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TRADE UNIONS AND MINIMUM WAGE NEGOTIATION: ANALYZING REAL WAGE VERSES NOMINAL WAGE IN NIGERIA

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ABSTRACT

Hardly a month passes in Nigeria without one trade union giving her employer notice of intending strike. The incessant agitation for better wage and the strike that follows has made Nigeria industrial relations system highly volatile with loss of productive hours. Against the backdrop, the authors examined whether trade unions in Nigeria are skillful in their minimum wage bargain, or whether Nigerian Workers are victims of money illusion. Historical data were generated and analyzed visa-vis basic consumption between 1974 and 2022using descriptive analysis. Findings reveal that Nigerian workers were on higher consumption in 1981 compared with later minimum wages. This makes them victims of money illusion as they do not understand the difference between real wage and nominal wage.

KEYWORDS: Trade Unions, Wage, Negotiation, Workers, Victims, Money Illusion.

INTRODUCTION

Wage is the price of labour effort in economic production. It is received by a worker in return for service rendered to an employer in the production process. There are five wage systems for rewarding employees: (a) Time Wage System; (b) Piece Wage System; (c) Payment by Results (PBR); (d) Balance or Debt Method; and (e) Incentive Rate System. In a Time rate wage system, wages are calculated on the bases of time spent doing the agreed work. A piece rate base of wage calculation depends on the measure of output produced by a worker or workers, during an agreed work period. PBR is a payment system under which wage varies with measured changes in performance according to predetermined rules. Balance or Debt Method is a combination of the time and piece rate systems. A worker is guaranteed time rate with an alternative piece rate. Where the earnings of a worker calculated at the piece rate system exceeds the amount which she or he would have earned if paid on the time basis, he gets credit for the balance, namely, the excess piece rate earnings over the time rate earnings. Incentive rate system is applied in production situations where straight piece work process is applicable and bonuses are paid for output above standard. In a time-wage system, a wage period is a recurring length of time over which employee time worked, is calculated, recorded and paid for. It can be on hourly, daily, weekly, or monthly bases depending on the nature of work and the economic sector.

Whether wage is paid on daily or monthly basis, it is expected that every worker should be paid a wage commensurate with the service rendered and in tune with economic reality. The United Nations' Universal Declaration of Human Rights, in Article 23, paragraph 3, recognizes the right of workers to favorable remuneration and pay which will ensure existence worthy of human dignity for them self and their families. That is the reason why governments around the world have been enacting minimum wage laws since 1945 to protect workers from undue exploitation. But in many countries today, especially in sub-Saharan Africa, favorable remuneration has been difficult. Evidence from International Labour Organization (ILO, 2022) showed that by 2018, Uganda, a sub-Saharan African country was paying the lowest wage in the world at $5/month at the purchasing power parity (PPP). This is followed by Burundi, another sub-Saharan African which pays minimum wage of $6/per month to her workers.

Industrialization made it possible a large number of people to become wage earners, as farm workers and peasants moved from rural areas to cities. Working in factory buildings, workshops and mines, using artificial light, made it possible for workers to work for long hours, as long as twelve to sixteen hours per day, six to seven days per week (Sawyer, 1977). The long work-hours suited industrialists and helpless workers had little or no choice. The need to protect the interest of workers against exploitation by employers led to the emergence of labour movements in Europe and America in the Eighteenth and Nineteenth Century. However, the right of workers to organize and bargain for better conditions of service was resisted by employers during the early period of industrial revolution. In the United Kingdom, the Ordinance of Labourers was enacted in the 14th Century AD, to outlaw trade unions and collective bargaining. It only took the unity of workers to organize the first protest and the first strike against anti labour policy, that is, wage reduction by New York Journeymen tailors in 1768 (History.com Editors, 2020).

Until 1842 when Massachusetts Supreme court ruled that it was legal for workers to organize peaceful collective bargaining, employers of labour in America used the Judiciary and private security outfit to stop workers from discussing collectively for their welfare. The Massachusetts Supreme Court ruling was followed by the Railway Labour Act enacted in 1926 which granted the right of collective bargaining to rail workers in America. With the Massachusetts Supreme court ruling and the railway labour act, the struggle for labour movements increased in many European countries. Hence, after the World War 1, many governments softened in the clampdown on labour movements and recognized collective bargaining as a way to attain industrial peace. The formation of the Nigerian Civil Service Union in 1912 marked the beginning of labour movement in Nigeria. Wage rate is a source of conflict because when it increases, it adversely affects the profit of the employer, and if it decreases it affects the welfare of the worker, adversely. Welfare improvement is the concern of every worker while employers are interested in the profit margin. Thus, two opposing interests are at play whenever wage negotiation is going on between employers and employees, the known wage-profit conflict. Here, income is the conflict of interest where some employers pay workers subsistence wage in order to increase profit margin and workers insist on fair share from their labour service so as to live above minimal life. As long as the two group interests are opposing, rational thinking is difficult during negotiation of wage rate and bargaining skill and necessity determine to a large extent the settlement.

