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## **Deconstructing the Nigerian State for Global Capitalism: Labour and Welfare Issues**

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**ABSTRACT** - At independence the Nigerian State was confronted with the twin problems of economic development and the provision of and guarantee of the welfare of her citizens. The state chose the part of a 'pseudo capitalist' state with a strong welfare bent hence her strong interventionist role in the economy through the establishment of public enterprises and parastatals in addressing its critical development problems. The paper examines the point at which the Nigerian State had to be deconstructed in order to eliminate the anti-capitalist tendencies such as a huge work force and the capacity to intervene in the economy on the side of the citizenry. From published sources, the paper, finds that reform strategies of privatization, deregulation and public sector down-sizing or right sizing measures were used to deconstruct the State for capitalist interest with loud implications for labour and social welfare. Public sector reforms may have the superficial motive of improving efficiency, but its ulterior motive of constraining organized labour from challenging the State's deleterious economic policies has implication for undermining growth through waste of human capital. For purposes of efficiency and economic growth, reforms ought to be sequential and in tandem with productivity through the creation of jobs as opposed to the rapidity with which they are being destroyed.

**Key words:** Capitalism, labour, welfare, Nigeria

## **INTRODUCTION**

Consequent upon the collapse of communism in the wake of the disintegration of the former Soviet Union and the fall of the Berlin wall, the ascendance of capitalism became a realistic and an unstoppable triumph. Thus the monster of capitalism loomed large over the whole world and it became the responsibility of institutions of global capitalist hegemony to ensure that capitalism was entrenched everywhere in the world (Stiglitz, 2002). The International Monetary Fund (IMF), World Bank and the World Trade Organization (WTO) assumed the primary duty of restructuring former communist economies in Eastern Europe into capitalist economies (Peet, 2003). The same can be said for Africa and Asia. In Africa, beginning from the early 1980s, many African economies took the economic pill of structural adjustment as a solution to what became a phenomenon of economic crisis. Thus the Nigerian State introduced structural adjustment reforms in 1986. These reforms interchangeably referred to as public sector reforms or management reforms cover a range of policy initiatives and strategies that seek to achieve four basic objectives: fiscal stability, managerial efficiency, state capacity and public accountability (Bangura, 1998). In Nigeria there have been concerted efforts by various governments since 1986 in collaboration with multilateral financial institutions to not only reduce the size of the state but to also restructure the various components of its spending activities. Public policies and managerial strategies have therefore, clearly focused on both the expenditure and revenue sides of the fiscal problem. Privatization for instance has been used as a measure to buttress the objective of fiscal stability and state contraction. This goal fits the liberal idea of a small government with fewer propensities to interfere with market forces (Attali, 1997). It is such a State that is compatible with a market economy.

Deconstructing the state in the interest of global capital goes by several other synonymic terms such as “down sizing, ‘right sizing’ or ‘State Contraction’ (Lane, 1997). What these terms mean is reducing the State bureaucracy through the instrument of privatization of hitherto existing state enterprises, retrenchment of line ministry and extra ministerial departments’ staff. Fiscal reforms either through privatization or down right retrenchment in the name of public sector reforms have been the most consistently pursued and far-reaching of public sector management reforms. These reforms have direct implications for the well being of public sector employees, State capacity and social development. This is because they strive to deal with issues of downsizing or expenditure reduction and privatization. This paper seeks to provide an overview of the social implications of public sector reforms on organized labour and social welfare of public sector employees. The paper will also argue that these reforms are designed merely to deconstruct the Nigerian State in the interest of global capitalism by taming and wrecking organized labour to give way to unfettered operation of private capital in Nigeria.

## **OVERVIEW OF THE NIGERIAN STATE AND PUBLIC SECTOR REFORMS**

At independence, the Nigerian State was confronted with the critical question of economic development and with an apparent weak private sector (Zayyad, 1994). The State was therefore seen as the inevitable champion of investment in industrial and infrastructural development (Forest, 1995, Yahaya, 1993, Williams, 1980, and Yesufu, 1996). The pursuit of this agenda was enhanced by the availability of national revenue. It was however obvious that the State was avidly inclined towards capitalism, its involvement in the development process only leveraged on the theoretical thresholds of welfarism quite common throughout Western Europe. Limited by national resources in the face of competing critical demands, the State welfare policy was restricted to expanding the public sector through the establishment of government agencies and parastatals (Ake, 1993, Zayyad, 1994).

