Management of Trade Unions in Nigeria under a Recessionary Economy

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ABSTRACT

Economic recession which is a general decline in economic activity is a phenomenon which has adverse effect on all segment of the economy with the trade unions inclusive. This paper takes a look at the effect of recession on trade unions in Nigeria and its implications for trade union practice and management in terms of the following variables: membership strength/union power, finance, organizational efficiency, collective bargaining, labour relations and the perception held by union members about their leaders. The outcome shows that trade union membership has reduced drastically largely due to job loss and this consequently has affected other variables highlighted negatively. More disturbing is the fact the unions presently are not strong enough to finance their legitimate aims and objectives, and also discharge their obligations to their members. The paper concludes with the way forward and suggests solutions to mitigate the problem.

INTRODUCTION

The challenge facing Nigeria today is that after half a century of political independence, the country has been engulfed in financial, social and economic crises with social/economic balance sheet amongst others portraying the following features:

i. uncontrolled population growth;
ii. urban congestion and filth,
iii. inequalities in opportunities;
iv. high leadership turnover;
v. inadequate and unreliable data for national planning;
vi. external brain drain and internal mal-utilisation of human and material resources;
vii. high level of external dependence;
viii. high level of corruption;
ix. erratic and poor power supplies;
x. electoral shortcomings and poor governance;
xi. high level of insecurity and crimes; and
xii. simultaneous affliction of inflation and depression in economy amongst others (Kolade, 1985).
In the current era, the two main features of Nigerian economy have been over-dependence on oil as the main source of foreign exchange and government revenues, and the role of government as the prime mover of the economy. Contrary to expectations, the oil boom era brought with it many errors and indiscretion for which we are now paying very dearly. The most important among these errors were the neglect of agriculture which used to be the mainstay of the economy; the development of our manufacturing sectors on the fragile foundation of massive import of raw materials; indiscriminate expansion of public utilities and social services and taking over of some responsibilities that should have been undertaken by the individuals, the family unit and the private sectors of the economy. The economic melt down and oil glut which presently is a global phenomenon inevitably brought a decline in government revenue and consequently, a slow down in economic activities.

LITERATURE REVIEW

In economics, a recession is a business cycle contraction, a general slowdown in economic activity over a period of time (Websters, 2008). During recessions, many macro-economic indicators vary in a similar way. Production as measured by Gross Domestic Product (GDP), employment, investment spending, capacity utilization, household incomes, business profits and inflation all fall during recessions, while bankruptcies and the unemployment rate rise. Recessions are generally believed to be caused by a widespread drop in spending. Governments usually respond to recessions by adopting expansionary macroeconomic policies such as increasing money supply, increasing government spending and decreasing taxation.

Koo Richard (2009) states that under ideal conditions, a country’s economy should have the household sector as net savers and the corporate sector as net borrowers, with the government budget nearly balanced and net exports near zero. A severe (GDP down by 10%) or prolonged (three or four years) recession is referred to as an economic depression (Eslake, 2008).

Recessions have psychological and confidence aspects. For example, if the expectation develops that economic activity will be slow; firms may decide to reduce employment levels and save money rather than invest. Such expectations can create a self-reinforcing downward cycle, bringing about or worsening a recession (Samuelson, 2010). The term “Animal Spirits” has been used to described the psychological factors underlying economic activity. Shiller (2009) writing on “Animal Spirits” “---- refers also to the sense of trust we have in each other, our sense of fairness in economic dealings, and our sense of the extent of corruption and bad faith. When animal spirits are on ebb, consumers do not want to spend and businesses do not want to make capital expenditures or hire people”

Krugman (2009) describes the US 2009 recession and Japan's lost decade as liquidity traps. One remedy to a liquidity trap is expanding the money supply via quantitative easing or other techniques in which money is effectively printed to purchase assets, thereby creating inflationary expectations that cause savers to begin spending again. Government stimulus spending and mercantilist policies to stimulate exports and reduce imports are other techniques to stimulate demand. Krugman states further that by estimation in March, 2010, developed countries representing 70% of the world GDP were caught in a liquidity trap.

