



**Thesis**

**By**

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IBADAN**

**LABOUR RELATIONS UNDER THE  
STRUCTURAL ADJUSTMENT PROGRAMME  
IN NIGERIA: A STUDY OF THE NIGERIAN  
BREWERIES PLC AND THE UNITED BANK  
FOR AFRICA PLC**

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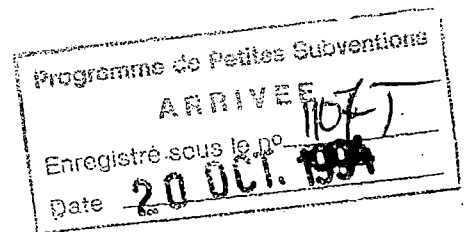
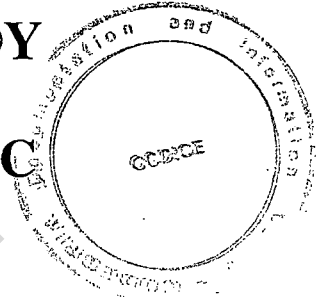
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**LABOUR RELATIONS UNDER THE  
STRUCTURAL ADJUSTMENT**

**PROGRAMME IN NIGERIA: A STUDY**

**OF THE NIGERIAN BREWERIES PLC  
AND**

**THE UNITED BANK FOR AFRICA PLC**



**IFEANYI PRINUEL ONYEONORU**

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ADJUSTMENT PROGRAMME IN NIGERIA: A STUDY  
OF THE NIGERIAN BREWERIES PLC AND THE  
UNITED BANK FOR AFRICA PLC**

**BY**

**IFEANYI PRINUEL ONYEONORU**

**B.Sc. Soc (Imo State)**

**M.Sc. Soc (Ibadan)**

**A thesis in the Department of SOCIOLOGY Submitted to the**

**Faculty of the Social Sciences in partial fulfilment of the**

**requirements for the degree of**

**DOCTOR OF PHILOSOPHY**

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## ABSTRACT

This study is essentially an endeavour to assess the impact on labour relations, of the economic recession that began in the early 1980s, and the economic recovery programmes that accompanied it, with particular reference to the Structural Adjustment Programme. The study focusses on two important industries in the Nigerian economy - the Food, Beverage, and Tobacco industry, and the Banking, Finance, and Insurance industry - as exemplified by the Nigerian Breweries PLC (NBL), and the United Bank for Africa PLC (UBA). The results were obtained from the analysis of 344 questionnaires retrieved from the survey of employees in the two selected companies in Lagos and Ibadan. Other research methods employed for the study include oral interviews and the use of secondary data.

Findings from this study show that the two industries responded differently to the labour relations challenges thrown up by the Structural Adjustment Programme (SAP). While organized labour in the Food, Beverage and Tobacco industry preferred the declaration of disputes to strikes, that of the Banking, Finance, and Insurance industry was more militant in the pursuit of the wellbeing of its members, resulting in numerous strikes. The labour relations atmosphere at the firm levels were a reflection of that at the industry levels, with UBA

recording far more work stoppages than NBL. Factors responsible for these were traceable to the varying labour market environments of the two industries under SAP. The findings also signify the uneven impact of SAP on the various sectors and subsectors of the Nigerian economy. Generally, the Structural Adjustment Programme aggravated the industrial crisis within the period of economic recession covered in the study (1982 - 1991), due to the prevalent work relations that were unfavourable to workers. These were apparent in the low job satisfaction of employees found in the study.

Contrary to the withering of strikes position of the industrial relations orthodoxy in Nigeria, strike activity during the period of economic reconstruction was found to "flourish", rather than "wither", while the strike pattern was found to be procyclical.

From the findings, I argue that a good understanding of industrial relations, and adequate analysis and prediction of industrial relations trends must proceed with a theoretical perspective whose emphasis is on political economy - largely embodied in the marxian approach

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## DEDICATION

To my dearly beloved mother, Madam Alice M. Onyeonoru,

the evergreen loving memory of my dear father,

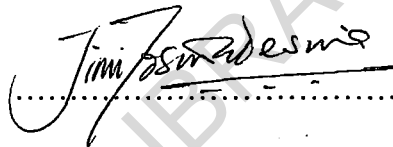
Comrade Abel M. Onyeonoru,

and all members of the family.

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## CERTIFICATION

I certify that this work was carried out by Mr. Ifeanyi P. Onyeonoru  
in the Department of Sociology, University of Ibadan.



.....

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*January 1994*

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**GLOSSARY OF ABBREVIATIONS**

AFBTE:	Association of Food, Beverage and Tobacco Employers
ASSBIFI:	Association of Senior Staff of Banks, Insurance and Financial Institutions
CBN:	Central Bank of Nigeria
FOBTOB:	Food, Beverage and Tobacco Senior Staff Association
FOS:	Federal Office of Statistics
GDP:	Gross Domestic Product
IAP:	Industrial Arbitration Panel
IMF:	International Monetary Fund
MAN:	Manufacturers' Association of Nigeria
NBL:	Nigerian Breweries PLC
NEABIAI:	Nigeria Employers' Association of Bank, Insurance and Allied Institutions
NECA:	Nigerian Employers' Consultative Association
NUBIFIE:	National Union of Banks, Insurance and Financial Institutions Employers
NUFBTE:	National Union of Food, Beverage and Tobacco Employees
OPEC:	Organizations of Petroleum Exporting Countries
SAP:	Structural Adjustment Programme
SFEM:	Second-Tier Foreign Exchange Market
UBA:	United Bank for Africa PLC.

# CHAPTER 1

## INTRODUCTION

The development of industrial society has been accompanied by the emergence of labour unions, whose primary objective is to protect the interests of their members. Due to the divergent interests of employers and employees, the relations between the two groups are often antagonistic. While employers seek to minimize the cost of production in order to make high profits, employees strive to satisfy their social and economic needs through adequate remunerations from their work. The rise of labour unions follows from the realization of workers, that dealing with employers on individual basis exposes them to exploitation by their employers. When on the other hand, the workers jointly articulate their interests, they advance their own aspirations. Hence, conflict arising from the divergent interests of employers and employees is a central aspect of work organization. Workers through their unions, strive to approximate the power of their employers, while top managerial groups and employers<sup>1</sup> on their part, strive to capture the "disputed ground" in their own interest. It is out of this contested terrain that industrial relations emerge. Power struggle, with its economic and social undertones can therefore be seen as a central feature of industrial relations. (Hyman 1975:26)

This study concerns work organization and labour experiences in two industries during the period of economic crisis that began in Nigeria about 1982, and the economic reconstruction efforts that followed it - especially the Structural Adjustment Programme

---

1

This includes the state that is sometimes at the centre of the power struggle.

(SAP). The significance of the economic crisis and adjustment lies in the pervasive impact of the period and programme on the social and economic life of Nigeria and Africa.

This introductory chapter discusses the primary motivation for, and organization of the study. In this regard, I highlight the events that led to the study. Next, I present the research design which includes the sampling techniques, sources of data and the survey. The research hypothesis and the theoretical framework are also presented in this chapter. Hence, chapter 1 deals with the major conceptual issues of the work -- the problems of the study, and methodological issues associated with the work. Chapter 2 introduces the organizations in the study, while Chapter 3 deals with theoretical issues associated with the work. In chapter 4, I examined the impact of the economic crisis and adjustment on the performance of the organizations, as a prelude to Chapter 5 in which I examined the prevalent work relations, and job satisfaction of the employees in the firms. Chapter 6 deals with the power struggle generated by the economic relations and the labour market environment under the structural adjustment. In Chapter 7, I relate the findings at the firm and industry levels to the labour relations atmosphere at the national level. Chapter 8 highlights some of the major findings and their implications for labour relations research and theorizing in Nigeria, especially as these relate to the economic crisis and adjustment.

## 1.1 BACKGROUND TO THE STUDY

Nigeria enjoyed a period of economic prosperity in the mid 1970s. Notably, the emergence of the Organization of Petroleum Exporting Countries (OPEC) was part of efforts to redistribute wealth in the International Capitalist System (ICS). Through the control of supplies, and the effects of the 1973-74 Israeli-Arab war, OPEC's influence on oil prices in the world oil market increased tremendously. The consequent increase in prices which favoured OPEC members including Nigeria, was to the detriment of the major consumer nations, most of which were Advanced Capitalist Countries. Moreover, oil increasingly became a powerful weapon in international politics. The Obasanjo administration in 1978 for instance, nationalized the her Petroleum in reaction to British violation of the economic sanctions imposed by the United Nations in Apartheid South Africa. Moreover, indigenization became a common economic policy in Africa in the mid 1970s.

Ojo (1980:105-6) estimates that from early 1974 to late 1976, aggregate OPEC surpluses amounted to about \$150 billion. Total oil revenues for OPEC countries increased from \$93.8 billion in 1974 to \$101.6 billion in 1975. Olukoshi puts the Nigerian figures at N4.73 billion in 1975, N10 billion in 1979, and N15.23 billion in 1980. As a result, Nigeria's debt service ratio fell from 3.5% in 1970 to 0.4% in 1977. Similarly, total outstanding debts decreased from N488.8 million in 1970 to N374.6 million in 1976, while foreign exchange reserves rose from N3 billion in 1979 to N5.6 billion in 1980 (Olukoshi 1989:725; 1990:23)

### 1.1.1 ECONOMIC CRISIS IN NIGERIA

The Advanced Capitalist Countries led by the United States of America (US) took steps to reduce their dependence on OPEC - supplied oil, and OPEC's influence on the international oil market.

In 1974, they set up the International Energy Agency with the aim of minimizing competition between the oil consumer states which was then associated with the energy crisis. The objective was to enforce a common front in defence of the collective interest of the Advanced Capitalist Countries, with regard to OPEC. International Energy Agency was therefore charged with the task of ensuring adequate supply of oil to all member states; co-ordinating measures to reduce oil consumption; establishing an information system on the oil market; mapping out and implementing sustained co-operation programme for a more rational use of energy; and the production of alternative sources of energy (Massarrat 1980: 59-60; Ojo 1980:106) These were in spite of the fact that a huge sum of the so called windfall to OPEC member states goes to the oil multinational corporations that are largely U.S. and Europe based.<sup>2</sup>

Ultimately, the International Energy Agency counter measures (in addition to the volume of oil supplies by non-OPEC members) paid off in bringing down oil prices in the world oil market. Britain's North Sea oil was very useful to the Advanced Capitalist

---

2

The campaign for Nigeria to pull out of OPEC embarked upon by some National Assembly members in the Second Republic was part of the ploy by ACCs to destabilize OPEC.



Countries in this regard<sup>3</sup>. The magnitude of the problem created for Nigerian by the International Energy Agency-inspired energy rationalization policy is best appreciated when it is realised that Nigeria then supplied 40% of United State's oil imports, besides being the biggest African market for the West. (Hear, 1984:32)

In 1978, Nigeria's oil exports declined by 16% , while revenues derived from oil dropped from N7 billion in 1977 to N5.9 billion in 1978. Ironically, import requirements of the economy rose by 40% in the same period. Following the Iranian revolution of 1978, oil prices again began to rise. Hence, the export price of the Nigerian oil rose from \$14.9 per barrel in 1978 to a peak of \$44.4 in 1980. As a result, Nigeria's foreign exchange reserves exceeded \$5.6 billion by the end of 1980 - during the Shagari administration (Olukoshi 1989:224) Later in 1981 however, another slump in the world oil market occurred. The price of Nigerian oil fell from \$44.4 per barrel in 1980, to about \$28 per barrel in 1985, and to less than \$10 per barrel in 1986 (Olukoshi 1989:224) Revenues from oil also dropped from \$22.4 billion in 1980 to \$16.7 billion in 1981, and \$12.8 billion in 1982. (Bangura 1989:177) Gross Domestic Product (GDP) similarly dropped by 2% in 1982 and 4.4% in 1983 (Hear 1984:11)

Meanwhile, the recycling of the petrol dollar from rich OPEC members (especially Arab States) by the multinational financial institutions, through the International Capital Market made available generous loans to middle income states like

---

3

The North Sea Oil of Britain which is similar in quality to the Nigerian brand was subsidized by the United States to enable Britain sell at a price lower than that of OPEC, in order to force down OPEC prices. See Naiwu (1988)

Nigeria. Much of the loans were short term loans with high interest rate. Moreover, they were largely import related - either involving direct importation of capital goods or tied to import dependent projects (Bangura 1989) Such capital invariably flows back to the Advanced Capitalist Countries through the International Capital Market. Furthermore, the fall in oil prices made borrowing attractive to middle income OPEC member states, and provided lending opportunities to the international bankers who were in search of borrowers for the huge petro-dollar in their vaults. In response to the prevalent foreign exchange problems therefore, the regime of General Olusegun Obasanjo obtained a loan of \$1 billion in 1978 from the International Capital Market. The loan was used for the funding of some public sector projects. This was followed by another, in 1979 to the tune of \$1.145 billion similar to the first loan in terms and purpose. However, neither of the two loans addressed the prevalent balance of payment crisis. (Olukoshi, 1990:25) The two loans marked the beginning of big time borrowing by Nigeria, from the International Capital Market, and the debt crisis.

### **1.1.2 BACKGROUND TO THE STRUCTURAL ADJUSTMENT PROGRAMME IN NIGERIA**

With the 1979/80 oil boom, the civilian administration of Shagari dismantled the import restrictions imposed by the Obasanjo administration. The external borrowing initiated by the Obasanjo administration continued in the Shagari administration. The situation was made worse by official corruption. Through deliberate over-costing of projects, and inflation of contracts by public officials and political stalwarts, huge sums of public funds were diverted into personal bank accounts abroad. Fraudulent practices

such as over-invoicing enabled importers and exporters, within and outside Nigeria, to claim payment for goods not supplied. Foreign banks, businessmen, multinational companies, local firms, and officials of the Central Bank for Nigeria (CBN), and the Customs and Excise department connived in several cases to transfer huge sums of public funds abroad. With the numerous foreign exchange frauds associated with Nigeria's trade credits, it was estimated that the country obtained only about 25% real value for her huge import bills. An estimated N11.9 billion import bills in 1981 for instance, was in reality only N2.97 billion worth of goods. With the pattern of importation that prevailed between 1973 and 1981, it is estimated that 60 kobo out of every N1.00 spent on the Nigerian economy found its way out of the country (Olukoshi 1990:26; Otobo, 1992:99)

As the economic crisis deepened the most appealing solution was more borrowing. The Shagari administration in 1983 commenced negotiations for the rescheduling, refinancing and servicing of existing loans and the opening of new lines of credit with the country's foreign creditors. The international financiers this time were far from the eager and generous lenders of the oil boom era. In alliance with the International Monetary Fund (IMF) they demanded the introduction of austerity measures, as a precondition for negotiation. (Olukoshi, 1990) The Economic Stabilization Act passed in April 1982 by the Shagari administration, was partly a response to the prevalent debt problems. The Act was aimed at introducing cuts in imports and government expenditure, and enforcing monetary discipline, among others.

The main policy changes demanded by the IMF relate to three broad areas - public expenditure, the structure and operational efficiency of the economy and fiscal and

trade policies. The conditionalities as set by the Fund for Nigeria, in the Fund's balance of payment support loans in 1983/84 were as follows:

- (i) The devaluation of the naira by at least 60% over a 2 year period.
- (ii) Removal of import and export controls and restrictions, that is the adoption of trade liberalization policy;
- (iii) Reduction in the aggregate public expenditure, particularly in the size of budget deficits and the introduction of greater budgetary discipline;
- (iv) Review of on-going public sector projects with a view to determining their priority, viability and desirability;
- (v) Reductions in grants, subventions and loans to the parastatals and state owned companies;
- (vi) Classification of parastatals into social and economic activities, for the purpose of restructuring them to achieve cost effectiveness, accountability, and profitability;
- (vii) The privatization of public enterprises as a means of reducing inefficiency in the public sector;
- (viii) Stoppage of non-statutory transfer of federal revenues to State governments;
- (ix) Simplification and rationalization of custom department and custom tariffs;

- (x) An upward review of interest rates and reduction in the sectoral allocation of credits;
- (xi) Phased removal of subsidies, particularly on petroleum products and fertilizers;
- (xii) vigorous export drive to broaden the export base - away from over-dependence on petroleum revenues;
- (xiii) Reviews of industrial incentives and policy, including the abolition of the approved users scheme;
- (xiv) Adjustment of the producer prices of agricultural commodities, particularly agricultural export products and;
- (xv) Strict external debt control and management (Aluko, 1988:)

The Shagari administration and its successor, the Buhari administration resisted pressures from the multilateral agencies and the international finance market for the full implementation of the IMF conditionalities - especially the aspects of the devaluation of the naira and the removal of petroleum subsidy. Hence, the negotiations with the Fund got stalled. The Buhari regime however, pursued more stringent economic stabilization measures, and succeeded in reducing the budget deficit by about 40% without the assistance of IMF.

The Fund/Bank insistence on a more comprehensive structural adjustment based on the IMF conditionalities derive from their diagnosis of the economic crisis. From their point of view, the economic crisis in Nigeria (and indeed Africa) is a product of

structural distortions in the economy due to overvalued exchange rates, import regulation, huge public sector expenditure, poor investment management and low returns on capital, high wage structure and low productivity of workers, import substitution industrialization and its policy environment, over extended inefficient and unproductive public enterprises, and their undue protection by government, and discriminatory credit policies against the private sector among others. (Onimode 1988; Bangura 1989; World Bank 1989; Beckman 1990; Adesina 1991).

The IMF/Bank position and the oil glut/world recession thesis do not, however, address the root causes of the crisis. The incorporation of Nigeria into the International Capitalist System through colonialism subjected the Nigerian economy to the capitalist system of socio-economic development and related crisis. With the sudden but intensive thrust of the economy into the International Capitalist System well before it developed the internal capacity to absorb the shocks of the international market or cope with its complexities, the economy started off from a very weak and disadvantaged position.

Historically therefore, the economic crisis in Nigeria is traceable to the cumulative effects of the various stages of imperialism. These include the loss of potential economic surplus from about 450 years of slave trade, the kidnapping of most able bodied men and women in the form of slaves, the loss of property and production through death and destruction during slave raids, and the consequent loss of purchasing power and productive capacity of the internal market due to enormous deportation. Others are the destruction of pre-colonial cottage industries and crafts, and the consequent inhibition of vital opportunities for technological development, the infusion of the Nigerian economy

with imperialist values which can rarely be sustained without dependence on the Advanced Capitalist Countries; the consequent cultural alienation and unequal economic exchange among others.<sup>4</sup>

Imperialism was the cord that linked the Nigerian economy first bilaterally to Britain, and later multilaterally to the International Capitalist System. Economic relations under this arrangement especially with the assistance of the Multi-national Corporations, ensures the exploitation of the local resources for the development of the Advanced Capitalist Countries, thereby underdeveloping Nigeria. Imperialism however, functions with the collaboration of the petty bourgeoisie in Nigeria whose activities since independence further ensure the underdevelopment of the country. As stated earlier, the pattern of domestic capital accumulation promoted in the second republic, in addition to that of the Gowon military junta in the 1970s, led to the rapid development of the Nigerian petty bourgeoisie, the expansion of foreign capital in the country and unprecedented growth of state capital<sup>5</sup>.

Notwithstanding the expansion of the economy, the import substitution industrialization of the post independence era did little to increase the country's self reliance. The expansion of the oil sector in particular was carried out to the neglect of

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See Brett, (1973); Nnoli (1981) Allens and Williams (1982); Onimode (1983); (1989) Abba et al, (1985); Izuakor (1987); Anyaoku (1989); Olukoshi (1990).

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For a more detailed discussion on the subject see Fanon (1970); Brett (1973); Frank (1974); (1980) Nore and Turner (1980); Turner 1980; Nzimiro (1982); Ake (1982); Magubane and Nzogola-Ntula (1983), Payer (1989); Onimode (1989:90); Olukoshi (1989:219-225); (1990:30 - 31).

the agricultural sector, and local sourcing of industrial raw materials, hence the economic crisis since the 1980s underscored by the foreign exchange and scarcity of raw materials crises.

The involvement of the IMF and the World Bank in the crisis has tended to favour the Advanced Capitalist Countries rather than the debtor African Countries.

According to Harris (1989:19):

The overriding agenda of the Fund and Bank is the construction, regulation and support of a world system where multinational corporations trade and move capital without restrictions from nation states.

This objective of multilateralism and "free trade" which the United States has been promoting since World War II, is deeply and fundamentally rooted in the structure of the Brettonwoods Institutions. A close look at the conditionalities however, shows that they are either aimed at capital accumulation for the payment of debts owed the international bankers, or the subjugation of the Nigerian and African economies to the multinational corporations. On the whole, the required measures rather than being relevant for the growth and development of the debtor nations, are motivated by the stated overriding agenda of the Bretton Woods institutions.

Nevertheless, lack of credit facilities, the decline in oil revenues and lack of foreign reserves, and the consequent foreign exchange problems made the IMF/Bank prescription attractive to the Babangida administration. On assuming power on August 27, 1985, the administration declared its resolve to break the deadlock in negotiations between the IMF and Nigeria, and organized a national debate on the issue. Despite the



overwhelming rejection of the IMF \$2.5 million loan and the Fund's economic adjustment in the national debate, the administration went ahead to execute the Structural Adjustment Programme based on the IMF conditionalities. The programme was initially meant to last for 2 years - July 1986 to June 1988. By September 1987, Nigeria was reported to have obtained a loan to the tune of \$4.28 billion from the World Bank.<sup>6</sup>

## 1.2 THE STRUCTURAL ADJUSTMENT PROGRAMME

The Structural Adjustment Programme involves stabilization policies aimed at restoring balance of payments equilibrium and price stability. It also embodies a set of policy instruments to ensure long term efficient utilization of resources. The objectives of the adjustment programme are:

- (i) To restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector, and on imports;
- (ii) To achieve fiscal and balance of payments viability over the adjustment period;
- (iii) To lay the basis for a sustainable non-inflationary growth and;

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The acceptance of the loan is questionable when viewed against the rejection of an IMF \$2.5 billion loan by Nigeria as a result of the national debate. The World Bank loan was apparently only a change of focus from IMF.

- (iv) To reduce the dominance of unproductive investments in the public sector, improve that sector's efficiency and enhance the growth potentials of the private sector. (Federal Government of Nigeria, Ministry of Finance 1987)

The major elements of SAP are:

- (i) Strengthening of demand management policies;
- (ii) Adoption of measures to stimulate domestic production and broaden the supply base of the economy;
- (iii) Adoption of a realistic exchange rate policy through the establishment of a Second-Tier Foreign Exchange Market (SFEM);
- (iv) Rationalization and restructuring of the tariff regime in order to aid the promotion of industrial diversification;
- (v) Progressive trade and payment liberalization;
- (vi) Reduction of complex administrative controls, and fostering reliance on market forces;
- (vii) Rationalization and commercialization/privatization of public sector enterprises (Federal Government of Nigeria; Ministry of Finance, 1987)

The core policy measures of SAP are:

- (i) Correct for the serious overvaluation of the naira through setting up of a viable Second-Tier Foreign Exchange Market; coupled

with adjustments to the official rate aimed at a convergence of the two rates as soon as possible;

- (ii) Overcome the observed public sector inefficiencies through improved public expenditure control programmes and rationalization of the parastatals;
- (iii) Relieve the debt burden and attract a net inflow of foreign loans  
(Federal Government of Nigeria, Ministry of Finance, 1987)

The above explicit elements of SAP demonstrate its premise on the aforementioned IMF conditionalities.

Rather than the 2 years announced in the President's 1986 budget speech, SAP became a permanent feature of the Babangida (and immediate post Babangida) administration justified by what it regards as "the gains of SAP". The "gains" notwithstanding, national debts increased from N42,229.5 million in 1986 to N86,550 million in 1987, with further increases to N133,956 million by September 1988, and N245.35 billion by March 1990. As at the end of 1992, the "gains of SAP", in terms of external debts stood at about N666 billion. It is the highest in Africa - according to World Bank estimates. Moreover, a fiscal deficit of N14.818 billion was recorded within the first 6 months of 1992. By September 1992, it shot up to about N25 billion.<sup>7</sup>

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See National Concord June 15, 1989; Sanusi 1990; Central Bank of Nigeria, Half Yearly Report January - June 1992; The Guardian January 29, 1993.

### 1.3 JUSTIFICATION FOR THE STUDY

The Structural Adjustment Programme as an articulate package for economic reconstruction in Nigeria has been a subject of controversy both within and outside the academia. A major area of controversy has been the human cost of the programme, and its capacity to achieve the set objectives especially given its links with the Brettonwoods institutions associated with imperialism and neo-colonialism. Moreover, the adjustment programme has been seen to have a "class bias" against the vulnerable groups (Green, 1989; Beckman, 1990). Hence, the clamour for "alternative to SAP" and SAP with "human face" in Nigeria in the late 1980s. From the view point of labour relations, such controversies relate to the nature of conflict management under SAP - the response and, or, coping strategies adopted by labour and management in the crisis, as highlighted in this study.

Equally important is the pervasive nature of adjustment programmes in Africa. By 1989 for instance, not less than two thirds of African countries had embarked on some form of adjustment programme according to the World Bank 1989 report. Such programmes have had a remarkable impact on the social and economic life of African states.

In Nigeria, the impact of SAP include the social and economic costs on labour arising from trade reforms, fiscal and monetary reforms, and reforms of parastatals which have adversely affected the production of goods and services, and the size of the workforce. Another interesting aspect of the scenario is the dis-similar impact of the programme on the various sectors and sub-sectors of the Nigerian economy. These

factors variously affect the labour market within the sectors and, or industries, with grave consequences for labour relations in Nigeria.

Given the importance of the adjustment programme therefore, and the fact that labour is often at the centre of the ensuing conflict and controversies, a study of this nature which aims at verifying the impact of the economic crisis and adjustment on labour relations is very significant.

#### **1.4 STATEMENT OF THE PROBLEM**

The immediate effects of the Economic Stabilization Act of 1982 enacted by the Shagari administration were the shortage of foreign exchange and scarcity of imported raw materials and spare parts for industrial production. These were followed by a fall in the utilization of installed capacity of most industrial enterprises. Olukoshi (1989) records that with capacity utilization ranging between 20% - 40% in the industrial sector, about 101 companies surveyed by the Manufacturers Association of Nigeria had shut down for periods of between 7 and 12 weeks by July 31, 1983, with about 200,000 workers laid off.

In the automobile, pharmaceutical, milling, poultry and construction, the labour force was cut by more than 50%. Between 1980 and 1981 alone, 35,000 textile workers lost their jobs, and 10,000 in the metal industry in 1983. the construction workers' union claimed to have had 80% of its members retrenched between 1981 and 1984. (Bangura 1986)

In the Food, Beverage and Tobacco (FBT) industry, retrenchment of workers due to scarcity of raw materials and low capacity utilization reduced the membership of the National Union of Food, Beverage and Tobacco Employees (NUFBTE) by more than 78,000 between 1982 and 1990. Of these, 30,000 came from the Flour Mill sub-sector. In Bendel Breweries alone 1,300 workers were made redundant in 1984 following directives from the state government to make the company viable within 6 months. About 9,500 workers lost their jobs in the brewery subsector, 2150 in the tobacco, 1,605 in the beverage and 5,730 in the food processing sub-sectors of Food, Beverage and Tobacco industry. (NUFBTE Records, 1991; AFBTE Records, 1991).

About one million workers were estimated to have been retrenched in the industrial sector between 1980 and 1983. The strategy of employers has often been to reduce the labour force in line with available raw materials and, or, the absorptive capacity of the market. (Olukoshi 1989; Bangura, 1989)

Retrenchment was often combined with other cost control measures such as compulsory leave, cuts in facilities, fringe benefits, promotions, annual increments, bonuses, allowances, and limited work schedules. Sometimes such measures include outright salary cuts. The particular measure introduced depends on the nature of the problem. Compulsory leave for instance may be introduced when raw materials and spare parts are exhausted, or when consumer resistance cause a slump in the market. Salary cuts are often traded for retrenchment. In 1983 for instance, Kaduna Textile workers were compelled to accept 50% wages in October, and 75% in November and December. (Bangura 1989) Similar event took place in the Nigerian Breweries PLC in 1985, when

workers had to forego 50% of their salaries as a trade off for retrenchment. Such trade offs sometimes do not ultimately stop retrenchment.

The rationalization exercise was not limited to the private sector. Similar measures were taken in the public service. By 1983, most state governments were receiving about 55% - 60% of the revenue they received in 1981, due to the fall in federal revenue. Hence, in the then Bendel State in 1984 alone, about 21,000 public servants were retrenched. Similarly in Niger State, 5,000 lost their jobs in a phased retrenchment exercise by the government - the same year. The Buhari regime in 1984 also declared a wage freeze for workers in all sectors of the economy. Some State governments went further to slash the wages of workers. In Niger State for instance, teachers' pay were cut by 5%. At the same period in Imo State, the government introduced a system which tied the salaries of public servants to available funds - the so called Imo formula. To make matters worse, the Buhari administration enacted decrees 16 and 17 of 1984 which barred the workers from challenging their retrenchments in the law courts, or receiving automatic retrenchment benefits. (Olukoshi 1989; Bangura 1989). The import of this level of loss of jobs lies in the fact that the social and economic burden of the unemployed, fall on their working relatives who take care of them.

The poor social conditions and low standards of living of the Nigerian worker which resulted from the above policy measures were exacerbated by the State of National Economic Emergency declared by the Babangida administration in October 1, 1985. With the new measure a general cut of between 2% and 20% in the pay of workers was

introduced. This was to pave way for the administration's Structural Adjustment Programme in 1986. The above events have effects on the labour market and have significance for labour relations under the economic crisis and adjustment.

The case of the Banking, Finance and Insurance (BFI) Sector is somewhat different - especially the banking sub-sector. Irrespective of the general economic downturn, the industry has experienced tremendous growth - especially with the introduction of the Structural Adjustment Programme in July 1986. In 1987 for instance, only 8 new banks were registered in Nigeria. By December 1988, it rose to 30 and 106 in 1990. The expansion in the industry can be associated with the fiscal and monetary policies under SAP, especially the SFEM<sup>8</sup>.

The effect of the growth in the Banking, Finance and Insurance industry on labour and the unions in that industry has been the reverse of what is observed in the Food, Beverage and Tobacco industry. In contrast with the later, union size has increased and labour unions have tended to be militant.

Against the above backdrop, two types of organizations can be identified with their respective enterprise and labour related issues. In the first category are industries and firms that are adversely affected by the economic crisis - especially SAP. Firms in this category face the problem of coping with unfavourable macro-economic policies such as high interest regime, devaluation of the naira, the high cost of production, foreign exchange crisis, scarcity of imported raw materials and industrial spare parts, and low

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See Central Bank of Nigeria Annual Reports 1986, 1987, 1988, 1989, 1990, 1991, and 1992.



utilization of installed industrial capacity. They also face the problem of managing redundancies, as well as coping with labour unions - given the adverse economic environment and uncertainties of SAP. To the big firms in this category, retrenchment is also a problem of corporate image.

The labour related issues in this category include those of coping with unfavourable working conditions in the face of mass retrenchment of workers, high rate of inflation and unemployment. The Food, Beverage and Tobacco industry belongs to this category.

