



STUDY PACK

ON

LABOUR MARKET ANALYSIS

PROFESSIONAL EXAMINATION II

LABOUR MARKET ANALYSIS

PROFESSIONAL EXAMINATION II

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**CHARTERED INSTITUTE OF PERSONNEL
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FOREWORD

This fourth edition of the CIPM study pack is one of the learning resources recommended to persons preparing for certification through professional examinations. It is uniquely prepared to meet the knowledge standards of HR certification bodies and/or degree awarding institutions. The study pack is highly recommended to researchers, people managers and organisations responsible for human capital development in its entirety.

Each chapter in the text has been logically arranged to sufficiently cover all the various sections of this subject as itemised in the CIPM examination syllabus. This is to enhance systematic learning and understanding of the users. The document, a product of in-depth study and research, is practical and original. We have ensured that topics and sub-topics are based on the syllabus and on contemporary HR best practices.

Although concerted effort has been made to ensure that the text is up to date in matters relating to theories and practices of contemporary issues in HR, nevertheless, we advise and encourage students to complement the study text with other study materials recommended in the syllabus. This is to ensure total coverage of the elastic scope and dynamics of the HR profession.

Thank you and do have a productive preparation as you navigate through the process of becoming a seasoned Human Resources Management professional.

Olusegun Mojeed, FCIPM, fnli
President & Chairman of the Governing Council

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Oluwatoyin Naiwo, FCIPM
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CHAPTER ONE

CONTEXTUAL FOUNDATIONS FOR LABOUR ENGAGEMENT

1.0 Learning Objectives

From this chapter students would have understood the following:

- i. The basic concepts of the labour market and how it is different from other markets
- ii. How labour markets operate in an economy and why labour is a unique factor of production.
- iii. Understand the basic approaches to the study of the labour market as well as the conceptualisation of the labour market

1.1 Introduction

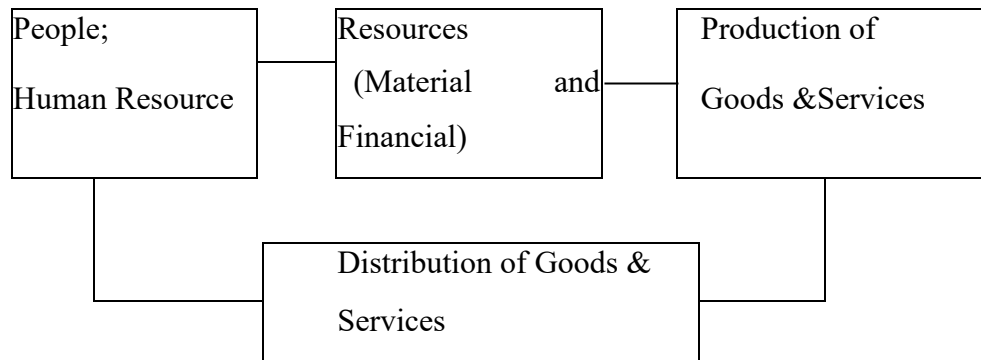
The labour market is an employment market where interactions between the demand for and supply of labour take place. It is a major component of a nation (an economy) and is linked to markets for capital, commodities and services. The Nigerian labour market crawls on the back of a legacy of colonialism, unlike Western economies which developed gallantly on the back of industrialisation. Amidst widespread corruption and ineptitude of leadership, the local market has developed an unusual feature of an unplanned and bogus informal sector which, according to Fajana (2000), constitutes 70% of the Nigerian labour market.

1.2 The Concept and Study of the Labour Market

The term Labour Market Analysis is a modern variation of similar concepts, such as Manpower Economics or Labour Economics. Manpower or Labour Economics is simply the study of the process involved in the utilisation of available human resources for productive ends. In a sense, manpower is a similar term to labour and, thus, the subject may also mean Labour Economics. Manpower or Labour may be defined as the available pool of knowledge, skills, experiences and aptitudes needed for industrial production. It is not simply the number of men/women but the acquired knowledge, skills (manual, technical and conceptual), aptitudes and experiences that are available for industrial and organisational needs.

Economics, on the other hand, is simply the utilisation of human and non-human resources for productive purposes and the distribution of goods and services to meet people's basic needs as shown in Figure 1.1 below.

Figure 1.1: Economics as utilisation of resources to meet the needs of people.



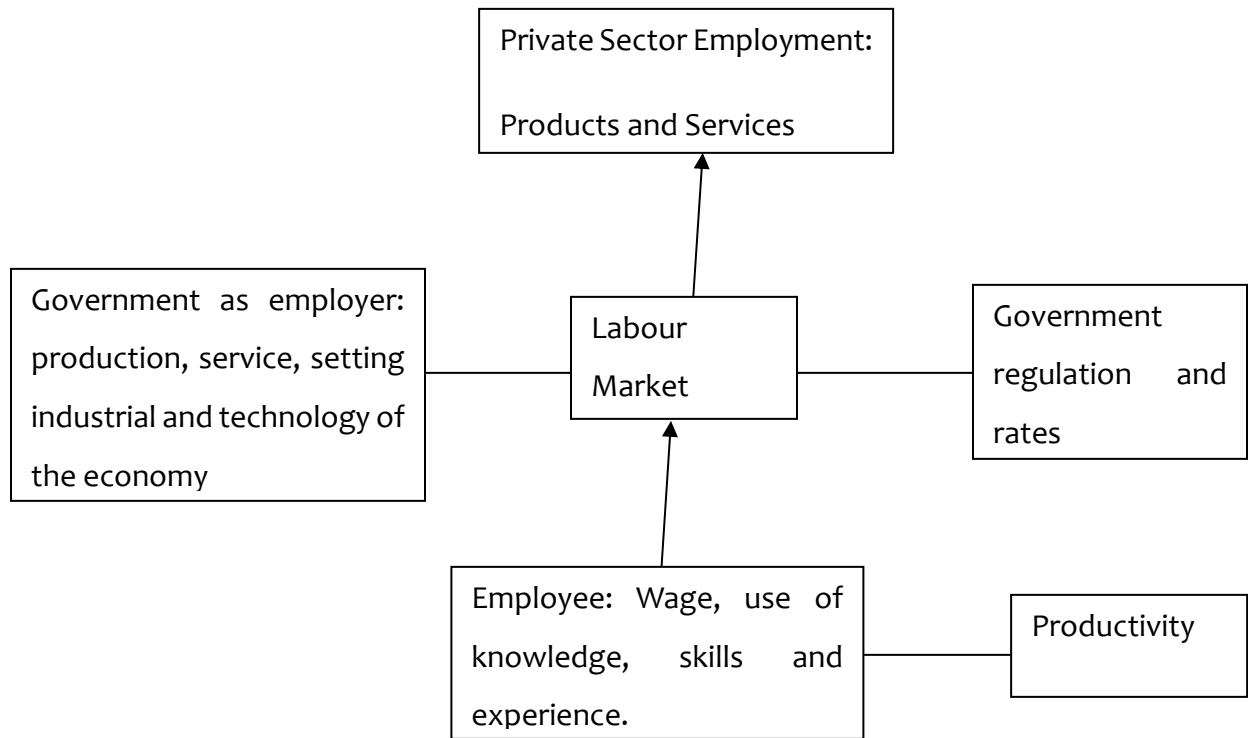
Source: *Jayeoba (2019)*

The labour market is especially concerned with how the human resource of a nation is deployed in the utilisation of material resources to produce required goods and services. There are, however, weightier issues in the labour market than mere supply and demand of labour. A deeper understanding will require a good appraisal of all the relevant factors that contribute to the present disequilibrium position of the Nigerian labour market. The Labour Market Analysis also, include people starting from 18 years of age who are either actively searching for a job or currently engaged in productive behaviour and who are term as the labour force. the labour force of a country excludes those who are unemployed or in either full or part-time employment. Therefore, labour can be considered in terms of its unique attributes, but the concept of the market is subjected to greater elaboration. But there are, at least, four types of markets as explained below:

- a. **The Commodity Market:** the commodity market deals in tangible goods or produce which can be traded in exchange for cash in particular locations that may cut across geographical landscapes and international boundaries. an example of such a market in Nigeria is the Nigeria Commodity Exchange, which is the largest commodity market in West Africa. It trades in a range of agricultural commodities such as cashews, sesame seed, sorghum, ginger, soya, beans and groundnuts, as well as financial derivatives and solid minerals.

- b. **The Money Market:** this consists of various financial institutions and dealers, who deal in short-term funds. It could also be a set of institutions and practices whose aim is to facilitate the lending and borrowing of money on a short-term basis. the purpose of the money market is not confined to banknotes but includes a range of assets that can be turned into cash at short notice. the advent of the banking sector of any economy is an indication of an increased volume of transactions and the need to save, borrow or earn interest on incomes. the exchange principle, as is the case in the commodity market, is the backdrop of the money market.
- c. **The Capital Market:** This market trades in intangible assets such as stocks and bonds. It is the backbone of a modern and growing economy as it provides an avenue for long-term loans and industrialists and entrepreneurs, besides individual and corporate investors buying for keeps or trading for specific periods.
- d. **Labour Market:** the labour market is where knowledge, skills, abilities and human work experiences are presented in exchange for wages and the meeting of other work-related goals such as socialisation, learning, career and economic advancement, life balance, social relevance and so forth. in this sense, the labour market offers more than jobs and wages but serves important ends for employers, employees, government and society. Additionally, the labour market exists to give room for individuals to express their potential through useful activities that are aimed at meeting the need to produce, offer service and earn wages. the primary thrust for the existence of a labour market is that man exists within a community of others, called society. Three prominent needs are anticipated in this market: the needs of employers or entrepreneurs, employees and the government. the nexus of interaction of these needs necessarily brings about a market that is distinct from the commodity, capital or money market described above. Figure 1.2 indicates the dual roles of government as well as the role of employees and other employers in the Nigerian labour market.

Figure 1.2: *Participants in the Nigeria labour market*



Source: *Jayeoba (2019)*

Mostly, the labour market is dominated by the organised private sector employers and the government. However, at the fringe is the self-employed and micro-business combined to form the informal labour market which today employs a huge number of skilled and unskilled manpower. in the labour market, the government plays dual roles as both employer and regulator of relationships between employers and labour using rules, acts, decrees and statutory laws and provisions. the demand for and supply of knowledge, skills and other relevant aptitudes constitute the dynamics of this market.

1.3 Functions of the Labour Market

The functions of the labour market are discussed below:

1. **Allocation function:** As earlier observed, the market has different levels of skills, which entrepreneurs seek to use to produce utilities. Through the mechanisms of demand and supply, labour is paid a wage agreeable to both employer and employee, often referred to as equilibrium wage which guarantees maximum output in the labour market.

2. **Explanatory function:** the labour market serves to explain the events occurring among actors and participants. the movement of wages, mobility, unemployment, and other micro and macroeconomic issues are highlighted and understood via the study of the labour market. Issues like work hours, factors determining the response of demand and supply to wage, and tax increases are understood by studying the labour market.
3. **Predictive function in the labour market:** the behaviour of labour market actors can, to a large extent, be anticipated based on past observations, and by studying current trends in the domestic and global labour market.
4. **Impact of governmental policies and legislation:** the knowledge of the labour market, apart from its use in predicting trends, can assist greatly in policy formulation. As democratic experience deepens, amendments to extant labour market-related laws are made, such as the Workmen Compensation Act, amended in 2011, and the Pension Act, amended in 2004. By studying the comments and writings of experts, the government should be able to assess the impact of its policies and actions.
5. **Collate useful data for use in policy formulation:** the labour market serves as a useful arena for data collection and collation aimed at making useful research inferences either for academic purposes or in applied situations. for instance, the Federal Bureau of Statistics (FBS) often generates and mops up allied data from and about the labour market. Some of the data may be derived from foreign sources or efforts of indigenous research outfits, like the universities and other institutions' collections.
6. **Compare local with international trends:** the labour market is global in dimension because of the internet and easier mobility and communication networks. It is hardly possible to analyse the labour market of a country without comparative study of other markets. With such phenomena as brain drain and such concepts as labour export, the international arena is a veritable dimension of the local labour market to be studied and used by the government, employer and employee to make informed decisions.

1.4 Types and Classifications of Labour

Basically, skills can usually be divided into three:

1. **Skilled labour:** This refers to highly trained (well-educated manpower) with technical expertise in various fields or professions. They contribute mainly to intellectual effort and are highly paid.
2. **Semi-Skilled labour:** These are people with short-duration education, e.g., O' Level education, OND or NCE and they use a combination of physical and mental effort in the production of utility and are rated below skilled workers in terms of pay.
3. **Unskilled:** These are people who lack basic education or are barely educated. It does not mean that they have no skills at all. At least, they are skilful in the application of raw physical energy. They are sweat labourers. the earning is low compared to other categories of manpower. They are employed as job hands, messengers in companies, and do manual, often menial jobs, in most sectors of the economy.

1.5 Classification of Skills

Skill is the learned ability to act with determined results with good execution often within a given amount of time, energy, or both (Wikipedia). It can be of three different types: manual, technical or conceptual. This implies that people in the course of work bring to bear all manners of skills which are widely distributed in every work group. Essentially, the type of skills exhibited by an individual is a result of factors ranging from education, work history, culture, gender attitude and other diversity issues.

1. Manual Skills:

These are used at all levels of work but largely possessed by unskilled workers like messengers, labourers and so forth. Manual skill requires physical abilities which, according to Hogan (1991), have three dimensions:

- a. *Muscular strength:* This is the ability to exert muscular force against objects in terms of pushing, pulling, lifting, carrying or lowering them. Muscular force can be exerted in quick bursts or continuously over time during which an understanding of how fatigue sets in or can be reduced is important.
- b. *Cardio-vascular endurance:* ability to sustain physical activity that results in increased heart rates.

- c. *Movement quality*: ability to flex and extend body and limbs and maintain the body in a stable position, resist forces that cause loss of stability and ability to sequence the movement of fingers, arms, legs or body, to result in skilled action or co-ordination.

Therefore, the standard for employing workers to do manual work is based on the physiology of height, weight, raw strength, gender and age. These factors determine the adequate display of manual dexterity at work. It takes little thought or mental exertion to do manual work and not much formal education is required. It is poorly paid compared to the quantity of work done.

2. **Technical skill:**

This involves the use of techniques, principles and methodologies to solve practical problems. Technical knowledge is often linked with the use of machinery or equipment, but in reality, there are techniques or methodologies in almost all areas of engagement in industries and organisations. Technical skills are acquired in technical colleges or polytechnics and are certificated as such. Arguments have arisen recently as to why the products of technical schools and polytechnics are ranked below those of universities. The differential in ranks and pay results from the type of skills they bring to the workplace which is technical and suitable for supervisory positions at work and paid for as such.

3. **Conceptual skill:**

This has been described as a managerial skill which requires the use of both inductive and deductive reasoning, analysis, information, abstraction and other intellectual means in solving problems relating to sourcing and transforming inputs into the organisation as a system and bringing out the output of qualitative and competitive products and services. The activities require planning, controlling, leading and performing other management functions. The trademark of conceptual skill is the use of *ideas* (own or others) to solve short and long-run, simple or complex problems. Conceptual skills are highly valued and characteristically scarce. For this reason, they are well paid for. Universities inculcate conceptual skills in students who on graduation acquire Bachelor of Science or Arts (B.Sc. or B. A.) to Doctor of Philosophy (Ph.D.) degrees in several areas of specialised knowledge.

1.6 Peculiar Problems of the Nigeria Labour Market

There are peculiar problems that prevent the Nigerian labour market from functioning properly and these problems are explained as follows:

1. The increasing rate of the labour force has not marched with a corresponding increase in job opportunities. From the present situation in Nigeria, the total number of youths or graduates who are willing and ready to participate in the labour market cannot find places to work. the effect is that the supply of labour increases while its demands fall considerably, and this problem will compound into low wage payments.
2. The rising rate of industrial conflict. This often occurs via strikes and other destructive forms of protest. These often have a negative effect on the pace of economic development especially in LDCs. It always affects all economic activities of the state, wage determination is no longer triggered by the free interplay of the forces of demand and supply.
3. Theoretically, wages are supposed to be negotiated and not rewarded. Mostly there is always an institutional arrangement for wage determination which could either be by collective bargaining, labour courts, etc. Unfortunately, the institutional arrangements are completely violated and flawed by the state which of course distorts the flow or functioning of the labour market. A very good example is the award of wages to workers by the state. According to Fajana (2000), this trend is capable of distorting the functioning of the labour market to the extent that a lot of disturbance factors accompany the process of wage awards for example, inflation and more disputes are generated and or aggravated as the press celebrates such awards out of proportion.
4. The problem of inflation also poses serious challenges to the functioning of the labour markets in Nigeria. There is usually a sustained and persistent increase in factor and commodity prices in the country with a lot of negative effects on the labour market. Inflation is most times heightened by low production, money laundering or structural defects which are very peculiar to the Nigerian economy.
5. The rise in malfunctioning of imported ideas, approaches or strategies is another big factor in the labour market in Nigeria. It is observed that most theories, concepts, policies and programs imported from abroad do not work back home in Nigeria because of the

difference in culture and historical background. Attempting to emulate foreign ideas or policies would end up infuriating the problems already faced in the Nigerian labour market rather than solving them.

6. Also, there is a growing informal sector of the labour market in the economy, a mismatch of skills, geographical mismatch. Inadequate dissemination of information, political bias or interference and regional crises are problems that need urgent attention.

1.7 Labour as a Unique Factor of Production

Labour is seen as a human factor exhibiting characteristics different from non-human factors like capital and land and unlike other factors of production, labour takes its reward. Labour is different in that it possesses unique attributes: senses, intelligence, emotions, interests and other cognitive physiological and spiritual abilities and attributes. Its utility is subject to exogenous factors like motivation, managerial and business strategies etc which often may lie beyond the control of the entrepreneur. Hence, other factors regulate its use or usefulness in the production of goods and services.

The labour market can be viewed in terms of factors and dynamics of supply and demand for labour. There is a sort of chain link between manpower demanded and manpower supplied.

Figure 1.3: *Demand and Supply of Labour*

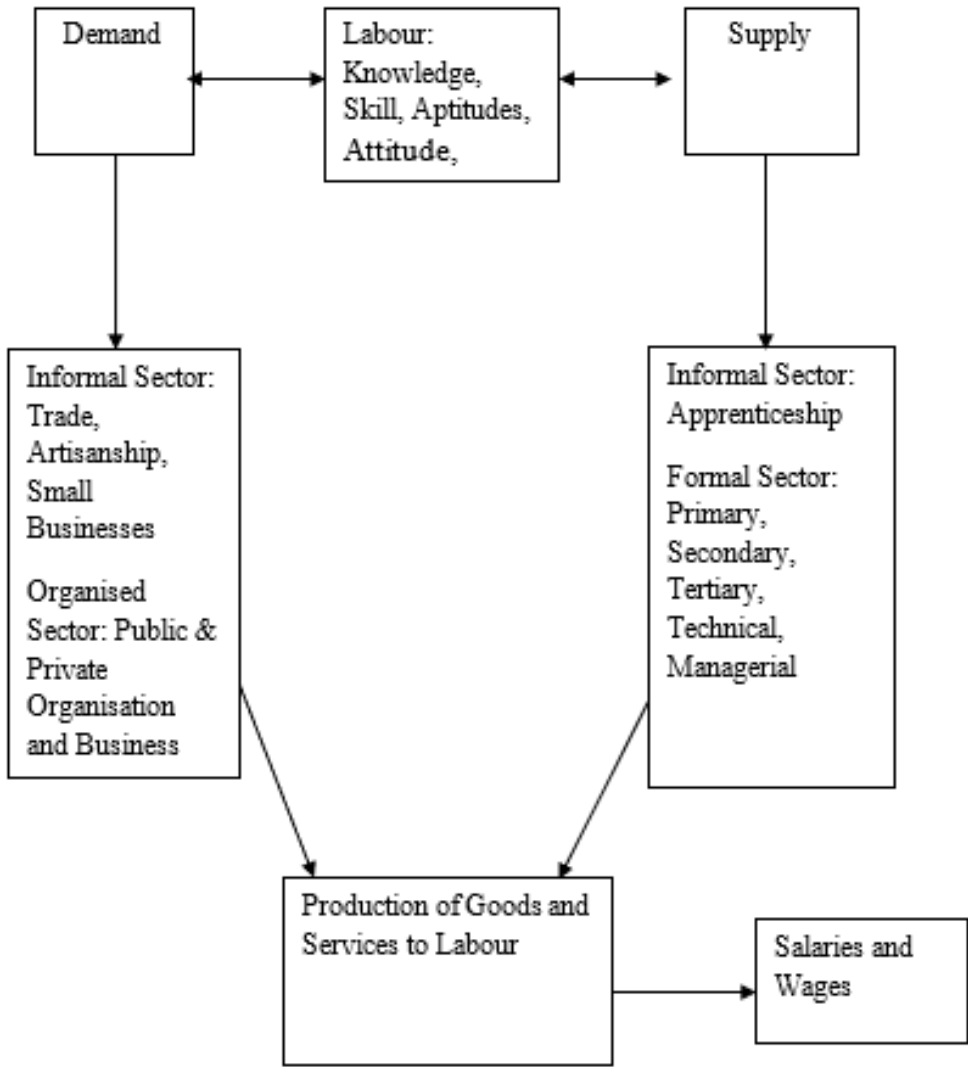


Figure 1.3 indicates how skills, knowledge and abilities are processed using the capacity of the primary, post-primary and tertiary educational mediation. Although informal training through parental tutelage and a system of apprenticeship can inject skills and develop aptitudes, limited knowledge is available to develop expertise using these media. The formal educational medium is, therefore, most useful in processing people for the labour market where industries/organisations, either producing or offering services, absorb them. The health status of a society is mediated by the supply of quality food, water and adequate shelter. These indices have recently become the standard for bench-marking development of both society and the labour market.

Human beings can be viewed as a unique factor of production. This is because human beings are living non-material entities with existential and transcendental dimensions of existence. Human being, according to Fajana (2009) has physical existence and possesses mental and spiritual quotients. Equally important is the knowledge that human beings have certain unique attributes and features not found in other factors of production like land and capital. Some attributes that can be seen in human beings are shown in Table 1.

Table1.1: *Unique human attributes*

1	Mind	Set, Sight, Mentality, mood, Psyche, Soul, Spirit, Conscience, Consciousness, Life awareness & soul
2	Intelligence	IQ, Abilities, ideas, KSAs, Capabilities, Problem-solving.
3	Cognitions	Thinking, Reasoning, Perception, Imagery, Remembering.
4	Self	Structures and Functions, Id, Ego Superego, Identities, Destiny
5	Self-awareness	Components, Questions, Qualities, Virtues.
6	Other-Awareness	Human Relations, Human Worth, Human Relationships, Human Rights, respect humility & humbleness.
7	Personality	Traits, Characters, Types, Styles, normally
8	Behaviour	Conduct, Manners, Habits, Performance, Productivity, Actions Reactions and Temperament
9	Memory	Processes, Learning, Retention, Remembering, Language.
10	Emotion	Feelings, Attitudes, Controls, Passions, Sentiments, Tempers.
11	Motivations	Goal setting, Goals, Objectives, Needs, Wants, Aspirations, Targets, Life-plans, Tendencies, Achievements and Ambition.
12	Sensation	Processes, Receptor, Reaction, Perception the Senses.

13	Perception	The Sense, Selection, Schema Set, Stimuli, Attentions, Interpretation, Styles, decoding
14	Insight (intuition)	Planning, Decision Making, Problem-solving, Forecasting, Prediction, selection.

Source: Eze (2005)

The Table shows the several distinctions between man and other factors of production. the uniqueness can be further amplified as follows:

- i. ***Some unique attributes of man as an agent of production and skill:*** Human beings have unique attributes as shown above that constitute what is described as knowledge, skills and aptitudes and other characteristics such as talents, and initiative. These unique attributes are better described as cognitive, affective and emotional attributes that are deployed at work for organisational purposes.
- ii. ***How the human being is different from other factors of production:*** Other factors of production are land and capital. Land which is fixed in supply and appreciates according to economic vagaries operates on the law of diminishing returns. Capital refers to equipment, financial and other hardware that work and other productive processes are assembled around. People at work are an important component and uniquely different in the following respects.

Apart from the attributes listed above, human beings as individuals;

- i. can be trained and developed to enhance his/her capacity to achieve objectives and goals
- ii. have incremental value as they gain experience and expertise
- iii. are uniquely modified to adapt to organisational and work processes
- iv. can be motivated to increase contribution to organisational objectives
- v. his process of growth cannot be accurately predicted
- vi. grow old, retire and may die in the course of achieving organisational goals
- vii. can operate in diverse areas of organisational life by providing the impetus and initiative to harness all other resources, financial and material

- viii. the capacity of man to generate goodwill, be creative, solve problems and exert survival instinct in challenging situations (like the breakdown of equipment, collapse of financial support and falling demand for products) is a major issue in strategic management.

1.8 Approaches to the Study of the Labour Market

The four basic approaches to the study of the labour market are Economic, Sociological, Statistical and Industrial relations. the different approaches partly underscore the multidisciplinary nature of the field of study.

Economic Approach: This approach is probably the most traditional and through it, attempts are made to understand the labour market from the point of view of the interaction of the forces of supply and demand. in reality, it takes more than the interaction of supply and demand at an equilibrium point as proposed by Alfred Marshall and other economists to determine the wage rate. in Nigeria, aside from the forces of demand and supply, collective bargaining, government participation, industrial actions and mediation by salient civil and traditional voices are deployed in fixing wages.

Sociological Approach: the seminal works of Karl Marx, Alan Flanders and J. T. Dunlop may be more useful in the discussion of behaviours of actors in industrial relations; they also assist in explaining the missing link in most of the economic theories. for instance, at the equilibrium point, there ought to be market clearance because the supply of and demand for labour is at par. Everyone available in the market ought to be engaged at the wage offered at this point. the reality, however, is that across sectors, there is neither one equilibrium point nor uniform wage. Also, many will take a job at below equilibrium wage, just as many skilled workers pick up jobs far above the equilibrium wage. These experiences can best be explained using insights from the social sciences.

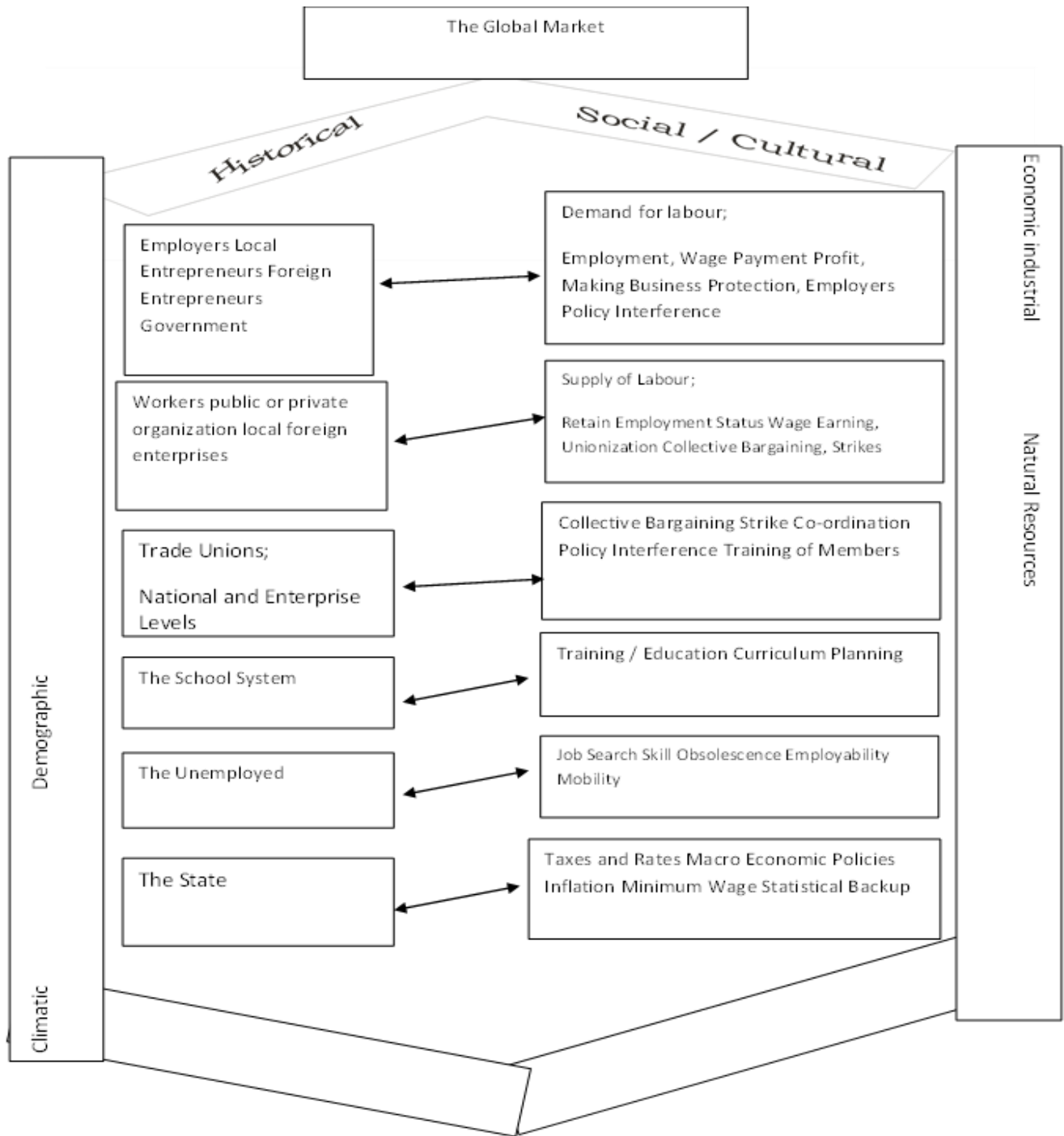
Statistical Approach: the labour market presents many statistical data that give insight into market dynamics. Such data includes demographic data like the structure of the labour force, inflation rate, dependency rate, and so forth. Also, many economic indicators are presented in statistical formats. Measuring central tendencies, that is, mean, mode, median and graphical representations and percentages can be used to indicate trends or establish causality, relationships and correlations among several variables.

