

## DECENTRALIZING PUBLIC SECTOR COLLECTIVE BARGAINING AND THE CONTRADICTIONS OF FEDERAL PRACTICE IN NIGERIA

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**ABSTRACT** Economic reforms and the quest for efficiency in public administration call for the decentralization of collective bargaining and wages in the public sector in Nigeria. But the effort to decentralize has translated into both a protracted industrial relations crisis and intergovernmental conflict. This situation is traced to the failed effort at institutionalising collective bargaining and the consolidation of the unified wage structure in the public sector by the resort to ad hoc wages commissions. The distorted fiscal federalism and intergovernmental relations under the military in Nigeria complicated the situation, such that resolving the federal question has become critical to returning stability to Nigeria's industrial relations system.

**Key Words:** Federalism; Decentralisation; Collective bargaining; Economic reforms; Military.

### INTRODUCTION

There has been a recurring battle between the various levels of Nigerian governments on the one hand, and between these governments and organized labour on the other, over the determination of public sector wages. Although this conflict became egregious with the adoption of decentralised collective bargaining by the national government in 1991, it reflects a critical industrial relations problem: the failure to institutionalised collective bargaining in the public sector. More than this, it also reflects the contradictions of federalism under the military. The effort to decentralise collective bargaining served to unveil these contradictions of federal practice under military rule and put their implication for public administration in bold relief.

The machineries set up for collective bargaining in the public sector, such as the National Civil Service Negotiating Councils and the State Civil Service Negotiating Councils, were never allowed to work. Public sector wages have been set through government fiat or quasi-political wages commissions or tribunals largely set up by the government. The implementation of agreements on wages, reached through the machinery of nationwide negotiations that has predominated in the public sector, has often been chaotic, attended by controversy, agitations, and widespread strikes costing the country enormous resources in terms of man-days lost. The crisis has been unleashed by the bloated nature of the public service, which is responsible for the huge expenditure on salaries by the government. Such expenditures became unsustainable during the economic crisis that began in the 1980s. The government had

taken centralisation to its logical conclusion by unilaterally making the structure of wages and salaries uniform across all tiers of government in the 1970s when the country enjoyed an enormous in-flow of petro-dollars. This was attended with a centralisation of revenue powers and adjustment of the revenue-allocation formula in favour of the centre. When recession set in, the government imposed a wage freeze and embarked on piecemeal retrenchment of staff. As the crisis worsened, it adopted economic and administrative reform measures. Currency devaluation and inflation reduced the salaries of public sector workers to mere pittance, and corruption, brain drain, and moonlighting became the order of the day. Labour union challenges to these measures were initially suppressed, but mounting popular protests forced some revisions. The economic and administrative reform measures were applied piecemeal and inconsistently, especially under the Babangida and the Abacha years as these governments tried to sustain power.

The effort to decentralize was later introduced as a way to deflect and federalise the problem. This was clearly the case because the federal government policy of decentralised collective bargaining and wages was not matched by a corresponding effort to devolve revenue powers. Thus, state governments could not pay newly introduced salaries, nor were they confident enough to negotiate with their employees. The issue was not just the question of periodically setting an acceptable minimum wage for the country. It also touched on the status of states as independent governments with resource bases and with established and effective administrative systems. It was also about refederalising the process of wages determination such that wages can reflect the differing costs of living between different geographical areas as well the differences in the ability to pay of the different levels of governments that constitute the Nigerian federation.

Assuming that the decentralization of public sector collective bargaining and wages is inevitable, in view of the push for economic competitiveness and efficiency in public administration in a globalized world, this essay submits that this can only become institutionalised when meaningful federal practice and democratic values permeate governance in Nigeria.

## ISSUES IN THE DECENTRALIZATION OF COLLECTIVE BARGAINING

The structure of collective bargaining refers to a system of negotiating the wages or remuneration of labour. Ordinarily there are two patterns of interaction between the parties in industrial relations. These are the tripartite and bipartite patterns. Tripartite interaction involves three parties, namely, government, employer and labour. Government may interact as state authority or as employer. In the tripartite interaction, the government negotiates or consults with employer and worker representatives on important industrial relations policies and other macroeconomic policies that touch on fundamental issues of development. Bipartite interaction involves two parties in industrial relations. The major issues discussed and negotiated usually centre on wages and salaries, and working conditions. The interaction may be between government and employers, government and labour, or between labour and employer. When government negotiates with labour in this role, it acts in its capac-

ity as an employer. Tripartism usually occurs at the national level, and at the level of the various governments in a federal system. Bipartism may be carried out at the national, industrial sector, parastatal, firm, or plant levels. Thus, according to the level at which bipartism is carried out, collective bargaining is considered centralized or decentralized. In the public sector, decentralization seeks to shift the coverage of collective agreements from the national level to the level of the various employer governments, government departments, and parastatals. In the private sector, industrywide bargaining shifts to the enterprise and/or plant level.

Generally, certain economic and political changes drive the decentralization of collective bargaining in organizations. These are changes in production, changes in occupational structure, and increases in international economic integration driven by intense deregulation and competition. The rise of “diversified quality production” and “flexible specialization” dictate a reduction in union control of job contents as organizations seek new ways of organizing work. This has increased the importance of work organization and has thrown up shop-floor issues requiring the decentralization of collective bargaining. Where organizational structures of corporations are decentralized, it is usually followed by a greater independence of business units or profit centres. Responsibility for industrial relations is passed to lower managers in the decentralized corporation. Thus, corporate diversification spurs decentralization of the industrial relations staff and, consequently, the decentralization of collective bargaining.