In the second category are industries and firms, that are not adversely affected by SAP. The enterprise related issues include evolving strategies for coping with the competition and challenges thrown up by the adjustment programme, and the expansion in such industries. Part of the problem is that of managing the instability of the adjustment policies and the uncertainties associated with their implementation.

Labour related issues in this category include the difficulties of managing workers and their unions in the light of the precarious wider economic environment, especially with the agitation of labour for better conditions of service. The unions on their part face the problem of coping with union management and labour relation challenges that follow the expansion - especially in the light of employers' intransigence and state hostility to unions. The banking industry is in this category.

## 1.5 OBJECTIVES OF THE STUDY

Against the backdrop of the preceding discussions, I intend to use the Radical Organization Theory (ROT) as outlined by Burrell and Morgan (1979) to explain the impact of the economic crisis and adjustment on labour relations in Nigeria, and the coping strategies adopted by the state, management and labour within the period of the crisis and adjustment. These involve five broad objectives as follows:

- (i) The impact of the economic recession and adjustment on the economic performances of the firms and industries selected for the study within the time reference;
- (ii) The impact of the crisis and adjustment on the work relations of employers and employees in the Food, Beverage and Tobacco and Banking, Finance and Insurance industries within the period, and their effects on labour relations;
- (iii) The effects of (i) and (ii) above on industrial harmony -in particular, how the unions are coping with their traditional role of protecting the interests of their members. (In this regard, what strategies are being employed by the employers and organized labour, and how effective have they been?);
- (iv) The relationship between the economic environment and industrial harmony - the strike activity versus business cycle debate and its implications for labour relations in the SAP and post SAP era;

- (v) Emerging patterns of labour relations under SAP, and their theoretical implications.

Related issues to be addressed in the study include the effects of SAP on the structures of the industries, the firm, the unions and collective bargaining in the industries being studied, and their implications for the labour market in general, and labour relations in particular. Others relate to the observations made on theoretical issues and emergence patterns of labour relations in Nigeria since the economic crisis and adjustment, by some industrial relation analysts as highlighted in chapter 3, and on which basis the hypotheses were largely formulated. In this regard, are unions becoming conciliatory rather than combative? Are strikes withering under SAP? Is collective bargaining becoming decentralized and worker participation promoted due to the economic crisis and adjustment? Have collective bargaining issues/substances actually changed? If so, what is the nature and direction of this change? What is the state of job satisfaction of employees in the firms studied? These among other will be verified in the study.

## **1.6 RESEARCH DESIGN**

### **1.6.1 SELECTION OF THE ORGANIZATIONS**

The two firms selected for this study are the Nigerian Breweries PLC (NBL) from the Food, Beverage and Tobacco (FBT) industry and the United Bank for Africa PLC (UBA) from the Banking, Insurance and Financial Institutions (BFI) industry. These

industries were selected because of the contrasting impact of SAP on them, which also suggests contrasting labour relations experiences. The selected firms are therefore used as case studies to illustrate the labour relations trends in the industries, as well as reflect the situation at the national level.

NBL was selected from the Food, Beverage and Tobacco industry for several reasons. First, it represents the two sides of the industry - economic hardship and recovery. It has successfully managed the scarcity of imported malt, and the quest for local sourcing of raw materials which affected the industry in the mid 1980s, to be ranked first of the top 100 companies in Nigeria in 1989, listed according to profits before taxation (This Week, Top 100 companies in Nigeria, 1989). The investigation of the hard times and the good times, and how these affected labour - management relations at the various periods influenced its choice. Moreover, I consider it important to examine the part played by the status of the firm as a multinational company, and its connections with international capitalism.

The selection of UBA from the Banking, Finance and Insurance industry is motivated by its position as one of the strongest firms in the industry. It was for instance ranked second of the top 100 companies in Nigeria in 1989, listed according to profits before taxation (This Week, Top 100 Companies in Nigeria, 1989). Secondly, the availability of access into the company played a role in its selection.

### 1.6.2 TIME REFERENCE

The time reference for this study is 1982 - 91. The study seeks to capture the effects of SAP on work organization and labour relations in the SAP period. Notably, the entire 10 year period is a period of economic recession in Nigeria, and the SAP period is invariably interwoven with the economic recession.<sup>9</sup>

### 1.6.3 RESEARCH METHODS

Social research methods employed in the study include oral interviews and questionnaire survey. Extensive and indepth interviews were conducted among trade union officials at various levels in the industries and firms selected, in addition to top management staff of the enterprises.

In the Food, Beverage and Tobacco industry, the following unions were involved in the interviews and questionnaire administration: The National Union of Food, Beverage and Tobacco Employees (NUFBTE); Food, Beverage and Tobacco Senior Staff Association (FOBTOS) - at the local and national levels respectively; and the Association of Food, Beverage and Tobacco Employers (AFBTE).

In the Banking, Finance and Insurance industry, I interviewed officials of the National Union of Banks, Insurance and Financial Institutions Employees (NUBIFIE),

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I acknowledge for instance that the stabilization polices of the Shagari era (from 1982) invariably became part of SAP. While this may be regarded as part of the limitations of a study of this nature, I consider SAP as an economic package of the Babangida administration which has had a structural impact on the economic and social bases of national life.

Association of Senior Staff of Banks, Insurance and Financial Institutions (ASSBIFI) - at the local and national levels, and the Nigeria Employers Association of Banks, Insurance and Allied Institutions (NEABIAI).

Questionnaires were also administered on members of the labour unions as highlighted in 1.6.4 below, while key officials of the Nigeria Labour Congress (NLC) were interviewed.

Secondary data were obtained from the Manufacturers Association of Nigeria (MAN), the NLC, the Federal Ministry of Employment Labour and Productivity, the Central Bank of Nigerian (CBN), the Federal Office of Statistics (FOS), Trade Union Registry, the Industrial Arbitration Panel (IAP), the labour unions in the study, and the annual reports of the selected firms.

#### **1.6.4 ORGANIZATION OF THE FIELDWORK**

The major part of the fieldwork was carried out between March and November 1991. I spent the first 3 months trying to secure permission to carry out the survey in the selected firms. The survey started in earnest in May 1991, and continued till November 1991. By the latter date, the organizations were becoming busy with their annual reports - making it more difficult to get the attention of the staff. Fortunately, I had carried out most of the interviews by the time the annual reports were being prepared. Most of December 1991 was spent in the University of Ibadan, at which time I started to organize the data, while making preliminary contacts with the branches of the firms in Ibadan. The remaining aspects of the fieldwork in Lagos, which were mainly the collection of

secondary data, were carried out together with the Ibadan aspect of the fieldwork in January and February, 1992.

The three months spent awaiting permission for the survey in the firms were used to arrange for interviews and, or, data collection at the national secretariats of NUBIFIE, NUFBTE, ASSBIFI, FOBTOB, NEABIAI, AFBTE, MAN, NLC, IAP, the Federal Ministry of Employment, Labour and Productivity, the Trade Union Registry, the Federal Office of Statistics (FOS) and the CBN.

#### **1.6.5 THE SURVEY**

The survey commenced with the administration of the questionnaires in the two firms. This period was also used to book appointments for interviews in the firms with relevant top management staff and union officials. The national headquarters of NBL and the brewery in Iganmu, Lagos, and the Ibadan brewery were earmarked for the study.

I categorized UBA into five zones for the purpose of the survey. The zones were: Ikeja, Surulere, Ijora, Broad Street and Head Office. The Oba Akran branch was selected from the Ikeja zone, Ojuelegba and Unilag branches from Surulere zone, Ijora causeway branch from Ijora zone, Lagos Central, Lagos East and Marina branches from Broad street zone, and the Breadfruit, Elephant House and Raymond House offices from the Head office zone.

The Ibadan aspect of the survey involved all the three UBA branches in the town located at Amunigun street, Jubilee Market Road and Ijebu By-Pass Oke Ado. These

were in addition to the UBA Ibadan/Benin Regional Office, and the Ibadan Area Office both located at Alhaji Jimoh Odutola Road. The decision to administer the questionnaires in all the branches/offices in Ibadan was taken in consideration of the larger proportion of UBA branches in Lagos.

I defined the study population for the questionnaire administration as the category of unionized employees who belong to the unions. This involved the junior staff and senior staff categories in the firms.

I conducted a pre-test for the study in January 1991 with a 15% response rate. The analysis of the pre-test however, indicated that most respondents were impressed with the performances of their union officials. This was applicable to both the junior and senior staff of NBL and UBA.

To improve the response rate, I resolved to distribute the questionnaire through the respective union officials. Moreover, the size of the questionnaire was reduced from ten pages to five pages while retaining the vital questions.<sup>10</sup> I also got the questionnaire more structured for easy filling. Further, the number of the branches in the UBA zones was increased from six to ten<sup>11</sup> Apart from my personal contacts with the union officials, I monitored the questionnaire administration through phone calls.

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This made a demand on my research "instinct" which I employed with the assistance of my supervisor. In all, the population of workers in the UBA branches surveyed in Lagos and Ibadan (earlier highlighted) was 1105 while that of NBL was 2187 - a total of 3292.

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Initially, I had selected one branch from each, of the zones, apart from the head office zone from which I had selected two branches.



Sixty five percent of the questionnaires were administered in NBL while thirty five percent were administered in UBA - in proportion to their respective target populations. At the end of the survey, 344 useable questionnaires were retrieved. This represents about 85% of all questionnaires returned, and more than 31% of the sample population. This sample population percent was about 33% of the target population. Ninety five percent of the unusable questionnaires were from NBL. Of the 344 good questionnaires, one hundred and fifty two were from NBL while one hundred and ninety two were from UBA. Two hundred and sixty seven of the questionnaires were from Lagos as compared with seventy seven from Ibadan<sup>12</sup>.

The random sampling method which I had proposed for the selection of the respondents was not altogether possible because of the shift work in the NBL, which made it difficult to adhere to the systematic sampling. The management of NBL therefore objected to it - insisting that it would disrupt the flow of work. The questionnaires were however, administered according to the proportion allocated to the various sections, and segments of employees in the firms. To ensure adequate representation of all categories of the target population, all women and senior staff available were administered the questionnaires.<sup>13</sup>

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Possible reasons for the low response rate and the unusable questionnaires are the busy banking environment of UBA and the low formal education of the production workers in NBL. The later in particular may account for the low response rate from NBL. These problems resulted mainly from my inability to do active (participant) observation in the study which would have afforded me a face to face contact with my respondents.

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This was due to the small proportion of these category of employees in comparison with others.

The questionnaires were used to survey the effects of SAP and management policies on unionized employees of the firms from the latter point of view. It was also used to elicit information on work relations especially as they affect job satisfaction.

The oral interview schedules were unstructured - aimed at encouraging a free flow of detailed information from respondents. The subjects were prompted for clarity and focus at necessary points to ensure that the relevant issues were discussed. I used a portable tape recorder for the interviews except where the subject objected to it. In such cases, recording was done manually. Sometimes, I had to switch off the tape recorder at the request of the respondent. It turned out however, that at such times, the issues in question were the flesh of the matter. At such times, even manual recording becomes suspect, since the issues were considered sensitive (or secret) by the respondent. In such situation, I jotted down the key points to enable me make full recording as soon as I got out.

The labour relations problems prevalent in the Food, Beverages and Tobacco industry affected the oral interviews with the national union officials at the NUFBTE secretariat at Dopemu. The interviews were interrupted several times by union officials who brought complaints from the state councils and local chapters of NUFBTE. In this regard, I had my appointment for interviews in the secretariat postponed twice, and suspended thrice in the midst of the interview - to enable the national officials attend to the union representatives.

My interviews at the national headquarters of UBA in Lagos were quite challenging. My intention was to commence the interview with the Personnel Manager

Industrial Relations (PMIR). This I had thought would give me the required credibility and co-operation of the entire staff. The Personnel Manager Industrial Relations however, introduced me to the Industrial Relation Manager (IRM) with a plea that I should consult with him only as a last resort. The Industrial Relation Manager with a similar plea introduced me to his subordinates - Industrial Relation Officers and the union officials.

Conscious of my intentions to interview the top management staff, I decided to commence with the union officials and from there go up the hierarchy. I could then descend later if I had reasons to clarify issues from the lower categories of officials. I therefore started the interviews with the officials of NUBIFIE and ASSBIFI, and then proceeded to the Industrial Relation Officers and the top management staff.

In most cases the top management staff were reluctant to "open up". They would rather refer me to the annual reports, until I confronted them with sensitive issues raised by the union officials that affected their offices. In a bid to clarify such issues, the top management staff then open up. This method proved efficacious throughout the interviews.

### 1.7 PROBLEMS ENCOUNTERED

Three major problems encountered in the study were related to the field work. The first was the problem of access. I engaged the assistance of key individuals in the firms to solve this problem. It would seem though that this problem is a general one associated with research work in Nigeria, especially those involving students. In UBA for instance, the PMIR stated that I was the first student in many years being considered

for permission to do a research work in the company. Impressed at my disposition, he promised to assist me in obtaining the permission, but added "then you'll be free to probe us". That was my initial impression of the stringent and cautious conditions under which I was going to carry out my field work in UBA.

When at a latter date the letter of permission was handed over to me by the Personnel Manager Industrial Relations, he reiterated "... You are now free to probe us". I tried to explain that I would prefer him to regard the study as a research rather than probe (due to the negative connotation) when he warned:

Don't portray this organization in bad light. If you do, I'll shut the door against future research students. You see, we are here for business.

The above events are related to the second problem - that of access to information. On my application for the study were several comments from various offices, one of which read "Please co-operate as much as permissible" I was to realize in the process of the fieldwork, that what was permissible was according to the definition of the officer in charge. From the oral interview and questionnaire survey to the secondary data collection, the concern of the officers were in line with the earlier injunction - to desist from portraying the company in bad light. The only exception were the union officials. Some information vital to the study were withheld from me - especially those that had to do with strikes.

As I highlighted in section 1.5.5, I solved this problem by confronting such officers with the information I had obtained from the local or national union officials, some of which were slightly exaggerated. Moreover, after my interview with the PMIR

which lasted for more than two hours due to the sensitive nature of the issues raised by the union officials, every other office granted me access to the required information. These include some information which were earlier withheld from me. The reason is that in a bid to clarify his role in the events in question, the PMIR suspended all other appointments in the course of my interview. The acknowledgement by the staff had a positive effect on my fieldwork. It improved my dignity, enhanced my status and acceptability, and increased my access to information.

The third problem was that of low response which I addressed through my experience in the pre-test as explained in section 1.5.5. Moreover, data from the questionnaires were complemented with data from secondary sources and oral interviews - formal and informal.

## 1.8 THEORETICAL FRAMEWORK

The marxian structuralist variant of the Radical Organization Theory outlined by Burrell and Morgan (1979) is used for this study, given its unifying themes of totality, structure, contradiction and crisis. I selected this perspective due to its utility in explaining the relationships between the economic crisis and macro socio-economic policies under SAP on the one hand, and the structures of the industries, the firms and the labour unions on the other. It is also useful in the analysis of the contradictions responsible for the economic crisis and those prevalent in the organizations, as well as

the coping strategies employed by the various parties in the crisis. Moreover, this variant of ROT enables me to take a wider view of industrial relations in this work as relations of production. This is in contrast with the emphasis on job regulation and collective bargaining which is the pre-dominant approach of analysis in the structural functionalist tradition<sup>14</sup>

## 1.9 DEFINITION OF CONCEPTS

### 1.9.1 INDUSTRIAL RELATIONS

Industrial relations is concerned with social relations in the workplace that result from decisions made by the owners and controllers of the enterprise, with regard to the hiring and firing of workers, production and distribution of goods and services, and the allocations of the profits from the enterprise in the form of remunerations.

Dunlop (1958:5) who is often regarded as the founding father of industrial relations (as an academic discipline) from the pluralist perspective, defined the subject as one concerned with rule making governing the workplace and the work community. Flanders (1968) continued the orthodox thinking with his conception of industrial relations as the study of institutions of job regulation. This school of thought has dominated industrial relations theorizing since the publication of Dunlop's (1958) *Industrial Relations Systems*. The above definition of industrial relations as rule making and job regulation present a narrow, conservative and misleading picture of the academic

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A more detailed discussion on ROT is presented in chapter 3.

area, as one whose focus is merely on the maintenance of regularity and stability in the workplace. It implies a restrictive conception of industrial relations as conflict management to the relative exclusions of the social processes through which the conflicts are generated. It also implies a reification and depersonalization of the academic discipline contrary to reality. In this study, industrial relations is conceived broadly as a product of the fundamental antagonism between labour and capital, and incorporates the underlying social processes and employment relations that generate the conflicts. Hence, the definition of industrial relations adopted in this work is that of Hyman (1975), which views it as the study of "processes of control over work relations". This definition implies power struggle due to fundamental conflicts generated by inequitable distribution of socio-economic rewards between the controllers of the enterprise and the workers, each of whom strives to exercise control over the work relations. It also views trade unions both as formal institutions as well as workers organization whose preoccupation is the improvement of the wellbeing of its members, and the achievement of their aspirations. Conceptual issues in industrial relations theorizing implied in the above are treated in details in chapter three.

### 1.9.2 LABOUR RELATIONS

Labour relations is used in this study as synonymous with industrial relations. My preference for the former derives from its emphasis on "labour" rather than "industrial". Underlying this is its significance in the avoidance of the error of reification and

depersonalization of industrial relations - since labour is at the centre of work relations in the workplace.

### 1.9.3 EMPLOYEES

The word "employees" is used as synonymous with "workers" - generally conceived as the category or staff who are unionized. This definition excludes the (top) management categories that are not unionized.

### 1.9.4 INDUSTRY

The term "industry" in this work is conceived to correspond to the labour union organization in the food, beverage and tobacco sub-sectors of the manufacturing sector, that came into existence in 1978 as a result of the restructuring of the labour unions in Nigeria by the Federal Government.

This conception of the term is based on the fact that labour relations in the sub-sectors is organized along the line of the "industry". Hence, the Food, Beverage and Tobacco industry in this study refers to the three sub-sectors of the manufacturing sector within which framework the organized labour operates. The same applies to the Banking, Finance and Insurance industry.



### 1.10 LABOUR UNDER STRUCTURAL ADJUSTMENT: SOME OBSERVATIONS

It has been variously observed that under the economic recession and adjustment, labour have been weakened by loss of membership through retrenchment, high rate of unemployment and state hostility to labour unions.<sup>15</sup>

Fashoyin and Damachi (1988) have observed that labour relations have become enterprise based in contrast with the industry-wide pattern of bargaining which accompanied the restructuring of trade unions in Nigeria in 1978. The argument according to them is that the uneven impact of the economic recession and the adjustment programme on the various sectors and sub-sectors of the economy, requires flexibility in the management of the economic crisis and the labour relation problems. The industrial crisis they argue, is better managed at the enterprise level where the actual problems occur.

Imoisili's (1987) report on the Food, Beverages and Tobacco industry however, points to the contrary. He observes that local unions in the industry have sought to transfer to the national level, issues meant for bargaining at the enterprise level. He attributes this to the crippling effects of retrenchment on the membership and effectiveness of the unions at the local level.

Fashoyin and Damachi (1988) also observe that labour and management have resolved to jointly find solutions to the economic problems resulting from the crisis, by

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See Fashoyin (1986); Imoisili (1987); Bangura (1989; 1991); Damachi (1989); Isamah, (1990); Adesina (1991); Oshinowo (1991); Otobo (1992).

making various concessions to management rather than being antagonistic. The covert implication of this observation is a convergence rather than divergence of interests between labour and management.

There is also an increasing trend towards greater employee participation they argue, as management acquaints labour with prevailing problems and involves the unions in proffering solutions to such problems. There are indications though, that this practice is merely used to justify retrenchments and other forms of rationalization embarked upon by management.

Fashoyin and Damachi (1988) and Oshinowo (1990) have also argued that due to the economic crisis and adjustment, labour priorities have been re-ordered with a noticeable shift from improvement issues to sustenance issues - job security rather than economic benefits.

Oribabor (1984) in his observation points out that rather than direct pay, union demands since the economic recession have bothered on improvements in fringe benefits such as hospital, transport, and housing allowances. This in his view is due to the realization by the labour unions that large pay claims are easily eroded by high inflation engendered by the economic crisis. Some of these positions will be examined in this study - within the limits of available data.

### 1.11 HYPOTHESES

The following hypotheses will be tested in this study:

1. The Structural Adjustment Programme aggravates industrial unrest.
2. The slack in the labour market that the economic crisis and adjustment policy instruments create, compels workers to put the highest priority on job security.
- 3a. The slack in the labour market has discouraged the use of strike as a dispute settling mechanism by trade unions.
- 3b. Unions prefer procedural norms to strikes in dispute processing.
4. Given the adverse impact of structural adjustment on economic enterprise and living standards of workers, employees of firms that experience growth will express high overall job satisfaction.
5. Strike activity in Nigeria is procyclical, but will be higher in the SAP period relative to the pre-SAP period.

### 1.12 LIMITATION OF THE STUDY

A major limitation of this study emanate from my inability to select the firms in order to reflect the complexities of the chosen industries. This was due to the limited time and funds associated with a study of this nature - especially with the limited research grants available during the economic crisis and adjustment. The findings at the firm levels with particular reference to job satisfaction, may therefore not be typical of the situation at the industry and or national levels (throughout the period of recession).

## **CHAPTER 2**

### **ORGANIZATIONS IN THE STUDY AN OVERVIEW**

#### **2.1 THE FOOD, BEVERAGE AND TOBACCO INDUSTRY**

The Food, Beverage and Tobacco industry in Nigeria accounts for an annual turnover that constituted about 6.7% of the country's Gross Domestic Product (GDP) according to the Fourth National Development Plan 1981 - 85. The industry also accounted for 50 - 60% of total manufacturing turnover in Nigeria within the period (current data on the industry is not available). The manufacturing sector's contribution to Nigeria's GDP was 9.17% in 1981, 11.4% in 1986, and 5.5% in 1990 (CBN Statistical Bulletin, June 1992).

#### **2.2 THE NATIONAL UNION OF FOOD, BEVERAGE AND TOBACCO EMPLOYEES**

The National Union of Food, Beverage and Tobacco Employees (NUFBTE) is made up of all house unions in firms involved in the production of food, beverage and tobacco products. The union came into existence in 1978 as a result of the restructuring of trade unions in Nigeria by the Federal Government. It has its National Secretariat at No. 9, Mortune Avenue, along Lagos-Abeokuta Express Road.

The objectives of the union are primarily to protect and advance the interest and aspirations of its members. These include obtaining and maintaining a just and equitable hours of work, wages and salaries, and other conditions of employment, as well as

encouraging the participation of its members in decision making at all levels of economic enterprise.

The National Union of Food, Beverage and Tobacco Employees consists of various organs as follows:

- (i) The Quad-ennial Delegates Conference;
- (ii) The National Executive Council;
- (iii) The Administrative Committee;
- (iv) The State Councils;
- (v) The Branch Executive Committee; and
- (vi) The Unit Executive Committee.

The highest authority of the national union is vested on the Quad-ennial Delegates Conference which holds every four years. It is made up of the Principal Officers of the National Executive Council, the State Chairmen and Secretaries who are principal officers of the state council, and the Branch Delegates which also include the Chairmen and Secretaries of the Branch Executives Committees.

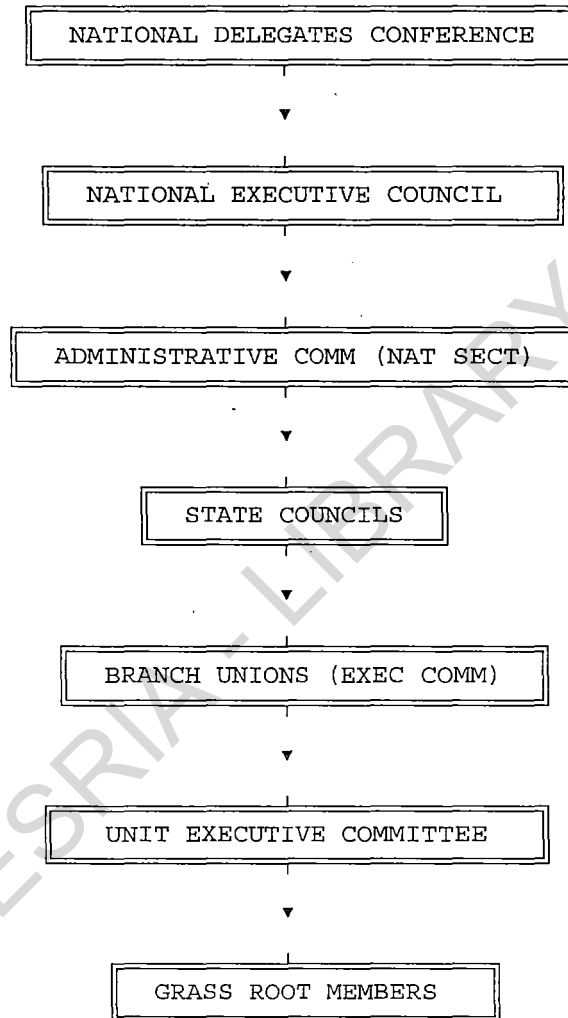
ORGANIZATIONAL CHART FOR NUFBTE

FIG 2.1

The Quad-ennial Delegates Conference formulates policies that affects the union, considers reports from the National Executive Council, and provides the forum for the election of the principal officers of the union.

The National Union of Food, Beverage and Tobacco Employees has its branches in the firms within the food, beverage and tobacco sub-sector of the Manufacturing Sector in Nigeria, as well as in the various branches of the companies. Hence, the union exists in the Nigerian Breweries Plc, with the Branch National Executives at the company's headquarters in Lagos. The local units of the Union also exists at the various brewery locations in the country.

### **2.3 THE FOOD BEVERAGE AND TOBACCO SENIOR STAFF ASSOCIATION**

The Food, Beverage and Tobacco Senior Staff Association (FOBTOB), with its headquarters at 48 Oguntolu Street, Shomolu, Palmgrove, Lagos also came into existence as a result of the 1978 restructuring of trade unions in Nigeria.

The objectives of the union as usual is the protection of the interests of its members which include: to organize the senior staff in the industry with the aim of regulating the relations between them and management, (as well as other staff); the promotion of professionalism and productivity among its members; the advancement of their education and training; and the provision of benefits and other forms of assistance to the members as provided for in the constitution.

The major arms of the Association are:

- (i) The National Delegates Conference;
- (ii) The National Executive Council;
- (iii) The Central Working Committee;
- (iv) The Local Branches.

The National Delegates Conference which is the Supreme organ of the Association holds every four years. Its members include the national and branch officers of the union. The National Delegates Conference is responsible for policy issues of the union, and receives reports from the National and Branch officers. It is also responsible for the election of new officers.

The National Executive Council (NEC), comprises the principal officers of the union - National President, Deputy National President, Zonal Vice President, Executive Secretary, Assistant General Secretary, Treasurer among others. The National Executive Council which is the executive arm of the union meets every six months to consider administrative issues. It therefore meets between the National Delegates Conferences to take decisions on dates, venues and agenda of the conference. Other duties of the National Executive Council include the implementation of the policies decided by the National Delegates Conference, enforcement of the rules and regulations of the Association, ensuring the safety and prudent management of the union's funds and setting up committees when necessary for the smooth administration of the union.

The Central Working Committee (CWC) of the Association which meets monthly consists of all elected principal officers and the Executive Secretary of the Association.



Its function include the daily administration of the union in between the meetings of the National Executive Council, to which it reports its activities. The Central Working Committee is also responsible for disciplinary measures against erring members of the union.

The Local Branches of the Association exist in the respective companies operating in the Food, Beverage and Tobacco industry. It comprises the Branch Chairman, Secretary, Treasurer and other elected members of the Branch meeting. The Branch is basically concerned with labour-management relations at the grassroot level.

The Branch of the Food, Beverage, and Tobacco Senior Staff Association exists at the headquarters of the Nigerian Breweries PLC. in Lagos, while the units of the union exists in the respective brewery locations.

#### **2.4 THE NIGERIAN BREWERIES PLC**

The Nigerian Breweries Plc was incorporated as a public liability company on November 16, 1946. The principal shareholders initially were Heineken Brovwerijen B.V. and Unilever. As a result of the indigenization policy under the Nigerian Enterprises Decrees of 1972 and 1977 the company was compelled to sell 40% of its shares to Nigerians. Later, in 1978, the shares held by Nigerians was increased to 60%.

Operations in the company started with the Lagos Brewery on June 2, 1949. A second brewery was commissioned in 1957 at Aba, in the then Eastern Nigeria, which led to the changing of the name of the company from "Nigerian Brewery Ltd" to

"Nigerian Breweries Ltd". With further expansion, the Kaduna brewery was commissioned in 1963, followed later by the commissioning of another in Ibadan in 1982.

The share capital of the company stood at about N228.7 million as at December 31, 1991, compared with about N36.6 million in 1980.<sup>1</sup> Of these, N137.2 million shares equivalent to 60% were held by Nigerian citizens and associations. As at December 31, 1991, the company's total turnover stood at N1.7 billion, profits before taxation was N422.5 million, profit after taxation was N247.5 million, while total assets stood at N1.1 billion in the same year.

In response to the ban on imported grains by the federal government in 1986, NBL acquired a 5,000 hectares farmland at Gbakagi, Bida in Niger State for the cultivation of local grains. Such grains include maize, rice, sorghum, soya beans and cow peas. The agricultural project is carried out in conjunction with the Research and Development Centre which was commissioned in June 1987 to conduct research into local raw materials and their suitability for brewing.

The company's products are distributed country-wide through a network of distributors and area sales offices. As at 1991, the area sales offices were five, with twenty major distributors under each of them. These were Lagos Area Sales Office with its head office at Iganmu, Lagos; West Area Sales Office with the head office in Ibadan;

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<sup>1</sup>The effects of devaluation of the naira may account for a significant proportion of the "growth".

East Area Sales Office with the head office in Aba, North Area Sales office with the head office in Kaduna, and the Mid-West Area Sales Office with the head office in Benin.

The company's products include Star Lager Beer, Guilder Lager Beer, Maltina, Green Sands Shandy and Rex Lager Beer. These products came into the market in 1949, 1970, 1976, 1981 and 1986 respectively. The latest, Legend Extra Stout was introduced into the market on June 1, 1992.

#### **2.4.1 ORGANIZATIONAL STRUCTURE AND STAFF POSITIONS IN NBL**

The Board of Directors at the apex of the Nigerian Breweries Plc is made up of 12 members headed by the Chairman and Managing Director, who is the Chief Executive of the company. The Board is responsible for the formulation of broad policies of the company, and is answerable to the shareholders. The Management of the company is responsible for the implementation of the policies.

The broad staff categories in NBL include: The Directors, Senior Managers, Managers, Assistant Managers, Senior Supervisors, Supervisors, Foremen, and the junior workers.

The non-management staff can be categorized broadly as follows: Senior Supervisors, Supervisor/Foremen, Skilled and intermediate workers, and unskilled/semi skilled workers.

Non-management staff strength as at 1991 was 3815 while management staff was

342, as shown in Tables 2.1 and 2.2 below. One hundred and thirteen of the management staff were employed at the company's headquarters in Lagos.