Good working condition is not only of benefit to workers but to employers as well. Good working conditions reduce loss of work hours due to strike action. It boosts workers' moral, makes for cordial relation between the workers and employers, and improves workers' health condition as a result of better food intake. Healthy workers are highly productive because they are more physically and mentally fit than unhealthy ones, they fall sick less often, and so put more hours of work. Higher productivity occurs with improved health condition of workers, which benefits the employers because increase in productivity of workers means that the profit level of an organization will also rise, every other thing remaining the same. Even in the non-profit oriented public sector, good working conditions encourage dedication in the workforce towards efficient and timely delivery of government services to end users. Prompt delivery of government services promotes good governance and minimizes citizens' ill feeling about government in power.

Labour unionism and collective bargaining have had tremendous effect on the improvement of workers' condition (Dhanraj and Lefevre, 2009). Dhanraj and Lefevre (2009) pointed out that the higher wage; fringe benefits, better working condition, and good labour policy being enjoyed today by workers globally were made possible due to workers solidarity and unionism at the turn of the Twentieth Century. Aidt and Tzannalos (2002) maintained that the higher wage workers are earning today are the result of workers coming together as a trade union to fight for their welfare. Onah et al (2016) equally pointed out that the coming of workers together as a union has led to the improvement in the socio-economic wellbeing of workers. However, in as much as labour unionism has helped to improve work environment, proliferation of trade unions in Nigeria is creating unhealthy rivalry among the trade unions themselves, especially in the health and education sector. Minimum wage is the lowest amount of money that an employer is required to pay a worker, for work done. The purpose of minimum wages is to protect workers against unduly low pay. Minimum wage is not universal but country specific according to a country's ability to pay or prevailing economic circumstances. However, Philadelphia Declaration recognized that it is within the objectives of the International Labour Organization (ILO), to ensure that globally, every worker shall receive a wage which will guarantee him or her minimum standard of living. This means a worker receiving the level of wage that will enable him or her meet basic necessities of life according to the prevailing economic conditions. In other words, ILO is concerned about 'Minimum Living Wage', which is the wage capable of giving a worker social protection in life, meaning that every new wage should lead to improvement in the material wellbeing of a worker.

Good wage system motivates workers to higher productivity but poor wage discourages work effort. Both Labour productivity and wage are very low in Nigeria compared with South Africa, another middle-income country in sub-Sahara Africa. While output per worker in Nigeria in 2019 was 19325, output per worker in South Africa in 2019 was 42210 (International Labour Organization, 2019). Similarly, the minimum monthly take-home pay of a Nigerian worker in 2019 was \$75.60 when the minimum monthly take-home pay for a South African worker was \$512 (ILO, 2022). Harmonious industrial relations system is imperative for improvement in labour productivity. Industrial harmony can only be possible when workers are happy in their place of work. One of the factors that can bring the happiness is a wage system which is capable of providing workers with social protection in the face of negative economic swings.

Nigerian labour unions often agitate for wage increase which is often resisted by government. What follows thereafter is strike and work stoppage. On this premise, this paper asks: are Nigerian workers always better-off after every minimum wage increase, or are they victims of money illusion? From the above question, the objective of the study is to examine whether trade unions in Nigeria are skillful in their bargain for minimum wage of their members or whether workers are victims of money illusion. Workers are victims of money illusion if the quantity of goods they can buy with new wage is less than the quantity of the same good they bought with previous wage. The study is important given the effect of inflation and depreciation of the exchange rate of the Naira on domestic price of goods and services, which impacts negatively on the real wage of the Nigerian working class.

Theory of Wage Determination

Several theories have been propounded as the bases of wage determination in labour economics. Prominent among them are the subsistence wage theory, marginal productivity theory, surplus value wage theory, the bargaining power theory, and the human capital theory. The subsistence wage theory propounded by David Ricardo is one of the early theories of wage determination. In the subsistence wage theory, Ricardo argues that employers try to pay workers the wage to enable them only subsist. The strategy of the employer is to offer workers the wage level which will make it possible for them to live minimum life and keep them at the status they are without rising or falling below their present status. In the subsistence wage hypothesis, paying workers less than the wage that will guarantee minimum life will lead to voluntary withdrawal from work because what they are earning is no more enough to provide them with basic health care and nutrition needed for the day to day work requirements. On the other hand, if the wage is raised above the subsistence level, workers may save, or live a more social life which employers do not like. It is feared that if workers save, they become potential competitors as some may accumulate enough savings to start their own business.

The marginal productivity theory of wage fixing which was propounded by Phillips Wick and John Clark holds that it is the contribution of a worker to total output that determines how much he can receive as wage. According to the theory, what a worker is to receive should be commensurate with his contribution in an organization, and it is rational that a worker should not be paid more than what he can contribute to the total output. This means that a worker cannot receive payment for services rendered in an organization in excess of the value of his marginal product. From the marginal productivity hypothesis, wage can be equal to the value of marginal product, but cannot be more than it. This is because any wage above the value of marginal product of the labour will bring loss to the organization, which every profit making enterprise does not want to encounter.

