

LABOUR MARKET POLICIES, EMPLOYMENT AND POVERTY REDUCTION IN NIGERIA

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Abstract

Labour reforms in Nigeria rooted on neo-liberalism have led to flexible labour laws. This has reconfigured the labour market policies under the growing hegemony of capital that placed capital before the people and has given impetus to the ascendancy of anti-worker and anti-union managerial ethos that creates a race to the bottom of labour standards. Under these new labour policies, permanent jobs are gradually being eroded and replaced by contract or casual appointments by an increasing reliance by employers on labour hire via employment agencies. This has led to massive loss of jobs and worsening of the human development, especially poverty and inequality. Thus, this paper explores linkages between labour market policies and employment status of Nigerians, economic growth and poverty reduction. The paper relies on secondary data sourced from books, journal articles and reports of periodicals and employed descriptive analysis to establish the trends. The paper recommends among others that there is need to monitor employment status of workers especially in private sector to eliminate casualisation and contract appointments in Nigeria to reduce modern day enslavement by multinational companies.

Keywords: Labour Market Policies, Employment, Deregulation, Poverty, Productive Activities

Introduction

The concept of job for life is becoming a thing of the past both in the developed and developing countries. Problems of casual employment, wage stagnation, inequality and increasing job insecurity have become more acute. An extensive process of what looks like classic proletarianisation is taking place in many countries of developing world; and in the advanced capitalist world, the decline in the size of the traditional industrial labour force is accompanied by the proletarianisation of many service and professional occupations and the spread of more unstable, casual and contingent employment. In the industrialised countries and to certain extent in developing nations, globalisation seems to be an important factor causing job losses as corporations “downsize” their employment in the face of cut-

throat competition, and to a limited extent, due to rising imports from low-wage countries as well as shift of production to these low-cost locations.

A striking feature of the entire labour flexibility discourse in the context of globalisation is that it is totally blind to the finer and fundamental aspects of work. The whole discourse is set within the framework of pain-pleasure or loss-gain matrix. For instance Marx regarded the world of work as the true realm of freedom and regarded the essence of human happiness as the freedom to be creative in work. In contrast, reducing labour into a commodity would ignore the social determination of workers' reward and thereby ignore the social embeddedness of labour and the need for social protection. Stiglitz (2002:27) came out forcefully against the emerging 'indecent work' under globalisation. He stated that "there is need to speak out more loudly against policies which work against the interests of workers, point out the trade-offs and insist on democratic processes for determining how economic decisions are made. That unfortunately, stakeholders have remained silent on these issues far too long—the consequences have been grave." Also, the ILO's proposition on 'decent work' rejects the orthodox view that there is a trade-off between more employment and less social protection and vice versa. It contests the two-step formulation and the strategy of "first job creation and then 'decent work' ". It finds the proposal, "bad job at bad wages are better than no jobs at all" as antithetical to any ethical principles

World Bank and the International Monetary Fund (IMF), have in recent years encouraged deregulation of labour policies and industrial relations and this has led to introduction of flexible" labour market policies. Essentially, the explanatory basis for deregulation hinges on the analytical conclusion that increases in wages in particular, and the economic cost of labour in general, are the fundamental cause of unemployment. The policy conclusion emanating from this suggests the need for "flexible" labour market policies, and institutions that can bring about rapid adjustments on the supply side. In short, this is an attempt to remove worker rights and labour standard "rigidities" through deregulation. In effect, employment protection and privileges are weakened to encourage employment flexibility (casual and contract workers; part-time workers; temporary workers).

Commenting on the argument that flexibility leads to more efficiency and increased investment, Stiglitz observes that "the mantra of increased labour market flexibility was only a thinly disguised argument to roll back—under the guise of 'economic efficiency'—gains that workers had achieved over years and years of bargaining and political activity" (Stiglitz, (2002:13). He goes on to expose the dangers of treating labour like any other commodity or equating labour market with other factor or product markets. Ironically, at a time when the social intervention of the nation-state is critically in need, the very agenda of development of the Third World countries is drastically eroded by the 'hollowing out' of the primacy of 'State' by the very process of globalisation. The prevalence of casualization of labour despite labour laws provisions in Nigeria has triggered considerable debate as to relevancy of government intervention in improving job security for the growing number of casual workers

Thus, Casualization in the Nigerian labour market has become a subject of great concern. More and more workers in permanent employment are losing their jobs and are re-employed as casual/contract workers or been replaced by casual or contract workers. Casual work which is supposed to be a form of temporary employment has acquired the status of permanent employment in Nigeria without the statutory benefits associated with that status. Nigerian workers are confronted by flexible labour market policies as new economic structure is created by market economics. As Nigeria's economy becomes more globalised and marketised, labour becomes threatened by deregulation arising from the adoption of neo-liberal policies. Most countries that have adopted this policy prescription have produced labour markets with decentralised bargaining trends, lower standards of dismissal protections, and atypical employment categories like part-time, temporary and casual employees. Thus, this paper examines the emerging trend of casualisation of workforce in Nigeria and its degrading effects on workers.

