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## MINIMUM WAGE IMPLEMENTATION AND MANAGEMENT IN A POST-RECESSION ECONOMY: THE NIGERAN EXPERIENCE

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### Abstract

The practice of minimum wage has been on even before the First World War and it has been the subject of several serious discourses. The objective of minimum wage fixing is to give wage-earners the necessary social protection in terms of minimum permissible levels of wages. This examined strategies for the effective management and implementation of minimum wage in Nigeria. A brief literature on the nature and etymology of minimum wage and its determination criterion was highlighted. Issues and challenges to minimum wage implementation were the labour market situation, level of unemployment and poverty; the unfriendly posture of some state governors on minimum wage; some organisations have a culture of unfair labour practices; unavailability of statistics, faulty criterion in fixing minimum wages; poor enforcement capacity, the challenge of non-unionised workers, casualization and contract staff. The effective management and implementation of the minimum wage requires the efforts, commitment and collaboration of all stakeholders. The impact and usefulness of a minimum wage policy depends on whether minimum wages are paid.

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**Keywords:** minimum wage, unemployment, wage determination, management, implementation.

## 1. Introduction

Wage determination involves an evaluation of the contributions of employees in order to distribute fairly direct and indirect, monetary and non-monetary rewards within an organization's ability, pay and legal regulations. The minimum wage legislation is a very important criterion in the payment of wages. The fixing of minimum wage prevents the exploitation of weak, ill-informed or isolated groups of individuals. Minimum wage affords such people a more comprehensive protection than is available through existing voluntary bargaining machinery. Minimum wage is a universal practice. It is practiced in countries across the globe. The ILO (2008) affirms that presently, there is legislation or binding collective bargaining regarding minimum wage in more than 90% of countries of the world. One argument is that the fixing of minimum wage affords workers a reasonable income to meet their basic needs and raise their standards of living. Another argument is that by the introduction of minimum wage employers are not only hindered from using unreasonably cheap labour; they are encouraged to use human resources more efficiently and therefore, raise productivity. However the success of minimum wage in its intended goal will depend apart from the criterion used, on the level at which it is fixed. The International Labour Organization ILO (2009) observes that ultimately, the impact and usefulness of a minimum wage policy depends on whether minimum wages are paid. This in turn depends on the effectiveness of the enforcement mechanisms. Penalties for violators, adequate compensation for workers whose rights have been violated and suitable resourcing of the enforcement authority are all crucial factors. The active involvement of social partners in both the design and operation of minimum wage enforcement regimes is essential to enhance its impact. Income policy is usually used as a principal component of welfare boosting and poverty reduction macroeconomic policy frame work in Nigeria and minimum wage legislation is a major income policy readily employed in this regard. Although, it has both negative and positive effects on the overall economy, policy makers, especially the politicians have used the fixing of minimum wage more often for political rather than socio-economic reasons. Minimum wage legislations in the country have been preceded by high inflation rates that actually erode purchasing power and bring reduction in welfare. As a result, minimum wage legislation, which normally leads to a rise in nominal wage, is justified as a means of

adjusting wages and salaries to match the rise in cost of living. However, Ojo (1998) and Owoye (1994) opine that wage increases are always followed by threats of reduction in government and private workforce, and in some cases, such threats have resulted in massive lay-offs in the civil service. Besides, minimum wage increases in Nigeria do not match up with the rate of increases in prices which resultantly leads to agitations from labour unions for persistent wages and salaries increase.

## **2. The Objective**

This paper looks at the nature of minimum wage and efforts towards raising the bar to meet both the expectations of the workers domestically as well as international standards. It examines issues relating to government policy on minimum wage and its attendant impact on the economic and social wellbeing of the workers. It evaluates the factors to consider in fixing minimum wage and examines the challenges and issues surrounding implementation of minimum wage. It also proffers solutions to the challenges identified.

