

## **THE NIGERIA LABOUR CONGRESS AND THE POLITICS OF THE DEREGULATION OF PETROLEUM PRODUCTS**

*Dr. Edith Osiruemu*

### **Introduction**

The Nigeria Labour Congress (NLC) is the coordinating body of industrial unions in Nigeria. Up to 1976, it mobilised the numerous unions organising junior and senior workers in the Federation. But the Trade Unions (Amendment) Decree No. 22 of 1978 introduced a dichotomy in the labour movement by affiliating only 42 industrial unions organising junior workers to the NLC. In the same way, Trade Unions (Amendment) Decree No. 4 of 1996 further reduced the number of unions affiliated to the NLC to 29. Both laws confined the role of congress to purely negotiating improvements in the conditions of workers.

However by legislating a structure for the NLC and defining a scope for it, the statute unwittingly produced a colossus which threatened to overlap the defined role and yet seeks to acquire more influence in the political economy. This became more pronounced from 1977 when executives of the national union began to demand an active role in policy making and implementation as they affect the interest of its members. This attempt to broaden its scope in the political economy and the attendant effect on the relationship between the congress and the government is central to this discussion of the NLC's posture in the politics of the deregulation of petroleum products.

Indeed the implementation of the role defined for the congress by statute has been the subject of intense debate between governments and the leadership of the Nigeria Labour Congress. Leaders of the congress advocate for increase in the degree of its participation in policy making and execution, while government attempts to restrict its activities to basic welfare issues affecting its members, putting policy matters and economic planning as decisions that should emanate from the machinery of the state (Adefope, 1977). This controversy between the government and the congress was largely demonstrated in the determination of the national minimum wage policy in the 1979 - 83 period, the NLC's position in' the debate on whether Nigeria should avail itself of the IMF loan facility in the 1985-86 period, and lately in the insistence by the leadership in the planning and execution of government policy on the subsidy on petroleum products. Oftep this stance of congress leads to conflict with government which often attempt some consultations wit the leadership of the NLC, only to implement its policies without deference to its position. The result in an increase in national strikes organised by the NLC to press for the realisation of its position.

In the light of the foregoing, this analysis below is divided into two broad sections. The first gives a brief background to Nigeria's economic crisis and the unsuccessful attempts to correct it, while in the second section the structural adjustment programme under which the deregulation of fuel became expedient will be examined. This section will also highlight the resultant scenario as both parties hold tenaciously to their understanding of the role of the congress in the economy.

### **Nigeria's Economic Crisis**

The origins of the profound economic crisis in Nigeria can be traced to the colonial period. Colonial intrusion into Nigeria was mainly activated by economic considerations such that economic policy reflected that of comparative advantage under which Nigeria was assigned the responsibility of producing agricultural products which the metropolitan industries converted into finished forms that were then imported into Nigeria at exorbitant prices. Added to this is the impact of the introduction of European fiscal and monetary system; furthermore the colonial administration did not encourage the establishment of industries. The few that were established were more of raw materials processing and consumer goods production industries which were crucial for the development of western capitalism. This situation premised Onimode's observation that Nigerians economic and debt crisis is a product of the capitalist mode of production which colonialism impressed upon Nigeria (Onimode, 1983:100).

The attainment of independence in 1960 did not bring about any significant change in the situation. Thus the first National Development Plan (1962-68) rather than question colonial economic

## Dr. Edith Osiruemu

policies simply copied them, its total capital outlay was N2.2 billion with foreign aid 50.2% of the expected revenue. The plan also advocated an industrialization process. the import-substitution strategy. Thus only consumer - goods industries were eventually led to the import-dependency syndrome in Nigeria. The duration of the plan- civil war which led to vast destruction of infrastructure and other social and economic post-war reconstruction involved the raising of external loans enabled by the promulgation of Loans, Rehabilitation Reconstruction and Development Decree of 1970. However between^

1973, the contribution of oil to the national economy experienced a phenomenal increase Nigeria to relax in the production of other non-oil products. This growing revenue form the oil other implications. The first was the increased vulnerability of the economy to external loans as the steady decline and emphasis on the agricultural sector both in feeding the nation and gen foreign exchange. For example the percentage contribution of the agricultural sector to Nigeria's Domestic Product (GDP) fell from 53.50% in 1967 to 24.85% in 1974 and then to 22.49% in 1980. **Henot** the emphasis is placed, on the petroleum sector simply made the Nigeria economy monocultural.