**TABLE 2.1 NON-MANAGEMENT STAFF  
DISTRIBUTION IN NBL (1987-91) ACCORDING TO LOCATIONS**

LOCATION	1987	1988	1989	1990	1991
Headquarters	283	277	387	371	383
Lagos Brewery	1006	935	958	989	980
Aba Brewery	537	532	517	533	567
Kaduna Brewery	607	570	559	575	582
Ibadan Brewery	1008	999	1006	1075	1207
Farm	101	121	109	106	96
<b>TOTAL</b>	<b>3542</b>	<b>3434</b>	<b>3536</b>	<b>3649</b>	<b>3815</b>

Source: Non-management Staff Establishment List NBL

\*\* Figures for 1982-1986 are not available

The junior workers are concentrated more at the Lagos and Ibadan breweries. In 1987, Lagos Brewery accounted for 1006 of the 3522 non-management staff, while Ibadan Brewery accounted for 1008. Hence, the two breweries employed about 57% of the entire non-management staff in 1987.

The unique and ambivalent position of the senior supervisors in NBL is interesting. They constitute a bridge between the management staff and the non-management employees. They are no junior workers and not quite senior. Their activities are distinct from those of the supervisor/foreman category. Their condition of service is however not comparable to those of the management staff, yet quite better than those of the junior workers. A junior worker is promoted to Senior Supervisor through job appraisal.

The senior supervisors are neither members of NUFBTE nor FOBTOB and are not expected to participate in any industrial action. Instead the management relies on them to render skeletal services during periods of industrial action by any of the above mentioned unions. The significance of the senior supervisory position to labour relations in NBL is discussed in chapter 6.

The Nigerian Breweries Plc has four main Division structured towards the achievement of the organizational goals. These are Technical, Finance, Marketing and Personnel Divisions, each of which is headed by an Executive Director. The Directors are in-charge of their respective Divisions on a daily basis, and report directly to the Chairmen and Managing Director. The Executive Directors are also members of the

TABLE 2.2 MANAGEMENT STAFF

## DISTRIBUTION IN NBL (1987 - 1991) ACCORDING TO LOCATIONS

LOCATION	1987	1988	1989	1990	1991
Headquarters	95	98	102	104	113
Lagos Brewery	48	47	48	44	45
Aba Brewery	44	36	40	39	37
Kaduna Brewery	40	41	42	42	41
Ibadan Brewery	49	50	45	46	50
Farm	14	13	13	11	10
Marketing (field)	25	23	24	24	23
Mgt. Trainees	16	17	19	27	23
TOTAL	331	325	333	377	342

Source: Management Staff Establishment List NBL

\* Figures for 1982-1986 are not available.

Board of Directors, and have other subordinate officials - senior and departmental managers who assist them in the running of their Divisions.

In the Nigerian Breweries Plc, the Industrial Relations function is subsumed under the Personnel Division headed by the Personnel Director. Such functions are however, particularly, performed by the Industrial Relations Manager who is situated at the

Company's headquarters, and reports directly to the Personnel Director. The Industrial Relations Manager is assisted at the headquarters by the Assistant Industrial Relations Manager while the four Personnel Managers at the various brewery locations perform the industrial relations function. Hence, although, the Personnel Managers at the Breweries are generally responsible to their respective Brewery Managers, professionally, they report directly to the Personnel Director at the headquarters who refers most of the industrial relations matters to the Industrial Relations Manager, for appropriate action.

Irrespective of the communication distance between the local unions located at the breweries, and the Industrial Relations Manager at the headquarters (as implied in the organizational structure), there has been a general industrial peace in the Nigerian Breweries Plc, both before and during the economic crisis and adjustment. One of the reasons for this trend is the fact that outstanding industrial relations issues are handled at the headquarters with the national union officials also situated at the headquarters, and from whom the local unions receive instructions. Moreover, the Personnel Director at the headquarters often ensures that collective agreements reached with the national union leaders at the headquarters are promptly implemented at the brewery locations. Other reasons for the observed industrial peace in the company some of which are related to the labour market environment are discussed in chapter 6.

## **2.5 THE ASSOCIATION OF FOOD, BEVERAGE AND TOBACCO EMPLOYERS**

The Association of Food, Beverage and Tobacco Employers (AFBTE) is the employers' organization in the Food, Beverage and Tobacco industry, registered under the Trade Unions (Amendment) Decree No. 22 of 1978. The Association of Food, Beverage and Tobacco Employers - an affiliate member of the Nigerian Employers' Consultative Association (NECA) accounts for about 70% of total employment and 90% of turnover in the industry (Imoisili 1987).

Since its inception in 1979, AFBTE has been responsible for negotiating (on behalf of its members) collective agreements covering salaries and wages; the major fringe benefits, hours of work and other conditions of service with the labour unions in the industry - NUFBTE and FOBTOB. AFBTE also assists its member companies in resolving industrial conflicts as well as providing research and advisory services.

The secretariat of AFBTE is headed by the Executive Secretary who is responsible to the Management Committee made up of the elected officers and a maximum of 15 companies selected to reflect the relative member-strength of the 3 segments of the industry - food, beverage and tobacco. The major fora for exchange of views and ideas among members are the Committee of Chief Executives and the Committee of Personnel Experts which meet monthly.

Similarly, the National Union of Food, Beverage, and Tobacco Employees (NUFBTE) and the Food, Beverage, and Tobacco Senior Staff Association (FOBTOB)



represents the junior and senior staff respectively in the Food, Beverage and Tobacco industry.

## **2.6 THE BANKING, FINANCE AND INSURANCE INDUSTRY**

The Banking, Finance, and Insurance industry is an important sector in the Nigerian economy. The Banking sub sector is strategic to the Structural Adjustment Programme. This is largely responsible for the expansion of the industry since the introduction of SAP in 1986. While the total number of banks in 1978 was 24, it rose to 41 in 1986, and rose by about 190% in 1991 with 119 registered banks (CBN Statistical Bulletin June, 1992).

The unions operating in the industry are NUBIFIE representing the junior workers and ASSBIFI which represents the senior staff in the industry. The organization representing the employers in NEABIAI. The three trade unions are responsible for the negotiation of collective agreements and dispute processing on the behalf of their respective members in the industry.

## **2.7 THE NATIONAL UNION OF BANKS, INSURANCE AND FINANCIAL INSTITUTIONS**

The National Union of Banks, Insurance and Financial Institutions (NUBIFIE) consists of the National Delegates Conference, the National Executive Council, the Central Working Committee, the National Administrative Council, the Domestic

Committees, the Local Committees, the Branch, the State Delegate Conference, the State Executive Council and the State Administrative Council.

The National Delegates Conference which is the highest policy and decision making arm of the union, holds every four years. It is among others, responsible for the election of the union officers.

Following in rank is the National Executive Council (NEC) which is the executive arm of the union. It meets biennially in the months of July and December and is made up of the national officers including, the President, the General Secretary, State Chairmen and representatives of the Domestic Committees as shown in figure 2.2. The National Executive Council initiates and approves the actions of the secretariat as well as that of the Central Working Committee. The President after due consultations with the General Secretary can summon an emergency meeting of the union. Such a meeting can however, only deliberate on the issues that motivated the emergency meeting. The regular session of the National Executive Council examines all the activities of the union in between the National Delegate Conferences. Membership of NEC is limited to a maximum of 80 while eligibility is based on the numerical strength of the Domestic Committees.

# ORGANISATION/ADMIN. CHART FOR NUBIFIE

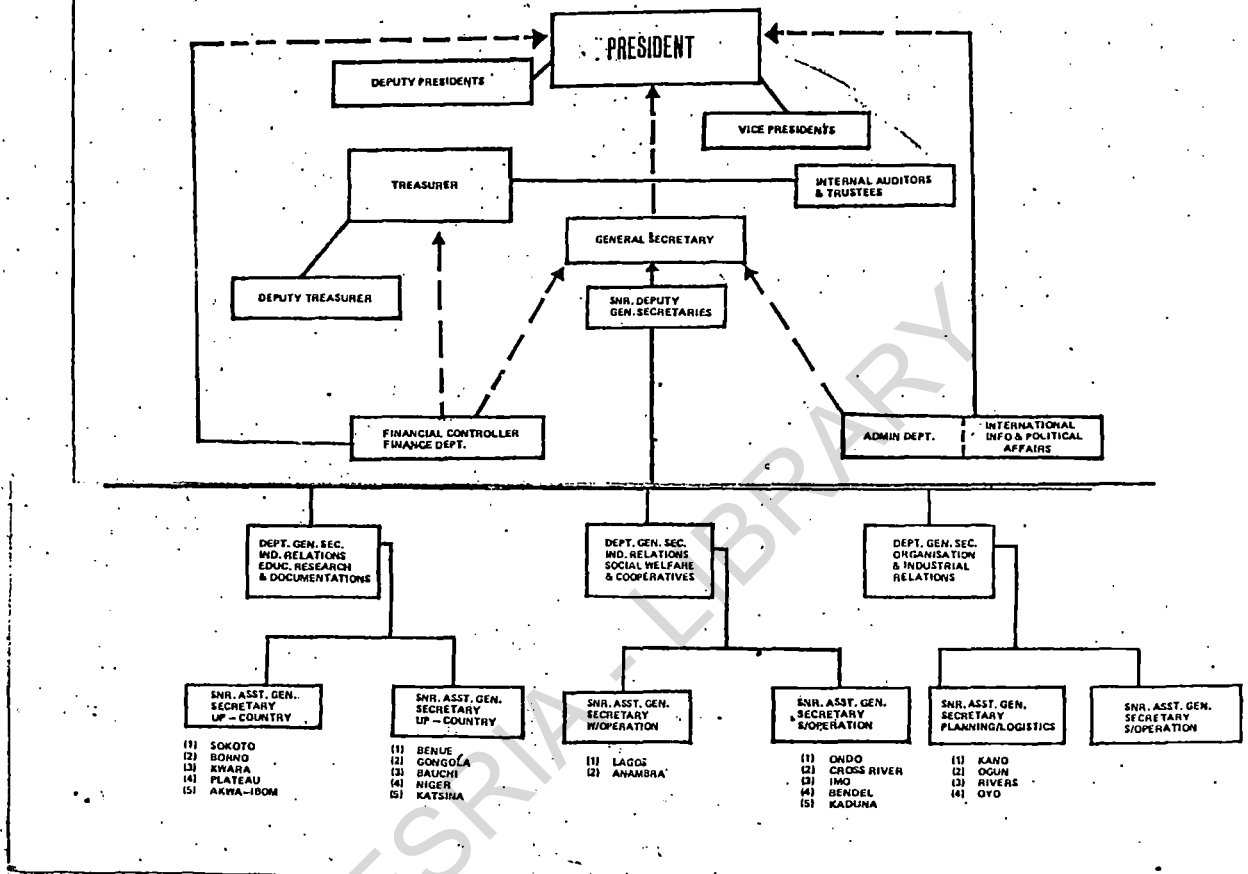


Fig 2.2

In between NEC sessions is the Central Working Committee made up of the National Officers, State Chairmen, and the Deputy General Secretaries. The Central Working Committee meets four times annually. It prepares reports for the National Executive Council, and examines its activities. Hence, the Central Working Committee meeting has to precede every meeting of the National Executive Council.

The National Administrative Council made up of national officers is a more active organ of the union which meets regularly (monthly for instance) for the effective administration of the union. The activities of the National Administrative Council are usually ratified by the Central Working Committee.

In the meetings of these organs, the President is always the chairman. In his absence, the Deputy Vice President presides over the meetings. In their absence, the council in session can nominate any other member to preside, provided he has two thirds majority vote.

The Domestic Committees of NUBIFIE comprises member employees of each firm operating in the Banking, Finance, Insurance and Allied industry. Hence, NUBIFIE Domestic Committee of UBA consists of worker members of the union in UBA all over the federation. The various Domestic Committees of NUBIFIE are unevenly represented at the National Executive Council due to the policy of representation by membership proportion. The Domestic Committees of NUBIFIE are represented in the National Executive Council only when they have up to 5,000 members. The Domestic Committees are usually located at the headquarter town of

their respective firms to facilitate effective union co-ordination.

Members of the union in the local units of the member companies constitute the Local Committees of NUBIFIE. The Local Committee is made up the Chairman, the Secretary and other members of the local council whose function relate to the labour issues at the level of the firm branches. The local committees are therefore responsible for labour - management relations at the local levels.

The NUBIFIE Branch consists of the union members in the Banking, Finance, Insurance and Allied Institutions in any particular defined geographical location. The concept therefore cuts across member companies. It is geographically defined - aimed at ensuring effective co-ordination of industrial action by the union within the locality where the conflict is situated. Moreover, the NUBIFIE Branches constitute the electoral college of the union. Aspirants at the Delegates Conference go through the primary elections at the Branch levels.

The organs of NUBIFIE at the state levels are similar to those at the national levels. These include the State Delegate Conference, State Executive Council and the State Administrative Council. The State Executive Council is made up of all the Domestic Committees in each state of the federation that do not qualify as members of the National Executive Council. Employee members of the State Administrative Council are elected at the State Delegate Conference. The State Secretary heads the State Administrative Council assisted by other elected officers, while the State Chairman presides over the state organs of NUBIFIE.

It is important to note that collective agreements for the banking and finance sub-sector of the industry on the one hand, and the insurance sub-sector on the other are differently negotiated to reflect the varied or dissimilar performance of the respective sub-sectors.

The member companies of NEABIAI (which include the allied institutions such as chartered accountant firms and estate agents) stood at about 93 in 1991, while the membership of NUBIFIE and ASSBIFI stood at about 80,000 and 16,000 respectively in the same year. (Trade Union Registry records).

## **2.8 THE ASSOCIATION OF SENIOR STAFF OF BANKS, INSURANCE AND FINANCIAL INSTITUTIONS**

The Association of Senior Staff of Banks, Insurance and Financial Institutions is the union that represents the senior staff in the Banking, Finance and Insurance industry. Membership of the association however, excludes the top management staff or the categories of managerial staff who by virtue of their positions would normally represent management on issues that concern the senior staff Association.

The organizational structure of ASSBIFI is basically similar to that of NUBIFIE. The highest organ of the Association responsible for policy issues is the Biennial National Delegate Conference. The National Executive Council consists of a National President, First Vice President, Second Vice President, the Secretary General among others.

## 2.9 THE UNITED BANK FOR AFRICA PLC

The United Bank for African PLC, a member of NEABAI emerged from the British and French Bank Limited, which itself emerged from Banque Nationale Pour le Commerce et L'Industries Paris established in 1932. In May 1949, the British and French Bank Limited started banking operations in Nigeria at 117 Broad Street Lagos. The Bank officially opened for business in December 1949, with a staff strength of 12 employees.

The bank went public in 1960 in accordance with the objectives of the French owners. Hence on February 23, 1961, the United Bank for Africa Limited was incorporated to take over the assets and liabilities of the British and French Bank. It was officially opened for business under the new name in October 1961, with its office at 127 - 129 Broad Street Lagos. Hence, UBA became the first of the international banks in Nigeria at the time, to be registered under the Nigerian law. At that time, its paid up capital was over N4 million.

The Founding banks were the British and French Bank, Banca national del Lavoro Italy, Montedei Paschi di Siena of Italy, Bankers Trust of New York, USA, and Amsterdam Rotterdam Bank of Holland.

In 1970, UBA embarked on a voluntary public issue - ahead of the federal government's indigenization policy. Following the Nigerian Enterprise Decree of 1972 and the 1977 amendment, the bank divested 60% of its equity shares to Nigerians. As at 1991 the ownership structure of UBA was as follows:

Banque Internationale de Paris		
"Intercontinentale" France	-	5.23 %
Banque Nationale de Paris	-	25.47 %
Bankers Trust Company, USA	-	4.50 %
Banco Nazionale del Lavoro, Italy	-	2.40 %
Monte dei Paschidi Siena, Italy	-	2.40 %
Ministry of Finance Incorporated		
(Federal Government of Nigeria)	-	45.76 %
Nigerian citizens (including		
UBA staff)	-	14.24 %

Hence foreign interest control 40% of the shares in the company while Nigerians control 60%.

The UBA branches associated with the early growth of the company were located at Lagos, Kano, Kaduna and Portharcourt. They include the Kano Branch established in 1954, the Ebute Metta Branch opened in May 1955, Apapa Branch at Warehouse Road, March 1956, Ibadan Main Branch, May 1958, and Lagos East Branch, December 1958. Others are Kaduna North Branch established in July 1960, Ikeja Branch, November 1960 and the Portharcourt Main Branch, July 1961.

The growth and expansion of UBA can be viewed against the backdrop of three important but related phases in its history as follows:



- i 1949 - 1961, when UBA operated as the British and French Bank.
- ii 1962 - 1976, the period between the incorporation of the bank as a public liability company<sup>2</sup> to take over business from British and French Bank Limited to the period before the commencement of rural banking in Nigeria.
- iii 1977 - 1991 This phase covers the commencement of rural banking to the SAP period. It is also the period that the BFI industry has experienced tremendous growth.

The first phase above has been covered in our earlier discussion on the emergence of the bank. This phase involves the strategy of establishing the bank's branches in major administrative and commercial cities in Nigeria. The main objective of the second phase was to establish urban branches of the bank all over the country. In the third phase, UBA branches were opened in areas designated as rural in compliance with the Central Bank of Nigeria's directives on rural banking. In this regard, 27 UBA rural branches were established in the first phase of the CBN's rural banking programme (1977 - 1980), while 32 branches were established in the second phase (August 1980 - December 1984) By 1991, UBA had a total of 194 branches nationwide - comprising 96 urban branches, 89 rural branches, 7 cash offices, and 2 foreign branches.

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Meanwhile the federal government is divesting much of its shares in the banking industry as part of its commercialization and privatization programme under SAP

### **2.9.I ORGANIZATIONAL STRUCTURE AND STAFF POSITIONS IN UBA**

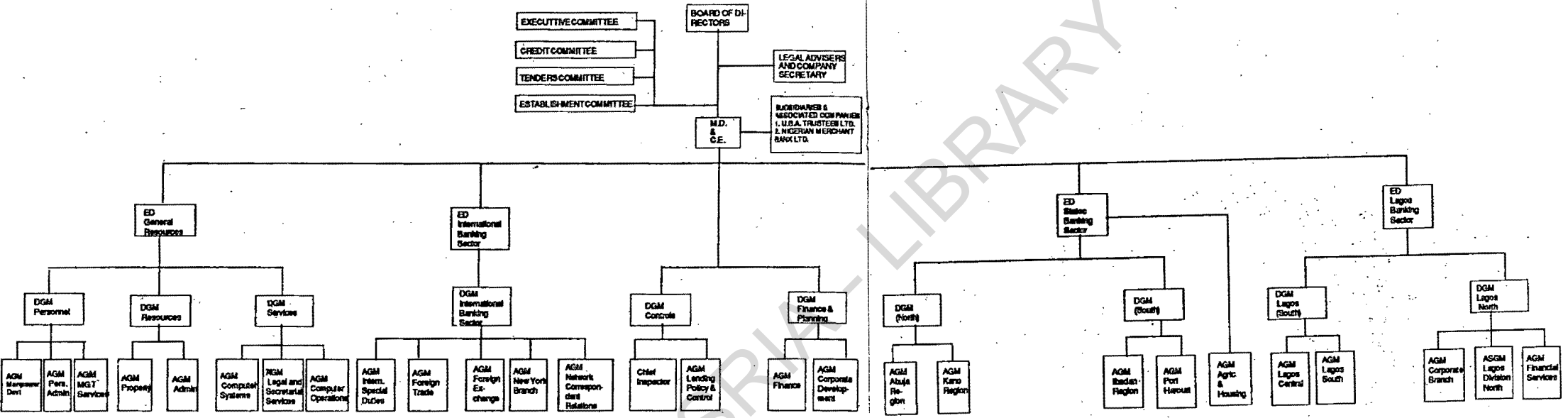
The national headquarters of UBA is located in Lagos with area offices in eight major cities in Nigeria. These cities are Ibadan, Enugu, Benin, Kano, Jos, Kaduna, Port Harcourt and Abuja. Each area management is responsible for the branches within its designated area.

The major organizational unit is the sector, within which are divisions, departments, groups, sections, teams and units. Each of the sectors is headed by an Executive Director/General Manager. Examples are the Lagos Banking Sector, the International Banking Sector, the Corporate Service Sector, Corporate Resources Sector, and State Banking Sector. The divisions are headed by officers of the status of Deputy General Manager, or an Assistant General Manager.

At the apex of the banks organizational structure as shown in figure 2.3 is the Board of Directors headed by the Chairman. This is followed by the General Management presided over by the Managing Director and Chief Executive. Others are four Executive Directors, ten Deputy General Managers and twenty-seven Assistant General Managers including the Assistant General Manager Personnel Administration who is in charge of personnel matters, including industrial relations.

# UBA ORGANISATION

# CHART 1990



EVOLUTION OF UBA ORGANISATION CHART

Fig. 2.3

Directly under him therefore is the Personnel Manager Industrial Relations who is directly in charge of industrial relations matters in the company. The General Management performs the executive functions of the company. At incorporation in 1961, UBA had a staff strength of about 650 nationwide. The bank's total deposits were valued at N4.9 million. Its loans and advances totalled N1.8 million, while its total assets were estimated at N11.9 million. Twenty years later in 1981, staff strength rose to 5,500, its total deposits stood at about N2.4 billion, with 77 branches (This is UBA, 1986). In 1991 the staff strength of UBA stood at 8,576, its total deposits was N11.8 billion, its loans and advances, N2.4 billion, while its total assets was N12.6 billion, with 194 branches.

## **2.10 THE NIGERIAN EMPLOYERS ASSOCIATION OF BANKS, INSURANCE AND ALLIED INSTITUTIONS**

The above Employers Association represents the Employers of labour in the Banking, Finance and Insurance industry. The Association is made up of a Governing Council, while the executive arm of the Association - the President, the Executive Secretary and the Secretariat is made to rotate among the sub-sectors of the industry. The Association provides the necessary links between employers of labour in the industry. A major function of the Association is to encourage and assist its members in bilateral relationships with the labour unions - in the form of collective bargaining and collective agreements through the Joint Negotiating Councils.

The Association is itself a member of a larger trade group - the Nigerian Employers Consultative Association, an umbrella organization for the employers associations that offers consultancy services to its members.

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## **CHAPTER 3**

### **POLITICS OF PRODUCTION:**

#### **THEORETICAL DISCUSSIONS AND REVIEW OF LITERATURE**

In this chapter, I discuss the major theoretical positions that underlie work organization, the production of goods and services, and industrial relations. The discussions enable us make sense of industrial relations by understanding the underlying ideologies that form the operational basis of controllers of the enterprise on the one hand, and labour on the other. The discussions also help us understand the underlying interests and various positions of participants in the organization, their relative power positions and the fundamental causes of conflict in work organization. The above issues are significant to labour relations. Since the various doctrines are brought into production relations and the power struggle involved in labour relations, a good understanding of the causes and nature of industrial conflicts has to be premised on the theoretical positions that generate them. Industrial relation theorizing can in fact be traced back to the 1860s when Marx linked the emergence of trade unions with the development of industry and the increasing miseration of the workers by capitalists. The conflicts in work relations arise from the antagonistic relationship between labour and capital. As

Crouch puts it:

It is in the general interest of labour to increase its price, to reduce its work burden and to gain control over its own development. Capital's interests are the opposite: to reduce the price of labour, to increase the amount of work that can be extracted and to subordinate labour to managerial control (1982:162)

Combinations against the capitalists was seen as a means of resisting exploitation and keeping up wages. Workers consciousness and union development was facilitated by modern communication made possible by modern industry. As workers from different localities were brought into contact with one another, local struggles against enterprise owners became more centralized (Blain and Gennard, 1970:389)

This intellectual origin in Marxism notwithstanding, analysis of inter-relationships between employers and labour became predominantly located in what Hyman (1982) describes as "the harmonistic presuppositions of functionalist sociology". This paradigm has provided the dominant framework for the conduct of academic sociology and the study of organizations. It later became popularized in industrial relation pluralism following the publication of Dunlop's Industrial Relations System in 1958<sup>1</sup>.

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For a detailed discussion on Dunlop's thesis, see Rose (1981 : 20-46)

The pluralist position was in apparent response to the industrial revolution of the mid 19th century and the emergence of the critical marxian perspective which constituted a challenge to the status quo. Hence, the pre-occupation of the functionalist/pluralist paradigm with social order, consensus, social integration and solidarity among others.

I will briefly discuss some of these perspectives according to their views on interest conflict, and power - as these bother on the politics of production in the organization. The discussion is undertaken against the background of their implications for industrial relations theory and the relevance of the radical organization perspective as an analytical tool for the study.

### 3.1 THE UNITARY PERSPECTIVE

From the unitary point of view, the industrial organisation is a co-operative enterprise, striving towards the achievement of common interest and objective - a machinery for rational purposive and harmonious activity. The unitary perspective regards conflict within the organization as obtrusive, pathological but rare and a transient phenomenon largely caused by deviants and trouble makers. From this view, conflict can be handled appropriate managerial action. Collective bargaining is similarly treated as an anti-social mechanism while trade unions are seen as an illegitimate intrusion into the unified and co-



operative structure of the workplace. The issue of power is largely neglected in the unitary perspective. At best, it regards power as the prerogative of managers who steer the organization in the direction of its desired goals and objectives for the benefit of all the participants. (Burrell and Morgan 1979: 123-5; Farnham and Pimlott 1990: 4-6).

The unitary perspective of industrial relations is underlined by the belief that work organization is essentially a team work, the mode of ownership notwithstanding. The unitary objective and work structure, as well as the team spirit and absolute managerial authority emphasized and by unitarism is largely idealist and rarely exist in the workplace, especially in the capitalist mode of production. The divergent interests of enterprise owners and the employees in the workplace, and the conflictual nature of social relationship between the two groups render the fundamental assumptions of unitarism defective. The perspective is basically managerial in its emphasis and tends to breed dictatorship and social injustice. It symbolizes the "machine" approach of classical management theory typified by Frederick Taylor's (1947) "Scientific Management" and Henry Fayol's (1949) "General and Industrial Management."

### 3.2 SYSTEMS APPROACH

The formal application of theory to industrial relations followed Dunlop's Industrial Relation System which is basically an adaptation of the Parsonian systemic project into industrial relations theorizing.

A fundamental aspect of Parson's theorizing is his view of society as an integrated system with stability and equilibrium as basic features. These characteristics are explained by the cohesion that exists in the social fabric society due to "shared values" (Parson, 1951). Parson's however, did not anywhere in his work undertake an adequate investigation of the origins and dynamics of the shared values which was central to his analysis. This uncritical functionalist assumption that common beliefs and shared values ensure the integration and stability of a social system, has been carried over into Industrial Relations theory by Dunlop (1958) who acknowledges the influence of Parson on his own thinking. This is evident in Dunlop's general position that consensus resulting from shared beliefs and values of participants in the industrial relations system create an "ideology" similar to that of the wider industrial society, and pattern the interaction of the participants thereby binding the system together. This underlying structure based on common interest is viewed as functioning for the maintenance of stability, regularity, and equilibrium in the workplace, and

naturally ensures that the various sub-units of the industrial relations systems, and the operational procedures are both compatible and integrated.

It is against the above reasoning that Dunlop conceives industrial relations as an autonomous academic discipline, distinct from economics - an analytical sub-system of an industrial society concerned with rule making governing the workplace and the work community. This informed his definition of an industrial relations system as comprising "certain actors, certain contexts, and an ideology which binds the industrial relations system together, and a body of rules created to govern the actors at the workplace and work community (Dunlop, 1958:7).

An important element in Dunlop's definitions above, is his concept of ideology (earlier highlighted) which he defined as "a set of ideas and beliefs commonly held by the actors that helps to bind or to integrate the system together as an entity (1958:16). The ideology of the industrial relations system in his view, derives from the ideology of the particular industrial society of which the former is a sub-system. Hence the ideologies of the actors in the system according to Dunlop, are expected to be sufficiently compatible and consistent with the overall values, to permit a common set of ideas (interests) that recognize an acceptable role for each of the actors (1958: 17-18).

The three environmental contexts within which the actors in the industrial relations system interact, and which play a major role in shaping the rules of the system in Dunlop's view are: the technological environment that determines the demographic structure of the workforce among others; the product and budgetary constraints which impinge on management and labour and; the locus and distribution of power in the wider society, that tends to be reflected in the industrial relations system itself. (Pimlott, 1990: 10-12).

Rather than fundamentally determine the behaviour of the actors, Dunlop argues, the environmental factors merely determine the context for the structuring of the industrial relations system itself, and explains the differences between the industrial relations system of various societies - the American and British for instance.

The above scenario characterized by congruent ideologies, acceptable roles, system integration, regulating rules, order and stability is presented as typical of an industrial relations system. These features equip the system with an internal capacity for self regulation in cases of minor strains or conflicts. Such conflicts are conceived as "normative divergences" arising from functional differentiation of the system, rather than fundamental antagonism between labour and capital (Dunlop, 1958:21). The above embodies the pluralist content of Dunlop's systems thesis.

As a follow up to Dunlop's work Flanders (1965:10) occupied himself with the task of how "normative disorder" in the industrial relations system can be kept within socially tolerable limits, for the maintenance of systems integration. Hence, he defined industrial relations as a study of institutions of job regulation. This "important" task is largely viewed by the analysts as the basic function of the collective bargaining institution. Other analysts of the mainstream sociology developed Dunlop's thesis with more input from the pluralist ideology. These include Ross (1958) and Clegg (1970).

The systems position discussed above raises some fundamental questions on the adequacy of the industrial relations perspective some of which have already been highlighted under "Definition of Concepts". As Hyman (1975:343) observes, if the endowment of the industrial relations system with built in tendencies for equilibrium is a typical feature of the system, and if radical conflict is excluded from the actors' ideologies, then it can rarely be assumed that industrial relations in practical terms constitutes a system. This is because ideologies are not mechanically determined by structural forces, but by active participation and experience. The extent to which the beliefs and values of different actors in the system may converge or diverge therefore has to be treated as problematic.

In his bid to present industrial relations as an autonomous area of study, Dunlop depersonalized the subject, while significant issues in industrial relations such as social change and consequent challenges from the wider environment are neglected - together with their implications for fundamental conflict. The result is the reification of the industrial relations system. These are evident in the narrow and conservative concern of the analysts with "order" without paying adequate attention to the sources of "disorder". Rather than demonstrate how actors' ideologies interact with the other components of the system to produce order and stability, Dunlop merely concludes that this is their effects.

By their lack of insight into the actors own definitions of the social structure, and how the interactions between such definitions and the social structure influence their action, Dunlop and his colleagues present a static rather than dynamic view of industrial relations. Dunlop's narrow conception of the subject run contrary to his set objective "to provide tools of analysis to interpret, and to gain understanding of the widest possible range of industrial relations facts and practices. (Dunlop, 1958:vii).

Hyman (1975) rightly concludes that the focus of the analysts on rule-making and the institutions of job regulation is to pay undue attention to collective bargaining and the procedural arrangements within which the actors participate, to the relative neglect of the processes and substantive outcome of their

relationships. Dunlop's work was largely based on Parson's idealism, formalism and conservatism which he (Dunlop) found very convenient for rationalizing and legitimizing a field of inquiry, whose primary purpose is "to assist capital in ensuring the productive, predictable profitable exploitation of labour" (Hyman 1982:39).

