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NATIONAL MINIMUM WAGES: TRENDS, ISSUES AND PERSPECTIVES IN NIGERIA

Abstract

Since the inception of the ILO in 1919, the organization has attempted to find ways of ensuring the payment of decent wages to the employed. The ILO concern towards this is so fundamental that the organization has specifically mandated member states to ensure the payment to the employed, a wage adequate to maintain a reasonable standard of life. Many countries have so far adopted the minimum wage legislation since the period after the second world war. However, in virtually all the countries, especially the developing countries, implementing the minimum wage regulation, the doubts about the economic repercussions now appear to constitute the main obstacle to more regular and effective administration of minimum wage programmes. Given this situation, this paper therefore examines the trend, issues and perspectives of the Nigerian minimum wages concept. In the process, the paper examines the problems inherent in administration of the minimum wage; and professes situations to solving such inherent problems.

INTRODUCTION

The minimum wage is fixed in most countries of the world to ensure that workers earn wages that are considered "decent" at a particular time and place. It is also to ensure the elimination of exploitation, reduce poverty, remove unfair competition, ensure equal pay for equal work; preserve purchasing power to the worker, prevent industrial unrest, and also to promote economic growth and stability (ILO, 1986).

Although the term "minimum wage" has variety of wages throughout the world, it is a term used by the ILO to denote legally enforceable lower limits to wages fixed by a process involving the authority of the state. The concern of ILO towards this, is so fundamental that the organization has specially mandated member states to ensure the payment to the employed a wage adequate to maintain a reasonable standard of life. To implement this in all member states, the ILO provided the minimum wage fixing machinery conventions No126 of 1928, No 99 of 1951 and No 131 of 1970.

However, the latter was adopted to ensure the minimum wage protection of virtually all categories of workers regardless of the sector of industry in which they work.

Abudu (1987) opines that the national minimum wage is the lowest wage legally payable in an economy. It must have the backing of the law and cannot be set aside by individual contract or collective agreement. In its support for the exclusion of collective agreements and labour clauses in public contracts, the ILO (1986) specifically asserted that although such limits technically falls within the definition of minimum wage, however, they differ in nationality and application. Based on the above variation in the interpretation, application, and usage of the concept of minimum wage, Starr (1981) therefore observes that:

While the general principle of minimum wage fixing has gradually gained wider and wider acceptance, implementation of this principle has often remained a highly controversial and problematic process... In many instance, it is clear that minimum wage systems have not operated as originally intended (P vi)

The origin of the minimum wage regulation was generally considered to have come from New Zealand and Australia around the turn of the century, as part of the procedure for the prevention and settlement of industrial disputes. (Hammurabi code, 2000 B.C) (Starr, 1981). It was on record that between 1894 and 1911, most states in New Zealand and Australia had systems of wage boards while protection against unduly low wages took the form of direct legislative actions. Soon after, many other countries carefully study the practice in Australia and New Zealand; adopted, and provided against unduly low wages through the minimum wages legislation. It should be emphasized that the adaptation of this practices by other countries was with a difference, because the protection was confined, in most cases, to particular categories of workers considered to be specially vulnerable. For instance, in 1909, Britain adopted the minimum wage legislation which covered at inception only 4 industries. By the end of 1926, the British minimum wage system covered about $1\frac{1}{4}$ millions of workers in about 40 trades (ILO, 1986).

The minimum wage legislation was adopted by USA in 1912, France 1915, Canada 1917, Norway 1918, Germany 1923, Spain 1926, India 1927, Mexico 1937, and Brazil 1938.

According to stair (1981):

In Africa a number of colonies introduced minimum wages soon after the first world war in order to prevent abuses in the living of indigenous workers under forced labour arrangement.... The British colonial office commanded the minimum wage fixing machinery convention of 1928, to the governments of the overseas territories and urged the adoption of simple legislation in every colony empowering the government interest in any case where illiterate workers were receiving unduly low wage (P 2)

Prior to the second world war, there were few exceptions as regards adoption and applicability of the minimum wage. But immediately after the war, the number of countries which adopted the minimum wage legislation increased greatly as well as the number of workers covered by the legislation.

However, on a comparative basis, the widespread adoption of minimum wage legislation is most apparent and visible in the developing countries compared to the developed countries. In virtually all the countries that adopted the minimum wage legislation, the general minimum wages have been introduced as a complement to industry minimum wages, thus making the legislation more uniformly applicable to almost all workers of all those within broadly defined sector.

TRENDS AND ISSUES ON NATIONAL MINIMUM WAGE: THE NIGERIA EXPERIENCE

In response to ILO minimum wage-fixing machinery conventions which require the establishment of legally enforceable lower limits to minimum wage system fixed by a process involving the authority of government, the Nigeria government, in 1987, enacted the National Minimum Wage Act of ₦125 per month. Prior to 1987, Nigeria had witnessed the fixing of minimum wages on regional or

Zoned basis in line with the recommendation of the Adebo commissions (1970-71). Also, under the wages Boards and industrial councils act No 1 of 1973, the industrial wages board were allowed to fix the minimum wage for the different industries where wages were considered unreasonably low or where no adequate machinery existed for the effective regulation of wages or other conditions of employment.