Though the Gbasanjo military of 1975-1979 continued with the traditional policy of industrialization, an attempt was made to improve the agriculture sector through the introduction of programmes like Operation Feed the Nation (OFN), National Accelerated Food Production Programme (NAFP), River Basin Development Authority (RBDA) and the Agricultural Development Programme (ADP). In spite of these programmes, the growth of the agricultural sector was still minimal largely because the strategies did not take into account the societal realities of the country.

By mid - 1981, with -the collapse of the world oil market, Nigeria's economy faced serious **crisis**. The decline in oil export and prices were reflected in the decline in foreign exchange receipts **and** government revenues. For instance crude oil fell from a daily average peak of 2.2 million barrels per **day** (MBD) in 1979 to 1.0 million barrels per day in 1982. Prices for oil exports also dropped rapidly from US\$10.1 billion in 1982 which immediately plunged the fortunes of the economy from mid 1981.

This crisis became noticeable when oil prices and export fell due to the recession in the world market while the profile of imports was on the rise and within a short time exceeded the level of exports. Thus before long, the economy was in turmoil as the structure of imports could no longer be sustained. The nation's GDP fell by, 4.4 percent in 1983 after a decline of 2 percent in 1982. The budget deficit for 1983 alone was N6.31 billion representing more than 50 percent of total government expenditure while the current account recorded a deficit of N4.9 billion in 1982 and N2.9 billion in 1983/4 (Ojo, 1988:5).

At the time, Nigeria's economic crisis included low level agriculture and industrial growth, a depressed crude oil market, import - syndrome and a weak public sector. This crisis also affected Nigeria's import-substitution industries which from the outset had relied heavily on the importation of technology, spare parts and raw materials from foreign markets based on revenue from oil. These industries were immediately devastated putting the nation's imports substitution strategy on the verge of collapse. Indeed by 1982, 50 percent of such industries closed down while others established in 1979 could not take off because of lack of raw materials. The crisis also aggravated the debt problem of the country especially as many state governments took to borrowing from foreign markets in order to sustain their economies. The total external debts of Nigeria got to N15 billion in 1983 with a N 5 billion backing in trade payments. Internal public debts rose from N4.6 billion in 1979 to N23.2 billion in 1983. The increase in 1983 alone was N7.2 billion. In the heat of this crisis, employment suffered a severe blow. Between 1980 and 1983 alone, about one million workers were reckoned to have been retrenched, 35,000 of them were textile workers as well as 10,000 workers in the metal industry. Workers' salaries were unpaid for several months in both the public and private sectors coupled with the collapse of the educational system in many states. Teachers' salaries for example, were unpaid and many primary and secondary schools were closed down while others were de-boarded and turned into day schools. In August 1983, faced with the threat of a nation wide strike, the federal government had to extend a loan of N537 million to the state governments to pay off arrears of salaries owed to the workers.

Even as employers were unable to meet their obligations and as more industries close **down**, the prices of the few imported goods sky rocketed. Indeed inflation was rife, for as real income of **workers** were undermined so also did the prices of basic commodities like milk, sugar, rice, baby food, beans, yams and others escalate beyond reach even when available.

To curb this crisis, the Shagari civilian administration embarked on a series of austerity measures

contained in the Economic Stabilization (Temporary Provisions) Act of April 1982. This act was designed to arrest the deteriorating balance of payment, reduce public sector expenditure and cultural imports. Import duties were imposed where they were hitherto non-existent or increased where they were already in force. As the effect of the crisis deepened and more industries closed down and workers retrenched, major mass mobilization organisations like the Nigeria Labour Congress (NLC) and National Association of Nigeria Students (NANS) took on the government. The NLC, for example, sent a memoranda to the administration in which it reviewed the effect of the economic policies on workers and the common citizen and suggested ways to correct the level of inflation in the economy. And in the event of the failure of these suggestions. It sought a wage review exercise to enable the workers raise their falling standard of living (*West Africa*, Dec. 1983; 12972). These arrangements were on between the government and the NLC when the military coup of December 1983 brought in the Buhari military regime which adopted external measures to mitigate the economic crisis.

The first major economic option adopted by the Buhari regime was the Structural Adjustment Package designed by the International Monetary Fund to place ailing economics on the path of early recovery and self-sustained growth. In line with its option, the government embarked on major monetary policies which involved the payment of external debts, reduction of budgetary allocations of ministries and parastatals, privatization of public companies, incentives to transnational co-operations especially in the agricultural field, embargo on employment, wage and salary cuts and general reduction in government expenditure as well as the massive devaluation of the naira, trade liberalization and the deregulation of petroleum products.