In Europe, changes in the occupational structure – such as increased differentiation of the workforce, the relative decline in the number of blue-collar workers and the concomitant increase in white-collar and professional unions, and the rise of public sector unions that have reduced the capacity of private sector blue-collar workers to dominate collective bargaining as they did in the early post war period – have worked to reduce interest in centralized bargaining. Workers, it is also claimed, have become less willing to join together to pursue common objectives or sacrifice their personal gain for the benefit of other workers. This change of heart implies a decline in the appeal of centralized bargaining structures producing standardized labour contract terms. Integration within a single European market has also undermined the basis for centralized bargaining at the national level (Katz, 1993: 15; Wallerstein *et al.*, 1997: 380).

Constraints on public finance, balance of payments deficits, exchange rate fluctuations, and inflationary pressures have occasioned the worldwide implementation of neo-liberal economic reforms that aim to reduce government intervention in the economy. Government interventions, it has been argued, “misallocate labour, waste resources through rent-seeking, impair adjustments to economic shocks, and deter investment, thereby reducing rates of growth” (Freeman, 1993: 119). Deregulation of the economy calls for de-collectivisation of the industrial relations process. It disfavours bureaucratic controls. Privatisation and commercialisation of state-owned industries, core aspects of these reforms, grant considerable autonomy to such organizations in determining the salaries and conditions of service of their employees. Economic deregulation pushes for a flexible labour market and thus translates into decentralizing wage bargaining to the individual worker-employer level if possible. It also involves the removal or erosion of minimum wage machinery, so that labour

costs will fall and the “quasivoluntarily unemployed queuing for formal sector jobs will filter back into available informal sector jobs” (Standing, 1991: 23).

Attitudes toward decentralized bargaining are largely determined by the advantages that are likely to accrue to the parties involved within the given context. Katz (1993) notes that the structure of collective bargaining is not only complex; it is very influential to bargaining outcomes and affects the roles of unions and management. It also affects the roles of corporate industrial relations staff and exerts significant effects on the internal politics of unions. Bargaining structure influences and is influenced by the distribution of bargaining power. Citing John R. Commons (1909) and Lloyd Ulman (1995), he states that unions use centralized bargaining to strengthen union leverage at the bargaining table. Large employers and their unions may favour industry wide bargaining as a device through which they “cartelize” the industry and drive out low cost competition.

For firms, heightened international competition often creates the need for lower labour costs and wider skill differentials. Hence, employers prefer decentralized bargaining because it gives them the flexibility and bargaining leverage that will facilitate their response to this need. Decentralized collective bargaining may be a useful tool through which employers gain bargaining power advantage. Employers seem to benefit from the ability to play plant or local unions off against one another. Yet employers, after gaining lower wage outcomes or wider skill differentials through whipsawing, may in the future prefer to return to centralized bargaining because of the advantages it provides (e.g., stability, predictability, and economies of scale).

Although centralized bargaining enables unions to remove working conditions out of competition and gain whipsaw advantage, decentralized bargaining provides the opportunity for local union leaders, as well as workers at many sites, to participate in shop-floor and strategic business decisions. Workers who have benefited from some of the more flexible work schedules that have been negotiated prefer decentralized bargaining. Local unions may agree to decentralize simply as part of a package of concessions in return for keeping their own plant in business.

While the level of centralization is highest when the government sets wages in the private sector, the most centralized bargaining system is at the level of the peak organization(s) of workers, employers, and government. This is usually described by the term “corporatism.” Corporatist arrangements do have their strong and weak points. Corporatist industrial relations institutions are often defended on the ground that they enable wage settlers to incorporate various externalities in their decision that would be ignored by actors with only local concerns. Unions are frequently described as playing a  $n$ -person prisoner’s dilemma game in which decentralized action results in collectively suboptimal outcomes. In particular, it is argued that when unions act collectively, they accept greater wage restraint than they willingly concede when they act independently. The prisoner’s dilemma model suggests that the more encompassing the union movement, the greater the concentration of unions, and the more centralized the authority of the peak association, the more likely the collectively optimal cooperative solution can be obtained. Those who argue against corporatist arrangements, however, believe that centralized wage-setting suffers many of the same informational and incentive failures as central planning. Still others have taken a middle position, maintaining that corporatist

wage-setting institutions worked well in the past but have become less efficient or less viable over time. Although, corporatist institutions generated good outcomes in the first three decades following the Second World War, this argument goes, recent economic and political changes in Europe are forcing corporatist institutions to be dismantled everywhere (Wallerstein *et al.*, 1997: 379).

## THE ROAD TO THE CENTRALIZATION OF COLLECTIVE BARGAINING AND WAGES IN NIGERIA

The process of the establishment of the colonial administration largely determined the wage structure in the colonial era. Because different areas were conquered at different times and administered separately, there was no uniform system of wage rates across the country. The division of the country into distinct administrative units circumscribed the application of most wage rates and other conditions of employment for a while. Private and public employers made reference to prevailing terms of employment in their own immediate area of operation when it was convenient. What emerged was the coexistence of district, urban, and regional wage rates, with criteria for fixing rates remaining largely arbitrary and subject to the whims of employers (Otobo, 1992: 126-127). From the 1900s ad hoc commissions set wage rates in Nigeria or committees set up to look into labour problems in specific sections of the country.

