



The Desirability Or Otherwise Of The Current Minimum Wage Issue In Nigeria: An Assesment Of The Past And Trending Issues.

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Abstract

Minimum wage is a very controversial issue in most countries of the world which has generated series of strikes due to the inability of workers to satisfy their basic necessities of life. In recent times Nigeria is engulfed with the crisis of the 30,000 minimum wage issue. This study therefore investigated the phenomenon through a qualitative research approach using past events and trending issues and found out that the new minimum wage is desirable but may not be adequate due to some socio cultural and economic setting and also corruption, lack of autonomy of local government, lack of political will constitute challenges that hinder the operation of the new minimum wage policy and as such the study recommends that the government should look beyond the 30,000 minimum wage and come up with strategies that will have other sectors of the economy create employment opportunities especially in the rural areas.

Keywords: Nigerian, Political, Minimum Wage, Current, Desirability.

Introduction

A Minimum wage is used in many countries as a redistributive tool for the benefits of unskilled workers. However, its normative justification is highly controversial due to its adverse effect on employment and the possibility of redistribution through the tax and transfer system.

New Zealand is one of the first countries in the world that passed the world first national minimum wage laws that dates back to 1894. This minimum wage law covered all businesses and all industries across the entire country.

Austria (especially Victoria) Was the second jurisdiction in the world to pass minimum wage laws. At first, Victoria's minimum wage laws only covered certain industries, they only covered six industries that were notorious for paying low wages. By 1904, these minimum wage laws had grown to cover 150 industries. New south wales and western Australia had also passed their own minimum wage laws 2 years earlier in 1902.

Following the "Minimum wage experiment" in Australia and New Zealand, other countries began

considering existing minimum wage in their own borders. As a result, the UK passed its own set of minimum wage laws in 1909. The minimum wage in America isn't as old as one might think, the first federal minimum wage was introduced by Franklin Delano Roosevelt in 1938. Minimum wage was set at 25 cents an hour, which works out to about \$4 per hour in today's money. That minimum wage was introduced as part of the fair labour standards Act (FLSA). The FLSA also covers things like youth employment standards, overtime pay, record keeping and standards for government employees at the local, state and federal levels. The first minimum wage laws were passed in America in 1938. But prior to that, at least one state had passed its own minimum wage laws in 1912 (although they only covered women and children).

The history of government wage review in Nigeria is as old as the history of the nation's minimum wage. Minimum wage which relate to some legal restrictions on the lowest wage rates payable by employers to

their workers have influenced wages in Nigeria since 1955, courtesy of the Wages Board Act of 1955. From 1955, successive governments have set minimum wages for all kinds of occupational trades especially the ones that can be considered formal. More often than not, whenever the minimum wage is set, it affects the levels of wages/salaries in Nigeria. In the past 9 years, the federal government has formulated two directives/legislations that sought to increase the prevailing minimum wage and other levels to pay. The first became effective in September 1998 and the second on 1 May 2000. Therefore, this paper will trace the history of minimum wage in Nigeria and also discuss the desirability or otherwise on the ongoing minimum wage issue.

Research problem

One of the duties of the government of the country is to ensure that the welfare of her citizens are provided. This can be reflected in the constitution of the country under section 14(b) of the 1999 constitution that states that the security and welfare of the people shall be the primary purpose of the government. One way through which attempt has been made to address the issue of citizens' welfare is the legislation of a national minimum wage. Many commissions and committee between the period 1934 and 2011 has been established in order to undertake either a holistic or partial review of the salaries and wages in the Nigerian public service. Most of the workers in the public service no longer survive on what they earn, since those that work have to support their families that form part of the unemployed in the society.

There are a lot of cases of frequent strike action by workers that is aimed at getting government to agree to negotiate a minimum wage and upward review of wages. Even with the approval at the federal level, it is still fluctuating at the state level as some states are yet to implement minimum wages.

Objectives of the study

The aims of the study are as follows;

1. To trace the history of wage increase in Nigeria.
2. To discuss the desirability or otherwise of the ongoing minimum wage increase in Nigeria.
3. To identify the challenges of implementing the policy by the state government.

