
Minimum Wage, Retrenchment and Unemployment in Nasarawa State

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Abstract

The paper seeks to examine the impact of new minimum wage on employment opportunity in Nasarawa State. Specifically, it dwells on the implication of the implementation of minimum wage on unemployment rate in the state. The result of the study revealed that the poor implementation of National Minimum Wage has adverse socio-economic implications such as retrenchment, increase on the rate of unemployment, percentage payment of salaries, lack of promotion and other welfare benefits and the general effect on the economy as a whole. The study recommended among other things that holistic and realistic measures should be made by government at all levels to employ the service of industrial relations experts on wage negotiation and review, effective implementation of minimum wage and its management. More jobs should also be created in order to arrest unemployment and youth restiveness in the state.

Introduction

The quest for better working and living condition of Nigerian worker as against what is obtainable in some developed and even developing economics of the world has led to series of wage reviews and salaries structure in Nigeria with subsequent implementation and its resultant consequences on socio-economic lives of the people and the economy as a whole. However, as part of efforts in reviewing the wages in public sector, Obasanjo's government in 2004 and 2005 respectively set up two committees, the wages, salaries and emolument relatively panel led by Prof. E.C Edozie and the Presidential Committee on the Consolidation of Emoluments in the Public Sector, chaired by Chief Ernest Shonekon to address the issue (Eme, 2010).

Major recommendations in the White Paper by these committees was the increase of salaries by 15 per cent with effect from 1st January, 2007 and with further 10 per cent increase each year for the next 5 years for Ministries, Departments and Agencies (MDA's) that have reformed. Resulting from these reports, the Nigerian Labour Congress (NLC) ask the government for upward review of the Nigerian workers income from 5,500 to 52,200 so that an average worker can be able to afford more basic necessities of life. More agitations later leads to the consideration of another committee chaired by Justice S.M.A Balgore (a retired Chief Justice of the Federation) in 2009, the Federal Government tri-partite committee further reconsidered the minimum wage of 18,000 by the same Balgore's Committee. And by 2010 at the May-Day rally, President Goodluck Ebele Jonathan said government would pay the new minimum wage and with pressure by both NLC and TUC, the new minimum wage takes effect from March 2011 (Enakoko, 2014).

In Nasarawa State, the administration of Aliyu Akwe Doma (a former governor) in 2011 agreed to pay the new minimum wage to state workers and by 2012, the new government led

by Governor Tanko Almakura implemented the payment of the new minimum wage. Consequently, this phenomenon led to the sacked of over 9000 employees of both the state and local governments with resultant socio-economic effects such as high rate of youths unemployment, poverty, high dependency ratio among others. It is against this background that the paper seeks to x-ray the implementation of minimum wage in Nasarawa State, its implication on the employment and the economy as a whole.

The Concepts of Minimum Wage, Retrenchment and Unemployment

Minimum wage: refers to as the lowest, hourly, daily or monthly remuneration that employers may legally pay to workers (Wikipedia). In other word, it means the lowest hourly amount an employer can pay to an employee with some exception based on the type of work done (Doyle, 2012).

Retrenchment means a forced lay-off of employees by a firm, usually to cut down its payroll in order to improve financial stability. That is, the capacity of the employers to carry on their work due to some economic grounds resulting in permanent termination of the workers which is in character of downsizing to regain stability (Haimanti, 1986).

Unemployment: the International Labour Organization (ILO) defines the unemployed as numbers of economically active population who are without work but available for seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998).

Theoretical framework

The paper adopted the conflict model because it vividly provides insight and logical connection, pattern and in order for analysis of the paper. However, the conflict model is a development that takes place as a reaction to social inequality. It has roots in Marxian and Weberian theory and Simmel's work on social conflict (Ritzer, 2008). To Marx, cited in Haralambos (1980) conflict is social division of classes in the society. Social conflict means struggle among segments of society over a valued scarce resources.

The model looks at the division of society into two classes of capitalist (owners of means of production) and proletariat (those who provide the labour) necessary for the operation of factories and other productive enterprises (Haralambos, 1980). To maximize profits capitalist have to minimize wages, bringing about conflict between two groups that are involved. The rise in consciousness of the proletariat revolution was expected to bring equality to the social system and society as a whole (Giddens, 2001). To Lenin (1904), the root of disagreement between employers and employees lies in the supposition that practical men, technicians, specialist and managers brought into the organization over the scarce resources. And that only a vanguard of the class can create revolution based on "class collective". That in the process of economic struggle, the labour movement produces a class conscious vanguard whose task consist of keeping peace with the spontaneously developing mass economic movement and marching gradually onward movement to the social economic system.

Thus, this model holds the view that in any industrial organization, clash of interest is always prevalence and inevitable between managements and employees over scarce resources which result to struggle. That is, conflict is recognized as fundamental factor of what take place in the work place. This thesis considered disorder, disharmony, and instability as essential factors of modern industrial relation which invariable led to consensus (Marx, cited in Hralambos, 2010). Moreover, in any bureaucratic organizational setting, conflicts are

inevitable and are bound to occur over scarce resources between managers and workers over better wages and condition of service which results to collective bargaining.