The expansion of the public sector wage labour provided room for the emergence of trade unions. These became very active during the general fall in living conditions that followed World War II. The first general strike in demand for a cost-of-living allowance (COLA) enjoyed the support of the unemployed, mainly ex-servicemen demobilized after the war, and forced the colonial government to look critically on its provincial wages committees that had been handling wage problems. Whitley Councils as collective bargaining institutions were set up for the public services in 1948.<sup>(1)</sup> These councils were the first collective bargaining institutions initiated by the government to provide avenues for worker participation in determining the terms and conditions of service in the public sector. Whitleyism was an all-embracing machinery of a national scope, covering federal, state and (sometimes) local government employees (Fashoyin, 1980: 105-106). Thus, it constituted a centralized form of collective bargaining.

But Whitleyism did not work in Nigeria, because the councils were reduced to mere consultative bodies by the government whose representatives often dominated negotiation meetings. Officials hardly allowed staff to attend such meetings (Fashoyin, 1978: 70).

What is more, with the introduction of federal principles in the administration of the country by the Macpherson Constitution of 1951, regional governments and their employees dealt with wage at the regional levels (Otobo, 1992: 136). For this purpose regional governments established wages review commissions, and wage levels differed from region to region reflecting the budgetary disparities among the various governments. But this regional approach to wage fixing became increasingly encumbered by politics. Wages became a political instrument used by rival political

parties to increase their electoral fortunes. For instance, in 1949, the National Convention of Nigerian Citizens (NCNC) commenced a demand for five shillings as the minimum daily wage in order to retain the support of workers. The Action Group (AG), with an eye on the federal elections in 1954, announced the award of five shillings wage to daily paid labour throughout the then Western Region. In 1954, the Nigerian People's Congress, the ruling party in the north, in turn granted two wages increases to its daily paid labour (September and October). Although the first followed the recommendation of the Provincial Wages Committee, the second was purely a political move as parties struggled to demonstrate their concern for the common man (Yesufu, 1984: 158-159). This politicisation exacerbated the instability in the structure of wages until the late 1950s.

It was not until 1963, when the government faced severe pressures from trade unions for a review of wages and working conditions, that a modification of the structure and scope of collective bargaining was attempted. This was through the Morgan Commission of 1963-1964 set up by the federal government. The commission sought to remove the shortcomings of the Whitley Councils and noted "collective bargaining between governments and employees, through Whitley Councils, has hardly been effective" (Fashoyin, 1987: 7). It recommended separate machineries of negotiation for the various cadres of public sector employees and divided the country into four wage zones. A special National Wages Board with responsibility for ensuring a minimum rate of pay for unskilled and semi-skilled workers in the different zones was recommended in the hope that a national minimum wage would be attained with time. However, the federal government rejected some of its recommendations, including the division of the country into four wage zones, arguing that the suggested zones did not reflect the difference in cost of living in the various areas. The suggested national minimum wage was also rejected on the ground that its computation was based on "a living wage," which, the government insisted, departed from the essential pattern of expenditure on which the existing wages were based. The trade unions were furious over the government's position, and conflicts over the issues dragged on until 1 June 1964 when a general strike commenced. The strike continued until the government agreed to set up a tripartite national negotiating body to resolve the matter, with the Morgan Commission report as the basis for the negotiations. The negotiating body divided the country into six areas and set a specific minimum wage for each area (Ananaba, 1969: 241-250).

Institutions to support collective bargaining, such as the National Wages Advisory Council and the National Labour Advisory Council earlier recommended by the Morgan Commission, were eventually established in 1965. The National Labour Advisory Council, a tripartite body of government, management, and labour, advised the government on (1) the operation and practicality of existing and proposed legislation and the application of ILO convention recommendations, (2) periodic review of the labour laws pertaining to wages and conditions of employment to recommend such change as might be necessary, and (3) evaluation of the functioning of industrial relations machineries in the country. The National Wages Advisory Council with representatives of government, employers, and labour, together with four independent experts chosen from the universities, performed two main functions: (1) observe, coordinate and advise government on all aspects of the National

Minimum Wage Policy for the entire nation, and (2) analyse the trends in industrial relations in the country, methods of dispute settlement, and the effects of a National Wages Policy on economic development. These institutions faced the same fate as the earlier Whitley Councils and were moribund during the national crisis and civil war of 1966-1970 (Otobo, 1992: 137-138). Even so, the Morgan Commission marked the end of regionalism in wage determination. It successfully redirected wage competition from between the regions to between the public and private sectors. This was made possible by recommending wage zones that had nothing to do with various sub-national units but was based on indices of cost of living in the geographical areas. All these were underlined by the content of the second national development plan that increasingly provided a greater role for the national government.

Indeed, when agitations by workers for improvement in their working conditions increased immediately after the civil war, the national government set up the Adebo Commission (1970-1971), which was the first to carry out a comprehensive review of wages and salaries at all levels in all the public services, and in the statutory public corporations and state-owned or co-assisted schools. The commission inquired into areas in which wages, salaries, and conditions of employment could be harmonized with those of the private sector. With regard to negotiating wages, the Adebo Commission upheld the position of the Morgan Commission that collective bargaining was the most desirable means of determining wages and conditions of work. Accordingly, it revived the Whitley Council system, providing for skilled and unskilled workers. It made a case for the use of collective bargaining for both the public and private sectors of the economy on the ground that it would keep wages in proper 'national balance' both as regards comparison between sectors, and in relation to available real resources... [and] assure, simultaneously, distributive equity, economic growth, full employment and monetary stability (Sokunbi, 1992: 127). It also recommended that Wages Boards and Industrial Councils be provided as machinery for the determination of wages and conditions of services for sections of the labour force that are outside the purview of collective agreements and areas where wages are unreasonably low.