It also began negotiations with the IMF on the EFF loan facilities and the conditions attached to it. However, the negotiations soon broke down consequent upon the refusal of the regime to implement the conditions attached to the loans. Instead it opted to tackle the problems without external aid. In this vein, it continued with the austerity measures of its predecessor.

Although these policies appeared nationalist in outlook, their impact on the economy and works were severe. Especially as some of these measures were antiworkers in implementation. Take as example, the unilaterally imposed wage freeze for all workers in the economy, probational deduction of 15 percent for civil servants on a salary of N15,000 and the imposition of a system of 'no work no pay' so as to forestall any possible industrial action by worker. In addition, the regime legislated the dismissal of workers whose size it claimed was bloated and could not be sustained in the face of the downturn of the economy. Thus between November 1984 and August 1985 when the regime was toppled, thousands of workers were either dismissed or compulsorily retired. Indeed in its zeal to revamp the economy the workers and their unions were totally coerced by the numerous anti-labour decrees promulgated during this period.

The Babangida regime of August 27, 1985 to August 26 1993 embarked on various economic programmes whose implementation would seem to have profoundly affected the entire economic institutions. The economic programmes of this regime were two-pronged viz, the initial economic policies between 1985 and 1986; and the structural adjustment programmes which ultimately resulted in the deregulation of the petroleum sector and the gradual removal of the subsidy on fuel.

On assuming power, its initial solution to the economic crisis was by way of declaring an economic emergency period which lasted for 15 months during which period, a percentage of workers salaries and companies profit were compulsorily paid into government purse (Olukushi, 1991:169). It also established domiciliary accounts in Nigerian banks in its bid to encourage Nigerians to keep their foreign exchange in the country. When these measures failed, the government opted to secure the aid of the IMF and its coordinated economic recovery package. However in the national debate which it subjected this aid, the public unanimously rejected it. For example, the position of the workers as articulated by the NLC was that the IMF coordinated economic recovery programmes was anti-worker in orientation and implementation in the sense that it aggravates unemployment, raises the rate of inflation, engenders the withdrawal of subsidies which leads to a drastic fall in the conditions of living of the worker in particular because of the consequential devalued naira earnings and the erosion of national economic independence. Against this position of the Nigerian Public, the Babangida regime decide against the EFF loan facility of the IMF but opted to deal with the economic crisis by applying the remedies for ailing economies as recommended by the World Bank. This took the form of the Nigerian strand of the Structural Adjustment Programme which was introduced in June 1986.

**The Structural Adjustment Programme, Its Elements and the NLC's Position on the Deregulation of Petroleum Products**  
**The Structural Adjustment Programme (SAP) is an economic recovery developed**

by the World Bank in the 1980s for developing countries to deal with balance of payment problems. Its origins can be traced to austerity packages worked out by the IMF in 1944, which was modified first as balance of payment programme then later as stabilization programmes and finally in the 1980's as Structural Adjustment Programme. The idea of structurally adjusting the institutions of the nation for economic recovery was not a novel idea of the Babangida regime. It can be traced to early 1983 when the civilian President, Alhaji Shehu Shagari had set up an expert committee to review the problems of the economy and make recommendations. The committee had recommended a structural adjustment programme. The Buhari regime which ousted the civilian government had accepted this recommendation of the committee although it rejected some of the conditions attached to its implementation.

The Babangida regime however decided to implement most of these conditions. This decision of the Babangida regime premised Adebayo Olikushi's argument that the '27 August 1985 coup represented the triumph of the advocates of a free market regime in the country's quest for adjustment and recovery over the forces of statism through strict import and price control (Olukushi, 1991:168)

To the Babangida regime, the main problem with the Nigerian economy was that it was not properly linked structure-wise and as such needed a fundamental adjustment. SAP was meant to assist the nation to lay a true foundation for a virile domestic economy. To this end SAP was to focus on the reforms of policies and institutions to improve resources allocation as well as economy efficiency (Fed. Min of Information, 1988:,12). The major policies of this programme revolved in the establishment of the Second-Tier Foreign Exchange Market. The second concern was about the external debt and the need to attract foreign capital. Thirdly, as a corollary to foreign capital and investment, the transfer of technology for the nation to become self-reliant.

Quite clearly, SAP as implemented by the Babangida administration had a major impact of the component sectors of the Nigerian political economy. The extent to which these sectors were affected by the adjustment programme were a function of the place they occupied in the context of the philosophy underpinning adjustment packages the world over. It has been observed that the formulation of structural adjustment packages by the IMF lies in the institution's basic understanding of the framework for economic interaction which is laissez fairist, characterized as it were by a rigid belief in absence of price controls, a blind faith in the private sector and free trade as opposed to protectionism. The Nigerian strand of the SAP was not different. It was monetary in content and implementation.