Industrial Relations Approach: the Industrial relations approach emphasises the role and importance of institutions such as the trade unions, industrial act, management, employers' associations and government and its agencies in achieving a stable and peaceful industrial atmosphere.

1.9 Conceptualising the Nigerian Labour Market

According to Dunlop (1958), the Industrial Relations System consists in its development the existence of some actors. Typically, the actors exist at the supply, demand and regulatory ends. These actors at the supply end are schools, employees, trade unions (e.g., Trade Union Congress (TUC) and Nigerian Labour Congress (NLC), job seekers; and, at the demand end; government, local and international employers, employers' associations (e.g., Nigerian Employers Consultative Association (NECA)). These actors' or participants' behaviours are moderated by the local and international boundary or context in which they operate, as shown in Figure 1.4.

Figure 1.4: *Conceptualising the Nigerian labour market.*



Source: Fajana (2000), adapted.

1. The Employer or Entrepreneur:

He is either part of the society or comes from another as a foreign investor who feels the need that other investors feel for the availability of certain goods and services that are important for human existence. Meeting the needs requires harnessing raw materials and transforming those into various usages using human efforts, talents, creativity and resourcefulness. the entrepreneur brings to the market unique traits and talents that serve to bring the factors of production such as raw material, capital, land and labour together to produce utilities. He/she only becomes an employer when he hires required labour, codified in the knowledge, skills, abilities and experiences that many can bring to bear on the production process and use them for attaining the specific objectives of his firm. the demand side of the market is thus born through the initiative of the entrepreneur.

2. Employee:

Since the dawn of industrialisation, wage employment has become the norm. It is an arrangement in which individuals subject their skills, knowledge, abilities and experience to the use of another person to achieve production objectives in exchange for wages. the wage serves to meet needs in terms of participation in the commodity or service market and fulfilment of other important livelihood needs. the individual employee has needs to meet that are primarily of three types. the first addresses the need to exchange his labour for a wage to be able to earn a living. the second is the need to try out his latent skills and talents in real-life production efforts and the third need derives from the first two, that is, the need for leisure. Leisure means a moment away from work to take a rest or recuperate from the wear and tear of a long period of activity. Although leisure preference may be thought to derive from self-indulgent tendencies, by which someone can be said to be lazy according to McGregor's theory X, occasional periods of rest from work are as necessary as work itself. the need to earn a living and display latent skills and talents was being met before modern industrialisation in craftsmanship and artisanship. Those engaged in wholesale production of articles which, primarily, are to fulfil subsistence needs. to meet rapid population growth and seize on the advantage of technology, the division of labour or role specialisation has meant that most members of society will seek engagement in existing firms, ministries and organisations, where their labour (mental and physical energies) are engaged to produce, as part of a team, only a part of commodities.

3. Government:

The government's interest in the production process is to earn revenue as taxes. The taxes derivable from individual employees and industries serve as revenue for defraying the cost of governance, that is, meeting recurrent and capital expenditures. In the Nigerian labour market, the government plays a dual role as both employers of labour and regulator of the labour market.

The government in Nigeria has employees in the civil and public service as well as agencies and parastatal. Several other calibres of employees are equally engaged and, directly or otherwise, embark on enterprising in a mixed economic arrangement where private initiatives exist alongside government agencies and parastatal. These government enterprises had existed to bear the torch of industrialisation and to facilitate the introduction of relevant technologies. Though the Nigerian government is currently trying to disengage itself from businesses through programmes of privatisation and commercialisation of its enterprises, the role of government as an employer will continue to be relevant in Nigeria as well as other economies in Africa, where the forces of supply and demand cannot adequately account for the goings on in the labour market.

As a regulator of the market, the government puts in place policy measures, establishes enforcement agencies, plans the structure of the market and mediates the supply of skilled labour through its educational and training options. Other adjunct services rendered to the market include:

- i. *Control of labour*: management conflicts through mechanisms, such as collective bargaining, arbitration and other mediatory procedures and collective decisions.
- ii. Provision of information about statistical inputs, setting up agencies like the National Bureau of Statistics (NBS) to collate data on employment and labour movements, inflation rates, immigration and general business trends.
- iii. Regulation of entry and exit (into the labour market) related issues, such as age, severance packages and so forth.
- iv. Occasional amelioration of issues arising from dysfunction of the labour market forces of demand and supply via minimum wage fixing, employing the excess thrown up by wage disequilibrium in the market or payment of unemployment, disability, old age benefits, net investments and gratuities.

- v. Balancing the diverse and conflicting interests of employee and employer ownership and control, maximisation and owners' utility function.
- vi. Encouraging professionalism through the issuance of licenses and provision of legal bases in all cases of registration, granting chartered statuses through decrees or acts of parliament, and
- vii. Taking such other remedial measures to ensure continuous stabilisation of the market.

Whether as a government or private employer, the labour market provides a platform, as well as a mechanism, for the allocation of skills to various industrial/organisation segments through the mechanism of the wage rates. Through the same mechanism, coupled with institutional inputs, the wage of labour is determined. Apart from the participants identified in figure one above, there are other important dimensions of the labour market which cannot but be captured in a detailed conception of the market.

Fajana (2000) has shown how the Nigerian labour market as well as the participants operates within the confine and constraints of certain contextual factors, and that the context and constraints bring about certain behaviours in the operators. This is shown as an adapted conceptual framework of the Nigerian labour market in Figure 1.4. Deriving from the interaction of labour, employer and government and within the constraints of the enveloping local and global environment, other actors have invariably entered the market. Some of these actors like the trade union and the like have historical antecedents and have become part of the dynamics of the market. Their inputs in terms of behavioural tendencies often engendered peculiarities in the market as x-rayed below:

Trade unions: Trade unionism is a vehicle for the expression of the need for equitable or fair wages and better conditions of work. Unionism dates to the early history of industrialisation when the condition of work in terms of pay, work hours and the physical set-up of industries were below standard. Unionism was born out of the striving of labour to change the devaluation of work life. the means of doing this have been through agitations and collective actions such as strikes, picketing and other activities that will disrupt the normal flow of work and undermine the profit-taking capacity of employers. Certain rights have been won over time, such as the right to exist as a union, to negotiate using collective bargaining machinery and right to fair wages. They have also made useful input at the policy formation level, and in certain contexts like Russia, Britain and recently in Nigeria they have engaged in political activism leading to the formation of political

parties. in countries of socialist orientation, the workers' movement has overthrown the government of the day to form a "worker's government", while in Britain and Germany, labour parties have taken over the rein of government through democratic means.

The union has also served as a platform for upgrading the skills of workers, whether to serve mainly union objectives or to facilitate their know-how on the job, for greater job security.

The School System: Formal training and education take place in the school systems that range from the nursery school to the university. the content of the curriculum of the school system is put in place by education planners and the years of attendance are meant to process an individual's capacity to discharge skills that will yield industrial output. the greater the quality and quantity of investment in the educational sector, by provision of educational infrastructures, and acquisition of materials, equipment and personnel, the more quality personnel that are available for employment.

The Unemployed: the labour market has historically thrown up a pool of reserved army of unemployed hands who go about in search of vacancies in existing industries and organisations. in an era of chronic or long-term unemployment, the unemployed behave in such a way as to secure entry using various means that range from the acquisition of scarce or technically relevant skills to retraining and multiple skills acquisition. Some negative behavioural tendencies are also feasible such as doctoring of curriculum vitae to suit the job opening, certificate scams, bribing personnel responsible for recruitment and selection, using connections with members of management staff as leverage, nepotism and other activities aimed at beating competition for scarce jobs.

Conclusion

Labour markets are those physical places or abstract conceptions that bring potential or actual employers together with potential or actual employees. the study of labour markets can be viewed as the interactions of demand and supply of labour as well as the institutions that help to facilitate such interactions and process them. Therefore, job centres, trade unions, collective bargaining, employment exchanges, professional labour recruiters etc., are all important institutions for the study of Labour Market Analysis.

Review Questions

Multiple Choice Questions (MCQs)

1. Employee turnover can best be categorised as and
 - a. negative and positive
 - b. external and internal
 - c. direct and indirect
 - d. long and Short
2. Which events can happen when socioeconomic policies and practices have a bearing effect on the labour market?
 - a. External trade balance
 - b. Income policies
 - c. Government monetary and fiscal policies
 - d. All of the options
3. Which factor is responsible for labour supplied by a given population?
 - a. The number of hours
 - b. Age
 - c. Labour force participation rate
 - d. Time allocation
4. What social economic policies and practices can affect the labour market?
 - a. government monetary and fiscal policies
 - b. income policies
 - c. external trade balance
 - d. population
5. When a worker can perform a specific technical job, the worker is said to have.....
 - a. Ability
 - b. Knowledge
 - c. know-how
 - d. skills

6. The available pool of knowledge, skills, experiences and abilities needed for industrial production is known as
 - a. labour market
 - b. manpower
 - c. employment
 - d. labour force
7. A commodity market is known as a market that
 - a. deals in tangible goods which can be traded in exchange for cash in particular locations including international boundaries
 - b. is located in banks bureau de change and any other place where money is traded for profit
 - c. is the backbone of a modern and growing economy
 - d. trades in intangible assets such as stocks and bonds
8. What effect will the depreciating exchange rate of Nigerian currency have on a firm's labour market behaviours?
 - a. Makes the importation of raw materials by the firm expensive, leading to a reduction in the production level
 - b. Decrease in the foreign exchange rate leading to a high level of local production
 - c. Increase in the production of local goods thereby reducing prices
 - d. Increase in taxation policy of the government
9. Homogeneity of labour can be explained as when labour can be
 - a. substitute for another and output will not be affected
 - b. substituted for another and output is affected
 - c. substituted and input will not be affected
 - d. a product of hard work
10. The three different types of skills are manual, technical or
 - a. semi skill
 - b. muscular strength
 - c. conceptual
 - d. unskilled

Theory Questions

1. How will you define the labour market and show clearly how it is different from other markets?
2. Discuss the roles of labour unions, employers and the government in the study of labour market operations.
3. Elucidate in detail the several types and classifications of skills in the labour market.
4. What are the different approaches that partly underscore the multidisciplinary nature of the labour market?
5. In your view, discuss in detail the peculiar problems that prevent the Nigerian labour market from functioning properly.
6. Explain the various functions the labour market can perform in an economy.

Answer (MCQs)

- | | |
|------|-------|
| 1. B | 6. B |
| 2. C | 7. A |
| 3. B | 8. A |
| 4. A | 9. A |
| 5. D | 10. C |

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Recommendation for Further Reading

[https//en.Wikipedia.org](https://en.Wikipedia.org): Labour market

www.inigeria.com: Concept of Labour Market

CHAPTER TWO

THE CONTEXT OF THE NIGERIAN LABOUR MARKET

2.0 Learning Objectives

The main objectives of this chapter are that the student would be able to:

- i. explain the historical and social contexts of the Nigerian labour market.
- ii. compare the political and technological aspects of the labour market
- iii. explain the climatic, demographic and economic contexts of the Nigerian labour market.

2.1 Labour Market Context

There is an evolving environment in the labour market which has local and international dimensions. the labour environment has recently assumed even greater importance because of globalisation. Numerous changes have occurred in the field of human resource management driven by the twin forces of globalisation and technological changes. Globalisation, which means economic (and sometimes political) convergence, has interfered with different phases of work by demanding diversity of skills; more flexible skill sets, capabilities and attitudes to work (Nankervis, Compton and Baird, 2002). the Nigerian labour market, indeed, derives its origin from the Western industrial experience and political adventurism.

The activities embarked on by participants in the labour market are such that they fit into the local context to the extent to which the global environment interferes with local dynamics. Fajana (2000) categorised the labour market into four:

1. **Internal Labour Market:** an administrative unit within an individual organisation where pricing and allocation of labour are determined based on certain prescribed rules, and less by impersonal market forces. the internal labour market is a job market in its own right. in both the long and short term, the nature, character, complexity, variety and dynamism of internal skills and competencies are often under-represented in economic analysis. on the one hand, because of unemployment and desperation to find the first jobs, many with higher level skills and expertise understate their qualifications. Also, many in the course of their career have developed diverse competencies through several means like online

degrees, part-time studies and sometimes unapproved degrees which are like undercover pools of untapped human resources. These and much more constitute the internal labour market in many organisations.

2. **External Labour Market:** This market is concerned with industry or national pricing and allocation issues with a macroeconomic dimension. This is the market outside the individual organisation, where skills are sought and paid for relative to market dynamics. the external labour market is very extensive as well as inclusive. It is global because of the plurality of means of communication which has increased the scope of available information about jobs and about available skills in any corner of the world. the market, to a varied extent and depending on practices and procedures within industry and sector (and across geographical and economic boundaries) operates on labour market principles and other contextual (institutional, sociological, political, religious and psychological) considerations. These considerations in classical economic view act as a barrier to market forces but are often necessary to deepen the basis of fairness, equity and justice attributable to wages and their determination mechanisms.
3. **The National Market:** This is the aggregation of activities across industrial and sectoral boundaries of the same economy. the Nigerian labour market describes every occasion of employment given and taken within the Nigerian economy, rural and urban centres. the national labour market is segmented into local, state and federal with political restrictions to labour mobility and cross-sectoral transfer of skills and knowledge. the restrictions are sometimes couched in legislative rules like Federal character, quota system and at a political level as rotational principles for elective positions. the solidity of these restrictions however varied from one profession to another. Why it is almost impossible to be the governor of two states in Nigeria and difficult to move from the civil service of one state to another, university lecturers move freely from federal to state and private universities.
4. **Global/International Market:** This refers to the labour market as a concept embracing transnational usage of human skills. the fact of shrinking global market and migration of skills across national borders meant that global planning and competition for scarce skills are made possible via regional and economic groupings such as ECOWAS, the European Economic Community, etc. With flexible migration laws and certain deliberate government

policies aimed at expatriate labour, foreign investors and labour exchanges in different modes. the international market has widespread influence over the local market.

Figure 1.4 in Chapter 1, which conceptualises the Nigerian labour market, gives an idea about the local and international boundaries in which the participants of the labour market operate. These are discussed below:

Historical Context

The historical context of the Nigerian labour market can be viewed in terms of pre-colonial and post-colonial epochs, according to Anababa (1969).

- a. *Pre-colonial*: There is no doubt that very few Nigerians, if any, worked for wages before the advent of Europeans. the economy was agrarian and subsistent. There was non-existence of paid employment and, indeed, no standardised or universally accepted currency that can be used to serve the exchange functions between employer and labour. Typically, people exchange labour for labour and commodity for the commodity in an entrenched system of trade by barter, and this continued until the introduction of copper bars, and some shell manila by the whites in the 1830s (Anababa, 1969).
- b. *Colonial*: Paid employment gained momentum after 1830 when the Lander brothers led the way into the Nigerian hinterland via the Niger River. the whites who were traders, missionaries or administrators employed the locals to lead them, carry their baggage, and interpret for them. These services were paid for in one form or another. Also, the oil palm trade in Nigeria: Delta and Benue led to the setting up of trading posts in which sizeable Europeans and Africans were employed. in the later years, administrative posts, which are the precursor to today's civil service, were set up; first in Lagos and later in Eastern and Northern protectorates to prosecute colonial domination of diverse people that were brought together in 1914 as Nigerians. Christian missionaries also began to set up schools and churches and these were to train personnel for firms. By 1898, when the construction of the Lagos Railway began, wage employment had come to stay. Both the illiterates and unskilled labourers came forward to be employed in a bid to enhance their economic and social status. Even though wage was low and a good number of indigenous people had a perception of the experiences of the slave trade and were reluctant to release their wards

for employment, those that ventured came back home with enhanced standard of living, further serving as a boost for preference of colonial service to farm work (Anababa, 1969). Also important during this period were the activities of the Royal Niger Company (today's United African Company of Nigeria, UACN) which was Britain's strategic instrument for the expansion of commerce and economic activities, the chief objective of which was to seek an outlet for British goods and to source cheap raw materials. Cheap labour, of course, was also derived from people who were already made subject to draconian colonial laws, subjugation and inferiority. to a large extent, patterns of master-servant relationships still exist between employers and employees as a vestige of the old practice of colonialism (Jayeoba, 2007). the consequences of this are low wages, infringement of workers' rights, arbitrary sack or dismissals and continued agitation for improved conditions of work, with attendance loss of time due to labour disputes.

Moreover, an important segment of the labour market that is commonly ignored in analyses is the defence personnel, which also started at this point. the vulnerability of a vast empire covering 380,000 square miles (the said landscape covered and protected by the army remains valid till boundary adjustment that is to be made with respect to the ceding of Bakassi Peninsula to Cameroon) necessitated the institution of a defence apparatus. the British had to set up an imperial force, the precursor of today's Nigerian Armed Forces and the police, where men and officers earn wages for their upkeep.

- c. *Post-colonial*: to a large extent, early 1960s events and activities show that the colonial labour force could not adequately cope with the demands of an emerging economy. With the departure of white administrators, there remained their trading organisations and entrenched bureaucracies, making the need for indigenous skills still massive. Various attempts were made to fill vacated governmental seats through promotions, training, transfers of personnel and reconstruction of the colonial civil services to Federal and Regional civil services (and later Federal, State and Local Government Administrations). Scholarships were granted for people to study in Britain, America and a few in Russia. the importance of variegated training programmes in different economic systems cannot but be felt in terms of outlook, theoretical and ideological assumptions and positions on wage rates, personnel policies and practices, and others. the market, though evolved, started as a hybrid market for experimenting with capitalism and socialism as labour market

orientation. Up until the present, labour orientation and ideology continued to be socialistic, while that of the employer is capitalistic. the government has been caught between the webs of which capitalism as a labour market principle is currently struggling to emerge.

Apart from ideology and training, the labour market of the immediate post-colonial era offered several inducements to labour as rapid promotion, fringe benefits and allowances, especially at the upper echelons. Graduates of universities were employed as managers in private organisations and as senior civil servants. They enjoyed the honeymoon till the early 1980s when the dwindling fortunes of the economy which was largely mismanaged due to extensive periods of instability and military rule, brought in unabating unemployment. the trend today is vast unemployment of graduates and other subsidiary skills, low wages and regular occurrence of strikes in almost all segments of the economy.

Social/Cultural Context

Nigeria has a vast population of people with diverse cultural backgrounds. the west and east are largely Christians and populated by three major ethnic stocks; the Yoruba, Igbo and Ijaws. the north-east and West are populated by Muslims of Hausa and Fulani ethnic groups. the central North (called the middle belt) is a mix of Christians and Muslims. in between the two main religious orientations are vast arrays of animist and liberal beliefs. the demarcation of the Nigerian people into Yoruba, Igbo and Hausa has made little demographic and historical sense, in the sense that over 400 ethnic groups make up the population and entity called Nigeria. Recently, six geographical groupings; Southwest, Southeast, South-South, North Central, Northeast and Northwest have been referred to. the implication of such diversity of ethnicity, religions, language and culture cannot but interplay in the labour market where these groups, either will accept to work side by side or withdraw to their local environment, which is hardly an ideal of a globalised labour market.

Some of the cultural problems have both positive and negative impacts on the local labour market. Examples of negative social forces are,

- a. Extremity of religious views resulting in violent religious crises in which certain states in the north such as Kano, Kaduna, Katsina and, recently, Jos, Bornu, Bauchi and Maiduguri have been embroiled. the Northeast since 2002 has experienced a decimating and

rampaging force of violence and extremism in a religious sect called Boko Haram. the terrorist group has been rated as the deadliest in the world and has conducted its affairs with extreme disregard for human dignity using Improvised Explosive Devices (IED) to bomb villages and cities taking men, women and school children as hostages. in the same vein, states like Ogun in the West and Imo, Abia and Anambra in the East had also, in the past, experienced semblances of religious riots. During such incidences, personnel flight, destruction of built-up capital and collapse of businesses are regular fallouts. Religious practices that tie up women's skills and talent in a system of purdah are also anti-economic developments. A large amount of useful women's work hours is lost daily to such practices.

- b. People in the East, South and West engage much time for the celebration of births, deaths, birthdays, chieftaincies, graduations and all manner of ceremonies. the Yoruba man celebrates at the slightest fortune in which men are drunk and a huge chunk of life's savings are spent. Happily, event management outfits are springing up to mop up these expenditures, thereby converting wastage into wealth. the inebriations and hangovers cannot, however, be so mopped up the following day in the place of work, where low productivity, increased accident rates, absenteeism and lateness to work, are the common lot of party mongers.
- c. The easterners are businesspeople and work hard all around the year, only to expend the proceeds in a mass exodus to the Eastern States during Christmas and New Year. With heavy expenditure during the yuletide, most of them return to city centres broke, only to start all over again.
- d. Furthermore, the Niger Delta was recently transformed into an enclave of kidnapping, violent protest and political agitation. A haven once noted for investment friendliness has been pushed into a culture of violence and crime due to years of neglect and environmental degradation of farmlands and rivers because of oil exploration. Capital fights, closure of old enterprises and shortages of new ventures are common features, even after a declaration of amnesty to the militant youths.
- e. Some of the positive and noted features are the industriousness of the Westerners and the acute business sense of the Easterners, while Northerners use their vast arable lands to advantage as the food basket of the nation producing cereals, tubers and vegetables. the majority of the Indigenous population is hospitable, friendly, and open to new cultures and

people; factors that had assisted easy access by colonialists and that have made for rapid urbanisation and spontaneous upsurge of industrial sites and reserved pool of ready-to-apply skills.

Economic/Industrial Context

The Nigerian economy is developing, with a vast rural population of farmers; the agricultural sector employed about 70% of the adult population in the immediate post-colonial era but in recent times most people have left rural settings to the cities for white and blue-collar jobs leaving the around 35.2% in 2021 (Doris, 2023), similarly in the post-colonial era services sectors employs 20% but this has increased to 43.79% in 2021 due to urbanisation. Within the same period industry was 10% but there has been improvement in the level of industrialisation which has led to about a 20% increase. the population work mostly in towns and city centres, in government civil service, agencies and parastatals and manufacturing and service industries, the key sectors of the economy are agriculture, mining and extractive, manufacturing, distribution, building and construction, electricity supply using water, gas, solar and coal, transport, communication and an expanding service sector. the service sector is particularly booming in the education and other sectors, partly because of the privatisation programmes of the different administrations which began with Ibrahim Babangida's administration and mainly because of the inability of the government to meet the demands of an increasing population.

Resource Base

Nigeria is uniquely blessed with material and human resources. in the South, it has a huge deposit of crude oil, which has been continuously extracted since 1956 and with a projected life span of over 30 years. in the East are untapped iron deposits, and in the West vast forestry reserves with deposits of bauxite, copper and several other elements and rare metals. in the North is large arable land for producing varieties of farm produce. Equally, there is a large mass of water as oceans, seas, rivers, lakes, and springs. the technology needed to extract and transform these resources into viable products hardly exists or is often procured through foreign inputs. As the know-how and technology are devised, the economy has great prospects for the future.

Political/Legal Context

The government provides the law with relevant sections of the constitution upholding certain principles and ideals of the Nigerian economy. Section 16 of the constitution sets out the legal framework which, in summary, states that the State shall harness the resources, control the economy, protect the right of citizens to engage in economic activities, promote planning and run the economy through free participation in such a way as to ensure social justice, opportunity and equality.

Politically, the country had an irregular history characterised mainly by instability. Apart from the past twenty-four years of civilian rule, there were only a few years of relative stability under the military administrations of Gowon, 1966 to 1976, and Babangida, 1985 to 1993. While Gowon's nine-year administration was earlier marked by a 30-month-long civil war, the subsequent period between 1970 and 1976 was an era of oil boom. The labour market expanded in both public and private sectors. Babangida's era, however, was a period of structural adjustment marked by labour retrenchments, wage freezes and other economic measures, inputted mainly by IMF and World Bank, aimed at deregulating the economy and embracing more of the doctrines of capitalism. Labour, perhaps, fared worst in this era as the devaluation of naira and consequent inflation took its toll on workers' pay. Pay cuts, irregular pay and massive retrenchment became rife.

Unemployment soared because industrial capacity utilisation dipped as many firms could not cope with a high cost of production and simultaneous exposure to competition (the economy was greatly liberalised) from goods from abroad. Labour protests of poor industrial relations low wages and political unrest occurring from the postponement of democratic rule and cancellation of the well-acclaimed June 12, 1993, presidential election led to capital and human resource flight. Industries either closed down or relocated while skilled personnel moved in search of greener pastures. This exodus was described as a brain drain. Between 1993 and 1998, a period of five years, there were three governments, one interim, one draconian and the last palliative. These governments had little focus on the economy; political survival was the pre-occupation. The economy became regrettably seriously depressed with attendant massive unemployment and distress in the banking sector.

Debt servicing consumed more than 30% of the budget in the year 2017 but now about 60% of the revenue is being used. Labour, the employers of labour and indeed the labour market were more

or less under siege from macro-economic instability and bad governance. the political backdrop of the Nigerian economy and by implication the labour market can be captured in the words of Obasanjo (2005) in a speech on debt relief. Governance according to him was characterised by "political rascality, bad governance, abuse of office and power, criminal corruption, mismanagement and waste, misplaced priorities, fiscal indiscipline, weak control, monitoring and evaluation mechanism and a community that was openly tolerant of corruption and other underhand and extra-legal methods of primitive accumulation". This kind of legal (or extra-legal) and political context has precipitated widespread dysfunction which labour market/human resources experts and policy formulators have to bring to focus on any consideration of the Nigerian labour market. the Nigerian labour market will appear to have these unique features and, as such, are different from any other economies of the world.

Technological Context

According to Cascio and Aguinis (2008), millions of workers use networked computers every day, along with other products of the digital age - mobile phones, personal digital assistants with social media platforms like e-mail, Facebook, Instagram, and X (formerly Twitter). Digital infrastructure provides borderless interaction among people in and across workplaces. As a result, departmental barriers have been broken and there is greater sharing of information about the labour market within and without nations of the world (Grove, 2003). the rate of labour engagement or application of human skills and efforts is dependent on the extent of technical know-how in the economy. the entrepreneur plans and designs jobs and structures the organisation in such a way that human effort complements available technology. the industrial environment still runs mainly on human skills. the labour/capital ratio is skewed in favour of labour. the late 1990s brought several cases of restructuring and re-engineering of organisations using more information and communication technology (ICT). the consequences have been cases of job loss for workers whose skills have become obsolete. There is yet a widespread gap in the use of modern technology as well as technical know-how among workers. Many hi-tech industries abroad run on automation, and many operate production lines by use of industrial robots. in Nigeria, the wave of technical input had indeed begun, and the workers of the future will need skill upgrades, retraining and perhaps multiple skills to continue to remain relevant. Available data indicates significant scope for increasing scientific and technological capacity in Nigeria.

Climatic Context

The climatic pattern in Nigeria ranges from an extremely dry North to a very wet South. the Northern climate suffers two extremes of temperature; when it is hot it is very hot and dry, and at the other extreme very cold, and if it rains, flooding and erosion are assisted by wiling storms and a loose desert soil. for the good part of the year, the south experiences huge rainfall marked by the dry season between November and March of every year. During this period, the dry, dusty harmattan wind also blows over the region. in between the North and South are several other climatic belts with differing extents of rainfall and dryness. the plateau area of Jos, for instance, has a different climatic pattern almost similar to the spring and autumn of Western countries.

These climatic patterns and variations affect the type of industries that are set up in the regions. the south, in addition to heavy rainfall, has large volumes of water from the Atlantic and huge mineral deposits, of which oil is prominent. Extractive industries and agricultural practices are common. the North is largely agrarian, with some manufacturing and extractive industries. Within these climatic zones are urban centres such as Lagos, Ibadan, Port Harcourt, Warri and Aba in the South, and Kano, Kaduna, and Abuja in the North. These are commercial nerve centres hosting industries, government facilities and segmented pools of the labour force that are either engaged or in-engaged.

To a large extent, Nigeria cannot be said to have overcome the elements of weather conditions such as rain, flooding, sunshine, harmattan, haze, and other elements because they still largely affect attendance at work. No society can completely rule over nature, but the extent of control varies from country to country. the American or British workers suffer little or no distraction on the way to work and at work because of the functioning mass transit system, and well-adapted office setting full time. on the contrary, Nigerian workers can only survive using umbrellas and raincoats while at the same time struggling to board non-stationary buses. At work, heat is hardly mediated by air-conditioning because of an erratic power supply. Indeed, the Nigerian worker is constantly in transit. He/she is probably awake before 5.30 a.m. and gets to the office later at 8.00 a.m. official opening hours; on the way back, he/she manages to get home between 11 p.m. and 12 midnight to catch a few hours' sleep. While the West and Europe are using ICT to move work to where the people are, Nigeria is yet to achieve, in the 21st century, the great nineteenth-century achievement, the ability to move people en masse to work and other places.

Demographic Context

The labour market is populated with people of different descriptions, often categorised as the employed and unemployed labour force. Some of these live in urban centres, others in rural settings. The trend in any population is captured in the age distribution, fertility, birth and mortality rate, education and other variables such as labour participation rate, degree of poverty or affluence of the entire or a segment of the population. These features not only describe the population but equally serve as a good indication of the functioning of the labour market.

- a. *Population:* Fajana (2000) observed a steady rise in the population since the ravage of the slave trade of the 17th to 18th century and inter-tribal wars of the 19th century. Human casualties and famine were some of the outcomes of centuries of slavery and wars. This scenario was re-enacted after independence in a thirty-month-old civil war sparked by military adventurism. Since these periods, the population has grown steadily, from 81 million in 1991 to about 140 million (2006 provisional census figure) and is projected to reach 255 million in 2025, representing a growth, since 1921, of 14.26% (Fajana, 2000). The growth rate ranges between 2.5% to 3.3% (see Table 2.1). Nigeria, however, is urbanizing quickly and 49.0% of the population is living in urban areas because of a lack of employment opportunities and greater poverty in the rural areas.
- b. *Fertility rate:* The birth rate is often estimated as the number of live births per thousand of the population per year. It is also viewed as the ratio of live births to the total population of a specified community or area over a specified period. The birth rate is high and estimated at 6.34 live births for women as of 1984. By 2014, it is estimated at 5.56 births per woman. With a female population of 49.07% in 2015, the Nigerian population estimate being 182.2 million (World Bank) coupled with a declining mortality rate, the prospect is that the Nigerian population will sustain the current growth momentum if no deliberate attempt is made to reduce the population growth rate.