Theoretical Framework

This research work is predicated on Karl Marx theory of reserve army of labour. Reserve army of labour is a concept in Karl Marx's critique of political economy. It refers to the unemployed and under-employed in capitalist society. It is synonymous with "industrial reserve army" or "relative surplus population"; except that the unemployed can be defined as those actually looking for work and that the relative surplus population also includes people unable to work. The use of the word "army" refers to the workers being conscripted and regimented in the workplace in a hierarchy, under the command or authority of the owners of capital. Although the idea of the industrial reserve army of labour is closely associated with Marx, it was already in circulation in the British labour movement by the 1830s. Friedrich Engels discussed the reserve army of labour before Marx did, in Engels's famous book "the condition of the working class in England" (1845). The first mention of the reserve army of labour in Marx's writing occurs in a manuscript he wrote in 1847, but did not publish.

Marx asserted that the accumulation of capital, all other things being equal, increase the demand for labour. In order to prevent this growing demand for labour from contracting the available supply of workers, and thereby forcing up wages and squeezing profits, it was necessary that a counterforce come into being that would reduce the amount of labour needed at any given level of output. This was accomplished primarily through increases in labour productivity with the introduction of new capital and technology, resulting in the displacement of labour. That is, if wages continued to rise with capital accumulation, the level of profits would fall and what keeps surplus value and profits from decreasing to zero lies in the concept of the reserve army of the unemployed. Thus, the capitalists' search for profits leads them to introduce new machines, thereby increasing the capital intensity in the economy. In this way, by "constantly revolutionizing the instruments of production," the capitalist system is able, no less constantly, to reproduce a relative surplus population or reserve army of labour, which competes for jobs with those in the active labour army.

According to Marx, there is always an excess supply of labour in the market as a result of revolution of instrument of production and this has the effect of depressing wages and keeping surplus value and profits positive. Marx concludes that: "Relative surplus-population is therefore the pivot upon which the law of demand and supply of labour works." The availability of labour influences wage rates, and the larger the unemployed workforce grows, the more this forces down wage rates; conversely, if there are plenty jobs available and unemployment is low, this tends to raise the average level of wages—in that case workers are able to change jobs rapidly to get better pay. The main purpose of the bourgeois in relation to the worker is, of course, to have the commodity labour as cheaply as possible, which is only possible when the supply of this commodity is as large as possible in relation to the demand for it, i.e., when the overpopulation is the greatest.

In terms of international production it is important to understand that the giant firms constantly strive for the lowest possible costs of production globally in order to expand their profit margins and reinforce their degree of monopoly within a given industry. The new imperialism of the late twentieth and twenty-first centuries is thus characterized, at the top of the world system, by the domination of monopoly-finance capital, and, at the bottom, by the emergence of a massive global reserve army of labor. The result of this immense polarization is an augmentation of the "imperialist rent" extracted from the South through the integration of low-wage, highly exploited workers into capitalist production. This then becomes a lever for an increase in the reserve army and the rate of exploitation in the North as well. Lewis noted that in third world countries with vast, seemingly "unlimited" supplies of labor, capital accumulation could occur at a high rate while wages remained constant and at subsistence level. This is due to very high reserve army of labor. Following Marx, Hymer insisted that, "accumulation of capital increases the proletariat," the vast "external reserve army" in the third world, supplementing the "internal reserve army" within the developed capitalist countries, that constituted the real material basis on which multinational capital was able to internationalize production—creating a continual movement of surplus population into the labor force, and weakening labor globally through a process of "divide and rule." The central issue from the standpoint of global capital has been China, which had emerged as an enormous platform for production, due to its ultra-low wages and seemingly unlimited supply of labor. The key strategic question has been, "How long will China's low wage advantage last?" Thus, Marx's reserve army analysis is the basis, directly and indirectly (even in corporate circles) for ascertaining how long the extreme exploitation of low-wage workers in the underdeveloped world will persist.