At the end of the civil war in 1970, oil revenue enhanced the national treasury as it rose steadily to constitute over 80 percent of total federal revenues and over 90 percent of export earnings (Forest 1995:13). As oil revenues rose so did public expenditure expanded. This fact derived from the rentier nature of the Nigerian State which meant that as the rentier income that flowed directly to central government rose, there were attendant strong pressures to maximize oil revenues and increase public expenditure. One sector of the national economy was very central to the expansion of the public sector, and this was industry.

Industrialization as a general goal of overall national development had remained very high on government policy agenda by the 1970s as it had been in the 1960s. The primary concern of government was to promote growth and structural change in the direction of more intermediate and capital goods industries. In this context, the public sector was to play a crucial role in the establishment of capital – intensive industries which included steel and petrochemicals. In the interest of national unity the concept of even development was factored into the industrial development process. This meant that, industrial expansion was to be removed from the heavy concentration already prevalent in Lagos so as to achieve significant degree of industrialization in other states of the federation.

The period between 1970 and 1974 witnessed phenomenal growth in public enterprise establishment and general state sponsored public entrepreneurial activities in Nigeria (Genyi 2004). This period covered the Second National Development Plan with emphasis on State directed industrialization. This much was reflected in the indigenization policies of the then military regimes. Government also moved to control the commanding heights of the economy. The Second National Development Plan gave government 55% share in enterprises in Iron and Steel, petrochemicals, fertilizer and petroleum industries (Iheme, 1997). Government involvement in the establishment of public enterprises range across



nearly all sectors of the economy. In agriculture were food processing and fertilizer blending plants. In the petrochemical and petroleum sub sectors were numerous marketing companies. The fastest growth however occurred in textiles, vehicle, assembly, soap and detergents, soft drinks, pharmaceuticals, breweries, paints and building materials as exemplified by cement manufacturing plants. The services sector such as aviation, hotels, and the banking industry also witnessed monumental government investment. By 1990, the federal government alone had 594 public enterprises with States and local governments owning in between them about 900 (Adamolekun, 1986:49). Hamza Zayyad (1994:84) put the figure of federally owned public enterprises at 600; with about N36.5 billion total investment at their historical book values. The Technical Committee on Privatization and Commercialization (TCPC) established in 1987 to oversee the privatization of public enterprises had estimated that by 1990, public enterprises in Nigeria accounted for 30-40 percent of capital investments and nearly the same proportion of employment in the formal sector (TCPC, 1990:74). Also, the IMF in 2002 published its Staff Report on Nigerian Economy and stated that "the Nigerian public enterprise sector accounts for an estimated 50 percent of total GDP, 57 percent of investment, and two-thirds of formal sector employment (IMF, 2002:14).

The expansion of the public sector of the Nigerian economy gave government a dominant role in the economy and this overtly created contradictions for a capitalist economy. First the primary reasons for public enterprise establishment such as employment generation, service provision, and quality of financial management raised obvious problems within the capitalist context of profitability and exploitation. The huge labour force public enterprises harboured with wide latitude for organized labour activities also contradicted capitalist enterprise. Closely related is Adamolekun's contention that the open financial market (capital market) is not amenable to providing credit facilities for enterprises with a huge labour force and which provide non-profitable services (Adamolekun, 1986:52). With the onset of economic crisis and the introduction of structural adjustment programme the Nigerian State accepted its deconstruction in order to be transformed for capitalist interest. In other words, the IMF and the World Bank began to eliminate those elements of the State that constrained the entrenchment of capitalism in Nigeria. Public sector reforms thus became the inevitable alternative. Thus since 1986, the Nigerian State begun the process of contracting itself in order to become capitalist friendly. In this process, privatization and down right retrenchment have remained major policy instruments in shaping or reducing the Nigerian State with far reaching implications for public sector welfare and social development. These policies derived their relevance in the triumph of global capitalism through the liberal economic theory under the driving influence of technological revolution.