Following the approval of the commission's report, the Federal Military Government issued the Wages Board and Industrial Councils Decree No. 1 of 1973 to repeal the Wages Ordinance of 1957. This provided the legal basis for the Industrial Wages Board and the National Wages Board that were established for the private and public sectors respectively. The decree also permitted the federal commissioner (minister) to set up Area Minimum Wages Committees for the states after consultation with the state governments concerned. State governors could also establish equivalents for local government workers after due consultation with the commissioner. These institutions were to make recommendations to the minister on wages and conditions of employment in these areas. The minister might then, by order, fix wages and conditions of employment, which, thereafter, become "statutory minimum wages" or "statutory minimum conditions".

Subsequent military governments not only maintained the tradition of setting up wages commissions, but also went farther to make the structure of wages and salaries uniform in the public sector. In 1974, the Udoji Commission recommended

a unified civil service structure and called for a revival of the bipartite machineries for negotiation in the public sector through the creation of Public Service Negotiating Councils. It recommended a technical and data-gathering Public Service Review Research Unit to facilitate the work of these bipartite bodies. In accordance with the structure of the civil service, National Public Service Negotiating Council I was also created to deal with problems of the senior administrative and professional classes. Council II was established for intermediate grades and junior non-technical grades, clerical, executive secretary and typists' cadres, while Council III dealt with technical cadres, medical and health personnel, nurses and midwives, customs, and immigration. In line with the prevailing political and administrative structure of the country, States Public Service Negotiating Councils I, II, III were designed to tackle similar issues for the corresponding classes of public employees in the nineteen states.

Nevertheless, the Udoji Commission did not leave the adjustment of wages to these councils. It went ahead to award increments in wages and salaries of public employees that were implemented uniformly among all the tiers of government. What is more, mounting protests, disputes, and strikes by private sector workers pressing for similar increments caused the government to advise employers in that sector to implement the awards. But the civil service was thrown into confusion as several complaints were levied against the new grades and salary scales announced in the Government White Paper on the Udoji Report. Eventually, the Williams Public Service Review Panel had to be set up to look into the complaints and to submit suitable recommendations to the Federal Military Government. The panel recommended a unified salary structure not only for the federal service but also for the entire public sector (including states). Its argument was that it would create a situation that allowed equal pay for equal work irrespective of the area of the public sector in which an employee might be engaged (Federal Ministry of Labour, 1991: 174). Thus, the apparent contradiction between the decentralized collective bargaining machineries and the centralized wage structure was resolved in favour of complete centralization.

The federal government went on to establish an Anti-Inflation Task Force to address the impact of the Udoji awards on the economy. The task force reiterated the need for the establishment of Productivity, Prices and Incomes Board (PPIB) that had earlier been recommended and emphasized by the Adebo and Udoji commissions respectively. The PPIB was to prevent the reoccurrence of a similar crisis in the future by establishing norms and guidelines for wages and salaries review, undertaking studies of wage and salary trends, and advising government on trends in other incomes apart from salaries and wages on which action may be needed in the interest of equitable income distribution.

The PPIB would have been supportive of collective bargaining, but it was made moribund when the military government imposed a wage freeze in 1976, the same year the board was inaugurated. As for the bipartite negotiating councils, the government did not make recourse to them in wage determination, thereby giving the impression that it believed that collective bargaining was "unfit for settling wages and conditions of service in the public sector" (Fashoyin, 1980: 114-115). Indeed, the uniformisation of the salary structure and wage levels across the public sector



actually foreclosed collective bargaining at the level of the various governments and parastatals with the exception of the centre. Later in 1975, as part of the government's effort to establish a corporatist industrial relations system, it introduced a policy of Limited Intervention and Guided Democracy and went on to cancel the registration of four labour organizations in 1976. It then restructured approximately 1,000 existing unions (mostly house unions) into 42 industrial unions under a single central labour organization, the Nigeria Labour Congress (NLC). Following the outcome of the Adebisi Tribunal, which inquired into the administration and finances of trade unions, eleven union leaders were barred from participating in any form of trade union activity for life. New laws were enacted to regulate trade disputes and other industrial relations matters by the military government, even though labour matters had constitutionally been under the concurrent list.

## FEDERALISM UNDER MILITARY RULE IN NIGERIA

The centralization of collective bargaining and wages occurred within the context of the centralization of the economic management of the country. As I will show presently, although this was set in motion by the logic of central planning, it accelerated and became total, under military rule in the absence of constitutionalism and the rule of law, although the military did not adopt an official policy of unitarism after the failed attempt by General Agoyi Ironsi in 1966.<sup>(2)</sup> The demand of the war effort became the alibi for imposing the military command structure on the administration of the country by piecemeal legislation and other sundry actions.