### 3.3 THE PLURALIST PERSPECTIVE

Pluralism emerged in opposition to the unitary frame of reference and basically as a criticism of the political doctrine of sovereignty which emphasizes that somewhere in an independent political system, there must be a supreme authority whose decisions are final. In their reaction to this view, the pluralists argue that in any given organization there are groups with various interests, beliefs and aspirations. The government itself - whether king, council, cabinet, legislature, board or union depend on the consent or co-operation of the subordinates for good performance. Hence, rather than definitive decisions by sovereign authorities, emphasis in pluralism is on continuous compromises and concessions between the various pressure groups within the organization (Clegg 1973:309).

In contrast with the unitarist pre-occupation with common goals and a loyalist structure of organization, the pluralist view stresses the diversity of individual interest and goals in addition to a network of sectional groups interested in the wider purpose of the organization as a whole - in so far as it serves their respective ends. Conflict results from these individual and sectional interests of the organization. Conflict though seen as inevitable is also viewed by pluralists as a disruptive element which has to be institutionalised to enable it find expression without prejudice to the survival or performance of the enterprise. Moreover, the pluralist frame of reference views power as a medium through which conflict of interests is resolved. The organization itself is regarded as a loose coalition which moves towards the achievement of its various objectives through a bargaining process that involves power parity between labour and management, and the mutual adjustment of the respective claims of the parties involved (Flanders, 1970; Burrell and Morgan 1979; Farnham and Pimlott, 1990).

This line of reasoning forms the basis for conventional emphasis on collective bargaining by mainstream industrial relation analysts. The major defect of pluralism relates to its crude treatment of conflict and power. While it recognizes the inevitability of conflict in the organization, it nevertheless treats it as undesirable and disruptive without paying a deserved attention to the root causes. Pluralism therefore fails to treat conflict as a product of the relations of



production of goods and services - fundamental antagonism of interests between labour and capital arising from the capitalist mode of production. Instead, it regards conflict mainly as a product of individual and sectional interests. The teleological treatment of conflict implied in pluralism does not allow it to trace the source(s) of the conflict that it regards as endemic.

Against the above background, pluralism projects an unreal and misleading power parity between the parties in conflict - organized labour and capitalists, especially as this relates to collective bargaining. The concessions made by enterprise owners and controllers to organized labour during collective bargaining are often exaggerated to mean power parity. The shallow nature of such positions becomes apparent when viewed in terms of relations of power, status, reward and dignity between labour and those who perform the functions of capital. According to Fox, the "concessions" are heavily conditional upon labour being prepared to accept as given, those outstanding structural features which are crucial for the power status and rewards of the capitalist (1973:211-13) Pluralists therefore rarely advocate fundamental changes in work organization in the areas of distribution of rewards, power and control, or in the area of broad organizational objectives involving joint regulation by management and labour.

Importantly, the pluralist emphasis on rules and job regulation implies the separation of the field of industrial relations from the underlying social relations

of production. This approach re-inforces the uncritical orientation towards managerial priorities in the workplace. As Adesina (1992a) argues, the danger of the pluralist treatment of industrial relations as being synonymous with collective bargaining lies in the implicit exclusion from research and analysis, of workers who are not in wage employment, and those in wage employment but are not unionized. Ironically, wage employment constitutes only a minor percentage of the labour force in developing countries like Nigeria. This factor is very significant under SAP considering the mass retrenchment of workers in the formal sector, and the emphasis on self employment under the structural adjustment.

By implication, the pluralist doctrine involves an ethnocentric dismissal of non-institutionalized expression of conflict as an evidence of underdevelopment. It also represents an understatement of the exploitative realities of capitalist work relations by its non-location of the institutions and processes of bargaining within the specific relations of production (Adesina 1992a)

Jackson (1985:22-3) therefore regards pluralism as important a doctrine of mystification as the unitary ideology which it had set out to correct. Pluralism he argues must accept the far reaching inequalities in society. What therefore pluralists regard as disorderly and disruptive nature of industrial conflict, from another perspective can be functional in promoting a more desirable form of

integration in work organization. Hence, a better understanding of industrial relations would involve an approach radically different from pluralism. Such an approach according to Hyman must exhibit,

a sensitivity to the contradictory dynamics of capitalist production, the antagonistic structure of material interest within the labour market and the labour process, and the consequent and persistent generation of conflict and disorder within the very institutions and procedures designed to bring order and stability to employer - employee relationships (Hyman 1978: 35)

The approach advocated by Hyman I believe, will enhance the locations of emergent contradictions and crisis in the capitalist mode of production - both materially and historically. This approach is largely embodied in the marxian structuralist variant of Radical Organization Theory.

### 3.4 THE RADICAL ORGANIZATION THEORY

The Radical Organization Theory is an adaptation of the Radical Structuralist Paradigm into the organization theory. Radical Structuralism is a complex body of social theory rooted in a materialist view of the natural and social world, with its intellectual foundation laid in the second half of the 19th century in the work of Karl Marx. It is the syntheses of various philosophical, political and sociological traditions basically aimed at providing a critique of the

status quo in social affairs - not just to understand the social world but to change it. Its underlying focus is the inter-relationships of structures within the society. These include the effects of the contradictory elements, the deep rooted conflicts and crises which they produce in the economic and political systems, and the process of change which they generate. (Burrell and Morgan, 1979) Radical Organization Theory is basically a radical structuralist approach to organizational analysis.

The "radical" implications of Radical Organization Theory in organizational analysis is its major break from orthodox organizational theory founded in structural functionalism. It provides the basis for the rejection of the status quo and the transformation of the system through introduction of fundamental changes. It represents a break from the traditional organizational thinking. Radical Organization Theory is therefore "radical" in so far as it is an inversion of the mainstream organizational construction rooted in the functionalist-pluralist paradigm. As this relates to the field of industrial relations, it essentially involves a break from industrial relation orthodoxy based on pluralism and functionalist thinking. The core concepts which unify the radical organization

perspective are "totality", "structure", "contradiction" and "crisis".<sup>2</sup>

The notion of "totality" stresses the crucial need to study total social formations as a pre-requisite for understanding the elements of a social system such as the organization. It emphasizes the effects of the wider social formations within which the organization and its participants exist, and which they reflect - an all embracing point of view. (Burrell and Morgan, 1979).

Pluralists treatment of industrial relations as a relative autonomous sphere of social relations concerned with job regulation - collective bargaining and rule making between unions and employers presents only part of the dynamics of production and accumulation (Hyman 1980; Adesina, 1992a). Such a position neglects the underlying patterns and broader structures of social, political and economic relations.

Events in the International Capitalist System, some of which led to the introduction of various Economic Recovery Programmes in the developing countries like Nigeria in the last decade, suggest that analysis of socio-economic relations between labour and capital must not be ahistorical, or isolated from its wider perspectives. In addition to the above. the notion of totality in this study

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The unifying themes were synthesized and outlined by Burrell and Morgan (1979) from various works and identified as Radical Organization Theory.

which permeates the entire work enables us to reflect the impact of macro-economic policies under the economic recession, before and during the IMF inspired SAP on enterprise performance, work relations and the state of industrial relations in the selected organizations as well as at the wider national level.

"Structure" refers to "hard and concrete facilities which are relatively persistent and enduring, and which exist independently of men's consciousness of them" (Burrell and Morgan, 1979) It represents the principles of organization that appear to underlie a society or organisation, and the patterning and regularities in social relationships and behaviour (Hyman, 1975). These may include institutions, rules and regulation; and procedures which determine the behaviour and attitudes of participants in the organization, establish and legitimize such patterns, and make interaction within the organization normative and predictable. It therefore involves the pattern of administration that govern the organization. Hence from the point of view of Radical Organization Theory, organizations are structural entities which reflect the overall social and structural realities that constitute the totality. That is, the organization is defined largely by the totality.

As Fox (1973) explains, the world of reality reveals that people do not come together freely and spontaneously to set up the work organization as implied in pluralist "consensus". To the contrary the emergent structural arrangements

indicate that the propertyless who form the majority in the society are compelled by their need for livelihood to seek access to resources owned and, or controlled by the few who derive great power from such positions.

The powerful few take advantage of the arrangement not only directly in determining and conditioning the behaviour and attitudes of the majority, but also indirectly in influencing the various agencies of communication and socialization, to promote beliefs, values, and assumptions that render the majority amenable and submissive to the social structures that advance the interest of the powerful few. Power therefore combines with conditioning to produce acquiescence and submission - the so called "functional consensus" of pluralism. This "consensus" is characterized by a high level of acceptance of the status quo in the capitalist societies. Organizational principles and assumptions which generate and support inequality of rewards, privileges and other life chances are also promoted and maintained through such processes.

Relating the above to the work situation, Hyman (1975:24) argues that prevailing structures which result in unequal power in the formulation of the employment contract also lead to a significant imbalance in its content. The obligations undertaken by the employer are relatively precise and specific, in contrast with the imprecise and elastic nature of those of the worker. Ownership and control of the means of production therefore clearly involve power since it

carries with it the ability to admit or exclude those whose existence largely depend on employment.

The privilege of the controllers of the enterprise to fall back on managerial prerogatives especially during the economic crisis and adjustment is even a more subtle but highly significant source of power which is not available to labour. As distinct from overcoming opposition, it averts or precludes it from arising in the first place - since those subject to such domination neither question its legitimacy, nor imagine other alternatives. The power structure re-inforces the entire structure and tends to encourage dictatorialism. This is even worse under military regimes.

Employers and labour cannot therefore be seen as taking off from a power parity position to determine the employment contract as implied in pluralism. Hence the pluralist "consensus" is mystifying given the imaginary power parity between labour and employers in the employment contract and in collective bargaining. Overwhelmingly, the major part of the collaborative structure, the underlying organizational principle and its mode of operation are already defined and settled on terms largely determined by and favourable to the owners and controllers of enterprise - the rank and file rarely contest it. It then follows that:



norms of fairness and social values which legitimize existing inequalities, disguise conflicts of interest and thus buttress the position of those who possess material power in society, and control industry; indeed those with material power dominate the cultural level and ensure that social values reinforce their material interests (Hill, 1976:215)

It is therefore the underlying structure of work relations that is basically unjust that accounts for the antagonistic relationship between labour and capital, and the fundamental conflict that is endemic in industrial enterprise reflecting the totality.

The concept of "contradiction" deals principally with the incompatibilities of the various aspects of work organization, and the implicit labour exploitation that characterize the capitalist mode of production. The social and economic systems far from being compatible and integrated are pressing in opposite directions. This is manifest in workers' alienation from the product of their labour, meager wages in the light of labour intensification and huge profits, adoption of new technology with increasing automation of the production process despite high and increasing rate of unemployment, the appropriation of surplus values through labour exploitation and the related crisis of overproduction, the problem of capital flight in which surplus values are transferred, or repatriated from the debt-ridden developing countries to their developed counterparts by multinational corporations and their local allies among others.

Emphasizing the importance of contradiction as a concept in industrial relations, Hyman (1980:12) maintains that the notion of an industrial relations system is of analytical significance only if it incorporates the existence of contradictory processes and forces, thereby treating instability and stability (impliedly conflict and order) as of equal significance. Moreover, the issue of job regulation must be broadened to adequately account for the sources and consequences of industrial conflict. Of particular relevance is the analysis of contradictory location of certain occupational groups who while not owning the means of production do perform the global function of capital and the function of the collective worker.

The notion of "crisis" is based on those persistent contradictions and dislocations that cause undesirable changes and problems in organizational structures, due to similar changes in totalities. Such crisis derive not just from socio-economic policies at the macro levels, but from the fundamental social formations and economic structure underlying the capitalist system. The raw material crisis, the foreign exchange crisis, the production crisis, the underconsumption and the labour relation crisis that have characterized industrial enterprise since the economic crisis and adjustment in Nigeria, can only be best understood against the background of the contradictions arising from the

International Capitalist System, and related dislocations inherent in the capitalist system of economic enterprise.

The Radical Organization Theory as an articulation of diverse body of critical social thought include the Radical Weberians and the Marxian Structuralist approaches. The Radical Weberians approach can be read off from the positions of Dahrendorf (1959), Rex (1961) and Miliband (1973) among others<sup>3</sup> - what some analysts refer to as "conflict theory". The radical Weberians' alternative to functionalism tend to focus upon the relationships between social integration and power, as these manifest in the superstructure of the social formation - the relationship between the state and the process of bureaucratization evident in the concept of "corporatism" (Burrell and Morgan 1979).

The Marxian Structuralist on their part proceed in their analysis from the political economy perspective. They focus upon relationships between system disintegration, contradiction and sub-structure, versus superstructure relationship underlined by class struggle. According to Burrell and Morgan (1979:377),

Whereas the radical Weberians are most concerned with the role of the State within an essentially political network of bureaucratic power relationships, the marxian structuralist focus upon the economic structure of society which they see as

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See Burrell and Morgan (1979)

the key determinant of the power relationships to which the radical Weberians address their attention. For the Marxian Structuralist, therefore, political economy provides the most useful intellectual reference point and source of conceptualizations.

While the Marxian Structuralist draw upon Marx's "capital" in their treatment of contradiction, they rely on Lenin for their analysis of modern corporation as an empirical reflection of the underlying structure of monopoly capitalism. The Marxian tradition of this school notwithstanding, Marx's capital is seen as a limited document due to its lack of insight into the importance of monopoly rather than competition within contemporary capitalist market place, especially in the growth of imperialism (Burrell and Morgan, 1979) Moreover, Marxian Structuralists share the pessimism of Lenin and stop short of the socialist utopia in their organizational analysis.

As may have been evident in this discussion, it is the Marxian Structuralist variant of Radical Organization Theory that is adopted as the theoretical framework for this study. Scholars who may be identified with this variant include Baran and Sweezy (1968), Braverman (1974), Goldthorpe (1974), Allen (1975) Wood, (1976), and Hyman (1974, 1975, 1978, 1980 and 1984)<sup>4</sup> and arguably Fox (1973).

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See Burrell and Morgan (1979)

The Marxian Structuralist approach with its background in Marxian political economy creates a natural sensitivity to structures, crisis, procedures and processes which are significant to this study, but traditionally ignored within conventional industrial relation analysis.

The Marxian perspective therefore involves the re-evaluation, re-analysis, re-interpretation and re-application of the "evidence" advanced by industrial relation orthodoxy. It proceeds with two basic assumptions. First, that social relations of production under capitalism reflect and reproduce structured antagonism of interest between labour and capital. Second, that capitalism simultaneously organizes workers collectively and thereby generates the material bases for effective resistance to capital, and the priorities of the capitalist mode of production. These involve substantive issues significant to marxian analyses of industrial relations identified by Hyman (1984) as - the dynamics of capital accumulation, the nature of the working class. and the changing forms of state involvement in relations between labour and capital. The above issues are tied up with the level of job satisfaction experienced by employees in their workplace.

### 3.5 EMPLOYEES JOB SATISFACTION

The job satisfaction of employees may have implications for the industrial relations atmosphere in any organization as well as the level of labour productivity. Employers may for instance have the tendency to pursue cost saving policies and capital accumulation to the detriment of employees' wellbeing. That is, disregard for job satisfaction to ensure high profits. Interestingly, the lack of job satisfaction, itself an indication of low employee motivation may lower workers' morale and adversely affect labour productivity and the very profits pursued by employers. These may result from workers' feeling that their work and their lives are controlled by things - abstract market forces, technology, and money rather than human processes based on fairness and justice. Hence workers feel deprived, estranged and frustrated.

Watson, citing Blauner suggests four major factors that may be associated with job satisfaction or non-satisfaction - the importance of the relative prestige of the occupation; the degree of independence and control over the condition of work; the extent of social satisfaction derived from working within an integrated group; and the degree to which people who work together share non-work activities. (Watson 1987:102) The above also imply the social and economic wellbeing of labour as they relate to the conditions of service.

Marx describes work in capitalist societies as ridden with alienation - the loss of a sense of self, rooted primarily in the dehumanization of work. Work is external to the worker since it is not part of his nature. Hence he does not fulfil himself in his work especially when he is controlled by employers. This results in a feeling of misery rather than wellbeing. This is because the worker does not develop freely a physical and mental energy, but is rather physically exhausted and mentally debased (Fox, 1971:5).

Factors that affect job satisfaction may be divided into two - intrinsic and extrinsic. Job satisfaction from intrinsic factors may include those inherent in work itself such as opportunity for creativity, the use of skill, working whole heartedly especially with those who are skilled in the job, doing less repetitive work, producing the entire product or a large proportion of it rather than only a piecemeal, good human relations, the feeling of a sense of security rather than insecurity and not being too closely supervised. From this standpoint, work is perceived not merely as a burden to be borne for its instrumental values, but as enriching experiences through which challenges and obstacles are overcome. In the process people undergo mental development and psychological growth and also enjoy self fulfillment and the satisfaction of achievement. The extrinsic factors on the other hand are those associated with material reward and

compensation obtainable from work, such as wages and salaries, fringe benefits and allowances. (Parker *et. al.*, 1977:161-2; Watson, 1987:103; Fox, 1971)

A close observation of the employment contract which people at various segments of the workforce are able to enter into with employers shows that those likely to obtain higher extrinsic rewards are often the same category able to obtain the highest intrinsic satisfaction. These are employees at the higher segments of the workforce - especially the management staff. By implication therefore the junior workers are relatively worse off with regard to the extrinsic and intrinsic values. This largely accounts for the militant nature of the junior workers' unions in contrast with those of the senior staff.

The foregoing suggests that the issue of job satisfaction should not be treated in a simplistic manner. A common approach according to Parker *et. al.* (1977) "is to inquire of the informant whether and in what way he finds his job satisfying" This approach tends to underemphasize the interwoven nature of the various factors that determine the overall job satisfaction of employees. A more reliable approach according to the authors "is first to point certain needs in relation to work and then ask about the degree to which these are actually satisfied" As the authors further explain, there is a need to distinguish between what people think consciously and what they feel unconsciously. This is due to the tendency to repress dissatisfaction which many may regard as an admission



of failure. The approach of Parker and his colleagues to job satisfaction is largely adopted in this work, due to its adequacy in the appropriate evaluations of job satisfaction. In addition to the above, the treatment of job satisfaction variables in this work involves their division into three categories - freedom variables, relational variables and the work-pay variables.

Certain trends have been identified in job satisfaction studies - women are found to be more satisfied than men, and satisfaction is found to increase with age, and with higher occupational status, but decreases with higher educational attainment. (Parker *et. al.*, 1977: 162) These among others will be verified in this work.

## CHAPTER 4

### ADJUSTMENT AND ORGANIZATIONAL PERFORMANCE OF INDUSTRIES AND FIRMS IN THE STUDY

In this chapter, I examine the impact of the economic crisis and adjustment on the performance of the organizations studied, as a prelude to the discussion in Chapter 5 on the impact of the crisis on work relations. The discussions are undertaken at the industry and firm levels. The analysis at the industry level enhances our understanding of events at the level of the firm. I also discuss the strategies employed by the organizations to cope with the challenges thrown up by the economic crisis and adjustment.

Given the profit orientation of the organizations, profitability is the major criterion used in assessing the economic performance of the organizations.<sup>1</sup> Although the entire period examined can be defined as economic recession, comparative analysis of the pre-SAP and SAP periods is undertaken wherever data is available, to capture the specific effects of SAP. The pre-SAP period is taken to be 1981 - 85, while the SAP period is taken from 1986 - the year SAP was introduced in Nigeria by the Babangida administration.

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<sup>1</sup> The analysis is carried out first on the basis of nominal naira values, and then in terms of profit margins, returns on turnover and real values of the naira.

## 4.1 THE PRE-SAP PERIOD

### 4.1.1 CRISIS

In the pre-SAP period new companies got registered with the employers association. The number of member companies of AFBTE<sup>2</sup> increased steadily from 56 in 1982 to 77 in 1985 as shown in Table 4.1. However, crisis in the industry is reflected in the decline in the industry's total turnover from N2,530 million in 1982, to N2,189 million in 1985 irrespective of the 38% increase in the number of companies in the industry within the period. This points to a decline in economic performance of the industry in the pre-SAP period. Similarly, the decline in the total number of employees from 53,160 to 42,154 within the period reflect the loss of jobs that accompanied the economic crisis as highlighted in the introductory chapter.

In the pre-SAP era in NBL, both net proceeds of sales and profit before taxation increased steadily within the period 1982 - 1984, as shown in Table 4.2 below. In 1983, net proceeds of sales increased by 31.5%, while profit before tax

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AFBTE may not fully account for the FBT industry since some firms in the industry are not registered with the association. It however officially represents the employers in the industry hence its synonymous application with the FBT industry.

**TABLE 4.1 PERFORMANCE OF THE FOOD, BEVERAGE AND TOBACCO INDUSTRY 1982 - 1992**

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Number of Companies	56	67	70	77	80	75	77	73	73	71	69
2. Number of Employees	53,160	56,470	53,526	42,154	41,150	37,052	42,830	42,703	39,924	40,216	42,669
3. Turnover (Nmillion)	2,530	2,515	2,578	2,189	2,233	2,688	4,625	6,507	8,592	9,651	16,748
4. Profit before tax (Nmillion)	N/A	N/A	N/A	362	362	322	539	995	1,143	1,469	2,300
5. Return on turnover (%) (4÷3)	N/A	N/A	N/A	16.5	14.6	12.0	11.6	15.30	13.30	15.2	13.73

\* N/A: Not Available

Source: Compiled From AFBTE Annual Reports.

**TABLE 4.2 NBL FINANCIAL SUMMARY 1982 - 1991 IN NOMINAL NAIRA VALUES**

	1982 N000	1983 N000	1984 N000	1985 N000	1986 N000	1987 N000	1988 N000	1989 N000	1990 N000	1991 N000
1. Net Proceeds of Sales	175,301	230,641	234,536	125,326	148,552	272,075	412,399	609,419	887,909	1,275,422
2. Profits before Taxation	53,887	95,652	104,158	41,566	45,387	75,774	138,431	227,040	274,562	422,501
3. Profits after taxation	30,387	49,402	55,368	26,544	27,567	48,651	78,037	124,982	145,369	247,560
4. Shareholders' Fund	18,038	29,574	159,106	161,869	172,848	192,333	207,940	547,774	951,947	1,248,530

Source: Compiled from NBL Annual Report 1982 to 1991

increased by 77.5% when compared with the 1982 performance. In 1984, the percentage increase of net proceeds of sales and profit before tax dropped to 1.7% and 8.8% respectively when compared with the 1983 rate. At this time, the effects

of the raw materials crisis was beginning to tell on the company's performance. By December 1984, at the peak of the crisis, the company was shut down due to acute shortage of raw materials for production.

On resumption of production in 1985, NBL obtained an import license which covered only about 33% of its production requirements. At this point the utilization of installed capacity of the company was as low as 28.5%. These resulted in low stock-holding of production materials, non-availability of spare parts, and inadequate maintenance of the plants. The cumulative effects, in addition to the temporary shut down of NBL in December 1984 caused a sharp decline of 46.5% and 60% in the net proceeds of sales and profit before tax respectively when compared with the 1984 figures.

The steady decline in sales and profits reflect the production problems which confronted the manufacturing sector as a whole during the economic recession. The fall in oil revenues created balance of payment problems which led to the rationing of available foreign exchange by the Shagari administration. This was done through an inefficient import license system which adversely affected the importation of raw materials and industrial spare parts. The utilization of installed capacity in the manufacturing sector by June 1985 for instance was as low as 30%, with a lower level of 10.12% for the Food, Beverage and Tobacco industry. Part of the industry's response to the crisis was the redundancies and retrenchments undertaken by firms

in the industry that were highlighted in the introductory chapter.

In the NBL, coping strategies at this stage was slightly different from the above. The company embarked on various forms of rationalization but resolved not to retrench its workers. The labour force was for instance involved in compulsory leave, compulsory overtime, and various forms of shift work, and cuts in wages and salaries. While compulsory leave reduces the workforce, compulsory overtime ensures that the remaining employees work for longer hours than normal - as part of their contribution to the survival of the firm. Furthermore, in 1985 NBL workers had to forego about 50% of their salaries as a trade-off for retrenchment.

In the Banking Finance and Insurance industry on the other hand, there was little direct effect of the crisis on the industry<sup>3</sup>. However, minor crisis associated with the recession in the Banking, Finance and Insurance industry include the problem of managing excess liquidity arising from weak demand for bank credit by the private sector. The liquidity position of the banks for instance stood at about 63% in 1984 and 67% in 1985 as compared with the statutory minimum of 25% (CBN Economic and Financial Reviews, 1984, 1985, 1986). The coping strategies adopted by the

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A minor effect of the crisis on the insurance sub-sector according to a respondent was the difficulty in getting clients fulfil their financial obligations. One of the indirect effect of the crisis on the banking sub-sector include low disposable income of customers due to inflation, and the social burden of relatives retrenched from the more vulnerable sectors of the economy.

banks in this regard include the channelling of investments by commercial and merchant banks into government securities -in the form of treasury bills). This was mainly due to the service orientation of the industry in contrast with the production nature of the Food, Beverage and Tobacco industry that made the latter susceptible to the foreign exchange and raw materials crisis. Moreover, the financial institutions in the Banking, Finance and Insurance industry can often depend on the CBN for rescue in times of economic and financial crisis.

In contrast with NBL therefore, UBA recorded remarkable increases in turnover and profit before tax all through the pre-SAP years. This can be observed from Table 4.3 below. Its 1985 figures show an increase of 31.7% in turnover above that of 1984. Profit Before Tax also rose by about 13% within the same period.

**TABLE 4.3 UBA FINANCIAL SUMMARY 1984 - 1992 IN NOMINAL NAIRA VALUES**

	1984 N000	1985 N000	1986 N000	1987 N000	1988 N000	1989 N000	1990 N000	1991 N000	1992 N000
1. Gross earnings	285,566	376,270	441,965	569,172	641,019	819,637	1,145,831	1,457,673	2,077,636
2. Profit before taxation	56,266	63,721	81,904	105,891	83,992	101,234	116,445	16,667	15,385
3. Profit after taxation	31,482	34,193	42,081	73,653	54,766	64,764	74,142	10,000	10,000
4. Shareholders fund	184,600	209,093	238,839	285,904	328,468	416,755	472,097	484,475	504,528

Source: Compiled From UBA Annual Reports  
\*Data for 1982-83 are not available

Hence, while the Food, Beverage and Tobacco industry was adversely affected by the economic crisis in the pre-SAP era, the Banking, Finance and Insurance industry was comparatively not.

#### 4.1.2 STRUCTURE

As pointed out in section 4.1.1 above, the Food, Beverage and Tobacco industry experienced expansion in the pre-SAP era with the growth in the membership of AFBTE of about 38%, and a decline in the workforce due to the economic recession. The consequent rationalizations which involved pay cuts and retrenchment affected the membership structure and finance of the unions especially NUFBTE. The union suffered a contraction in size due to loss of its members. Hence the membership of the union was reduced by more than 50,000 in the pre-SAP era, with the flour mill sub sector being the worse hit (NUFBTE Records) This led to further problems in the organizational structure of the union (discussed in chapter 6).

In NBL, the organizational structure was also modified in response to the pre-SAP economic crisis - in terms of the rationalization exercises undertaken by the company (earlier highlighted in 4.1.1) to cope with the challenges of the time. In this regard the organizational structure was made more flexible to enable the workforce adapt to the re-organizations.

In the Banking, Finance and Insurance industry an average growth of two



commercial banks a year increased the number of banks by 40% from 20 in 1981 to 28 in 1985. Similarly, the total branches of the banks rose from 869 in 1981 to 1,297 in 1985. The change in structure of the industry at this stage is however, attributable to factors rarely located in the economic crisis. It was more, in response to the directive of the Central Bank of Nigeria that commercial banks should open specified number of banks from the year 1977. Hence, the rural branches increased by 88% in the pre-SAP era as compared with 85% rise in the urban branches at the same period. The merchant banks also experienced expansion from 6 in 1981 to 12 in 1985 - an increase of about 100%.

The Banking, Finance and Insurance industry therefore, experienced expansion in its structure both in terms of the number of new firms and the total branches because the pre-SAP events did not have an adverse effect on it.

#### 4.1.3. CONTRADICTION

The economic crisis which faced the Food, Beverage and Tobacco industry, and indeed the manufacturing sector as a whole was largely part of the wider crisis of capitalist development in Nigeria. This is evident in the contradictions of import substitution industrialization that characterized the Food, Beverage and Tobacco industry. These include capital intensive production in the light of abundant labour, and high dependence on imported raw materials and spare parts to the neglect of the

local ones which were left unexploited. This arrangement was promoted by the World Bank in liaison with the capitalist class and the petit bourgeoisie in Nigeria, because of its economic benefits to them and their local allies<sup>4</sup>.

Moreover, coping strategies of the pre-SAP period which resulted in the wage freeze, the retrenchment of workers, redundancies and cuts in pay in the Food, Beverage and Tobacco and other sectors of the economy that were aimed at reducing the cost of production, improving turnover and profits and ensuring the survival of the organizations, introduced some other contradictions. These measures reduced the disposable income of consumers and led to consumer resistance, stockpiles of unsold goods, and further declines in turnover and profits.

The nature of goods produced by NBL (Beer and Soft drinks) which were "non-essential" to consumers also made them susceptible to consumer resistance<sup>5</sup>.

Contradictions in the Banking, Finance and Insurance industry could be observed in the form of excess bank credits irrespective of the poor performance of the economy, moreso in the light of low interest rates of the pre-SAP period. This

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This has already been discussed in the introductory chapter. Interestingly local fabrication of spare parts has become a prominent policy of firms in the FBT industry in the SAP era. The nature of import substitution industrialization has made the economy helplessly dependent on foreign capital. See Onimode (1988).

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The effect of this "decline" is more prominent in the factor price analysis aspect of this chapter, in which the effects of the depreciation of the naira is minimal.

may be explicable by the inefficient import license system of the period, and related foreign exchange problems that constituted an obstacle to private sector investments including importation. Moreover, the low disposable income of workers due to loss of jobs and inflation may have general bearings with the observed trend.

#### **4.1.4 TOTALITY**

From the foregoing discussions it is evident that the economic crisis at the national level and the consequent macro-economic policies of the pre-SAP era, especially the stabilization measures of 1982, had a significant impact on the various sectors of the economy including the manufacturing sector and the Food, Beverage and Tobacco industry. The firms in the industry including NBL were adversely affected by the economic crisis, unlike the Banking, Finance and Insurance industry which did not experience much of the crisis.

Significantly, the concept of totality permeates this work. Hence, labour relations are viewed at three major levels - first as production relations resulting in the fundamental conflict between labour and conflict as discussed in chapter 3, second as involving organizational factors in response to the economic recession and adjustment which may intensify or minimize the level of conflict as verified in chapters 4 to 6, and broadly as a response to the wider economic and social environment (at the national level) as treated in chapter 7.

## 4.2 THE SAP PERIOD

### 4.2.1 CRISIS

A major underlying principle of the SAP era is "inward looking". With the introduction of SAP in June 1986, and the scrapping of the import license system, there was a slight improvement in economic activities. Capacity utilization in the manufacturing sector in the period 1987 - 89 rose slightly to an average of 32% from the pre-SAP level of 30%. (MAN Report 1987 - 89) Partly responsible for this development was the replacement of the import license system of the pre-SAP period with the Second-Tier Foreign Exchange Market (SFEM). The latter operated generally on the principle of "ability to pay".