The bargaining power theory of wage determination by John Davidson points out that the bargaining ability of workers is indispensable in determining the level of wage a group of workers can receive. In the bargaining power hypothesis, trade unionism is key to better wage bargain as bargaining power depends on the unity of workers, and the more the unity of workers as a trade union, the more the prospect for higher wage, every other thing remaining the same. During the bargaining process, there is always a range in which wage rate can be struck. At the maximum rate is the worker's union who is always shifting ground downward while at the minimum rate is the employer's representative who is always coming up. However, workers always set their minimum take while employers set their maximum pay. If for any reason the maximum wage employers can accept to pay is lower than the minimum wage workers have set to accept, there will be bargain impasse. So, at the negotiating table, bargaining skill is an important element needed by the workers' union to convince employers on why they should pay more than they are offering. In the event the impasse is unresolved after several attempts, workers will stage a strike action or the employers will lockout the Union.

The human capital theory proposes that wage is determined by the quality of service an individual worker can provide to a potential employer of labour. The skill possessed by the potential employee is his human capital which he acquired through education or training. Level of education signals to the potential employer how productive a potential employee may be because it is believed that those with higher levels of education are going to be more productive. The argument of the human capital theory is that skill propels productivity. Therefore, the more educated an applicant, the more skilful, and the more productive he will be, and so, the higher the wage he can receive. Human capital is unique because it is untransferable like physical capital and those who possess it find themselves in the more productive modern sector of the economy where the condition of work is better. Because acquisition of human capital takes time and money, higher wage is the compensation those who possess it receive in return.

The efficiency wage hypothesis proposes that wage is a motivating factor for workers to put in their best effort in an organization. For that, employers try as much as possible to pay employees that level of wage which will make them happy to remain in the organization. Efficiency wage reduces labour turnover, especially on the exit side. The school argues that allowing workers to leave so as to hire new workers at lower wage during high unemployment is risky. This is because doing so can lead to the loss of skilled workers and the hire of less skilled ones. According to this school, higher wage will at least keep productivity from falling if it cannot increase in the meantime. But definitely, paying efficiency wage benefits both the firm and the worker because of dedication of workers in the organization even if it is outside assigned duty. This is opposite to what exist in an organization with subsistence wage policy where the attitude of workers is that of 'if you pretend to pay me, I will pretend to work for you'.

Trade Unionism and Collective Bargaining in Nigeria

The structure of Nigerian economy has important effect on the structure of her labour market which plays an important role in determining the shape and the extent of trade union movement in a country. Before the Berlin conference and the partition of Africa which marked the colonization of Africa, including Nigeria, agriculture was the mainstay of the Nigerian economy. At the colonization of Nigeria, economic activities concentrated mainly in the agricultural sector with few mining activities. In the agribusiness, workers were employed on piece rate agreement in which employers engage workers on the piece of land to be cleared or the number of hips to be planted. Wage bargaining during the period depends on the season and wage is higher during farming season because the demand for labour service is always high as every farmer tries to plant his crop on time to get good yield. During the off-farm season, wage rate falls because the demand for labour services is low. As there was no industrial workforce where workers are employed in group, there was little scope for trade union movement in the country.

The opportunity for trade union movement in Nigeria began in 1861 when Lagos was declared a colony of Britain which created the need for public workforce. The increase in colonial government activities in Lagos led to more people migrating from neighboring communities down to Lagos to benefit from the employment opportunities presented by the expanding needs of the colonial master to help her get hold of the economy. With the increase in the number of people in public sector, the feeling of unfair treatment from the white administration, especially racial discrimination, low wage, and poor condition of service began to grow among the Nigerian workers. The solidarity the workers had then helped them to organize the first strike in Lagos in 1897 (Nwoko, 2009). The strike took the colonial government by surprise because it never expected such action from the locals.

Clearly, trade union movement in Nigeria is the same with trade union movement in America, Britain, and other countries of the world. It is always a movement for better welfare (Adefolaju, 2013). In part, it is always the struggle for improvement in condition of works, better wage bargain, nondiscriminatory practice, and the demand for recognition that have led to workers' struggle and industrial disputes in all countries of the world. The Nigeria Civil Service Union was the first trade union to be formally recognized in Nigeria in 1912. Two major factors led to the struggle by the civil servants. For one thing, civil servants organized themselves to fight the discriminatory practice of the colonial administration against blacks in the public service. This is against the backdrop that Nigerians were not permitted to rise to certain positions in the civil service even if they hold the same qualification with their white counterparts. Two, there was wage discrimination between the white workers and natives not minding that they do the same work. It was the need to come together and fight for common interest and better welfare for the natives that led to their solidarity and the birth of the Civil Service Union.