The full impact of a recession on employment may not be felt for several quarters. Research in Britain shows that low skilled, low-educated workers and the young are most vulnerable to unemployment (Mauldin, 2009). After recessions in Britain in the 80’s and 90’s, it took five years for unemployment to fall back to its original level (Romesh, 2009). Productivity tends to fall in the early stages of a recession, and then rises again as weaker firms close. The variation in profitability between firms rises sharply. Recessions have also provided opportunities for anti-competitive mergers, with a negative impact on the wider economy; the suspension of competition policy in the US in the 1930's may have extended the Great Depression (Romesh, 2009). The living standard of people dependent on wages and salaries are more affected by recessions than those who rely on fixed incomes or welfare benefits.
The loss of a job is known to have a negative impact on the stability of families and individuals’ health and well-being (Romesh, 2009).

**NIGERIA’S ECONOMIC BOOM AND DECADES OF RECESSION:**

The period 1970-80 may yet go down in the economic history of Nigeria as Nigeria’s boom decade. During this decade, oil boom brought an unprecedented growth in the economy. As the river of oil revenue emptied into and swelled our foreign accounts, the government admitted proudly that “the question ----- was not availability of money. It was how and what to expend it; it was the executive capacity to manage the money”. Business organization reaped the fruits and Nigerians enjoyed the oil wealth. But unfortunately, from the fat of prosperity grows the germ of disease and depression (FDI, 1983).

Today, Nigeria’s economic honeymoon is over. Oil, the prime mover has run into rough waters (FDI, 1983). Many firms are folding up due to dramatic decline in domestic industrial production as a result of insufficient raw materials and spare parts. There are wide-spread manpower contractions (redundancies) both in private and public sector of the economy. The federal and some state government cannot meet their financial obligations.

The high rate of unemployment is one of the most serious consequences of the economic recession in Nigeria which now cuts across graduates of tertiary institutions and professional managers. As a scholars points out, the number being educated in developing countries exceed the employment opportunities available to them when they emerge from educational system, yet educational ministries with the implicit endorsement of donor agencies continue to press for the expansion of educational opportunities on the tacit assumption that so long as the private demand for educational places exceeds the supply, expansion is socially justified ........ to a large degree the problem of the growing masses of educated unemployment has been artificially created by inappropriate public and private policies with regard to wage differentials, educational selectivity, the pricing of educational services etc, as a result private perceptions of the values of education exceed its social value which takes accounts of rising unemployment (Edwards, 1985). In similar vein, Ekeh (1967) views Nigeria’s high rate of unemployment as largely due to demographic, psychological, political and economic factors. The demographic influences are the high rate of population increase and the changes in the composition of the labour force. The latter refers to the higher proportion of women seeking to be wage-earners, and the much higher proportion of young boys and girls entering labour market. Both influences have continued to produce a rate of growth of the urban labour force which is far in excess of the rate of new job creation in the urban areas. Psychological factors underlie the demographic and the economic causes of unemployed; they refer to the personality problems involved in preparing for and selecting careers. The defects of the education system and social environment together with their achieved success in transmitting what could be wrong sets of values to youngsters fall into this category. Looking at the consequences of unemployment, Ukpaaukure (1986) vividly captures the problems as he states that homes have been broken. Lives have been lost. Relations have turned sour and victims have done no more than curse their stars and vent their spleen on a country in which they believe they have no stake because it has failed to protect their interest. However, three major arguments can be identified as the immediate cause of the syndrome of unemployment:

(a) imbalance in revenue and expenditure of government leading to huge deficits,
(b) shortage of imported raw materials leading to under-utilization of capacity; and
(c) the policies of public employers and private firms

In addition to the foregoing problem is a long history of criminal mis-management of the national economy by public office holders. From the colonial period up to the oil boom era, there was value commitment in most public and private organizations. The civil service enjoyed recognition and respect and also big private organizations. The oil boom and “contractocracy” that characterized the period led to erosion of values as bribery, corruption, lack of transparency, inefficient service delivery, lack of due process and integrity, indiscipline, wasteful spending etc became rampant (Anyim, 2009).
As Anyim (1984) puts it, discipline in the context of attaining societal goal is built on the premise that individual restraint themselves from those activities unconducive or inimical to the development of the state, or anti-state in character i.e supporting the state wholeheartedly in all its efforts to better the lives of its citizenry. While the need and the benefits that could be derived from a disciplined society cannot be overstressed. The opposite is what obtains in Nigeria society today. Indiscipline has eaten deep into the minds of our people that it has become the bane of the Nigerian society. Commenting further, Anyim (1984) asserts that indiscipline manifest itself in both public and private life of our people and it is suffice to say that the miscreants and the most dangerous enemies of the society are the economic saboteurs ranging from the hoarders, contract inflators, oil bunkerers, smugglers, ritual killers, kick-backers or ‘ten percenters’, to currency and drug traffickers amongst others. In contrast to what obtains in socialist countries Preye (1986) posits that their approach in relations to African countries is based on different principles, true equality, full respect for national sovereignty, non-interference in internal affairs and mutual benefit. They will go on promoting trade, economic, scientific and technological co-operation with African states giving them all manners of assistance for effective resolution of their problem taking into account the fundamental long-term interest of the working masses.