The ILO reports indicate that the proportions of world unemployment have been steadily increasing since the beginning of the financial crisis in 2007. In 2007 the ILO standard global unemployment measure stood at 169.7 million. In 2012, five years later, the ILO global unemployment rate reached 5.9% of the civilian labour force (195.4 million, or a net 25.7 million more), 0.5 percentage points higher than the 5.4% rate before the financial crisis. The global unemployment rate is expected to have risen to 6% of the civilian labour force in 2013. Over 30 million jobs are still

needed to return total employment to the level that prevailed before the financial crisis. It is expected that, globally, about 205 million people will be unemployed in 2014 and 214 million in 2018. These figures do not include jobless people who have dropped out of the labour force altogether because they can't find work; it includes only those actually looking for work. The global unemployment rate is strongly influenced by population growth - the more population, the more unemployed and employed in absolute numbers. However, the proportion of unemployed is now rising every year and is expected to continue rising for quite some time. Among the world's unemployed, the ILO estimates that roughly half the global total is young people aged 15 to 24. In the rich countries, it often does not matter so much if young people are unemployed at that age, but in the Middle East, Asia, Africa and Latin America, where most of the unemployed youths are, it is often a much more serious problem.

This theory attempts to establish link between higher supply of labour and lower demand of employment by employers of labour in labour market in explaining increase in indecent jobs or casualisation of job in Nigeria.

Labour Market Policies, Labour Relations, Unemployment and Poverty in Nigeria

Labour relations are attempts to regulate labour relationship or a kind of power relations, a vehicle or mechanisms through which the parties seek to exert their authority or influence over each others. These involve employers, employees and state in production relationship. This relationship is influenced by both internal and external factors. These factors include among others globalisation in search of markets/cheaper labour and resources; north – south divide; diminishing role of the state – rising influence of international financial institutions and Multinational Corporations and by capitalist and proletariat struggle in controlling surpluses created by labour. This relationship has always been antagonistic in nature because employers of labour have seen labour as a cost element which should be minimised in favour of profit while employees are determined to be rewarded adequately for the surpluses created by their labour. Thus, it is pertinent for the state to play a moderating role in relation of production.

Casualisation and contract employment in recent time are strategy to decrease cost of employment. Consequently, industrial relation has changed in favour of employers and into commercial relationship perpetuating injustice through exploitative tendencies of employers of labour to under-pay labour that generated the wealth in the globalised economy in an attempt by Multinational Companies to maximise profit. More and more workers in permanent employment are losing their jobs and are being re-employed as or replaced by casual contract workers. Contract and casualisation are made possible by many job seekers who are desperate and are willing to take any job no matter how dirty or degrading it is.

Thus, the structure of the labour market has a significant consequence on employment status and it serves as an important determinant of household income and welfare. The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women

and young people, a goal embedded in the ILO Declaration of 2008 on Social Justice for a fair globalization, *and* which has now been widely adopted by the international community (ILO 2011). However, in spite of labour laws provisions locally and internationally, many national private and Multinational Companies have opted for policy of contract staffing whereby they contract recruitment of staff to consulting firm and pay the staff peanuts in order to maximised profit at the detriment of the poor workers. Also, the issue of casualisation most especially in the private sector has become a very disturbing phenomenon. It is nothing but a flagrant abuse of the rights of workers and modern enslavement. Bulk of workers in service industries and oil and gas industries in Nigeria are either casual or contract workers.

More worrisome is the fact that most Multinational Companies operating in the country bring in their so called expatriates to take full time employment with all the benefits that accrue to the job, while Nigerians are placed on contract, which are sometime renewed without benefits. This is done despite several regulations that could be leveraged to curb the phenomenon, such as: the regulation that stipulates that before any organisation can “import” workers, such position must be advertised for Nigerians; foreigners can only be engaged if there are no Nigerians to take up the appointment (ILO 2011). Nothing seriously has been done to comprehensively address these issues.

Most developing nations are majorly interested in attracting Foreign Direct Investment (FDI) via Multinational Companies without due monitoring of their labour policies and labour relations. Deregulated labour market that has led to reversal of principle of protection of labour rights, particularly leading to unemployment and under-employment in Nigeria, has increased the poverty level in the country. Bamiro (2003) pointed out that about 49.9 per cent of workers in the oil and gas, telecommunication and cement manufacturing companies are on casual employment. Also, he noted that recent report published by the Campaign for Democratic Workers’ Rights in Nigeria, a non-governmental organisation, revealed that over 45 per cent of Nigeria’s labour force is made up of casual workers. Similarly, the organisation revealed that about 2,500 Chinese artisans are engaged on a full time at Lafarge WAPCO Cement at Ewekoro, over 5,000 are said to be working at an ongoing electrification project at Papalanto, with over 3,000 in Sango at Ado-Odo Ota Local Government of Ogun State working as artisans in different companies whereas, Nigerian workers are placed on nasty allowances as casual workers. Equally, the organisation noted that many banks have opted for policy of contract appointment with about 80 percent of staff not been permanent staff. Their salaries have been paid to contracting firms and these firms after various deduction, pay the workers grossly below the amount paid by the banks. In recent time Workers of China Civil Engineering and Construction Corporation (CCEC) staged a protest complaining that about 500 of their members who were sacked without any form of payment, lamented of poor working condition, offer of jobs without appointment letters, no union is allow and any attempt to form one or any attempt to agitate for better condition of service have led to dismissal of such leaders (*The Nation* 23, July,

2015). Lacasera Beverage Company owned by Indians sacked about 700 workers (Punch Newspaper 15 September, 2015).

