining. Merely recognizing the importance of collective bargaining will however, not put it to work.

One factor that has hampered the development of collective bargaining institutions in Nigeria is the harmonization of wages across the various services in the public sector. It makes bargaining difficult for the various unions, parastatals and levels of government. Wage administration in Nigeria must be decentralized for collective bargaining institutions to be effective. Indeed, the harmonization of the salary structure actually foreclosed on collective bargaining at the various governments and pararastals with the exemption of the centre. This is the case because all agreements negotiated by individual unions or occupational groups with other levels of government or parastatals are usually relinquished to the uniform sector-wide pay system. In fact, a decentralized wage determination process is necessary to prevent public wages from being over politicized. It is ironic that wages have always been on the concurrent list of Nigerian federal constitutions.

Considering the tendency of government to dishonour collective agreement, it is wise to draw from the American practice of voluntarism, which grants collective agreements the status of a commercial contract. Collective agreements should be made legally enforceable to make collective bargaining attractive and effective. Institutions like the National Labour Advisory Council, the National Wages Advisory Council (NWAC), the National Wages and Salaries Commission and the Productivity, Prices and Incomes Board (PPIB), that support collective bargaining would have to be streamlined and revitalized. The Industrial Arbitration Panel and the National Industrial Court should be reformed to hasten the disposal of cases. The composition of these organizations should be such that they command the respect and trust of all parties. Obviously, strengthening democracy and the rule of law in Nigeria will provide room for the crystallization of the rules and regulations that govern wage administration in Nigeria.

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