### **3.1 The Concept of Minimum Wage**

Minimum wage can simply be defined as the smallest hourly wage that an employee may be paid as mandated by Federal Law. Inflation and other factors necessitate periodic adjustments of the actual number. The Fair Labor Standard Act of 1938 in the USA defines minimum wage as the minimum hourly rate of compensation for labour as established by federal statute and refined by employers engaged in businesses that affect interstate commerce. It may also be defined as the rate of pay fixed either by a collective bargaining agreement or by governmental enactment as the lowest wage payable to specified categories of employees. The committee of experts in the ILO 1996 General Survey of Reports relating to Convention No. 131 on minimum wage fixing explains that minimum wage may be understood to mean the minimum sum payable to a worker for work performed or services rendered within a given period, whether calculated on the basis of time or output, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum need of the worker and his/her family, in the light of national economic and social conditions. Earlier in 1967, the ILO meeting of experts on minimum wage fixing and related problems had explained that the concept of the minimum wage contains three basic ideas. The first is that the minimum wage

is the wage considered sufficient to satisfy the vital necessities of food, clothing, housing, education and recreation of the workers, taking into account the economic and cultural development of each country. The second is that minimum wage represents the lowest level of remuneration permitted, in law or fact, whatever the method of remuneration or the qualification of the worker. Third is that the minimum wage is the wage which each country has the force of law to uphold and which is enforceable under threat of penal or other appropriate sanctions. It further notes that minimum wage fixed by collective agreements made binding by public authorities is included in the above explanation. The establishment of a minimum wage system is 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 needs; hence the frequent use of the term 'minimum living wage'. Efforts to implement such a concept imply an attitude or a policy which aims at improving the material situation of workers and guaranteeing them a basic minimum standard of living which is compatible with human dignity. Minimum wages constitute a level which may not be undercut, and whose application is guaranteed by law. It excludes certain bonuses or benefits and is payable, in cash or in kind, directly or indirectly by the employer to the worker for work performed by the latter. In addition, it often does not apply to certain types of workers (e.g. those working less than a certain number of hours) or to certain activities.

### **3.2 Etymology of Minimum Wage**

The practice of minimum wage has been on even before the First World War. Minimum wage has been the

subject of several serious discourses and was first proposed as a way to control the proliferation of sweat shops in manufacturing industries. The sweat shops employed large numbers of women and young workers, paying them what was considered to be substandard wages. The sweatshop owners were thought to have unfair bargaining power over their workers, and a minimum wage was proposed as a means to make them pay fairly.

Minimum wage is an important in addressing the right to human dignity at the workplace. It is instructive to note however that although the practice of National Minimum Wage is not new the duration, details and nature vary from country to country. Commenting on the origin of the practice of minimum wage, the Microsoft Encarta observes that the first minimum wage law enacted by government was by New Zealand in 1894. A subsequent law enacted by Victoria State, Australia in 1896 established wage boards on which workers and

employers were represented in equal numbers with the power to fix minimum wages enforceable on the employer. This innovative law served as the model for the British Trade Boards Act of 1909. In the United States, Massachusetts enacted the earliest minimum wage law in 1922, and eight other states followed suit. Dolle (1999) and Metcalf (2001) observe that the United States and France are among the countries with the longest practice in applying a single national minimum wage. In contrast, in the United Kingdom, a national minimum wage was only introduced in April 1999. Developing countries too have regularly increased their minimum wages to provide social protection to vulnerable and non-organized categories of workers. Many countries like Argentina, Brazil, China and South Africa have been among the main drivers of this upward trend. In China it was newly introduced in 2004 to curb wage inequality while it was also introduced in South Africa in 2002. In Nigeria issues of wage negotiation and increment date back to the period of colonial rule and are associated with civil service reform programmes. In spite of the stress of official labour policy on collective bargaining, actual dealings of the government as regards labour disregarded this policy. The government has always set up ad hoc commissions to consider bonuses or wage revisions during periods of labour discontent. Collective Bargaining never played any significant role in wage fixing and labour relations especially in the public sector in Nigeria. In fact government as the largest employer of organized labour has affected the practice of collective bargaining negatively through its employment practices and actions. Though the Whitley Councils and later the Public Service Negotiating Councils were never allowed to negotiate wages and salaries in the civil service but were restricted to discussion labour problems, wages and salaries were based on the recommendations of Wage Review Commissions. As indicated in Table 1, since the first one was set up in 1934, there have been several of such commissions and panels. An aftermath of implementation of the recommendations of the committees is usually a jump in general price level, which eventually erodes the increase in nominal wages and brings about reduction in workers' purchasing power. Consequently, rather than solving the problem, it has always led to new waves of agitation for salary increase. While the Federal Government of Nigeria has not used the commissions especially since the policy of deregulation of collective bargaining in 1991, it has not ceased to determine minimum wages.