Thus, in organizations there are inherent conflicts and contradictions that propel consensus and harmony in work environment with active political participation of the worker's union. The model therefore advocated for democratization of the work place which will give a sense of belonging and improved material condition of the workers.

Development of Minimum Wage in Nigeria

The history and practice of minimum wage in Nigeria dates back to the colonial era and the setting up of various committees. In Nigeria, government is both the regulating agency and largest employer of labour. The actions of government in the area of wage determination are usually fundamental and as such it cannot be unconnected with the history of public service wage negotiations and increment (Fapohunda, et al; 2012).

However, the practice of National Minimum Wage (NMW) is not a new development and its design, implementation and management vary from country to country depending on the strength of the economy of a particular society. And in an industrial relations, wage determination, negotiation and reform program to address the plight of the workers is done through collective bargaining mechanism, but in Nigeria, this practice is poorly handled because government show little or no consideration to wage policy and workers plight. The government only set up ad hoc commission to consider reviews during labour discontent and industrial actions. Nonetheless, the need for good wages and better condition of service of Nigerian workers led to the development of various wage commissions and negotiation councils as seen below

Table 1: Wage Commissions in Nigeria

Commission	Year
Hunts Commission	1934
Phillipson-Adebo Commission	1948
Harragin Commission	1954
Carsuch Commision	1954
Mbanefo Commission	1959
Morgan Commission	1963
Eldwood Commission	1966
Adebo Commission	1971
Udoji Commission	1972
Dotun Phillips Panel	1985
Ayide Review Panel	1994
Philip Asipdu Committee	1998/1999
Ernest Shonekon Committee	2000
Justice Alfa Balgore Committee	2009/2010

Source: Fapohunda, et al; (2012)

Thus, from these various commissions that were set up for wage determination in Nigeria, ranging from colonial period to date involved several Acts and Decrees were enacted to ensure that employees have good wages. These Acts/Decrees include the Wage Board Act of 1995, Wage Board and Industrial Council Act of 1974, National Minimum Wage Act of 1981, National Minimum Wage Decree of 1988, the Wage Board Act of 1995, National Salaries Income and Wages Commission Decree of 1999, National Minimum Wage Act of 2000, National Minimum Wage Amendment Act of 2003, and the National Minimum Wage

Amendment Act of 2011.

Table 2: List of Minimum Wages of Some United Nation Member States

Country	Amount	Sign/currency	Labour
Algeria	18,000	Algeria dinars	Per month
Benin	31,625	CAF francs	Per month
Burkina Faso	34,664	CAF francs	Per month
Chard	59, 995	CFA francs	Per month
China	Set locally, range from 830	RMB	Per month
Republic of Congo	54,000	CFA francs	Per month
Egypt	1,200	LE	Per month
France	1,445.38		Per month
Gabon	150,000	CFA francs	Per month
Kenya	11,995	Shillings	Per month
Nigeria	18,000	# Naira	Per month
Saudi Arabia	3000	Saudi ryals	Per month
United Kingdom	5.03	Euro	Per month (18-20yrs)
	6.31		Per month (21yrs-above)
United State America	7.25	Dollars \$	Per month

Source: Wikipedia, World Development Indicator Database (2017)

The table above clearly shows that Nigerian worker felt short of what even some less developed economies than Nigeria enjoys. Similarly, the International Labour Organization (ILO) report equally placed Nigeria in the lowest-middle-income bracket of countries such as America, Egypt etc which necessitate the agitations by labour unions in Nigeria, hence the development of various wage committees. Folawewo (2007) argued that the wages of most working Nigerians today still falls short of a guaranteed income with despairing minimum wage, the unemployment rate in the country is increasingly higher and many Nigerians are still caught in the poverty trap forcing a sizeable number of families to resort to child labour.

Socio-Economic Impact of National Minimum Wage on Employment in Nigeria

The development, implementation and management of the new National Minimum Wage (NMW) in Nigeria have over the years faced with many challenges. Though globally, developing and even developed economies of the world yearn for better wages to meet with the economic reality of the day. The labour market phenomenon in Nigeria is prevalence with 1 percent of employment opportunities for the millions of teaming population. The level of poverty and unemployment is too alarming with job losses associated with the global economic meltdown, insecurity and poor operation of companies, multiple taxation, corruption, reforms in the banking sector etc.

Nonetheless, Fapohunda, et al; (2012) noted that earlier in 1967, the ILO meeting of experts in minimum wage fixing and related problems had explained that the concept of the minimum wage contains three basic ideas. First, he argued that minimum wage is considered sufficient to satisfy the vital necessities of life and recreation of the workers, taking into consideration the economic and cultural development of each country. Secondly, that

minimum wage represents the lowest level of remuneration permitted in law and whatever the method of remuneration or the qualification of the worker. Thirdly, minimum wage is a wage which country has the force of law to uphold and which is enforceable under threat of penalty or other appropriate sanctions. Thus, the establishment of minimum wage is therefore a means of ensuring that workers and in some cases their families will receive a basic minimum wage which will enable them to meet their basic needs. And since Udoji salary award of 1973, the federal government of Nigeria till date has used minimum wage increase as a means of poverty reduction and improvement of workers well-being (Ekwoaba, et al; 2013).