In the Food, Beverage and Tobacco industry, capacity utilization fluctuated between 30% to 45% within the period 1986 - 1989. By the first half of 1991 however the utilization of installed capacity in the Food, Beverage and Tobacco industry was lower than that of the manufacturing sector as a whole. This stood at about 28.5% - lower than the immediate pre-SAP level of 30% in the manufacturing sector (AFBTE Annual Report 1992/93:6). The general picture that emerges from the manufacturing sector and the Food, Beverage and Tobacco industry is that since the recession, utilization of installed capacity either before or during SAP rarely attained 50% in the period 1982 - 1991.

Low capacity utilization notwithstanding, turnover and profits in the Food,

Beverage and Tobacco industry show an upward trend in the SAP era. As indicated in Table 4.4, turnover and profit before tax for Guinness Nigeria PLC rose by about 73% and 63% respectively between 1986 and 1989. Comparable figures for NBL are 78% and 80% for the respective indices within the same period. Net proceeds of sales for NBL similarly rose by 88% between 1986 and 1991, while profit before tax rose by approximately 89% within the same period, as indicated in Table 4.1. The only exception to this trend among the selected firms in Table 4.4 is the Northern Flour Mills PLC.

**TABLE 4.4 SALES TURNOVER AND PROFIT PERFORMANCE BY FIRMS IN THE FOOD, BEVERAGE, AND TOBACCO INDUSTRY 1985 - 1989 (N000)**

FIRMS IN THE FOOD INDUSTRY		1985		1986		1987		1988		1989	
		Turnover	Profit before tax	Turnover	Profit before tax	Turnover	Profit before tax	Turnover	Profit before tax	Turnover	Profit before tax
1	Nigerian Breweries PLC	179.109	41.566	205.476	45.387	341.047	75.774	514.992	138.431	811.050	227.040
2	Guinness Nig. PLC	258.214	68.439	268.052	60.095	307.839	40.120	478.600	76.506	1.001.894	162.185
3	Foremost Breweries PLC	10.202	1.857	9.116	1.033	9.861	0.366	10.245	1.933	NA	NA
4	Premier Breweries PLC	59.032	8.559	48.877	4.098	48.587	3.191	56.260	1.465	80.50	10.118
5	Food Specialties Nig. PLC	102.265	21.832	96.159	23.410	166.497	51.218	239.076	42.331	NA	NA
6	Northern Flour Mills PLC	103.999	13.842	92.830	11.504	59.366	15.106	48.485	11.485	18.408	2.189
7	Coca-Cola PLC	204.922	41.953	309.330	86.474	354.098	59.477	526.772	63.121	753.013	77.711
8	Cadbury Nigeria PLC	112.746	17.139	122.249	12.773	125.631	11.135	213.268	16.205	337.012	19.179
9	Nigerian Tobacco PLC	89.365	24.118	107.458	31.348	133.627	42.900	190.475	59.931	295.766	121.322

Source: MAN Reports 1987 - 89 and NBL Annual Reports

The financial summary of NBL (Table 4.2) is also impressive, especially in the second half of the SAP era. When viewed beyond mere percentage increases from preceding years, it becomes even more impressive. In 1986 for instance, NBL's profit before tax was about N45 million. In 1989, it rose to about N227 million. This represents about 400% increase, within the first four years of SAP. By 1991 it had risen to N422 million - about 875% increase within the SAP period 1986 - 91. The immediate four year period to SAP on the other hand recorded about 29% decline in profit before tax.

In comparison with other firms in the industry and other sectors of the economy, NBL emerged tops of the beer sub-sector and the Food, Beverage and Tobacco industry in 1989. Beyond the industry and sectoral levels, it was ranked first of the top 100 companies in Nigeria, listed according to profits before taxation in 1989. This achievement was irrespective of the slump experienced in the beer/stout sub-sector (of the breweries) in that year. (AFBTE records; NBL Annual Report 1989; This Week companies in Nigeria 1989) This performance portrays NBL as one of the most viable firms in the SAP period, in the economic sector in Nigeria.

The implication of the above picture is that the structural adjustment policies have been successful in dealing with the economic crisis that faced the Food, Beverage and Tobacco industry in the pre-SAP period. This impression may be misleading considering other set of crisis that accompanied the implementation of

SAP. These include the devaluation of the naira and high rate of inflation, high cost of production and high ex-factory prices of commodities, consumer resistance and unanticipated high stockpiles of unsold commodities in the firms. I evaluate the effects of these factors on organizational performance with the analyses on production levels, profit margin, commodity price adjustment, returns on turnover and the base year factor cost analysis below.<sup>6</sup>

Table 4.5 gives an indication of the effects of inflation on cost of production, and the consequent adjustments in ex-factory prices of products in the manufacturing sector. Percentage increases in average unit cost of production for the Food, Beverage and Tobacco industry for instance, rose from about 33% in 1987 (in comparison with the preceeding year) to about 71% in 1989. Increase in average ex-factory price similarly rose from about 29% to 60% within the same period. The figures for the manufacturing sector as a whole are also high. Average unit cost of production rose from 50% in 1987 to about 77% in 1989. Average ex-factory prices also rose from about 47% in 1987 to 63% in 1989. These largely account for the increases in turnover and profits in Food, Beverage and Tobacco industry irrespective of low capacity utilization.

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The importance of this section lies in adequate evaluation of the effects of SAP on the organizations which is significant for our analysis on work relations and labour relations in the following chapters.

**TABLE 4.5 PERCENTAGE INCREASES IN AVERAGE UNIT COST OF PRODUCTION AND EX-FACTORY PRICES IN THE MANUFACTURING SECTOR 1987 - 89**

	Percentage Increase in Average unit Cost of Production			Percentage Increase in Average Ex-factory Price		
	1987	1988	1989	1987	1988	1989
Food Beverage and Tobacco Industry	32.95	24.42	70.93	28.64	22.95	59.65
Manufacturing Sector Average	50.14	54.23	76.88	46.67	49.32	62.70

Source: MAN Reports 1987 - 1989

The high inflation estimated by AFBTE to have risen by about 46% in 1992 generally follows from the depreciation of the naira, high interest rates (estimated at 34% in 1991 and 65% in 1992) and the consequent low exchange rate of the local currency to major international currencies in the SAP period. In 1982 for instance, the naira exchanged for less than US\$0.7, and throughout the pre-SAP period exchanged for less than \$1.00. With the introduction of SAP in 1986, the official exchange rate of the naira to the US\$1.00 rose to N1.7. It exceeded N8.00 in 1990 and more than N20.00 by the end of 1992. In the second half of 1993, the official exchange rate of the naira to the US\$1.00 was about N30.00 (but was fixed at N22.00 by the General Sanni Abacha administration in January 1994). Table 4.6 shows the rate of appreciation of the dollar and the pound sterling against the naira between 1970 and 1992. In the absence of current data on increase in the unit cost of production and ex-factory prices for the industry, the above picture suggests that



between 1989 and 1992, such increase would have been more than 100% - using the exchange rate as the basis for estimation.

**TABLE 4.6 NAIRA EXCHANGE RATES 1970 - 1992**

Year	Dollar	Pound Sterling
1970	0.7142	1.7114
1971	0.6944	1.7156
1972	0.6579	1.6289
1973	0.6579	1.6289
1974	0.6293	1.4795
1975	0.6158	1.3618
1976	0.6266	1.1317
1977	0.6466	1.1671
1978	0.6351	1.2238
1979	0.6027	1.2628
1980	0.5469	1.2647
1981	0.6052	1.2495
1982	0.6731	1.1734
1983	0.7506	1.1216
1984	0.7672	1.0765
1985	0.8924	1.1999
1986	1.7323	2.5554
1987	3.9691	6.5929
1988	4.5367	8.0895
1989	7.5064	11.8982
1990	8.3469	16.2419
1991	9.8702	17.4384
1992 (1st qtr)	12.4665	22.0023
1992 (2nd qtr)	18.4744	32.9411

Source: Central Bank of Nigeria (1992)

One of the factors responsible for the high rate of inflation that accompanied the depreciation of the naira since SAP is the import dependent nature of the import

substitution industries in Nigeria. The limited amount of foreign currencies under SFEM, and the operation of the market based on ability to pay exacerbated the crisis of inflation in the SAP period<sup>7</sup>. The cumulative effects on the cost of living led to consumer resistance and high stock of unplanned inventories in the manufacturing sector.

Tables 4.5 and 4.7 for instance, show that average unit cost of production for the Food, Beverage and Tobacco industry rose by about 128% in the SAP period 1987-89, while average ex-factory price rose by 111% within the same period. Sales turnover also increased by 100% from 1987 to 1989, while unplanned inventories of unsold products rose astronomically by 361% within the same period. In 1987 for instance, 31 companies had about N70 million worth of unsold stock in their warehouses according to MAN (Business Concord, 7 July 1987) Hence, while stockpiles of unsold products of the pre-SAP era was caused by low disposable income of consumers, that of the SAP era was caused by the general inflation and upward price adjustments of products, and the consequent high cost of living precipitated by the depreciation of the naira.

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<sup>7</sup> The problem was worsened by poor monitoring of the activities of the banks and financial institutions by the CBN, and the corruption associated with the operation which was to create the opportunity for the abrogation of the SFEM by the Federal government in March 1992

**TABLE 4.7 PERCENTAGE INCREASES IN EX-FACTORY PRICE, SALES TURNOVER, AND UNPLANNED INVENTORIES IN THE MANUFACTURING SECTOR 1987-89**

	Percentage increase in average ex-factory price			Sales turnover N000			Percentage increase		Unplanned inventories of unsold products N000			Percentage increase	
	1987	1988	1989	(1) 1987	(2) 1988	(3) 1989	B/W 1 and 2	B/W 2 and 3	(4) 1987	(5) 1988	(6) 1989	B/W 4 and 5	B/W 5 and 6
FBT Industry	28.64	22.95	59.65	1,012.5	1,478.2	2,287.6	46.00	54.80	2.9	4.8	19.4	63.5	298.4
Manufacturing Sector Average	46.6	49.3	62.7	6,875.6	9,577.9	14,547.5	39.30	51.89	45.0	81.3	235.4	80.5	189.4

Source: Compiled From MAN Reports 1987 - 1989

Closely related to the above crisis is the cost of raw materials - imported and local. While the depreciation of the naira affects the cost of imported raw materials directly, it has a similar effect on local raw materials, albeit indirectly. This is because producers of local raw materials also depend on imported machineries and spare parts for their production. Moreover, they depend on products from imported raw materials for their existence. They therefore rationally increase the prices of their own goods (locally produced) to enable them purchase the imported ones. These are some of the internal dynamics of the Nigerian economy that are unreflected in the IMF/Bank diagnosis of the Nigerian crisis.

Table 4.8 shows that the cost of imported raw materials for the manufacturing sector rose by about 222% between 1986 and 1989, with about a similar 230% rise for the Food, Beverage and Tobacco industry within the same period. Comparable figures for the average cost of local raw materials is about 208% for the manufacturing sector, and a staggering 633% for the Food, Beverage and Tobacco industry. While the average cost of local raw materials for the Food, Beverage and Tobacco industry increased by about 76% in 1987, it escalated to about 291% in 1988, and remained as high as 266% in 1989. With the value of the naira depreciating by about 200% between 1989 and 1993, the average cost of raw materials can be estimated to have increased by a similar margin.

**TABLE 4.8 PERCENTAGE INCREASE IN AVERAGE COST OF IMPORTED AND LOCAL RAW MATERIALS IN THE FOOD, BEVERAGE AND TOBACCO INDUSTRY 1987 - 1989, WITH MANUFACTURING SECTOR AVERAGES**

	1987	1988	1989
1. Percentage increase in average cost of imported raw materials in the FBT industry	109.1	70.48	50.69
2. Manufacturing Sector average	70.63	75.62	75.41
3. Percentage increase in average cost of locally sourced raw materials in the FBT industry.	75.75	291.33	266.10
4. Manufacturing Sector average	52.68	75.22	79.93

Source: MAN Report 1987 - 89

**TABLE 4.9: PRICE STRUCTURE OF NBL PRODUCTS 1986-91 IN PERCENTAGES**

PRODUCT BRAND	1986	1987	1988	1989	1990	1991
Star Beer	15.00	15.70	17.95	31.86	41.85	53.91
Guilder Beer	15.95	17.58	20.09	35.02	46.32	60.12
Rex Beer	15.00	15.30	17.44	30.26	39.78	45.60
Maltina	16.20	17.57	17.57	35.83	47.35	63.04
Green Sands Shandy	10.95	12.64	12.64	18.01	-	-

Source: NBL Records

The foregoing discussions highlight some paradoxes which largely reflect the effect of SAP on industrial activities. These include high cost of local raw materials, high sales turnover in spite of low capacity utilization, and high profit before taxation irrespective of consumer resistance, evident in high stockpiles of unplanned inventories. The seeming inconsistencies can however be reconciled with the price adjustment argument - stockpiles of goods adjusted for inflation with higher prices and the high cost of production that are transferred to the ultimate consumers in the form of increased prices.

The Nigerian Breweries Plc for instance raised the prices of its products eight times between September 1986 and December 1988 (Imaogene, 1989:62). As Table 4.9 above shows, the price of Star Beer rose by about 260% in the period 1986 - 1991. Maltina similarly had its price increased by about 322% within the same period. The least for the period is Rex Beer with about 204% upward price

adjustment.

The price adjustments were combined with increase in production due to higher utilization of installed capacity from 1988, to improve the economic standing of the firm. Hence, the Managing Director of NBL in 1988 partly attributed the company's rise in profit before tax to "increasing volume arising from greater market penetration" (NBL Annual Report, 1988:6) This suggests that while the industry was experiencing contraction, firms like NBL took over the existing markets of firms that folded up due to the unfavourable economic climate.

Increase in production highlighted above however can make sense only relatively - when viewed against the backdrop of general constraints of the SAP era. This is because average production in the pre-SAP period remain higher than that of the SAP period - another indication that the structural adjustment policies were not favourable to the economic performance of the firms. Table 4.10 and fig 4.1 show that the average production for the pre-SAP period was 35748 cartons compared with 34553 of the SAP era. This is irrespective of the remarkable improvements in local raw materials sourcing from 1988 that made it possible for the production figures for 1991 to exceed those of the respective pre-SAP years except 1983.

**TABLE 4.10: TEN YEAR PRODUCTION FIGURES FOR NBL 1982 - 1991  
IN '000 CARTONS UNITS**

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Lagos	14493	15898	14781	8088	7883	9085	12154	1211	12488	13897
Aba	8284	8394	7700	3736	4104	5097	7535	7375	7655	7359
Kaduna	6476	6283	6115	2941	3111	4030	4960	5257	7388	8206
Ibadan	4023	14501	13720	7558	7336	8770	11898	12148	12915	14558
TOTAL	33276	45076	42316	22323	22434	26982	36547	36891	40446	44020

Source: NBL Records

Apparently, increases in the volume of production may have been aimed at complementing increases in ex-factory prices of products, as part of the coping strategies, since increases in prices did not fully account for increases in the cost of production, or for the depreciation of the naira<sup>8</sup>.

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As a general coping strategy in the SAP era, firms tend to maintain marginal profits per unit commodity in order to increase sales and overall profits.

N.B.L **ACTUAL PRODUCTION FIGURES 1981 - 1991**

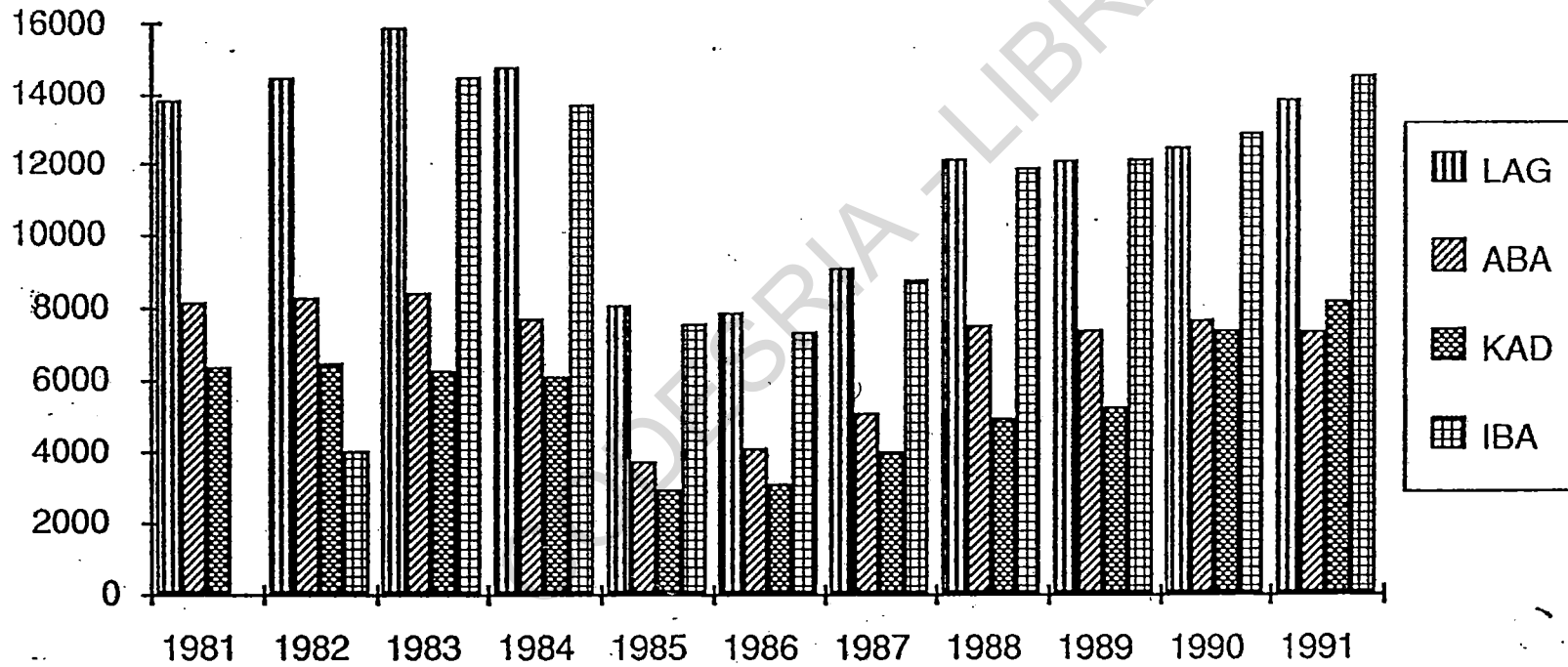


Fig. 4.1



From Table 4.5 for instance, we observe that while percentage increase in the average unit cost of production in the Food, Beverage and Tobacco industry rose by about 128% from 1987 to 1989, percentage increase in average ex-factory price rose by only 111%. The difference is even expected to be higher from 1992 when the naira was devalued more than 20 times compared with the pre-SAP values. Increases in production and ex-factory prices were however accompanied by aggressive product sales promotions aimed at minimizing consumer resistance.<sup>9</sup>

Hence the huge profits declared by firms in the adjustment period reflect more of the price adjustments to inflation and high cost of production than real profits. The report of the Manufacturers Association of Nigeria (1987-89) implies this phenomenon as it observes that,

the sharp rise in the cost of locally sourced raw materials was essentially a reflection of the inflationary spiral that had characterized the economy during the review period<sup>10</sup>.

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<sup>9</sup> These were rampant in the SAP era. See also AFBTE Annual Report 1992/93:7

<sup>10</sup> This observations was made at a rosy period in the SAP era - not comparable to 1992-1993. The annual report of AFBTE for 1992/93 for instance, estimated the inflationary rate for the period to be about 46%, interest rate about 65% from 34% in 1991, and interbank rates at between 100 - 200%. See AFBTE Annual Report 1992/93:1-2.

In addition to the above observation, the high cost of local raw materials in the Food, Beverage and Tobacco in particular may be related to the high demand and competition for local sourcing of raw materials in the brewing sub-sector among others from 1988, following the Federal government's ban on imported grains. The Food, Beverage and Tobacco industry in fact, recorded the highest utilization of local raw materials in the manufacturing sector in the SAP era. This increased from 51.07% in 1987 to 63.11% in 1989. (MAN Report 1987 - 1989).

Another factor related to the local raw material sourcing and high cost of production is the problem of low technological capacity. Adaptations and modifications of plants and equipments for processing local raw materials in the Food, Beverage and Tobacco industry still had to depend on importation. The implication of the above analysis for the performance of the industry was highlighted by the Executive Secretary of AFBTE in the 1992/93 Annual Report of the Association when he remarked that "in spite of the over 70% increase in turnover (from N9.651 million in 1991 to N16.748 billion in 1992) return on turnover fell from 15.2% to 13.73%". As Table 4.1 indicates, return on turnover has been fluctuating in the SAP period, despite the steady rise in turnover and profit before tax within the period.

**TABLE 4.11 PROFIT MARGIN IN SELECTED FIRMS IN THE FOOD, BEVERAGE, AND TOBACCO INDUSTRY 1985 - 1989 IN PERCENTAGES**

FIRMS IN THE FOOD, BEVERAGE AND TOBACCO INDUSTRY	1985	1986	1987	1988	1989
Nigerian Breweries PLC	33	31	28	34	37
Guinness Nig. PLC	26	22	13	15	16
Foremost Dairies Nig. PLC	18	(NPM)	3	(NPM)	-
Premier Breweries PLC	14	8	6	2	12
Food Specialties Nig. PLC	21	24	30	17	-
Northern Flour Mills PLC	13	12	25	23	(NPM)
Coca-Cola PLC	20	27	16	11	10
Cadbury Nigeria PLC	15	10	8	7	5
Nigerian Tobacco PLC	26	29	32	31	41

Source: MAN Reports 1987 - 89

The effect of the cost of production and price adjustment in the SAP period is also evident in the profit margin<sup>11</sup> of selected firms in the Food, Beverage and Tobacco industry. In contrast with the huge profit picture in Table 4.4 for the firms, the economic performance of most of the firms in the industry expressed in profit margins in Table 4.11 reflect a rather downward trend. The high profits of the firms in the SAP era in Table 4.4 for instance do not reflect in the SAP era in Table 4.11 when performance is expressed in profit margins.

A more realistic picture of the economic performance of firms in the SAP era further emerges with the 1982 base year factor cost analysis for organisations

<sup>11</sup> This is the ratio of pre-tax profit to sales turnover See MAN Report 1987 - 89:14-15

presented in Table 4.12. This involves expressing the 10 years financial summaries of the firms in the SAP period in their respective pre-SAP values. It therefore accounts for the depreciation in the value of the naira, and reflects the economic performance of the organizations in real terms.

**TABLE 4.12 NBL FINANCIAL SUMMARY 1982 - 1991 AT 1982 FACTOR COST**

	1982 N000	1983 N000	1984 N000	1985 N000	1986 N000	1987 N000	1988 N000	1989 N000	1990 N000	1991 N000
Net Proceeds of Sales	175,301	206,827	205,769	94,528	57,721	46,131	61,186	55,696	74,355	95,387
Profits before taxation	53,887	86,673	91,382	31,343	17,635	12,845	20,538	20,749	22,992	31,598
Profits after taxation	30,387	44,301	48,576	20,021	10,711	13,233	11,578	11,422	12,173	18,514
Shareholders' Fund	180,038	26,520	139,591	122,091	67,161	32,616	30,851	19,526	79,717	93,376

Source: Computed From Table 4.2

From Table 4.12 it is observed that in NBL, profit before tax rose steadily in the pre-SAP years until 1985<sup>12</sup> when it recorded a fall of about 68%. The fall in profit before tax continued through the SAP period until 1988 when local raw materials sourcing was largely achieved. Hence, profit before tax rose by more than 65% in 1988, from about N12 million in 1987 to about N20 million in 1988. The increase continued marginally up to 1991.

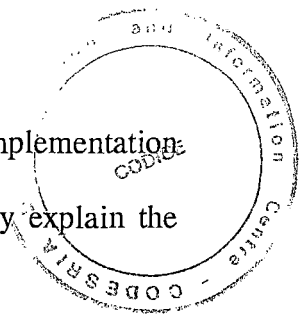
<sup>12</sup>

1985 was the peak of the raw material crisis in NBL and the FBT industry.

Moreover, Table 4.12 indicates that the average profit before tax for the four year pre-SAP period in NBL was about N65 million, in comparison with approximately N18 million for the immediate 4 year period of the adjustment programme. Furthermore, the most difficult period for NBL (1985) and which recorded the poorest performance in the pre-SAP period, was better than all the years in the SAP period except 1991.

The analysis so far tends to confirm the argument that the Structural Adjustment Programme could not address the industrial crisis of the pre-SAP period. Infact, the crisis was worsened by the massive depreciation of the naira under SAP. Hence the Food, Beverage and Tobacco industry performed worse in the SAP period in comparison with the pre-SAP period - in real terms.

The Banking, Finance and Insurance industry in contrast with the Food, Beverage and Tobacco industry did not experience much of the crisis associated with the introduction of SAP. The industry has rather tended to be favoured by the adjustment programme. The performance of the industry at any stage of the structural adjustment is related to the federal government's fiscal and monetary policies within the SAP period. These include the foreign exchange market operations, CBN's monetary regulations such as the control of lending operations, deregulation of the interest rates, rural banking policy, mopping up of excess liquidity, bank licensing policies, the prudential guidelines among others. The



Banking, Finance and Insurance industry has been very crucial for the implementation of the fiscal and monetary policies under SAP. This fact may largely explain the growth of the industry - as highlighted in our discussions on structure.

From Table 4.3, it can be observed that the performance of UBA in the SAP period is impressive when viewed in nominal terms. Gross earnings rose from about N441.9 million in 1986 to about N1.5 billion in 1991 and more than N2 billion in 1992. These represent an increase of about 230% and 370% within the respective periods. Profit Before Tax also rose steadily in the first 2 years of SAP. By 1988 however, profit before tax fell by about 21% from N105 million in 1987 to N83 million in 1988. The decline may reflect constraints arising from the expansion and competition in the Banking, Finance and Insurance industry at this period, especially from 1987<sup>13</sup>. UBA also recorded a steep decline in profit before tax of about 86% in 1991 - from about N116 million in 1990 to a mere N16 million in 1991. The decline is largely due to "adjustments" to the Prudential Guidelines issued by the federal government to the banking industry in 1991. According to the guidelines, bad debts not recovered within 4 years from the date of the guidelines were to be written

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This implies a positive impact on the industry as a whole. Moreover a respondent (union official) insisted that the actual economic performance of the company for much of the SAP era were understated in the annual reports - partly as management's response to labour militancy.

off.<sup>14</sup> Total provisions made by UBA for this purpose in 1991 was N344.8 million (UBA Annual Reports 1991:8) The fall in profit before tax in 1991 and 1992 notwithstanding, average profit before tax for the SAP period far exceeds that of the pre-SAP era. The former stood at N74 million to N59 million of the later.

**TABLE 4.13 UBA FINANCIAL SUMMARY 1984 - 1992 IN 1984 FACTOR COST**

	1984 N000	1985 N000	1986 N000	1987 N000	1988 N000	1989 N000	1990 N000	1991 N000	1992 N000
Gross Earnings	285,566	283,804	171,729	96523	95,106	74,906	95,953	109,017	68,217
Profit before taxation	56,266	48062	31,824	17,957	12,461	9,251	9751	1246	505
Profit after taxation	31,482	25790	16,350	12,490	8,125	5918	6208	747	328
Shareholders' Fund	184,600	157710	92,802	48,485	18,734	38,097	39,521	36,233	16565

\*Data for 1982-83 period is not available for UBA.  
Source: Computed From Table 4.3

With the base year factor cost analysis however, a different picture emerges.

Table 4.13 indicates a general decline in both gross earnings and profit before tax throughout the period of economic recession, with the SAP period being worse off.

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The major objective of the Prudential Regulations was to instil discipline and sustain confidence in the banking system. The regulations include adequate capital to asset ratio which imposes discipline on bank's lending activities, provisions for loan losses, classification of assets and the maintenance of generally acceptable accounting standards - to enhance the financial wellbeing of the industry. Beyond this however, it may be a subtle reaction by the State to the militancy of labour in the industry. See Chapter 5 for details.

The first two years to the introduction of the adjustment programme for instance recorded an average of about N52 million in profit before tax compared with about N24 million for the first two years of SAP. The mean figure for the entire SAP period is worse - N11 million. The year 1992 for instance recorded a profit before tax that was as low as N505 thousand when adjusted for the devaluation of the naira. Hence, the economic performance of the Banking, Finance and Insurance industry just like that of the Food, Beverage and Tobacco industry in the SAP era was worse in real terms than the pre-SAP period. Hence, the industrial crisis of the SAP era may be explained partly by the contradiction of the apparent huge profits in the light of poor real performance.

#### 4.2.2 STRUCTURE

The structure of the Food, Beverage and Tobacco industry was affected in the SAP era - especially in terms of industry - wide contraction or expansion. Firms in the industry at this period were pre-occupied with research into local raw materials sourcing and the problem of high cost of production. These led to structural changes in the industry which were evident in production technology, price structure and market structure - as earlier highlighted<sup>15</sup>. In terms of size, Food, Beverage and

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<sup>15</sup>

Some of these are already implied in our discussion under "crisis".



Tobacco experienced contraction in its structure in the SAP era, from 80 companies in 1986 to 69 in 1992 as shown in Table 4.1 - with intermittent rises and falls. Commenting on the viability of the industry in 1992, the Executive Secretary lamented that of the 69 member companies of AFBTE, only 26 were identified as thriving on account of their after tax profit and return on capital employed. (AFBTE Annual Report 1992/93) Hence SAP tends to "de-industrialize" the Food, Beverage and Tobacco industry. In the industry, the beverage sub-sector was worse hit with the survival of 25 companies in 1992 compared with 40 in 1986.

Ironically total number of employees in the industry according to the 1992/93 annual report increased from 41,150 in 1986 when AFBTE has 80 member companies to 42,669 in 1992 when the number of companies in the association fell to 69. This further confirms our earlier observation - that some of the surviving firms were expanding irrespective of the contraction at the industry level - a pointer to the disparate impact of SAP even on the same sub-sectors.

Moreover, unlike other sub-sectors of the economy such as the automobile industry, agro-allied enterprises exhibit a relatively better capacity for adjustment on the short run. In the Food, Beverage and Tobacco industry, the beer sub-sector has well demonstrated this ability.

One of the measures introduced by the federal government to solve the problem of foreign exchange and imported raw materials was the requirement of

breweries to produce beer with 100% local raw material content by 1988. That was a "trying period" for firms in the sub-sector. In furtherance of this directive, the government imposed a ban on the importation of wheat and malted barely. Firms in the sub-sector therefore embarked on structural overhauling of their production system to cope with the directive.<sup>16</sup>

As part of its coping strategy, NBL in 1986 commissioned an extensive product and process research project with its foreign technical partners. In 1987 the company established a Research and Development Centre and acquired 8000 hectares of farmland in Gbakogi, Niger State, for grain production. It also embarked on the use of contract farmers for the production of local grains. This was carried out by a special unit set up to purchase, transport, store, and mill local sorghum and maize. In the interim, NBL took steps to acquire sufficient raw materials to see it through the difficult period. In 1988, NBL changed its technological structure by embarking on the development of a new brewing technology designed for the utilization of local grains. The challenge was to use local grains in the production of drinks comparable to those made from imported malted barely. As already highlighted, these measures improved the utilization capacity of the firm from 1988 and led to higher production

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<sup>16</sup>

For most firms in the industry experimenting with local raw materials meant the modification of the production technology to enable them produce with the local raw material.

levels. As shown in Table 4.10 production levels in NBL rose from 26982 cartons in 1987 to 36547 in 1988, and 44020 in 1991. This represents an increase of about 61% within the period 1987 - 1991.