Table 1: Wage Review Commissions in Nigeria, 1934 – 2010

Commission	Year
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Hunts Commission	1934
Harragin Commission	1954
Phillipson-Adebo Commission	1948
Gorsuch Commission	1954
Mbanefo Commission	1959
Morgan Commission	1963
Eldwood Commission	1966
Adebo Commission	1971
Udoji Commission	1972
Dotun Phillips Panel	1985
Ayida Review Panel	1994
Philip Asiodu Committee	1998/1999
Ernest Shonekan Committee	2000
Justice Alfa Belgore Committee	2009/2010

Another way by which minimum wage is set in Nigeria is through Government Decrees (usually during military regimes) and Acts of Legislation. For instance President Ibrahim Babangida approved a 45% wage increase for Federal Civil Servants in 1992; in 1998 the then Head of state General Abdusalam Abubakar came up with ₦= 5500 and President Obasanjo in 1999 fixed minimum wage at ₦7,500 wages. Government often promulgates Decrees and uses Acts of legislation to set the minimum wage. Between 1973 and 2003 as presented in Table 2 there were seven of such Acts and Decrees.

Table 2 Minimum Wage Acts and Decrees in Nigeria

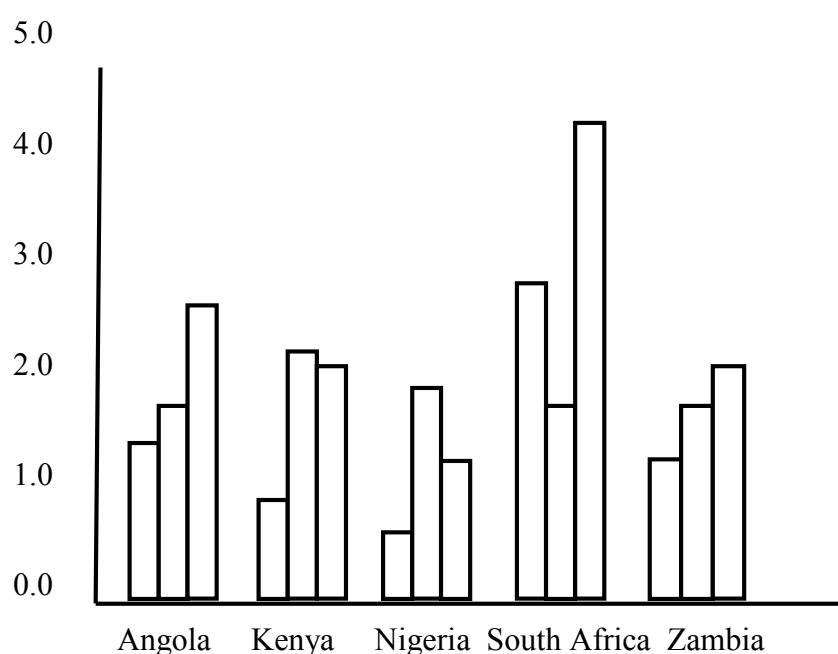
Wage Board and Industrial Council Act 1974 (Cap. 466) (No. 1 of 1973, L.N. 55 of 1974)
National Minimum Wage Act 1981 (No. 6 of 1981)
National Minimum Wage Decree No. 43 1988
National Salaries Incomes and Wages Commission Decree 1993 (No. 99 of 1993)
National salaries, Incomes and wages commission (Amendment) Decree (No. 17 of 1999)
National Minimum wage (Amendment) Act, 2000 (No. 1)
National Minimum wage (Amendment) Act, 2003

