

INCREASED MINIMUM WAGE AGITATION IN THE FACE OF RECESSION IN NIGERIA

BY

MICHAEL ANAKE USHIE

Department of Sociology,
University of Calabar, Calabar

&

STEPHEN ADI ODEY

Department of Sociology,
University of Calabar, Calabar

ABSTRACT

Agitations for increase in minimum wage are workers' reaction to fast dwindling purchasing power and also a clamour for relatively more equitable distribution of Nigeria's wealth. Diminishing purchasing power is an indication that the economy is under-performing. A number of things might have gone wrong in the system including implementation of policies that do not properly fit in with Nigeria's sensitive and complex socioeconomic setting. Objectives of the study include to find out whether increasing Nigeria's minimum wage would make the required difference in the purchasing power and standard of living of workers and to suggest an alternative approach to improving the living condition of Nigerian workers. It is recommended that while it may not be completely out of place to increase minimum wage, relevant authorities should rethink and overhaul those policies that do not seem to fit in well in the context of Nigeria's socioeconomic dynamics, and thereby reposition towards a revival of Nigeria's ailing economy. It also behoves on the current administration and other leaders of Nigeria to come up with ways to reduce the very wide and widening disparity in pay package between the political class and the civil servants.

Keywords: Agitation, Minimum Wage, Organized Labour

INTRODUCTION

Minimum wage refers to the least remuneration legally allowed within a geographical enclave. The International

Labour Organization [ILO] defines it 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”. Minimum wage is closely related to living wage and is usually differentiated on the basis that ‘living wage’, the amount of pay deemed necessary for an employee to meet their essential needs [<http://www.howmoneywalks.com>].

Although there are hardly any national living wage laws, minimum wage laws are found in more than ninety percent of ILO member countries [<http://www.ilo.org>], and this goes to show how important the issue of minimum wage is to workers and the world at large.

It is not uncommon to find workers in various countries ask for increase in the national minimum wage to enable employees cope with prevailing economic realities, especially in terms of prevailing inflation. For instance, United State of America’s minimum wage of \$7.25 per hour [about \$1,100 monthly] is said to have lost about 9.6 percent of its purchasing power since it 2009 when it was introduced, owing

to inflation, and therefore many States in the U.S. have enacted laws to boost wage rates [living wage], while civil society and other stakeholders are pushing for minimum wage in America to be increased [<http://www.pewresearch.org>].

Over the past months, Nigeria’s Organized Labour has been agitating for the nation’s minimum wage to be increased from N18, 000.00 [about \$38] per month [<http://www.vanguardngr.com>], arguing that since it was last reviewed in 2010, the Dollar to Naira exchange rate [one of the major indicators of the inflationary trend] has increased from about \$1 to N150.00 in 2010 to \$1 to about N400.00 in 2017 [<https://www.oanda.com>, <http://independent.ng>]. A snapshot of minimum wage rates across selected countries does reveal that the Nigerian worker has cause for worry, most especially given the fact that Nigerian law makers earn some of the fattest pay in the world.

Table 1: Showing Minimum Wage in Selected Countries

Country	Minimum Wage [in USD]
Belgium	1,738
Cameroun	75
Chad	120
Cote D'ivoire	72
Libya	430
New Zealand	3,187
Nigeria	38

Source: <http://www.nigerianinfopedia.com/minumum-wage-nigeria-vs-minimum-wage-countries-compare/>

As a matter of fact, in Luxemburg where minimum wage is \$2,500, law makers earn \$7,400 while in Libya where minimum wage is \$430 law makers earn \$3,000. Most unfortunately, in Nigeria where minimum wage is \$38, law makers earn about \$65,000 [http://www.nigerianinfopedia.com]. The Nigerian worker indeed, has cause for worry. Labour is arguing that the prices of goods have increased astronomically and that prices of some essential items have more than quadrupled over time. No thanks to Nigeria's lingering recession that has led to much increase in the cost of production of the few goods that are locally-produced [and of course, severe job cuts], while importers and import-dependent production lines

hardly have any access to the dollar or required input [http://independent.ng]. Government revenues have also dwindled over the past few years and there has been further infrastructural decay during the same period, including worsening power supply, worsening road network and lots more. So, while Nigerian workers have much lower purchasing power and are seriously agitating for wage increase, government also has a short fall in revenue and would rather do anything to cut cost.