Table 2.1: Demographic Indicators

	1960	1970	1980	1990	2000	Forecasted 2025
Total Population (1000 inhabitants)	43305	5651	78430	84542	147709	285823
Average rate of growth %	2.5	3.0	3.3	3.3	3.1	2.7
Urbanisation rate %	14.4	20.0	27.1	35.2	43.3	61.6
Fertility rate %	6.8	6.9	6.9	6.9	5.9	3.5
Infant mortality %	194	146	124	105	87	48
Age structure 0-14	45.4	46.3	46.5	47.4	4.40	37.6
15-64	52.4	51.3	51.0	50.1	51.3	58.9
Over 65	2.3	2.4	2.5	2.5	2.7	3.5
GNP in billion dollars	4.17	9.43	55.75	52.97	57.03	-
Per capita (GNP)	100	170	760	560	460	-

Source: *Fajana (2000): adapted and forecasted data from World bank data*

- c. **Dependency Rate:** Another noticeable feature of the Nigerian population is the high dependency ratio. Only about 50% belong to the 15-65 age category and over 45% are children. the rest are retirees and old people, many of whom reside in rural areas and are hardly sustained from agricultural and menial jobs. They are far too old to engage in meaningful productive ventures. Due to the entrenched extended family system practised across most cultural groups in Nigeria, the oldies in the population, in the absence of government attention, are relatively taken care of by the working population. Under the democratic dispensation, governments of Kayode Fayemi of Ekiti State (2007 - 2011) paid people above 65 years old (mostly widows) five thousand naira every month. the Federal government of Nigeria also announced the commencement of a similar amount to the most economically vulnerable Nigerians. the youth dependency rate in 2006 was a high 83.1%, down from 86.2% in 2002 but it had increased to 90% by 2015 but later dropped drop to 87% in 2020.
- d. **Participation Rate:** the labour force participation rate is defined as the ratio of the labour force to the working population. the labour market, whether dichotomised as urban-rural

or formal-informal, is populated by men and women of working age (15-65 years). in the past, men had dominated the labour market in an almost exclusive manner.

Two features of the Nigerian economy are discernible, and the common trends are:

- i. ***Increased Female Participation:*** Former housewives found in themselves the tools to bridge the financial gap created by dwindling economic fortunes accentuated by hyperinflation. Many of these took up gainful employment, mostly in the informal sector, to argue for family income. According to Fajana (1989), many household members, including underaged children, entered the labour market. the adult members started to engage in more than one job simultaneously; that is, they moonlight.
- ii. ***Child Labour:*** Not excluded in the attempt to salvage the family's dwindling fortunes are children who trade in articles after school. Some completely drop out of school to hawk in the streets. Though child labour is traditional in most Nigerian towns and villages, as children largely assist in farms and in selling retail articles off school hours, the city also became laden with under-aged children in the streets and highways milling around moving vehicles to sell one article or the other.

Despite the scenarios described above, not all potential members of the working the population are gainfully employed. While many are looking for and cannot find jobs, some do not present themselves, while some are engaged in begging. the preponderance of beggars is from uneducated males/females and often their children. This is common in Northern Nigerian cities and these beggars have migrated to other cities, especially Lagos. Males can be said to participate more in the formal sector, but it will appear that more women are engaged in the informal sector which is largely dominated by retail and wholesale trading. There are also noticeable differences in male-female participation in different professions. the nursing, teaching (primary and secondary schools) and catering services are dominated by women, while managerial positions are still largely closed to women. the late exposure of women to Western education had to do with pre-conceived notions that a woman is destined to marry, bear children and nurture the family. the popular public exchange between former President Buhari and Aisha his wife typifies this notion. Piqued that his wife commented on some of his political actions, he asked rhetorically, “Which political party did she belong to?” but she answered by saying “Her roles are in the kitchen, parlour and the other room”. Not surprisingly, the male segment had cornered most of the choice

occupations and professions due to an earlier start in Western education. Recent trends, however, indicate that more females are coming forward for university education while the enrolment of males is declining (Fajana, 2000).

2.2 Past and Recent Trends in the Nigerian Economy

Fajana (2000) has written about the trends in the Nigerian economy. He describes certain trends in the Nigerian economy which form the basic features of the economy and summarises the significant issues and trends in the economy as an unfolding dynamic.

a. Booms and Slumps

Precise assessment of the pre-colonial economy may be difficult because of a lack of relevant indices. the colonial period between 1900 and 1930 witnessed economic expansion, truncated by the First World War (WWI) and the depression of the 1930s. the Second World War (WWII) 1939-1945 also added to the slow growth as attention was diverted, in personnel and resources, to assist the colonial war effort. Gradual growth only resumed after 1945 but was disrupted by the civil war (1967-1971). the oil boom of the 1970s and the economic expansion that followed its wake would only be sustained till the early 1980s when world oil prices began to dip. to a large extent, the economy which is largely dependent on oil and marked by large-scale mismanagement had responded to the rise and fall in the market price of oil. Recent increases in revenue from the oil sector, starting from 2001, had signposted an upswing of activities in several sectors of the economy. (Fajana, 2000)

The tell-tale signs of growth and expansion are visible, especially in the oil and gas, communication and service sectors. the industrial growth rate, however, is at 4.7% and industry absorbs only a paltry 10% of the labour force. in the same breath, the informal sector has assumed a greater role in job creation. This is because formal sector growth has failed to translate to employment generation. A USAID's economic performance report shows that the entire industrial sector by 2005 only employed 3.4% of the workforce, while agriculture employed 58.6%. the slumps, however, negatively impacted growth due to the global economic meltdown of 2008. As the pace of the economy picked up by 2010 through 2014 the country recorded what has been described as jobless growth, posing a GDP growth rate of between 3.5% and 6.23% at the peak. the steady decline in 2015 became sharp in 2016 and by the takeover of the former administration

of Muhammadu Buhari, the economic bubble busted due mainly to uncontrolled electioneering spending, lack of attention on the economy compounded by a drop in oil prices at the international market, inefficient governmental policies, corruption, inability to save for the raining day and trade imbalance between Nigeria and foreign trade partners. These among other factors like the undiversified structure of government revenue and poor capacity of the private sector to create utilities and jobs have led the economy into negative growth and recession (Bakare-Aremu, Maman, Umaru-baba & Salisu, 2021)

According to Nigerian Bureau of Statistics (NBS) data, in Q1 2016, GDP growth was negative (-0.36%) and Q2 reflects an even larger contraction to (-2.06%). the recession is characterised by *stagflation*, and the high exchange rate of Naira against major foreign currencies like the Dollar, Pound sterling and Euro. At the macroeconomic level, salaries are not paid regularly leading to bail out to state governments, prices of essential utilities like fuel, energy and consumer goods have engendered poverty, inequality and low purchasing power by average worker, unsold stocks, low profitability of businesses leading to job losses and so forth. Foreign direct investments have dwindled due to hostile macro-economic environment and businesses have relocated to other African countries to produce for the Nigerian market. High oil prices since 2021 did not boost the performance of the Nigerian economy as has been the case in the past. Rather, macroeconomic stability weakened, amidst declining oil production, a costly petrol subsidy which is consuming a large share of gross oil revenues, exchange rate distortions, monetisation of the fiscal deficit, and high inflation. the deteriorating economic environment is leaving millions of Nigerians in poverty. on current trends, with Nigeria's population growth continuing to outpace poverty reduction, the number of Nigerians living below the national poverty line will rise by 13 million between 2019 and 2025.

The economy is projected to grow by an average of 2.9% per year between 2023 and 2025, only slightly above the estimated population growth rate of 2.4%. Growth will likely be driven by services, trade, and manufacturing. Downside risks to this growth outlook have intensified, with most of the risks coming from domestic policies, continued low (albeit recently rising) oil production, and scarcity of both foreign exchange and local currency.

b. Inadequate Data for Planning

There is an acute shortage of data needed for development planning. Inaccurate and contentious census figures have served as the bedrock for all forms of error-prone data on unemployment, size and structure of the labour force, school enrolment, number of graduates and job seekers and so forth. In most instances, the information needed for routine decisions and short- and long-term planning are unavailable. Planning is therefore mostly based on outdated information leading to infrastructural overuse, urban congestion, unemployment and structural problems in the labour market.

c. Lack of Long-term Planning

Apart from the inadequacy of data for planning, instability in government has meant that development plans are tentative, short-term and hardly implemented by one government before another takes over. In 1997 during the Abacha government, there was a hard-core celebration by a wide spectrum of economic stakeholders on Vision 2010, which Abubakar, in 1998-99, could not start to implement because of its transitional status. Obasanjo in his eight years in government started shopping for another economic vision and came up with the National Economic Empowerment and Development Strategies (NEEDS), which was put aside by Yar'Adua despite avowed commitment to continuity of the PDP adjustment programme. He proposed the seven-point agenda and at his demise in 2007, the Jonathan government introduced a nebulous programme tagged transformation.

This, however, ran along with the Millennium Development Goals (MDGs) which are a time-bound developmental agenda put together by the United Nations to address extreme poverty in many dimensions such as income poverty, hunger, diseases, lack of adequate shelter, and economic exclusion while promoting gender equality, education and environmental sustainability. While the MDGs targets appear, especially with their peer review mechanism, to refocus government efforts and attention on doing the needful to put the economy in the right gear, not much was achieved in actuality. Presently, the implication of lack of planning is the current state of malfunction and slow pace of growth, low energy to power industrial sector growth, corruption eating deep in all areas of the economy, poor infrastructural base and shoddy implementation of policies.

d. Government as an Allocator of Factors

The economy is largely dependent on the discretion of individuals, governments and their agents in the allocation of land, capital and credit (Fajana, 2000). in a system ridden with corruption, the pace of growth is deliberately slow and fulfils the whims and wishes of people in direct charge of business negotiation, allocations of certificates of occupancy and so forth. to get a quicker response normally meant greasing palms to get the bureaucratic engine to move faster.

e. Preference for Foreign Goods and Services

Since the oil boom of the 1970s, Nigeria has imported goods and enjoyed services rendered by expatriates even when there are local substitutes. This penchant for foreign goods is embraced without caution. Attempts of government in recent years to control importation have continued to be circumvented by smuggling, and corruption in different forms with attendant negative impacts on local industries. Some of the negative impacts include the disappearance of the textile industry owing to competition from low-cost importation from abroad. the automobile industry had been unable to take off in capitulation to the importation of fairly used vehicles. Also, relevant technological impute for economic growth has not been forthcoming due to a lack of local research. Policymakers had relied on readily available alternative technologies from everywhere but Nigeria.

f. White Elephant Projects

The oil boom of the 70s gave a false sense of economic security and a penchant of successive Federal, State and Local Government Authorities for embarking on uncoordinated and large-scale projects which are out of place and limited economic value. in many instances, a new government soon abandoned such projects only to embark on others more grandiose than the former. of course, these will also soon be abandoned. the landscape is littered with abandoned projects that serve little to no economic value to the people. Many such white elephant projects could be recalled, chief of which are the expensive presidential system of government which uses over 80% of the budget as recurrent expenditure, the expensive new Federal Capital-Abuja, the gigantic, though

economically relevant but abandoned Ajaokuta iron and steel industries, the Iwopin paper mill, and several others (Fajana, 2000)

g. Low-capacity Utilisation

A monocultural economy depending on dwindling revenue from oil will soon run into problems. This is the reality of the Nigerian economy. The real sector of the economy has been largely ignored, which has led to continued low capacity utilisation, falling below 20% at some time in the past. As of 2011, capacity utilisation has increased to 26% and by 2021 it increased to 55%. Despite a large resource base, the mining and manufacturing sectors are synchronised, creating a resource gap often filled by needless importation of available raw materials and, of course, finished goods in all assortments.

h. Domination of the Economy by Foreign Interests

The International Monetary Fund is an economic shylock always asking for a pound of flesh by proposing harsh economic adjustment policies while the World Bank, acting as a Good Samaritan, tries to persuade little economies to give up, in any case, their lean pound of flesh. By installing their agents as economic advisers and governmental personnel, the government in collaboration with foreign agents disguised as economic advisers aided further impoverishment of an ailing economy while foreign debt served the interest of economic imperialists. Apart from the IMF and World Bank, Nigeria as a member of the World Trade Organisation (WTO), has to subject the local economy to international dynamics. Equally core sectors like oil and gas, communication and manufacturing have foreigners as top players. These pipers practically dictate the economic tune through their influence on governmental policies, price fixing and unethical competition.

i. Corruption

This is an endemic problem that, though present from the colonial period, became accentuated in the 1980s. There is large-scale corruption in government and private sector as bribery, gratification, over-invoicing, pilfering, contract inflation, and so forth (Jayeoba, 2007). Corruption, in a rudimentary conception, means much money and resources misdirected into the wrong usage. the original usage often of economic benefit is neglected along with its multiplier effects on infrastructure, industrialisation, income generation, and employment.

j. Resilience of the Nigerian Economy

Perhaps, no economy in the world has been so unplanned, plundered and mismanaged like the Nigerian economy and, yet continues to stay relatively afloat. In a surprising twist, certain sectors like communication and oil and gas have continued to make relative progress. Overall, the Nigerian economy in the last thirty years has presented a paradox of stupendous wealth and, side by side excruciating poverty. Collier (2003) observed two styles, the economy in the Saudi-style rent-seeking society of rich and protected elites, and the Haiti-style economy of the impoverished lot with a steady fall in income and operating under dehumanizing economic indices. The big divide between the rich and the poor is such that there is no intermediary of any sort; either very rich or very, very poor. The very rich however are less than 10% of the population and consist of people in government (ex and present), government contractors and oil barons, a few industrialists and political jobbers. The rest 90% are workers in public, private and informal sectors whose daily wage can hardly ensure sustenance.

k. Dominance of the Economy by Governmental Spending

Another feature of the economy is that owing to large proceeds from oil; the government is a big spender, spending nearly half of the national income, whereas other countries at equal levels of development spend around a quarter. The huge amount spent on public wages, salaries and overhead, with little left for capital formation and infrastructure. A good chunk in any case is out rightly embezzled.

l. Nigerian Wealth is Tied up in Foreign Banks

According to Adusei (2015), an estimated but staggering amount ranging between 148 and 150 billion dollars of Nigerian wealth had been stashed in banks in Europe, especially Switzerland, France, Jersey Island, Britain, Luxembourg, Liechtenstein, Austria and the United States, by dubious businessmen and government officials. According to the UN, around 148 billion dollars has been stolen from the African continent by political leaders, multinational corporations, business elites and civil servants with complicity in the banking and property industries of Europe and North America (www.vanguardngr.com/2015). For instance, between 1993-1998, General Sani Abacha of Nigeria according to official sources was able to stash between 12 to 16 billion dollars in about 130 bank accounts in Australia, New Zealand, London, New York, France and Switzerland

among other countries. Collier (2003) reported growth in wage bills - in real term - in Africa between 1987 and 2007 at around 4%, whereas Nigeria's expenditure in these areas grew by 700%. in this scenario, only a paltry sum is invested in private capital, not for lack of private savings, but because 70% of Nigerian private wealth is held outside the country, often in dormant accounts.

The savings abroad are composed of a fraction of looted funds, savings of Nigerians in Diaspora and local businessmen who deliberately invest abroad for fear of instability and the low return on domestic private investment. in the last couple of years, the Nigerian capital market had high returns which plummeted to all-time low returns, a factor which had created a preference for foreign stocks. in addition, one has yet to appreciate the logic of appreciable earnings from oil tied up in foreign banks as an external reserve. the economic explanation has been to the extent that these amounts assuage our penchant for foreign products and services. the reserves in that manner serve to bridge the trade imbalance between us and our international trading partners and also to adjust to the dwindling fortunes of the naira in exchange with major currencies, like the dollar, pound sterling and Euro.

m. Ill-digested Policies of Government on Debt Borrowing

Finally, the government, in its economic agenda, has failed to show that charity begins at home. When in search of funds, borrowings are made from Western financiers with attendant payment of interests. Contracts are awarded to foreign firms, the economy is import-dependent, and, in terms of debt payment, external debts are paid in preference to bigger and more urgent local debts. the stock of debt to pensioners is about N2 trillion and so are huge debts owed to local contractors. Obasanjo, in his esoteric conception of debt evaluation, gave preference to paying external debt to the tune of \$18 billion. the implication is an addition to capital flight in various forms helping foreign economies to develop while creating a huge capital lag back home and adding to the poverty of many who had legitimately discharged useful service to their fatherland. to compound the already twisted situation and in a bid to curb elite corruption, the former Buhari administration implemented the Single Treasury Account mode of receiving government revenue. the outcome is that money hitherto saved in commercial banks is now warehoused in an idle pool in the Central Bank. This policy has been criticised as a major cause of distress in the banking sector, sponsoring inflation, job losses and devaluation of Naira due to lopsided forex trading.

2.3 Labour Market Implications of Recent Economic Trends

Without any prevarication, the trends highlighted above have far-reaching economic, social, political and psychological implications for a developing economy, especially the labour market and its actors; employers, employees, educational institutions, investors, pensioners, traders, middlemen, consumers and the many whose livelihood revolves around goods and services produced by industries and organisations. Coupled with international aspirations set by the United Nations to achieve the 7-point agenda of the Millennium Development Goals of raising the standard of living by 2015, above one dollar per day for many poor Nigerians; reducing half the number of people suffering from hunger; ensuring that all children have, at least, primary school education; to end the disparity in school attendance between boys and girls; reduce mortality among children under five by two-thirds and maternal mortality by three-quarters; to cut in half the number of people without access to clean water; and to halt and begin to reverse the incidence of HIV/AIDS, TB, malaria and other major infectious diseases and the agenda of the Federal Government of Nigeria to push the economy to climb to number twenty (vision 20:2020). Some of the implications are: -

1. Demand for Labour

It is apparent that employers are having a field day as a result of the glut in the labour market. Over two decades of economic adjustment of deregulation, privatisation and commercialisation have led to continuing de-industrialisation and acute contraction of demand for labour. On the other hand, expansion in access to secondary and tertiary education meant that more hands were available who could not access jobs. This trend has far-reaching implications for human resource responses and strategies. Job advertisements attract thousands of responses. In terms of recruitment, the selection and placement of employees, more stringent criteria and discriminatory tests are required to be able to determine the most suitable candidates for jobs. Also, greater financial cost and executive hours are devoted to recruitment than in a period of boom.

2. Supply of Labour

From the backdrop of an economy that is experiencing GDP growth of 6.42% by the last quarter of 2014, which plummeted to -2.06% by Q2 of 2016. Also, the GDP in 2020 was -1.76% while in 2021 3.65% was recorded as the GDP, both boom and slumps have failed to translate to jobs and the increase in the number of Public and Private Universities (over 140), many qualified job seekers are without jobs. Low-capacity utilisation, closures, retrenchments coming on the heel of privatisation and commercialisation of public enterprises and mergers and acquisitions in the financial sector, have prematurely thrown many into the labour market to swell the rank of unemployed graduates. There are, therefore, many categories of unemployed individuals in the Nigerian labour market:

- i. Those who were retrenched from earlier jobs
- ii. Those who have never secured their first jobs and have been in the labour market for over two years, i.e., chronic or long-term unemployment
- iii. Fresh graduates of tertiary institutions
- iv. Fresh graduates of primary and secondary schools who, according to the labour law and ILO's definition, are regarded as minors but are involved in one activity or the other, trying to make ends meet. There are, indeed, many underaged workers in the Nigerian labour market operating on the fringes as hawkers, truck pushers, and so forth.
- v. The underemployed who, though engaged, most likely in a job that bears no relevance to his/her qualification, is underpaid, and is looking for other jobs
- vi. Those in part-time jobs that may at the same time be in school or one form of apprenticeship or the other.

3. Unemployment

One of the most distinctive aspects of the Nigerian labour market is a large pool of unemployed hands. of a labour force of 57.21 million, 24% (13.73 million) are unemployed (NBS). With a population estimate of 184 million people, by the end of 2016, the unemployment estimate stands at 13.90% and is projected at 12.40% by 2020 using an econometric model. Youth unemployment stands at 22.6% and the inflation rate is at an all-time 11-year high of 18.3%. Unemployment comes with the challenges of inequality of choice, lack of effective demand and a gradual erosion of skills, livelihood, self-esteem and wholesome well-being. the

unemployed are typically job seekers whose main preoccupation is applying for jobs and attending interviews if and when invited. They are grilled at interviews for information that is at variance with the skill requirements of the jobs applied for. Most of the aptitude tests, often derived or adapted from the GMAT or GRE are neither reliable nor valid measures of their abilities. Since there are, indeed, too many who are qualified for these jobs, employers are at liberty to use extraordinary criteria which may ultimately wear out the best hands. Some of the rejected sometimes try their hands at odd jobs like marketing, entrepreneurship and so forth.

4. Job Search

As can be deduced from above, job search has assumed the form of a major vocation in the Nigerian labour market giving birth to many veterans. Some of these, not having secured jobs in the past, now run consultancies on how to apply for jobs, prepare curriculum vitae and behave at interviews. Also, job search has several dimensions and implications that range from the psychological to the spiritual. Some of these dimensions, however, are hardly focused on academic consideration of the labour market. There is however a need to collate data from church and marriage counsellors, spiritual homes, and so forth, where the unemployed seek help to address spiritual hindrances to gainful employment.

5. Low Wages in Many Economic Sectors

Jayeoba (2012) has cited many factors for low wages in the Nigerian labour market. These range from historical factors to profit motive, weak bargaining power of labour to economic factors. For instance, Nigeria has experienced economic depression since the early 80s. The most dramatic impacts on labour are:

- i. Double-digit Inflation which has been the order of the day since the introduction of SAP in the mid-1980s and remains at 12.3% (NBS, 2011 est.). This figure came down to a single digit between 2006 and 2014 because of the relatively high GDP that rose to above 6.00% but recent trend shows double-digit inflation hovering between 16% and 18%. This depletes real income making nominal earnings grossly inadequate to meet the daily needs of workers, despite upgrades in minimum wage in 1997 and 1999 to N3500 and N7500 respectively and to N18,000 by 2011. By 2016, labour through many of its recognised unions including the Nigeria Labour Congress (NLC) and Trade Union Congress (TUC)

asked the Federal Government for an update of salaries, to over N50,000 monthly, to reflect economic realities but it was increased to N30,000 in 2019.

- ii. Low capacity utilisation which dipped from 73% in 1981 to as low as 29% in 1995. By 2007, the figure is still a dismal 35 %. Industrial capacity utilisation figures averaged 56.39% from 2009 to 2016 but had decreased to 53.70% due to the economic recession. the implication is far-fetched for the average jobseeker as this means a lesser number of job openings and job cuts as a result of low industrial inputs and outputs. While it may be argued that capacity utilisation in the manufacturing sector alone does not reflect reality in other sectors like the oil, banking and social services sectors, one can equally point to increasing unemployment and exchange rates as indicative enough of a sick economy. Workers' agitation for higher wages within the context of damning economic reality can be easily countered and, as such, various wage negotiators often relapse into concessional rather than distributive bargaining.

6. Migration

Migration in the Nigerian labour market can be viewed predominantly in two forms. Urban-to-rural migration brought by historical neglect of rural areas as a locus of development. Since most of the development efforts are concentrated in urban centres, the drift of school leavers to urban centres is understandable. the second form of migration is brought about by the first. As many job seekers converge on the urban centres that are already short of job openings, many become frustrated after a long period of joblessness and often consider the proverbial search abroad for a greener pasture.

7. Inflation

According to the Nigerian Medium-Term Fiscal Strategy 2008-10 (MTFS), the government had used the excess crude oil revenues to create a fiscal cushion and had contained inflation to single digits thereby sustaining fiscal balance. Recently, the control has been slippery, and inflation has shot above one digit of 12.3 % (2011 est.) leading to an increase in the consumer price index. Coupled with early January 2012, increase in pump price from N 65 to N97 and salary adjustments in 2011. Also, the increase in minimum wage in 2019 and the recent

removal of subsidy from fuel which makes the price of the fuel pump range from N488 to N550 has affected prices of goods and services, especially in the transport sector among other things.

Conclusion

The labour market actors continued to seek creativity and innovations which would tend to alleviate the experienced adverse effect because distortions in the economy have provoked several effects which possibly account for the observed malfunctioning of the labour market. The problems are honestly envisaged, and the monetary, fiscal, income and external adjustment policies were badly implemented.

Case Study of Recent Trends of the Labour Force in Nigeria

With a fast-growing population of nearly 240 million, unemployment has been persistent over the years in Nigeria, leaving the labour dependency ratio forecast at 2.6% in 2022 and the total labour force was estimated to have increased to over 67 million. With the rising active population, the number of unemployed residents was also estimated to grow to reach over 6.3 million in 2021. On the whole, the rate of unemployment in Nigeria has increased significantly, rising to 9% in 2020. Due to this, the government announced, in February 2022, that it had created 750,000 jobs to reduce unemployment in the country.

Generally, the services sector boasts of the largest volume of employment compared to the other sectors. Even though self-employment in Nigeria has occupied a minimally increasing portion of the country's total employment, it has contributed to filling certain unemployment gaps. Also, in January 2020, the 2019 Finance Act was imposed to exempt businesses with an annual turnover equal to or below N25 million, roughly 60,000 U.S. dollars, from income tax which has encouraged the creation of small businesses. As of 2019, female employers covered 0.16% of the total employment in the country, while the share was higher among men, at 0.41%.

The Nigerian Labour Act does not limit the number of working hours. In 2022, the country registered more than 2.6 billion projected weekly worked hours. Also, in the same year, around 2.2 million working hours in full-time equivalent jobs were estimated as lost due to the coronavirus (COVID-19) pandemic. The monthly cost of living in Nigeria for a predefined food basket, as of 2020, was around N43,000 per individual which is approximately \$111, while for people

undertaking an economic activity, the monthly minimum wage was N30,000. This means that, on average, residents and families are unable to adequately cover their cost of living due to low wages.

What implication do the recent economic problems have on the labour force in Nigeria?

Revision Questions

Multiple Choice Questions (MCQs)

1. The study of population and its characteristics is known as
 - a. social science
 - b. anthropology
 - c. demography
 - d. none of the above
2. The social economic policies and practices that can affect the labour market are.....
 - a. government monetary and fiscal policies
 - b. income policies
 - c. trade policy
 - d. population policy
3. The decision of an individual on the number of hours to work is
 - a. work decision
 - b. leisure
 - c. participation ratio
 - d. labour force participation decision
4. The labour market can be different from other factor markets by the following factors except.....
 - a. the number of people willing to work does not depend on their wages
 - b. slavery is against the law
 - c. people care about the jobs at which they work
 - d. workers can engage in alternative activities such as household production
5. The ratio of the labour force to the working population is
 - a. labour market
 - b. employment rate
 - c. participation rate
 - d. none of the above
6. Which of the following does not relate to the labour force participation rate? It
 - a. does not change when the real wage rate changes

- b. decreases as the real wage rate rises
 - c. increases as the real wage rate increases
 - d. has an inverse effect on the supply of labour
7. Which of the following was alien during the pre-colonial economy in Nigeria?
- a. Subsistence farming
 - b. Peasant farmer
 - c. Wage employment
 - d. All of the options
8. Population growth rate is the difference between
- a. birth rate and death rate without net migration
 - b. population and population density
 - c. birth rate and death rate
 - d. birth rate and death rate with net migration
9. The birth rate of the people is known as its..... rate
- a. Progressive
 - b. Surviving
 - c. Fertility
 - d. number of children
10. A country is said to be doing well when it's is high
- a. Visibility
 - b. friendship with other nations
 - c. population
 - d. gross domestic product

Theory Questions

1. Identify and discuss the roles of participants in the Nigerian labour market.
2. The contextual factors enveloping the Nigerian labour market have led to the evolution of a unique and dynamic market. Examine this view using relevant examples. Discuss the many features of the Nigerian labour market
3. The labour participation rate has presented changing scenarios and trends in the last one decade. Discuss.

4. The demographics of the Nigerian labour market show a dominated youthful and highly informal market. What are your views on the above?
5. Support the argument that recent trends in the Nigerian labour market have diverse implication for a growing economy.

Answer (MCQs)

- | | |
|------|-------|
| 1. C | 6. B |
| 2. D | 7. C |
| 3. D | 8. A |
| 4. A | 9. C |
| 5. C | 10. D |

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Recommendation for Further Reading

<https://www.worldbank.org>, Nigeria overview: development news, research, data.

<https://www.statista.com>; Employment in Nigeria

CHAPTER THREE

MICROECONOMIC FOUNDATIONS

3.0 Learning Objectives

The main objectives of this chapter are as follows:

- i. To explain the theoretical underpinning of demand for labour and labour of supply
- ii. Examine in detail the microeconomic analysis with regard to demand for labour and labour supply
- iii. Analyse key concepts that may influence labour supply such as taxation, education etc.
- iv. Derive individual supply curves and give reasons for their shapes
- v. Explain the elementary production theory
- vi. Explain in detail the concept of wages and employment.

3.1 Introduction

The theoretical foundation of labour supply will be discussed with the assumptions surrounding the microeconomic analysis of labour supply including the definition and derivation of individual supply curves. It explains and analyses the other wider issues that are key to the understanding of the microeconomic concept of labour supply such as the preference for education, response to taxation and behaviour of individuals holding multiple jobs etc. Also, the theoretical basis of the concept of demand for labour is explicitly explained, after which market equilibrium is established. In line with this equilibrium, certain government policies and their effect is explained in detail. Such government policies include wage legislation and taxation.

3.2 The Supply of Labour

Supply of labour is defined as the number of hours for which an individual worker would like to make himself or herself available for work; the rest of his or her non-work activities are jointly considered as leisure. The supply of labour is derived from the foregoing microeconomic ideas. According to the neo-classical model, the allocation of time between leisure and work depends on their relative cost to the individual. The supply of labour further refers to various units of a given type of labour that households are willing and able to offer for employment at a given wage rate,

a given period and when all other factors remain unchanged. the supply of labour may be the supply of hours by an individual worker and the total market supply of a given type of labour. in the competitive labour market, the individual worker is a wage-taker and cannot influence the market wage with the quantity of his or her labour supplied. It is rather the total market supply of a given category of labour that can influence the market wage rate.