During the civilian regime in 1981, the nation's minimum wage was fixed at N125 (one hundred and twenty-five naira) per month by an Act of Parliament but at the onset of the Structural Adjustment Programme SAP in 1986, government issued the National Minimum Wage (Amendment) Order, which abridged the 1981 Minimum Wage Act by exempting persons or companies employing less than 50 workers and persons employed in agricultural projects from its provisions. This Amendment was however, rescinded in 1987 owing to labour protests against it in major cities across the country. When a national economic emergency (of 15-month duration) was declared on October 1<sup>st</sup> 1985 against a background of lackluster economic performance, deductions ranging 2 to 15 percent from all incomes including rents, dividends and wages and salaries of workers in both the private and public sectors including armed forces were effected at source and paid into a Fund (Economic Recovery Fund) at the Central Bank of Nigeria. These deductions were part of measures expected to reduce domestic absorption so that the long running macroeconomic imbalance besetting the economy could be ameliorated. There was, however, a refund of the deductions made in respect of junior workers at the end of the 15-month economic emergency period. There was redefinition of minimum wage in 1991 to embrace total emolument and at the same time there was a discontinuation of universal applicability of minimum wage to all public sector departments and government levels. Each government department/ level was advised to pay according to its ability. However, at the beginning of 1993 an increase of 45 percent was effected in public sector workers' salaries. The increase was ostensibly meant to cushion the inflationary effects of the rapidly depreciating naira (against the major international currencies like US dollar and British pound sterling) following the deregulation of the foreign exchange market in March 1992.

By September 1998, the Federal Government issued a directive to increase the prevailing minimum wage and other levels of wages (especially in the public sector) perhaps due to its concern for workers' welfare. The implementation of the directive resulted in the increase of the nation's minimum monthly wage from N363 to =N=3000 and it also led to substantial increase in take-home pay of all other categories of employees. Following agitations for some increase in wage by the Nigeria Labour Congress in year 2000, the Federal Government again increased the minimum monthly wage from =N=3,000 to =N=5,500. This might be due, to a very large extent, to the increased financial strength (of individual states), which has been recognized since 1991 as a critical factor in public sector employers' compliance with any wage directive from the Federal Government in Nigeria. The minimum wage Act of 2000 also made provision for a review of the minimum wage

every two years. In September 2003 the Federal Government announced a regressive wage increment which took the form of 12.5 percent increase for lowest paid workers, while those at the top were to get 4 percent. In August 2010 the Federal Government fixed minimum wage of 18,000 naira and it was to take effect from January of 2011. Nigerian workers have struggled for improved wages and national minimum wage legislation. Given its resources and level of development, Nigeria ought to be paying one of the highest minimum wages in Sub-Saharan Africa, however, in reality; it pays one of the lowest. Figure 1 presents the National Minimum Wage Adjustments against the Purchasing Power Parity (PPP) for Nigeria and other African Countries. The need to adjust the wages to conform to differences in the cost of living or the Purchasing Power Parity (PPP) is evident. Purchasing Power Parity (PPP) generally stands for the cost of living. The PPP based minimum wage takes into account actual survival needs of employees. The “actual” minimum wage is multiplied by the PPP factor to get the PPP based minimum wage which is the adjustment that the Nigerian labor unions often demand.

Figure 1: National Minimum Wage Adjustments against PPP for Nigeria and Other African Countries



Source: Nigeria Labor Congress (2010)

In Nigeria, the minimum wage is 0.55, the PPP is 2.27 (the PPP based minimum wage is  $0.55 \times 2.27 = 1.2485$ ). These are in thousands (US dollars), thus 1.25 means \$1,250. Figure



1 reflects the difference between the actual minimum wage and the PPP based minimum wage. Nigeria has a very high cost of living, yet ranks low in minimum wage. South Africa has the lowest cost of living rate yet has one of the highest minimum wage rates in the group of countries shown.