STATEMENT OF THE PROBLEM

Nigeria's workers are agitating for increase in the country's minimum wage because the current rate of approximately \$38 per month is grossly inadequate as the

prices of basic necessities have skyrocketed and the cost of living has become unbearable for most people. At the same time, the Nigerian economy is experiencing a severe recession and government revenues have plummeted [https://economicconfidential.com].

Nigeria's workers surely have the right to ask for pay rise given the current economic realities. What is the way out of the difficulties that the workers are currently facing, whereby they can hardly meet basic needs? For each of the few that are employed by government are populations of dependants and unemployed depending on the paltry sum called wages for survival [Nwude, Emmanuel 2013]. Is increase in minimum wage the way out of dwindling purchasing power of workers?

Objective of the Study

The objectives of the study are as follows:

- i. To find out if increasing Nigeria's minimum wage would make the required difference in the purchasing power and standard of living of workers
- ii. To suggest an alternative approach to improving the living condition of Nigerian workers

SIGNIFICANCE OF THE STUDY

For researcher, this study presents another perspective to the age-long issue of minimum wage legislation, with particular focus on Nigeria. It therefore enriches the volume of literature in the subject matter of minimum wage legislation and related issues based on which further research could be developed with a view to proffering workable solution to the seeming impasse.

For socioeconomic planners and policy makers, the study affords a clearer understanding of the issue of frequent agitation for increase in minimum wage, with a view to making it easier to plan on how to stabilize the economy and engender a more vibrant socioeconomic landscape in the long run.

For the workers on the other hand, the study attempts to present a more or less dispassionate view on the lingering agitation for increase in minimum wage and affords individuals and groups a more wholistic outlook on the challenge of surviving in an economy such as Nigeria's in the light of other intertwining macroeconomic variables.

Pros and Cons of Increase in Minimum Wage

At the risk of sounding apathetic to the plight of the average worker, it is an

undeniable fact that as much as increase in minimum wage has some advantages to it, it also has a number of negative effects. Like Ochei, Victor said, increase in minimum wage has potential to create more employment opportunities, boost wealth creation, improve upon workers' general condition and worker motivation, etc. [Ochei, Victor 2012]. Now, one must come to terms with the fact that Nigeria is a unique sociocultural enclave that could sometimes defy conventional expectations. Whereas most proponents of increase in minimum wage would expect that such increase would enhance the purchasing power of workers and lead to higher motivation and therefore, productivity among the workers, it must be noted first that increase in minimum wage would hardly make Nigerian workers deliver more on their job because, quite apart from the fact that necessary work tools and reasonably conducive work environment are hardly made available, it is a general believe amongst government workers that the remuneration and promotions that they get are generally obtainable for virtually every worker, irrespective of their productivity (Nwude 2021). Besides, the Nigerian economy seems porous and quite difficult to regulate. Increase minimum wage and all the traders on the streets would increase the prices of their goods and services by a relatively much higher percentage. At the

end of the day the purchasing power of the Nigerian worker that minimum wage sort to protect becomes further diminished. A speedy increase in the prices of goods and services leads to worsening inflation [possibly more severe recession] and a lot more grumbling among same workers and the general populace as to how their [recently increased] take home pay cannot even take them half-way home (Nwude 2021).

Another way to look at the issue is in terms of enforcement. Minimum wage legislation is expected to be implemented for the supposed benefit of workers across the country. Enforcement and implementation is probably slightly easier in the public sector than in the private sector (Ochei 2022). It is bad enough that several State Governments in Nigeria are owing staff salaries even with the very low and unacceptable minimum wage (Ahiuma-Young, Victor 2016), it is sad to know that the lingering economic recession has led to lots of job losses and would lead to more job cuts and more severe unemployment if minimum wage is increased, government tries to enforce it and private sector employers are unable to pay (Mac-Leva, Fidelis; Adaramola, Zakariyya & Ogwu, Sunday 2016). The eventual effect of increase in minimum wage might therefore become negative in the final analysis.

Wage agitation as a cry for equity

Saying increase in minimum wage could lead to more inflation and a much more worsening recession is one thing the average Nigerian worker hates to hear, and rightly so. The counteracting question is usually whether the current recession was caused by increase in minimum wage. The answer of course, is 'no'. 'If it was not increase in minimum wage that induced Nigeria's recession, why should it always be when workers ask for pay raise to boost their purchasing power that policy makers would remember how increase in minimum wage could lead to galloping inflation?'