Moreover, NBL expanded its market structure in terms of exports. It acquired 2 distribution centres and 140 sales outlets in Britain among others. These afford the company the opportunity to introduce the Nigerian brand of beer (brewed from Sorghum) into the international market. The foreign markets coupled with price adjustments discussed earlier, are significant to the firm's performance - both in terms of its foreign exchange requirements and nominal profits. It is also an indication of the role of international capitalism in the economic crisis and adjustment.

The structural adjustment policies such as SFEM, rural banking and community banking affected the structure of the Banking, Finance and Insurance industry in terms of growth. In contrast with the pre-SAP period, the industry experienced expansion in the SAP period. Only one new bank was licenced in 1986 when SAP was introduced. A year later in 1987 seven new banks were licenced in the industry, and 30 in 1988 alone. The expansion continued in 1989 with the launching of The People's Bank and the Community Bank. Hence 16 new banks were licensed in 1989, and 25 in 1990. This comprised 11 commercial and 14 merchant banks. The total number of commercial and merchant banks stood at 119 in 1991, from 41 in 1986 - an increase of about 190% within the period 1986 -

1991. Moreover, the total number of bank branches rose to 2107 in 1991, and 2391 in 1992, from 1394 in 1986 - an increase of more than 71 % within the period 1986 - 1992. Included in the above figures are the branches of the Community Bank that increased from 66 in 1991 to 410 in 1992, and The People's Bank whose branches rose from 200 in 1991 to 228 in 1992. Similarly in a single year, the number of registered brokers increased from 61 in 1989 to 110 in 1991 while bureaux de change enterprises rose from 40 to 102 within the same period<sup>17</sup>. There were also marginal increases in the insurance and allied sub-sector of Banking, Finance and Insurance industry - an average rise of 2 annually in the SAP period 1986 - 1992. At the level of the national unions, the membership of NEABIAI rose from 93 in 1991 to 187 in 1993 while membership of NUBIFIE rose from 50,000 in 1986 to 80,000 in 1992. (NEABIAI records; NUBIFIE records)

Most of the new banks were established to take advantage of the structural adjustment policies for profits. Such policies include the SFEM, high interest regime and the devaluation of the naira which attracted capitalists with foreign investments especially in the areas of merchant and mortgage banking.<sup>18</sup> The high rate of

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<sup>17</sup> See CBN Annual Reports covering the period 1986 to 1992 and the CBN statistical bulletin, June 1992 for details.

<sup>18</sup> For details on the structure and nature of operations of such firms see BUSINESS, 1991: 53-63; This Week No101, Newswatch, March 30, 1992

expansion made the federal government to place an embargo on bank licensing in 1991. As the CBN reports:

In 1992 monetary and credit aggregates expanded at rates unprecedented during the last decade and a half, almost matching the all-time highs of the oil boom era of the mid 1970s... Aggregate banking system credit to the economy grew at an unprecedented pace during the year... the highest annual rate of expansion over a decade. (CBN Annual Report 1992:1)

The above notwithstanding, some sectors of the economy such as the Food, Beverage and Tobacco industry about the same period lamented the adverse effect of the monetary market on organizational performance:

The average cost of funds which was about 34% in 1991/92 skyrocketed to 65% in 1992/93... The high cost of funds made borrowing unattractive. In addition, there was also a related problem of scarcity of funds due to several mop-up operations of "excess" liquidity. The use of stabilization security instruments reduced the volume of money in circulation. (AFBTE Annual Report 1992/93:1)

Hence the structure of the Banking, Finance and Insurance industry as dictated by SAP had a remarkable impact on the performance and impliedly structure of the Food, Beverage and Tobacco industry.

#### 4.2.3 CONTRADICTION

The contradictions in the SAP period are related to our discussions on structure above, and emanate from socio-economic policies under SAP that are not compatible with the realities of the economic crisis. The devaluation of the naira

against the background of the import-dependent economic structure of Nigeria is a major aspect of the contradictions. The underlying reasoning for devaluation is to increase the volume of exports, improve the balance of payment position and possibly attract foreign investment. In the case of Nigeria however, the economy is a mono-economy mainly dependent on oil exports. The production of most commodities are rarely adequate for the internal market. Oil production and exports on the other hand are subject to OPEC's regulations - which makes devaluation of no effect. The high rate of devaluation of the naira under SAP introduced high rate of inflation which affected the operation of the firms adversely - especially in the manufacturing sector (including the Food, Beverage and Tobacco industry). Hence in the 1992/93 report, the ABTE president lamented:

Quite expectedly interbank rates jumped from about 50% in 1991/92 to between 100-200% in 1992/93. The operating environment was also characterized by a continued decline in the value of the Naira with adverse consequences on the purchasing power of the consumer. At the same time, the income of the consumer was ravaged by inflationary spiral... Manufacturers had to contend with weak demand and unimpressive turnover as a result of the erosion of the purchasing power of the consumer... Inflation is not galloping, it is zooming (AFBTE Annual Report 1992/93:2,4)

Moreover, the contradictory relations of the Banking, Finance and Insurance industry with the general performance of the economy under SAP partly accounts for

the labour militancy in the industry within the SAP period<sup>19</sup>.

The foregoing discourse suggest that the economic performance of the firms in the Food, Beverage and Tobacco industry were adversely affected by SAP, higher utilization of local raw materials notwithstanding. The analysis of the net proceeds of sales and profit before taxation in the period of the economic recession in real naira values of NBL - one of the most viable firms in the industry, suggest that the industry performed better in the pre-SAP period. The performance of UBA is comparable to that of NBL. Irrespective of the expansion which the Banking, Finance and Insurance industry recorded in the SAP era, UBA indicate a relatively better performance in the pre-SAP period when compared with the SAP period. The gross earnings and profit before taxation of the firm - one of the most successful in the industry<sup>20</sup> were better in the pre-SAP period in comparison with the SAP period, as adjustments were made for the depreciation of the naira.

Given the strategic nature of the two industries, and the fact that the selected firms are among those highly rated in economic performance under SAP as earlier

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<sup>19</sup> The expansion of the industry under the economic recession creates labour market environment favourable to strikes. This can also be related to the procyclical nature of industrial conflict established in chapter 7.

<sup>20</sup> UBA was for instance the only Nigerian bank rated in 1986 among the world's top 50 banks, ranked according to performance by the international finance journal - The Banker based in London.

highlighted, firms not so highly rated are not expected to perform any better. This picture might therefore reflect the situation at the national level - general poor performance of firms and de-industrialization under SAP.<sup>21</sup>

The above indicate that the huge profits declared by firms in the SAP period are cosmetic and do not represent good economic performance. The real picture emerged with the analysis of performance based on base year factor cost that approximated the real naira values. The Structural Adjustment Programme therefore has not been favourable to the economic performance of the firms in this study. These facts in combination with the social and economic relations between labour and management based on nominal economic performance of the organizations, as well as the labour market environments of the respective industries are related to the state of labour relations in the industries and firms within the periods examined. These underscore the discourse in the following chapters.

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This confirms the observation of Bangura on de-industrialization in Nigeria on account of the Structural Adjustment. See *Africa Development* Vol. xvi, No. 2, 1991.



## **CHAPTER 5**

### **WORK RELATIONS AND JOB SATISFACTION IN THE FIRMS**

This chapter is essentially a continuation of the analysis in the previous chapter on the performance of the organizations during the economic crisis and adjustment - the state of the well being of employees in the light of the economic position of the firms. Against this backdrop, I examine the work relations in the firms as a pointer to industry-wide production relations. Underlying the above is the social and economic position of labour relative to capital, especially as it relates to the production, management and organizational crisis which the firms encountered in the pre-SAP and SAP periods, and the strategies adopted to deal with the crisis. One of the concepts employed in the analysis to empirically verify various aspects of work relations is the level of job satisfaction of employees.

In a comparative analysis of the Food, Beverage and Tobacco and Banking, Finance and Insurance industries, I highlight the role of finance capital in the crisis, its significance to the structural adjustment, and their implications for the pattern of dispute processing and labour relation approaches adopted by the unions in the respective industries - which is the subject of the discourse in chapter 6.

## 5.1 LABOUR - CAPITAL RELATIONS

In chapter 4, we examined the economic performance of the organizations and the crisis they faced. The problems encountered by NBL in the pre-SAP period included those of foreign exchange, scarcity of raw materials and industrial spare parts, low capacity utilization and decline in the volume of production which was most severe in 1985 when production figures fell by about 44% from its 1984 figures.

Due to the wage freeze that prevailed in the pre-SAP period there was no upward review of wages and salaries during the period inspite of about 68% rise in inflation (CBN, Statistical Bulletin, Dec. 1992). Instead, on February 25, 1985, the management of NBL confronted labour with two options - to accept declaration of redundancy, or the spread of available work among employees with a minimum of 50% payment of salaries and fringe benefits. The latter option was preferred by both parties. Other rationalization measures taken by the management that affected the wellbeing of labour were compulsory leave and compulsory overtime work for the lean workforce, and the freezing of all forms of recruitment. Vacancies created due to retirements, termination of appointments, deaths and resignations were filled with existing staff without recourse to recruitment from outside.

The implication of the above scenario is that less employees were required to do more work than usual, while receiving less pay - about half of the expected in 1985. This implied work intensification, and exploitation of labour power. Conversely, the rationalization measures were favourable to the owners and controllers of the firm. Of particular interest to management was the retaining of its technical staff (among others) on whom a lot of resources had been invested in the form of training. The loss of this category of workers would mean fresh training for new recruits. Their importance to production in the economic crisis can be viewed against the background of the scarcity and high cost of machinery spare parts and the need for work experience.

The crisis in the SAP era in NBL can be linked to the devaluation of the naira. They include high inflation and high cost of production. These led to price adjustment of products of between 200% - 300% in the period 1986-91, and a rise in PBT for the company of about 875% within the same period.

The performance of the firm has often been credited to the dedication and commitment of the employees (NBL Annual Reports, 1986-1991) In 1988, industry-wide negotiations between NUFBTE and AFBTE led to 15% salary increase. In that year, the rise in inflation was put at about 25% (MAN Report 1987-1989) In 1989, the rate of inflation rose by about 47.5%

according to the same report. The high cost of living that prevailed under the adjustment programme at this period led to the SAP riots in 1989. The relief package which followed the riots led to marginal improvements in incremental rates and allowances from which NBL employees benefitted. By the second half of 1992 when the value of the naira fell by more than 100% in the official market due to the March 1992 devaluation, the federal government offered a 45% pay increase which the employees of NBL also received. There were also marginal increases in fringe benefits and allowances in 1991, due to in-house negotiations between labour and management in NBL (See Appendices III & IV). Before the SAP riots in the period 1988-89 above, the rate of inflation was more than 79% (CBN Statistical Bulletin, June 1992). Hence, while the rate of inflation rose by more than 138% in the SAP period 1988-1992, and PBT in NBL rose by about 875%, wages/salaries rose by less than 65%<sup>1</sup>.

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By December, 1992 for instance the official exchange rate of the naira to US\$1.00 depreciated from about N10.00 in March to more than N20.00 by December 1992. The corresponding rise in the cost of living in addition to the inflationary effects of the federal governments announcement of the wage increase, and the financial indiscipline of the Babangida era pushed up the inflationary rate by more than 100%. See CBN Annual reports covering the period for details of all - item composite consumer price index which are often lower than MAN estimates.

In UBA, gross earnings rose by about 37% in the SAP period<sup>2</sup> 1986-1992 according to Table 4.1. Within the period 1988-1990, the company's branches increased from 164-189 while staff strength merely increased from 7655 to 8033. Hence, while the branches increased by about 15% for the period, the workforce increased by only 5% - a pointer to work intensification.

An impression of the state of well being of labour in UBA can be captured from a protest publication by the "work force" in Vanguard, August 12, 1992. In the publication, the workforce protested what it regarded as deplorable working conditions in UBA which included cuts in fringe benefits and irregularities in promotions and annual increments - in contrast with the Chairman and Board of Directors as well as top management staff's extravagant spending<sup>3</sup>. Moreover, the workforce cited the resignation of 258

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I am not able to do a pre-SAP analysis of work relations in UBA because data on pay reviews in the pre-SAP era in the BFI industry are not available. It should be noted however, that the aforementioned wage freeze and rise in inflation of the pre-SAP period were indicative of adverse economic relations from the point of view of labour.

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The workforce as defined by the publication consisted of middle management, senior staff, and junior workers. The Chairman was alleged to have spent a huge (unspecified) amount as personal hospital bills abroad - in contrast with workers' pay cuts.

employees in the 12 months to March 31, 1992 as a reflection of low motivation and degenerating moral among employees. These were attributed to "inhuman working conditions". Reference was also made in the protest publication to the opening of additional branches during the period without recruiting new staff. This state of affairs was irrespective of the expansion in the firm and the banking industry as a whole. Another pointer to the state of wellbeing of labour in UBA is the fact that 19 out of 22 grievances in dispute between labour and management were awarded in favour of labour by the IAP in 1990 (See Appendix ii).

Wage increases in the SAP period from 1988-1992 from industry - wide negotiations, and the SAP relief packages totalled about 76%<sup>4</sup> as compared with about 138% inflationary rate within the period. The above events signify an imbalance in work relations between employers and employees and suggests that the economic performance of the firms were largely achieved at the expense of employees' wellbeing.

The standards of living of employees in the firms were further made worse by other structural adjustment policies such as reforms in

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See NUBIFIE records, 1986-1992.

parastatals, privatization and commercialization of public enterprises, drastic cuts or outright withdrawal of subventions from state establishments, and withdrawal of subsidies from oil products. These affected the cost of social services available in the health, electricity, postal and telecommunication, transport and aviation as well as the educational sectors, and led to high social wage bill. In addition to the above, the social and economic burden of members of the immediate and extended families who were retrenched or laid off, often fell on their working relatives.

The NBL Branch Chairman of NUFBTE further highlighted the link between the prevalent work relations in NBL and the economic crisis. According to him, the rationalization measures of 1985, and the consequent "concession" (non-retrenchment of workers) became favourable to management as a means of the subordination of labour to capital in the SAP period. Retrenchment and job insecurity took a new form. Workers were sacked with the least offenses. Intimidation of workers with the threat of sack became a means of increasing productivity and performance. Those sacked were rarely replaced. While the unconventional dismissal of erring workers became an indirect means of reducing the workforce, labour intensification became a more direct means of achieving profitability. The "concession" therefore became an instrument of exploitation and control.

Since then (1985) the emphasis has been on "lean but effective workforce", in accordance with what the Personnel Manager described as "strategic and tactical human resource planning" This according to him gives management enough flexibility to respond to unanticipated distortions arising from the structural adjustment policies. Citing his office as an example of this work organization, he complained that he overworks himself due to the inadequate provision of middle level manpower in the personnel department.

One thing may be apparent from the discussions - that conditions of service in the firms neither reflect the economic performance of the firms under the Structural Adjustment Programme, nor the high cost of living in the wider environment due to high inflation. There are also indications of work intensification in the face of inadequate pay, and strained work relations. These have implications for the levels of job satisfaction found in the firms.

## **5.2 EMPLOYEES' JOB SATISFACTION**

The analysis in this section includes the overall job satisfaction of respondents in both firms, with particular reference to the variables related to the priority needs of employees. The job satisfaction analysis is also undertaken according to three work categories - work pay variables, relational variables, and freedom variables. The job satisfaction analysis here further



verifies the position in 5.1 in the light of the effects of work relations on job satisfaction of the employees<sup>5</sup>.

I will proceed with the verification of the need priorities of the respondents, and attempt to establish employees' feelings toward the satisfaction of these needs in the course of their work.

### 5.2.1 BASIC NEED PRIORITIES OF EMPLOYEES

Respondents in the survey were asked to select from a list of socio-economic needs, the three they considered most important. The needs so listed were job security, good housing, cheap food, adequate transportation and adequate remuneration. Table 5.1 below shows their responses.

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Due to lack of time series data on job satisfaction, I am not able to do a comparative analysis of the pre-SAP and SAP periods. Hence I am constrained in identifying the specific effects of the SAP era on job satisfaction. Findings here can therefore only be suggestive.

**TABLE 5.1 BASIC NEED PRIORITIES OF RESPONDENTS**

BASIC NEEDS	FREQUENCY	%	TOTAL
Job Security	206	63	330
Good Housing	233	71	329
Cheap Food	134	40	329
Adequate Salary	111	41	328
Adequate Transportation	132	34	329

From the responses good housing, job security, and adequate salary emerged the top three priority needs of employees. When asked to rank the needs according to their priorities, the three variables still emerged tops but in a different order. Job security, housing and salary were ranked first, second, and third with 34%, 30% and 17% respectively. Moreover, about 81% of the respondents who indicated first priority for job security attributed their preference to the high rate of unemployment created by the economic crisis and adjustment. Commenting on the importance of job security to labour, the General Secretary of NUFBTE remarked that without job security, there is rarely any basis for the satisfaction of other job related needs. On his part, the General Secretary of NUBIFIE observed that the job security of the

union members is crucial for the performance of the union officials and the effectiveness of the union, hence, its high priority. The high priority for job security can therefore be understood against the backdrop of our earlier discussion on job insecurity arising from the loss of jobs due to the rationalization measures taken by firms since the economic crisis and adjustment. Hence the hypothesis (2) that the slack in the labour market that the economic crisis and adjustment policy instruments create compell workers to put the highest priority on job security is accepted. This finding partly confirms the views of Fashoyin and Damachi (1988:5) on labour's priority under the economic crisis fully evaluated in section 5.2.2 below.

### 5.2.2 OVERALL JOB SATISFACTION OF EMPLOYEES

In the survey, thirteen job satisfaction variables were examined. Table 5.2 below shows that respondents were satisfied with six out of the thirteen job satisfaction variables<sup>6</sup>. The six are job security, boss treatment, chance to help others, utilizing one's ability, co-worker relationship and the feeling of success. These represent an overall job satisfaction level of 46% for the

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The baseline used for satisfaction is 50%. The responses for "undecided" have been eliminated from the data, and accounts for the discrepancies in the total column in Table 5.2

firms. For the respective firms, the overall job satisfaction levels did not show any much difference from that of the general level with 47% for UBA and 45% for NBL.

**TABLE 5.2 OVERALL JOB SATISFACTION OF EMPLOYEES**

JOB SATISFACTION VARIABLES	% NOT AT ALL SATISFIED	% NOT SATISFIED	% SATISFIED	% VERY SATISFIED	TOTAL
1. Job Security	4.2	11.7	45.0	39.0	307
2. Boss treatment	9.6	17.3	46.5	26.6	312
3. Chances to help others	12.2	17.7	43.4	26.7	288
4. Utilizing your ability	12.1	19.0	38.4	30.5	305
5. Participating in job decisions	17.4	27.0	37.7	17.8	281
6. Pay versus work done	18.5	40.4	33.4	7.6	374
7. Fringe benefits and allowances	30.1	37.5	28.2	4.2	312
8. Chances for advancement	25.9	37.8	26.2	10.0	278
9. Freedom to use your judgement	26.1	32.5	32.5	8.8	283
10. Freedom to use your initiatives	17.6	31.8	35.6	14.9	289
11. Co-worker relationship	2.9	12.7	49.3	35.0	314
12. Praise for good job	16.8	31.2	33.9	18.1	304
13. Feeling of success from job	13.1	18.7	39.7	28.5	305

Three of the thirteen job satisfaction variables relate to the top three priority needs of employees earlier verified. These are job security, pay versus work (salary) and fringe benefits and allowances (housing). These were subjected to further verification for the job satisfaction analysis.

From Table 5.2 it can be deduced that about 84% of the respondents variously expressed satisfaction for job security in contrast with only about 15% who expressed dissatisfaction. Conversely, only 41% of the respondents expressed satisfaction for salary in contrast with 58% who claimed dissatisfaction. Satisfaction was also expressed for fringe benefits and allowances by only 32% of the respondents as against 67% who were not satisfied. Hence, the respondents were satisfied with only 1 out of the job satisfaction variables related to the top three priority needs.

The summation scale rating was also applied to the four levels of job satisfaction, to reflect the intensity of satisfaction or non-satisfaction<sup>7</sup>. From Table 5.3 below, it can be observed that the job satisfaction picture that emerged earlier for the top priority needs has not changed much with the scaling method. About 86% of the respondents expressed satisfaction for job security, in contrast with 36% and 27% for salary and fringe benefits/allowances respectively. The job satisfaction for job security remain very high with relatively low satisfaction for the pay variables.

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In this regard, the responses were weighted 2-4 as follows: "not at all satisfied" (4) "not satisfied" (2) "satisfied" (2) and "very satisfied" (4)

**TABLE 5.3 SCALE RATINGS OF JOB SATISFACTION OF RESPONDENTS IN WEIGHTED FREQUENCIES AND PERCENTAGES**

JOB SATISFACTION VARIABLES	NOT SATISFIED		SATISFIED	
	Weighted frequency	%	Weighted frequency	%
1. Job security	122	14	756	86
2. Boss treatment	228	27	622	73
3. Chances to help others	242	30	558	69
4. Utilizing your ability	264	30	600	70
5. Participating in job decisions	348	45	412	54
6. Pay versus work done	486	63	282	36
7. Fringe benefits and allowances	610	72	228	27
8. Chances for advancement	98	66	258	34
9. Freedom to use your judgement	480	63	284	37
10. Freedom to use your initiatives	388	51	378	49
11. Co-worker relationship	116	13	750	87
12. Praise for good job	394	48	426	52
13. Feeling of success from job	274	31	590	68

The results for the levels of job satisfaction for the top priority needs, in combination with the 46% finding for the overall job satisfaction situation, indicate that employees in the two firms - NBL and UBA did not experience high overall job satisfaction. This is irrespective of the remarkable performance of the respective firms (in nominal terms) during the SAP period - as indicated in chapter 4. Hence hypothesis 4 is rejected. The hypothesis states that given the adverse impact of structural adjustment on living standard

of workers, employees of firms experiencing growth will express high overall job satisfaction.

At the level of the firms, selection and ranking of the priority needs did not show any significant differences. About 70% of respondents from UBA chose job security while about 39% ranked it as first priority. The figures for NBL are 53% and 24% respectively. While 69% of respondents from UBA chose housing with 26% identifying it as the most important need, 72% selected it from NBL while about 40% ranked it topmost. The case of salary is interesting with only about 36% of respondents from UBA and 46% from NBL selecting it as a priority need, while 17% and 21% respectively ranked it first.

The responses, for the importance of salary seem inconsistent with our discussions on work relations - since this may imply that the pay variable is not of a significant priority to the employees. A few observations in this regard may be useful in clarifying the issue.

First, in our analysis of overall job satisfaction, respondents from both firms expressed dissatisfaction for the extrinsic factors - both salaries and fringe benefits/allowances. This persisted in the job satisfaction analysis of the top three priority needs even when the summation scale rating was applied. The same picture emerges shortly in the work pay category analysis

in section 5.2.3 below, in contrast with the relational and freedom categories - the intrinsic factors. These clearly show that employees were not satisfied with the salaries and fringe benefits/allowances.

Second, of the eight strikes recorded in UBA in the period 1988-1991, five were related to union demands for increased pay. The low percentages for salaries as a priority need above, do not reflect this situation.

The explanation however, lies in the percentage that selected housing as a priority need - 72% for NBL and 69% for UBA. This points to the priority attention paid to fringe benefits and allowances relative to salary by labour in the SAP period, due to inflation. Rather than an indication of satisfaction with salary, it is in fact one of labour's coping strategies against inadequate pay and high inflation.

The above position has significance for the observation of Oribabor at the early (pre-SAP) period of the recession. In his view, union demands have bothered on improvements in fringe benefits such as hospital, transport and housing allowances rather than emphasis on direct pay. This strategy according to him, is due to the realization that large pay claims can be easily eroded by the ever rising inflation (Oribabor, 1984, 51-52) This observation is even more significant in the second half of the SAP period which recorded higher inflationary rates.



The findings on job security is similarly related to the views of Fashoyin and Damachi (1988:55) on the relationship between labour's emphasis on job security and the labour market environment under the recession and adjustment. The analysts identified job security as the most important need of labour. They further argued that labour priorities have been re-ordered due to the economic crisis and adjustment, with a noticeable shift from improvement to sustenance issues - job security rather than economic benefits.

While the findings in this work support the view that the most important need of the employees is job security, they also suggest that improvement issues such as fringe benefits and allowances have assumed very significant importance in labour relations in Nigeria. As Table 5.1 indicates, the highest number of respondents 71% selected housing as one of the priority needs. Moreover, housing was ranked second to job security in order of importance.

The issues of re-ordering and shift in priorities are difficult to verify here due to the non-availability of time series job satisfaction data. What seem apparent therefore is that beyond salaries, job security and improvement issues have become issues of high priority to labour in the economic crisis and adjustment. Moreover, the inconsistent and uncertain nature of the adjustment

policies which affect the firms and employees make such observations that are not time specific unreliable. This is because the state of job satisfaction might change with the changes in policies at any point in time - both at the national and industry/firm levels.

The high level of job security of respondents in this study irrespective of the general threat to jobs due to the economic crisis may be partly attributed to the resolve of management and labour at the peak of the crisis in NBL to avoid retrenchment. The reasons for the decision which include the protection of the corporate image of the company were earlier highlighted. At the time of the survey in 1991, NBL had achieved a high level of local raw material sourcing and industrial production. It is therefore logical that employees who were not retrenched during the most difficult period, would feel a sense of security in their jobs during the "success" period.

In UBA high job security feeling may derive from the expansion in the banking industry. In 1990 for instance, when the federal government directed the banks to retrench some of the staff (possibly in compliance with IMF demands) NUBIFIE and ASSBIFI threatened to embark on strikes which would disrupt the foreign exchange transactions (Bangura 1989). They rightly argued that the industry was making sufficient profits to ensure the job security of its employees. The unions successfully resisted the implementation

of the directive. Moreover, the competition that followed the expansion in the industry, and the consequent job openings and opportunities, made retrenchment a bad option for most firms in the industry.

### **5.2.3. JOB SATISFACTION AND WORK RELATION CATEGORIES**

Looking at the features of the responses on the job satisfaction variables again, we may identify 3 major categories in terms of work relations. These are the relational, freedom and work-pay categories. Variables in the relational category are - boss treatment, chance to help others co-worker relationship and praise for good job. In the freedom category we have - utilizing your ability, freedom to use your initiative, participating in your job decisions and freedom to use your judgment. In the workpay category are pay versus work, fringe benefits/allowances, chances for advancement, and feeling of success from job.

From table 5.3 it is observed that satisfaction is indicated for all the four job satisfaction variables in the relational category, two in the freedom group and only one in the workpay category.

Apart from the persistent low satisfaction for the workpay variables, it can be observed that high job satisfaction are indicated for the relational variables. This may reflect the state of social relations in the firms - an

indication of good human relations, as distinct from economic relations. The freedom category does not tell us much. The persistent low satisfaction for the workpay category is consistent with our previous discussions - an indication of unfavourable economic relations in the firms from the view point of labour.

#### 5.2.4 **JOB SATISFACTION AND DEMOGRAPHIC FACTORS**

In this section, I endeavour to control for the job satisfaction findings, and attempt within the limits of available data, to delineate the specific effects of the economic crisis and adjustment on job satisfaction. I will do this by verifying the relationship between the job satisfaction of the top three priority needs, and demographic variables some of which are theorized as having relationships with job satisfaction. The variables are marital status, family size, duration of employment, occupational status, spouses occupational status, gender, age, educational attainment among others - with correlation analysis.

Six of the nine demographic variables were found to have various levels of significance with the job satisfaction variables, albeit with weak relationships, for all but one - duration of employment. Marital status has significant association with the remuneration variables - pay versus work (salary) and fringe benefits/allowances. The relationships are however weak,

with low absolute values of the correlation coefficients of Tau C and T values: 0.06 and 1.09 respectively for pay versus work, and 0.01 and 0.26 respectively for fringe benefits/allowances. Similar absolute values of Tau C and T values apply for spouses occupational status, gender, age, and town-company of respondents.

Duration of employment is found to have strong relationships with salary and fringe benefits respectively. The statistical significance for the relationship between duration of employment and salary is 0.02, with a T value (absolute) of 1.78. These suggest a fairly strong relationship between the two variables. The chi square probability of 0.0008 found for the relationship between duration of employment, and fringe benefits/allowances is highly significant, with a fairly large T value of 2.16. These suggest a strong relationship between the two variables.

The importance of the relationship found between duration of employment and the job satisfaction variables may be understood in terms of their significance for the stability rate of the respondents<sup>8</sup>. Sixty three percent of the respondents indicated their intentions to leave their current

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The stability rate is the proportion of non-managerial employees having an organizational tenure of 5 years and above - an indication of the "age" of the workforce. See Perry and Argle, (1980) for details

employment. More than 72% of these have duration of employment of 5 years and above, with about 67% concentrated within the 10-15 years of service category<sup>9</sup>. The high expression of intentions to leave in 1991<sup>10</sup> of this category of respondents whose employments pre-date the SAP period, suggest that lack of satisfaction with job may be associated with factors located in the adjustment programme.

An indication of the factors may be found in the reasons for their intentions to leave. The reasons advanced by about 83% of respondents in this category are related to SAP - directly or indirectly. These include: poor pay versus high inflation, preference for jobs favoured by SAP<sup>11</sup> and self employment. Also significant is the fact that 91% of total respondents

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Others fall into 5-9 years, and 16 years and above. Intentions to leave reflect employees' current satisfaction with work, in contrast with turnover rates which may reflect previous satisfaction of employees with their jobs.

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The survey was carried out in 1991.

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Some respondents from NBL expressed their desire to go into the banking industry, while some respondents in UBA indicated preference for merchant banks or finance houses. These involve the sub-sector of the BFI industry that largely contributed to the expansion of the industry under SAP.

indicated that their employers could provide them with better conditions of services, while 75 % believed that employers other than theirs could offer them better remunerations. These views have bearings with our overall job satisfaction finding, and are consistent with our discussions in the early part of this chapter on labour-capital relations.

Moreover, the findings are similar in the two organizations. Neither respondents location (town) nor their employing firms (NBL/UBA) is found to have any significant influence on the job satisfaction mean score for the variables - the workpay variables in particular. The difference between the job satisfaction mean score of respondents from the two firms for the workpay variables for instance is 0.24 and 0.16 for the non-pay variables - in favour of NBL and UBA respectively. The T value's significant level for the difference is 0.56 and 0.84 respectively. Neither of them is statistically significant. These suggest that factors affecting job satisfaction in the two firms are similarly related to the wider economic environment.

What seem apparent from our analysis in this chapter is that the economic position of employees relative to owners and controllers is weak. This is evident in the unfair economic relations which disfavour the employees and results in the low job satisfaction of employees in the firms. In the pre-SAP period in NBL for instance, the economic position of labour can be

regarded as unfavourable and adverse - similar to that of owners and controllers of the firm. Work relations between labour and capital in the SAP period however, can be described as unfavourable and unfair to the former, - in contrast with the latter. The improved economic performance of the organizations for instance was not adequately reflected in the economic position of the employees.