In Nigeria, the productivity of labour is lower than in developed countries and wages cannot be on the same level. Efforts to make them so with no prospect of raising productivity would simply drive our country out of trade in the competitive global export market. This is premised on the fact that the labour cost per unit cost of production will be higher. Ani (1977) seems to buttress the above viewpoint as he asserts that the system of compensation in Nigeria has failed to bring about desirable increases in productivity. Service at NIPOST offices, Banks, Schools and other public places have not improved with increase in pay. This has been so even with the Udoji Awards of 1974 that has been the most significant.

**UNDER-PERFORMING ECONOMY AND CHALLENGES OF DEVELOPMENT**

**Indicators of Under-Performing Economy:**

i. Poor governance

ii. Dysfunctional government taken over by wealthy interest in the society

iii. Crisis of values in leadership

iv. Corruption is an institutional system in which rights are dissolved in exchange for gifts

v. Weak Institutions: Democratic/Political/ Judiciary/Economic/Financial

vi. Government controlled economy rather than market – controlled economy. The law of demand and supply should be allowed to regulate the economy for the interest of all.

vii. Recklessness in bank credits and the near collapse of the banking system.

viii. Lack of transparency in revitalization and lending process.

ix. Development: Developing countries face a lot of developmental challenges. To have a breakthrough the developing country must:

a) Acquire and adapt to global knowledge and create same locally

b) Invest in human capital to increase the ability to absorb and use knowledge.

c) Invest in technologies to facilitate both acquisition and absorption of knowledge.

d) The aim of any organization or nation is to produce products and services. Only those organizations and nations which produce high quality goods and services at a reasonable cost/price that will effectively compete and thrive in the global economy.

The foregoing are the challenges facing Nigeria currently in its quest towards industrialization.

**THE EFFECTS OF ECONOMIC RECESSION ON TRADE UNIONS**

The main problem rests on the oil glut which is presently a global phenomenon. This in turn affected government revenue and led to reduction in government expenditure. The public sector is the prime mover of the economy; consequently, melt down seems to have slowed down economic activities which invariably affected the private sector. The net effect
translated to decline in purchasing power and belt tightening in various spheres as survival strategy.

In the finance houses, there is a liquidity problem, low credit facilities which does not promote investments and loans. Recently, it has been revealed that large sums of money were borrowed by some highly placed persons in the society with no adequate collateral in case of default. This led to strains in the Banking system. To avoid calamity in the Banking sector, the timely intervention of the Central Bank is very commendable. In equal vein, the glut affected the price of stocks and creates constant fluctuations in exchange rate of foreign currencies.

The scandalous, erratic and poor power supplies also add to the cost of business activities thereby fueling inflationary trends. In addition are social vices like corruption and high level of insecurity and crimes which forestalls foreign investment. Employers of labour are forced to embark on manpower contraction as a way out of the problem.

As can be expected, the economic recession seems to have modified the bargaining pattern of the unions. Fashoyin (1980) acknowledges that the economic recession appears to be revising the approach towards centrifugal relationship by returning to erstwhile enterprise bargaining on many issues. But the unfolding shift may not necessarily be an indication of permanent loss of interest in multi-employer bargaining. The shift could be seen as employers’ preference to find solutions to their industrial problems on individual basis as this was more likely to produce quicker and more relevant results.