Well, the issues are not as straight forward as they seem and although some of the probable causes of the current recession would be looked into in later paragraphs just to give a broader perspective to this discourse, the researcher sees the agitation for increase in minimum wage partly as a clamour for equity and justice in reaction to severe lack and deprivation [on the part of the average civil servant] in the midst of high level, broad daylight looting of Nigeria's treasury by law makers, all in the name of 'a deserving pay package'. As earlier pointed out, Nigeria's law makers are among the highest paid in the world [and that, for enacting supposedly very 'well-articulated and effective laws'], while

Nigerian workers rank among the least paid; \$38 monthly pay as minimum wage as against \$65,000 monthly pay for law makers [<http://www.nigerianinfopedia.com>]. With the level of oppression and impunity in most African societies what the huge wage disparity results in is a much weaker and vulnerable organized labour and a 'super-powerful' political class that wields such excessive influence as to, individually, determine the destinies of several other Nigerians with rather much ease (Azeez & Adenuga 2021).

Of course, government and the political elites could still have their way around the issue of minimum wage as they often do, by simply drumming up ethno-religious sentiments among labour leaders since many Nigerians would usually fall for that. They could also take undue advantage of the relative poverty and greed of a number of labour leaders, by paying them tempting sums of money to cause division among the administrative structure of organized labour, and thereby make some to start singing discordant tunes. Government and the political class could also use the tools of intimidation, harassment and threat to subdue labour like they have done in time past. But the battle would be far from over. It would be a case of sweeping fire under the carpet or simply postponing the evil day [<https://www.dailytrust.com.ng>].

Ordinarily, Karou Baraje would be making a valid point expressing the need for Nigeria's workers to agitate for infrastructural development in the country rather than N18,000 minimum wage [Baraje, Karou; cited in Ochei, 2012]. But how many times has Nigeria's leadership made great promises to develop infrastructure and earmark huge budgets for same, only for the projects to end up being conduit pipes for the syphoning of government revenues (Sulieman, 2021) Part of what might have happened is that Nigerians in general and organized labour in particular hardly has any confidence in the willingness of government to embark on realistic, sustainable development of infrastructure, save for officials to use such projects as another subhead for more looting of the national treasury. Therefore, expecting labour to sacrifice their demand for wage increase on the altar of promise of infrastructural development, without government demonstrating a reasonable level of commitment and sincerity toward same might just be a dream that may never see the light of day.

Increase in Minimum Wage is not the Cause of Recession; So What?

Again, Nigeria's lingering recession was not caused by increase in minimum

wage. Yet, one would also not naively assume that increasing minimum wage would not lead to more inflation and worsening recession. Having been able to examine a few reasons that make increase in minimum wage not to be the best option for Nigeria at this point in time, and since such move would, in no way, lead to improved living conditions for the Nigerian worker, it is instructive to try to find out exactly what the Nigerian worker wants. Earlier paragraphs have made it clear that the agitation for higher minimum wage is essentially a request from the workers asking that they be afforded higher purchasing power in order for them to be able to meet basic needs. We understand that inflation and indeed, the current recession are what have really made life unbearable for most workers. If the fact that the economy is under-performing is the reason for dwindling purchasing power, it therefore means that when one is able to identify, at least, some of the major causes of the recession and adequately address those 'recession - inducing variables' then we could both stem the inflationary trend and also bring about increased economic activity, towards improving living conditions, not only for the Nigerian worker but for the entire Nigerian populace. So, what could be some of the reasons Nigeria is in its worst recession in 29 years

[National Bureau of Statistics, cited in (Opejobi, Seun 2021).

Probable Causes of Nigeria's Recession and Agitation for Increase Minimum Wage

A major reason could be that Nigeria has been operating a mono-product economy and it has been dependent on imports for too long (Dode, Robert 2012). But then, Nigeria's mono-product economy and over-dependence on imports is not the focus of this study. It must, however, be noted that the current government administration and the managers of the Nigerian economy seem to have come up with a number of policies that, although well-intentioned, may not have been very well articulated ab initio. For instance, the import restriction policy [https://www.export.gov], although was meant to boost domestic production of some of the goods that have hitherto been imported; although import restriction was aimed at achieving other noble objectives, including conservation of foreign exchange and an increased volume of activity in the domestic economy, in implementing such policy it is required that there be a clearly stated window period during which local players would reposition to effectively fill the gaps that would be created as a result of

import restriction. It is also required that an enabling environment and possibly, incentives [in different forms] be made available to the local players during the window period so as to enable them fill the gaps more effectively.