The constitutions in post-colonial Nigeria have always assigned decisional ultimacy to the national government, but the dominance of the centre over the states gradually progressed from relative independence of the regions in the first republic to a situation where the centre has become so strong that the country can effectively carry unitarism at the threshold of the fourth republic. As John Ayoade has noted, in the first republic, the regions were not only very strong, they also contested the sovereign status of the federal centre. This was the case for two reasons. The first was the decision of the political leaders to remain in the regions while they delegated their subordinates to the centre. From 1951 to 1959, the leaders of the three regions engaged in the consolidation of their parties in their respective regions. Different parties dominated each region, and the federal government that emerged after the 1959 elections was a coalition of the Northern Peoples' Congress and the National Council of Nigerian Citizens. The Action Group was the opposition party. The situation was such that, more often than not, operational orders issued from the regions. The second reason for the weakness of the centre in the first republic was the size and enormous resources that were under the control of the regions. In the words of Ayoade, "The size and resources plus the fact that federal leadership was a subsidiary of regional leadership accounted for the wide powers allocated to the regions *vis-à-vis* the centre" (Ayoade, 1988: 22-23). However, the advent of the military witnessed the gradual and massive erosion of the power of the regions.

The political crisis of 1966, the coup and counter coup, and the resultant civil war engendered major changes in the state during this period that were to have conse-

quences for collective bargaining in Nigeria. Once the war began in 1967, the federal government divided the country into twelve states and centralized the management of resources in order to support the war effort. According to Decree No 27 of 1967 the "Legislative and Executive powers of the newly created states in Nigeria were limited for the time being to residual matters." Although, General Yakubu Gowon, the then head-of-state had assured the country that national institutions would be redefined after the war through a constitution that would be drafted by representatives of all sectors of the country, he later announced in 1974 that the implementation of the third national development plan had made it imperative that resource management remain centralized. According to him, "If we are to rely on the existing revenue allocation formula, no state government except two will be in a position to finance even a single year's program on the basis of the projected surplus" (Esajere, 2001: 8-9). The centralization of the management of resources was also accompanied by greater intervention of the national government in the labour relations process generally. In 1968 and 1969, the military government introduced the Trade Disputes Emergency Provisions decrees that outlawed strikes during the war. The argument was that given the war situation, strikes amounted to sabotage because they would inevitably divert the attention of the federal government. Thus, the war and dictates of central planning not only marked the recentralisation of power within Nigeria's federalism, they also marked the centralization of the management of labour relations.

The creation of states in 1967 by the military, which split the existing four regions into 12 states, reduced the influence of each of the units at the centre. Over the years, the number of states has been multiplied from 12 to 19 states in 1976, to 21 states in 1987, to 30 states in 1991, and to 36 states in 1996. States creation has been done largely by decrees issued by central military governments rather than by referendum, as is the case in most federations. Furthermore, it has involved a deflation of the country into smaller units or territorial fragmentation rather than the addition of new territories, thus leading to shrinkage of the size of each state. At the same time, it involved a multiplication of administrative structures and an expansion of the public sector. States have been created in Nigeria in a manner and with such rapidity that many states now lack viable sources of revenue of their own. According to the Central Bank of Nigeria, only a few states and local governments can provide up to 30% of their planned expenditures from their internal revenue generation efforts. The statutory allocation from the Federation Account between 1990 and 1994 constituted, on the average, over 70 percent of the current revenues of the state governments, while internally generated revenues accounted for only 17.8 percent. The balance was by special discretionary grants from the federal government. Table 1 shows that between 1988 and 1996, over 96 percent of total recurrent revenue was accounted for by federally collected revenue while states independent revenue accounted for an average of only 3.0 percent (Central Bank of Nigeria, 1995). It is also clear that state independent revenue as a percentage of total revenue has witnessed a decrease in recent years.

Thus, states have increasingly found it difficult to finance their statutory functions and services allotted to them. They have had to rely on grants and subsidies from the federal government in order to cope with minimal responsibilities. Clearly, states

creation has not attained most of the gains of decentralization while incurring the disadvantages. The multiplication of administrative structures has served to increase the cost of recurrent expenditure while leaving little for capital development. Perhaps this is at the heart of infrastructural neglect and, certainly, the intergovernmental conflicts that have attended the effort to decentralize collective bargaining. Table 2 shows the rise in the cost of administration in Nigeria.

Key state-based revenue sources, such as the personal income tax, vehicle licens-

**Table 1.** Relative Contribution of Federal and State Government to States' Total Current Revenue.

Year	Total Current Revenue (N' Million)	Statutory Allocation from Federation Account (%)	State Independent Revenue (%)
1988	10,992.0	80.3	16.7
1989	13,546.2	79.6	20.4
1990	18,670.0	85.4	14.6
1991	22,581.4	86.1	13.9
1992	32,673.6	83.9	16.1
1993	37,740.6	84.8	15.2
1994	49,506.1	77.9	22.1
1995	136,002.0	87.3	12.7
1996	179,029.6	89.1	10.9
1997	193,925.2	85.9	14.1
1998	286,405.0	89.8	10.2
1999	337,980.2	89.9	10.1
2000	346,168.2	89.1	10.9

Sources: Federal Office of Statistics (1995), Central Bank of Nigeria (1995).