3.2.1 Determinants of the Supply of Labour

- a. ***The wage rate: the*** wage rate determines the units of labour that will be supplied by the owners of the labour. the higher the wage rate the greater the units of labour that will be supplied and vice versa. Wage determines the quantity supplied rather than the “supply” of labour.
- b. ***The size of the population: the*** supply of labour depends on the size of the population which in turn is dependent on birth rate, death rate and level of migration. All things being equal, a country with a relatively higher population will have a relatively greater supply of labour. for instance, Nigeria has a greater population than Ghana. Therefore, the supply of labour in Nigeria will be higher than the supply of labour in Ghana.
- c. ***The number of working hours by each worker per day and year: the*** supply of labour depends on the number of working hours per day and year. in some countries, workers work for longer hours per day and work six days per week. in others, workers work for shorter hours per day and do not go to work on Saturday and Sunday. in the former situation the result will be reduced hours of work while in the latter, there will be increased hours of work. the number of paid holidays in a year will also affect the supply of labour.
- d. ***The preference of suppliers of labour (household) between different employments:*** If the households have a preference for a certain type of employment, then they will supply more of their labour for that employment and vice versa.
- e. ***School Leaving Age: the*** educational system often determines when a person would normally be available for employment. Where most people spend too long time in school, the supply of that category of labour to the labour market will be delayed, with most entrants into the labour market being older people. on the other hand, early schooling may suggest that the workforce may tend to be younger.

- f. **Legal Working Age:** Public policy often specifies the legal minimum age for working. If this minimum is specified very low, then more persons are available in the market for employment. A high legal minimum age for working may not necessarily reduce the supply of labour to the market, but it may mean that the entrants are older persons. the International Labour Organisation (ILO) has specified the world standard working age to prevent children from being unduly exploited. Many countries have ratified these conventions. in Nigeria for example, the legal minimum working age is 18 years. in Britain, it was reduced from 18 to 16 towards the end of the 1980s to replace the ageing British workforce.
- g. **Weather conditions:** Tropical weather is characterised by excessive heat during one-half of the year and mild cold in the other half. in Nigeria, the harmattan (north-easterly wind) predominates around November to February. With dust and reduced visibility, working is almost impossible in parts of the country. Public policy in the states affected has recognised this problem and has responsively modified the working time to avoid the early mornings. Thus, work starts at 9.30 a.m., instead of 7.00 a.m. in several places in the northern parts of the country where the harmattan is most severe. Similarly, the supply of labour hours by agricultural workers is adversely affected at certain times of the day when the sun makes the temperature very unbearable for working in the open fields. Working is generally constrained in Nigeria by the high humidity in the atmosphere which makes the air to be very heavy and uncomfortable for breathing. This factor partially accounts for the observed low productivity of workers in Nigeria, as people tend to feel uncomfortable and get tired very easily as hot and humid air is breathed.
- h. **The number of women in market activities:** the number of women that readily participate in labour market activities will affect the overall supply of labour. in pre-industrial societies where women hardly engaged in employment, except in traditionally free and unpaid services at the home front, the supply of labour was seriously affected. With increasing demographic changes all over the world, the participation rate among women has increased considerably. the increased attraction to this practice stems again from the dictates of the recession of the 1980s and 1990s which makes it imperative that all household members (retired fathers, children, and mothers) will have to look for some income-earning ventures to engage in, to augment household resources. Since it is not very likely that a reversal of

this trend will be experienced, more and more women can be expected in the market with a positive effect on the supply of efforts.

- i. **Family size:** Family sizes are unusually large in developing countries of Africa on account of the wish to have many children. in Nigeria, this is compounded by the extended family system whereby kinsmen are regarded as part of one's larger family and must be catered for by whoever is well-off within the system. Thus, the greater one's resources, the greater the responsibilities that must be carried and the lower the worker's per capita income, possibly. in traditional society, the practice of having many children has its logic in the ready supply of farm labour. However, with the transition to modernisation and wage employment, it is soon realised that the larger one's family, the greater the felt need for participating in market or self-employment activities.
- j. **Alternative market activities:** Market activities are characterised by wage and non-wage employment. These activities may be complementary. for instance, a wage worker may engage in a private self-employing venture after the normal working hours of the primary job. Nevertheless, the latter, which is variously called self-employment, is sometimes regarded as an alternative job by the labour market participant. in some cases, therefore, much value may be placed on self-employment for the obvious reason that the individual wants to pride himself in owning a business as a life or self-actualising goal. Where this happens too frequently and on a grand scale, the supply of labour to wage employment will tend to be adversely affected.
- k. **Contentment with the standard of living:** an extra work effort supplied includes overtime work, moonlighting in wage employment, or a venture established by oneself. If an individual is satisfied with current earnings, he may not be motivated to work overtime, hold a second job or even set up his own business. Closely akin to this is the quantum and quality of social security that is available. Where a system of excellently managed pensions or other retirement options provide real or perceived security against the future, the individual supplier of labour may be least motivated to supply extra hours of work on secondary or self-employment jobs, and vice versa.

3.2.2 Derivation of Labour Supply Curve

According to the neo-classical model, the allocation of time between leisure and work depends on their relative cost to the individual. the model assumes that:

- i. The labour units for which the supply is being analysed are homogenous, such that the analysis of labour supply may vary according to identifiable exclusive groups of workers in the labour market. for instance, labour supply is analysed differently for office assistants and pilots. in most cases, however, labour supply is analysed from the standpoint of individual participants in the labour market. However, it is possible to add up individual supply curves and, in the process, derive an aggregate supply curve for a group of homogenous workers.
- ii. People are currently working the preferred number of hours and therefore only offer more hours during a given period exclusively because of higher wages.
- iii. People are not coerced to offer labour services against their wishes and can alter the number of hours worked from zero to 24 hours a day; and
- iv. The price of leisure is the forgone wage to a worker. Thus, a rise in wages makes leisure to be more expensive, inducing the worker to put in more effort. At the same time, an increase in the wage rate increases income, which leads to an increase in the purchase price of leisure, and a decrease in hours of work.

Putting together these assumptions, the level of income and leisure hours are combined to determine the number of hours supplied by an individual. There is a trade-off between income and leisure such that more leisure has to be forgone to earn more income.

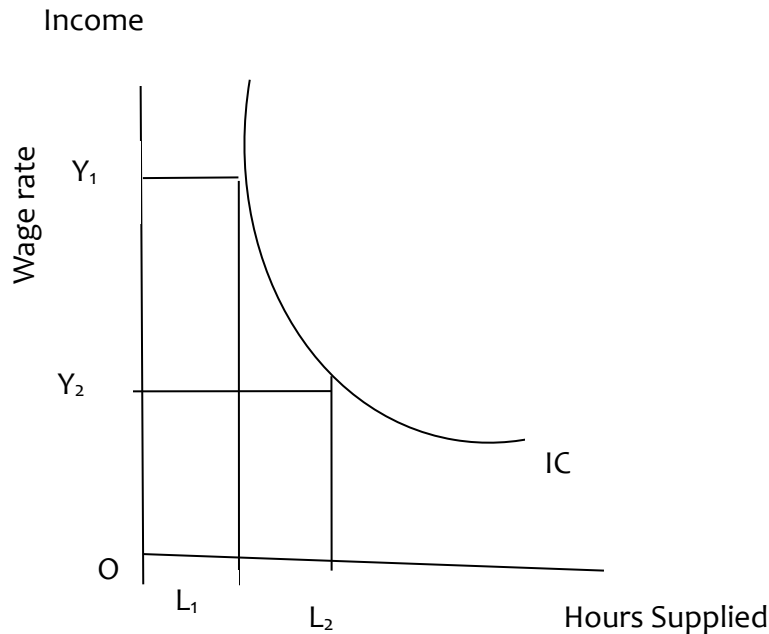


Figure 3.1: *Indifference Curve*

The trade-off is depicted by an indifference curve. the indifference curve is defined as a curve showing all combinations of income and leisure that yield the same level of satisfaction (utility) to the individual. A low level of income combined with more leisure hours may offer the same level of utility as a high-income level and fewer hours of leisure.

The indifference curve is convex to the origin. This convexity depicts the substitution of income for leisure and vice versa. the convexity also implies that the marginal rate substituting income for leisure ordinarily diminishes. Thus, if income is reduced, then leisure can only be substituted in a decreasing manner. Similarly, if leisure is reduced income can be increased in a decreasing manner.

Derivation of the Supply Curve of Labour

The necessary ingredients which need to be put together in any attempt at deriving the supply curve are the income or budget line and the indifference curves faced by individual workers. the budget line is defined as the possible extreme points on the wage rate and hours supplied curve. Figure 3.2 depicts a budget line in which the horizontal axis represents the number of man-hours supplied at any given wage income which is similarly represented on the vertical axis. the individual's problem is to maximise utility U , which depends on total income available for

spending on consumption and also depends on time spent in leisure, subject to a time constraint, with respect to the allocation of labour time and leisure time:

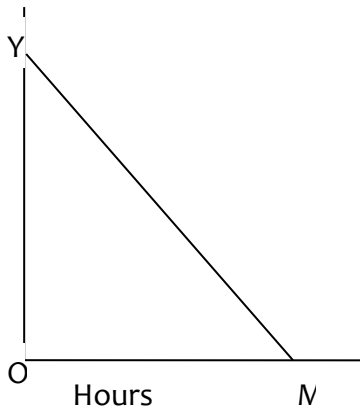


Figure 3.2: *Budget Line*

This can be shown in a graph that illustrates the trade-off between allocating time between leisure activities and income-generating activities. the linear constraint indicates that there are only 24 hours in a day, and individuals must choose how much of this time to allocate to leisure activities and how much to work. This allocation decision is informed by the indifference curve labelled IC. the curve indicates the combinations of leisure and work that will give the individual a specific level of utility. the point where the highest indifference curve is just tangent to the constraint line (point A) indicates the optimum for suppliers of labour services.

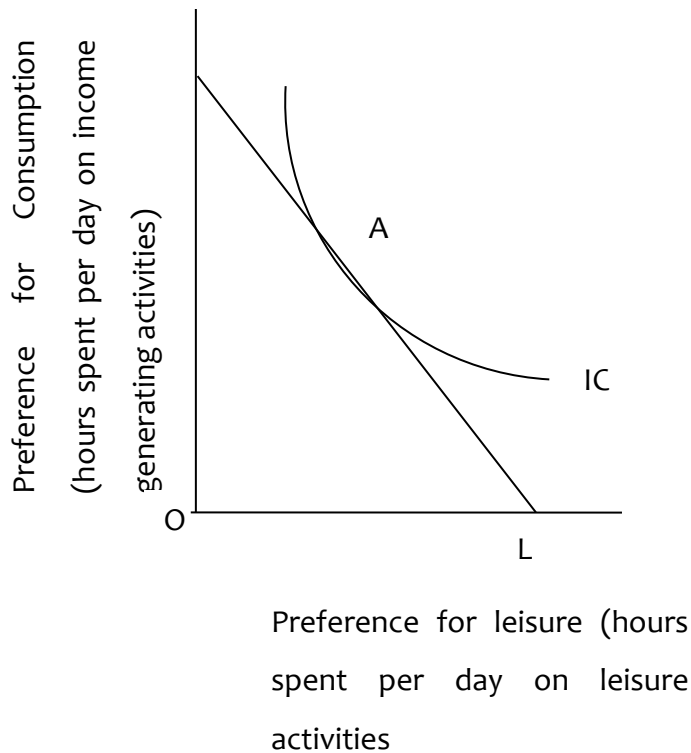


Figure 3.3: *The Income/Leisure Trade-off in the Short Run*

If consumption is measured by the value of income obtained, this diagram can be used to show a variety of interesting effects. This is because the absolute value of the slope of the budget constraint is the wage rate. the point of optimisation (point A) reflects the equivalency between

the wage rate and the marginal rate of substitution of leisure for income (the absolute value of the slope of the indifference curve). the marginal rate of substitution of leisure for income is also the ratio of the marginal utility of leisure (MU^L) to the marginal utility of income (MU^Y), where Y is total income and the right side is the wage rate.

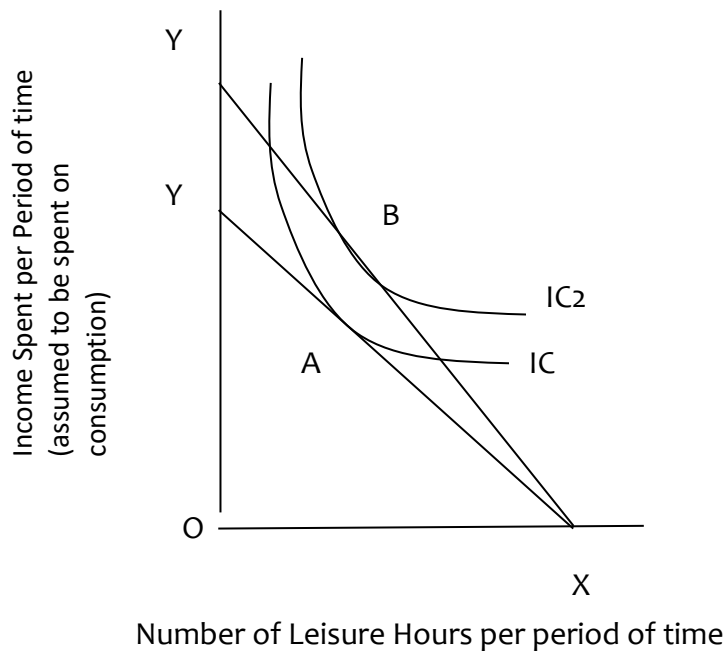


Figure 3.4: *Effects of Wage Increase (a rotational shift in budget line)*

If the wage rate increases, this individual's constraint line pivots up from XY_1 to XY_2 . He/she can now purchase more goods and services. the labour utility will increase from point A on IC_1 to point B on IC_2 . to understand what effect this might have on the decision of how many hours to work, one must look at the income effect and substitution effect.

The wage increase shown in the previous diagram can be split into two separate effects. the pure income effect is shown as the movement from point A to point C in the next diagram. Consumption increases from Y_A to Y_C and since the diagram assumes that leisure is a normal good, leisure time increases from X_A to X_C . (Employment time decreases by the same amount as leisure increases).

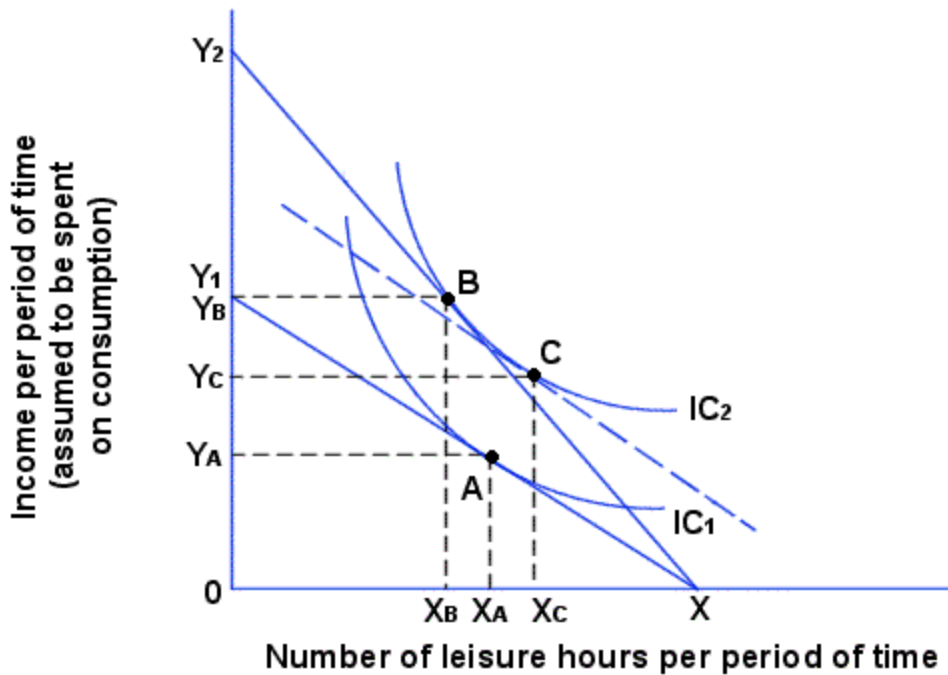


Figure 3.5: *The Income and Substitution Effect of a Wage Increase*

As the wage rate rises, the worker will substitute away from leisure and into the provision of labour, that is, will work more hours to take advantage of the higher wage rate, or in other words substitute away from leisure because of its higher opportunity cost. This substitution effect is represented by the shift from point C to point B. the net impact of these two effects is shown by the shift from point A to point B. the relative magnitude of the two effects depends on the circumstances. in some cases, such as the one shown, the substitution effect is greater than the income effect (in which case more time will be allocated to working), but in other cases, the income effect will be greater than the substitution effect (in which case less time is allocated to working). the intuition behind this latter case is that the individual decides that the higher earnings on the previous amount of labour can be spent by purchasing more leisure.

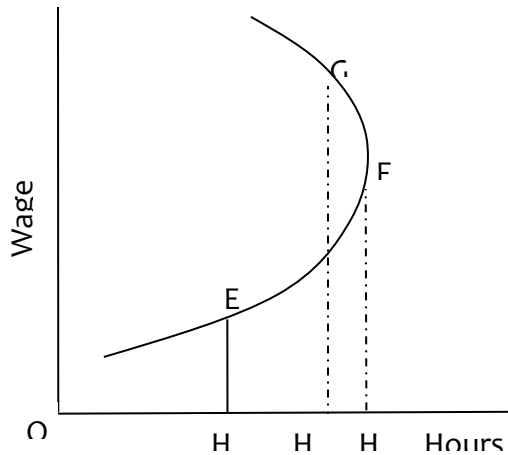


Figure 3.6: *The Labour Supply*

If the substitution effect is greater than the income effect, the labour supply curve will slope upwards to the right, as it does at point E for example. This individual will continue to increase his supply of labour services as the wage rate increases up to point F where he is working H_F hours (each period). Beyond this point he will start to reduce the amount of labour hours he supplies (for example at point G he has reduced his work hours to H_G) because the income effect of the wage rate has come to dominate the substitution effect. Where the supply curve is sloping upwards to the right (showing a positive wage elasticity), the substitution effect is greater than the income effect. Where it slopes upwards to the left (showing a negative wage elasticity), the income effect is greater than the substitution effect. the direction of the slope may change more than once for some individuals, and the labour supply curve is different for different individuals.

Other variables that affect the labour supply decision, and can be readily incorporated into the model, include taxation, welfare, work environment, and income as a signal of ability or social contribution.

3.3 Theoretical Explanation for the Backward Bending Supply Curve

In economics, a backwards-bending supply curve of labour, or backwards-bending labour supply curve, is a graphical device showing a situation in which real, or inflation-corrected wages, increase beyond a certain level, where individual will substitute leisure (non-paid

time) for paid work time and so higher wages lead to a decrease in the labour supply and so less labour-time being offered for sale.

The "labour-leisure" trade-off is the trade-off faced by wage-earning human beings between the amount of time spent engaged in wage-paying work (assumed to be unpleasant) and satisfaction generating unpaid time, which allows participation in "leisure" activities and the use of time to do necessary self-maintenance, such as sleep. the key to the trade-off is a comparison between the wage received from each hour of working and the amount of satisfaction generated by the use of unpaid time.

Such a comparison generally means that a higher wage entices people to spend more time working for pay; the substitution effect implies a positively sloped labour supply curve. However, the backwards-bending labour supply curve occurs when an even higher wage entices people to work less and consume more leisure or unpaid time.

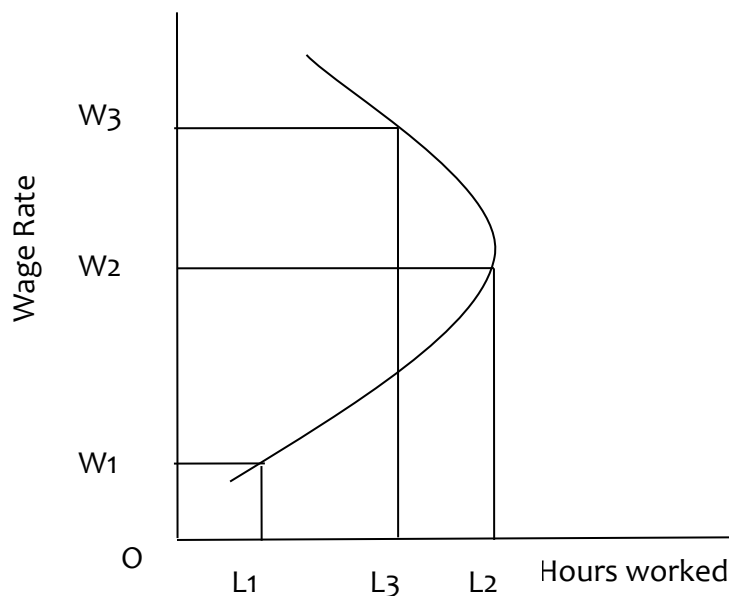


Figure 3.7: *The Backward Bending Supply Curve*

As wages increase above the subsistence level, there are two considerations affecting a worker's choice of how many hours to work per unit of time (usually day, week, or month). the first is the substitution or income effect. With wages rising, the trade-off between working an additional hour for pay and taking one extra hour of unpaid time changes in favour of working. Thus, more

hours of labour-time will be offered at a higher wage than the lower one. the second and countervailing effect is that the hours worked at the old wage rate now all gain more income than before, creating an income effect, which encourages more leisure to be chosen because it is more affordable. Most economists assume that unpaid time (or leisure) is a normal good and so people want more of it as their incomes (or wealth) rise. Since a rising wage rate raises incomes, all other things are constant, and the attraction of unpaid time rises, eventually neutralising the substitution effect and causing the backward bend.

The graph shows that if real wages were to increase from W_1 to W_2 , the substitution effect for an individual worker outweighs the income effect; therefore, the worker would be willing to increase hours worked for pay from L_1 to L_2 . However, if the real wage increased from W_2 to W_3 , the number of hours offered to work for pay would fall from L_2 to L_3 since the strength of the income effect now exceeds that of the substitution effect; the utility to be gained from an extra hour of unpaid time is now greater than the utility to be gained from the extra income that could be earned by working the extra hour.

The above examines only the effect of changing wage rates on workers already subject to those rates; only individual labour supply response was considered. the additional labour supplied by workers working in other sectors (or the unemployed) who are now more attracted to the jobs in the sector because it is paying higher wages, was not considered. Thus, for a given market, the wage at which the labour supply curve bends backward may be higher than the wage at which a given worker's curve bends back.

On the other hand, for the aggregate labour market, a labour market without "other sectors" for workers, the original story of the backwards-bending labour-supply curve applies except that some workers suffer from involuntary unemployment. It should be noted that this discussion is subject to the following assumptions.

- v. Workers choose their hours.
- vi. There are no contractual obligations to work a certain number of hours
- vii. Workers are utility-maximising agents.
- viii. Work provides a disutility, which must be compensated for by paying wages.
- ix. Unpaid leisure time is a "normal" good.

- x. The labour market is competitive, and both firms and workers are price-takers

3.4 Effects of Taxation on the Supply of Labour

Taxes are statutory payments expected to be contributed by those individuals and firms who engage in economic activities within a geographical area. Taxes may be income, sales, capital gains etc. Income tax, which is more relevant for the analysis of the labour markets, is expected to encourage certain types of labour market activities within an economy depending on the incidence of the tax (that is, it may fall directly or indirectly on the taxpayer). All taxable adults within the economy are expected to pay their taxes periodically except for unemployed persons and students who have no visible source of income. It is generally agreed that income tax reduces the income accruing to the individual and lowers their purchasing power. Although taxation is essentially aimed at obtaining tax revenue for the state, inadvertently it may discourage individuals in the supply of efforts which bring about the taxed income.

Throughout the world however, hours of work are specified by various governments while wages are paid and taxed by the government partly to ensure equitable distribution or redistribution of such income and provide a source of income for government finances. the fixity of weekly work hours notwithstanding, the supply of extra effort beyond the legally established hours is still relevant in the examination of the supply of labour and the impact of taxation. for instance, overtime work and shift work all lend themselves to the analysis being attempted here. Furthermore, by their nature, some jobs depend on extra efforts for successful completion.

In Nigeria, the extra effort is compensated for by employers mainly for the low-income cadre or junior workers. This is very important because the willingness to work overtime for additional income is highest among unskilled workers. Also, it is known that the majority of this group of workers, given their educational background and social inclination, hardly have enough income to invest in large-scale businesses which will demand time that is expected to compete with the overtime they render. Hence overtime is done mainly to get more income that will supplement the real wage given the downturn in socio-economic conditions of the country.

The essence of taxing overtime work is to regulate the amount accruing to the worker and prevent unnecessary overtime work since the tax structure is progressive. the more the overtime earnings, the more the tax deduction from the employee's gross pay. the positive value of taxation, however,

is that it may enable the worker to work more overtime to offset the tax that is often deducted as a result.

A renowned economist (Long, 1958) has observed that despite the consequences and effects of taxation in decreasing the real income, most workers especially males still put in efforts in participating to get enough income for family upkeep. His other findings are that overtime work varies with age and the nature of employment.

Productivity and willingness to work rise with physical and mental growth. At the other extreme, the physiological effect of ageing eventually brings about a decline in productivity and willingness to work. Furthermore, with wage rates reflecting productivity under performance-based compensation practices, it appears that leisure is less costly at younger and older ages than Middle Ages. Also, assuming the same hours of work among workers, currently obtainable earnings vary proportionately with the wage rate and tax. Workers on the borderline of physical fitness are less inclined to continue working while the opportunity for self-employment discourages participation in taxable ventures. Hence, a low and declining participation rate of older people is largely explained with proper account being taken of health levels and standards.

There is a disparity between the efforts supplied in self-employment and employment under an employer. the supply of effort is often fixed by task rather than by clock or tax in most self-employed jobs. in other words, workers working under employers in the formal sector are mandated to supply fixed hours of effort for a specified amount of wage.

3.5 Effects of Education on the Supply of Labour (Human Capital)

The theory of labour supply assumed labour homogeneity. This enables associations of wage and employment levels since all persons are alike and only one wage can prevail in the labour market if workers are perfectly mobile and there is no reason to consider which workers may be unemployed since they are each interchangeable. However, the labour force is by nature diverse. Thus, if the assumption that labour is homogeneous is relaxed, then questions regarding the differences in wage rates, occupations, industry or employment among men and women, blacks and whites, or more or less educated workers can be better understood.

In the classic study of the comparative labour market by Gary Becker (1964), a number of puzzles were raised which could not be explained by simple economic analysis of the labour market; or that have been attempted only by ad-hoc theories of the labour market. These are the following:

1. Earnings increase with work experience at a decreasing rate. Ordinarily, economic analysis would suggest that earnings and experience are to increase monotonically in *pari passu*.
2. The rate of unemployment is negatively related to the level of skill. Thus, the higher the skill level, the shorter the period or incidence of unemployment.
3. Younger people change jobs more often and receive more schooling and training on the job than older people. Economic theory would not discriminate about the value of education to different levels of workers since wage expectedly is determined under economic theory by the interplay of demand and supply forces.
4. In developing countries, firms often appear to treat their labour force paternalistically; with the pretension that employers know what is good as a reward for their employees. In essence, the interplay of demand and supply of labour has little to do with the pricing and allocation of labour.
5. Individuals with more ability usually receive more education and training than less able people. This observation is a puzzle to *heat* economic theory in the sense that labour is assumed to be homogeneous. The observation that more capable workers are more likely to be exposed to training tends to complicate the simple theory of the labour market.
6. Dispersion and asymmetry in the earnings distribution within schooling groups tend to increase as the level of education increases.

These puzzles tend to among other things show that education and training are investments with their payoff. The ability to read and write will be of obvious economic and socio-psychological value to a person throughout his or her life. To households especially parents and their children often put a high socio-economic status symbol on education. Thus, in Nigeria, for instance, the price put on education has tended not to discourage parents and their wards from making investments in education.

Notwithstanding the social value which may be placed on education, to arrive at a more systematic analysis of the supply of labour, the human capital approach emphasises the monetary returns to education and training. It is not surprising therefore that the principles of financial decisions have

been found very helpful in the economic treatment of labour supply. We consider the nature of the costs and benefits.

3.5.1 Cost of Education

An expenditure that yields a flow of benefits which are realizable over some time, usually a year, is known as an investment. However, expenditures on training and education are investments technically. At the level of the individual and the family, expenditure on education as investments competes with consumption and financial assets for the scarce resources of the household.

The costs of human capital consist of direct costs, for instance, tuition fees, books and supplies; and indirect expenditures such as earnings forgone while the human capital investment is being made, as well as the value of time that is taken from other endeavours. The activities involved in training and education are time-consuming as they preclude an individual from simultaneously engaging in other activities. Since labour market participation is often regarded as the principal alternative to human capital investment, this lost time can be valued in terms of the earnings that would have been received had the person been at work rather than learning and acquiring knowledge.

In the case of on-the-job training, the indirect cost to the worker is the lower wages accepted during the period of training. In apprenticeships, the wages of the apprentice are increased gradually as he learns the skill of the trade. Consider a PhD holder who accepts a postdoctoral fellowship rather than begin teaching. Because the teaching appointment pays more than the post-doctoral fellowship, the cost of additional training is the difference between the salary that would be earned as a teacher and the stipend provided by the post-doctoral fellowship.

In an environment where there is a glut of skills in the labour market, employers may not be very enthusiastic about employing skills that are somewhat below-prescribed job requirements, preferring instead skills that are job-specific and ready for direct employment into respective jobs. This practice may tend to make on-the-job training unattractive for employers and therefore reduce the opportunity for workers to experience training of this sort. The net effect of this observation however is the hike in the cost of training, as persons who have or who believe that they have already acquired job-specific skills may have to bear the cost of additional training at their expense, rather than at the instance of the employer consequent upon securing a job.