### **3.3 Objectives of Minimum Wage Setting**

The objective of minimum wage fixing, as set out in ILO Minimum Wage Fixing Convention, 1970 (No.131) and its accompanying Recommendation No. 135, is to give wage-earners the necessary social protection in terms of minimum permissible levels of wages. This objective was already implicitly or explicitly contained in previous ILO Convention No.26 and Recommendation No. 30 (applicable to trades) and Convention No. 99 and Recommendation No. 89 (applicable to agriculture), which stipulated that the minimum wage should not be fixed at a lower rate than one which would ensure the subsistence of the worker and his/her family. Minimum wages along with other measures of economic and social policy aim at reducing poverty and meeting basic needs. Minimum wage fixing alone cannot succeed without the satisfaction of the minimum needs of all workers. The objective of minimum wage fixing, as set out in ILO Minimum Wage Fixing Convention, 1970 (No.131) and its accompanying Recommendation No.135, is to give wage-earners the necessary social protection in terms of minimum permissible levels of wages. This objective was already implicitly or explicitly contained in previous ILO Convention No.26 and Recommendation No. 30 (applicable to trades) and Convention No. 99 and Recommendation No. 89 (applicable to agriculture), which stipulated that the minimum wage should not be fixed at a lower rate than one which would ensure the subsistence of the worker and his/her family. ILO (1988) observes that minimum wage fixing is often associated with one or more of the following four purposes. First is bringing the lowest wages up to the general level of wages paid for similar work. Second is exerting upward pressure to the general level of wages as a whole. Third is eliminating unfair competition fourth is serving as a policy tool aimed at promoting rapid growth and equitable distribution of the national income.

### 3.4 Criteria for Minimum Wage Determination

A number of criteria for fixing or determining wages and salaries have been identified in the literature. Among these are job evaluation (adjudged the most valuable way of fixing wages), government order (especially with regard to minimum wage), ability to pay (on the part of the employers), cost of living, collective bargaining and the effort of labour unions (which is dependent on the negotiation skills of the parties, the personality and the societal culture of the negotiators and the ideology and culture of the organization); the labour market situation (the interaction of supply and demand of labour in a relatively competitive labour market; the going rate (wages and salaries paid for comparable work by other institutions in the labour work or in the area or industry); and productivity (which has to do with measures of output per person). Modern sector wages and salaries are determined and regulated by administrative decisions of government, Wage Commissions, and Prices and Income Policies. Also, the traditional (mainly rural and informal) intermediate sector wages are influenced to a great extent by market forces and to a lesser extent by wage levels in government establishments. In 1977, the Federal Government had to establish a Productivity, Income and Wages Analysis Agency (to collect and analyze statistics on wages, income and price changes in both the public and private sectors) as a permanent institution to substitute for the institutionalized culture of ad hoc wage commissions to resolve wage and salary problems. Nevertheless, wage review commissions/ committees still continue to feature in government wage determination process. The ILO Recommendation No. 135 identifies certain criteria, or factors, to be taken into account in determining the level of minimum wages. The criteria include: the needs of workers and their families; the general level of wages in the country; the cost of living and changes therein; social security benefits; the relative living standards of other social groups; and economic factors, including the requirements of economic development, levels of productivity and the level of employment. This criterion also includes the capacity to pay. The basic needs of workers and their families has to with measuring poverty levels and the basic needs of households (especially of wage-earner households) using data on average expenditure by low income households on various household goods and services. The statistics can be compiled from household income and expenditure surveys. However in Nigeria, the recommended data is mostly not available. Next is the general level of wages in the country. The idea of comparable wages and incomes is an important, and sometimes the dominant, consideration in decision-making. Existing pattern of wages and incomes must be established before judgments can be made on the