4. To provide solutions by way of recommendations on the issues concerning minimum wage in Nigeria.

Research questions

The research will answer the following questions;

1. What is the history of minimum wage increase in Nigeria?
2. What are the desirability or otherwise of the ongoing minimum wage increase in Nigeria?
3. What are the challenges of implementing the policy by the state government?
4. What methods should the government employ in solving the problems of minimum wage in Nigeria?

Literature review/Theoretical framework

Among the few variables that helped to locate and showcase Nigeria on the world map include football, big size, population, poverty and corruption. It surprises many as to why a country so endowed is as well riddled with poverty and this poverty is said to be robustly caused and cuddled by corruption. Corruption is a major cause of poverty as well as a barrier to overcoming it. The two scourges feed each other locking their population in a cycle of mystery. Many said that corruption must be addressed if it is to make a real difference in freeing people from poverty. Today in Nigeria, three square meals are a luxury, good shelter over one's head is a problem and education has become a luxury that is available only to the high income thieves in government. It is now more like a question of who steals higher.

The Nigeria worker has necessitated several magic acts to the point that file appears and disappears depending on the price involved. A visit to government offices makes you see corruption work side by side with ethnic and tribal sentiments and nobody cares. Workers paced from one office to another doing nothing with idiotic efficacy and inefficiency.

According to Agbaegbu (2012), in the northern part of Nigeria, the northern leaders are worried over the gloomy statistics. Forecast for the region by the National Bureau of Statistics (NBS). Majority of people from the north live on less than USD 1.5 per day poverty line. The USD 1.5 per day is the current benchmark adopted by the World Bank for measuring poverty levels in the world (Agbaegbu 2012). In both absolute and relative terms these groups of people living under the USD 1.5 per day benchmark belong to the class of

people whose income earning capacity makes it impossible for them to provide basic needs of life such as Education, Shelter, Health facilities and good medication. They are poor and wretched .Their plight is a reflection of the level of poverty afflicting many people in Nigeria , hence the need to reflect on the adequacy of the minimum wage amount in Nigeria ., The above scenarios paint the picture of how Nigerian citizens toil hopelessly to bridge the gap between income and expenditure all to no avail where there is no form of social security policy for citizens of a nation , there is great disagreement as to whether the minimum wage is effective in attaining its goal of reducing poverty necessities available to a certain socio economic class in a certain geographical area as nurtured by quality income, quality employment hours of work, education, economic and political stability, adequate infrastructure, safety of lives and properties among others. These can be measured by per capita income. The amount that can fetch an entity a good living standard is called **Minimum Wage**. It is the lowest hourly, daily or monthly remuneration that employers may legally pay to workers or the lowest wage at which workers may sell their labour. It can also be said to be the minimum sum payable to a specific categories of employees for work performed or services rendered within a given period that can be calculated on the basis of time or output, or be deduced by an individual or by collective bargaining agreement that is guaranteed by law.

The international labour organization (ILO) define minimum wage as a wage that provides a floor to the wage structure in order to protect workers at the bottom of the wage distribution. The ILO further points out that minimum wages are nearly a universal policy instrument that applies in more than 90% of the ILO member states including Nigeria. As the ILO further noted, minimum wage must take a legal perspective that must have the legal backing of the law and be enforceable under threat of penal or other appropriate sanctions.

Besides the minimum wage articulated by the ILO, Ethical Trade Initiative (ETI) defines minimum wage as a wage that allows a worker to provide for him and his family to buy essential medicines, send children to school and to save for the future. A poverty or non-living wage is one associated with workers skipping meals so that they can feed their children, borrowing from neighbours and loan sharks, cutting out essential expenditures (medicines and clothing) and taking extra work at home or another factory job in order to make ends meet. From the foregoing definition, it is evident that a country might have a minimum wage backed by law while in terms of real value it may be worth

nothing. The value might have terribly depreciated especially in an economy marked by frequent uncontrolled inflation as in the Nigerian situation where many cry that their take home pay cannot take them home.