It is doubtful if adequately cushions were put in place before the actual implementation of import restriction. Restricted [or banned] products have become very scarce because local players are not yet in position to meet up with the shortfall in supply. By simple laws of demand and supply such products have become a lot more expensive. Of course, some of them still find their way into the country at probably more expensive rates and the negative results on the socioeconomic landscape are obvious (National Bureau of Statistics, cited in Opejobi 2016).

Another example of a policy that is probably well-intentioned but not so well articulated is the way the current administration is going about fighting corruption. Quite apart from the fact that the fight against corruption widely described as selective, and at best some sort of political vendetta [Sagay, cited in <http://scannewsnigeria.com>] which makes it all the more likely to fail in the long run, this study has found out that it is almost impossible for the current administration to

go back into Nigeria's political history and exhume all cases of relatively significant corruption and then begin to prosecute everyone that is found wanting. The question would then be 'how far back into history should the fight against corrupt persons go?' It would probably have been more advisable for government to say 'going forward beginning from the commencement of the new administration, let the corrupt desist from their ways as any new case of corruption would be decisively dealt with', and then the administration really works towards it. In a situation where a number of key officers are alleged to have been evidentially corrupt and such allegations are not unfounded, it does look more advisable to fight corruption going forward, probably not with a historical approach.

Besides, there are reported cases of abuse of office and blatantly going against a number of court rulings, whereby people are molested, intimidated and thrown into prison on grounds of allegations of corruption, without recourse to laid down procedures and judicial processes [<https://www.thecable.ng>]. It is to be noted also that the current administration, in same anti-corruption crusade, has frozen several bank accounts, while the Treasury Single Account [TSA] policy as fantastic as it may seem, has also drastically reduced the

number and volume of transactions that commercial banks can engage in (Deposits in banks shrink", 2016).

As a matter of fact, basic macroeconomics principles show that mopping up so much money, be it through TSA or by freezing the accounts of suspected corrupt politicians, and doing things that would cause a lot more money to be stashed away and kept out of the economic system would have far - reaching negative effects on the economy. It as simple as understanding the basics of the circular flow of income [how money is created] and the multiplier effect of money [<http://www.investopedia.com>; <https://www.imf.org>]. Embarking on such such large scale cash mop-up at the same time a poorly articulated import restriction is being implemented is a sure way to shut down a fragile economy as Nigeria's. These are the issues that really contributed to Nigeria's economic woes and then also led to the much worsened case of dwindling purchasing power, and consequent agitations for increase in minimum wage.

CONCLUSION

Agitation for increase in minimum wage is understandable, given the fact that workers' purchasing power has plummeted as a result of harsh economic realities.

However, fast dwindling purchasing power is only an indication that the economy is grossly under-performing. A number of things have gone wrong in the system including implementation of policies that do not properly fit in with Nigeria's sensitive and complex socioeconomic setting. It might be advisable to yield to the demands of Nigerian workers and increase the minimum wage. But not without seriously considering the need to rethink incongruous policies.

RECOMMENDATIONS

It must be stated categorically that going ahead to increase minimum wage without putting in place other policies, systems and structures to get the economy out of the woods would not change the plight of Nigerian workers. Rather, let the authorities start rethinking and overhauling those policies that do not seem to fit in well in the context of Nigeria's socioeconomic dynamics, and thereby reposition things to ensure that the economic system is brought back to life. Of course, this study is about boosting the purchasing power of the Nigerian worker. It is reiterated here that workers' plight is only the effect of some other fundamental economic miscalculations and, probably, maladministration in some of spheres. It

would be naive, hypocritical at best, to spend much effort treating symptoms and effects while turning a blind eye to the root causes of Nigeria's socioeconomic maladies. You want to increase the minimum wage? Fine. But not without, at the same time, addressing other critical issues as explained earlier. Having also stated that the agitation for increase in minimum wage is partly a clamour for more equitable distribution of Nigeria's wealth, it behoves on the current administration and other leaders of Nigeria to come up with ways to reduce the very wide and widening gap in pay between the political class and the civil servants. Of course, a reasonable pay cut for political office holders and law makers in particular would be difficult to implement. Actually, how Nigeria should go about achieving this feat is beyond the scope of this study. Yet, this is also a crucial way to reduce the frequent agitations for increase in minimum wage.

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