The Nigerian Union of Teachers and the Railway Workers' Union were formed in 1931. The railway workers union was a splinter union from the Nigeria Civil Service Union because they believed the Civil Service Union was not militant in her approach to labour matters (Okoli 2010). The formation of the two unions changed the character and posture of labour unionism in Nigeria, especially, the railway workers' union. In 1938, the Trade Union Ordinance was promulgated allowing any group of workers interested in labour unionism to register with government. Unfortunately for Nigerian Civil Service Union, Railway Workers' Union became the first trade union to be registered in the country. Pa Michael Imodu was elected the president of the union, and invariably the first recognized president of a trade union movement in the country.

Michael Imodu brought the trade union militancy of the railway workers to bear on Nigerian workers. As a result of this, Nigerian workers were able to come together and organize the first general strike in Nigeria in 1945. The strike compelled the colonial master to make a wage review to avoid what may bring a breakdown of order in the country. Due to the outcome of the 1945 general strike, another strike was organized in 1949 by coal miners in Enugu. The use of force against the coal miners which caused fatalities drew nation-wide attention and caused political ripples. Unlike the 1945 strike that was organized by Federated trade Unions of Nigeria, made up of seventeen different unions, the 1949 strike was not nation-wide. After the country's independence in 1960, Pa Michael Imodu and some other labour leaders organized another strike that lasted fourteen days, beginning from 1st June, and ending on 15th June 1964. The significance of the strike was the recognition of trade unions as important group that can bring a change in political power play by Nigerian politicians (Nwoko, 2009).

The proliferation of trade unions in Nigeria after the trade union ordinance created problems in workers' struggle against unfair treatment from employers. This is because trade unions became divided ideologically (Olusoji et al, 2012), and each labour group became more interested in internal affairs of workers in her organization, thereby reducing the unity of purpose among workers. Upon this, trade unionism became politics of interest groups pursuing parochial interest. In 1978, all the trade unions federations were amalgamated leading to the formation of Nigerian Labour Congress (NLC). NLC became the umbrella body of all the trade unions in Nigeria and every registered trade union became affiliated to it. The amalgamation helped to revive the waning spirits of collective action. Consequently, NLC was able to mobilize Nigerian workers when the government of Shehu Shagari imposed austerity measure in 1980. Workers embarked on general strike in 1980 to demand for higher wage to overcome the effect of the austerity measure on workers' welfare.

By definition, collective bargaining is the coming together of employers and employees through their representative to discuss on matters that will bring industrial peace and harmony needed to improve workers' productivity so as to achieve the set objectives of an organization. It covers issues of wage, work hour, discipline, occupational risk, benefits, and promotions, among others. The first collective bargaining in Nigeria was in 1981 when trade union organizations in Nigeria mobilized their members to a general strike to press home their demand for a new minimum wage that will reflect the high cost of living caused by the austerity measure introduced by the government. At the end of the wage negotiation, a new minimum wage of ₦125/per month (one hundred and twenty-five naira) was reached between the trade unions and employers of labour. This was up from the ₦60/per month (sixty naira) minimum wage award by the Public Service Review Commission (1974), chaired by Chief Jerome Udoji.

Change of government by coup d'état on 31 December, 1983 and the palace coup of 27 August, 1985 brought another misery to Nigerian workers. As a strategy of economic recovery, government reduced the salary of public servants between November 1985 and September 1986. However, the deductions were refunded later when trade unions started mobilization of their members for action. Again, the structural adjustment programme (SAP) introduced in Nigeria in mid-1987 brought untold hardship on Nigerians, including the civil servants. Agitation for living wage started again and in 1990, the second collective bargaining on minimum wage was held, and led to the increase in monthly minimum wage in 1991 from ₦125 to ₦250 per month. Unfortunately, it marked the end of active trade unionism in the country for nearly a decade as General Sani Abacha who overthrew Ernest Shoneken in 1993 clamped down on the Nigeria Labour Congress.

Nigerian workers continued with ₦250 monthly minimum wage despite the worsening economic condition caused by falling crude oil price in the international oil market. The death of Abacha was seen as a blessing to Nigerian workers as Abdulsalami Abubakar who succeeded him negotiated with some trade unions in 1998 and the minimum wage was raised to ₦3000/per month (three thousand naira per month). Though, workers demanded more than that, the increase was enough to bring succor to economically degraded workers. Before the wage increase, some professors in the University had parked their cars because they were finding it difficult to maintain their family and the cars at the same time. Though, Abdulsalami was a military dictator, civil servants saw his assumption of Office as the best thing that happened to Nigerian workers at that time. With the return to civilian rule in 1999, trade unions negotiated with President Olusegun Obasanjo and the minimum wage was reviewed upward to ₦7,500/month (seven thousand and five hundred naira). The remarkable thing about the 1999 collective bargaining was the provision for automatic increase in minimum wage by 15% in 2002 or 25% in 2003 across all grades of workers.