Uvieghara (1986), while commenting on the fixing of national minimum wage in Nigeria, remarked that the clauses in the Act suggested that: "the national minimum wage may not be paid only to an employee on a part times basis or is paid on commission or piece-rate basis" (P.85) Buttressing this evidence further, he ascertained that what is more disturbing is that there is no formula in the Act for wage indexation, for a regular adjustment of the national minimum wage. Apart from these, the Act, either by act of omission or commission, excluded certain categories of employees, whom he perceived "needed statutory protection most". The section 2 (i) of the Acts provided that the employer's obligation to pay the mandatory national minimum wage shall not apply to:

- (a) An establishment in which less than 50 workers are employed;
- (b) An establishment in which workers are employed on part time basis; (i.e. work of a duration of less than 40 hours per week)
- (c) An establishment at which workers are paid on commission or on piece-rate basis;
- (d) Workers in seasonal employment such as agriculture;
- (e) Any person employed in a vessel or aircraft to which the laws regulation merchant shipping or civilaviation apply.

There was a wage freeze in 1983 under the administration of the (Buhari-Idiagbon regime). However, by 1988 the order of wage freeze was lifted, this marked the return of free collective bargaining. In the absence of a new national minimum wage, the wages policy in the country granted relief to workers in 1989 to cushion the impact of the adjustment policies. The inability of all states and local

government to uniformly implement the 1989 wage relief reconfirmed the new wage policy of 1991 - deregulation of wages and salaries in Nigeria (Fashoyin, 1993).

As at February 1993, there was another attempt by Federal Government to increase wages by 15 percent. This led to widespread strikes in practically all the then 30 states of the federation as a result of the state governments attempt to rebuff the federal government determined 45 percent interim increase in wages for federal employees.

Again in April 1998, under the military administration of General Abdulsalam Abubakar, there was another attempt at fixing a new national minimum wage at ₦3,000.00 per month. The resultant experience was not quite different from what obtained in the past incessant strike actions across the country. More recently, the Obasanjo civilian administration, through the acts of parliament, decided to fix the new minimum wage for workers in the country at ₦7,500.00 (for federal employees) and ₦6,500.00 (for state and local government's employees).

The various attempts at fixing the minimum wage in Nigeria have shown that every attempt brings along with it high rates of industrial unrest, high wave of labour retrenchment as well as non-compliance with the provisions of the Minimum Wage Acts in the public sector of the Nigerian economy. This has made Abudu (1987) to conclude that:

Many state governments could not implement the minimum wage for long periods, forcing labour unions to threaten strikes to gain its concession. Even now, some local government employees are yet to benefit from the minimum wage Act (P.52).

In the light of the above, it will be right to conclude that, regardless of its importance to the working class and more importantly as an index wage, fixing the minimum wage has been a threat to industrial relation practices in Nigeria and to the principle of voluntarism in particular. This shows that the political process, seems to have superseded collective bargaining in fixing the minimum wage in Nigeria (Abudu 1987).

Therefore, there is an urgent and mandatory need for the amendment of the national minimum wage process in Nigeria in

accordance with the ILO's minimum wage fixing convention No 131 of 1970.

FUTURE FOR NATIONAL MINIMUM WAGE IN NIGERIA

Notwithstanding the Nigeria's experience discussed above, uniformity among countries in the methods used in fixing the minimum wages or to decide upon the groups of workers who should receive legal protection of their wages. However, one thing is certain, for each method, several examples of apparently both successful and unsuccessful experience can be seen.

Though, it is not easy to categorise but then the broad and varied methods of fixing the minimum wage included the following: Acts of the legislation, executive authority decree, Delegated boards with power of effective recommendation, and designated boards with final decision making authority (Kester, 2002). In fixing the minimum wage by means of any of the related conventions; and certain criteria should guide the practice. These includes: the needs of workers comparables wages and incomes, relative capacity to pay, and the requirements of economics development (Starr, 1987). The formulation of such minimum wages are done by the fixing authorities who are left with the sole discretion as regards the wages interpretation and application.

Based on the fact that virtually all countries used legislative powers in fixing the minimum wages, such fixing faces serious problems. The process, therefore, requires that the fixing authorities, so as to enhance the legitimacy of their decisions, should provide all the interested parties with a full opportunity to express their views on social problem and possible economic repercussions. The ILO (1986) contended that: "even when total agreement cannot be achieved in such process, it is expected that the decision-making takes the form of bargaining and as such, reflects an attempt to accommodate the respective position of each of the different interest groups represented."

In order to ensure that minimum wages continue to meet their basic objectives, there is the compelling need for each country to ensure that there is a frequent adjustment to the minimum wages, in line with labour market trends if they are to maintain their relevance.

In other words, the adjustment to minimum wages should therefore, be based on special measure to ensure that timely adjustment are actually made in line with consumer price (cost of living and real wage) and income indexation. It is on record that the compliance with the minimum wage legislation, especially in developing countries like Nigeria becomes problematic and inevitably constitutes an uphill struggle. This is as a result of the nature of the informal or unorganized rural sector or traditional sector which is generally characterized by case of any valiance on indigenous resources, fairly ownership of enterprises, small-scale undertakings, labour intensive, adapted technologies, and unregulated labour market.

CONCLUSION

Summarily, it is pertinent to note that the problematic enforcement of minimum wages especially in Nigeria and other developing nations, can easily be attributed to shortage of trained labour inspectors and the financial constraints faced by the inspectorate operations of the ministries of labour and productivity. Thus, to ensure the effective compliance with the minimum wage, there is the need to ensure for the provision of adequate trained manpower that are well equipped financially and materially to be able to do their jobs as expected. Also, there is the need to improve upon the labour inspection strategies and provide adequate information for self enforcement between the workers and their employers. It is commonly believed that a significant proportion of all violations that occur; occurs not because of a deliberate intention to flout the law but because of a lack of awareness by employers and workers of their rights and responsibilities. Above all, there is the need to reform the legal administration of minimum wages as well as to compliment its means of enforcement.

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