**Table 2.** Recurrent Expenditure of Federal and State Governments (N' million).

Year	Federal (N' million)	Annual % Change	States (N' million)	Annual % Change	Total (N' million)	Annual % Change (Total)	No. of States
1984	6,275.4		4,590.6		10,866.0		19
1985	7,215.3	15.0	4,823.1	5.1	12,038.4	10.8	19
1986	7,696.9	6.8	4,601.0	-4.6	12,297.9	2.2	19
1987	15,646.2	103.3	5,721.2	24.3	21,367.4	73.8	21
1988	19,409.4	24.1	7,193.4	25.7	26,602.8	24.5	21
1989	25,914.2	33.5	8,140.6	13.2	34,054.8	28.0	21
1990	36,219.6	39.8	13,387.5	64.5	49,607.1	45.7	21
1991	38,243.5	5.6	15,872.3	18.6	54,115.8	9.1	30
1992	53,128.9	38.9	20,780.3	31.0	73,909.2	36.6	30
1993	136,727.1	157.3	29,992.3	44.3	166,719.4	125.6	30
1994	89,974.6	-34.2	35,178.8	17.3	125,153.4	-24.9	30
1995	101,551.9	50.5	54,366.5	28.9	155,918.4	24.6	30
1996	124,291.3	22.4	54,824.8	19.9	179,120.1	14.9	36
1997	158,563.5	27.6	58,956.2	8.4	217,519.7	21.4	36
1998	178,097.8	12.3	75,124.7	27.4	253,225.5	16.4	36
1999	449,662.4	152.4	102,690.1	36.7	552,352.5	118.1	36
2000	461,608.5	2.7	192,101.8	87.1	653,710.3	0.2	36

Source: Central Bank of Nigeria (1995).

ing fees, land charges, and sales tax, are inherently limited as sources of public revenues, often weakly or inefficiently exploited by state administrations, or sometimes regulated, restricted, or even appropriated by the centre. For example, the federal government has imposed uniform national rates for income tax since the 1970s. It also currently appropriates a major portion of the lucrative sales tax, which has been administered as federal value added tax (VAT) since 1994. In summary, states creation has involved the centralisation of resource controls, reducing states to mere channels for the distribution of revenue from these resources, albeit inequitably, to the constituent communities without improving the independent revenue and administrative effectiveness of the states. The resources of the states decreased through the stripping of the power of state governments over some major sources of independent revenue by the national government under military rule. Table 3 shows that the federal government has legislative power for 15 taxes and controls the most viable avenues for revenue generation.

**Table 3.** Nigeria's Major Taxes.

No. of Taxes	Jurisdiction	
	Legislation	Administration and Collection
Under Federal Government	15	8
Under State Government	6	11
Under Local Government	0	2
Total	21	21

Source: Development Policy Centre (1998).

There is now a heavy reliance of state governments on federal funds. The states and local government have become heavily dependent on federal allocations for revenue. In most cases, federal allocation accounts for more than eighty percent of states and local government revenue. This was not the case before the advent of the military into politics as shown in Table 4. That table shows the changes in the importance of derivation as a factor in the revenue allocation formula in postcolonial Nigeria.

**Table 4.** Federal-State Percentage in Petroleum Proceeds 1960-1999.

Years	Producing State	Federal Government	Distributable Pool
1960-67	50	20	30
1967-69	50	50	
1969-71	45	55	
1971-75	45 minus off shore proceed	55 plus off shore proceed	
1975-79	20 minus off shore	80 plus off shore	
1979-81		100	
1982-92	1.5 minus off shore	80 plus off shore	
1992-99	Three percent minus off shore	97 plus off shore	
1999-	13 minus off shore	87 plus off shore	

Source: Esajere (2001: 8).

The military abused the federal government's leadership and policy shaping roles through the arbitrary usurpation of the power to perform certain federation functions, like the restructuring of the internal boundaries of the federation, the determination of revenue jurisdiction, and the adjustment of the revenue allocation-formula.

What operated in Nigeria under the military was administrative decentralization without political and fiscal decentralization. This was entrenched in the series of constitutions prepared under the rule of the military, including the 1999 Constitution. Right now, the federal government collects most of the buoyant taxes and allocates the revenue to lower levels of government through the federation account for them to carry out their expenditure responsibilities. Table 5 shows the centralizing movement in vertical revenue allocation. Although it appears that direct statutory allocations to the federal government have fallen marginally over the years, actual total revenue to the federal government has been on the rise. This is the case because the same government not only controls the Special Funds; it determines the size and use of the Special Funds. Thus, the total allocation to the federal government has never fallen below 55 percent. On the other hand, allocations to the states fell from 32.6 percent in 1988 to 24.0 percent in 1999. The responsibilities of the states have not only increased, the number of states has also multiplied. The revenue-allocation system was thus affected by the distorted intergovernmental relations system in which the states were reduced to administrative units of the national government.<sup>(3)</sup>

**Table 5.** Nigerian Federation Account Revenue Distribution Formula.

Year	Federal	State	Local	Special Funds
1988	55.4	32.6	10.2	1.2
1989	55.0	32.4	10.1	2.5
1990	50.9	26.8	13.3	0.9
1991	50.5	30.0	15.0	4.5
1992	49.1	24.9	19.5	6.5
1993-2000	48.5	24.0	20.0	7.5

Source: Central Bank of Nigeria (1995).

## PRESSURES FOR DECENTRALIZING COLLECTIVE BARGAINING AND INTERGOVERNMENTAL CHALLENGES

The weakness of these federal structures began to manifest when the country began to face severe balance of payments difficulties in the early 1980s, and several states could not pay the wages of their workforce for more than six months, which led to widespread strikes. Calls were made for the first time after the Williams Panel for the decentralization of the wages determination process to reflect the ability to pay of the various levels of government. But the elected state governments, perceived the difficulty in paying workers' salaries to be caused by a temporary economic crisis, the oil shock of the early 1980s, and avoided the decentralisation option, which would have pitted them against labour unions. Believing that the oil market would improve, the governments resorted to borrowing from both local and international sources to pay salaries (Olukoshi, 1993: 1-2). But as efforts to revamp the economy yielded little gains and public debts continued to rise, the federal governments resorted to down-sizing the public sector by dismissing those found engaged in acts of indiscipline, especially under the General Buhari military government (Olukoshi, 1989: 34). Then in 1985, General Babangida declared an eighteen-

month state of economic emergency, which included compulsory deductions of between two to twenty percent from the salaries of workers in the public sector, including those of the armed forces. State military governors also took a clue from the federal government and effected deductions from the salaries of their workers. In June 1986, Babangida introduced neo-liberal reforms and put a stop to wage deductions following clamour for a stop to these deductions by labour unions (Adesina, 1995: 1-26). Further pressures from labour unions forced the government to lift the existing wage freeze in 1991, introducing a new policy of “Deregulated Collective Bargaining”. The government defined the content of the new policy in this manner:

In the public sector the government accepts that time has come for collective bargaining to take firm root and for wage fixing to reflect the varieties and differences in the ability to pay, as regards the Federal Government, the State Governments, Local Government and the Parastatals. The representatives of these various tiers of governments and agencies will negotiate directly with their appropriate industrial unions at the level of Federal, State, or Local Governments and the Parastatals, but always bearing in mind the ability to pay and the imperatives of a good remuneration policy. The Federal Government will cease to issue general circulars of universal applicability with regards to wages, fringe benefits and conditions of employment to all public agencies (Babangida, 1991: 94).

The aim of the policy, according to the government, was to promote satisfactory collective bargaining in the public sector as well as relate obligations to fiscal strength of each level of government. The central government seemed to be striving to divert the attention of the states, which was mounting pressure for an increased share in the revenue allocation formula, to find independent solutions to the wage problem. The decentralized collective bargaining necessarily involved the decentralisation of wages and salary negotiations. Henceforth, the central government was to be concerned with negotiating wages with its own employees only and establishing national minimum wages. But the upward adjustments of the wages of federal civil servants between 1992 and 1993 precipitated a series of strikes and protests by sub-national government employees demanding corresponding increases. The labour unions vehemently opposed variations in the pay between employees of the state governments and those of the federal government. Bipartite discussions between several state chapters of the labour congress and the state governments did not yield any agreement. The governors eventually went to the central government for help to rise funds to pay the new centrally determined wages to their employees. Since then, across the board upward adjustments in public service pay have always precipitated intergovernmental challenges. Thus decentralizing collective bargaining in the public sector was destined to be a thorny issue to be inherited by the civilian government of Nigeria's fourth republic.

The first play of this problem came barely a year into the fourth republic. President Obasanjo had announced a new wage structure after a series of negotiation rounds with the NLC during his address to workers on May Day 2000. He simultaneously announced N5,500 as the new national minimum wage, and went on to produce a wage table, which was sent to state governments to facilitate negotiations

with their employees. The table ascertained that the states could pay a minimum of N6,500 against the N7,500 for federal employees. Neither the branches of the NLC nor the state governments were happy with this action of the national government. The insistence by state government workers on wage parity with federal workers threw some of the opposing states into fresh industrial relations crises. While oil-producing states that began to enjoy 13 percent derivation from the federation account (provided by the 1999 Constitution) adopted the pay structure for federal employees, non-oil producing states insisted that paying the new wages recommended by the federal government was unsupportable, as it would amount to spending over 70 percent of their total revenue on wage bills alone. Some of the states went farther to question the revenue sharing formula, arguing that it was the inequitable formula that was responsible for the problem. Lagos state governor, Senator Bola Tinubu, for instance, maintained that its wage problem was the result of the skewed nature of Nigeria's fiscal federalism which enables the federal government to appropriate most of the revenue and distributing only a paltry sum among the various states and local governments.<sup>(4)</sup> On the bargaining process, the state governments admitted that it was unreasonable for there to be uniform salaries among all the states considering the divergences in revenue capabilities and responsibilities, but questioned the legality of the federal government's action of reaching an agreement with the unions on the possible wage structure of sub-national government staff without consulting with the governments, arguing that the processes of negotiations as well as the agreements were against the spirit of federalism. The Federal Government then withdrew the circular. But by this time the feeling of inequity in the Nigerian fiscal federalism had exploded into a renewed call for devolution.

Pressures for further decentralisation, which had accompanied the agitations for political liberalisation in the 1990s by civil society groups, were then taken over by state governments especially those of the south. The two prominent groups in these regards were the Summit of Governors and Members of the National Assembly from the South-south Geo-Political Zone, and the Conference of Southern Governors.

The first group, largely comprised by oil producing states, has called for the abrogation of the Land Use Act and other obnoxious laws which empower the federal government to control the natural resources found in the territories of their communities, thereby denying them access to the revenue derived there from. It also contested the distinction between offshore and on-shore oil in the implementation of the 13 percent derivation revenue allocation to oil-producing states by the federal government, insisting that offshore oil belonged to the states. The federal government, on the other hand, maintained that offshore resources belong to the federation. This group has challenged the federal government's position through a series of public declaration and communiqués. It tabled a bill before the House of Representative on 9 May 2001 through the Honourable Temi Harriman of Delta State and 13 others, requesting the amendment of the Petroleum Act to, among other things, (1) compel companies to site their headquarters in their main areas of operation, (2) vest the ownership and control of petroleum resources in the oil producing states, local government and communities, thus reversing the spirit of the extant laws, (3) reserve 70

percent of the employment opportunities in the oil companies for Nigerians, (4) encourage local businessmen and investors to participate in all aspects of oil operation, and (5) reduce tension, poverty and violence in the oil producing communities through the provision of better living conditions (Abati, 2001: 10). But the bill threw the house into a tempestuous session and was rejected with 81 “No” votes against 64 “Yes” votes, with a sharp north/south divide on the issue.