appropriate level of the minimum wage, taking into account other criteria such as ability to pay and the needs of workers. The pay of the Nigerian worker is one of the lowest in the world and it does not improve even in spite of changing market conditions. Workers in the public sector are particularly worse off. After a minimum wage has been fixed, it needs to be adjusted periodically. This is often done by reference to average wages, with a view to maintaining a particular ratio between the minimum wage and general wage levels. It is also necessary to know the number of workers earning at or near the minimum wage level, in order to assess the impact of a minimum wage increase on the wage bill. Again lack of adequate and reliable statistics is a major challenge in this area. Also there is the cost of living factor. Measures of changes in the cost of living involve regular reports of the average prices of a selected range of household goods and services, and these prices may be useful inputs to the determination of minimum wages. Changes in price levels (as opposed to the absolute level of prices) are normally measured by a consumer price index. This may not only lead to a change in the weighting system for a consumer price index for low-income households but also lead to a re-assessment of the extent to which basic needs are being satisfied. The cost of living is hardly factored in minimum wage in Nigeria in that the huge cost of living requirements cities like Lagos is not the same as in Kebbi, Ebonyi, Edo and Ondo States and minimum wage is usually fixed at the same level for all states. Similarly pay in any progressive and egalitarian society should be commensurate to productivity and cost of living. This is even more so in a developing nation struggling to put in place certain regimes and improve its human development and living standards. Productivity is a criterion hardly ever used in fixing minimum wage in Nigeria. Another criterion is the relative living standards of other social groups which can be measured using average income and income distributions of different social groups; average expenditure, in total and on different groups of household goods and services, of different social groups; other measures of living standards (average number of rooms in dwelling, proportion of households renting accommodation, average number of household members per room, type of material of , proportion of household members with post-primary education, and so on). Added to these are economic factors. This includes the requirements of economic development, employers' capacity to pay, levels of productivity and the level of employment. Measures of economic development include: changes in gross domestic product (GDP) per capita at constant prices; while social measures of economic development might include: changes in the proportion of children attending school; changes in the literacy rate; changes in the number of schools/hospitals per capital; changes in the accessibility of selected community facilities

(piped water, markets, schools, hospitals, postal services, fire services, police services). In the area of economic activity changes in the unemployment rate; changes in the percentage of persons employed in agriculture, manufacturing and services sectors might be considered.

#### **4. Challenges to Effective Minimum Wage Implementation in Nigeria**

There are several challenges to the management and implementation of the National Minimum Wage in Nigeria. One is the Labour Market Situation. Ojo (1998) notes that in a relatively competitive labour market, the interplay of supply and demand is the most important determinant of compensation. Arising from certain imperfections in the market caused by institutional, administrative, political and socio-cultural factors, the role of the price mechanism is minimal especially in a developing country like Nigeria nevertheless the interplay of supply and demand still exerts some influence. Consequently periods of unemployment do not generally favour high pays, as employers have the opportunity to attract high caliber employees without necessarily offering the legal minimum wage which may be considered excessive. Again periods of scarcity of skills in the labor market will expectedly witness high movements of wages, provided market forces are allowed to sufficiently allocate wages and employment. The labour market situation in Nigeria is such that there are too many people chasing too few jobs. The level of unemployment and poverty in Nigeria today is unprecedented. There are huge and unprecedented job losses occasioned by the global economic meltdown; the relocation of companies to other regions because of the security crises and the hydra headed power sector problems, the prevalent multiple taxation, security challenges, corruption, terrible conditions of basic infrastructure , the unacceptable high cost of doing business in Nigeria; reforms in the banking , petroleum, public sectors etc. worsened by the irrational and inhuman responses to these reforms by some employers of labour. In view of such circumstances the capacity of the Nigerian worker to demand the new minimum wage is greatly impaired. Fapohunda (2004), notes that, on a national basis, open unemployment was over 10%. Most of the unemployment is concentrated in the urban areas. The Federal Office of Statistics (2011) reports that as at September 2010, urban unemployment was over 20% in some states. The unemployment is not only of unskilled workers; it includes unemployment of highly skilled people including graduates of universities and of other institutions of higher learning. Fajana (1983) shows that there was strong and negative relationship between employment and wage changes in the Nigerian industrial sector. Specifically, the result showed that a 100 percent increase in

average wages will lead to 23% fall in employment. Wages were found to have had some influence in the Nigeria industrial employment growth. It was concluded that increase in federal minimum wage causes unemployment. Next is the Legal Framework. Payment of minimum wage is often not enforceable. Government must direct private sector employers to negotiate with their workers, with a view of implementing minimum wages. The enforcement capacity of the federal government agencies is a challenge. The Federal Government does not seem to have sufficient qualified personnel for the purpose of ensuring that the provisions of the labour laws including the National Minimum Wage are effectively and adequately observed by employers of labour including the various state and local governments. The International Labour Organisation (2008) observes that unfortunately in many countries, labour inspection services are understaffed and penalties for non-compliance with minimum wage regulations are too weak. A close examination of the number of officers working in the Federal Ministry of Labour and Productivity vis-à-vis the level of industrial activities tend to support this line of thinking. As a result, minimum wages too often remain a “paper tiger” rather than an effective policy. As observed by Squire and Suthiwart-Narueput (1997) compliance is a function of the probability of firms being visited by labour inspection services, and of the level of penalties in the case of non-compliance. There is therefore no gainsaying that supervision by the Ministry is very important so as to ensure that the Minimum Wage is actually implemented in practice.

