

# **Minimum Wage Challenges and Implementation Options Available to State Governments**

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# 1. Introduction

- Arising from the new minimum wage Act and challenges in its implementation, the Labour Relations Unit of the NGF Secretariat undertook a study with the following objectives:
  - Develop baseline information that would guide state governments in engaging labour;
  - Propose scenarios for negotiating implementation of the new minimum wage;
  - Recommend models of engagement between the States and Labour;
  - Outline immediate and long term policy consequences of the new minimum wage; and,
  - Monitor progress of the new minimum wage implementation across the 36 states.

## 2. NGF Agreement

- Following negotiations between the NGF and Labour (NLC & TUC), agreement was signed July 19 which stipulated:
  - Compliance with the new National Minimum Wage (Amendment) Act, 2011;
  - Conclusion of negotiations with labour not later than July 31, 2011;
  - Negotiations on salary across board and modalities for payment to be done effective August 2011;
  - Effective date for implementation not later than 1<sup>st</sup> August 2011;
  - Payment of arrears not later than October 2011;
  - Non-victimization of any worker; and
  - Suspension of the 3-day warning strike.

## 3. FG Agreement

- The summary of the FG agreement is:
  - Levels 01 – 04 to receive increase of N11,122 + 10,800 per annum
  - Levels 05 – 17 to receive increase of N10,800 per annum
  - Other salary structures got increase of N10,800 per annum for all grade levels
- The total additional increase in personnel cost of the Federal Government based on the agreement with labour (NLC & TUC) was just 1.15%.

## 4. Implementation in States

- In pushing for the implementation of the minimum wage in states, labour did not adopt any specific recommendation. State councils of NLC and TUC were directed to use the agreement with the Federal Government as a guide.
- This means that:
  - The specific demands for adjustments across salary tables is left to the state leadership of NLC and TUC.
  - The subsisting minimum wage and to a large extent the structure of the salary table prior to the new minimum wage will determine the financial burden of the implementation of the new minimum wage.
  - Adjustment across the salary table will be the factor that will define the volume of increase in the overall wage bill.

## 5. Anatomy of New Minimum Wage

- There are two components to the new minimum wage: fixed & inferential.
  1. **Fixed component** - adjusting lowest paid worker to N18,000.
  2. **Inferential** - adjusting salary table based on other variables.



## 6. Implementation Status

S/No.	Category	No. of States
1	Agreement reached; started implementation.	10
2	Negotiation in process; indication of an agreement	3
3	Stalemate in negotiation	10
4	Inadequate information	13

## 7. Relativity Impact: Implementation Scenarios

- Given the agreement, the fixed factor arising from the new minimum wage law requires no analysis or negotiation. It basically means upward adjustment of the minimum paid worker to N18,000.
- For workers on other salary levels, the negotiation could consider the following scenarios:
  1. Automatically apply subsisting incremental rates across the salary table.
  2. Downward negotiation of the incremental rates.
  3. 15 – 30% increase in personnel costs and direct negotiating committees to work out details.

## **8. Relativity Impact: Implementation Scenarios...contd.**

4. Quantum increases to all category of workers earning more than N18,000
5. An increase of N900/month for all those earning above N18,000 as was the case with the FGN.
6. Award percentage increase based on differential between current and the new minimum wage across the salary table.
7. Award percentage increase to each grade level based on a sliding rule.

## **9. Short/Long Term Implications of the new Minimum Wage**

1. Increase wage bill by about 70%
2. Opportunity cost on other government projects
3. Impact negatively on the capacity of state governments
4. Endanger job creation agenda
5. Burden could bankrupt States
6. Could trigger civil unrest
7. Negatively affect the basis of our federalism

# 11. Models of Engagement: Way Forward

- There are Special Advisers on Labour in virtually all states.
- Current relationship with labour mainly ad-hoc.
  - There is need to institutionalize and regularly service it.
- Strengthen the functions of Special Advisers to Governors on Labour Matters (SA Labour) or equivalent.
- Setting up State Labour Advisory Committees with the SA Labour as Chairman of the Committee.

# 10. Implementation Recommendations

- Setting a maximum ceiling of 30% for negotiators.
- Adopted most cost effective implementation scenario for the State
- Negotiations with Unions should include:
  1. Strengthening disciplinary processes in the civil service;
  2. Eliminating ghost workers;
  3. Increasing productivity in state civil services;
  4. Opportunity to initiate general reform.

## 12. Models of Engagement: Way Forward...contd.

- The composition of the Committee should include:
  - Permanent Secretary, Establishment
  - The State Director of Labour (Federal Ministry of Labour)
  - Chairman, NLC
  - Chairman, TUC
  - Chairman, Public Sector Joint Negotiation Council
  - Chairman, Nigeria Employers Consultative Association (NECA)

## 13. Models of Engagement: Way Forward...contd.

- Recommended functions of the Committee:
  - Advise state government on labour issues
  - Facilitate the development of social dialogue framework .
  - Review industrial relations atmosphere in the state.
  - Develop a good communication framework with workers and their unions.
  - Meet as regularly as possible and submit report of its deliberations to the Governor.
- There is the need for more informed engagement and studies:  
Finally, YE, we need to address the question:
  - **Whether labour matters should continue to remain in the exclusive legislative list?**



**Thank you**