The first minimum wage was enacted by the government of New Zealand in 1894. This is followed by minimum wage law enacted by Victoria State of Australia in 1896 where an amendment to the factories Act provides for the creation of a wages board. The wages board did not set basic wages for six industries that were considered to pay low wages. The law serves as a model used in fashioning out the British trade board's act 1909. In the USA, Massachusetts enacted the minimum wage law in 1912. This was the earliest enactment of its kind in the USA. Eight other states in the USA followed in 1913. It is worthy of note that even though the practice of minimum wage globally is old, the duration, details and nature of the practice has varied from one country to another. According to Dolle (1999) and Metcaf (1999), the USA and France are among the countries with the longest practice of applying a single National Minimum Wage. China regulations on minimum wage were issued in 2004 as a result of the growing concerns about the widening wage inequality. South Africa introduced minimum wage floors in 2002 in order to support the wages of millions of low paid workers in different economic sectors. In Nigeria the history of minimum wage cannot be separated from the history of public service negotiations and increments. It dates back to the colonial era and the setting up of Hunts commission in 1934. It is significant to note that the first national minimum wage act of 1981 prescribed a minimum wage of 125naira per month (Faro official gazette 1981 A53-57). This was revised in 1991 to 250 per month, revised again in 2000 to 5,500 per month and in 2011 to 18,000 per month. The justice Alpha Belgore Committee submitted a bill on the national minimum wage amendments to the National Assembly on July 1st 2010, with the following recommendations;

- 1- A national minimum wage of 18,000 per month for all establishments in the public and private sectors employing 50 workers and above.
- 2- An upward review of the sanctions that would serve as a deterrent for not paying the new national minimum wage as follows-a fine not exceeding 100,000 or imprisonment for a term not exceeding 6 months or both.
- 3- A more frequent review period not exceeding 5 years to be carried out by a statutory tripartite committee that would be appointed from time to time by the president of Nigeria.

This bill was passed into law on March 5, 2011 by both arms of the national assembly with minor adjustments as follows:

That as from the commencement of the National Minimum Wage Act 2011, it shall be the duty of every employer to pay a wage not less than the national minimum wage of 18,000 per month to every worker under his employment. The penalty for failing to pay minimum wage is 20,000 while the penalty for every additional day the default continues is 1,000. The federal government of Nigeria and the organized labour later in 2011 negotiated the new minimum wage on August 2011.

November 6th the Nigerian Labour Congress (NLC) called off a general strike after agreeing with the government to increase the national minimum salary by 67% to 30,000 Naira (US \$83). In typical fashion, Bloomberg, the American business news service, couldn't help pointing out that "Nigerian labour is flexing its muscle before an election, winning a large increase in the minimum wage despite investor concerns about the oil-exporting nation's deteriorating budget balance" The wage increase has been described by the usual dial-a-quote anti-labor expert as a populist move that will distort the state economy and further fuel inflation. Another Reuters "Economists say the new minimum wage risks stoking inflation, which currently above the central bank's single digit thereby creating a new headache for the bank as it defends the currency hit by lower prices".

Formally the minimum wage agreement is a recommendation to parliament, which has to pass it into law. The parliamentarians that will vote are among the richest of the world. While using private salaries to support patronage networks is not necessarily illegal, using private or public funds to say in political positions through vote buying is corrupt. Nigerian political corruption is well-known, vast and systematic, and politicians misuse of public funds for personal and political support tend to increase in the run-up to elections (as in now), and it is particularly strong at state levels.

Nigeria has 36 states. They are key public sector employers. Despite the fact that the governors of these states had six representatives at the tripartite forum, they refuse to accept the new minimum wage and have threatened to sack workers because they cannot pay the bill.

In addition to many of them not implementing minimum wage rules, 33 out of 36 states are late in paying workers. The then chairman of the Nigerians

governors' forum, Abdul-Aziz Yari, told reporters "the problem of state is the capacity to pay what is agreed. As we are struggling with 18,000. Some of the states are paying 35 percent, some 50 percent and still some states have salary arrears. So, it is not about only reviewing it but how we are going to get the resources to cater for it".