The expected automatic increase in wage did not materialize either in 2002 or in 2003 despite the assurance given by the government during the 1999 negotiation. Members of the Academic Staff Union of Universities (ASUU) went on strike over poor wage and unconducive learning condition in Nigeria universities in 2009 after series of notices. The strike lasted for a long time before President Goodluck Jonathan decided to head the government negotiating team. When ASUU strike was resolved, other unions outside the university threatened government with industrial action if government failed to negotiate with them. In 2011, there was a wage negotiation between organized labour and employers and the negotiation led to an increase in the minimum wage to ₦18,000/per month (eighteen thousand naira).During the negotiation, organized labour insisted that wage review every five years must be made an act of parliament. The proposal was accepted by the government and five-year wage review was made an act of parliament in the country.

Wage review in Nigeria was due in 2015 according to the Minimum Wage Act but the incumbent President Good luck Jonathan lost the election to Muhammadu Buhari. As Buhari came to power on 29 May, 2015, he went on to tell the nation that his government met a broken treasury. Unfortunately for his government, the price of crude oil which is the major source of foreign exchange for the country nosedived in the international market. So, trade unions were handicapped to demand for wage review. Organized labour waited patiently for the economy to rebound, and in 2017, move for wage review was made as provided in the Minimum Wage Act. During the negotiation, workers demanded for upward review of minimum wage to ₦60,000/month (sixty thousand naira) citing the prevailing inflation as the reason. However, at the end, the negotiating teams settled for ₦30,000/month (thirty thousand naira) minimum take home pay with effect from April 2019. Until another negation is done in 2024 going by the Act, it is important to examine whether Nigerian workers are actually better after every minimum wage negotiation.

Empirical Literature

Studies on wage across the world have focused on three important areas, namely, the effect of minimum wage increases on the fringe benefits of workers (Clemens et al, 2018), the effect of minimum wage on labour market and welfare of workers (Mansoor and O'Neill, 2021; Bhorat et al, 2020; Redmount et al, 2012; Gindling and Terrell, 2007), and the effect of minimum wage on employment, economic growth and community welfare (Sunarsih et al, 2019). Clemens et al (2018) in a study in America found that insurance benefits paid to low income earners fell in the States which implemented minimum wage but rose in the States where minimum wage was not implemented. Further to that, their findings suggest that the decline in insurance benefits of the low income earners offset 16 percent of the gain in wage increase. The estimate is statistically significant at both 1% and 5% levels of significance.

Bhorat et al (2020) did a work on the effect of minimum wage increases on labour market outcomes and welfare in South Africa. They discovered non-significant effect of the 2019 minimum wage increases on the real wage of the covered and uncovered workers. On labour market outcome, their result showed that the hours of work supplied by covered workers increased significantly. However, when a full sample of workers was considered, the wage increase did not produce significant increase in the hours of work supplied in the country, suggesting that increase in minimum wage has little effect on supply of labour services in South Africa. They attributed the insignificant effect of the wage increase on labour market outcome to the failure of great number of employers to comply with the minimum wage implementation. Mansoor and O'Neil (2021) who did similar study in India equally discovered high rate of noncompliance with implementation of minimum wage by employers.

Finding by Mansoor and O'Neil (2021) showed that the effect of minimum wage increase on daily wage is insignificant, which is consistent with that of Bhorat et al (2020). However, with full compliance of employers with the minimum wage law, Mansoor and O'Neil found that the effect of the minimum wage increase on daily wage was positive and significant. On labour market outcome, the increase in minimum wage has no significant reduction on the level of labour employment by firms as expected. Furthermore, the marginal propensity to consume increased among workers in complying firms when compared with those in noncom plying ones. They concluded that the effect of minimum wage increase on the welfare of workers depends on the level of compliance by the employers of labour in India.

Gindling and Terrell (2007) made similar estimation of the effect of minimum wage increases on the welfare of workers in Honduras. Their finding showed that the effect of minimum wage increase on employment is negative in the large covered firms, meaning that increasing minimum wage in the country will cause the large firms to reduce employment of workers. For the small firms, the effect of minimum wage increases on employment is positive and significant; suggesting that employment of workers will always increase in small firms in the face of increase in minimum wage in the country. Though, the public sector is not covered by minimum wage legislation in Honduras, the study reveals that the effect of minimum wage increase on employment in Honduras is negative and insignificant.

Many empirical works have been done on minimum wage and its effect on the Nigerian economy. Some of the studies examined its effect on domestic output, household savings, employment, and welfare (Alege et al, 2020; Idiaye et al, 2018). Using Nigerian data within the computable general equilibrium (CGE) model, Idiaye et al (2018) examined the effect of 12%, 30% and 68% increase in minimum wage on domestic output, employment, and welfare. Their result showed that outside the oil and mining sector, output in every other sector decreased in all scenarios, but household savings increased, while Gross Domestic Product fell and price index increased. With a fall in household welfare due to domestic price increases, their finding suggests that a rise in minimum wage to N56, 000/month as demanded by workers will have negative effect on household welfare.