Conversely, Neumark and Wascher (2014, 2015), Formby, et al, (2015) argued that while upward review of wages is a welcomed development, but its practice, implementation and management does not reduce poverty but on the contrary it increase poverty and causes unemployment. Stigler, in Ekwoaba, et al; (2013) observed that minimum wage reduces employment to some extent and is unable to fulfil its purpose due to inflation and causes vicious cycle of unemployment and poverty.

Similarly, Aleksandra, et al; (2012) argued that increase in minimum wage will not only lead to unemployment and price level increment, but it will also result in marginal decline on real wage, employment and real GNP. Study has shown that minimum wage depends on prevailing economic situation and it has a positive relationship with unemployment and a negative relationship with employment. Falk, et al; (2006) believed that minimum wage increase leads to a rise in reservation of wages which would persist even after the removal of the minimum wage. They observed that organizations pay higher wages yet, the effects on employment remains retrenchment/retirement of workers or job pay cuts etc due to profit erosion. To Falawewo, (2007), minimum wage leads to increase productivity and a resultant consequence is positive correlation with rise in price commodities.

National Minimum Wage and the Nasarawa State Experience

Nasarawa is an agrarian state centrally located in the Middle Belt region of Nigeria. The state lies between latitude 7 45 and 9 25' N of the equator and between longitude 7 and 9 37' E of the Greenwich meridian. The state shares boundary with Kaduna state in the North, Plateau state in East, Taraba and Benue in the South while Kogi and FCT in the West. It has a total land area of 26,875.59 square kilometers.

However, in Nasarawa state, the phenomenon of the new national minimum wage, implementation and its effects on employment is not different. Surprisingly, in an egalitarian state like Nasarawa, with poor internal revenue generation, it was the first to implement the minimum wage among states in the whole federation. Thus, the implementation is therefore seen as a huge financial burden especially by the state government because of the meager revenue allocation it receives from the federal government as well as poor Internally Generated Revenues (IGR).

The study reported earlier that in 2012, the state government implemented the minimum wage without taking into account the staff strength and the financial implication involved. A close examination of the implementation of the minimum wage has led to the sacked of over 9000 workers of both the state and local government employees. As a result, this has added to the volume of already high rate of unemployed youths in the state which constitutes the bulk of the agent of social ills in the state and the society as a whole.

Moreover, unemployment rate in Nigeria has been a major problem with millions of graduates and school leavers without gainful employment. The national bureau of statistics (NBS 2017) shows that 54 percent of Nigerian youths are unemployed in 2012 (World Bank Database). In Nasarawa State, youth's unemployment in 2011 is 36.5 percent (Aiyedogbon, 2012). And the sacked of workers as a result of the implementation of minimum wage has undoubtedly increase the percentage of unemployed youths in the state.

In addition, the impact of minimum wage in the state also has adverse effect on the development and motivation of the labour force because of the financial burden incurred as a result of this phenomenon. Because the implementation has denied workers promotion, annual increment, percentage of salaries and other welfare benefits in the state. This is evident because the Nasarawa state NLC embarked on indefinite strike in January 7th, 2014 to address workers promotion, increment and arrears among others (News Agency of Nigeria, 2014).

On a broader scale, the dependency ratio becomes a burden and almost every earners income is overstretched. With the current employment level, dependency ratio leads to 84.01 per 100 people of working population (NBS, 2017). This trend has worsen as neither the federal nor the state government successfully creates jobs to soak up the already swollen jobless population which result to a vicious cycle of poverty in the state which contributed significantly to the alarming rate of social problems such as the development of ethnic militia (Ombatse, herdsmen among others), armed robbery, political thugs and other criminal tendencies are associated with the phenomenon of retrenchment/unemployment. An examination of most of the apprehended criminals shows that a large percentage of youths in the state that engages in criminality are those who were disengaged from work as well as those without gainful employment.

Conclusion

The paper concludes that the implementation of the minimum wage in Nasarawa State has adverse socio-economic implications. It has however increased the unemployment level and workers who are disengaged from service find it difficult to survive with the economic reality of the day with most of them resorting to various forms of social problems; and those who are fortunate to escape the retrenchment exercise lacked good remuneration and irregular and percentage payment of salaries. The condition of service has progressively deteriorated. Thus, rather than being a source of development of the labour force as well as good output, it has negatively affects the condition of workers generally as well as high rate of unemployment in the state which remains a potential threat to the economy and the society as a whole.

Recommendations

The findings from this paper clearly revealed that for effective and efficient implementation and management of the minimum wage, it requires collaborative effort of all stakeholders. Industrial relations experts should therefore be employed in the design, implementation and its management to achieve the desire result of which it was meant for. While minimum wage is not the only factor associated with unemployment, it has however added to the high rate of unemployed youths in the state. The government should as a matter of urgency reinstate the sacked workers, create better work condition of the employees, adequate promotion with benefit, annual increment and other welfare benefits be encourage and sustained. More so, employment opportunities should also be created to curb the web of social problems in the state and the society as whole.

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