3.5.2 Benefits of Training

The following are some of the positive returns to education and training:

1. To the individual, a higher wage rate may result from skill improvement through training and education. This wage rate is higher than what the individual could get had he not embarked upon the human capital investment. Improvement in skill, however, may have little or nothing to do with productivity. But so long as the employer is willing to give an increase in the wage rate after training, there will be benefits to the individual for having undertaken the programme of training.
2. To firms, benefits accrue in the form of an increased differential between the value of the worker's contribution to the firm and the wage rate received by the worker. Thus, if training raises the productivity of workers, and firms increase productivity and do not pass on the entire value of this increased productivity in the form of higher wages to their employees, the difference between the enhanced marginal product and the wage rate offered to the worker will be benefits to the firm providing training of this type.
3. To the wider society, decision situations involving say expansion of the local public school, construction of a swimming pool and the purchase of financial assets might be regarded as alternative investments. Yet, being able to calculate the costs and returns to these investments using the human capital approach will enable a better appreciation of the value of each alternative which the theory of human capital brings out rather succinctly to the individual and the firm involved.

The most significant element in the theory of human capital is the assumption that individuals make decisions to invest based on the comparison of the anticipated benefits and costs. These costs cannot be summed up easily because of changes in the value of money.

3.6 Definition of Firm's Demand for Labour and Microeconomics Analysis of the Demand for Labour

3.6.1 The Firm's Demand for Labour

Elementary economics enlightens us that demand is the quantity of any commodity or resource that any economic unit desires and can acquire at or within a given period. In this case, the resource

in question is labour or human resources. the demand for labour is, however, a derived demand. It is intricately linked with the volume of activities in which the workmen will be involved.

Therefore, a firm's labour demand is based on its marginal physical product of labour (MPPL). This is defined as the additional output (or physical product) that results from an increase in one unit of labour (or from an infinitesimal increase in labour). Labour demand is a derived demand; that is, hiring labour is not desired for its own sake but rather because it aids in producing output, which contributes to an employer's revenue and hence profits. the demand for an additional amount of labour depends on the Marginal Revenue Product (MRP) and the marginal cost (MC) of the worker. the MRP is calculated by multiplying the price of the end product or service by the Marginal Physical Product of the worker. If the MRP is greater than a firm's Marginal Cost, then the firm will employ the worker since doing so will increase profit. the firm only employs up to the point where $MRP = MC$, and not beyond, in neoclassical economic theory.

3.6.2 Microeconomics Analysis of the Firm's Demand for Labour

The MRP of the worker is affected by other inputs to production with which the worker can work (e.g. machinery), often aggregated under the term "capital". It is typical in economic models for greater availability of capital for a firm to increase the MRP of the worker, all else equal. Education and training are counted as "human capital". Since the amount of physical capital affects MRP, and since financial capital flows can affect the amount of physical capital available, MRP and thus wages can be affected by financial capital flows within and between countries, and the degree of capital mobility within and between countries.

According to neoclassical theory, over the relevant range of outputs, the marginal physical product of labour is declining (law of diminishing returns). That is, as more and more units of labour are employed, their additional output begins to decline. If the marginal physical product of labour is multiplied by the value of the output that it produces, we obtain the Value of the marginal physical product of labour:

The value of the marginal physical product of labour (VMPP_L) is the value of the additional output produced by an additional unit of labour. This is illustrated in the diagram by the VMPP_L curve that is above the MPP_L. in perfectly competitive industries, the VMPP_L is identified with the marginal revenue product of labour (MRP_L). This is because in competitive markets price is

equal to marginal revenue, and marginal revenue product is defined as the marginal physical product times the marginal revenue from the output ($MRP = MPP \times MR$). the marginal revenue product of labour can be used as the demand for labour curve for the firm in the short run.

3.7 Equilibrium Labour Market

A glance at the typical supply of and demand for labour model, as represented by the equilibrium labour market in Figure 3.8 below would reflect that the equilibrium wage rate (salary) is achieved when the S curve and D curve intersect. Curve S represents the supply of labour, (i.e., people who apply for and work at jobs to receive a salary) in which the higher the salary offered, the more people are willing to work, either by getting a job at all or their willingness to work more hours. This is why the labour supply curve is upward-sloping. on the other hand, curve D represents demand for labour this would be corporations and businesses that need labour as an input in their production process. These businesses are willing to hire more labour if they can get it for a cheaper price, which is why the D curve slopes down.

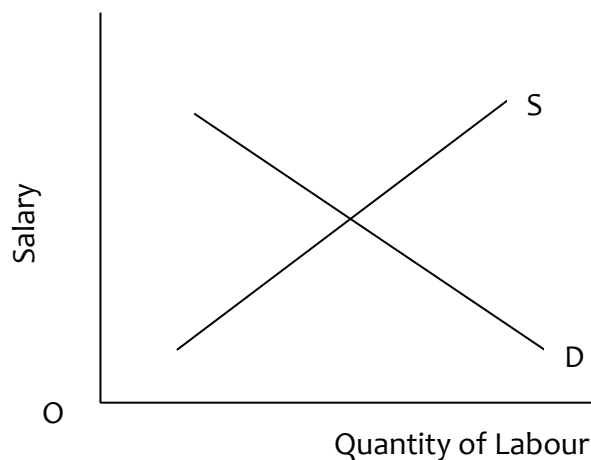


Figure 3.8: *Equilibrium Labour Market*

But what happens in this labour market when an income tax is introduced? Introducing a tax on labour supply (the workers) and see how it affects the market.

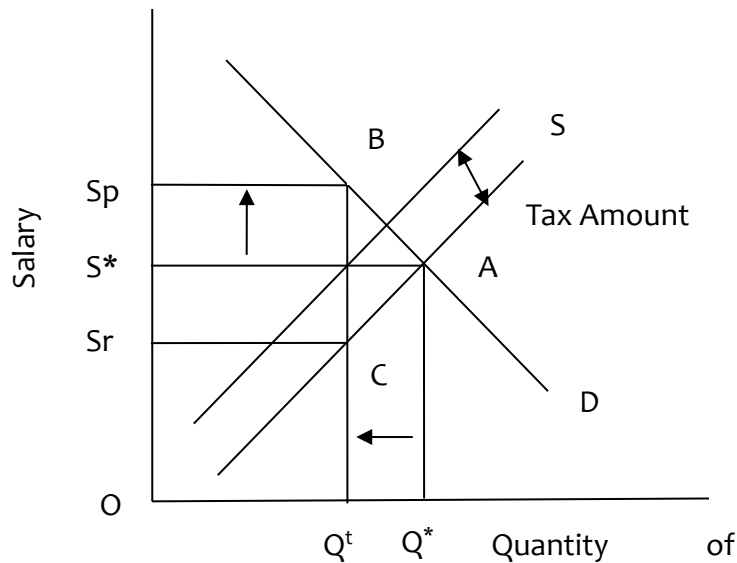


Figure 3.9: *Effect of Tax on Supply of Labour*

The S curve will shift up to S', this is because labour must receive a higher salary to offset the newly imposed income tax. the size of the shift is equal to the amount of the income tax, which means that we will receive the same salary as we did before for any quantity of supplied labour. the difference is that now businesses will have to pay more to get the same amount of labour, and since businesses want to hire labour as cheaply as possible, some changes must occur.

Considering point A, which is a market equilibrium, we have Q^* amount of labour working, and receiving S^* salary. When the tax is imposed and the S curve shifts up, it now interacts with the D curve at a different point, causing a change in equilibrium salary and quantity. the new equilibrium quantity at Q^t is less than it was before because the real cost of salaries to firms has gone up. the new equilibrium at point B results in a higher salary paid by employers which are S_p . However, because of the tax, workers do not receive this salary, they instead receive salary S_r which is equal to S_p (the amount paid by businesses) minus the tax. So, an income tax results in a lower quantity of labour being supplied to the market (people either stop working or work fewer hours), and a higher salary paid by employers and a lower salary received by employees. Income tax has negative effects on an economy but unfortunately is needed to fund government services such as schools, roads, and the military.

3.8 Wages and Employment

The analyses of supply and demand for labour can be combined to show how wages and employment are determined under various market conditions, viz perfect and imperfect competition.

3.8.1 Wages and Employment Under Perfect Competition

Per the theory of perfect competition, for a single employer, the supply of labour is elastic since an employer can engage as many or as few workers as he wishes at the going wage rate. No single employee can exert a significant influence on the wage rate.

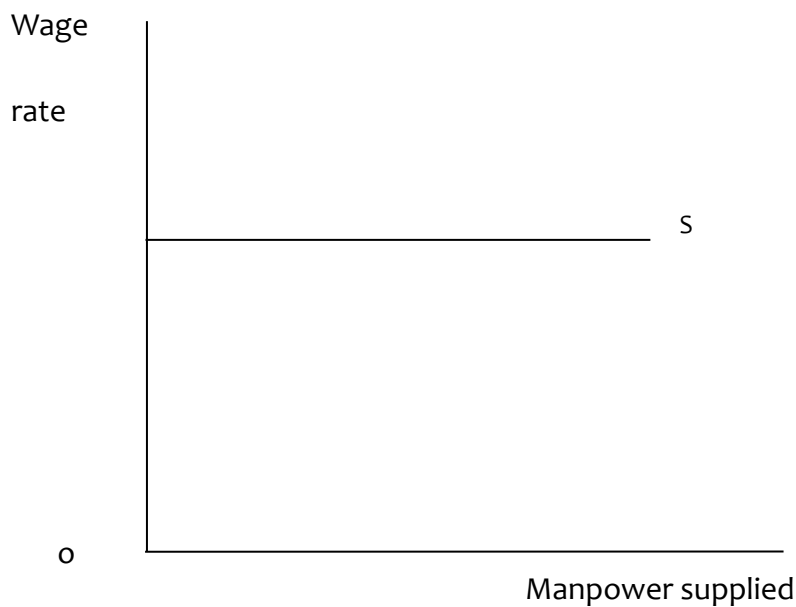


Figure 3.10: *Supply of Labour under Perfect Competition*

The demand for labour under perfect competition is downward sloping as previously indicated, being the equivalent of the short-run marginal revenue product schedule. The intersection of demand and supply schedules in Figure 3.11 below yields the point E where the equilibrium wage and employment levels are determined.

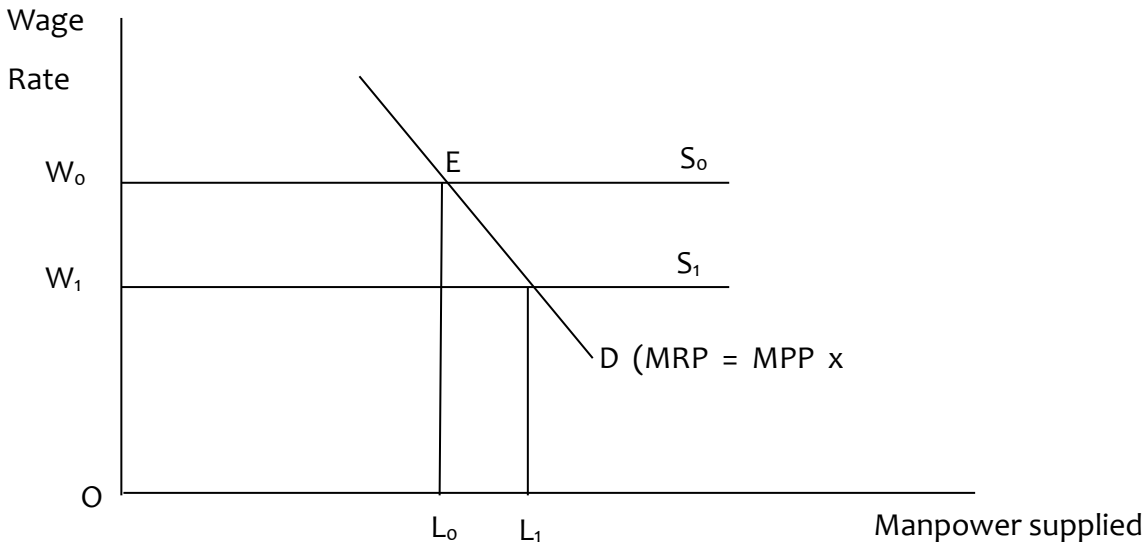


Figure 3.11: *The Intersection of Demand and Supply Schedule*

At the point of initial equilibrium (E) and the associated wage level, w , the employer is not motivated to hire more or less labour, but just L_0 . At any other wage rate, the employer would not behave competitively if he had to hire L_1 workers. an increase in labour supply under this circumstance would depress wages from W_0 to W_1 . the increase in labour supply is indicated by S_1 . the employer operating under such conditions of perfect competition is thus encouraged to increase employment at a lower wage rate and decrease the same at a higher wage rate. in the above diagram, a lower wage rate, W_1 is associated with a larger volume of employment at L_1 whereas a higher wage rate W_0 yields a lower volume of employment at L_0 .

3.8.2 Wages and Employment Under Imperfect Competition

The imperfect competition is discussed to reflect the monopolistic and oligopolistic competition as regards the labour market. in the perfect competitive market, the marginal revenue product (MRP) curve is derived simply by multiplying the marginal product by the product price. the picture however becomes complicated where for example the employers may sell their products under conditions of imperfect competition. Under imperfect competition, the firm can sell additional units of output if and only if the price of the product is reduced. Thus, the value of a marginal employee is less than the number of units of output multiplied by the price obtained for the product, for each additional employee, the firm must reduce the price to sell the larger output.

for instance, if a seller is currently selling 15 units of his product per week at N2.00 each, and to sell 16 units a week must lower his price to only N1.90 each, then his marginal revenue is N0.40K, calculated as follows:

Units produced	Commodity price	Total Revenue	Marginal Revenue
15	2.00	30.00	-
16	1.90	30.40	0.40

Therefore, the marginal revenue associated with increasing output is less than the price of the marginal units, and the marginal revenue curve lies below a downward-sloping demand curve.

For monopolistic competition, many sellers are offering a slightly differentiated product, and they face a highly elastic but downward-sloping demand curve for the product. Marginal revenue falls somewhat more rapidly and when multiplied by labour MRP produces a somewhat less elastic demand curve for labour than under perfect competition.

On the other hand, an oligopoly is a situation in which there exists the presence of a few operators in the product market. In modern industry, this is fairly frequent in steel, automobiles, tobacco, rubber tyres and electronics. The price behaviour of the firms is characterised by continuous monitoring of each other's reactions. Firms fear that if they raise prices their competitors will not match them but will take away part of their share of the market; and if they lower prices remaining firms in the industry will be forced to follow suit, thus cancelling individual firm's advantage. The usual practice is to accept price leadership from a dominant firm and others will follow the leader. Therefore, prices usually remain constant for long periods and change suddenly when the price leader decides that a new price level is required. The level of employment is not altered even if the supply of labour increases or decreases, even though the profit margin may widen. Similarly, a decrease in labour supply encourages a price reduction, even though the firm expects its competitors to follow suit. It is however worthy to note that, in the case of oligopoly a considerable short-run variation in the wage rate may take place without simultaneous alterations in the

employment levels. Here market conditions are characterised by discontinuous changes rather than the continuous adjustment in product prices and employment found in perfectly competitive industries. Also, with the assumption that labour supply is perfectly elastic, employment would vary with changing product demand, but the wage would not.

A monopsonist is an employer large enough in a local labour market, such that its employment decision has a visible effect on the entire local wage level. Such employers are said to enjoy a certain degree of monopsony power in the sense that the firm is sufficiently large to exert an impact on the entire market. Generally, such an employer is in a position to anticipate the consequences of its actions on the general price or wage structure. For instance, an employer whose action in expanding its employment by a margin of 10% results to a general wage increase.

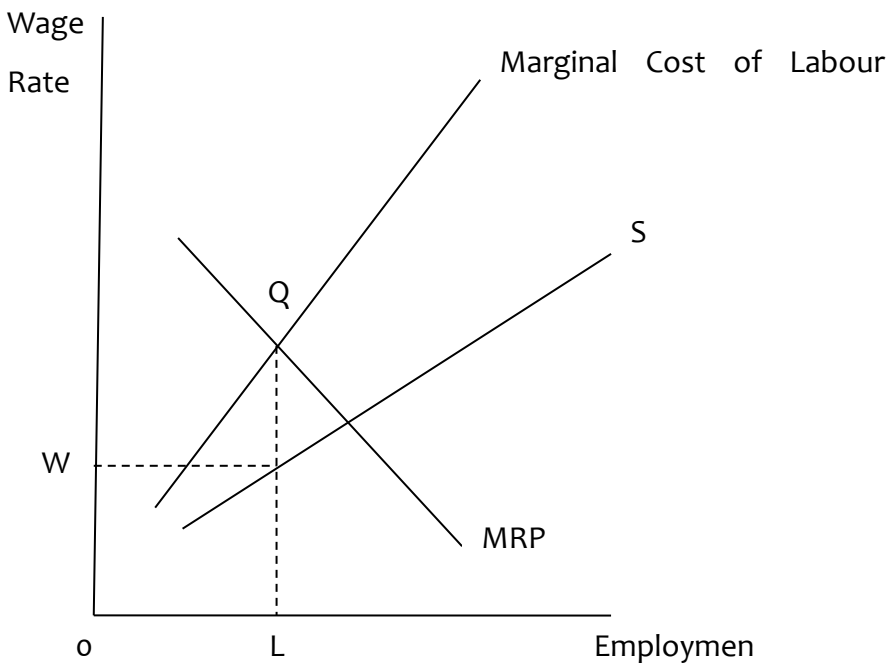


Figure 3.12: *Employment under Monopsony*

The supply curve of labour is upward sloping indicating a situation of imperfect competition and establishing the power of the firm to influence the going wage rate. The upward-sloping supply curve also indicates that an expansion in employment can only occur by poaching or otherwise attracting workers away from other jobs within the area or from other localities or by lowering the

employment standard. If the employer hires lower quality staff, per unit cost of labour rises, even though the wage rate per worker may remain the same.

If employers are aware that they face an upward-sloping supply curve they will restrict employment below the competitive level to maximise net returns. Profit-maximizing employers would do this in recognition of the fact that the marginal cost of labour (MC_L) is greater than the wage paid to the marginal worker. the MC_L increases because the general wage level is sufficient to attract additional workers, which involves not only the higher wage for the additional workers but a general higher wage for all other employees as well.

Figure 3.12 depicts that, the MC_L curve is more steeply sloped. the MC_L is the marginal cost to the firm for hiring an extra unit of labour, reflecting the wage paid to the marginal employees plus the increments paid to all other workers as the wage rate is bid up. the preferred level of employment for the employer is determined by the intersection of the MC_L curve and the MRP of labour. At the point where MC_L and MRP are equal, the added costs associated with the expansion of employment are exactly equal to the added revenue resulting from the marginal employee. to operate below this level of employment unit is to forego possible additions to net revenue for the firm. to operate beyond this level is to depress net revenue below the maximum possible at OL employment. It should be noted however that the wage paid by the employer for OL quantity of labour is OW. the equilibrium level of employment is determined by the equality of MC_L and its MRP, but the wage rate associated with that level of employment is given by the point on the supply curve directly below in Figure 3.12

In summary, it is expected from the foregoing that, under any kind of imperfect competition on the employer's side of the labour market, employment is likely to be somewhat less than under perfect competition.

Conclusion

This chapter clearly expounded on the theoretical underpinning of the supply of labour through an expository analysis of the foundation of household behaviour in the supply of manpower (number of hours given to work). It defined and explained the derivation of the supply curve theoretically and discussed other factors that affect the supply of labour hour wages or salary. It equally established the effect of taxation and education on labour supply and finally concluded that the

backwards-sloping supply curve was a result of a trade-off between income and leisure. Also, a firm's demand for labour is rooted in the idea of marginal productivity and that its position in the commodity market has a greater influence on the labour demand function. It was also established under imperfect competition that labour demand is a function of wage rate which is downward sloping all other things being equal. Granted that wages and employment are determined theoretically by the interaction of supply and demand for labour, these outcomes by the labour market were explored under conditions of perfect and imperfect competition. Under imperfect competition, employment and wages are likely to be less than under perfect competition as equilibrium is reached where the MRP of labour is equal to the supply price of labour.

Case Study

The price of labour can be measured by salary on an annual basis, although in other cases the price of labour could be measured by monthly or weekly pay or even the wage paid per hour. For example, if the salary for nurses rises, the quantity demanded will fall. Some hospitals and clinics may cut back on the number of nurses they hire, or they may lay off some of their existing nurses, rather than pay them higher salaries. Employers who face higher nurses' salaries may also try to replace some nursing functions by investing in physical equipment, like computer monitoring and diagnostic systems to monitor patients, or by using lower-paid healthcare aides to reduce the number of nurses they need.

As the salary for nurses rises, the quantity supplied will rise. If nurses' salaries in Lagos State University Teaching Hospital are higher than in other hospitals in Lagos State, more nurses will move to the hospital to find jobs, more people will be willing to train as nurses, and those currently trained as nurses will be more likely to pursue nursing as a full-time job. In other words, there will be more nurses looking for jobs in the area.

What other factors are likely to influence the demand for and supply of labour in Nigeria?

Revision Questions

Multiple Choice Questions (MCQs)

1. The is the changes in labour supply which result from changes in wage rate.
 - a. Supply curve
 - b. Elastic supply
 - c. Change in quantity supplied
 - d. Elasticity of demand
2. Equilibrium price can also be called
 - a. market clearing price
 - b. excess supply over demand
 - c. excess demand over supply
 - d. wholesale price
3. What happens to the demand for labour in a short run?
 - a. capital is fixed and labour is fixed
 - b. capital is fixed while labour is variable
 - c. labour varies and capital is not constant
 - d. cost is fixed
4. A market that is predominantly dominated by few sellers is known as.....
 - a. Duopoly
 - b. perfect competition
 - c. oligopoly
 - d. monopoly
5. The Nigerian Printing and Minting Corporation can best be classified as a firm.
 - a. Oligopoly
 - b. Monopoly
 - c. Monopsony
 - d. Duopoly
6. The marginal product of labour is
 - a. which employee is the most productive.

- b. the average output produced by each employee.
 - c. the additional output produced by the last employee hired.
 - d. how much money the firm can make from hiring each employee.
7. Which of the following features causes the labour surplus of a binding minimum wage to exceed the disemployment effect of the minimum wage?
- a. Downward sloping labour demand curve
 - b. A monopsony employer
 - c. Upward sloping labour supply curve
 - d. Upward sloping labour demand curve
8. A tax will if the government imposes a tax on workers for each unit of labour.
- a. increase the demand for labour
 - b. decrease the demand for labour
 - c. increase the supply of labour
 - d. decrease the supply of labour
9. If the value of the marginal product of labour exceeds the wage paid, then employing another worker
- a. cuts costs
 - b. increases the marginal product of labour
 - c. increases the value of the marginal product of labour
 - d. increases profit
10. A firm's output per worker is labour's
- a. total physical product
 - b. production function
 - c. average physical product
 - d. marginal physical product

Theory Questions

1. What is the supply of labour and how can the supply of labour curve be derived?
2. Explain in detail the theoretical underpinning of the backwards-bending supply curve.
3. What are the effects that taxation will have on the supply of labour?
4. What are the basic assumptions for the labour demand function for a firm?
5. Explain the nexus between marginal productivity of labour and labour demand.
6. What are the merits which flexible working hours have over other working arrangements?
7. What are the factors that make employment and wages to be lesser under imperfect competition than under perfect competition?
8. Justify the imposition of a minimum wage above the equilibrium position as a national policy in Nigeria.

Answer (MCQs)

- | | |
|------|-------|
| 1. B | 6. C |
| 2. A | 7. C |
| 3. B | 8. D |
| 4. C | 9. D |
| 5. B | 10. C |

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Recommendation for Further Reading

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Associate

CHAPTER FOUR

WAGE DETERMINATION

4.0 Learning Objectives

The main objectives of this chapter are to examine:

- i. The various ways by which wages can be determined
- ii. The effects of any type of wage determination on satisfaction, exploitation of workers' productivity and industrial peace

4.1 Introduction

Wage and its determination are always controversial. There are many approaches to how wage is determined all over the world. These include market forces, individual negotiation, minimum wage legislation, economy of the organisation and institutional arrangement (collective bargaining). Whichever way wage is determined there are always consequences for supply of efforts, employee satisfaction, performance, productivity and exploitation. All these outcomes should be considered in selecting any or a combination of methods of wage determination.

4.2 Wage Determination by Market Forces

Market forces are the actions of buyers and sellers that cause the process of goods and services to change without being controlled by the government and in most cases, organisations do not revert to the use of forces of demand and supply in the determination of wages. However, economic theories posit that the best type of wage is the equilibrium wage. An equilibrium wage is determined when the supplier of labour is ready to take the same amount of wage the organisation is ready to pay. But in a situation where the supply of labour is high in the labour market and the demand for labour is low, equilibrium will not be attained and in such a situation, wages could be low in the economy. In another scenario if the labour supply is lower than its demand the tendency for wages to be high is evident.

As an illustration, professional and skilled labourers are low in supply compared to their demand they could therefore attract high wages. On the other hand, unskilled workers who are high in

supply will attract low wages. in a situation of mass unemployment in any economy, there is a likelihood of a large pool of workers and the consequence is that low wage is paid.

When market forces are used to determine wages, the following can be experienced:

1. In the event of a high labour supply, low wages are paid. Employees could be dissatisfied, have low morale and demonstrate less psychological commitment.
2. Deliberate reduction in the supply of efforts by workers as wages are not commensurate with the efforts supplied
3. Wages during this period could be exploitative as employers can easily replace employees due to the high labour supply in the market.
4. Wages in a situation of excess supply of labour or during high unemployment may not be satisfactory to workers. This will reduce the performance and productivity of workers and ultimately that of the organisation.

4.3 Wage Determination Through Individual Negotiation

In some organisations, individuals especially at the management level negotiate their wage/salary with the employer. What the individual gets depends on his negotiation ability. the significance of this is that employees know their worth based on their knowledge and experience and how much they would want to sell these to work for any organisation. an individual who is well-priced is likely to:

- i. Be committed
- ii. Experience satisfaction
- iii. Be productive
- iv. Will not experience exploitation by the employer

4.4 Minimum Wage

The term minimum wage can be defined as “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract.” It could be determined by the force of national laws or through joint determination of employers and employees under collective bargaining or through statutory dispute settlement institutions. the principles of wage

and employment determination can be applied to the analysis of minimum wage issues. the establishment of a minimum wage is a means of artificially altering the supply curve of labour. in other words, minimum wage could be seen basically as government-imposed price control. Price controls set a floor indicating what minimum price/wage must be paid for certain goods or services. Governments set wage controls to ensure individuals receive a fair wage at various jobs. Minimum wage positions usually require basic, non-technical skills. Companies paying workers minimum wage may be able to avoid offering employment benefits. Minimum wage also allows employers to use more part-time workers and avoid overtime pay.

4.4.1 Purpose or Reasons for Minimum Wage Laws

The apex government (in Nigeria, the Federal Government) of any country use minimum wage laws to ensure an essential quality of life among all citizens within its borders. These laws attempt to improve workers' position in the economic income brackets. Rather than have copious amounts of underpaid or poor citizens, minimum wage laws seek a level of economic equity. Governments can use minimum wage laws to force companies to pay all individuals equally, regardless of race, creed, sex or other features.

Other reasons for minimum wage legislation cannot be over-emphasised. A major justification has been that the market is not perfect and that employer monopsony, immobility of labour, and other imperfections have resulted in some exploitation of the lowest-paid workers. Consider the labour market as a hierarchy of jobs from the highest skilled and best paid down to the lowest skilled and most poorly paid. It is always quite easy to visualise the disadvantaged position of those at the bottom of the 'hierarchy'. When there occurs layoff or skill glut, workers in any skill level in the hierarchy can regress and compete in one of the bottom-rung jobs. At the very bottom of the skill hierarchy, everyone is eligible and a small increase in total unemployment has the effect of significantly heightening the rank of people competing for low-skilled jobs, a situation that is promptly exploited by profit maximisation-seeking employers.

In a period of marked quantum of unemployment, this one segment of the labour market semblance to Marx's view of an army of surplus labour seeking to bid the wage rate down to substandard levels.

Further justifications for minimum wage laws included:

- i. Protection spillover to those who are not covered under the law; enhancement of employment or absorption capacity in sectors not covered; and
- ii. An attempt to help the poor.

The opponents of legal minimum wages usually argue that:

- i. Although it is good to help the poor, minimum wage is the wrong way to accomplish this since minimum wage will not be uniformly beneficial to the poor. It helps one segment of the poor at the expense of another; and
- ii. By legislating a minimum wage, the labour market is prevented from adjusting itself such that wages move downwards to accommodate workers who would otherwise be laid off. the government therefore precludes this avenue of adjustment and has needlessly exposed low-income workers to periodic and harrowing spells of job loss.

4.4.2 Implications of Minimum Wage Laws

Minimum wage laws sometimes have unintended consequences. A key consequence is increasing an individual income tax liability. Nations with progressive income tax systems require individuals to pay more taxes as their income increases. Setting a high minimum wage or using incremental increases can force individuals into higher tax brackets. Additionally, high minimum wage laws significantly increase a company's labour expense, potentially forcing it to lay off current employees and subsequently increase the level of unemployment in the country.