## Liberalism, Technology and Public Sector Reforms

The fundamental economic principles of Western capitalism were laid by seventeenth and eighteenth Century philosophers such as Thomas Hobbes, John Locke, Adam Smith and David Ricardo. These philosophers' thoughts represented the interest of an emerging new class of manufacturing entrepreneurs (Peet, 2003). Adam Smith's *Wealth of Nations* first published in 1776, provided the fundamental basis for a liberal economic theory of individual economic effort in a society characterized by competition, specialization and trade (Smith, 1937). According to Smith capitalism as an economic system has internal rationality other wise called an 'invisible hand' which magically can transform private interest into public virtue. By virtue Smith meant an efficiently organized, growing economy capable of providing benefits for everyone. These ideas of classical liberalism were profoundly progressive as they questioned the inhibitive authority of the land owning aristocrats, the grand merchants and the monarchical State (Blyth, 2002), with their conservative ideas of divine rights, family values, feudal loyalties and patriotic responsibilities. By challenging conservative ideas, classical liberalism leaned towards science and rationality. Classical liberalism thus rose against mercantilism, where governments intervened directly to shape the development of national economies in the interests of the accumulation of State power. In the words of Peet (2003:5),

*Liberalism championed the rational, acquisitive but philanthropic entrepreneurial individual and the organizational efficiency of self-regulating (as opposed to State-regulated) markets.*

Thus, it was liberal theory that projected the individual competitor over and above the State for reasons of organizational efficiency. The State was therefore reduced to an economic moderator with responsibility for providing the conducive atmosphere for effective economic competition between individuals. Leckachman (1959:89) corroborates Peet thus;

*Natural liberty implied free competition, free movement of workers, free shifts of capital, and freedom from government intervention.*

Thus the role of the State in capitalist societies is to guarantee individual liberties for unfettered competition. The capitalist economy is thus left to its internal logic of a rational invisible hand to determine prices and allocate resources.

Nevertheless, Western capitalist economies, based on individual liberal principles soon lend themselves to market failures and systemic depressions. In addition, despite the production of enormous material wealth, primary beneficiaries remained the new class of manufacturing entrepreneurs to the exclusion of the vast



workers and peasants. In the face of these gross economic deficiencies, widespread protests and violence characterized the political struggles that sought to overturn the liberal economies. Armed with the voting franchise, property less working men and women challenged the then prevailing economic order that worsened living conditions particularly as the second world war ended (Gilpin, 2001).

The economic depression and the attendant economic problems caused by the war years entailed a new kind of political State that intervened to regulate the economy not merely in its own (State) interest, as with the much earlier mercantilism, but for the benefit of the great majority of the peoples in Western European countries. Thus Peet (2003:6) notes that

*The bourgeois liberal State of the nineteenth century was forced by crisis, protest, wars and enfranchisement to become by the mid-twentieth century the liberal (New Deal) State in the United States and the socially democratic, more interventionist, State in Western Europe.*

With deteriorating social conditions, emerged all kinds of new social economies in Europe where governments seized the right to intervene directly to regulate the market economy and the new powers of democracy to redistribute wealth and possibly equalize incomes. Post war economic liberalism then used State intervention via various levels of planning, fiscal and monetary policy in a liberal democratic version to stabilize economies and ensure the redistribution of income. The implementation of these policies was effected principally through welfare programmes such as, unemployment compensation, the subsidization of education and the free provision of social services. Behind these changes in the operation of liberal capitalism were the ideas of John Maynard Keynes (1883-1946). John Keynes was particularly skeptical about the neo-classical notion that wage earners were maximisers or that unemployment was voluntary. In the post-war period Keynesian economists tried to design policies that would maintain full employment in the liberal social democracies. Keynesian economic theory then established the legitimacy of State intervention in market economies with the aim of achieving growth and employment levels decided on the basis of social policy. So for nearly 30 years after World War II ended, Keynesian economics prevailed both in the developed and developing world including colonially occupied territories (Eckes, 1975). It was Keynesian economic theory that provided the foundation for an elaborate government role in the economy and governments in developing countries used State funds to establish public enterprises within the context of social policy.

However, an opposition to Keynesianism emerged in the late 1990s initiated by neo-liberals. Neoliberalism represents an entire structure of beliefs, founded



on right-wing, but not conservative ideas about individual freedom, political democracy, self regulating markets and entrepreneurship (Peet, 2003). Neoliberals are obsessed with the deregulation of private enterprise and the privatization of previously State-owned enterprises. This is the kernel of neoliberal economic theory. Neoliberals share the beliefs of classical liberalism but disagree with the social democratic ideas of Keynesianism. Neoliberals argue that economic theory should be creative enough to respond to changing circumstances in national and global economy especially given the powerful influence of technology. Neoliberalism basks in the aura of market triumphalism stemming from the collapse of the former Soviet Union in what Francis Fukuyama (1989) mistakenly called "the end of history" which represent the apparent end of all political alternatives to liberal democracy. Fukuyama certainly forgot about Islam and its numerous political offshoots until it rudely disturbed the aura of market and liberal democratic triumphalism on September 11, 2001.