Building on the same CGE approach, Alege et al (2020) studied the effect of N30,000 minimum wage implemented in 2019 on growth and household welfare. The result was consistent with the finding by Idiaye et al (2018) as it showed that 2019 minimum wage is inflationary, has negative effect on domestic output, and lowers household consumption for both skilled and unskilled workers. Compared with the 2011 minimum wage in Nigeria, the study by Alege et al revealed that the effect of 2019 minimum wage on Nigeria’s economy is less when compared with that of 2011. In a similar study, Babalola (2019) found that the effect of minimum wage increase on inflation and unemployment is positive and significant; andin the long run, a 10% increase in minimum wage will raise inflation by 1.1% and unemployment by 2.3%.

Other studies on minimum wage in Nigeria are Akin-Olagunju et al (2019), and Anake et al (2014). Both studies examined the effect of minimum wage changes on poverty. Study by Akin-Olagunju et al (2019), showed that increase in minimum wage led to an increase in poverty among public servants in Nigeria, but a slight reduction in overall poverty level without an increase in per capita household consumption expenditure for all employees. The finding is inconsistent with the study by Anake et al (2014) which discovered that minimum wage increase has no significant effect on poverty reduction among low income workers in Calabar Municipality of Cross River state. According to Anake et al, increase in minimum wage led to a reduction in the number of hours supplied for work by the low income group, as well as a reduction in their savings rate.

Thus far, empirical studies using Nigeria data showed that the effect of minimum wage increase on poverty is mixed (Akin-Olagunju et al, 2019; and Anake et al, 2014), and minimum wage increase is inflationary but has contractionary effect on output and growth (Idiaye et al, 2018; Alege et al, 2020). On welfare, finding showed that the effect of minimum wage increase on household welfare is negative (Alege et al, 2020; Aderemi and Ogwumike, 2017). To add to the literature and contribute to the minimum wage debate, the authors examined whether trade unions in Nigeria are skillful in their bargain for minimum wage, or whether Nigerian Workers are victims of money illusion during minimum wage negotiations. The outcome will guide representatives of labour in future minimum wage negotiations with employers of labour in Nigeria, and may be, some other sub-Saharan African countries.

RESEARCH METHODOLOGY

The study used historical minimum wage data visa-vis basic good purchased with minimum wage from 1981 to 2022 to examine whether Nigerian workers were better off after every minimum wage negotiation. The period was chosen because the year 1981 was the starting point of collective bargaining for minimum wage in Nigeria. The authors used descriptive analysis to compare minimum wage in Nigeria with minimum wage in selected sub-Saharan African countries between 2011 and 2019 using common currency. Further, minimum wage and movements in price of some essential commodities in Nigeria were analyzed to find out if the minimum wage changes actually place Nigerian workers on better economic condition, or workers are victims of money illusion. International Wage data were sourced from International Labour Organization, and rice data from Ada Rice farm project in Enugu State Ministry of Agriculture, while Nigerian minimum wage data were sourced from Federal Ministry of Labour and Productivity of Nigeria.

RESULT

Table 1: Monthly Minimum Wage in Selected sub-Sahara African Countries in Purchasing Power Parity

	Monthly Minimum Wage (2017 US$ PPP)					
Country	2011 ($)	2013 ($)	2015 ($)	2017 ($)	2019 ($)	Average Monthly Minimum Wage($) (5years)
Botswana	185.46	203.7	209.95	240.45	276.37	223.19
Gabon	417.43	438.45	450.9	469.98	458.67	447.09
Guinea-Bissau	73.67	77.3	80.43	81.96	84.94	79.66
Mozambique	195.88	242.19	285.91	259.00	310.9	258.78
Nigeria	215.35	198.27	93.13	58.86	97.75	132.67
Senegal	145.4	147.74	152.03	151.92	235.2	166.46
South Africa	392.01	419.96	451.43	471.88	512.23	449.50
Tanzania	169.84	146.7	137.45	132.52	129.08	143.11

Source: Compiled from International Labour Organization Wage Data

Table 1 above is the minimum wage from 2011 to 2019 in 8 sub-Sahara African countries including Nigeria. The countries were selected based on availability of current wage data in ILO published minimum wage statistics. The statistics showed that on the 5-year average, Guinea-Bissau pays the lowest wage in sub-Sahara African countries at $79.66 per month. This is followed by Nigeria where the lowest wage earner receives $132.67 per month. What it means is that in Guinea-Bissau, the lowest income group earned $2.66 per day between 2011 and 2019. The wage is a subsistence wage using the poverty index of $1.90 per day calculation. Nigeria is second in the lowest wage calculation and the lowest wage earner received $132.67 per month between 2011 and 2019. It translates to $4.42 income pay day. South Africa pays the highest minimum wage among the countries in Table 1, as the lowest income earner in the country received an average wage of $449.50 per month, or $14.8 a day. Thus, by all standards, all workers in South Africa live comfortably above the poverty line.