Economy Growth, Employment, Labour Market and Poverty Reduction in Nigeria

The fundamental goal of economic growth, especially in developing countries, is to reduce poverty through employment generation and overall development. Paradoxically, Nigerian economy has experienced an astronomical rate of growth in recent time and regarded as fastest in Africa but this has not translated into the expected increase in employment opportunities and poverty reduction. ILO (2011) asserted that although the economy recorded an average of 9.8 percent of GDP growth per annum between 2002 and 2010, the official unemployment rate for the working age population range between 12 and 15 percent between 2002 and 2007. Thus, Agu and Evoh (2011:4) observed that 2001-2010 was indeed a decade of jobless growth for the country given those years of economic growth has not translated to more wage employment opportunities and poverty reduction. In a general household survey conducted by the National Bureau of Statistics (2009) in Nigeria, the national unemployment rate hovered around 19.7 percent in 2009 and 21.1 percent in 2010. Onwuoduokit *et al* (2009) argued that Nigeria is experiencing a declining employment coefficient (i.e., the degree of responsiveness to changes in economic growth). With the official rate of unemployment of 21.1 percent (African Development Bank, 2010) and more than 71 million people in abject poverty, Nigeria is hardly on track to meet the MDGs, particularly the goal of poverty reduction. Also, ILO (2011:2) stated that “aggregate employment grew at an annual rate of 3.76 percent, between 1999 and 2005. This represents a negative social return on the massive investment of the Nigerian government on tertiary education. The higher rate of unemployment in Nigeria has encouraged MNCs to push and adopt flexible labour policies of contract and casualisation form of appointments.

It is pertinent to ask at this juncture, why economy has grown but does not lead to commensurate generation of employment. The growth is majorly linked to oil industry mostly control by Multinational Companies whose labour polices is shifting from permanent to casual appointment. Nigerian firms have also joined in contract appointment and casualisation of workers due to lower capacity utilisation caused by economic crisis. Again, rolling back of the state has resulted to stagnation of employment generation. Prior to labour law deregulation, the three tiers of governments in Nigeria mostly created jobs directly in the Nigeria economy and such jobs are used as yardstick for measuring decent work. Also, privatisations of government enterprises and accompanied retrenchment have reduced access to gainful employment, new owners of these privatised companies pay low wages and most of those employed are casual workers.

Epstein & Yeldan (2008) asserted that recent macroeconomic policies prescribed by IMF-led stabilization packages pursued by Central Banks in developing nations, targeting single digit inflation in the absence of expansionary fiscal policy regime and real exchange rate stability tend to separate the intertwined of economic

growth and employment generation. This inflation reduction targeting has contradictory effects of raising interest rate which translates to higher cost of borrowed investable capital thereby discouraging potential investment in the private sector and ability to expand existing businesses. This development has encouraged retrenchment and casualisation of workers in the private sector. It must be noted that the private sector creates most of the jobs in a free market economic system. There cannot be jobs if there are no industries.

Conclusion

A major failure of the Nigerian labour market is the inability of many educated Nigerians to find decent and productive employment in the economy. Nigeria economy is gradually been dominated by Multinational Companies who are bent on deregulation of labour polices resulting to contract and casualisation of employment. The Nigeria state must realised that policies must be people centre and the underlying factor for development is standard of living. Thus, national interest must not be sacrificed on the altar of labour law that pauperised Nigerian workers. There is need for new policy directions of including combination of employment-friendly macroeconomic policies, especially targeting employment as a key outcome, and re-aligning the educational and skill development and training systems to the demand of the labour market. These are key challenges to achieving the goal of productive employment and decent work for all in Nigeria.

Recommendations

The following recommendations are made:

- a) Nigeria is a sovereign state; the national interest must not be sacrificed on the altar of World Bank/IMF conditionalities or globalisation. All labour reform policies that are injurious to workers in Nigeria should be reviewed in line with peculiarities and realities of the nation.
- b) Capitalism is concerned about profit maximization and has reduced wealth creation to omnipotent power of capital forgetting that wealth creation is a product of labour. The theory of work-value should be a yardstick for rewarding labour adequately.
- c) Multinational Companies and local industrialists must be made to sign an undertaking to respect local and international labour laws. Those found wanting should be sanctioned.
- d) The bargaining power of labour should be respected by all employers, pay living wages and social benefits. Nigeria workers should be protected through appropriate legislations.
- e) Efforts should be geared toward re-skilling graduates from Nigeria Universities in line with market demands and emphasis should be placed on entrepreneurship/ technical education in all of Nigeria educational system.

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