The private sector is as much to blame for corruption, and for breaking labour rights. And the international economists are not alone in arguing against increased salaries. One of the former Nigerian president Olusegun Obasanjo, toured to promote his Making Africa Work – a handbook. Promoted as a handbook for African leaders focusing on how to attract investments for growth and job creation, it is basically a neoliberal manifesto. Former president of Malawi Joyce Banda is quoted in a blurb: "I wish I had this handbook when I was president of Malawi. It not only offers convincing arguments on what to do, but practical examples and steps on how to get things done". The book explicitly advocates low wages as a comparative advantage for African states to attract foreign investments, and implicitly promotes fragmented and flexible labour organizations and collective bargaining, in other words weakening the unions.

The minimum salary negotiations have again put the Nigerian unions where they belong, at the fore front of the struggle for poor people. Nigerian unions and unionists are not free of corruption and political manipulation, and some are likened to a "mafia". However, in the large picture, the unions play a formalizing role, a challenge to corruption and an actor in and for democratic processes. Despite their own problems and limitations without collective power of the unions, there are few political forces that poor Nigerians can lead on. Signing agreements "is the simple issue, implementation has always been the bane of policies in Nigeria".

The theory that is being used here is the one discovered by Abraham Maslow known as motivation theory. One of the discoveries of Abraham Maslow in his study of what called the exemplary people such as Albeit Einstein, Jane Addams, Eleanor Roosevelt, Frederick Douglas and the healthiest 1% of the college student population is the identification of five human needs in 1943 ranked in a hierarchical order from the lowest to highest tagged Maslow hierarchy of needs. The order of the needs is physiological, safety, social, self-esteem and self-actualization needs.

The physiological needs are the basic needs of sustaining the human life that include food, clothing, shelter, education.

Safety needs are freedom from physical danger and the fear of losing a job, property or shelter, have a safe home, secure income, sufficient salary and medical insurance.

Social needs mean to belong and to be accepted by others like to have a family and friends to satisfy the needs for affection, acceptance and friendship etc.

The esteem needs mean to be held in esteem both by self (internal esteem) and by others (external esteem). The internal esteem calls for self-respect, personal strength, competence, mastery, self-confidence, independence etc. while the external esteem calls for respect for others in terms of status, recognition, fame, power, prestige and attention.

Self-actualization that is the highest need in Maslow Hierarchy is to fulfil one's potential and self-fulfilment and maximizes one's potential and to accomplish something one desires.

There are some criticisms to Maslow hierarchy of needs that include there are concerns that the number of levels of needs may be only two or three levels instead of five levels (Aamodt et al 2007).

Some also argued based on methodology, some argued that the number of people included in the samples are small which might be a suboptimal sample, scientifically spoken (Bowen 2000). Maslow theory predicts that once the needs at one level are satisfied, the next needs level should become more important and human beings will move up the hierarchy, satisfying one needs before moving on. Researchers have shown that this order does not necessarily happen. In the light of the above analysis, motivation is a complex phenomenon which is influenced by individual, cultural, ethnic and historical factors.

According to De cenzo et al (1996) people who are motivated use a greater effort to perform a job than those who are not motivated. Motivation is defined as a series of energizing forces that originate both within and beyond an individual's self. These forces determine the person's behaviour and therefore influence his/her productivity. In other words, this means that all thinkable factors of physical or psychological aspects that we interact with, leads to a reaction within our self or the entire organization. This reaction can be either positive or negative and lead to an increased or decreased productivity and motivation. Motivation was in the beginning of the 1900 thought only to be monetary. It was discovered during the 20 century that there are more factors

than just money to motivate employees. The employee's satisfaction with their job is an important indicator for a good performance and that happy employees are productive. It is also concluded that motivation is a psychological factor and is affected by the worker's mental attitude and health. In order to be motivated, a person needs to have certain basic needs fulfilled. If these needs are lacking, a person's self-esteem and self-actualization cannot develop. This could result in lack of incentives to progress and develop, both professionally and personally. Most businesses and organizations strive to improve quality and performance of their product, services, internal or external operations. The reasons for this can vary depending on the goals the businesses or organizations have set important goals could concern an effort to assure a firm a stable ground in the market or to improve cost effectiveness. From Bolman (1997) perspective, one strategy for reaching higher goals and development is motivation. Motivating employees is a key factor for a company to succeed in their business. From the foregoing understanding, Maslow's hierarchy of needs will be very useful in articulating a good minimum wage package for workers in Nigeria. Evaluating the different needs, values, drives and priorities of people from different backgrounds individually or collectively will be incredibly valuable in giving workers living wages within the workplace.