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## **CHAPTER 6**

### **ECONOMIC RELATIONS, POWER RELATIONS, AND LABOUR RELATIONS UNDER STRUCTURAL ADJUSTMENT**

In the preceding chapter, I examined the wellbeing of labour relative to capital and found indications that the implied work relations were exploitative. From the point of view of employees these were manifest in low job satisfaction, especially in the workpay variables. The discussions involved the more covert and informal aspects of labour relations. In this chapter, I discuss the more overt and formal aspects to illustrate the implications of the prevalent work relations for the politics of production under SAP - the implied economic relations and power positions, as well as their effects on the industrial relation atmosphere in the firms and industries studied.

#### **6.1 CONTROL AND RESISTANCE: FOOD, BEVERAGE AND TOBACCO INDUSTRY**

In spite of the loss of jobs due to the folding up of some firms and the retrenchment of workers in the Food, Beverage and Tobacco industry there has rarely been any resistance in the form of strikes by organized labour in the industry. Instead, the national officials of NUFBTE embarked on enlightenment campaign in the pre-SAP period to orientate the workers on the implications of the economic recession on job security, and the need for

improved productivity and good conduct on the part of the workers - to avert retrenchment. AFBTE officials held similar meetings with the officials of the labour unions in the industry. Moreover, union strategy in response to the crisis relatively favoured declaration of disputes and negotiation rather than strikes, with the exception of NUFBTE's involvement in the national strike of 1988. The strategy may have resulted from the experience of organized labour with militancy in the early part of the recession. According to Bangura (1987) militant response at this period was not favourable to labour. Such cases were marked with a clampdown on the unions, and loss of jobs due to the relative weak position of labour under the recession.

The underlying reason for the observed weakness of the unions according to Bangura (1989) is the acceptance by the labour unions of the labour - capital relations that recognizes the rights of employers to hire and fire workers in accordance with its objective - to retain high profits. This contractual relationship hardly permits labour to resist retrenchments. Furthermore, state hostility to labour unions at the early part of the recession under the Buhari regime, and employers' intransigence played a role in the low resistance of labour.

In specific reference to the Food, Beverage and Tobacco industry, the impact of the crisis and adjustment and the labour market effects arising from

the loss of jobs in the industry exacerbated union weakness. Moreover, AFBTE officials and the management of the firms in the industry forged closer alliance with the unions in the rationalization measures carried out to cope with the crisis. Hence AFBTE "succeeded in convincing its constituents - the employers, NUFBTE and FOBTOB in adopting consultation attitude towards resolving their mutual problems" (AFBTE Annual Report, 1989/90: 47)

#### **6.1.1 REASONS FOR LOW RESISTANCE OF LABOUR IN THE INDUSTRY**

In chapter 5, we examined the economic position of employees relative to owners of the enterprise. The unfavourable economic position of employees in the SAP period notwithstanding, there has been little or no resistance from labour. Aside from the nationwide strike of 1988, and a peaceful demonstration in the Lagos plant in January, 1992, during an in-house negotiations between management and the local branch of NUFBTE, there has been no disputes or strikes in NBL since the recession. According to the NBL branch chairman of NUFBTE, the demonstration was aimed at attracting the attention of the company's directors and management - with the view to enhancing labour's relative power position in the negotiations.

A major factor responsible for labour acquiescence in the firm is however located in events that took place in the pre-recession period, and which caused low participation in union activity and lack of interest of the employees in union organization. The reasons for employees attitude are associated with inadequately co-ordinated militancy of the workers' union at the time<sup>1</sup>. According to the union chairman, the problem emanated from the contractual nature of the "paid secretaries" who administered the unions in the mid 1970s<sup>2</sup>. The period was marked by severe industrial unrest due to union demand of about 30 months salary arrears on a newly negotiated salary scale. This led to the intervention of the Ministry of Employment Labour and Productivity and the clampdown on labour by management.

The above event was not favourable to labour. The paid secretaries were sacked along with several other employees who played prominent roles in the strikes. The effects have continued to tell on union activity in the firm even more than a decade after. According to the union chairman, since the incidents, union meetings have not been allowed to take place within the

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The period and dates of the events were not specified but it was before the 1978 union restructure. Moreover, the information were not available on record due to the destruction of union records in a fire inferno at that period.

2

The secretaries were not employees of NBL.

premises of the company. His own regime (in 1991) according to him has succeeded in getting the management to rescind the decision, due to the commitment of the regime in restoring members confidence in the union.<sup>3</sup>

The cumulative effects of the events of the pre-recession period affected employees attitude to union activity throughout the recession (and SAP) periods, and produced a docile labour force that demonstrates apathy towards union matters. These weakened the power position of labour, hence, the low resistance to management. The 1991 regime was however occupied with reactivating union activity and motivating the members.

Another important factor associated with the apathy of labour in the NBL is the labour market effects. The loss of jobs in the industry especially in the pre-SAP period, coupled with the high rate of unemployment in the Nigerian economy adversely affected union militancy at the firm and industry levels. The weakness of labour in this regard stems from its awareness of the pool of the jobless who will be willing to replace the workers in the event of dismissals resulting from industrial conflicts.

Moreover, with the weakness of NUFBTE due to similar constraints, the local unions could not rely so much on it during industrial disputes. The

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Apart from impressions from informal interviews of workers, this is evident in about 63% respondents who described the local union officials as effective and honest.

contraction in size of the industry, the implied loss of jobs and decline in union membership and fund, compelled NUFBTE to merge several state councils. Hence the decline from 21 in 1980 to 13 state councils in 1989 - a contraction of about 38% within the period. This hampered effective communication and co-ordination of state councils and local unions by NUFBTE.

The labour market effects underline Marx's conception of the industrial reserve army in capitalist mode of production. They include the unemployed, the sporadically employed and casual labour. As a necessary component of capital accumulation, members of the industrial reserve army are "hired and fired" at the economic convenience and advantage of the capitalists. Beyond this, the existence of the pool of the reserve army conditions the attitude of labour by putting it in a weaker power position relative to capital. Labour becomes acquiescent - subordinated to capital and the exploitation of employers. Pauperism becomes the due of the active worker, while the conditions of life of the reserve army sinks even below the level of the pauperized working class. (Braverman, 1974, 386- 388).

Marx's thesis is applicable to the Food, Beverage and Tobacco industry where job insecurity associated with the economic crisis made organized labour cautious in the pursuance of the wellbeing of its members. As

highlighted elsewhere, rather than militancy, officials of NUFBTE preferred the enlightenment of its members on the issue, dispute declaration, as well as concession bargaining as a means of minimizing retrenchments.

Another factor that relates to the control and resistance of labour in NBL is the existing welfare policy of the firm which employees generally described as satisfactory. Moreover, in March 1991 (the period of my survey in NBL) negotiations and collective agreements on Appendix C items for NUFBTE members led to various improvements in 13 out of 24 items presented by the union<sup>4</sup>.

The overtime work in NBL that increased the take-home pay also had effect on the control and resistance of labour in the firm. According to the Personnel Manager, overtime work is generally a permanent feature of the industrial life of junior workers, since it is an integral part of production schedule. It constitutes about 15% of workers basic allowance - that is about 10% of basic salary<sup>5</sup>. In the SAP period with the high inflationary rates, the

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For details of the improvement and items involved see appendices III & IV. Most of the items not negotiated were Appendix "A" items - not negotiable at the enterprise level.

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As discussed elsewhere, an increase in basic salary will affect the overtime rates. Moreover, the overtime work is more applicable to workers in the production sections.

workers see the additions to pay as a privilege. According to the manager however, "in the cost-benefit analysis, the company stands to benefit more".

Moreover, with more than 80% of the workforce in the junior and supervisory staff categories, skill is acquired on the job. With the relatively low academic requirement for this category of staff, most of them rise through the rank and file. Loss of employment by such employees (often associated with large families) can have far reaching consequences on the individuals - especially among the older age segments with long duration of service. Acquiescence therefore becomes a "wise" option.

The effect of the senior supervisory cadre on the aggressiveness of labour in NBL is also noteworthy. This category of non-management employees are in a buffer zone between management and junior staff. They are not unionized and are required to maintain skeletal services during strikes by unionized employees. They are entitled to better remunerations than the junior staff, yet not as good as that of the senior staff. A junior staff finds himself in this category by job evaluation and promotion. The senior supervisors are seen to occupy a sensitive position in the organizational structure which should not be left to unionized employees. By their precarious position and the preferential treatment given to them, they are officially aligned with management against labour. Moreover, the senior



supervisors' position is intimidating to labour - with a social conditioning effect which favours acquiescence.

Also related to the social conditioning of labour is the end of year parties and the "good performance bonus" among others. In such parties for instance, good performance of the enterprise is attributed to the hardwork of employees. Appreciation for this takes the form of various bonuses and gifts which endear such employees to the organization. In that of 1990 for instance, a food flask was presented to the individual junior workers. This to them becomes a status symbol, with a feeling of middle class culture. In reality however, such "gifts" merely create a sense of false consciousness that endears the employees to the organization and further weakens their revolutionary potentials.

Furthermore, according to the Personnel Manager, the company has a policy of "unrestrained access" to union officials for consultations with his office. This is combined with a general forum where employees hold discussions with the Personnel Manager - once in a month. In this forum, workers are free to raise work related grievances which affect their welfare. These structures are put in place according to the manager to avoid the accumulation of grievances which could erupt into industrial disorder. With timely attention to the grievances, industrial crisis are nipped in the bud.

With regard to the above issues, the Personnel Manager endeavours to be current on the welfare situation of big firms in the industry. The management of NBL is often encouraged to apply such welfare schemes to employees in the company. In the words of the Personnel Manager:

we don't usually wait for the unions to begin to agitate before we apply any welfare programme in operation elsewhere in the industry. We prefer to initiate for others to follow<sup>6</sup>.

This strategy according to him is due to the awareness of management of the high level of communication intercourse between union members from various firms in the industry.

Against the backdrop of unjust economic relations discussed in chapter 5 therefore, we may conclude that the resistance of labour in NBL to the exploitation and control of employers is hampered by labour's relative weak position due to the constraints of the labour market and apathy resulting from acts of repression associated with past labour struggles in the firm. The employers have moreover combined their advantaged position with good human relations and tactical industrial relations strategy to achieve industrial

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I think that what is more important to labour relations is how much such welfare programmes meet the aspirations labour. As our discussions show, employers also work in consonance with what fellow capitalists will be willing to offer in terms of welfare-within AFBTE.

peace in the company. However, with the rare improvements in the economic relations and the on going mobilization of union members, the trend is not likely to continue.

## 6.2 CONTROL AND RESISTANCE: BANKING FINANCE AND INSURANCE INDUSTRY

The response of labour in Food, Beverage and Tobacco industry to unfavourable economic relation in the SAP era is comparatively more aggressive than that of labour in the Food, Beverage and Tobacco industry - irrespective of their similar economic relations. In the pre-SAP era as shown in Table 7.2 for instance, the Banking, Finance and Insurance industry experienced 6 disputes and 5 strikes annually from 1983 to 1985. These rose sharply to 12 respectively in 1986 with the introduction of SAP. By 1988, there were further increases in disputes and strikes to 17 and 14 respectively. This trend continued in the SAP era with intermittent falls. The duration of strikes similarly rose from its pre-SAP peak of 32 to 59 in 1985 and 67 in 1990. The strike situation in Banking, Finance and Insurance industry are in sharp contrast with that of the Food, Beverage and Tobacco industry where only one strike was recorded in the entire SAP period.

At the level of the firm, and contrary to the pre-SAP era that recorded no strike, 8 strikes were recorded in UBA from 1988 to 1991 in contrast with

NBL which did not record any strike at all. Out of the 8 strikes, 5 were related to conditions of service in UBA while the remaining three were national and industry wide, including NUBIFIE strike of 1988 in protest of the removal of a percentage of oil subsidy by the federal government. Six of the strikes were embarked upon by the junior employees (NUBIFIE) while the senior staff (ASSBIFI) carried out two of the strikes. The resilience of labour in UBA is further demonstrated by the extent to which pursued its demands. Three of the six disputes by NUBIFIE for instance went as far as the Industrial Arbitration Panel (IAP). These were in contrast with the pre-SAP period in UBA which did not experience a single strike.

The most eventful of the strikes was that of August/September 1989 which was carried out by NUBIFIE UBA Domestic Committee. Twenty two grievances were involved in the dispute, out of which 19 were resolved at various levels before arbitration in favour of the union<sup>7</sup>. The three that ultimately went up to the IAP were lost by the union. The three were - the demand for the removal of the Personnel Manager (Industrial Relations), the retainment of a salary scale for supervisors in UBA, that was higher than that obtainable at the industry level, and the retainment of a luncheon voucher with

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This points to the state of wellbeing of labour before the dispute. See Appendix I for details

rates higher than that which applied at the industry level.

During the strike, the then Managing Director was made to climb on the top of a van before he was allowed by the strikers to address them - because he was said to be too short. The strikers also published the disclaimer of Personnel Manager (Industrial Relations), as well as his obituary. Principal officers of the management were denied access to their offices. The union accused the Personnel Manager (Industrial Relations) of introducing cost saving policies on assumption of office, that violated the collective agreement. Interestingly, the Personnel Manager (Industrial Relations) was an employee of NUBIFIE just before his appointment in UBA.

According to the Personnel Manager (Industrial Relations), the union's stance was based on a wrong premise - "a misthinking that I am the Alpha and Omega in this place. I however used their own star witnesses to defeat them".

Rather than a violation of the collective agreement however, management only capitalized on certain clauses in the collective agreement to implement the policies which resulted in the disputes, hence, union's inability to defend its position at the IAP. This has implications for the power position of labour in labour relations and questions the reality of the "functional consensus" and power parity position of orthodox industrial relations,

especially as these relate to collective bargaining. The fundamental inequalities inherent in such consensus or collective agreements are evident in the underlying assumptions of unequal power relationship arising from the employment contract itself. Collective bargaining is based fundamentally on the acceptance of this power disparity by labour, and becomes the operational basis for work organization. It therefore implies an inherent deprivation and exploitation of labour in the capitalist mode of production.

The events in UBA point to the fact that management relative to labour arrogates to itself wide powers from which it draws at any time to exercise control over labour. This is in contrast with labour's "wide duties". Related to this is the position of labour in collective bargaining to understand such clauses that put management in a relative superior power position. An examination of the collective agreement and the proceedings at the IAP for instance shows a clear misunderstanding of the collective agreement by the union - an agreement that was "freely" signed by it. The implication is that the "agreement" did not represent the intentions or aspirations of labour. Such a misunderstanding however, rather than help matters by minimising the conflict, intensifies it. The reason is that the fundamental antagonism between labour and capital is not necessarily rooted in the legalities of collective bargaining and agreements, but in the inequalities inherent in the relations of

production. Collective bargaining therefore has a limited capacity to resolve disputes especially where the collective agreements do not represent the aspirations of labour. The reason is that collective bargaining does not resolve the fundamental conflict between labour and capital but merely postpones it.

The above fact may underscore the observation of the Personnel Manager (Industrial Relations) that labour in the banking industry employ "extra-industrial relation tactics" in the pursuit of its goals. The innovations according to him include intimidation, molestation, blackmail and lobbying. In fact, the SAP period has witnessed unconventional forms of labour protest in the banking industry. They include the wearing of rags and masks to work. These may symbolize the relative deprivation of employees and the deplorable state of wellbeing of labour.

Interestingly, the Personnel Manager (Industrial Relations) referred to the industrial dispute (rather than strike) approach adopted by labour in Food, Beverage and Tobacco industry as "an evidence of labour maturity and industrial relation education." This view is without regard to the uneven impact of SAP and the contrasting socio-economic and labour market environments of the respective industries under SAP. On his part, the Executive Secretary of AFBTE in his appeal to the unions to maintain

industrial peace remarked:

Our level of operation in the manufacturing sector and it is only fair enough that whatever we do, therefore, should be compared with our competitors, the manufacturers, and not the banks, and oil industries. (AFBTE Annual Report 1992/93:8)

### 6.2.1 REASONS FOR LABOUR MILITANCY IN THE INDUSTRY

The militancy of labour in the Banking, Finance and Insurance industry is related to the central role of banks and finance capital in capitalist development. Lenin emphasizes the importance of banks in the last stages of capitalist development - especially as it relates to monopoly capital. Bank's primary role as middlemen in payment transactions according to Lenin (1968:188-261) enable them to mobilize inactive money capital into profits. This they achieve basically by making funds available to the capitalist. Through the concentration of several deposits of businessmen by the banks and the centralization of such funds in production, scattered capitalists are transformed into a single collective capitalist<sup>8</sup>.

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Some other practices and transactions peculiar to the structural adjustment have been highlighted elsewhere.



The banking sector occupy a strategic position in the Nigerian economy, hence its categorization among essential services. The importance of the industry has even increased with SAP following its relevance to monetary operations, such as SFEM. Other SAP elements like the National Directorate of Employment (NDE), The People's Bank, the emphasis on private enterprise, small scale industrialization, the rural banking and the community banking schemes also increased the role of the banking industry in the Structural Adjustment Programme. Moreover government has generally favoured high interest regime for the banking industry especially within the second half of the SAP era - which is favourable to the industry. This was as high as 30% in January 1991 (Daily Times January 3, 1991). During the period of economic prosperity the banking industry takes charge of the excess funds. In recession it controls and dispenses the scarce resources.

The labour market environment of the industry is therefore favourable to labour struggles. The expansion of the industry minimizes the effect of the industrial reserve army and enhances the job security of employees who respond to new openings and better opportunities within the industry. This is particularly applicable to employees with long years of experience who move to the newer firms with better conditions of service. In reference to

labour turnover in UBA and the mobility of labour in the industry, the chairman of the Board of Directors said "what we loose the industry gains". This was seen by the UBA workforce as a demonstration of the reckless attitude of the employers to the wellbeing of labour, and was partly responsible for the protest of the workforce earlier discussed.<sup>9</sup>

Another factor that may explain labour militancy in the Banking, Finance and Insurance industry is what a respondent described as the alignment of members of the ruling class with the industry. Those "in the corridors of power" ensure that macro economic policies do not disfavour the industry. This partly accounts for the paternalistic attitude of the Babangida administration to the banking sector. As the respondent further illustrates, the "class interest" was the reason why the federal government's directive to its agencies regarding the withdrawal of their funds from the banks was not effectively implemented. The funds were to be deposited with the Central Bank of Nigeria. The measure was taken by the government in 1990 to control inflation at the wake of protests against SAP. The measure was later relaxed because it adversely

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The statement was actually in response to the complaint of the workforce of high turnover rates in UBA evident in the resignation of 258 employees in about a year. This is considerably high.

affected the banks.

The awareness of labour in the Banking, Finance and Insurance industry, and its strategic importance to the government and its pet programme (SAP), as well as the expansion that the industry has experienced under SAP, have positive effects on the relative power position of labour and its resolve to be aggressive in fighting for improved conditions of service for the workers. The competition that has accompanied the expansion due to the innovative enterprise of the newer firms predisposes the management of the older firms like UBA to cost reduction measures which attract stiff opposition from labour.

It is basically the antagonistic relationship implied in the above that underlies the statement of the Personnel Manager (Industrial Relations) that "in the banking industry, we (management) believe that workers (unionized employees) have had more than their fair share of the cake". To labour on the other hand the "fair share" is yet to be offered. According to the General Secretary UBA Domestic committee of NUBIFIE, the management was comparing its employees with those of other industries adversely affected by the adjustment programme, instead of comparing them with their colleagues within the industry. In his words:

we look at what we produce in comparison with other firms within the industry and their

conditions of service. We also look at the cost of living in Nigeria. These are the basis for our fight.

In comparative terms, our analysis in the previous chapter indicates that employees in the Banking, Finance and Insurance industry (exemplified by UBA) are deprived just like their counterparts in NBL. As may have become evident in this chapter organized labour in the former has been militant in their demands for improved economic relations in contrast with the latter. The major factors accountable for the difference in industrial relation approach of labour in the respective industries are largely related to the differences in their respective labour market environments.

For the Banking, Finance and Insurance industry in the pre-SAP era for instance, the labour market environment which was comparable to that of the FBI industry in the pre-SAP and SAP periods was not very conducive for labour militancy. Hence no strike was recorded in UBA in the pre-SAP era. However, the constraints which labour endures at the unfavourable period and which are either not addressed or not adequately addressed in the favourable period due to capital accumulation by employers, lead to labour militancy and industrial unrest. This fact underlies the discussion in the next chapter and my argument in the strikes and the business cycle debate, as well as the withering of strikes thesis.

Again, the industrial relation strategy adopted by the management of NBL implies a covert recognition of the aggressive potentials of the unions, the prevalent industrial peace notwithstanding. The reasoning seem to be to exploit the adjustment programme and the labour market effects for the appropriation of surplus values and capital accumulation, in combination with good human relation and a desirable employee welfare scheme - to avert labour unrest. This strategy is subtle and effective. The more apparent needs located in the welfare schemes and related to increased productivity are cautiously managed, while the less apparent ones located in employees living standards and related to capital accumulation are intensively exploited. The endurance period may as well culminate in severe industrial unrest, as soon as the relative power position of labour is enhanced by the labour market forces.

## CHAPTER 7

### ECONOMIC ENVIRONMENT AND LABOUR RELATIONS

In previous chapters of this work, we examined the impact of the economic recession and the adjustment programme on enterprise performance, and their effects on the wellbeing of labour and labour relations in the industries selected for this study. In this chapter, we extend the discourse to wider issues in industrial relations theorizing -the strike activity versus business cycle debate, the withering of strikes thesis, and the role of the state in industrial relations.

Some of these issues that have long generated debates elsewhere have recently become the subject of debate among Nigerian industrial relation analysts.

It is therefore my intention to verify the theoretical positions at the sectoral levels related to the study, and beyond this, with national level data. By the verification of strike activity in the prosperity and recessionary periods, as well as the pre-SAP and SAP periods of the recession, I attempt to relate the findings at the industry and firm levels to the national level - which is the ultimate objective of the study. The wider picture moreover, serves to enhance our understanding of the role of the state in industrial relations, the nature and causes of industrial conflict, and the use of strikes as a form of protest by labour unions in industrial relations in Nigeria. First, I examine the general effects of SAP on industrial peace to test hypothesis 3. I also test hypotheses 4 and 5 in this chapter Five trade dispute indices are used in

the analysis with three of them being of particular relevance to the discourse. The three are the number of disputes, the number of stoppages and the duration of strikes, hence their more frequent use (I use stoppages to include strikes).

## 7.1 LABOUR RELATIONS AND STRUCTURAL ADJUSTMENT

At the sectoral levels in this study<sup>1</sup> the pre-SAP period 1983-85<sup>2</sup> in the manufacturing sector shows declines in absolute number of disputes and strikes as compared with their peaks in 1983. This can be observed from Table 7.1. With the introduction of SAP in 1986, disputes fell from 29 in 1983 to 21, while strikes fell from 28 to 13 within the same period. The two indices however rose steadily in the SAP era. Disputes increased from 21 in 1986 to 49 in 1990 - its peak for the entire period, with a marginal decline to 47 in 1991. This represents an increase of 123% within the SAP period. Stoppages similarly rose from 13 in 1986 to 28 in 1991 - an increase of about 115% within the SAP period.

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The FBT industry is in the manufacturing sector, while the BFI industry approximates a sector on its own - Banking, Finance and Allied Institutions sector.

Available data for the two sectors start from 1983. Hence our comparative analysis at the national level will start from 1983

**TABLE 7.1 TRADE DISPUTES IN THE MANUFACTURING SECTOR 1983-91**

YEAR	NO. OF DISPUTES	WORK STOPPAGES AND STRIKES	DURATION OF STRIKES (DAYS)	WORKERS INVOLVED	STRIKER DAYS	DISPUTES SETTLED BY NEGOTIATION	DISPUTES SETTLED BY MEDIATION	DISPUTES SETTLED BY INTERVENTION	DISPUTES SETTLED BY CONCILIATION	DISPUTES REFERRED TO IAP	DISPUTES REFERRED TO NIC
1983	29	28	53	5013	52,404	5	3	15	2	-	-
1984	19	16	40	6002	30,765	5	1	7	4	-	-
1985	28	20	50	3443	20,715	2	5	15	4	-	-
1986	21	13	21	2398	10,133	2	2	10	4	-	-
1987	18	10	49	2055	6,241	1	4	9	1	-	-
1988	22	17	78	8929	35,937	1	-	5	3	-	-
1989	32	20	72	3914	13,4611	3	1	15	6	-	-
1990	49	24	68	6463	188,568	2	-	19	16	-	-
1991	47	28	110	12,932	64,855	1	-	24	9	1	-

Source: Federal Ministry of Employment, Labour and Productivity

In the Banking, Finance, Insurance and Allied Institutions sector, disputes were somewhat stable in the pre-SAP period, with marginal declines in stoppages from 6 in 1983, to 5 in 1985. With the introduction of SAP in 1986 the number of disputes increased two fold from 6 in the 1985 to 12 in 1986, while work stoppages more than doubled - from 5 to 12 in the same period. The duration of strikes also rose from its pre-SAP peak of 32 in 1985 to 59 in 1986.



**TABLE 7.2 TRADE DISPUTES IN THE BANKING, FINANCE AND ALLIED  
SECTOR 1985-91**

YEAR	NO. OF DISPUTES	WORK STOPPAGES AND STRIKES	DURATION OF STRIKES (DAYS)	WORKERS INVOLVED	STRIKER DAYS	DISPUTES SETTLED BY NEGOTIATION	DISPUTES SETTLED BY MEDIATION	DISPUTES SETTLED BY INTERVENTION	DISPUTES SETTLED BY CONCILIATION	DISPUTES REFERRED TO IAP	DISPUTES REFERRED TO NIC
1983	6	6	21	2,364	5,354	3	-	2	-	1	-
1984	6	5	14	1,134	3,465	2	-	3	-	-	-
1985	6	5	32	1,870	7,677	-	3	2	-	-	-
1986	12	12	59	4,982	17,033	6	1	2	-	2	-
1987	3	1	1	1,387	1,186	1	-	1	-	-	-
1988	17	14	58	4,390	26,853	-	-	1	7	-	-
1989	10	6	18	2,262	5,586	2	-	4	-	1	-
1990	17	16	67	20,989	94,982	1	1	10	-	5	-
1991	6	5	14	22,798	149,760	-	-	4	-	2	-

Source: Federal Ministry of Employment, Labour and Productivity

The peaks of industrial unrest throughout the entire recessionary period were also recorded in the SAP period in 1988 and 1990 when disputes rose to 17 for the respective years, while stoppages increased to 14 and 16 for the respective years. Duration of strikes also recorded its peak of 67 for the entire period in 1990. These are displayed in Table 7.2 above.

**TABLE 7.3 AVERAGE TRADE DISPUTE FIGURES FOR SELECTED INDICES IN THE MANUFACTURING SECTOR AND THE BANKING, FINANCE AND ALLIED SECTOR 1983-91**

STRIKE INDEX	MANUFACTURING SECTOR AVERAGES		BANKING, FINANCE, INSURANCE AND ALLIED SECTOR AVERAGES	
	PRE-SAP 1983-85	SAP 1986-91	PRE-SAP 1983-85	SAP 1986-91
NUMBER OF DISPUTES	25	31	6	11
WORK STOPPAGES AND STRIKES	21	19	5	9
DURATION OF STRIKES	48	66	22	36
WORKERS INVOLVED	4819	6115	1789	9468
STRIKER DAYS	34,628	61724	5499	49,233

Source: Compiled From Tables 7.1 and 7.2

The mean figures for the two periods as shown in Table are also similar to the above. All five industrial dispute indices with the exception of work stoppages in the manufacturing sector recorded remarkable increases in the SAP era when compared with the pre-SAP era. This is applicable to both the manufacturing and banking sectors.

TABLE 7.4 TRADE DISPUTES IN NIGERIA 1970 - 1990

DESCRIPTION				
YEAR	TRADE DISPUTES	WORK STOPPAGES	WORKERS INVOLVED	STRIKER DAYS
1970	165	44	14,784	27,072
1971	296	165	77,104	208,114
1972	196	64	52,748	145,125
1973	173	60	33,963	115,371
1974	338	129	62,565	144,881
1975	775	346	107,489	435,493
1976 *	230	125	52,242	148,141
1977 *	172	93	59,270	136,349
1978	142	78	105,525	875,137
1979 **	155	755	204,742	2,038,855
1980	355	265	221,088	2,350,998
1981	258	234	323,700	2,218,223
1982	341	253	2,874,721	9,652,400
1983	184	131	629,177	404,822
1984	100	49	42,046	301,809
1985	77	40	19,907	118,693
1986	87	53	157,165	461,345
1987	65	38	57,097	142,506
1988	156	124	55,620	230,613
1989	144	80	157,342	579,968
1990	174	102	254,540	1,339,105

\* Figures are from January to June

\*\* Unreliable figures from the CBN since trade disputes are expected to be higher than work stoppages.

Source: Central Bank of Nigeria Bulletin, 1990

The pattern also applies to the national level which recorded a mean score of 120 disputes in the pre-SAP era as compared with 125 for the SAP era, and 73 work stoppages in the pre-SAP period in comparison with 79 for the SAP period - presented in Table 7.4.

Some conclusions can be drawn from the above discussions. First, all the trade dispute indices examined in this study recorded higher occurrences in the SAP period as compared with the pre-SAP period. Second, the pattern is similar at the sectoral levels and the national level. These indicate that the SAP period is associated with more severe industrial relation crisis than the pre-SAP period. These findings, at the sectoral and national levels are consistent with the findings at the firm and industry levels in the last chapter. Hence the core hypothesis (1) that SAP aggravates industrial unrest is accepted. The reasons for the aggressiveness of labour in the adjustment period are also similar to those advanced in chapter 6.

The general decline at all the three levels<sup>3</sup> work stoppages in the 1984/85 pre-SAP period for instance may be related to the changes in the labour market due to retrenchment of workers and the high rate of unemployment associated with the stabilization policies of the Buhari administration. Moreover, the change of governance from liberal democracy to military rule and the repressive approach of

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We shall occupy ourselves more with national level discourse in this section of the work - with Table 7.4 data.

the Buhari administration in dealing with unions, put organized labour in a disadvantaged position in the struggle for improved conditions of service for its members. Above all, the resolve and commitment of the Buhari administration to the payment of the salary arrears owed workers by the shagari administration, stemmed the high strike incidence which preceded the period - since that was partly responsible for the level of protests.

Similarly the general sharp fall in disputes and strikes in 1986/87 may have resulted from the introduction of SAP and in particular, SFEM in 1987, and the expectations of labour of improved organizational performance and improved conditions of service for employees. As the analysis in chapters 5 and 6 show, the organizations experienced improved economic performance (nominal) but the expected improvements in remunerations were not offered to employees. This led to the upsurge in disputes from 65 in 1987 to 156 a year later and to 174 in 1990. These represent about 140% and 168% increases respectively. Work stoppages also witnessed even higher increases of about 226% and 168% within the same period.<sup>4</sup>

Some of the adjustment policies that aggravated workers protest are the withdrawal of a percentage of oil subsidy in 1988 by the Babangida administration,

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The strike incidence of the rest of the SAP period are even expected to be higher - especially in the 1992-93 period associated with high devaluation of the naira, the consequent high inflation the 45% wage increase and the political strikes of 1993 on the annulment or the June 12 elections.

in compliance with the IMF demand, the high inflation due to the devaluation of the naira, the delay or refusal of employers especially in the private sector to implement the SAP relief package offered by the government in the wake of SAP riots in 1989, and the general employers' intransigence arising from their perception of inconsistencies, uncertainties and instability associated with the implementation of the adjustment programme.