Table 2: Nigeria Minimum Wage Statistics from 1974 to 2019

Year	Monthly Minimum Wage (₦)	Monthly Minimum Wage ($)
1974	60.00	100.00
1981	125.00	204.91
1991	250.00	25.23
1998	3,500.00	159.89
2000	7,500.00	73.45
2011	18,000.00	116.99
2019	30,000.00	97.75
2022	30,000.00	73.17

Source: Federal Ministry of Labour and Productivity of Nigeria

NB: Conversion of wage to US$ is based on ruling Nigeria's official exchange rate in the fiscal year the minimum wage was implemented

Table 2 is the minimum wage changes in Nigeria starting from the 1974 of Jerome Udoji's salary award. The Table is used to examine the bargaining skill of trade unions during minimum wage negotiation in Nigeria. The recommendation of Udoji's commission for increase in minimum wage to ₦60 per month in 1974 in Nigeria came at the heels of oil boom in the early 1970s which placed Nigerian economy in a state of buoyancy and heavy export revenue accumulation. The Commission argued that it was fair that the welfare of Nigerian workers should be enhanced to reflect the country's economic prosperity brought about by the increase in crude oil price in the international market. Though, the wage was small in local currency when compared with other episodes of minimum wage negotiation, in purchasing power parity, payment of $100 per month as in minimum wage in 1974 was huge considering the stability of the Nigerian economy.

The first collective bargaining on minimum wage trade unions had with the employers of labour in Nigeria was in 1981. Introduction of austerity measure in 1980 after the country's return to civil rule in 1979 brought serious economic hardship on the people, especially the fixed income earners. Trade unions requested for wage increase to cushion the effect of the austerity measure. Unfortunately, the request was rejected and there was a general strike. The strike forced government to call trade unions to the first collective bargaining in Nigeria in 1981. A new minimum wage of ₦125 per month (one hundred and twenty-five naira) was fixed by the tripartite negotiating team. Normally, new wage is welfare improving if the wage can place the wage earners on higher level of consumption of the same commodity bundles. One way this can be assessed is by indexing the wage to the ruling market price on an international currency that is stable. In Table 2, minimum wage was indexed to the US$ for international comparison of Nigerian workers with their foreign counterparts.

There were six episodes of collective bargaining in Nigeria after the 1974 Udoji salary award. From existing minimum wage of $100/month in 1974, minimum wage rose to $204.91 in 1981, fell to $25.23 in 1991, rose again to $159.89 per month in 1998, fell once again to $73.45 in 2000, rose to $116.93 in 2011, and fell to $97.75 in 2019. Judging from the base year which is 1974, the statistics in Table 2 suggest that the first collective bargaining which was in 1981 was the only minimum wage that placed Nigerian workers on higher welfare. The reason is not far-fetched. By purchasing power parity, the wage increase from $100 per month in 1974 to $204.91 in 1981 reflects improvement in earning by Nigerian workers internationally. It is therefore expected that other minimum wages shall take Nigerian workers to higher level of income in purchasing power parity above the 1981 level. Unfortunately, this was not so as subsequent minimum wages fell below the 1981 level in US$ measure, not minding that in local currency, minimum wage continued to increase.

Table 3: Minimum Wage Visa-Vis Basic food Consumption (Rice)

Year (Column 1)	Minimum Wage (₦) (Column 2)	Price of Rice per 25kg (₦) (Column 3)	Bags of 25kg of rice purchased with Minimum Wage (Column 4)
1974	60	12	5bags
1981	125	25	5bags
1991	250	135	1.85bags
1998	3,500	1,700	2.06 bags
2000	7,500	2,250	3.33bags
2011	18,000	3,750	4.8bags
2019	30,000	5,500	5.45bags
2022	30,000	12,000	2.5 bags

Source: Price of rice was generated from Ada Rice farm in Enugu, and minimum wage from Federal Ministry of Labour and Productivity.

Table 3 above is the analysis of the minimum wage changes visa-vis basket of essential commodity purchased with minimum wage in Nigeria from1974 to 2022. The analysis is a proxy for welfare effect of minimum wage changes on workers. Welfare of workers was indexed to consumption that could be derived from wage changes because wage is used to buy goods and services. Rice was chosen among all food commodities because it is the most consumed food in Nigeria by all ethnic groups and the price is more uniform across the geopolitical zones than any other food commodity. The values in column 4 were derived from dividing wage in column 2 by unit price of 25 kg bag of rice in column 3. Table 3 shows that in 1974, the lowest income earner can buy 5 bags of 25 kg of rice a month if he decides to buy only rice with his money income. The quantity of 25kg bags of rice he can buy with his money income remained the same 5 bags in 1981 after wage increase.

New minimum wage in 1991 led to a reduction in the quantity of 25kg bags of rice purchased by the lowest income earner in Nigeria to 1.85 bags. Moreover, minimum wage increases in 1998, 2000, 2011 and 2019 led to changes in the quantity of 25kg bags of rice purchased by lowest incomers to 2.06, 3.33, 4.8, and 5.45, respectively. By 2022, bags of 25kg rice that can be purchased by the lowest income earners with their wage were 2.5 bags. The wage-consumption movements between 1974 and 2022 expose the welfare effect of minimum wage changes on Nigerian workers.