Monetary economic policies implemented through adjustment programmes are usually three pronged. They are aimed at restraining demand, switching resources towards taxables and raising the medium and long term efficiency of the economy. Demand restraint is supposed to be achieved through a contraction in government spending, the imposition of new ceilings on the advancement of credit, stringent fiscal measures which involves some restraint on wages and public sector employment. These measures, aimed at switching resources to supposedly viable sectors of the economy should be implemented in a free market environment underpinned as it were by the dialectics of demand and supply.

The impact of the adjustment programme of the Babangida regime on the various sectors of the economy and the trends noticed in the tempo of the relationship between the government and the NLC is analysed within this context.

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The immediate impact of the SAP was a fall in the standard of living of the workers. A World Bank report acknowledged this reality. According to its estimates Nigeria's per capita income fell from about \$800 in the early 1980's to about \$370 in 1987. The country moved from being rated as a middle income economy to a low income one qualifying for the International Development Association (IDA) Aid to poor countries. A survey conducted in 1987 also ranked Nigeria 19<sup>th</sup> in the international suffering index (*West Africa*, Aug. 1989).

The fall in the standard of living was related to the decline in the value of the naira which reduced the purchasing power of workers as a result of inflation. Within a year of the inception of SAP, the rate of inflation as given by the NLC was 308.9 percent for different essential commodities while the Federal Office of Statistics put the composite index at 5.4 percent in 1986 compared to 5.5 percent in 1985 (*NLC Bulletin*, Nov, 1987).

The real problem between the government and the NLC began in 1987 when the government decided to deregulate the down stream sector of the petroleum industry. The idea of deregulation is to allow interested corporate organisations and individuals into the business of refining, distributing and selling of fuel. And the first step in its implementation was the withdrawal of government's 80 percent subsidy on oil, later a further 2 percent as a measure towards the revamping of the ailing company<sup>2</sup>. This action immediately raised the pump head prices of fuel and diesel to 39.5k and 29.5k per litre from 30k and 19k respectively. In an attempt to justify this removal, the government had in four separate advertisements in newspapers explained the expediency of its actions in the fact that the cost of refining crude oil was higher than the domestic price paid for the finished products and that if the same finished products were to be sold at the competitive international market prices, the profit realisable could be ploughed into other sectors of the economy. Thus by incurring losses because of its low domestic prices, a subsidy was created which could no longer be sustained by the government. In the same vein, the low domestic prices encouraged the smuggling of the products to neighbouring West African countries where the pump head prices were commensurate with international price.

This deregulation bid by the government drew the flak of the NLC which had earlier communicated its position on the removal of the subsidy on fuel to the government. In its memorandum, the NLC had listed conditions which the government must meet in order to be able to float the new prices. These included the provision of adequate infrastructure in the country, increase in the purchasing power of the populace and ensuring the importation of vehicles spare parts at concessionary rates as well as setting up a monitoring body which should include members of the NLC to handle (*Tell Magazine* 23 Nov 1993. 130) the windfall that would accrue from the policy. Since none of these conditions were met by the government, the NLC expectedly resisted its implementation. Adopting press warfare, the NLC also took spaces in newspapers to deflate government arguments in favour of the removal of subsidy. For example, in one advertisement, entitled "Lies not facts" the NLC pointed out that the government's position (in favour of the removal of the subsidy) is a case of how not to lie with statistics. The thrust of the NLC's argument was in a comparison of the average incomes and minimum wages of Nigeria and its neighbours emphasizing that although petroleum prices were higher in these countries, incomes obtainable there ensured that the products were within reach of the masses. In its contention on smuggling as a criterion for a price hike, the NLC insisted that the policing of the nation's border was the duty of government.

Thereafter, the NLC admonished the government to set up a proper machinery to sort the problems in the economy instead of adopting the policies of predatory foreign creditors.