Neoliberals such as Mark Blyth (2002:144) argues that *Neoliberalism is actually made up of four interesting ideas: at base, a monetarist analysis of inflation developed by Friedman, which culminated in the position that markets were self equilibrating in the long run and that, intervention by the State was deleterious, if not perverse, the theory of rational expectations, which says that rational optimizing economic agents discount interventions at best a waste of time and money.*

Thus following the rise of neo-liberal beliefs as early as the 1970s, global institutions governing the development of the world economy have consistently projected a set of virtually identical economic policies to national governments, particularly, developing countries. These policies and their strategies are inclined towards outward oriented export economy, organized through markets, with minimal State regulation, along with privatization, trade liberalization and limited State budget deficits and intervention. As Peet, (2003), Stiglitz (2000) and De Rivero (2001) have noted, since the 1970s, global institutions have relied on neoliberal ideas to promote neoliberal economic policies to governments without regard to national circumstances such as cultural tradition or social structure, and even regardless of previous tradition in the political economy of development. Neoliberals argue that their policies produce a rapidly growing market-oriented, profit-driven economy that generates sufficient jobs. The reform of developing countries economies has since become a norm, which include fiscal and public sector reforms. Opponents of neoliberalism however, argue that neoliberal policies ruin whatever ability Keynesian State intervention once had to produce in capitalist economies complemented by social justice.



Perhaps nowhere has ruination of social justice been more obvious than any consideration of workers under any economy under going reforms. Palan, Abott and Deans (1996:140) have lucidly captured the brutal way in which developing countries workforce and organized labour is treated when they note that

*Traditionally, the finger of blame has been pointed at the nefarious-activities of transnational capitalists seeking to maximize surplus value by exploiting Third World workforces. Increasingly, however, it seems that governments in a number of these countries have deliberately, attracting such capital by using policy instruments to 'trade down' long term environmental or social goals for a short term quick economic fix. Such policies have included the absence of stringent labour and environmental legislation, the repression of trade union activities and authoritarianism.*

Nowhere have these measures worsen social conditions than in Africa. Economic reforms began in 1982 on the continent have only enmeshed Africa even more tightly in the primary product trap been complicated by sustained population growth, the highest in the world. It is now obvious that after over twenty years of undergoing an ideological experiment, Africa has entered the new millennium as a continent full of dysfunctional national economies out of sync with the global economy (De Rivero, 2001:93). Even in the face of these glaring failures, the World Bank and the IMF have continued with their theoretical elucidations of neoclassical economics that attempt to convert underdeveloped economies into modern capitalists ones in the image of global capitalism. These institutions are ideologically obsessed with the total deregulation of the economy; where as the true problem of modernization in many of the developing economies is historical and cultural. They simply lack capitalist ethos and a scientific tradition needed to modernize their production through technology (Gray, 1996).

It can be stated unequivocally that most developing countries particularly in Africa are not modernizing even after nearly twenty years of adjustment. These economies have continued without technological change, without significant diversification of their exports, without creating companies with the comparative advantage required for mainstreaming in the hyper-competitive global market. Majority of developing countries have liberalized their economies yet have continued to export what they had always exported-raw materials and products with little technological content. The liberalization of their economies has only increased their imports of manufactures, services and foodstuffs from the industrialized countries. The obvious consequences have been creating new deficits, ever rising

levels of unemployment due to computerization of operations, the most popular technology known to developing countries undergoing reforms. These deficits can hardly be covered by widespread privatizations; on the contrary they worsen them.

Oswaldo De Rivero (2001:94) aptly describes the experiences of workers in economies, undergoing reforms based on neoclassical ideas in comparative relation to the classical liberal beliefs of the 18<sup>th</sup> and 19<sup>th</sup> centuries thus:

*The Industrial Revolution created more jobs than destroyed it. In contrast, the computer revolution can destroy more jobs, and do it more violently. It will not necessarily create better jobs for the majority of workers, and it will deepen social inequalities. It happens more rapidly, and its social effects are more drastic. The unskilled workers are simply discarded. If those who are not trained in the new technology do manage to find employment, they have to be satisfied, in many cases, with lower salaries than before.*

On this note of inadequate technological changes in developing countries even under the yoke of reforms with deleterious social consequences underpinned by neo-classism, let us turn to the implications of reforms on organized labour in Nigeria.