Another challenge is lack of awareness. Many workers and indeed Nigerians seem ignorant of the minimum wage and the provisions of the Principal Act including the 2010 amendments they are therefore unable to demand for them. Adequate enlightenment campaign by government, the Organised Labour and other social partners and stakeholders to sensitise the Nigerian public and workers become necessary. Similarly there is the unfriendly posture of some state governors on minimum wage. The extent to which states comply with the minimum wage differs from one to the other. This might be due, to a very large extent, to the financial strength (of individual states), which has been recognized since 1991 as a critical factor in public sector employers’ compliance with any wage directive from the Federal Government in Nigeria, the Federal Government appears to play some sort of overriding role on labour matters. Some states are often unwilling to pay the new minimum wages. For instance in 2000 many state governments refused to pay the Federal government recommended minimum wage leading to many industrial actions. The International Committee of the Fourth International (ICFI) on the strikes by labour and actions of State Governors in 2000 reports that the country was gripped by a strike wave over the level at

which a new minimum wage should be set. The action began with a strike by civil servants in Lagos state, and quickly spread throughout the country. Forty-seven thousand public sector workers were on strike for two weeks in Lagos, with refuse dumps not cleared, water taps running dry and health services collapsing. Civil servants in at least 12 states also went on indefinite strikes. The story was not different in 2010 when the new minimum wage was recommended. This is very disturbing especially because in 2010 especially the state governments were consulted and represented in the Tripartite Committee on National Minimum Wage Committee. It is instructive to note here that any industrial actions further heat up the already overheated polity. In addition, there are those organisations with a culture of unfair labour practices and miserable wages. Sadly, some organisations have a culture of unfair labour practices and it would seem that they try to exploit every available opportunity to oppress, repress and enslave their workers. Such organisations do everything possible to evade the minimum wage. Some convert their employees to “contract or casual staff” such that none of these employers would have up to 50 employees since the minimum wage applies to companies with at least 50 employees. Moreover, in general, Nigeria does not have reliable or accurate statistics. There is no programme of establishment surveys covering industrial production and this is a very important criterion in fixing minimum wages. Similarly there is the challenge of non-unionised workers, casualization and contract staff. Non-unionised workers are the greatest victims of unfair labour practices including the denial of their rights as contained in the extant labour laws and the ILO conventions. The respect for workers’ right and dignity are more violated for non-unionised workers, casual workers and contract staff. This is quite understandable and that is why the constitution, extant labour laws, African Charter on Human and People Rights(Ratification and Enforcement Act) 1990 as well as various ILO conventions seeks to guarantee the right of workers to join a trade union for their protection. Economic factors also constitute challenge to employers’ capacity to pay a specified minimum wage. A quantitative assessment of this capacity may be difficult but would include measuring the level of wage payments relative to: other payments, in particular other labour costs (such as non-wage costs related to the employment of labour) payments to other factors of production (profits, return on investment, etc.). Another challenge is that smaller and unregistered establishments, and especially those in the informal sector, tend to be excluded from minimum wage. Such establishments are more likely to employ casual workers and family members, and are less likely to be affected by minimum wage determinations. Casual workers, workers employed in small establishments or workers employed for less than the normal duration of work, are who more likely to be employed in

household enterprises or in the informal sector, are precisely the type of workers whom might be affected by the absence of effective wage regulations (by collective agreement or otherwise). These workers should be protected from the risk of being paid unduly low wages and the minimum wage would act for them as a safety net. Equally important is the assessment of their employer's capacity to pay a given minimum wage and the impact such a wage could have on the employment level and workers' conditions of employment.

### **Suggestions for Effective Management of Minimum Wage**

To effectively implement and manage national minimum wage in Nigeria this paper has several suggestions.