The foregoing trend has been particularly so, because the Employers’ Association have not traditionally concerned themselves at least on a large scale with non-industrial relations problems. Besides, the problems of individual Employers vary from one industry to the other. Imoisili (1986) agrees with this assertion as he states that a recession may not be harmful to every business organization at a particular point in time or the same company over time. On same issue, Fashoyin (1980) puts it that the impact of recession vary among employers in the same industry and these employers may have tended to take advantage of the obvious reduction in the bargaining power of the industrial unions. Bargaining at plant level has therefore been focused on the need to keep workplace going through such means as emphasis on productivity, flexibility in manpower allocation and the production of favourable employee attitude which are better handled at the enterprise level. With the trends of things, some changes, especially in the public sector has been severely weakened.

As Imoisili (1986) observes, bargaining at the plant level in the area of common understanding has yielded abundant fruits. Many employers have resorted to using redeployment and short-time work to keep everybody busy. Some companies have increased the quality of products sold to their staff to augment the reduced take-home pay while some others even purchase essential commodities for sales to their staff at controlled prices. The major constraint for firms that are willing and able to improve the lot of its employees, apart from sanctions from their trade groups is the erstwhile Productivity, Price and Income Board (PPIB) Guidelines which placed firm controls on salaries and fringe benefits.

One important outcome of the change from industrial level bargaining to plant level bargaining is its effect on bargaining power between union and management on one hand and within the National Union on the other hand. The economic recession has had profound impact on the concept of bargaining power, with the National Union experiencing a considerable weak position in labour management relations. Also, the total effect of the decentralization of bargaining structure has also increased the influence of the Branch unions in collective bargaining, a development which is likely to have important consequences for internal union – management relations and policies. As Cordova et al (1984) observe, the unions in time of crises prefer to move the level of bargaining up to whole branches of the economy so as to find protection in class solidarity, while Employers press for a decentralization of bargaining in order to profit from the reduction of union power at the work place.
Turning to the public service, practically, nothing on collective bargaining takes place. However, Fashoyin (1980) notes that the only noticeable change which is as a result of inflationary trends and unemployment is government’s interest in unilateral prescription of conditions of service. The author goes further to state that to a large extent in the private sector, collective bargaining has undergone fundamental changes. Increasingly, the emphasis has shifted from an adversary relationship to co-operation which is adjudged to be the most effective way to keep the factories running and thereby save jobs. Parties thus have developed new attitudes and approaches to labour relations. Unlike the past trends, employers mutually share company information with union leadership, even on such crucial issues like finance and corporate planning. On the side of the union, there is what looks like subdued interest in militancy and protests, as many top union leaders believe they have to co-operate with management for a concerted approach towards solving the restructuring problem. It need be stressed that the level of cooperation between the parties should not be oversimplified as the change in the direction of co-operation is to a great extent a function of the relative bargaining power of the parties. In a nutshell, the relative bargaining power of the parties is indeed the major determinant of the type of relationship that exists between them. According to Cordova et al (1984) co-operation as the most effective way of keeping enterprise alive has pushed the parties to play down the adversarial aspect of negotiation. Economic pressures imposed new attitudes: employers were forced to accept certain forms of communication and participation while unions tended to forego some of their most militant aspect as protest organization.

Fashoyin (1980) notes that the economic crunch has affected the nature of collective bargaining as regards substance of issues. He states that as the recession bites harder, the unions in particular have re-ordered their priorities with a marked shift away from improvement to substance of existing levels of employment and conditions of services. In a nutshell, the concern of parties in labour relations has moved from securing economic benefits – improvement in wages, salaries and benefits – to job security, flexible manpower utilization and surprisingly, an unconscious movement towards workers participation. In many industries, negotiations that have taken place fall into two principal categories. The first is concession bargaining where parties adopt the element of ‘give and take’ to reach agreement, while the second involves the introduction of demand for review of job security clause, mainly on redundancy, retirement, pension and gratuity. In the 1970s, due to the buoyancy of the economy, little or no attention was paid in entrenching job security clauses in most collective agreements. But unfortunately, with the emergence of the recession, serious attention has been paid to this issue in most negotiations.

In this period of recession, the labour movement has been seriously confronted between choosing two unpalatable alternatives: either accepting reduction in compensation package and job losses by their members. Cordova et al, (1984) observe that the choice for reduced compensation or job losses is not only a difficult one for the union bosses but it tends to reduce the appeal of unions to workers. Indeed, the high rate of unemployment generated by the recession has adversely affected the militancy of the unions and their preparedness to go on strike or declare trade disputes. To normalize the situation, most union leaders prefer to discuss issues amicable with the management side to forestall the closure of firm and thereby saving jobs. In other words, the primary concern of union leaders does not focus on the improvement of conditions of service but on the sustenance of existing levels of employment.