### **The State, Reforms and Labour: Welfare Issues**

Right until 1981, the Nigerian economy was buoyant boasting of ₦15.234 million of total federally collected revenue. This figure dropped sharply to ₦12.180 million in 1981 (Yahaya, 1993:17). The slide in federal revenue continued with a further drop to ₦11.067 million in 1982. The sharp drop in revenue was a consequence of the slide in the production of crude oil, which declined by 2.056 million barrels per day in 1980 to 1.434 million in 1981, and to 1.229 million in 1982 (Yahaya, 1993:17). This development represents the first major negative attack on the economy with far reaching consequences on the capacity of the State to maintain social welfare services and high level of employment.

Government response was directed initially at examining the social basis of its expenditure. The Shehu Shagari regime (1979-1983) was thus convinced by the IMF upon being approached for financial assistance that it needed to re-examine the role of the State in the economy particularly in terms of its ownership of public enterprises and parastatals as avenues of government huge expenditures. Thus in 1981, a Presidential Commission on Parastatals was established. The commission's report painted a picture of low returns, negative profits, lack of cost effectiveness, and insufficient attention to financial records by parastatals (The



Presidential Commission on Parastatals, 1981). This picture was that of a waste of public resources in the face of declining national resources. Time had therefore come for government to critically assess its social welfare policies.

The poor records of performance of public enterprises and parastatals provided the basis for public sector reforms. The reforms of the public sector became imperative because it was at the core of the stagnation and decline in economic growth throughout much of the developing world (World Bank, 1995). This reform simply meant to eliminate the interventionist stance of developing States in their economies as demonstrated by Nigeria's establishment of public enterprises and parastatals. By the 1980s, these public institutions had become very weak, perhaps even weaker as the economic crisis had taken its toll. The reforms of the public sector were introduced in the mid 1980s through the Structural Adjustment Programme (SAP) or deregulation as it has been lately known. The reforms involved three major policy strategies namely, deregulation, liberalization and privatization. There was a lull in the implementation of these strategies between 1993 and 1998, but the reforms were reinvigorated in 1999. By 2003, the Federal Government initiated a broader economic reform program called the National Economic Empowerment and Development Strategy (NEEDS). The purpose of NEEDS is to raise the country's standard of living through a variety of reforms, including macroeconomic stability, deregulation, liberalization, privatization, transparency and accountability ([www.wikipedia.org](http://www.wikipedia.org)). Behind the veneer of addressing the problem of basic necessities, such as lack of water, unreliable power supply and decaying infrastructure lies the all-important ulterior objective of reducing the capacity of the State in playing an active role in the economy. In other words, the Nigerian State has to be reduced to enacting "the right kind of rules" by creating an enabling environment or a legal and institutional system that supports global capital (Killick, 1993).

In deconstructing the Nigerian State under the process of public sector and economic reforms, the Nigerian State has adopted both legal and policy processes. At the legal level, legislations have been enacted such as the Privatization Act of 1999 and the Labour Reform Act of 2005. These laws have provided the fundamental basis for deconstructing the State and to restrain any social group from effectively challenging the process of reforms. With the Privatization Act of 1999, the Bureau for Public Enterprises (BPE) and the National Council on Privatization (NCP), were established to implement the privatization program. Even with the privatization program, under the Babangida regime, organized labour raised fears regarding issues of redundancy, severance pay, pension plan, employee share ownership and social safety nets. In general organized labour was concerned about retrenchment of workers as an inescapable element of privatization. Labour's fears were genuine because public enterprises account for more than half of public