Arguing on the possible effect of the proposed removal on workers within the country, in a 196 leaflet entitled "Remove Subsidy, Remove Life", the congress noted that the removal of the subsidy would increase the general price level by 21.59 percent, transport fares by additional 2 percent and house rent by 15 percent. Despite this spirited opposition from the NLC, Babangida regime still implemented it, the consequences of which simply confirmed the fears of the NLC. Soon after the subsidy on fuel was withdrawn, transport fares went up by 50 percent while food prices shot up by 45 percent increasing the official inflation figure from 25 to 45 percent at the end of the period. (*African Guardian*, June 25 1989:16) A significant development of this opposition from the NLC was a change in the tempo of relations between the Babangida regime, its successors and the NLC. A relationship in which the governments implemented policies without consulting the NLC. Another dimension was that the regime and indeed other regimes began to intimidate labour leaders through frequent interrogation, arrest and detention. For example, this opposition of the government's subsidy policy led to the arrest and a week's detention of the 20 member national executive of the NLC in December, 1987 on charges of sedition and subversion of the economic recovery

programme of the government (*African Guardian*, June 28, 1989:18). Most significant to is a trend associated with subsequent regimes which often than not seek the opinion of the leadership of the congress on economic policies but thereafter implementing same without deference to the position of the Congress. This approach of the government inadvertently led to a rigid posture by the NLC; that is, as an interest group mobilising the majority of Nigerian workers, it is entitled to and would exercise its right to be involved in policy planning and implementation in matters that pertain to the welfare of its members in the political economy.

The maintenance of these positions by the government and the NLC led to incessant conflict between both parties. Hence when in November 1993, the Interim Government led by Chief Ernest Shonekan raised the pump head prices of petrol, diesel and kerosene by 600 percent, the immediate reaction of the NLC was to organise a strike action in protest (*Tell* magazine, Nov 22, 1993:18). The action by the NLC was sequel to the interim government's breach of an earlier agreement between it and the NLC leadership not to increase the pump head prices of petroleum products throughout its tenure in office.

An added dimension is the feeling of betrayal experienced by the NLC in its dealing with the government. More often, government begins consultations with the NLC and while inconclusive, the government announces the new pump prices to the chagrin of the NLC leadership who in desperation calls out its members on strike. This was the exact position with the Abacha/Abubakar military regimes and lately by the Obasanjo - civilian administration on June 1, 2000. The result is that the NLC is compelled to take on the governments in a bid to protect the interest of its member unions. For example during the Abacha regime there was a nation wide strike which lasted for 13 days when the pump price was raised from N3.25k to Nil per litre in 1994 and during the Abubakar regime, the nation lost 109.6 man hours as a result of a strike organised by the NLC against a price hike of fuel from N11 to N20 per litre in 1999. And in June 2000, the NLC organised another strike which lasted nine days in reaction to an increase of the price of fuel from N20 to N30 per litre, N29 instead of N19 for diesel and N27 instead of N17 per litre for kerosene, Below is a table of the history of price hikes.

#### **History of Price Hikes**

1989	from	20k	to	40k
1990	from	40k	to	60k
1991	from	60k	to	70k
1993	from	70k	to	N5

1993 Gen Sani Abacha reduced it to N3.25k

1994	from	N3.25k		Nil
1999	from	Nil	to	N20
<b>2000</b>	from	N20	to	N30

Source: *The New Magazine*, 19 June 2000 p. 19.

The ultimate goal of the NLC in mobilising its members is to make the nation ungovernable for the government who would then acknowledge the role of the labour movement in the socio-economic development of the economy. Such actions by the NLC force the government to the negotiating table to reconsider the prices for a downward review. The reason for this development is that these strikes which are nationwide cripple economic activities in the country.

The point of stress is that the NLC leadership is determined to be consulted in issues that j to the interest of their members as well as their implementation. Thus an analysis of the NLC's posi

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towards the deregulation of fuel and its related products is better appreciated in an understanding of the determination by the NLC to get the governance to appreciate its role as an interest group in the political economy which should be consulted before decisions affecting its members and the citizenry are taken and implemented by the government.

#### **Conclusion**

The attempt so far has been to highlight the trends in the relationship between Nigerian governments and the Nigerian Labour Congress over the former's policy of deregulating the price of petroleum products. As an interest group in the political economy, the leadership of the Congress insists on its right to protect and project the interest of member unions even on the pain of disruptive strikes while the government on its part tries to confine the activities of the NLC leadership to the role defined for it by statute in economic development. The maintenance of these positions by both parties lead to incessant strike and conflict whenever the issues of the removal of government subsidy on fuel is raised in the economy.

#### **Notes**

Leadership of the Nigeria Labour Congress always advocate for participation in national policy planning and implementation from the Obasanjo Military administration years when the entire labour movement was restructured and streamlined by statute.

These withdrawals had occasioned the Structural Adjustment programme roles and Strikes in 1986, 1988 and 1989.

This view seems prevalent among the populace even, the ruling elites sometimes moot this view. See for example, Barr. Henry Idaghagbon, Chairman Egor Local Govt. Area's views *in Democracy Monitor*, Vol 3. No. 5, May 2001.