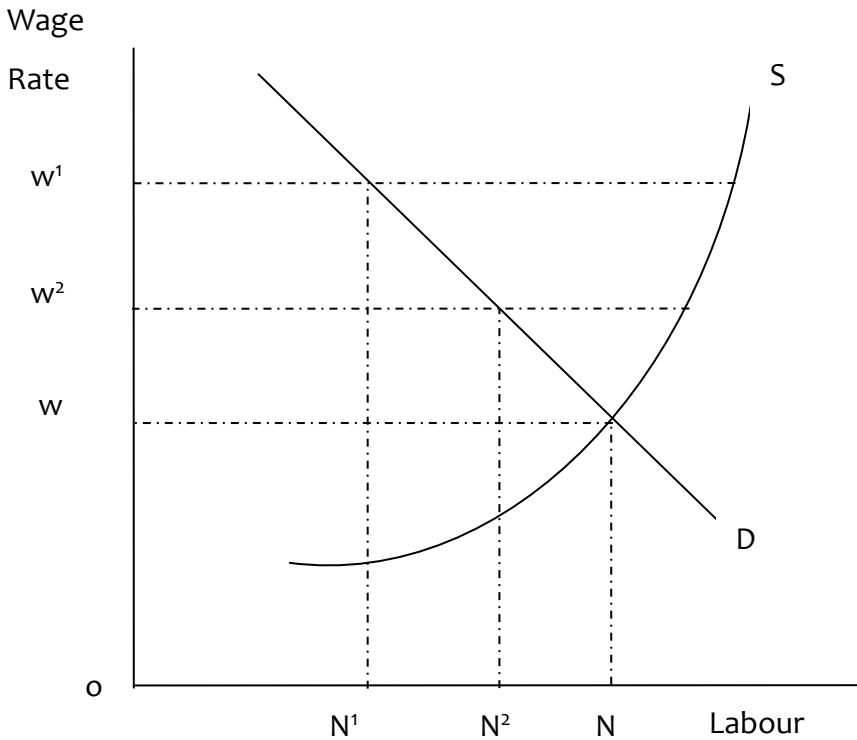


Figure 4.1: *Implication of Minimum Wage*

To answer the question, what are the implications of wage law imposition? Let's consider Figure 4.1 where OW^1 is the minimum wage. It would make nearly half the labour force cost more in wages than their value to the productive process as revealed by the demand curve. Employees would be displaced and thrown into unemployment or else obtain jobs in the sectors of the economy that are not covered by the minimum wage law. Wages would be depressed in the uncovered sector spreading further the negative effects of the minimum wage. In reality, however, the minimum wage ought to be set at a level where not more than 5 or 10% of the lowest-paid wage earners are adversely affected. Thus, if OW^1 is the legal minimum only NN^1 workers are affected. Even when a small percentage of the workers have been programmed to be affected by the imposition of a minimum wage, it is not usually very clear the precise proportion that would be affected by much elasticity of the demand and supply functions as pointed out earlier.

4.5 Economy of the Organisation

Even in negotiation and institutional determination of wages, the organisation's ability to pay always prevails. Ability is what an organisation can afford to pay for specific job positions based on its financial strength, however, some organisations pay lower than its ability and this can cause:

1. Employees' dissatisfaction
2. Lowers employees' morale, performance and productivity
3. It can also lead to exploitation
4. Industrial action.

4.6 Collective Bargaining

This is an institutional means of determining wages. It is regarded as the best method of determining wages. Collective bargaining is the negotiation of employment issues, including wages, between trade unions and employers' representatives to reach an agreement. This is known as collective agreement. If a collective agreement is reached and implemented as the law requires it will have the following effects:

1. Employees will be satisfied with wages and with the organisation.
2. Satisfaction will necessarily increase the supply of efforts by workers.
3. Performance and productivity will also be evident as a result of satisfaction
4. Exploitation is likely to be reduced due to collective bargaining.

Conclusion

Wage determination has been examined in this section. Each method of determining wage has its attendant consequences for the supply of labour effort, employees' satisfaction, performance and productivity. Using market forces and the economy of the organisation in determining wages may likely lead to exploitation, while minimum wage and collective bargaining tend to reduce exploitation of workers.

Case Study

A new minimum wage in a hypothetical economy was set above the equilibrium national wage. This is to protect workers who felt cheated with the former wage rate. However, the government's

singular action has led to a number of reactions from the employers of labour in the private sector such as a reduction in the number of employees, an increase in the daily workhour and a slight reduction in the welfare packages.

Consequently, organised labour has called for not just the review of the minimum wage but setting two separate minimum wages: one for the public sector which should be called national minimum wage and another for the organised private sector which can be called private sector minimum wage.

What do you think the government should do to resolve the reactions of the employers of labour?

Revision Questions

Multiple Choice Questions (MCQs)

1. Considering that the minimum wage is N30,000 while the commodity general prices remain unchanged then
 - a. the quantity of goods and services that can be purchased will decrease
 - b. the real wages will increase
 - c. the real wages will decrease
 - d. prices of goods and services will decrease
2. Payment of different wages to identical employees is known as wage
 - a. Normal
 - b. Exploitative
 - c. Differential
 - d. Inequitable
3. What type of wage determination method is used in a perfect market?
 - a. Individual negotiation
 - b. Collective bargaining
 - c. Minimum wage legislation
 - d. None of the options
4. Which of the following government actions directly affects wages?
 - a. Fiscal policy
 - b. Monetary policy
 - c. Income policies
 - d. Minimum legislative wage control
5. The action of management that results in the choice of wage structure which is favourable to workers is
 - a. informal sector
 - b. paternalism
 - c. internal labour market
 - d. external labour market
6. If a minimum wage is set competitive labour market, it will.....

- a. decrease efficiency in wages
 - b. increase the equilibrium wage rate
 - c. cause workers to offer less along the backwards-bending supply curve of labour
 - d. decrease employment in the labour market
7. The factors that determine wages include all the following **except**
- a. Productivity
 - b. ability to pay
 - c. corporate networking
 - d. supply and demand of labour
8. When wage is determined by fiat it means
- a. institution arrangement of wages
 - b. negotiation of wages
 - c. award of wages without due consideration of the labour market
 - d. collective bargaining by labour unions
9. What effect will collective agreement have when it is reached and implemented as the law requires?
- a. Employees will be satisfied with wages and with the organisation
 - b. Satisfaction will necessarily increase the supply of efforts by workers
 - c. Performance and productivity will also be evident as a result of satisfaction
 - d. All of the options
10. When an organisation pays lower than its ability to its employees this can
- a. cause employees' satisfaction
 - b. lower employees' morale, performance and productivity
 - c. lead to exploitation
 - d. none of the options

Theory Questions

1. Examine the various ways of wage determination
2. What are the consequences of any wage determination method on exploitation, performance and productivity?
3. What do you understand by the minimum wage?

4. Explain the argument for and against the fixation of minimum wage by the government
5. Give reasons for the imposition of minimum wage above the equilibrium position as a national policy in Nigeria.

Answer (MCQs)

- | | |
|------|-------|
| 1. B | 6. D |
| 2. C | 7. C |
| 3. D | 8. C |
| 4. D | 9. D |
| 5. B | 10. B |

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CHAPTER FIVE

WORKING ARRANGEMENTS

5.0 Learning Objectives

The main aims of this chapter are to:

- i. Understand the different working arrangements available.
- ii. Explain the advantages of each of the working arrangements
- iii. The reasons for adopting any of the working arrangements

5.1 Introduction

When employers provide jobs for workers, one significant problem hampering the effective structure of work in contemporary Nigeria which probably has parallels in some developing countries pertains to optimisation in the arrangements for working. Problems have been created for both managers and workers alike. These include lateness to and from work. (Banjoko, 1983). Some employees spend half of each working day in traffic. There is also absenteeism which is possibly traceable to a similar environment context, and the lack of time off to attend to exigent personal issues.

Several solutions have been suggested and are being taken to ease some of these problems. for instance, it is fashionable for employers to provide a means of transport for workers. This measure has not achieved the desired effect because the problem of traffic jams during peak travel periods is yet to be solved. the effect is that the staff bus arrives at the work premises behind schedule, losing substantial man-hours in traffic. the faith of workers without pooled transport facilities is, thus, understandably not better.

5.2 Existing Work Patterns in Nigeria

The objective of different types of work arrangements is usually directed at allowing organisations to use human resources more effectively and to enhance employee productivity, satisfaction and health. But to maintain productivity, the organisation's needs must also be considered. Nigerian labour laws, which define maximum work hours, holidays and rest hours, overtime pay and other special provisions and exemptions (Labour Decree, 1974), seem to reflect the needs of employers

and the responsibilities of employees in this respect. the standard work schedule includes standard daytime, evening and night sections if the employee supplies forty hours of work during the week. Within these arrangements is shift work, overtime, part-time etc.

5.3.1 Shift Working

Shift working is into three categories: (a) Three-shift work with successive shifts in 24 hours (b) Two-shift work which may be double day, alternating night and day (c) Permanent night shifts where the same operatives work night permanently or part-time shift where workers are engaged solely to work in the evening for about 4 hours duration.

The advantages include a more effective use of plant and equipment, making possible continuous operation and weekend work. Shift work is, however, stressful especially if the shift is the rotating type. Higher productivity is recorded by managers during the day shift than during the night section. Since 1982, night shifts in Nigeria have become uneconomical and less attractive because most plants operated at less than their installed capacity and also due to increased rates of accidents.

5.3.2 Overtime Working

Over time work in the private sector and the service sub-sector of the public service has been on the increase from the period of recession. This suggests that workers are willing to supply more hours of work to augment their income situation. Relatively, higher-status workers who are precluded from overtime payment engage in some other jobs (moonlighting) to enhance their finances. Overtime work is, however, discouraged by the incidence of tax on income earned in the process. to most employers, overtime work is the cheaper means of meeting a sudden increase in the demand for labour. Job performance may, however, decline because of employee fatigue.

5.3.3 Part-Time Work

Part-time workers are cheaper than full-time ones. However, the increased cost of requisite training and the limited applicability in most jobs make it less attractive to employers, why the absence of promotion opportunities serves to discourage its performance among employees. Also, part-time work may be enabled by the widespread unemployment in Nigeria.

5.3.4 Regular Schedules

This accounts for the largest number of employees in Nigeria. the regular working period is 8. 00a.m to 4. 00p.m in the most, with a one-hour break period. A modification of this schedule is being considered in Northern areas where harmattan makes early morning visibility poor. the work period is, therefore, ad-hoc fixed for 9 a.m. to 5 p.m. Regular schedules allow for standardisation, predictability and ease of administration, it can be applied consistently to all employees. the greatest disadvantage is that it fails to meet the needs of all employees. in service organisations, it is not always consistent with the preferences of customers.

5.3.5 Compressed Work Week

Some employees often wish for shorter working weeks. the working days are thus, extended behind the standard eight hours so that the employees need to work only three to four days a week to fulfil their weekly 40-hour obligations. This practice leads to increased leisure activities (longer weekends), avoidance of peak travel periods, and savings on the overhead costs of the organisation. the disadvantages are: fatigue, caused by elongating working days; loss of business by having a closed day without work when clients would expect service; and premium (overtime) payment may be demanded to compensate for the longer working hours.

Unlike in the USA, a shorter working week is less attractive in Nigeria. A survey revealed very support for the four days a week in Nigeria. the lack of enthusiasm for a compressed workweek appears to be prevalent among the female workforce. the longer hours will likely interfere, to a greater extent, with domestic routine and responsibilities. It also seems possible that when weighing the corresponding benefits, the prospect of a longer weekend is less attractive to the working woman, with her domestic responsibilities than it is to other sections of the working population.

5.8 Flex Time Working

In broad terms, flex time is a work arrangement that gives the employees freedom from the rigid constraint of fixed starting and stopping times, deciding for themselves what hours they will work provided the contractual obligations in terms of hours worked over set periods are fulfilled. the working day is not rigidly controlled, and this gives workers daily choices in the timing of work

and non-working activities. the working day is made up of flexible time when an individual worker has freedom of choice and core time when the employee must be at work.

The actual number of hours worked is constrained by the contractual hour. in a regular schedule, this is simply the number of hours in a working day multiplied by the number of working days in a week. the choice of the period over which contractual obligations have to be met is therefore very crucial if the organisation is to function efficiently and at the same time, individual employees are to get a really meaningful measure of flexibility. the time is the settlement period which can be from one day upwards. the longer the settlement period, the greater the degrees of flexibility available to the workforce. in deciding the length of the settlement period, the following factors are usually considered: the policy of carrying over credits to the next settlement period; whether employees will have to take time off for the credit they have acquired during the flexible hours of the day only, or whether it will be possible to take days or half days in lie.

The length of the settlement period will depend on factors such as the nature of the business, the degree of flexibility deemed to be desirable and the feelings of the workforce. But to provide anything more than adjusted timing of the working day, it is necessary to have a settlement period of at least a week.

A system of recording the number of hours worked must be avoided. the sophistication of the system adopted will vary with the size and complexity of the organisation adopting it. the method available ranges from manual records to a complete computerised system.

Where practised, flex time brings the following advantages to employees: the opportunity to choose hours of work to suit the constraint imposed by one's lifestyle; avoidance of rush hour; and simultaneously engaging in other economic activities. in Nigeria, government employees willing to have a private business even after work hours must resign before anything else because there is a law against having a part-time job while working as a government employee.

Flex time allows employees to fulfil domestic and health exigencies arising from family, religious affiliation, social groups etc without any loss of man-hours to their organisations, extra hours can also be earned as a result of doing flexible hours of work. the demerit is the complication of pooled transport arrangement; and reduced opportunities for time working.

To the employer, goodwill is fostered by more congenial working conditions; turnover is reduced, and selection errors are possibly diminished. Problems of timekeeping can be eliminated; unplanned over-time is reduced, and morale and productivity improved. These often lead to employees' motivation (Curson, 1980, Kolbart, 1979) although it does not do so on all occasions (Kim and Camp 1980).

The demerit to employers is that it forces the supervisor to do more planning supervision. Communication between different employees can be made difficult, and more record-keeping might be required. Overhead costs, such as lighting and conditioning are also likely to increase. External callers may also have difficulty in contacting individuals during the flexible period.

These factors (merit and demerit) tend to explain the working arrangements an employer adopts in Nigeria. These factors can also shape the rate of adoption of the working arrangements (Fajana, 1991). the consensus option among employees in the academy setting is that more is achieved under flex time.

The differential rate of adoption noted among different industries is to be expected. This is because the practices have differential suitability to various enterprises. in general, the low adoption rate of flex-time among management of industries in Nigeria can be explained by the following: (1) the perception among workers of the relative advantage of flex-time over the work arrangement it is to replace; (2) the rather low knowledge compatibility of worker to flex-time technology; (3) slow adjustment of workers and management to the complexity of flex-time; and (4) the cost of experimenting with change from old work arrangement to the new one.

However, in the near future, it is hoped that the relative advantage in rival practices might be perceived much more positively. Its compatibility with the culture and stage of development of the nation will be much appreciated and the size influence of current adopters might be enhanced.

Conclusion

When employers create jobs, several working arrangements are usually made available. These are overtime working, shift working, regular schedule, compressed work week and a variety of recently emerging flexible working arrangements. There are pros and cons for each of these alternatives, although it seems apparent, that flexible working hour offers a more comprehensive

solution to the problems of working and commuting in the Nigerian environment. These findings (Fajana, 1991), probably have some relevance to the situation in other countries at a similar stage of development. Thus, the international (comparative) study of flexible work patterns will be of immense social and business policy relevance to all nations.

Case Study

A part-time job is a form of employment that carries fewer hours per week than a full-time job. Workers are considered to be in a part-time job if they work fewer than 30 hours per week. In view of this, Mr. Adeboyega who is married with 4 children is an employee of a government establishment on a salary of N60,000 per month. He still has both parents and two of his siblings depending on him. Also, considering the inflation rate in the country which is caused by the deregulation of the oil sector, he decided to get another job on a part-time basis to be able to cover his expenses. Therefore, immediately he leaves the government office by 4.00 p.m. he is on his way to another job i.e., coaching students for WAEC from 4.00 p.m. to 6 p.m. and on weekends he is at Lagos State Polytechnic Isolo, as a part-time lecturer in the General Studies Department. This points to the fact that because of the economic situation of the Nigerian economy, most workers are into moonlighting.

Discuss the merits and demerits of moonlighting by Mr Adeboyega.

Revision Questions

Multiple Choice Questions

1. Multiple job holding can also be known as
 - a. compressed work
 - b. moonlighting
 - c. casual work
 - d. shifting work
2. A work arrangement that gives employees freedom from the rigid constraint of fixed starting and stopping times is called working.
 - a. flex time
 - b. compressed
 - c. part-time
 - d. shifting
3. The working arrangement of shorter work weeks is referred to as
 - a. overtime working
 - b. part-time work
 - c. compressed work week
 - d. regular schedules
4. When workers are willing to supply more hours in order to augment their income situation this can lead to working
 - a. flex time
 - b. regular schedule
 - c. over time
 - d. shifting
5. Most employers seeworking as the cheaper means of meeting a sudden increase in the demand for labour
 - a. Compressed
 - b. regular schedule
 - c. shifting
 - d. part-time

6. For which of the following reasons will a person prefer shifting work?
 - a. More effective use of plant and equipment
 - b. Satisfaction and performance can impair
 - c. Job performance may decline because of employee fatigue
 - d. None of the options
7. A work pattern that fails to meet the needs of all employees in terms of working hours can be
 - a. a regular schedule
 - b. compressed
 - c. part-time
 - d. shifting
8. The work pattern that allows employees to fulfil domestic and health exigencies arising from family, religious affiliation and social groups without any loss of man-hours to their organisations is
 - a. Compressed
 - b. flex time
 - c. shifting
 - d. part-time
9. One of the disadvantages of work pattern is fatigue, caused by elongating working day
 - a. a regular schedule
 - b. compressed
 - c. part-time
 - d. shifting
10. The work pattern that workers can use to augment their income situation is
 - a. regular schedule
 - b. compressed
 - c. part-time
 - d. over time

Theory Questions

1. What work arrangement would you suggest for a company that does not have a staff bus and its staff experiences traffic logjam? Give reasons for your answer.
2. Explain why you would choose flex time as a working arrangement.
3. Discuss the various working arrangements you know and suggest a suitable one for the Nigerian environment.

Answer (MCQs)

- | | |
|------|-------|
| 1. B | 6. A |
| 2. A | 7. A |
| 3. C | 8. B |
| 4. C | 9. B |
| 5. D | 10. D |

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CHAPTER SIX

INTERNAL LABOUR MARKETS

6.0 Learning Objectives

Students should be able to comprehend the following objectives:

- i. Define and describe the concept of internal labour markets (ILMs)
- ii. Understand the various characteristics of the internal labour market
- iii. Explain the processes and procedures of ILM
- iv. Explain the synergy between internal labour markets and trade unions
- v. Analyse the pros and cons of the internal labour market, and
- vi. Explain the efficiency of internal labour markets

6.1 Introduction

The internal labour market has become increasingly important to understand social boundaries in organisations. The classical assumptions that workers are free to easily change jobs and maximise their potential earnings are largely incorrect. Information, opportunities, rewards, and mobility are differentially structured and shaped by various occupational, industry, and organisational arrangements. An internal labour market is an administrative unit, such as a manufacturing plant, within which the pricing and allocation of labour are governed by a set of administrative rules and procedures. Usually, there is a hierarchical structuring of jobs with entry-level ones at the bottom connected to external labour markets. ILM is largely determined by the specificity of the jobs. If the work requires specialised skills that are not easily transferrable to other workers, organisations can help reduce the external flow of specialised labour by creating internal hierarchies that allow career advancement and increased earnings and incentives.

Therefore, labour market context inevitably shapes the approach a firm takes to Human Resources Management (HRM) and is one of the key factors in determining an organisation's '*degrees of freedom*' in HR strategic formation (Boxall and Purcell, 2003). In particular, the extent to which the demand for labour, both in absolute numbers and in the availability of particular skills, knowledge and expertise, can be met by the available supply is a key constraint on the range of choices that an organisation has when determining an appropriate HR strategy. Over recent years,

a range of developments in the economic, political, technological and social spheres have significantly altered the composition of the labour supply and the types of labour required by contemporary firms. Subsequently, an understanding of the labour market context of work organisations is essential to appreciate the challenges faced by HRM in the twenty-first century. With this in mind, it takes a relatively broad perspective on the notion of labour markets and discusses a range of developments that are taking place inside and outside of organisations that impact both how organisations engage and utilise labour and how individuals experience work and employment, most especially with the increasingly flexible ways in which organisations employ workers and the implications of flexible working for employees. As HR practitioners, we need to understand the role of HRM in contemporary organisations and how it can provide the strategic means to enable firms to cope with uncertainty and add value to business processes.

6.2 What Is an Internal Labour Market (ILM)?

Internal labour markets (ILMs) can be defined as managerial units in very big but characteristically, monopolistic firms through which labour pricing and allocative decisions are made via a lay down of administrative rules and procedures (HR policies, practices and procedures) in contrast to the external labour market, where such decisions are controlled directly by economic variables. It can also be described as the system by which a company looks inside its organisation to find a suitable person for a senior job, instead of giving the job to someone from outside the company. Simply put, the *internal labour market* refers to that which exists within a single organisation and represents its internal supply or stock of labour.

In its broadest sense, the internal labour market is the mechanism by which existing employees are attributed to particular roles within a firm. Typically, there is a hierarchical structuring of jobs with entry-level ones at the bottom connected to external labour markets. Traditionally, Japanese companies have relied heavily on internal labour markets. the internal labour market construct is also one of the most useful ways for scholars to understand trends in employment practices because internal labour markets continue to be a very relevant characteristic of modern employment practices.

What factors lead to the creation of internal labour markets? It is largely determined by the specificity of the jobs. If the work requires specialised skills that are not easily transferable to other

workers, organisations can help reduce the external flow of specialised labour by creating internal hierarchies that allow a career with advancement and increased earnings and incentives. These internal labour markets usually have a higher level of trust and perceived investments by the company and workers. Marxist theorists argue that internal labour markets represent a flexible means of increased social control of labour through job categories, rules, promotion procedures, etc. Hierarchies also segregate workers into a status orientation that makes them more passive and less likely to organisation against management.

Though all organisations have internal labour markets of some description, the ‘classical model’ of internal labour markets (Grimshaw et al., 2008) is typically associated with a very structured approach to managing the workforce. This includes limiting access to the labour markets from outside the firm (often restricted to specific entry points, generally at lower levels) and recruiting to more senior jobs by internal promotion or transfer, often accompanied by in-house training. Such internal structures are notable characteristics of larger organisations which benefit from employee retention and promote the long service of employees both by providing internal opportunities for career advancement and by reducing their ability to move to another firm (for example, through limiting the development of transferable skills in favour of those related to firm-specific technologies and processes). When understood in this specific sense, it is apparent that many firms do not operate a ‘strong’ internal labour market, especially in the extent to which they offer employees the opportunity to develop careers. In such organisations, there are limited prospects for career progression, labour turnover is considered unproblematic or unavoidable, little emphasis is placed on learning and development and the focus is on the external labour market as the principal source of workers, skills and expertise. Alternatively, some organisations will have a strong internal labour market for some employees. For example, those that have scarce skills or expertise, but not others. Whilst such an internal labour market is often a characteristic of ‘best practice’ models of HRM as represented by the emphasis on employment security and high levels of investment in training, there is evidence to suggest an erosion of strong internal labour markets as a result of increased global competition and market uncertainty. For example, Grimshaw et al., (2008) report that in a series of case study organisations, recent changes to organisational context associated with economic restructuring have resulted in a dismantling of the traditional labour market as organisations ‘delay’ and ‘downsize’, resulting in a dislocation of workers from traditional career paths and limited access to training and development.

Contextual factors, particularly the types of skills, knowledge and attributes required, also act to shape the 'type' of internal labour markets that exist within a firm. Depending on its characteristics, an internal labour market can fulfil a number of functions for an organisation. For example, in seeking to retain employees the internal labour markets can act as a source of motivation and contribute to a positive psychological contract, through the provision of training and development, career opportunities and good terms and conditions of employment. The operation of the internal labour markets can also be understood as a device for managerial control through a process of stratification, division and the detailed allocation of roles and responsibilities.

6.3 Features of Internal Labour Markets

1. Internal labour markets are likely to be found in organisations where firm-specific skills, knowledge or training is required. This may however impede worker's mobility since their skills may not be useful elsewhere. The reason for this, Pfeffer and Cohen (1984) suggest, is that employees with firm-specific skills as opposed to general skills are more valuable to the organisation, making turnover of such employees costly.
2. ILMs are likely to be found in organisations that experience higher levels of technological change.
3. Internal labour markets are a particular form of control.
4. Pricing, allocating and training decisions are not directly controlled by economic variables. That is, wage determination is not necessarily shaped by forces of demand and supply.
5. On-the-job training, custom (that is, employee expectation of promotion and codified rules) and unionisation. Also, there is firm or match-specific training.
6. Workers in the ILMs always have opportunities to find jobs with other firms, and these external opportunities provide limits below which their rewards cannot fall.
7. Internal labour markets are adaptive organisational responses to a continually changing environment.
8. The internal labour markets usually have a higher level of trust and perceived investment by the company and workers.
9. According to Pfeffer and Cohen (1984), the creation of internal labour markets seems to be also correlated with the creation of personnel departments in companies. Once created,

the human resource professionals in these organisations bring in external norms of hierarchy, careers, promotion rules, etc. that help solidify the internal labour market.

6.3.1 Processes and Procedures

Most companies have several different internal labour markets each of which operates with different procedures and rules. Thus, both the scope and structure of internal labour markets can be expected to vary considerably among industries and occupations.

ILMs are determined by the presence and the content of human capital at the enterprise, its movement inside the enterprise, the reasons for movement, employment level, the degree of equipment utilisation, and the availability of free, recreated and releasing working places. A given functional comparison helps to discover the goal of the division of labour markets and the reasons for internal labour market formation. If the state does not reach the level of organisation in the issues of social sphere regulation, it narrows the scale of state regulation of the labour market greatly because a major part of the economically active population has the status of employed and is concentrated at ILMs of organisations. the absence of such a mechanism does not allow state regulation policies to touch the level of organisations, which leads to the spontaneous development of ILMs. Different internal labour markets that exist within a single firm have been referred to as employment subsystems and these comprise four main types: industrial, salaried, craft and secondary subsystems.

The first of Osterman's (1987) four types of employment subsystems is the *industrial subsystem*. It is usually found in blue-collar manufacturing markets. It is not, however, restricted to blue-collar jobs or even to manufacturing enterprises, although the internal labour market structure in manufacturing is more often than not linked to the establishment. This subsystem can be distinguished by limited entry points, with the main entry point situated at the bottom of the job classification hierarchy. Production jobs are arranged in terms of seniority, with jobs filled by moving up the ladder in line of progression. Entry is responsive to market conditions. Procedures tend to be well-defined, with company values governing job security rules. Training is often provided by the firm or takes the form of short courses (Osterman, 1987). the industrial subsystem applies to managerial staff, including managers entering the organisation as trainees or lower-level supervisors who move up the career ladder.

The *salaried subsystem* is often used to characterise white-collar work, although it is not limited to this kind of work. This model is distinguished by flexible administrative procedures, flexible career paths and job descriptions, personalised remuneration settings and greater commitment to job security. The suggestion of the model is fairly important since it represents the employment patterns of a large number of workers. Like the industrial model, it does pertain to some blue-collar work, and it seems to be the direction in which management would like to move when re-organising work.

Craft or occupational markets can be contrasted with the internal market structures found in manufacturing. There is a tendency to centre the structures on the local union and the craft. 'The union defines the geographical and occupational boundaries.' the rules governing entry are more rigid than those in manufacturing establishments, and craft markets contain skills that can be used in many work situations. They are more responsive to competitive forces than to internal promotion. the craft or occupational system worker tends to be more loyal to the craft or profession than to the firm. Managerial or occupational internal labour markets 'reach across employers, industries, and even geographic areas' (Althauser and Kalleberg, 1981). There are some well-known examples of white-collar jobs, such as lawyers and computer programmers that fit into this model. Care must be taken, however, when identifying occupational internal labour markets. Many lawyers work in corporations solving legal problems, as opposed to becoming partners in law firms, and in this instance are best described by using a firm internal labour market rather than an occupational internal labour market structure. Wholey (1985) states that 'it is incorrect to presume that labour markets associated with professionals are occupational internal labour markets'.

The final subsystem is the *secondary subsystem*. This refers to low-level, low-skilled, poorly paid jobs, with little chance of career progression within or between firms. Employers find this particular subsystem attractive because workers can be used flexibly, and they have relatively little power. These workers are not fully committed and tend to be sporadic.

Therefore, categorising occupational arrangements or employment subsystems helps to improve the understanding of the 'internal labour market structures available for organising work and the considerations that lie behind the choices made.

As a result, firm internal labour markets (FILMS) are integral to the theories of stratification with organisations and human resource management because they are contexts wherein many skills are acquired, mobility and career advancement take place, and higher earnings are often attained. Good jobs and good wages are located in firm internal labour markets. In that, they offer important positive incentives—particularly employment security, the prospect of raised income, and seniority-related fringe benefits. Also, FILMs create strong ties between workers and employers.

6.3.2 Types of Internal Labour Markets

Althauser and Kalleberg (1981) importantly distinguished two types of internal labour markets. The first of these is a firm internal labour market (FILM) and the other is an occupational internal labour market (OILM). Both share the three structural features; however, ‘they operate in distinctive ways that reflect their fundamental difference: FILMs are controlled by employers, whereas OILMs are strongly influenced by the people who hold jobs in the occupation’.

There are other differences between firm internal labour markets and occupational internal labour markets worth noting. That is firm internal labour markets are confined to a single employer, though not necessarily embracing all jobs in a firm, and entry is only at the bottom. ‘A deliberate policy supporting promotion within, coupled with movement up the ladder accompanied with informal training (on-the-job) and education prior to entry is evident’. Although entry is at the bottom, occupational internal labour markets exist for incumbents of one, two or more associated occupations, and are not necessarily confined to a single employer. Whilst movement up the ladders is facilitated by informal training, ‘the progressive development of skill or knowledge usually requires a high degree of externally acquired (and often theoretical and general) knowledge or skill upon entry’. In occupational internal labour markets, senior incumbents influence entry in a variety of ways, including judging the ability of candidates to meet skill and entry requirements, often having a decisive effect on how many applicants obtain jobs (Althauser and Kalleberg, 1981).

To be sure that one is not confusing these two internal labour market types with the external labour market, other defining features of an external or occupational labour market must be considered. These include movement between jobs in the market, job holders having an occupational or market identity, ability to organise themselves in a variety of ways such as licensing, certification, or

registration, seniority rights according to the duration of time in the market often governing jobs, wage levels and increases, and a vulnerability to the development and application of new skills and knowledge because training is typically specialised and non-theoretical. They conclude that their framework goes some way to differentiating internal labour market types from the external labour market.

6.3.3 Aspects for Defining Internal Labour Market

There are also four factors for defining internal labour markets for a set of occupations. These are job classifications and definitions, deployment, job security arrangements and remuneration arrangements. The characteristics of these four factors include most of the choices available to firms in the four types of employment subsystems. In general, firms are not completely free to choose their employment system. However, they can examine the options available to them and choose from them. They are also able to 'enlarge the resources available to make these choices'. Firms have three specific goals concerning their employment systems: cost-effectiveness, flexibility and predictability when designing their employment system so that they are confidently able to rely on a qualified labour supply at foreseeable prices (Osterman, 1987). While each of these goals has different implications for the choices made and while there are conflicting objectives, a firm's ability to choose among the alternative ways of organising is always constrained by the external and internal environments. These constraints include such categories as physical technology, social technology, the nature of the labour force and the role of the government.