sector employees. Thus series of public protests and strikes have trailed the privatization exercise since 1987. Suffice to note that by 2005, the country's labour force was in the range of 57.2 million. Two years earlier in 2003, the unemployment rate was 10.8 percent with urban unemployment accounting for 12.3 percent thus exceeding rural unemployment of 7.4 percent ([www.wikipedia.org](http://www.wikipedia.org)). Between 1980 and 1992, the organized labour had undergone periods of militancy and quiescence, and re-emerged as a force in 1998 when they seemingly regained independence from the government. Thus since 1999, the Nigerian Labour Congress (NLC) an umbrella organization for trade unions in Nigeria has called six general strikes to protest deregulation in the oil sector particularly as it relates to the domestic fuel price increases. Coming to terms with the power of unionism the Nigerian State sought to tame labour through legislation, the power of the courts and retrenchment in the public sector thereby tampering with the numerical advantage that under gird NLC's monopoly over union organizing. This move is in tandem with the operation of global capital, which abhors powerful unions that threaten capitalist profits through disruption of production and demand for higher wages.

Through national legislation, the power of the courts and retrenchment of public sector employees and the consequence of mergers in the banking industry following recapitalisation of banks in Nigeria, organized labour has been effectively tamed. For the Nigerian State, privatization of public enterprises and deregulation in the down stream oil sector has reduced the capacity of the State to play an active interventionist role in the economy. This is precisely what global capital has done to the Nigerian State. Through the new Trade Union (Amendment) Act, passed on March 30, 2005, the monopoly of union organizing hitherto enjoyed by NLC was eliminated. The law has dissolved the single – labour – Federation Structure for workers under NLC. The new law refers to “Central labour organization” and stipulates that, government must register each labour organization formally. Each federation is to consist of 12 or more trade unions, and trade union membership in a federation must be exclusive. Under the new law, a minimum of 50 workers per union is required to form a trade union. Thus all unions and federations officially recognized before the new law have been allowed to retain their status. Hence under the new law the Federal Government has formally recognized 29 such unions under NLC, 18 under Trade Union Congress (TUC) and 8 under the Congress of Free Trade Unions (CFTU) (Olaleye, 2006:4). Though the new law has expanded the freedom of association by eliminating restrictions, it has doubly weakened the NLC, the country's largest labour organization. In terms of freedom of association, that law allows Trade Unions to operate without interference but it has created a caveat that circumscribes union activities that are legal. For instance the law provides for the right to organize for collective bargaining but it has also criminalized national strikes and protests against economic policies and many other issues.



The criminalization of strikes is to ensure that “government can take decisions that will affect the welfare of workers without been challenged” (Barrett, 2004:7) Drawing similar conclusions Adams Oshiomole President of NLC in (Isokar, 2005:80) in reaction to the passage of the Trade Union (Amendment) Act noted that:

*...the law seeks to restrict the right to picket and curtails the right to strike to “disputes of rights”. The contemplation of its authors is that issues affecting the workers and the populace, such as incessant increases in the prices of fuel, cannot be challenged. The law also prohibits and criminalizes the use of strikes in furtherance of disputes of interests. With this law, merely being a worker and a union member would now make the Nigerian worker a candidate for the prison.*

These remarks capture the fate of Nigerian workers under a capitalist State which primary duty is to protect and preserve private capital and to guarantee capitalist interest.

From legislation, the Nigerian State moved to use the power of the courts to cripple organized labour and then lay the basis for pruning down in numerical terms the country’s work force. Precisely on January 7, 2004, the NLC had given notice to the Federal Government of its intention to resume its earlier suspended strike, which was declared to protest the introduction of a ₦1.50k fuel tax per litre. Earlier, on the application filed by the Federal Government at a Federal High Court in Abuja, to declare illegal NLC strike threat Honourable Justice Roseline Ukeje had ordered the government to refrain from giving effect to the ₦1.50k fuel tax. The court also restrained the NLC from continuing with its strike. By any measure therefore the Federal High Court had ordered the parties in dispute to maintain the statues quo (Uturu, 2004).

However, on receiving notice for a strike following the implementation of the fuel tax, the Nigerian State filed a case at the same Federal High Court before Justice Roseline Ukeje praying the court to declare that it is illegal for NLC to strike on matters of economic policy and in the event of a declaration of such a strike it would be unconstitutional. In her ruling, the court stated, “the office of the president of the NLC is not known in law. The president of the labour congress can only sue or be sued in his natural capacity as a citizen of Nigeria” (in Uturu, 2004:46). By declaring the office of the president of NLC illegal, the congress was weakened technically and its attempts at legal remedy thereafter had only little effect. With the successful combined power of legislation and the courts, the Nigerian State had crippled labour against any effective challenge of State economic policy that may have negative impact on workers welfare.