Methodology

The study adopts a descriptive approach which relies on secondary data. The research was carried out using various information gathered from past events from various sources.

Desirability or Otherwise.

Standard of living means the comfort or quality available to a certain social economic class in a certain geographical area and can be measured by per capita income purchasing power of the currency in circulation, poverty rate and availability of living income generating employments. Most of the workers are earning little amount of money that cannot take them home talk more of taking care of their basic necessities of life. The workers fall into the category of having more than 1 wife and 5 children and most of their salary are below 21,000 and cannot take care of their basic needs. The budget of the workers is purely an unfavourable budget for their family setting as the wages and salaries paid to civil workers in this category is grossly inadequate to their home. The

current national minimum wage is 30,000 and is far below the minimum cost of providing basic needs for the income earning workers.

The Possible Challenges of Implementing the Policy by the State Government.

The issues that can lead to the implementation of the new minimum wage are that, corruption, embezzlement and lack of political will constitute the major practice in Nigeria. Some of the states in the country are yet to effectively implement the new 30,000 minimum wage. It's well established fact that bribery and corruption hold sway in any company where workers are poorly compensated. Most under remunerated workers are easily lured to bribery and corruption because their take home pay rarely takes them home and they strive to survive through corrupt practices such as bribery. They have the tendency to seek ways of augmenting their earnings from their workplace by engaging in fraudulent acts such as pen robbery, embezzlement, misappropriation, pilferage and other kinds of corruption. Public offices have turned into hiding places for corrupt officials who perform their duties based on the level of gratification from the beneficiaries of their services. This could be traced to most offices in Nigeria. Also, Nigeria is Africa's largest producer but pays least minimum wage among the organization of petroleum exporting countries, as a result of corruption, the domestic refineries are in-operative. As a consequence, Nigeria imports more than 70% of its gasoline into the country for sale to its citizen. The price of oil has increased from 65 to at least 145 in filling stations and from 100 to at 250 at the black market, from which many Nigerians buy their fuel. With the rise in the price of oil in the country there is also a commensurate rise in the cost of production of goods and services which would transfer on customers, without a commensurate increase in the minimum wage. Because of the issue of corruption in the country even when the fuel prices reversed in the past, the increase in the cost of goods and services remained unchanged.

Summary of Major Findings

Based on the analysis presented above, the research shows that it is desirable but may not be adequate due to some socio cultural and economic setting and also corruption, lack of political will and lack of local government autonomy is one of the challenges that hinder the successful operation of the new minimum wage policy. It could be seen that the Nigerian national minimum wage was set below the minimum amount of wage adequate for workers of different levels to

survive, hence a gross lack of close relationship between salary and basic needs of life. After many wages and salaries reviews it is still clear that the citizens are not better off. Living standards continues to go down. The prevailing minimum wages paid by the three tiers of government are grossly inadequate compared to the sustainable budgets for all workers' income level and also poverty wage is commonplace in Nigeria.

Recommendation

From the above findings the government should;

1. Look beyond the 30,000 minimum wage and come up with strategies that will have other sectors of the economy to create employment opportunities especially in the rural areas.
2. Nigerian leaders should try and develop a sense of purpose in the citizenry, teach the growing children the value and need for hard work, creativity and pride in the country, encourage and reward honesty as well. These will enable the individuals to change their behaviour and actions that are inimical to the nation's prosperity.
3. As inadequate income is a strong predisposing condition of impoverished life and a nation's standard of living is determined by the economic conditions of the nation and the productivity of her citizens, it means a country may prosper if her citizens engage in good works ethics and avoid corrupt practices.
4. Improved wage system means improving the material situation of workers and guaranteeing them a basic minimum standard of living which is compatible with human dignity or its sufficiency to cover the basic needs of life and thus there is the need for improved minimum wage.

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