6.4 ILMs and Trade Unions

One of the major challenges against the roles of trade unions in Nigeria today is the array of socio-economic policies of the government. The tempo of and the direction of the labour market in any country at any given time is directly affected by the countries' economic policies. In turn, the labour market influences the activities of most industrial relations institutions and practices like working and employment policies and trade union activities. The changes taking place within the labour market in Nigeria for instance are in tandem with globalisation policies and have affected the work environment by altering trade union membership level, trade union organisation and power, relative strengths of the parties engaged in collective bargaining and management policies on recruitment. ILMs literature indicates that trade unions and their role as collective channels for

organised workers is a key factor influencing the formation and development of ILMs. the development of internal labour markets and their origins are part of a historic shift in the principles of employment. Unionisation has been emphasised and it is seen to speed up the formal process and it is where internal labour markets are often derived. the presence of a labour union representing core workers in wage negotiations not only is associated with greater firm-provided training effort, but unions also seem to offset the adverse effects of absent or poorly developed ILMs for all types of workers. Unionised firms are more likely than non-unionised workplaces to provide training to core workers recruited from outside the organisation. Most firms will have some form of ILMs, and they tend to be more highly regulated by rules established either by the employer alone or through negotiation with trade unions. As such, the more extensive an organisation's ILMs, the more likely it is to use formal training programmes as a mechanism for enabling workers to advance to positions of higher prestige, pay and responsibility. ILMs implicitly emphasise the activities of trade unions in encouraging seniority, promotion and pay increases.

However, in recent studies on the proliferation of non-regular employment, the union effects have been treated as one of the determinants shaping employers' pursuit of "de ILM" or the externalisation of employment relations (See Lautsch, 2002). in this respect, some have related the weakening power of labour unions to employers' increasing use of 'external' non-regular labour. It has also been argued that trade unions play a dual role as both motivators and constraints in terms of employers' strategy to use non-regular labour. in view of these, factors such as fluctuation in union wage premium over time; decline in the percentage of the workforce that is in a union; shift in type of jobs from manufacturing to services; shift in jobs across regions; government legislation that improved working conditions (decreased need for unions) and firms fighting harder against formation of unions pose serious challenges to the development of ILMs.

6.5 Advantages and Disadvantages of Internal Labour Markets

6.5.1 Advantages of Internal Labour Markets

- i. Quick methods of identifying job applicants
- ii. Less expensive as it saves the organisation from huge recruitment costs i.e., reduction of transaction costs (costs connected with making deals in external labour markets)

- iii. Enhances strong organisational cultures based on little or no interference/changes in management and level of employee commitment
- iv. Enhanced job security of employees as there is no competition with external candidates. Thus, employees get guarantees of employment and permanent income
- v. Promotes industrial peace and harmonious relationship between worker's unions and management based on the practice of enterprise unionism and paternalism
- vi. Little orientation time is required as the applicants are drawn from within
- vii. The advancement of the workforce inside the enterprise diminishes the costs of employment and selection of the employees and decreases the risk of making mistakes when filling up vacant places due to positive employee reactions to promotions from within.
- viii. Reduction of labour costs as mentioned above is connected with the retraining and education of workers
- ix. Effectiveness of inter-firm investments into specific (qualified) human capital
- x. Possibility of promotion
- xi. The search for a new working place outside the enterprise takes much time and is quite expensive

6.5.2 Disadvantages of Internal Labour Markets

- a. It restricts the organisation from attracting candidates from a large pool because the labour market is small.
- b. Stifles attraction of new ideas, change and competition. This is premised on the fact that no new KSAs (knowledge, skills and abilities) are allowed into the organisation due to overreliance on regulations. Thus, nipping in the bud creativity and making ILM static.
- c. Promotes mediocrity in performance. It encourages poor performance since the job security of workers is ensured even in the event of poor performance.
- d. Employees may require more training time and importantly, delay in training younger ones who may be considered as threats.
- e. May cause resentment, hostility and non-cooperation on the part of the candidates not appointed towards those appointed

- f. This creates another vacancy which needs to be filled

6.6 Efficiency of Internal Labour Markets

The efficiency aspect of ILMs was first explicitly stressed in the seventies. The central importance of the efficiency of ILM has not been perceived by ILM theorists. Failure to address this issue adequately has prevented ILM theory from distinguishing an efficient ILM from an inefficient ILM.

That is, it is believed that ILMs improve workers' security which has automatic adverse effects on work incentives, thereby offsetting an instrumental advantage of ILM. This is premised on the fact that workers' incentives in internal and competitive labour markets differ fundamentally requiring different analytical tools. Though it is easier to observe events in the ELM, most decisions in the labour markets are within firms. Effective motivation in ILMs is positive, long-run, and influenced by worker preferences, and may result in higher work effort than in competitive markets. The implications may be significant since ILMs may be more likely in developing economies such as ours.

Note that the central importance of this issue has not been perceived by internal labour market theorists. Failure to address the issue adequately has prevented internal labour market theory from distinguishing an efficient from an inefficient internal labour market. To refute the assumption of an automatic trade-off requires an examination of the relevance of some underlying economic parameters in the analysis of worker motivation. Worker incentives in internal and competitive labour markets differ fundamentally, requiring different analytical tools. Effective motivation in internal labour markets is positive, long-run, and influenced by worker preferences, and may result in higher work effort than found in competitive markets.

The internal labour market's efficiency benefits have raised discussions about and adduced reasons why Japanese organisations are outperforming their American counterpart and personnel management as factors that prompted and reflected the replacement of a market-oriented, arbitrary and impermanent employment system by one that was more bureaucratic, rule-bound and secure. Internalised arrangements also helped to curb the uncertainties of the external labour market. In a sense, the new work rules promoted and developed the internal labour markets where employee loyalty and adequate performance were exchanged for security and predictable improvements.

Porter (1990) in the *Competitive Advantage of Nations*, further supports the internal labour market structures in firms by stating that competitive advantage is achieved through people. He argues that firms need to seek out pressures and challenges to foster innovation. One of the important ways of doing this, he says, is to treat employees as permanent. This, he believes, helps to 'upgrade and sustain competitive advantage'. the implication is that new employees need to be hired with caution so that continuous improvements are made to productivity, rather than simply adding workers from the external labour market. 'Training is to be an ongoing basis to support more sophisticated competitive advantages and permanent skilled employees are to be transferred or redeployed rather than laid off.'

Conclusion

The internal labour market is taken to be the market existing within the organisation. Employees are recruited only at the entry port. It has the advantages of security of tenure, recognition and retention. the challenges also include breeding fear of training junior ones, complacency and others. It may be necessary to combine both Internal and external labour markets for organisational efficiency.

Case Study

Ajayi and Ochuko attended the same primary school after which both went on their ways. After two decades both were employed in the same organisation. Ajayi was a supervisor while Ochuko was employed as Security-man which means Ajayi a Production Supervisor was ahead of Ochuko. After five years, there was an internal advertisement for their employment which both candidates responded to, Ajayi could not be appointed as Production Manager but was rather promoted to Assistant Manager Production while Ochuko was able to take the position he sought as System Manager because he made first class in System Engineering from a reputable university but unknown to many people within the organisation he is an humble person.

With your knowledge of ILM, how do you describe and justify Ochuko's movement from being a security man to a System Manager

Revision Questions

Multiple Choice Questions (MCQs)

1. Which of the following is **not** an advantage of internal labour markets?
 - a. Enhance strong organisational culture
 - b. Provides a large pool of applicants
 - c. Less expensive
 - d. Quick methods of identifying job applicants
2. The method by which existing employees fill the vacancies in a firm is
 - a. external labour market
 - b. employment
 - c. internal labour market
 - d. labour market
3. When the supply of labour is not from within the organisation, it is referred to as
 - a. external labour market
 - b. employment
 - c. internal labour market
 - d. residual market
4. Which of the following is **not** a demerit of internal labour markets
 - a. trainer sometimes feels reluctant because they see them as a threat to their employment
 - b. encouragement of poor performance of workers
 - c. helps to bring organisational culture
 - d. possibility of organisational policies
5. The internal labour market strongly influenced by the people who hold jobs in the profession is known as internal labour market
 - a. Technical
 - b. Firm
 - c. on-the -job
 - d. occupation

6. Which among the following is **not** a characteristic of internal labour markets?
 - a. Monopolistic nature
 - b. Continuous training & education
 - c. Adaptive organisational responses to a continually changing environment.
 - d. Job is filled with promotion and transfer
7. Which of the following is among firm-specific goals concerning their employment systems?
 - a. Cost-effectiveness
 - b. Flexibility
 - c. Predictability
 - d. All of the options
8. The operation of can act as a device for managerial control through a process of stratification, division and the detailed allocation of roles and responsibilities.
 - a. external labour market
 - b. internal labour market
 - c. labour market
 - d. formal market
9. Different internal labour markets that exist within a single firm have been referred to as employment subsystems, which of the following is **not** a subsystem?
 - a. Industrial
 - b. Primary
 - c. Secondary
 - d. Salaried

Theory Questions

1. In the face of a global financial crisis, would workers and trade unions continue to accept ILM strategies?
2. Critically examine the ILMs and their features. How do they differ from ELMs?
3. Discuss the advantages and disadvantages that internal labour markets offer firms with reference to employers and employees.

4. Considering the Nigerian labour market, to what extent would you say the ILMs are efficient?
5. Trade unions are both motivators and constraints to the development and functioning of ILMs. Discuss
6. What are the basic features of an internal labour market? What are the implications of this for wage levels and employment?

Answer (MCQs)

- | | |
|------|------|
| 1. B | 6. D |
| 2. C | 7. D |
| 3. A | 8. B |
| 4. C | 9. B |
| 5. D | |

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Recommended for Further Reading

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CHAPTER SEVEN

SOCIAL AND MACRO-ECONOMIC PROCESSES

7.0 Learning Objectives

The main objectives of this chapter are as follows:

- i. To study in detail, the various social sectors in the economy
- ii. Explain the components of the informal sector of the Nigerian labour market
- iii. Critically examining the observed characteristics and dynamics of the Nigerian informal sector
- iv. Explain the constraints on the growth of the informal sectors in Nigeria
- v. To offer practicable solutions to the challenges of the development of the informal sector in Nigeria.

7.1 Introduction

Generally, labour markets around the world and in particular developing countries are believed to comprise two major segments. These are sometimes identified as urban and rural; formal and informal; traditional and modern and regular and irregular sectors. This chapter focuses on the distinctions in the foregoing social features and explains in detail the significance of the distinction for employment generation capacity of the informal sector, especially against the backdrop of an emerging idea that the informal sector probably creates a sponge effect between the formal and informal sectors so far as employment could be affected.

7.2 Ideational and Empirical Identification of Sectors

7.2.1 The Formal Sector

The formal sector consists of the businesses, enterprises and economic activities that are monitored, protected and taxed by the government. Formal activities are characterised by regular employment of a full-time nature and entry is through employment tests and various other recruitment procedures. This is in contrast with the informal sector where free entry and exit are facilitated by the family and friend bases of such activities. the formal sector is of two sub-segments which are the core and the periphery. the core is characterised by the dominion of multi-

national companies, capital intensity, high labour productivity, the existence of trade unions, and the tendency for workers to stay longer on the job i.e., a low turnover rate. For the periphery of the formal sector, there are self-employed contractors, moonlighters and those who prefer flexible employment (part-timers). Moonlighting refers to multiple job-holding; the practice of holding more than one job simultaneously. At this point in the labour market, working hours are variable, opportunities for moonlighting are uncertain, and consequently, incomes are uncertain, being determined by the dictates of the task and contextual environments.

7.2.2 The Informal Sector

The original use of the term 'informal sector' is attributed to the economic development model put forward by Arthur Lewis, used to describe employment or livelihood generation primarily within the developing world. It was used to describe a type of employment that was viewed as falling outside of the modern industrial sector. Originally, the term referred to self-employed small enterprises like street vending, sewing, artisan and small farming. It now also includes wage-earning jobs like crop-harvesting, cleaning and any other unprotected occupation.

Moreover, the traditional informal sector is defined crudely to include those labour-intensive, oftentimes, self-employment economic activities which exist side by side with or partly dependent on the modern sector of the urban labour market. It is usually practised on a family basis and relies on raw materials from local sources. The modern category of the informal activities may however import raw materials from abroad and engage in local competition with the modern formal sector of the urban labour market.

The informal sector is usually regarded as the residual labour market where labour is highly heterogeneous, and sources of income are not largely wage dependent. Working time is discretionary and some jobs are not paid at all. For instance, employment is based on the family system. The sector is not necessarily capital-intensive. Activities are largely on a small scale. In family enterprises roles are ascribed based on relations to the head. Job structures are vertically integrated. Skills are acquired on the job inter-generationally. That is, skills are passed on from one generation to another.

The activities are sometimes risky. The demand for output is uncertain. They are at times located or situated in little shacks of wood where food and drinks are sold. For example, shoemakers,

tailors, mechanics, etc. are prominent features/compositions in this sector. There is also low-income elasticity of demand for products of this sector i.e., the products are oftentimes giffen or inferior goods. Investments are small and insignificant. It often serves as an escape valve for desperate job seekers who have not succeeded in getting a job in the formal sector. Labour productivity is low, and workers are engaged in multiple activities.

7.2.3 The Irregular Sector or the Periphery of the Labour Market

The periphery labour market sector is characterised by legitimate but low-status fringe activities and may sometimes include informal activities, e.g., gardening, car washing, leaf raking, hawking etc. the sector also accommodates the openly unemployed persons and those who visit the informal sector occasionally. Incomes are trifling and uncertain. This particular sector is capable of generating or developing traits in the participants that are inimical to employment. the activities are unstructured and largely non-productive. Karl Marx described this segment as the haven (hiding place) for criminals, paupers, partially unemployed, aged, orphans, the demoralised, and ragged, and the victims of industry.

7.2.4 The Empirical Identification of the Informal Sector

The dual labour market hypothesis assumes the existence of two major segments of the labour market i.e., the formal and the informal sector. Unfortunately, the characteristics often attributed to the informal sector as listed above are usually not satisfied by empirical surveys. Certain studies have been concerned with how the new migrants who did not have jobs in the modern sector managed to survive in the urban areas. Considering the existence of activities which were termed informal, it was concluded that the answer to this question had been found. the informal sector was thus seen as a particular place to which the new migrants were attracted, and this became a sort of definition of the sector.

Definitional confusion resulted as researchers adopted various descriptions of the nature of the sector. Some of the adopted labels are non-structural sector, non-organised, informal, transitional, and traditional. Notwithstanding the parade of numerous labels, the sector's identification has been attempted variously. for instance, the ILO mission to Kenya for example identified them as activities that:

- i. are easy to enter
- ii. are financed mainly from personal and family savings
- iii. require low starting capital
- iv. use labour-intensive techniques and rely on the non-formal skill system such as apprenticeship and on-the-job training

However, these features always pose problems for the identification of the sector. the sector has been considered a by-product of urban modern activities. But prior to urbanisation were there no such activities as those of the informal sector? Do all the migrants move to the cities without any skills? to what extent can one argue that the sector is only a by-product of the operations of the modern sector or a creation of the urbanisation process? the difficulty in answering these questions reflects the fact that most of the studies overlooked the origin of the sector and failed to explore its historical background in terms of objectives, social organisation and structure.

The concept of the informal sector is largely an urban phenomenon which may be understood as being the result of the movement of artisans from the rural area to the urban areas, but it is also a response of the people from rural areas without skills, to obtain skills to survive in the urban economic environment. Moreover, people who already have jobs move from the modern sector to the informal sector but their decision to move is due to a completely different factor. Thus, there is a need for a reformulation of objectives and means for migration. the informal sector in its formulation around the middle 1980s, consists of three responses to the malfunctioning of the labour market.

1. The informal sector as traditional activities resulting from the migration of rural artisans to the towns: the objectives of doing this are:
 - a. self-consumption,
 - b. subsistence and
 - c. improvement in living standards if possible.

The methods or means of achieving these objectives are:

- i. the use of traditional skills
- ii. family labour and capital and

- iii. social organisations such as town unions making capital and credits available to individual participants in the informal sector of the urban market.
- 2. The informal sector as a typical urban activity in reaction to the failure of the modern sector to provide employment and skills. the objectives of this category of migrants are to:
 - a. help or serve as an alternative to the acquisition of skills,
 - b. obtain subsistence or survival, and
 - c. make profits and accumulate surpluses.

The means of achieving the objectives are:

- i. the deployment of skills of the participants,
- ii. the use of family labour and finances,
- iii. social organisations, and
- iv. information generated by the market.
- 3. The informal sector as urban small-scale enterprises. the objectives of those who desire entry into small businesses are:
 - a. to pride themselves in owning their businesses
 - b. accumulate profit and capital
 - c. to avoid taxes, high charges and competition, and to provide similar goods of varying quality and prices.

The means of achieving these are:

- i. skills acquired from the formal sector
- ii. opportunities generated by the market and diffused to the participants
- iii. savings in banks and indirect assistance from the formal sector e.g., by taking goods on credit.
- iv. family capital and labour.

7.3 The Informal Sector of the Nigerian Labour Market

The informal sector otherwise known as the ‘background economy’ or the ‘unorganised sector’ is increasingly being adopted to explain the survival of the poor in the margins of modern economies. It has also helped in analysing the activities that absorb the waves of rural migration into cities

given the low industrial labour growth in the modern sector. the informal sector in Nigeria as in other countries of the world has long been in existence, prominent attention has been given to the activities therein for more than three decades. in fact, the informal sector existed in Nigeria long before the advent of colonial rule. However, informal sector activities are common in both developed and developing nations. They invariably exist side by side with the modern sector of any economy.

Fapohunda has explained the dualistic nature common to developing economies in which there is an aspect of the economy where production methods, consumption patterns, business organisation, level of personal sophisticate the relationship with the various units of the economy, etc. are formal and legal in the Western sense, foreign to the people, and compares very well with that of industrialised European countries. in the analysis by Bankole Oni (1994), he identified two sides of the argument bordering on the capacity of the informal sector to employ the jobless. the first argument which is traceable to the International Labour Office is the “sponge hypothesis” of the informal sector. According to this view, the capacity of the sector for the absorption of labour is unlimited given the required enabling environment. It is also believed that this sector will continue to exist for a long time and will serve as a sponge for the absorption of those who are moving from the formal sector (voluntary or otherwise) and new entrants into the labour markets as well.

This line of thought should also be considered carefully because what is obtainable in Nigeria, for instance, is that despite trade liberalisation or stringent economic readjustment informal sector in Nigeria has served very well in absorbing unemployed people whether from the formal sector or in the case of new entrants. Perhaps the critical point is that entry may be easy, but survival may be difficult in the informal sector. Therefore, with a clear policy to remove all institutional bottlenecks to enhance adequate recognition, proper funding, legal backing, proper accounting, and formal integration into the mainstream of the macro-economy, the informal sector is poised to thrive.

The setting so far seems to place the informal sector as an urban affair. the informal sector at best also exists in rural societies/communities. There are so many activities also classified as informal such as well or grave diggers, beggars, farm weeders and so on. This classification may to some degree exclude certain skills picked up out of the formal school or apprenticeship training. What obtains is that those who have acquired some educational qualifications and skills migrate to the

towns and cities in search of white-collar jobs in the modern/urban sector. But as the reality of the unemployment situation became apparent, the realistic option is for such people to go back to the villages or rural areas from where they migrated.

At every corner of the urban cities, millions of such people described above are found labouring every day, from dawn to dusk, making furniture, welding motor parts, repairing motor vehicles and motorcycles, selling apparel, manufactured goods, hawking cigarettes, sweets and foodstuffs such as biscuits, cakes, roasted and boiled corn, drinks, iced water, pure water, soft drinks and so on. They live under bridges, in abandoned houses or sites, in overcrowded houses or shanties with poor ventilation and at times without water and electricity. Many of them sleep where they work, and all appear to be one way or the other contributing to the economic growth of the area where they operate. It is observed that though the Federal Government seems to recognise the activities in this sector, the sector still benefits very little from the billions of naira invested in the economic development of the country.

The concept of the informal sector hides some categorical peculiarities. Some of the actors taking part in the activities of the sector may be casual workers, part-time or seasonal workers in which case, what they have is their labour power or the skills that were acquired possibly outside formal education. These skills are either inborn talents or they are picked up during apprenticeship periods and are traded for a minimum amount of payment or reward in return for the maximum labour invested.

A major development in the sector which ought not to be overlooked is the occupation/position of family heads, other household workers, their incomes and whether they take the jobs as primary or secondary.

A broad classification would reveal the following positions:

1. There are some employers with at least one regular employee whose salary is lower than the legal minimum wage stipulation. Examples are household workers like maids, gardeners, gate and security men.
2. There are also workers from the formal sector who occupy important positions in some informal sector businesses. They take these as part-time jobs and carry out the jobs off their

official working hours while they retain formal sector jobs full-time (Fajana, 1989). Examples are doctors, pharmacists, surveyors, lecturers and technicians etc.

3. Another category is the informal workers who are self-employed and have unpaid family labour retained, sometimes perpetually as apprentices.
4. There are other circumstances where the head of the family works in the informal sector, others (family members) also take jobs therein by joining the head of the family. Some take up the jobs due to a lack of appropriate educational qualifications or cannot secure jobs in the formal sector.
5. Some informal sector experts are sometimes employed by the formal sector either on a contractual basis or part-time basis, this group includes typewriter repairers, electrical technicians, pest controllers and fumigators, rug/carpet and curtain cleaners, caterers and so on.

Lastly, formal education which was used as leverage to catapult many poor families into the formal sector jobs has met with hard obstacles. Despite its expansion and the government's huge expenditure, the informal sector is too slow to absorb a large quantum of labour. In other words, the supply of labour has overshoot the demand for it. The rest is the bloated figure of the unemployed in the country. Unfortunately, a great portion of them are without the necessary skills. To compound the problem is the emergence of professional regulatory bodies such as the Accountants, Surveyors, Lawyers, Doctors, Personnel Managers and many others. These professional associations make entry difficult after years of formal education. All these frustrate such entrants and force job seekers to look elsewhere. The labour market that is immediately available is then the informal sector of the economy.

7.4 Observed Characteristics and Dynamics of the Nigerian Informal Sector

The informal sector in the Nigerian economy is characterised by the following under-listed factors.

1. The Size of the Sector

The casual estimates of the labour force in this sector put its relative size of this sector at 60% in urban areas. In Lagos, the size is put at 50%. The size in the rural areas is put at 80% of the total labour force. This size explains the importance of the informal sector in drawing out development plans. On the whole, the labour force is said to be dominant in the retail and service sectors. The

majority are found in retail trading, repairing, rendering, tailoring, bathing, hairdressing and agents. the construction and building sector also maintain large seasonal workers.

2. Ease/Freedom of Entry and Exit

Entry into the informal sector is easier compared to the modern sector. Despite the challenge of getting credit facilities, entry into the informal sector has increased tremendously. It is common to see new entrants acquiring new skills and a little capital from friends, family or windfall income see the road to activities in the informal sector wide open. the non-existence of trade unions in the sector removes the obstacle that could have prevented entry. Entry into this sector is accounted for largely by the minimal capital cost of operation. A business in the informal sector requires a minimum of one thousand naira as capital. Examples are plumbers, shoe repairing, mobile tailors etc. the survival of any business depends on patronage. Businesses thrive in the informal sector because of the availability of a ready market for their output and skills. the high demand for their products (due to the prevailing inflationary trend) induces more people to venture into the sector.

3. Literacy Level

The majority of the participants in the informal sector are primary school holders while some do not have education at all. Because of this, some find it difficult to understand cooperative society statements and government information bulletins or brochures. the majority cannot complete business forms and applications. They rely on educated friends and relations to handle such matters. Phones, telexes, and calculators to some of them are intractable riddles and luxuries. Yet these are important aids to successful business operations. in the rural areas, the situation is worse as most of them have no formal education at all. Some have never visited school premises except on important/ceremonial occasions where they have to join others in the celebration. This has been the major obstacle to entering the formal sector in the rural areas. Hence, they have no option but to resort to down-to-earth informal jobs like grave digging, grass cutting and subsistence farming.

4. The Level of Skills/Education

As a corollary to the point about literacy number and level, skill inadequacy is an important characteristic of the informal sector. Yet, entry into the informal sector depends on acquired skills. the ILO survey showed that the informal sector has grown through the informal education system.

Informal education begins at a young age outside school hours. Nearly every artisan is watched by youngsters who closely observe his chosen craft. In due course, some of these youngsters graduate to become skilled assistants often on a part-time basis. A few who could afford to pay the required fees become true apprentices, but many more who could not afford the fees become poorly paid assistants. Eventually, the survivors become fully paid employees and they have access to the necessary capital, later they set up their enterprises. It must be noted that the informal sector also trains or generates its manpower. A lot of workers in the sector also undergo training in the sector and are sometimes preferred over those trained outside the system.

5. Low Wages/Remuneration

In the informal sector, wages are far below the legal wage structure of the country. The work remuneration goes to apprentices and journeymen. It must, however, be mentioned that low salaries/wages apply only to employees and not to employers. Most employers in the sector go home with the entire profits leaving little amount for the employees' wages and welfare. This development is what Karl Marx in his "theory of surplus value labour profits" describes as exploitation. There are only a few cases where the employee through shrewd and wise manipulation gets more than his employer. Examples that readily come to mind are businesses that involve daily returns e.g., taxi drivers and conductors or agents. The following reasons account for the persistently low wage structure in the sector:

- a. The dynamic increase in the size of the labour force indicates that the country has surplus labour. This development gives the employees a weak bargaining position to request higher pay. Most employers prefer to hire and sack, rather than train and retrain workers. The reason is to avoid threats and eventual takeover of the enterprise by workers. Workers and apprentices are thus unable to achieve substantial wage increases.
- b. The high growth rate of the Nigerian population gives rise to an increased labour force, which in effect is wage depressive.
- c. The slow rate of expansion of the formal sector and the inability to absorb its anticipated labour force at a fast rate, with the effect that many informal sector workers accept wages below the legal minimum levies.
- d. The low productivity technology in the sector which does not allow for large turnout or output. This in turn cannot allow for high wages. The subsistence wage prevalent in the

sector is a major obstacle to the development of individual capacities. on the other hand, it serves to forestall and ensure the welfare of the owner – the “petty bourgeoisie”.

6. The Size of the Informal Sector

Most firms in the sector employ fewer than 10 workers. However, the number of employees differs depending on the type of establishment. Jobs requiring special skills like shoe mending and goldsmith are necessarily small-scale. Retail trading requires just the owner and sometimes one extra person to stand in during meal periods or to run certain errands for him during peak sales. Construction or building enterprises sometimes employ more but these are temporary or seasonal workers. the basic factor responsible for “low labour employment” is the scale of operation.

7. Low Capital Input

The low capital input predominant in the informal sector probably limits the capacity of the sector to grow and expand. This perhaps is due to the scarcity of capital in Nigeria. Besides, the informal sector uses relatively labour-intensive methods of production. A study by the ILO has shown that the sector employs only a fraction of the capital used in the formal sector establishment to create jobs.

8. Life span of the enterprises

Businesses that spring up in the informal sector are characterised by the capital and skills of the owner. Thus, in some cases, the demise of the owner pronounces instantly the closure of the enterprise. on a few occasions, the business continues because of the interest of a member of the family to sustain it. Apart from this, most businesses collapse in the sector on account of the inability of the owner to react to changes or new developments in demand or supply. Most owners of businesses in the informal sector also have primary assignments located in the formal sector which invariably competes unfavourably with their secondary or ‘informal’ jobs. the other reason is the lack of appropriate means of transfer to another person. Members of the family refuse to sell their dead parents’ business but rather prefer to nostalgically keep assets of the company as treasures or souvenirs for remembering the dead owner.

9. Business Location and Spread of the Sector

The informal sector businesses are commonly found on roadsides, near slums and sometimes in abandoned parcels of land. Examples of this latter category are motor mechanics, which are found occupying undeveloped parcels of land, sometimes owned by friends, relatives or family members. They in turn render useful services to the owners in the form of protecting the land by disallowing trespassers.

Practitioners in the informal sector can also be found in the streets. In townships like Lagos where a large number of vehicles are found on the highway, this situation coupled with poor road planning creates hold-ups of traffic jams. The development provides a market for practitioners to explore. It is common to see them selling sweets, bread, newspapers, biscuits and other products for motorists hooked in chaotic traffic situations. Other potential places for locating informal sector activities are railway stations or tracks and road junctions or bus stops where large markets develop in some of these places.

10. Fluctuation of Activities in the Sector

The enduring characteristic of business in the informal sector is constant business fluctuations. Most activities in the informal sector die at the demise of the owner, especially when the business has not expanded enough to accommodate many workers. Most of the adopted skills are not transferable. Some practitioners monopolise such skills and die with them. Some are carried on in uncompleted houses, but on completion of the house, they are forced to leave for another venue. Others who try to rent houses are forced out by high rents. Perhaps the most permanent has been the construction of kiosks and roadside tables. The sanitation edicts of the 1980s extolled considerable reduction in their numbers; nevertheless, with the instability of government and state policies, the situation later deteriorated in the 1990s. Others, like roadside mechanics, who make use of unused plots of land face extinction when the owner takes over his land. The ones that rely on “go-slow” or “hold-ups” also leave when such a situation ceases. Those who make use of slum areas in townships also stop business when the government decides to develop the areas.