Having set the stage for the final process of capitalist entrenchment in Nigeria, the National Assembly provided the legal and institutional seal to the fate of labour by adopting a recommendation from one of its committees on retrenchment in the public service. The committee had accepted and adopted the recommendation for the retrenchment of 33, 000 workers in the federal civil service out of 160, 000 (Akunno, 2006:1). To provide institutional process for public sector reforms, the Federal Government has established the Bureau of Public Service Reform with Mallam Nasir el-Rufai as Chairman. The Bureau has stated that about 3004 workers in the Presidential villa do not exist and can be termed 'Ghost workers' and another 3,008 of 25, 000 staff of the Ministry of the Federal Capital Territory (MFCT) are also fictitious (Folasade-Koyi, 2006:1). In effect these ghost workers can be translated into actual workers that will be retrenched. By July 2006, 1878 workers were laid off in the first phase of the retrenchment exercise and were paid ₦2.5 billion as severance pay.

The process of reforms has also hit workers of the Nigerian Ports Authority (NPA) following the implementation of the concessioning policy in the Ports. Consequent upon this implementation, the authority began staff rationalization, which affected 1000 workers upon the concessioning of its Container Terminal Port to AP Mollers Limited, a Danish firm (Ugwoke, 2005:29). Though the NPA needed about ₦80 billion to pay off the affected workers, the authority was still in search of this money a year after the affected workers were laid off. Also, for reasons of restructuring for efficiency, the Nigerian Export Promotion Council (NIPC) had in December 2005 laid off 400 of its 615 work force (Nwachuku, 2005:26). Equally affected by this rationalization exercise is the Federal Airport Authority of Nigeria (FAAN) where its workforce strength of 5000 has been reduced by 2000. This represents 20% of its staff strength (Awoyinfa, 2006:8). According to the authority the target rationalization figure is 2000 staff that may eventually remain in the organization. Two critical issues have therefore emerged regarding these retrenchments. The Council made no provision for severance pay and improvement in working conditions of the remaining staff as the computer equipment and other tools in the council had remained same a year after rationalization. It is apparent therefore that what the Nigerian State want at the moment is to radically prune down the numerical strength of the labour force thereby weakening its capacity to mobilize its members against any public policy that undermine social welfare. Thus, the steel sector has lost close to 7000 workers between 2004 and 2005. Again early in February, the Statistics Bureau, formerly the Federal Office of Statistics (FOS) had dismissed 1, 153 staff for reasons of lack of basic minimum qualification of Ordinary National Diploma (OND). Majority of those dismissed were enumerators, messengers cleaners and artisans. In the reasoning of the Director General of the Bureau, 85 percent of staff of the Bureau



are non professionals and therefore not needed (Oji, 2006:6). What is worrisome is inability of the bureau to accompany the rationalization with adequate and prompt severance pay, which may enable retrenched employees to participate in the economy and continue to earn their livelihoods. This development coincides with the tendency of capitalism to leverage on an existing huge level of unemployment for exploitation through low wages.

Privatization of two major public utility companies promises to wreck havoc of the Nigerian labour. These institutions are the Power Holding Company of Nigeria (PHCN) and Nigerian Telecommunication Limited (NITEL). Following the acquisition of MTEL by Transnational Corporation Plc, a total of 7,200 workers were relieved of their appointments in a major right sizing exercise thus reducing its workforce to 3,500. But just as those left behind were beginning to relax that the new management announced that another 1,000 workers would be relieved of their appointment by the end of February 2007 (Nkanga, 2007:33). NITEL like NPA could not find the requisite funds for severance pay of its retrenched staff even by end of January 2007. Again in the name of reforms, the Central Bank of Nigeria (CBN) has since 1999 retrenched 5000 of its 10,000 staff. This was effected under its reform programme codenamed EAGLES. Under The programme the retrenched were referred to as "unneeded personnel" (Aderinokun, 2006:58). With this sustained level of mass retrenchment in the name of rationalization supported by law, the courts and legislative institutions, organized labour has been effectively tamed to serve capital.