Economic recession as events had shown led to dramatic changes in collective bargaining especially during the period of military administration. Bargaining changed from wearing adversarial outlook to posture of co-operation all in a bid to ensure the survival of the enterprise. Akin to this, parties were induced to make sacrifices by way of reduction in compensation package and priorities, devise cost-cutting measures and also lower expectations. As the economic downturn worsens, unions shifted emphasis from improvement in terms and conditions of employment to job security. The recession on the strength of the foregoing trends appears to have made the labour relations scene less crisis-prone and by the same token paved way for the frequent use of the internal Disputes
The settlement mechanism (DSM) or grievance procedures than the external or statutory machineries for disputes settlement.

The Way Forward in Managing Trade Unions in a Recessionary Economy

Given the relative scarce resources and the current economic recession, what are the ways forward in managing trade unions in a recessionary economy? The underlisted suggested remedies may assist in charting the way forward in managing the unions in difficult times.

*They are:*

i. Union rank and file members must inculcate in all manners the spirit of care and diligence in their jobs and responsibilities;

ii. Re-orientation of members on the issue of discipline, patriotism and belt-tightening measures;

iii. The union must strive to be self-reliant by establishing income-earning ventures (properties, bread making, pure water, travel agencies etc).

iv. The union should focus or embark on critical programmes that will bring visible progress to the admiration of members and satisfy their yearnings and aspirations.

v. Both the union and its membership must promote professional ethos and engage in effective and rational use of resources.

vi. They must have the ability to formulate, analyse and implement policies and programmes for realization of unions’ objectives.

vii. The union must strive to build capacity with qualitative technical knowledge and competence to match the sophistication on the management’s side.

viii. It is imperative for members to engage in life-long education through continuous learning in order to adapt to global changes/challenges.

ix. The union as a progressive organization like others must be value driven.

x. The union must establish good and effective communication channels to enhance clarity, good timing of message and necessary feedback.

xi. The union and its members must uphold the rules and tenets of transparency and accountability through prudent financial management.

xii. Reduce to barest minimum the incident of all forms of conflicts especially inter and intra conflict which is inimical to the good health of the union and weakening of its internal democracy/governance.

xiii. Improvement in leadership and management styles to enhance plan, definition of clear objectives and to articulate vision for future needs and operations;

xiv. The union’s adoption of global “Best Operating Practices” (BOP) in the management of union affairs has become imperative.

xv. The union as a survival strategy must imbibe business culture that could expose it to Bank loans and credits;

xvi. The union must develop skills in emotional intelligence and control in order to promote diplomacy and seek mutual co-operation, understanding with management on issues of joint interests.

xvii. The union should endeavour to remain in tune with the future which is difficult to forecast; be prepared to seize opportunities that are present, and also strive to create opportunities where none seem to exist;

xviii. The union must adopt appropriate strategies to enhance operational efficiency, solve problems and achieve goals. In this respect, the strategic questions are: (i) Where is our union now? (ii) Where do we want the union to get to? (iii) How do we get there? (iv) What is the situation our union is facing now? (v) What changes are taking place in the environment (internally and externally). The common tool of analysis to answer these questions is SWOT and PEST analyses.

xix. The union and its members must shun all social/human vices denting the image of union and the country at large such as corruption, bribery, tribalism, embezzlement etc.
CONCLUSION

In a declining economy, changes caused by the recession pose threat which the union leadership must be aware both at home and globally. The changes in some respects present opportunities which the union must strategise to grab and make necessary adaptations. In equal vein, where the changes create unpalatable situations, means must be devised to combat same. The advice of Olupona(2011) to Nigeria political leadership may also be relevant and useful to the union leadership: ‘this nation must rethink its values and philosophies. Our nation, especially our leaders must understand the tenets of nation building. They must realize that it involves not only their own commitments and paying more than mere lip service to programmes, projects, and activities that support nation building, but it also requires a new imagination and a vision that will enable them put in place programmes and activities that will propel Nigeria to the greatness and international reputation its people deserve. This is the tithe and zakat I am urging you to contribute to this country as patriotic Nigerians’. In conclusion, it is up to the union leadership to take quality decisions at this perilous time to raise the head of the union above water.

REFERENCES