DISCUSSION OF FINDING

Workers' demand for improved condition of life is universal and not peculiar to Nigeria. According to Anker and Anker (2017), every worker is interested in how much he will be paid because wage and cost of goods determine the standard of living. For fairness, every minimum wage increase should bring welfare improvements to the wage earners. Such improvement brings happiness, industrial peace and harmony, and an increase in workers' productivity, even if it is temporary. In Nigeria, agitation for wage increase dates back to the colonial period after the annexation of Lagos and the growth of public sector to advance the course of the colonialist. During the colonial period, two strike actions were organized in 1945 and 1949 in workers' fight for better condition of work. Since then, the wave of agitation for wage review continued to increase in the country till today.

The 1981 minimum wage was the first minimum wage to be arrived at through collective bargaining in Nigeria and the first wage increase after 1974 Udoji salary award. From international comparison, minimum wage rose from $100/month in 1974 to $204.91 in 1981, representing more than 100% wage increase. This is presented in Table 2 above. In Table 3, the increase in wage was analyzed from the consumption approach. The minimum wage was expressed in terms of the quantity of goods purchased in the two different episodes. Evidence in Table 3 showed that while the lowest income earner was able to buy 5 bags of 25 kgrice with his monthly wage in 1974, he was able to buy the same 5 bags of 25 kg rice with his monthly wage in 1981. Thus, there was no welfare change for the lowest income earners in Nigeria in 1981 from 1974 due to minimum wage increase.

Minimum wage increase of 1991 seems not to have gone down well with Nigerian workers when seen from international comparison or the basket of goods that can be purchased with the new wage. In Table 2, minimum wage in Nigeria fell from $204.91 per month in 1981 to $25.23 per month in 1991, showing fall in wage by 87.69 percent, using international currency measure. In the same vein, the quantity of rice commodity which could be purchased with monthly wage fell from 5 bags of 25kg rice in 1981 to 1.85 bags of 25kg rice in 1991. Hence, whether by international wage movement or by the commodity basket of goods purchased with minimum wage, evidence suggests that the minimum wage of 1991 made Nigerian workers worse-off than they were in 1981. This is the same with subsequent wage increases in 1998, 2000, and 2011 as lowest income earners have never attained the same level of consumption as in 1981, or the same level of income using international currency measure. It was only in 2019 that the lowest income earners attained the level of welfare they found them self in 1981 and 1974. On the average, the lowest income earners could only buy 3.5bags of 25kg rice between 1991 and 2019, representing a decline of 1.5 bags of 25kg rice from the 1981 level. The findings fall in line with the study by Alege et al (2020) which showed that minimum wage impacted negatively on the consumption of skilled and unskilled workers in Nigeria.

CONCLUSION

The objective of the study was to examine whether trade unions in Nigeria are skillful in their bargain for minimum wage of their members or whether workers are victims of money illusion. Historical data of minimum wage between 1974 and 2022 were used in the analysis. Results presented in Tables 1-3 were explicit and revealed pitiable conditions of workers in an oil rich economy. Evidence suggests that Nigerian workers have been victims of money illusion since the 1991 minimum wage review. This is because the wage of workers was on the increase in nominal terms but on the decrease in real terms. Trade unions only look at the amount of money government offered being higher than the previous wage and accept it without equating it with price of commodities or make international comparison. Trade unions were not skillful enough to differentiate between real wage and nominal wage. Assuming they understood the difference, minimum wage between 1991 and 2019 should not to have been below the value of the 1981 minimum wage in real term, using US$ equivalent or price of essential goods.

The study was undertaken to provide a guide to trade unions in Nigeria as they prepare for another minimum wage negotiation in 2024 going by the 2011 Minimum Wage Act. The study contributes to the debate on minimum wage negotiation in Nigeria in two important perspectives, namely- it reveals that trade unions can be guided by the amount of basket of commodities the new wage can buy compared with the ones purchased by the ongoing wage during wage bargaining. Second, it reveals that trade unions can use international comparison of wage, that is, convert domestic currency to an acceptable international currency during wage bargaining. Either of the two approaches will make workers better-off after new minimum wage. Based on the findings in the study, Table 3 reveals that consumption of the lowest income earners declined by 50 percent in 2022 when compared with consumption in 1981 due to minimum wage increase.

The interest of the authors is to provide trade unions the needed guide on minimum wage negotiation in future so that Nigerian workers will be able to derive benefits from their efforts in the work they do. The struggle for better welfare started from the colonial era (Yusuf, 2009). According to the Nigerian wage act, minimum wage is due for review in 2024. With the above revelation, trade union representatives should Endeavour to be armed with economic facts before going to the negotiating table. Welfare improvement is a motivating factor to higher productivity and only living wage can bring lasting industrial peace in every economy.

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