## **CONCLUSION**

At independence the twin responsibility of pushing for economic development and enhancing living standards moved the Nigerian State to provide elaborate employment opportunities through its establishment of public enterprises and parastatals. However, the expansion of the public sector employment had three common features with implications for institutional capacity particularly under circumstances of economic crisis. First, the public sector expanded in size faster than the economy grew. Second, the public sector favoured employment growth over income growth thereby driving down the real wages of public sector employees. In Nigeria it took military fiat during the Gowon administration (1967-1975) through the Adebo awards (Cohen, 1981) and Babangida regime (1985-1993) to raise public wages after a long period of public wage freezes. Third, the public sector favoured wage increases in the lower ranks thereby reducing wage differences between skilled and unskilled employees. By the 1980s, when economic crisis had set in, the public sector was larger than Nigeria needed and was also costlier than the country could afford. The public service was indeed less effective and productive than it should have been. It was this problem that general reforms

including economic and public sector were designed to address. The ulterior motive behind these reforms was to deconstruct the State into a lean, capitalist focused one with a feeble work force less potent to challenge capitalist interest. This process began in the 1980s and lulled in the early through the mid 1990s and regained momentum by 1999.

The deconstruction of the State has had debilitating impact on the capacity of organized labour to challenge the decline of workers welfare in the light of public sector reforms. Using national legislation, the courts and national legislative institutions, the Nigerian State has pruned itself through privatization into a shape suitable for private and global capital. Privatization and deregulation removed the State from the economy and by right sizing the labour force, organized labour has been weakened numerically and technically. The Nigerian State has used different measures of ensuring attrition of labour such as recruitment freezes, enforcement of mandatory retirement ages, introduction of voluntary departure schemes and sometimes making outright dismissals as the State is currently doing. The measure of voluntary departure has been unique to the banking sub sector following the mergers of banks consequent upon the recapitalization policy in the banking industry. In the wake of the merger between United Bank for Africa (UBA) and Standard Trust Bank (STB), the management of the bank under Tony Elemelu established a voluntary exit plan for staff who wished to voluntarily retire from service without waiting for retrenchment under any guise. The voluntary exit plan affords staff the privileges of retiring with one and a half years pay for every year of service, zero commission for turnover and 100 percent concession on charges for a period of one year. Under the scheme, UBA has since relieved 600 staff of their appointments (Nwachuku, 2005:29). The voluntary retirement is however indeed nothing but a bait to test the response of organized labour and to reveal the overall motive behind mergers in the area of labour. Once the quality and form of response was experienced, UBA management turned down over 400 applications for voluntary retirement, preferring to retrench workers and immiserizing them in the face of their vulnerability.

As the impact of reforms on organized labour has shown, it has since lost the steam to challenge government economic policies under the yoke of privatization and public sector reforms. This weakness has been evidenced in the failure of NLC to challenge the current spate of retrenchment in the public service of the Nigerian State. It is important to state that even under a capitalist system; the State owes its citizens responsibility for social welfare. While there is unquestionable drive towards capitalism, this process has to be pursued sequentially first by raising productivity in the real sectors of the economy such as agriculture and manufacturing. The rapidity with which reforms at all levels have been pursued has left no safety nets for the State and economy in a suffocating international capitalist



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system. The examples of South East Asia have shown that growth must be pursued in tandem with job creation thus conforming to the theory of rising productivity as the basis of economic growth.

There are also labour, welfare and social issues involved in the current reforms that require a critical look. Welfare and labour issues with social implications include redundancy, severance pay, pension plans, employee share ownership and over all safety nets. There is no doubt that privatized enterprises will need to rationalized staff in order to cut cost until the entire enterprise is well on the way to expansion. But workers and those in the mainstream public sector require immediate and adequate severance pay which can be invested in a productive venture with multiplier effects for employment and income generation as well as over all economic growth. To dismiss thousands of employees without the benefit of immediate severance pay not only renders waste human capital but also undermines over all growth which is the seemingly primary objective of reforms. It is important to add that the payment of severance allowances under the current inadequate supply of electricity is likely to defeat the strong tendency of retrenched workers to judiciously invest their allowances in productive ventures which would have in turn help spur economic growth. Sequential and phased implementation of reforms from improving public supply of electricity to rationalization would have indeed made more sense in the context of economic growth and development.

Though the Nigerian State has been deconstructed for private capital exploitation and accumulation, the flow of global capital is not solely dependent on raising an environment favourable to it by decimating organized labour. Important as this is, the flow of global capital is motivated by economic reasons but actualized by political calculations hence the Nigerian State must proceed cautiously and sequentially in her reform's efforts.

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