One thing can be deduced from the pattern of disputes and strikes identified in this study with implications for labour relations under structural adjustment. That is - that labour unions embark on strikes to protest unfavourable work relations, whenever their relative power position in combination with other factors in the economic environment becomes most appropriate for it. The underlying concern of the strike activity versus business cycle debate, is to identify the economic period when labour is most willing to apply strikes as a form of protest. I will examine the issue as it touches on some aspects of this work.

## **7.2 STRIKE ACTIVITY AND THE BUSINESS CYCLE**

The debate regarding the relationship between industrial conflict - strikes in particular, and the business cycle dates back at least to Hansen's (1921) labour economics theorizing in a work titled "Cycles of strikes". The underlying argument

is that levels and patterns of industrial conflict respond to economic and political variables in the nations concerned.

The procyclical strand of the argument is that workers would readily employ strikes in prosperous times, during good business years when market pressures are high, and the employer is likely to have a remarkable profit position, and therefore, the ability and willingness to avert conflict and concede to the demands of the union. Such conclusions are in line with the findings of Rees (1952), Weintraub (1966) and Kaufman (1981).

The implication of the procyclical school of thought for this study is that strikes will be expected to be less employed by labour unions as a form of protest in industrial relations in the period of recession, in contrast with the pre-recession period. It would also imply that looking at the period of the recession as a distinct category, the SAP period identified as a period of better (or improved) economic performance in nominal terms for the firms and industries in the study, would experience higher strikes than the pre-SAP period of the recession.

An inverse relationship is on the other hand posited by analysts on the counter-cyclical side who view strikes essentially as protest against intolerable conditions of service often associated with the period of economic recession. In line with this school of thought Levitt (1953) argues that prosperity may reduce, rather than encourage strike activity. This is because workers may get so used to good times and

related financial commitments during the prosperity period, that any loss or interruption of their income due to strikes would result in social dislocation and economic ruin. They therefore become reluctant to employ strikes as a weapon of protest at such period.

From Table 7.4 above, the mean figures for work stoppages for the prosperity period<sup>5</sup> is 196 compared with 97 for the period of recession.

This represents about 51% decline in strike incidence in the period of recession. The procyclical pattern also apply at the sectoral levels in the manufacturing and banking sectors and at the national level - when the SAP period is considered a better business period relative to the pre-SAP period. This may be particularly applicable to our analysis of the banking sector. Hence the hypothesis (5) that strike activity in Nigeria is procyclical but will be higher in the SAP period relative to the pre-SAP period is accepted.

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The period before 1982 is taken as the prosperity period in line with our previous analyses.



### 7.3 THE WITHERING OF STRIKES THESIS

The withering of strikes thesis posits a general lack of willingness by labour to employ the strike option in grievance processing. The main assumption is the conventional reasoning that strike is simply the handiwork of agitators, and that the instrument is pathological, outdated, unnecessary, irrational and disruptive. (Hyman 1975, 1979; Scoville, 1988). The Nigerian counterpart of the orthodoxy, views strikes by workers as acts of intimidation and terrorism, and an indication of union immaturity and irresponsibility. The analysts moreover, suggest that the use of this "undesirable" instrument by workers has been on the decline since the mid 1980s (Adesina 1992b).

The above views of the industrial relation orthodoxy in Nigeria is related to a wider argument by Ross and Hartman. According to them, the actual use of strike as a conventional implement is dwindling - because strike has been going out of fashion in favour of procedural norms. In specific reference to trends in post war period in 15 countries, they concluded that there was no substantial evidence that strike activity would be revived in the Northern European countries (Ross and Hartman, 1960:176).

The use of strikes as a form of protest at the firm, industry, sectoral and national levels have been extensively treated in this work. I will however briefly examine the proportion of strikes to disputes at the various periods at the sectoral and

national levels - as a reflection of the level of willingness of labour in Nigeria to apply strikes in dispute processing.

In the manufacturing sector as can be deduced from Table 7.1 the mean figures for the proportion of strikes to disputes in the pre-SAP era was 84%, and 61% for the SAP era. That is, 84% and 61% of all disputes ended up in strikes in the pre-SAP and SAP periods respectively. The mean figures for the duration of the strikes was 48 days and 50 days for the respective periods.

In the banking sector the mean figures for disputes that ended up in strikes are even higher - 90% for the pre-SAP period and 82% for the SAP period. The duration of the strikes were also long - with the average of 22 days and 36 days for the respective periods. These can be deduced from Table 7.4

During the prosperity period at the national level as indicated in Table 7.4, similar trend applies with 145 strikes to 281 disputes - a proportion of about 52%. Similarly the period of recession recorded 61% strikes to disputes in the pre-SAP period and 63% proportion in the SAP period.

At all the levels and in all the periods there is no indication that strikes are withering, or that other forms of dispute processing involving procedural norms are being preferred by labour unions in dispute processing. The reason is that as implied in the strike activity and the business cycle discourse, strike as a form of protest is

a function of labour - capital relations, and the structured social and economic inequalities and deprivations in the capitalist mode of production. As an effective means of work protest in the power struggle against unfavourable production relations, strike cannot be expected to "wither" while the injustice that generates it persists. Hence hypothesis 3 is rejected. The hypothesis states that the slack in the labour market has discouraged the use of strike as a dispute settling mechanism by trade unions. It further states that unions prefer procedural norms to strike in dispute processing.

A major problem with Ross and Hartman's withering away of the strike thesis is that strikes analysis have a number of dimensions and therefore may be measured in a variety of ways, each of which is an indication of something rather different about strike activity. The most commonly used measures of strike activity are: the duration of strikes (days lost per strike); size of strikes (number of strikers per strike); frequency of strikes (strikes per 100,000 workers); and total man days lost through strikes. Ross and Hartman made use of only two with which they made their conclusions. The two are - the membership involvement ratio and the duration of strikes.

As observed by Ingham (1974), the measure neglected by Ross and Hartman (strike frequency) is a very important one. This is because unlike the duration of strikes which is an indication of the relative power positions of capital and labour

strike frequency is an indication of the willingness of the workers to use strike action in dispute processing - which is the central theme of the subject matter. Moreover, Ingham (1974) demonstrates the varying pattern of strike activity in the Scandinavian societies, Great Britain, the United States of America, and France - even in the strike dimensions verified by Ross and Hartman.

In line with the above, Hyman (1984) observes that in the early 1970s, figures for the two strike indices used by Ross and Hartman rose in every single country listed by the analysts, while the general unemployment of the late 1970s did not cause any general decline.

The foregoing suggests that the decline in the preferred strike indices used by Ross and Hartman may have been caused by factors other than the "strike out of fashion" syndrome.

As the strike activity versus business cycle debate implies, the strike implement is employed by labour unions, at the most appropriate period in the production process - at the prosperous period. An implication of this position that is rarely observed by orthodox analysts is that employees make various concessions, and endure intolerable working conditions and unfavourable conditions of service during periods of economic crisis. The sacrifices made by employees at such periods for the survival of the organization are done with expectations of improved remunerations at the prosperity period. The expectations are rarely adequately met - hence the

increased agitations in the prosperity period. This explanation is fundamental to, and consistent with the basic line of arguments throughout this work. The problem with the orthodoxy is that it questions the rationality and justification of the use of strikes by unions, without questioning the underlying injustice in work relations between labour and capital that generates the strikes.

The steady decline in strikes in the pre-SAP period in our study for instance, is largely explicable by such sacrifices which continued in the immediate SAP period with the "pains of SAP". The sharp increases in strikes in the second half of the SAP era was due to the deprivation of employees of the "gains of SAP"<sup>6</sup>. The fundamental conflict between labour and capital in capitalist mode of production has always been there. The intensity of the antagonism however, depends on the level of inequality and socio-economic deprivation, as well as the relative power positions of the parties in the conflict. Hence, industrial relation is a production relation underpinned by unending power struggle.

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The fact that our analysis of economic performance of the firms according to base year factor cost in contrast with the nominal values shows a declining trend does not undermine workers' demand - since workers' pay are based on nominal values. Moreover declining real profits does not mean a loss, but rather a reduction in profits.

#### 7.4 THE STATE AND LABOUR RELATIONS UNDER THE STRUCTURAL ADJUSTMENT

The significance of the state to industrial relations can be viewed from three stand points - as a direct employer of labour, in terms of labour law especially under military regimes, and in terms of political and economic policies.

As an employer like the rest of them, the state is opposed to labour unions drawing their membership from the ranks of both junior workers and the senior staff. The objective is to inhibit a sense of collective will among members of the workforce. The Trade Union (Miscellaneous Provisions) Decree: No 17 of 1986 for instance, was promulgated by the Babangida administration to restrain the Academic Staff Union of Universities (ASUU) from its affiliation bid with the NLC (an umbrella union for junior workers).

The state moreover manages and orientates the senior staff into conflict relationship with the junior workers. The state does this by identifying and associating the senior staff with the top management, and offering them conditions of service that serve to emphasize the difference between them and their junior counterparts. Commenting on such discriminatory treatment by employers in the FBT industry, the Executive Secretary remarked:

While negotiations with the workers' unions in almost all industrial groups are based on industrial jurisdiction, the practice with the senior staff in most industrial groups is enterprise negotiation. That set up has afforded employers the liberty to review the terms and

conditions of employment of senior staff in response to the dictates of the product and labour markets. Consequently, the remuneration of junior staff has been going up in arithmetical progression while that of the senior staff has been progressing at a geometrical rate. (AFBTE, Annual Report 1992/93:44)

The above is an example of the divisive acts of employers which create obstacles to group identity and collective consciousness. In the process the senior staff develops a strong attachment to capital with high hopes for vertical mobility into the top management positions. With a predisposition to the loss of privileges enjoyable as labour aristocrats, they are conditioned to believe that as "gentlemen" dialogue is a more honourable and effective method of grievance processing (Nwabueze, 1992a and b).

The effect of this social conditioning is apparent in the varied strategies employed by NUBIFIE and ASSBIFI (UBA) in their respective approaches to grievance processing. According to the Personnel Manager (Industrial Relations), the ASSBIFI is more mature in its approach to industrial conflict. It is less disruptive and more understanding. This assertion was confirmed by the Assistant National General Secretary of ASSBIFI who attributed the "more maturity" approach to the fact that the senior staff association members are closer to management. According to him, some ASSBIFI members are currently serving the company as branch managers. To buttress his point he made a reference to the National General

Secretary of ASSBIFI who was very militant in his days as NUBIFIE official, but has become "mature" - since he became ASSBIFI official.

On his part, the (now) National General Secretary of ASSBIFI asserts that "the days of table banging by unionists are gone". Citing various concessions won for the members by the current ASSBIFI executive, he concluded:

What we have now is a research oriented unionism.  
We confront management with facts and figures - the  
lion gets the lion's share.

An event (narrated below) that took place during my fieldwork in UBA may illustrate the social conditioning of the senior staff members, and the saying that the lion gets the lion share - a philosophy which the ASSBIFI secretary apparently carried over from his NUBIFIE orientation.

While collecting the dispute data from an industrial relation officer at the UBA headquarters in Lagos, a union official (whom I latter realized was the National Secretary UBA Domestic Committee of NUBIFIE) walked in. In the course of his discussion with the industrial relation officer, an argument ensued about a rationalization exercise proposed by the UBA management. The union official had argued that rather than declare the staff in question redundant after putting in many years of service in the company, they should be retrained and re-deployed. The



argument continued:

- I. R. O.: You should realize that in as much as the bank wants industrial harmony, it is established basically to make profits.
- Unionist: The amount to be saved from the rationalization is a paltry sum compared with the huge sum expended on management staff.
- I. R. O.: (Calling the union official by name several times) You should go on course. If you do, you'll stop talking like this.
- Unionist: The fact remains that if we don't go to war management does not take us serious  
...

Hence, the industrial relation approach adopted by employers and controllers to the two segments of employees, and the consequent work relations between them, determine the strategies employed by the respective unions. While the senior staffers generally need to "dialogue", the junior workers need to "go to war" to achieve their aspirations.

The courses referred to by the Industrial Relations Officer are designed to orientate and socially condition the senior staff to be managerial in their reasoning, to enhance their alliance with capital for the control and subjugation of the junior segment. This at least reduces the conflict experienced by employers at the senior segment of the workforce.

An interesting aspect of the aforementioned UBA workforce protest to labour relation analysts is the power of collective sentiment which was instrumental to the immediate resolution of the crisis by the federal government and other shareholders of the company. The struggle was not organized on union basis. The middle management, senior staff and junior workers were united in the pursuit of their collective interest in the labour process. Apparently, the senior segment of the workforce championed the cause on behalf of themselves and the junior segment. They were united at that point by a common feeling of deprivation arising from the employment and production relations. Since then, the senior staff association (ASSBIFI) and the junior staff union (NUBIFIE) have reached a silent accord - to always co-operate with each other during disputes with the management.

The hostility of the Babangida administration to labour unions was demonstrated in the anti-labour decrees which it promulgated to repress labour struggles for improved conditions of service under the structural adjustment. These include the amendment of the minimum Wage Act of 1987 and the implicit exclusion of about two third of the Nigerian workers from the minimum wage<sup>7</sup>; NEPA employees jailed in 1989 for embarking on strike; the promulgation of Essential

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By the amendment, the size of the workforce for the mandatory payment of minimum wage was reduced from 500 to 50. See Otobo 1992 for details.

Service Decree of 1993 that outlaws strikes in the teaching profession,<sup>8</sup> and the deceit associated with the politics of the minimum wage under the "SAP administration". These were irrespective of the reckless spending exhibited, and the budget indiscipline displayed by the administration.

The inconsistencies and poor implementation of SAP by the government also adversely affected labour relations in the SAP period. Employers' reluctance to concede to union demands are usually based on the prevalent and perceived uncertainties of SAP. The resolve of labour to reject such excuses in the light of improved economic performance of their organizations and reckless spending of government officials often led to strikes and lockouts in the SAP era. The state during the structural adjustment therefore, created an economic environment that generated industrial unrest.

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A similar decree - the Treasonable Offence Decree of 1993 prescribes death penalty for offending journalists among others.

## **CHAPTER 8**

### **LABOUR RELATIONS UNDER ECONOMIC CRISIS AND ADJUSTMENT:**

#### **Reflections From the Study.**

The two industries in this study may reflect the different "pulses" of the Structural Adjustment Programme in Nigeria - the uneven impact of the policy instruments on the various sectors and subsectors of the economy. While the Banking, Finance and Insurance industry has experienced an overall expansion within the period of the crisis and adjustment, the Food, Beverage and Tobacco industry has experienced contraction. The contrast in the labour market environments that the events produce are related to the prevalent labour relations atmosphere in the two industries.

While the tight labour market environment of the Banking, Finance and Insurance industry has led to labour militancy in the industry, the slack in the labour market in the Food, Beverage and Tobacco industry has compelled the union in the industry to adopt a more cautious approach in the pursuit of the welfare of its members. These largely explain the high incidence of strikes in the former in contrast with the latter - observed in the study. Similar picture prevails at the sectoral levels when the Banking, Finance, Insurance and Allied sector is compared with the manufacturing sector.

The above picture underscores the problem of making undefined statements on the state of labour relations within the period of the crisis and adjustment, especially when such analysts are not time or location specific<sup>1</sup>. The problem becomes more pronounced when such analysts are inspired by "doctrines" that limit their insight into fundamental issues which border on labour-capital relations - that are significant for adequate analysis of labour relations during the economic crisis and adjustment. One of such doctrines is pluralism.

The weakness of the functionalist - pluralist perspective of industrial relations is clearly demonstrated by the limited capacity of its adherents to adequately analyze or predict events in the industrial relations system during the economic crisis and adjustment. The following examples may demonstrate this fact. Commenting on the effects of the economic crisis and adjustment on organized labour, Fashoyin and Damachi (popular exponents of industrial relation pluralism in Nigeria) enthused that:

In all cases, trade unions generally lose their appeal to workers especially as the former are seen to be incapable of either stemming the tide of unemployment or promoting employment (1988:51)

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1

The fluidity and inconsistencies of structural adjustment policy instruments, make it necessary for specific moments and sectors to be identified with specific policies and their effects at specified periods within the recession and adjustments.

The above view is contrary to findings in this study in which about 63% out of 70% of the respondents who belong to trade unions described their union officials as honest and effective. Underlying the views of Fashoyin and Damachi is the pluralist managerial approach to the fundamental conflict between labour and capital - as will be clear shortly.

Fashoyin and Damachi (1988:51) predicted "a trend towards greater participation of employees at the plant or company level", as a new managerial strategy during the crisis and adjustment - to deal with labour relations issues "resolutely and effectively". Findings from the survey conducted in 1991 for this study on the other hand, show that 60% of the respondents have "never at all" participated in decisions affecting them in their workplace - either directly or through their unions. In most cases, deliberations involving union officials (especially in the FBT industry) were merely used to justify the retrenchment of workers. In the absence of time series data for trend analysis, the low proportion who have "often participated" which was only 9% of the respondents, suggests a situation contrary to the views of Fashoyin and Damachi. The misinterpretation of the analysts can be read off from the statement of the secretary of AFBTE in 1990:

There was a rash of redundancies in the name of rationalization which hardly endeared itself to the National Union. The frictions that erupted kept the Association busy trying to explain its members'

economic difficulties to officials of the union (AFBTE Annual Report 1989/90:45).

The secretary infact wondered why the worker and his union representative must not be allowed "to take a very active part" in the overall management of the firm. (AFBTE Annual Report, 1989/90:48) Hence, rather than employee participation in the spirit of industrial democracy, the "participation" of the unions in decision making is limited to the management of redundancies. This also explains the contradiction in Fashoyin and Damachi's "greater employee participation" and the "new managerial strategy" of dealing with labour relation issues "resolutely and effectively". One is therefore not at pains to understand the reasons for the assertion of "greater participation of employees" during the period of economic recession rather than the period of prosperity. In the latter period the conventional "management prerogative" is emphasized making the pluralist power parity position implied in collective bargaining an illusion.

Perhaps most significant to the above discourse is the views of the industrial relations pluralists on the position of the unions under the recession and adjustment, and the withering of the strike thesis. According to Fashoyin and Damachi (1988:51 - 53), labour market constraints resulting from the economic crisis and adjustment, in addition to management intransigence have weakened the unions and put them on

the defensive:

Thus the strike, the most effective weapon, has become a suicidal weapon capable of causing long term damage to themselves and their members. (1988:51)

Commenting on the Food, Beverage and Tobacco Industry on the same issue, Oshinowo (1990:6) observed:

Although conflicts did arise, the remarkable thing was the transformation in the behavioural disposition of the union in resolving the conflicts. The union has been conciliatory rather than combative (emphasis mine).

The unions according to Oshinowo has therefore demonstrated more willingness to use procedural norms - dispute resolution machinery instead of industrial action. Again the faulty nature of such analysis is evident in our findings, both in terms of strike incidence and proportion of strikes to disputes in the pre-SAP and SAP periods of the crisis. Between 1982 and 1990 for instance about 66% of all trade disputes in Nigeria ended up in strikes. More interesting is the fact that the proportion is higher in the SAP period than the pre-SAP era.<sup>2</sup>

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This implies increase in the use of strikes rather than decrease. See chapter 7 for details.



Underlying the views of analysts of the conventional wisdom is the reluctance of pluralists to address the fundamental causes of conflict - structural inequalities arising from the unjust socio-economic relations between labour and capital, evident in the inequitable distribution of economic benefits in the workplace. This explains the pre-occupation of pluralism with management prerogatives, rules and regulations, as well as order and consensus which form the basis for its emphasis on collective bargaining. Related to the above is the functionalist - pluralist treatment of structure of the organization as an enduring construct, and fundamental conflict (or crisis) as a "normative disorder" - minor strain on the system normally controlled by the internal capacity of the system to restore equilibrium through adjustment. Hence the treatment of strikes by the orthodoxy as irresponsibility, intimidation, industrial terrorism and disruptive<sup>3</sup> - without adequate attention to the root causes of strikes. Moreover, unions in the light of economic development and, or adjustment are expected to "render active cooperation in the development plans" of their country. Such cooperation takes the form of "postponement of gratification" and "the subordination of immediate wage gains and similar considerations" in order to free resources for investment, and, "a sense of commitment, high productivity and little

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<sup>3</sup>

Damachi (1974, 1985); Hyman (1978); Ubeku (1983); Fashoyin and Damachi (1988); Eronini (1990); Adesina (1992b)

or no agitation"<sup>4</sup>. These are viewed as justifying government's unresponsiveness or even hostile attitude to justifiable union demands (Damachi, 1992:12-13). The aim it is argued is "to enable collaborative activity to proceed" for the benefit of all parties (Watson, 1987:215).

The orthodox view of strikes can however be viewed against the background of our analysis of economic relations in previous chapters<sup>5</sup>. It was found for instance that wages in the SAP period were far behind the rate of inflation, irrespective of high profits of the firms and high social wage bills of workers due to the reform of parastatals. While minimum wage in Nigeria increased about three-fold from 1986 to 1992. The naira was devalued by more than 20 times within the same period with a corresponding inflationary trend. The exchange rate of the dollar to the naira at the parallel market was even worse - more than two-fold the official rate in 1992.

The deplorable working conditions of the Nigerian worker consequent upon the above therefore justifies the use of strikes by the unions to pursue the welfare of its members. With the fundamental antagonism between labour and capital unresolved but underemphasized by industrial relation orthodoxy, the strike will remain a major form of protest by unions in labour struggles. The lesson of high

4

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Damachi (1974:5-8; 1992:12-24); Oluyemi-Kusa (1992:56-57)

5

See chapters 4 - 7.

strike incidence under the structural adjustment is that if adjustment must be structural, it has to address the structural inequalities and the corresponding antagonism between labour and capital, that makes conflict a structural component of industrial life. It is only then that strikes can begin to "wither". In this light, the emphasis should be on the institutionalization of justice in the workplace - in the form of worker participation or employee ownership for instance, rather than the institutionalization of conflict. The former which implies distributive justice would largely make the later insignificant.

The Marxian Structuralist variant of the Radical Organization Theory used as the theoretical framework for this study also has implications for the pluralist view of "structure" as "enduring". The economic crisis for instance has led to the folding up of many enterprises as highlighted in chapter 1. For such organizations, the centre could not hold, and the system could not return to equilibrium. Hence the organizations went into extinction. Moreover, the radical organization perspective has enabled us to reflect the contradictions inherent in the capitalist mode of work organization, and the crisis and conflict they generate. The teleological explanation and the shallow nature of pluralist analysis which focuses on collective bargaining, job regulation, and other procedural and institutional structures hinder a critical and in-depth analysis of work relations, and therefore mystifies. These point to the need for an alternative more critical theoretical perspective in industrial relations with a

background in political economy. This is crucial because inadequate theoretical perspectives result in faulty analyses.

The treatment of job satisfaction in this study is also illuminating. The simplistic nature of the treatment of the subject matter by many a researcher, tends to defeat the purpose of its inquiry. The obvious relationship between the job satisfaction of workers and their productivity suggests that the objective should be to verify what aspects of the work are "satisfied" or "not satisfied". Hence the empirical approach which emphasizes the overall satisfaction of employees, rather than the multi-facet job satisfaction variables is inadequate, and may explain the high job satisfaction of employees often reported in research findings. In this study, the treatment of the subject in relation to the top priority needs of respondents (from their own point of view), and the segregation of the job satisfaction variables according to work relation categories - relational, freedom and workpay served to minimise this problem. With this approach, effort could then be made towards the improvement of the work-relation category or categories in which workers are not satisfied. This is important since the ultimate objective is to motivate workers, minimize conflict and increase overall productivity of the organization.

As this study shows, economic factors (work-pay variables) are crucial to job satisfaction in a recessionary economy. One of the major factors contributing to government's reluctance to increase wages is the inflationary effects on prices of

goods and services. Government could however adopt a method of increasing wages regularly in proportion to the rate of increases in inflation - without publicity. This can however, only be useful against the background of existing fair wages determined through tripartite negotiations, and the availability of reliable data on the rate of inflation.

The discriminate impact of SAP on the various sub-sectors of the economy has also tended to intensify the antagonism between labour and capital in the more successful firms within the same industries, and has constituted a threat in some industries to the centralized industrial relation structure that accompanied the 1978 restructuring of industrial unions in Nigeria. The antagonism and threat can be captured in the dilemma expressed by the Executive Secretary of AFBTE:

... it is getting more difficult for workers in prosperous companies to get the desires of their hearts from industry -wide agreements, the branch unions in such companies are getting radical and aggressive and turning the heat on management and their national bodies. Negotiations on domestic issues have therefore, become tougher than before especially if the bargaining bothers on tangible items of employment (medical subsidy for employees' families, company provident fund scheme, etc) with the union prepared to go to the industrial court should management fail to make meaningful concessions. (AFBTE Annual Report 1992/93:46)

The above picture may highlight the need for a more flexible industrial relations structure, to accommodate the uneven impact of the adjustment programme on the various sub units of the organizations. In his statement, the Executive Secretary (AFBTE) predicted that with further implementation of SAP:

the pressure for survival of individual business entities will become intense. Some business decisions bothering on workers' motivation and welfare which companies will be forced to take might run counter to the principles and norms of a centralized collective bargaining structure." (AFBTE Annual Report 1992/93:47).

In the light of the above, flexibility can be achieved without necessarily jeopardizing the overall centralized structure. In this regard considerable attention may be paid to in-house negotiations of Appendix 'C' items - with a possible enlargement of issues negotiable at the enterprise level. Moreover, the companies may be categorized according to their trends of performances as the criteria for industry-wide negotiations. These may then be overseen by the national unions to ensure compliance.

In the area of negotiations with the employers, labour unions need to be more research oriented to enable them present more logical and articulate demands. In cases of uncertainty, the services of members of the legal profession may be employed during negotiations of collective agreements. Most employers associations in fact have legal service units. As the Chief Deputy Registrar of IAP observed,

most of the disputes brought to the panel are lost by the labour unions due to poor understanding of legal procedures. Labour should therefore make use of every acceptable means at its disposal in its struggle against capital.

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## APPENDIX 1

## DEPARTMENT OF SOCIOLOGY UNIVERSITY OF IBADAN

A survey of Labour Relations in a Recessionary Economy.

## Section One

I am a Ph.D student of Industrial Sociology in the University of Ibadan, doing a study on the above topic. This study is purely for academic purpose and is not sponsored by any organization or government agency.

Please read the questions carefully before putting down your answer in the appropriate space. You are assured that every information you give will be treated as confidential.

## Section Two

Kindly tick ( )  against the appropriate space as shown below eg. What is your department?

- |                    |   |
|--------------------|---|
| (a) Administration | ( )                                     |
| (b) Accounts       | <input checked="" type="checkbox"/> ( ) |
| (c) Personnel      | ( )                                     |

The answer is (a) above.

- (1) What is your sex?  
 (a) Male ( ) (b) Female ( )
- (2) Age ..... (please state age last birthday).
- (3) Educational level.....
- |                                |     |
|--------------------------------|-----|
| (a) Never attended school      | ( ) |
| (b) Primary school             | ( ) |
| (c) Secondary/Technical school | ( ) |
| (d) Higher education           | ( ) |

(Please state exact qualification for higher education)

.....

- (4) Marital Status:  
 (a) Married    
 (b) Single    
 (c) Divorced    
 (d) Widowed
- (5) If married, how many wives do you have? .....
- (6) How many children do you have? .....
- (7) Is your spouse (husband or wife) working?  
 (a) Yes  (b) No
- (8) If your answer is 'Yes', What type of job is he or she doing?  
 .....
- (9) How many people are dependent on you apart from your immediate family members?  
 No. of adults: .....  
 No. of children: .....
- (10) What is your rank?  
 (a) Senior Staff   
 (b) Supervisor   
 (c) Junior Staff
- (11) What is your income level Eg. Level 04  
 (Please state grade level) .....

**Section Three**  
**SAP and the Nigerian Worker**

- (12) What is the name of your Company? .....
- .....

- (13) What year did you join the Company? .....
- (14) What do you understand by the Structural Adjustment Programme (SAP)?  
.....  
.....  
.....
- (15) What is the effect of SAP on you as an employee of your Company?
- (16) From the list of basic needs and amenities below, write down three most important things you need most as an employee of your company, in their order of importance: Housing, good transport system, cheap food, increase in salary, increase in fringe benefits and allowances, job security.
  - (a) .....
  - (b) .....
  - (c) .....

17. Any other comment on SAP and your work.  
.....  
.....  
.....

**Section Four  
Union Activity**

- (18) Are you a member of any trade union or association?  
(a) Yes ( ) (b) No ( )
- (19) If 'Yes', What is the name of your union or association?  
.....  
.....

- (20) If your answer to question 18 is 'Yes' do you attend union meetings or get involved in union activities?
- (a) Yes  (b) No
- (21) If your answer to question 20 is 'No' please give reason(s) for this.  
 .....  
 .....  
 .....
- (22) How do you see your union or association officials at the local level?
- (a) Very honest and effective   
 (b) Fairly effective   
 (c) Honest but not effective   
 (d) Not honest and not effective   
 (e) I don't know
- (23) Does your union or association hold elections for its officials?
- (a) Yes  (b) No
- (24) If your answer is 'Yes' how often do you vote in such election?
- (a) Always  (b) Sometimes   
 (c) Rarely  (c) Never
- (25) How do you see your union or association officials at the national level?
- (a) Honest and effective   
 (b) Fairly effective   
 (c) Corrupt and ineffective   
 (d) I don't know about them

**Section Five**  
**Job Satisfaction**

- (26) What type of job are you doing presently in your Company? Eg. Clerk  
 .....
- (27) How long have you been doing this particular job in your company?  
 .....

- (28) Have you ever thought of leaving this job?  
(a) Yes  (b) No
- (29) If your answer is 'Yes' why did you think of leaving it?  
.....  
.....
- (30) Did you work somewhere else before coming to this company?  
(a) Yes  (b) No
- (31) If your answer is 'Yes', would you prefer your previous job(s) to the present one?  
(a) Yes  (b) No
- (32) Do you think there is another company which can give you better working conditions than the present one?  
(a) Yes  (b) No  (c) I don't know
- (33) If your answer is 'Yes', please explain your reason(s) for remaining in your present company.  
.....  
.....
- (34) But do you think your company can offer you better conditions of service than it is presently doing?  
(a) Yes  (b) No
- (35) What makes you think so?  
.....  
.....



Kindly tick the box below, which best satisfies your answer in the following areas of your job.

How satisfied are you are regards:	Not at all satisfied	Not really satisfied	Undecided	Fairly Satisfied	Very Satisfied
36. The way your job provides for steady employment.					
37. The way your boss treats for steady employment					
38. Your chance to help other people in the work place					
39. Your chance to do things that make use of your abilities					
40. The amount of say you have about what happens on your job					
41. Your pay and the amount of work you do					
42. Your fringe benefits, allowances and bonus					
43. Your chances for advancement or getting ahead in your company					
44. The freedom to use your own judgement					
45. Your freedom to try your own methods of doing the job.					
46. The way your co-workers get along with each other					
47. The praise you get for doing a good job.					
48. The feeling of success you get from the job.					