The issue of legal challenges must be addressed. Without adequate legal backing minimum wage does not only fail to achieve its aim it ends up as mere recommendations which is subject to the acceptance or otherwise of the parties. The law should be simple so that it would be easily understood by all stakeholders (i.e. employers, employees, labour unions, employers union and the enforcement institutions) as well as include procedures that will help workers and their union officials to effectively exercise their rights under the minimum wage legislation, including the right to recover amounts by which they may have been underpaid; and adequate protection of workers against victimization for doing so. There must also be effective monitoring of compliance. The various relevant agencies charged with responsibilities of monitoring compliance with the minimum wage must be adequately staffed and provided with facilities necessary to carry out their duties. Organised labour must also gear up for the monitoring and enforcement of the minimum wage across the country. This should be in close partnership with organised private sector; the National Employers Consultative Association (NECA) and various state governments to ensure seamless implementation of the minimum wage. In addition to these there must be social dialogue and consultative meetings among stakeholders. The ILO in her Update on minimum wage developments observes that the active involvement of social partners in both the design and operation of minimum wage enforcement regimes is essential to enhance their impact. The update adds that the United Kingdom, in the face of growing problems of underpayment of minimum wages, organized consultative meetings with interested parties to discuss the suitability and implications of suggested changes to the minimum wage enforcement regime. Also the US Department of Labour involved employers' and workers' organizations in planning their enforcement activities so as to counter the decline in the number of actions to

enforce the Fair Labour Standards Act between 1997 and 2007. Nigeria can therefore apply international best practices on similar issues which include effective dialogue and consultation by the stakeholders for the purpose of achieving a seamless implementation and better management of the minimum wage in the interest of industrial peace and harmony, and our post-recession economy. To forestall industrial crises arising from national minimum wage, meeting of the social partners should always be convened to agree on the broad guidelines for the implementation of the national minimum wage in the various sectors of the economy including the public service. There is need for adequate arrangements to give proper publicity to minimum wage provisions as well as the provisions of the minimum wage law in languages or dialects understood by workers including illiterate persons so that ignorance can be removed and people are aware of their rights. There is also need for proper and credible enforcement mechanisms with adequate legal backing to discourage non-compliance. Without adequate mechanism for its enforcement, the minimum wages would not succeed or have any practical use. Non-compliance tends to be extremely high, where the sanctions are minimal. This paper calls for effective sanctions against erring states and organizations. The penalties in the extant Minimum Wage Laws in Nigeria are very small and should be reviewed. For instance Section 8 of the Principal Act (1981 National Minimum Wage Act), which prescribes a fine not exceeding N500 or imprisonment for a term not exceeding three months or both, should be amended to ‘a fine not exceeding N100, 000 or to imprisonment for a term not exceeding six months or both such fine and imprisonment’. Also Section 3 of the Principal Act which prescribes “a fine not exceeding N100 and in the case of a continuing offence a fine not exceeding N10 for each day during which the offence continues, should be amended accordingly to discourage non-compliance by organizations. Since the employers’ capacity to pay may vary greatly between establishments of different sizes, and particular attention should be paid to the level of unskilled workers’ pay.

## **Conclusion**

This paper concludes that today, Nigerians who are lucky to have jobs are finding it increasingly difficult to survive on their monthly pay because the pay of the Nigerian worker is one of the lowest in the world. The pay and conditions of work have continued to deteriorate. Workers in the public sector are particularly worse off. The effective management and implementation of the minimum wage requires the efforts, commitment and collaboration of all stakeholders. The impact and usefulness of a minimum wage policy



depends on whether minimum wages are paid which is dependent on the effectiveness of the enforcement mechanisms. Social partners must be actively involved both in the design and operation of minimum wage enforcement regimes to enhance its impact. Some employers are not conforming to legislation on minimum wage because of the inability to pay and the workers are willing to be underpaid instead of being without jobs. Therefore it would be better if minimum wage is determined through collective bargaining instead of the government unilateral fiat. Again more realistic minimum wage should be determined, one that would put a vast majority of people above subsistence level so as to increase the productivity level. While minimum wage is not the sole factor accounting for the high rate of unemployment in Nigeria it has led to a lower employment growth.

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