The Federal Government in a bid to strengthen its position has taken the states to the Supreme Court in a suit that is yet to be decided, asking the Court to declare that “the natural resources located within the exclusive economic zones and the continental shelf of Nigeria are subject to the provision of any treaty or other written agreement between Nigeria and any neighbouring littoral foreign state, derive from the federation and not from any state” (Djebah, 2001: 9). This move doused any expectation of a marked redress of the distortions of military federalism being brought about by the Chief Clement Ebi Constitution Review Committee set up by the president. Indeed when the Committee submitted its report in March 2001, it barely answered such expectation by the very limited devolution it recommended, while correctly identifying the several problematical issues relating to federal practice as defined by the 1999 Constitution.<sup>(5)</sup> In fact, the zonal presentation of the report witnessed several criticisms and public demonstrations by political and cultural organisations opposed to its content and procedure. These organisations have insisted on the convening of a sovereign national conference to redefine the structure and basis of managing Nigeria.

On its part, the Conference of Southern Governors made both short-and-long term demands. It has called for a resuscitation of the state/local government joint accounts into which the federal government should pay all revenue due to the local governments as contained in Section 162 (5-7) of the 1999 Constitution. Currently federal allocations to local governments are paid directly into individual local government accounts. The Conference of Southern Governors wants to limit the Federal Government’s powers of control to the Consolidated Revenue Account (Federal Government Account) in order to put a stop to the Federal Government’s encroachment on the Federation Account. Accordingly, it demanded that all funds, revenues and income collected by the federal government on behalf of the federation to be paid into the distributable pool account (Federation Account). It also insisted that the federal government should stop the first line deduction system (FLDS), a procedure whereby the federal government first deducted a percentage of funds credited to the federation account for the payment of debt before sharing the balance among the federal, state and local governments. The Conference of Southern Governors considered this unconstitutional.

Furthermore, they wanted the Education Tax Fund and the proceeds of privatisation and excess crude oil funds, belonging to the federation at large, to be shared through the federation account on the agreed sharing formula. It questioned the federal government’s power to unilaterally roll over balances in the Federation Account or in any other special account derived from that account to another fiscal year. It argued that such funds should revert to the federation account at the end of the year and be distributed in accordance with the approved distribution ratios. The Conference called for an accelerated review of the current revenue allocation for-



mula to enable it to better relate the allocation to federal government with its limited responsibilities, and called for an equitable distribution of the proceeds from the value added tax (VAT).

The Conference of Southern Governors considered the National Primary Education Commission (NPEC) and State Primary Education Board (SPEB) being run by the national government as unconstitutional and demanded that NPEC be scrapped and SPEB put under the control of state governments.<sup>(6)</sup> Finally, it has called for a constitutional amendment to support the establishment of state police to improve security in Nigeria as a basis for making the country attractive to foreign investors and appealed to the states that have implemented Sharia to ensure that it applied to Muslims only.<sup>(7)</sup>

## CONCLUSION

The logic of central planning and the imposition of the military command structure on a supposedly federal system moved Nigeria from a decentralised collective bargaining system to a situation where public sector pay was nationally determined and made uniform across all levels of government by the 1970s. Pressures to decentralise came from the economic recession that made the nation-wide wage system unsustainable. But decentralisation of collective bargaining took the form of re-federalisation carrying with it not only the stresses and strains that attend the transition from state interventionism to a market economy but also the fallouts of the distortions that had characterized intergovernmental relations and fiscal federal practice under authoritarian military governments. Resolving the federal question became crucial to stability in public sector industrial relations.

Since there are moves to reform federal practice in Nigeria, involving a review of the 1999 Constitution bequeathed by the military, decentralised collective bargaining will become the norm in future. Returning to meaningful federalism will not only improve the practice of collective bargaining especially at the lower levels of government, it would foreclose labour union demand for national machineries to review wages in the public services of all tiers of government.

## NOTES

- (1) Whitley Councils were the machinery for bipartite wage determination in use in the United Kingdom and were introduced in Nigeria in 1948 by the colonial authorities following two reports by Mr. T.M. Cowan of the British Ministry of Labour and National Service.
- (2) General Agoyi Ironsi's declaration of Nigeria as unitary state through Decree No. 34, 1966 was the catalyst for the counter coup and pogroms that eventually led to the secession move by the Igbos and the subsequent 1967-1970 civil war.
- (3) Describing intergovernmental relations, the former Chief of General Staff and Vice President under General Babangida had this to say: "Throughout the life of this administration, military Governors were on military posting and were thus required to take directives from the central administration. First, the office of the Chief of General Staff

- (CGS) maintained close supervision of State Military Governors.... As a control measure, yearly budget guidelines were issued by the Vice-President (previously CGS) to the military Governors who were subsequently physically present at the headquarters to defend their budgets." He noted that this central government monitored the observance of these directives and defaulters were duly penalized (Aikhomu, 1996: 51).
- (4) More than half of the revenue from the sales tax (V.A.T) collected by the central government is derived from Lagos State but the proceeds are shared equally among the states.
  - (5) The National Assembly has also set up a committee to review the 1999 Constitution.
  - (6) The federal government has scrapped the NPEC.
  - (7) Although most of these demands have been issued in communiqués after each conference, attorneys general of the states have been meeting to fine tune arrangements to table the issues at the appropriate courts.

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