7.5 Constraints on the Growth of the Nigerian Informal Sector

The major obstacles that characterised the informal sector are limitations in operating capital, limited technologies, lack of access to credit facilities, inadequate link with the formal sector, inadequate entrepreneurial and managerial ability and lack of skill and functional literacy. These are discussed in more detail as follows:

1. Limited capital is employed by individual establishments. It is difficult to foresee and measure the expansion that can be expected from modern sector business. Take the case of a tailor, who has only one machine, this will be manned by the “Oga” and the “apprentices”. The workshop will certainly try to spend time pushing a few jobs through rather than training the apprentices and expanding the workshop.
2. Limitation of or inaccessibility to credit facilities is another constraint. Because informal sector enterprises are unable to provide collateral, accessibility to modern financial institutions becomes almost impossible. Rather, they resort to goodwill from friends, relations, cooperative societies or “esusu” or local money lenders who cannot effect changes in their businesses.
3. Lack of suitable skills and low levels of educational accomplishment also contribute immensely to low productivity in the sector. Oftentimes, they find it difficult to adapt to changes or new developments in production. They even find it hard to fix economic prices for their wares, talk less reading and interpret balance sheets and management reports.
4. Others include a lack of market facilities and opportunities, intermediate inputs and lack of infrastructures like electricity, water, roads, bridges and housing.
5. The worst of all is that the government sometimes comes out with “hostile policies” like demolishing of stalls, and “construction of roads” and houses or new projects which in most cases destroy the activities or businesses of the informal sector. Demolition of stalls and illegal structures under sanitation edict in most states serve as good examples.

7.6 Solutions to the Challenges Faced by the Informal Sector in Nigeria

It is essential to develop training programmes suited to the needs of the individuals/actors operating within the informal sector. These programmes have to go hand-in-hand with properly equipped facilities and a robust and locally applicable curriculum to maximise impact, therefore,

efficient capacity capacity-building programmes should be created to provide enterprises and individuals in the informal sector with the hands-on knowledge to operate in an evolving world. A specific example would be the adaptation of existing apprenticeship models to include an educational curriculum inclusive of digital skills and tailored material to the mode of apprenticeship being done.

Also, the role of capacity building is solely not on the private sector or the government but a collaborative effort to enable the optimum performance of enterprises in the informal sector.

Some specific steps that can be taken could include the following:

1. The creation of an enabling environment by the Nigerian government to offer support to micro-entrepreneurs at a local and national level. A number of initiatives have been targeted at providing finance and enabling policies, but a lot is required in terms of infrastructure i.e., stable power supply, good roads, security, etc.
2. The development of hybrid training and finance programmes to support market women, traders and artisans such as the Government Economic Empowerment Program (GEEP) by the government.
3. The local adaptation of programmes such as the German Vocational Training System in Nigerian secondary schools. This provides early education to people who may own enterprises in the informal sector and possibly the formal sector too. Such actions can be done by the government, private sector and enterprise support organisations.
4. Flexibility is embedded within training programmes offered to the informal sector, such as training on evenings and weekends.
5. The provision of technology platforms and training in their use will be beneficial for the players in the informal sector. an example is the introduction of an e-commerce platform (adapted for low-feature phones) to market traders with subsidised internet costs to encourage the adoption of technology into their business. the acquisition of digital skills by labour in the informal sector will revolutionise trade in this sector as the reach of these businesses is expanded.
6. Systems and structures also need to be put in place to further strengthen the vocational training and apprenticeships targeted at improving the skills of the informal sector.

7. Also, efforts being utilised for the formal sectors such as training on finance and digital skills should be mirrored for the informal sector so the country can be armed with a doubled-edged sword sharpened with the goal of uncovering Nigeria's true growth potential.
8. There should be availability of Credit for the Informal Sector because this is one of the most common policy prescriptions for assisting the informal sector is to improve its access to credit. If policymakers should see the need to allocate subsidised credit to the poorest parts of the informal sector (those who may not be able to afford market interest rates).

Conclusion

The labour market of any economy can be categorised along lines that have come to be known as dualistic in economic development literature. It is possible conceptually to label some sectors formal and others informal. In practice, however, it is considerably difficult to define or distinguish between the different segments on account of the complexities involved blurring any ambitious attempts at a neat separation of the sectors. The informal sector in its formulation around the middle 1980s consists of three responses to the malfunctioning of the labour market. First, the informal sector is a traditional activity resulting from the migration of rural artisans to the towns; second, the informal sector is a typical urban activity in reaction to the failure of the modern sector to provide employment and skills; third, the informal sector as urban small-scale enterprises.

There is freedom of entry and exit into the involved trades; most of the operators are minimally educated, although this trend is changing on account of the recent recession of the economy. Skills are low except for new generation (educated) youths who participate in this sector as visitors rather than staying openly unemployed during the period of search for a formal sector job (Fajana, 1991). The growth of this sector in Nigeria is limited by poor access or operating capital, limited technologies, poor access to credit facilities, inadequate contact with the formal sector, inadequate entrepreneurial and managerial ability, and lack of skill and functional literacy.

Case Study

The contributions of the informal sector to the development of the Nigerian economy cannot be over-emphasised in terms of employment generation, capital savings and mobilisation, efficiency, strong linkages with other sectors, utilisation of local technology training ground for entrepreneurs and self-reliance. Since the beginning of the 1980s, the economic position of Nigeria has worsened seriously. the per-capita income has fallen considerably, and wage employment has declined (NISER report, 1993). the informal sector constitutes a significant segment of the Nigerian economy. the sector thereby contributes to the Gross Domestic Product (GDP) and employment and contributes significantly to the economic development of Nigeria in general (Omisakin, 1999)

Considering the recent growth of the Nigerian informal sector, explain the merits such growth may bring to the proper functioning of the Nigerian labour market.

Revision Questions

Multiple Choice Questions (MCQs)

1. The core aspect of the formal segment is characterised by the following **except**
 - a. high labour productivity
 - b. capital intensiveness
 - c. labour highly heterogeneous
 - d. job structure is vertically integrated
2. The characteristics of the informal sector include all **except**
 - a. job structure is vertically integrated
 - b. labour is highly heterogeneous
 - c. the investment is large and significant
 - d. working time is discretionary
3. The sector that does not require extensive training in carrying out its activities is known as sector
 - a. informal
 - b. formal
 - c. regular
 - d. irregular
4. The contributions of the formal and informal sectors of the labour market to GDP are lopsided because
 - a. in both sectors moonlighting is not possible
 - b. the recruitment procedures of both sectors required an employment test
 - c. labour productivity is high in the formal sector while labour productivity in the informal sector is low
 - d. working hours are not fixed in the formal sector while working hours vary or change in the informal sector
5. The informal sector is in existence because it helps to explain the
 - a. survival of the poor in the margin of modern economies
 - b. finance of business from personal savings

- c. labour intensive technique
 - d. existence of unskilled labour
6. It is on record that of the labour market accounted for more than 65% of economic activities in the urban areas in Nigeria.
- a. formal sector
 - b. periphery formal sector
 - c. core formal sector
 - d. informal sector
7. The potentials of the informal sector can be controlled to greater employment generation and GDP contribution through the following ways **except**
- a. provision of adequate capital and credit facilities
 - b. adequate provision of vocational education
 - c. discouragement of tax holiday
 - d. provision of adequate infrastructural facilities
8. Which of the following can be used to clearly differentiate between the formal and informal sectors?
- a. The formal sector labour productivity is high due to capital-intensive usage while low labour productivity is exhibited in the former sector.
 - b. In the formal sector, the nature of the job is part-time while in the informal sector, the nature of the job is full-time
 - c. In both the formal and informal sectors moonlighting is not possible
 - d. The entry requirement of both sectors requires an employment test and various recruitment procedures.
9. What solution will you suggest for the challenges facing the informal sector in Nigeria?
- a. There should be availability of Credit facility for the Informal Sector
 - b. The development of hybrid training and finance programmes to support market women, traders and artisans
 - c. The creation of an enabling environment by the Nigerian government to offer support to micro-entrepreneurs at local and national levels.
 - d. All of the options

10. The informal sector in the Nigerian economy is characterised by the following factors except
- a. wages are far below the legal wage structure of the country
 - b. most firms in the sector employ fewer than 10 workers
 - c. the number of literate participants in the sector is a few
 - d. none of the options

Theory Questions

1. Distinguish between the formal and the informal sectors of an urban labour market.
2. Employ a dualistic framework to analyse the characteristics of the urban labour market in Nigeria. How significant are the characteristics of manpower utilisation?
3. What is the significance of segmenting the labour market between rural versus urban and formal versus informal segments? What are the implications of these distinctions for wage and employment determination in the labour market?
4. Examine the sponge hypothesis in relation to the professed employment generation capacity often adduced to the informal sector with the experience of the functioning of the Nigerian labour market.
5. Discuss the prospects for growth of the Nigerian informal sector and explain the merits such growth may bring to the proper functioning of the Nigerian labour market.

Answer (MCQs)

- | | |
|------|-------|
| 1. B | 6. D |
| 2. C | 7. C |
| 3. A | 8. A |
| 4. C | 9. D |
| 5. A | 10. D |

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CHAPTER EIGHT

UNEMPLOYMENT

8.0 Learning Objectives

The aims of this chapter are to:

- i. Explain unemployment, its types and causes
- ii. Analyse the trends in unemployment in Nigeria
- iii. Identify the consequences of the unemployment rate on satisfaction, retention, performance and bottom-line
- iv. Explain the remedies to unemployment in Nigeria

8.1 Introduction

Having gainful employment, especially among the youth is a major concern for all governments in all economies of the world. Unemployment is daily increasing. It is alarming and more worrisome in developing countries than the developed countries like the USA and the UK due to social security provisions for unemployed citizens.

In Nigeria, the pool of unemployment is soaring daily, and it is very worrisome. Majorly, the government and the manufacturing sectors have employed a large number of people in the past decade. Since the 1980s many companies have had reduced capacity and therefore shed their employment weight due to challenges of ease of doing business: energy, a high interest rate, high taxes, high cost of raw materials procurement, and others. Employment has also been frozen in the public sector as a result of dwindling revenue. the informal sector which had the largest employment capacity also suffers from institutional support and funding problems. the activities and practitioners in the sector are somewhat looked down upon and regarded as the sector with less educated individuals. the degradation discourages tertiary institution graduates from seeking employment in the sector, thereby compounding the unemployment rate.

Unemployment is regarded as a state of worklessness experienced by a person who is a member of the labour force and perceives themselves and others as capable of work. Embedded in this definition is that such an unemployed person has the knowledge skills and abilities to fetch him

paid employment, yet none could be accessed. the reason therefore is as a result of a lull in the economy not as a result of individual incapacity. However, some individuals do not have the necessary knowledge to be employable. This needs to be accommodated in the definition. Unemployment can be regarded as a moment of worklessness experienced by an individual as a result of economic distortion and personal incapability.

8.2 Types of Unemployment

The different types of unemployment are explained as follows:

1. **Degree Unemployment:** is a situation where potential workers can only find part-time rather than full-time work or no job at all. When it is part-time, it is referred to as **partial unemployment**. No job at all is total unemployment.
2. **Frictional Unemployment:** this is when the unemployed are in the process of switching from one job to another or are about to join the labour force for the first time. It can also be called **voluntary unemployment** because people remain unemployed not as a result of the non-existence of job vacancies but for reasons of geographical and occupational mobility. It is also sometimes called **transitional unemployment**.
3. **Cyclical Unemployment:** This is caused by insignificant aggregate demand in the economy. During cyclical downturns, the purchasing power of people is very low as a result of which fewer goods are purchased. Under this circumstance, excess production will result in loss of profit and the firm will reduce production capacities via retrenchment of workers. It is also called involuntary unemployment because workers are willing to work at the prevailing wage but unable to find jobs. It is also known as **demand or mass unemployment**.
4. **Structural Unemployment:** this unemployment results from the decline of certain industries. It may also occur due to a decrease in supply or a decrease in demand for the industry's product. Technological progress may also account for changes in production techniques, such as from a labour-intensive to a capital-intensive method. Workers may be retrenched in favour of automation. the ongoing rapid computerisation of banking and financial services in Nigeria is capable of giving rise to structural unemployment.
5. **Seasonal Unemployment:** this unemployment is associated with the agricultural sector, tourism, building and construction industries where demand for labour is high in certain

weather conditions or at certain times of the year, but low at other times. Workers lose their jobs in the period or season of low production or low demand for their demand.

6. **Residual Unemployment:** refers to those who are out of job because of physical and mental disabilities. Also, it includes people who are lazy and do not want to work.
7. **Disguised Unemployment:** a situation where the potential of workers is not fully utilised. When there is a mismatch between human resource quality and the work he does, it is sometimes known as **underemployment**.

8.3 Causes of Unemployment

Some of the likely causes of unemployment are explicated below:

1. **Bad leadership:** Visionless leaders in government, who are unable to see and plan for the future of citizens, create unproductive nations that cannot employ their people.
2. **Outdated Academic Curriculum:** Most universities produce unemployable graduates because of outdated academic curricula.
3. **Lack of Plan by University Authorities:** Universities admit more students than they can handle and send poorly trained graduates into the labour market without marketable skills.
4. **Overpopulation:** People migrate to cities believing they can get employment. This makes the cities overpopulated because there are few jobs available.
5. **Un-attractiveness of Farming:** because there is a poor agriculture system, society relegates farmers to the background and rates them as failures. This makes people run to the cities, to struggle for non-existent white-collar jobs in overpopulated cities.
6. **Craze for White-Collar Jobs:** People wishing to get an office job rather than do any other work; make them seek employment that may not exist.
7. **Rural Urban Migration:** Young adults seeking employment and a better life, migrate to places they hope to get it. This causes over population in the cities they migrate to triggering unemployment, lack of accommodation and other social issues.
8. **Industries Performing Below Installed Capacity:** When there is an economic downturn, companies produce less, and as customer purchasing power weakens, this leads to a temporary embargo on employment.
9. **Foreign Exchange Scarcity:** A scarcity of foreign exchange to import raw materials, makes industries to operate at low capacity, which leads to a sack of some staff.

10. **Economic Slow Down:** Recession A recession in the economy will cause companies to sack some of their workers. in general, domestic production suffers, and a lot of foreign companies hardly choose to invest their business in Nigeria due to the constant power failures.
11. **Geographical Immobility of Labour:** This causes uneven distribution of unemployed caused by unfavourable climate, ethnicity, etc.

8.4 Problems of Unemployment

1. **Increase in crime rates:** Unemployment causes an increase in crime rates. This is a result of the fact that the unemployed fellow needs to scout for a way to make ends meet. He or she sometimes indulges in criminal activities all in a way of actualizing this. They are involved in things like robbery, fraud, prostitution, rituals, pocket picking to make money.
2. **It leads to waywardness:** Unemployed people tend to be wayward as a result of their situation. the psychological trauma associated with unemployment is enough to disrupt their normal way of life, leading to wayward behaviour by a majority of them.
3. **It increases poverty:** Continual unemployment leads to increased poverty and a reduction in the standard of living in a particular entity. This is a result of the fact that the means are not available to cater to the prevailing needs. the increased poverty on the other hand poses dangers of malnutrition etc. and isn't ideal for the citizens.
4. **It causes massive emigration and stagnation in a particular country:** People tend to migrate from areas with a high rate of unemployment to those with employment opportunities. This movement poses the danger of stagnation to such an entity while posing a risk of population explosion in the other. Such isn't good enough for a country and ought to be curbed.
5. **It makes the citizens lose faith in their country:** in situations where young graduates cannot secure employment after spending many years in varsity, they lose faith in their country and scout for ways of making ends meet. This is not motivating enough for the younger generation and its effect on their mindset is quite alarming.
6. **Frustration:** Unemployment can cause depression and frustration in the populace. Most people end up committing suicide because of the trauma of not being able to make ends meet. Some take to hard drugs and alcohol thereby risking their health.

7. **Negative effect on the economy:** the absence of employment can affect the economy negatively. When most people are not working and the few working can hardly make ends meet, recession sets in. This reduces economic growth.
8. **Inequality of income:** This means a situation where money is concentrated in the hands of a few people (the rich) while the others which is a greater proportion are wallowing in poverty and shame. the income is concentrated in the hands of the rich.
9. **Increase in death rate:** As a result of unemployment, there is an increase in the death rate. People die either because they are malnourished or because they cannot afford hospital bills.
10. **Insurgency:** This is another problem of unemployment in Nigeria. When people are ready to work and the work is not available, they mingle with bad people and vices and start fighting the government. in Nigeria, militants in the South South were granted amnesty and given jobs. This helped to check the rate of insurgency and terrorism in the region.
11. **Increase in maternal death:** This is inevitable. With no jobs, parents are unable to provide for the pregnant wives and even the newborn when they fall ill. Mothers and nannies lack the essential needs of life like good food.
12. **Poor education:** Unemployment affects the populace in the area of education. Parents are unable to afford books and pay school fees. As a result, children roam about the street for survival; they end up causing nuisances to society at large.

8.5 Solutions to Unemployment

In view of the problems associated with unemployment, some solutions have been ascertained to be of good resolve. Some of these include:

1. **Population Control:** Control of the population size by encouraging citizens to properly space their children's births and also avoiding having many children. the government should educate people, especially those in rural areas, on birth control methods to reduce the birth rate.
2. **Emphasis on labour labour-intensive production techniques** to generate sufficient employment opportunities
3. **Discouraging urbanisation** by providing essential social services in the rural areas, for example, good roads, electricity, portable water, etc.

4. In cases where the government finds difficulties with industrialisation, more concern should be given to providing an enabling environment for foreign investors to thrive. That is, there should be encouragement of direct investment through all kinds of reform that can promote the inflow of foreign direct investment.
5. Promotion of full utilisation of production capacity through expansionary monetary policy to promote full utilisation of excess capacity in the real sector.
6. Fiscal policy. Public expenditure should be directed towards those channels which raise the level of labour employment e.g., tax incentives, tax holidays, etc.
7. Restructuring of educational system to make it relevant to the economic situation of the country. Skill acquisition should be integral to university education. This is to ensure that graduates are vested with skills that can help them manage life while scouting for white-collar jobs.
8. Promoting activities of small and medium-scale enterprises to enhance their employment-generating capacity.
9. Improvement of the performance of all the sectors of the economy simultaneously.
10. The government should be more interested in industrialisation as this is a good way of creating employment for the teeming population.

8.6 Theories of Unemployment

There are several theories explaining the causes of unemployment. Each theory explains the factors and causes of unemployment.

1. Classical Unemployment Theory

Several schools of thought in economics such as classical economics and the Austrian School of Economics argue that unemployment increases with government regulation or intervention. Their arguments collectively form the classical unemployment theory.

There are different ways regulations and interventions contribute to unemployment. For example, raising the minimum wage increases the labour costs more than the economic value of the actual labour, especially the value of jobs that merely require low competencies. Businesses respond to these minimum wage laws by refusing to hire more workers to reduce their costs and optimise their operations.

Labour laws that restrict layoffs or down-sizing, promote the security of tenure, and mandate the provisions of benefits beyond wages are another example. Some businesses are less likely to hire or expand their workforce because of the legal and financial risks stemming from stringent labour laws.

2. Implicit Contract Theory

Greek macroeconomist Costas Azariadis and American economist Joseph Stiglitz introduced the implicit contract theory of unemployment in 1983. They developed this theory to explain why there are quantity adjustments or layoffs instead of price adjustments or wage adjustments in the labour market, especially during economic downturns. In other words, this theory tries to explain the primary cause of unemployment during a recession.

The implicit contract theory specifically claims that labour contracts and labour laws make it difficult for employers to cut the wages of their existing workers. Hence, during a recession in which businesses need to save costs and optimise their operations, they usually choose to lay-off their workers or downsize their workforce instead of implementing wage reductions.

3. Efficiency Wage Theory

Renowned economist Alfred Marshall introduced the term “efficiency- wages” in his 1890 book “Principles of Economics” to indicate the equivalent wage per efficiency unit of labour. Proponents of this preliminary concept argued that employers should pay their workers differently based on their efficiency. In other words, a more efficient worker should have a higher wage than a less efficient worker.

The Marshallian concept was modified until it became the efficiency wage theory. It argues that businesses can operate more efficiently and become more productive if they provide wages above the equilibrium level. To be specific, increasing wages beyond the current labour standard could lead to better efforts from the employees, decrease employee turnover, attract highly competent employees, and promote the well-being of employees.

However, there is a downside to paying high wages beyond the equilibrium level. A high-paying employer will naturally attract more employees. Other employers might also offer higher payouts to keep up with the competition in the labour market. Unemployment might transpire if this

practice becomes widespread because it not only makes labour costlier, hence compelling employers not to expand their workforce, but also creates unrealistic expectations in the labour market in which employees would not dare offer to work for lower wages and employers would rather stay away from hiring individuals offering work for a lesser payout because such might be an indicator of incompetence.

4. Keynesian Theory of Unemployment

Keynesian economics provides an alternative theory of unemployment. John Maynard Keynes and adherents of the Keynesian school of thought have explained that unemployment occurs when there is not enough aggregate demand in the economy. After all, if demands for goods and services decrease, then there is a lesser need for production and consequently, a lesser need for workers.

Moreover, Keynesian economics also argues that market economies or capitalist economic systems naturally undergo a boom-and-bust cycle. Low aggregate demand and unemployment characterise the bust phase of the economy. Employment the employment rate will normalise if the economy manages to re-enter the boom phase. Therefore, the Keynesian theory of unemployment serves as the basis for explaining cyclical unemployment because it describes the effects of frequent shifts in business and economic cycles on the labour market. Because of the cyclical nature of unemployment and based on one of the primary tenets of Keynesian economics about the importance of government interventions, the Keynesian theory of unemployment recommends government government-driven aggregate demand to reduce unemployment, promote consumer confidence, and revitalise production during economic recessions.

5. Marxian Theory of Unemployment

The Marxian theory is similar to the Keynesian theory of unemployment; he also believes that there is a relationship between economic demand and employment rate. in his manuscript “Theories of Surplus Value,” German philosopher and economist Karl Marx argued that unemployment is not only inherent in a capitalist system but also necessary.

Marx specifically argued that the purpose of the proletariat or the class of wage earners in a capitalist system is to provide a “reserve army of labour” necessary to create downward pressure

on wages. He further divided this class into two subgroups: the surplus labour or the employed individuals and the under-employment or the unemployed individuals.

Nevertheless, members of this reserve army of labour compete for scarce jobs while driving wages lower and lower. the capitalist system allows capitalists or the owners of the means of production to manipulate the labour market by perpetuating unemployment and thus, limit the capacity of labourers to demand higher and fairer wages. the situation also demonstrates the theory of alienation of Marx in which workers are alienated from other workers, as well as from their species-essence.

Conclusion

The rate of unemployment in Nigeria is high and the causes include voluntary and involuntary factors. While the rate of school enrolment is soaring, the rate of employment is dwindling. the implication, therefore, includes youth restiveness, unfair labour practices, and wage not commiserating expended efforts. the attendant organisational outcomes include less satisfaction, less performance and productivity. Remedy the remedy, therefore, is to pay more attention to the informal sector through institutional support, training of practitioners in the sector and introduction of entrepreneurial and vocational skills in the school curriculum.

Case study

The United Nations Development Programme (UNDP) in 2018 ranked Nigeria 157th out of the 189 countries sampled, grouping Nigeria under countries with a low human development index.

Again, the World Bank noted that around 4 in 10 Nigerians live in poverty, and millions more are vulnerable to falling below the poverty line as growth remains slow and not inclusive.

According, to the most recent official survey data of the National Bureau of Statistics (NBS), 39.1 per cent% of Nigerians lived below the international poverty line of \$1.90 and \$3.20 per person per day. Unemployment in Nigeria has always been a growing concern that stems from the country's systemic issues. the unemployment rate in Nigeria as of Q4 2020 stood at 33.3%, which

is 6 percentage points higher than the 27.1% reported in Q2 2020 (NBS, 2020). the underemployment rate declined from 28.6% in Q2 2020 to 22.8%.

In Nigeria, every year, tertiary, vocational and technical institutions produce thousands of graduates, which is a measure to reduce the illiteracy level, but the core challenge that undermines this effort is unemployment as there are few industries at the private and public levels. These and many more pose great challenges to the efforts to alleviate unemployment in Nigeria, and towards attainment of the SDGs goal 2030. However, there is a need to take strategic action on unemployment by adopting the policy of investment in job creation hubs.

Justify the causes and effects of unemployment in the Nigerian economy and proffer possible or realistic solutions to the problem of unemployment in the country.

Revision Questions

Multiple Choice Questions (MCQs)

1. When a firm cannot access raw materials for production it means there is
Unemployment
 - a. Seasonal
 - b. Frictional
 - c. Technical
 - d. Disguised
2. The effect of unemployment will exclude which of the following?
 - a. Loss of potential output in the economy
 - b. Increase in crime rate
 - c. Higher wage bargaining power of labour union
 - d. Loss of confidence in the government
3. The unemployment that exists when people are looking for jobs that fit their skills in an economy is
 - a. Cyclical
 - b. Frictional
 - c. Structural
 - d. Disguised
4. When there is a surplus of labour over job openings it can lead to
 - a. unemployment
 - b. demand inflation
 - c. employment
 - d. recruitment by employers
5. Experience of worklessness can also be classified as
 - a. seasonal unemployment
 - b. unemployment
 - c. employment
 - d. disguised unemployment

6. A type of unemployment which occurs when there is a mismatch between the location of jobs and the location of the job seekers is unemployment
 - a. Seasonal
 - b. Frictional
 - c. Technical
 - d. Structural
7. The rate at which the number of unemployed is divided by the size of the labour force is known as
 - a. Participation rate
 - b. Unemployment
 - c. Dependent ratio
 - d. Demand for labour
8. The theory of unemployment believes that there is a relationship between economic demand and employment rate.
 - a. Marxian
 - b. Efficiency Wage
 - c. Classical
 - d. Implicit Contract
9. The thrust of the theory is that labour contracts and labour laws make it difficult for employers to cut the wage of their existing labourers.
 - a. Marxian
 - b. Efficiency Wage
 - c. Classical
 - d. Implicit Contract
10. When the purchasing power of people is very low as a result of which fewer goods are purchased this can lead to unemployment
 - a. Cyclical
 - b. Frictional
 - c. seasonal
 - d. structural

Theory Questions

1. Identify and discuss the classification of unemployment
2. What roles does unemployment play in the development of a Nation?
3. Examine the trend of the unemployment rate in Nigeria drawing out their attendant consequences.
4. Explain with illustration the causes of unemployment in Nigeria.
5. Explain the effects unemployment have on job seekers, nation and employer of labour.
6. Discuss in detail effective measures that need to be implemented to curb unemployment in Nigeria

Answer (MCQs)

- | | |
|------|-------|
| 1. B | 6. D |
| 2. C | 7. B |
| 3. C | 8. A |
| 4. A | 9. D |
| 5. B | 10. A |

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CHAPTER NINE

LABOUR MOBILITY

9.0 Learning Objectives

The main objectives of this chapter are as follows:

- i. to conceptualise the process of migration and present information to illustrate these ideas from the Nigerian experience.
- ii. to describe the philosophies of labour mobility, regional restrictiveness and implications for employment prospects
- iii. to analyse the incidence and persistence of factors heightening international brain drain.

9.1 Introduction

Mobility of labour means the capacity and ability of labour to move from one place to another, one occupation to another or one job to another or from one industry to another. It can also mean the ease with which a factor of production can be transferred from one form of employment to another. Mobility can be vertical (occupational), in which case the movement is from one industry to another; it could be lateral (geographical), involving movement from one area to another. It could also be rural-rural, rural-urban, urban-rural or urban-urban, or between nations.

9.2 Theory of Migration

Migration decisions are not made by isolated individual actors but typically by families or households. Also, the decisions of migrants are influenced by a comprehensive set of factors which are shaped by conditions in the home country. As such, migrant decisions are not based purely on individual utility-maximizing calculations but are rather a household response to both income risk and the failures of a variety of markets like the labour market, credit market, or insurance market (Massey et al., 1993).

Population mobility or migration is therefore the movement of persons, groups of persons, and ethnic groups between two differentiated points A and B. the movements must be explained by a pressure that exists between these two points and this pressure, at a particular time, must reach a

high level to be transformed into actual movement. the individual must be conscious of the intolerable pressure and in an attempt to try to solve that tension, he may begin to move. the migration which has started normally causes a thinning of the population in place A and a thickening in place B when the migration is from A to B.

Migration, thus, takes place between two geographic areas, provided the general human desires increase so much that the common desires are transferred to specialised expectations which probably could be realised later in the area of destination.

The pressure that exists between two different geographic areas caused by a relation between push-out factors (P_o) of emigration areas and the pull-in factor (P_i) of immigration areas (Harris and Todaro, 1970), can be expressed as follows:

$$M = \frac{(P_o \times P_i)}{1 + (P_i - P_o)}$$

From the expression above it is hypothesised by Harris and Todaro that population mobility is a function of the relation between push-out and pull-in factors, whereby the pull-in factors have a greater deregulated force for the mobility than the push-out factors because they determine the direction and destination of the migration. Hence the following decisions can take place:

- a. When $P_o < P_i$, that is, when and if the push-out factors are less than the pull-in factors, little or no mobility will happen, which is a negative outcome result for M.
- b. When $P_o = P_i$, a very high mobility can be expected by strong push-out and pull-in factors, although individuals will be faced with considerable indecision regarding moving out.
- c. When $P_o > P_i$ a medium or high mobility can be expected.

The classic view considers migration as a process between two systems of different opportunity economic structures. the theory of economic imbalance between two geographic areas is based on the assumption that the demand for labour forces in Region A causes the people in Region B to improve their economic standard of living by moving into the economically attractive Region A. Migration can also be looked at as a process of redistribution of production factors to where they are needed.

The modern view of the migration process is given by a socio-economic or socio-cultural concept. The important difference to the classic economic view lies in the fact that also non-economic factors act as pull-in factors and cause population mobility and the non-economic factors could create a different opportunity structure in two different geographic areas, the non-economic factors are education, psychological, family, adventures, information or crime factors.

Inside the socio-economic or socio-cultural opportunity system, the pull-in factors in developing countries are seen to be dominated by the search for higher levels of existence. For the migrants, these higher levels of improved existence can be present in reality because they know that the factors of improvement are to be found in areas into which they want to move. But the higher levels of improved existence can also persist in the mental world of imagination as an advantage concept of hopes and expectations. This differentiation is unimportant for the mechanism of the migration process but important for the motivation structure of migrants. If there should be any possibility to control the labour migration or to react against it, the importance of motivation cannot be neglected which is the deepest root within the system of unsatisfying factors of which the migrant is full.

The needs theory as propounded by Maslow (1954) can be used to explain the psychological factors involved especially in the international migration of skilled labour. Human actions are generally motivated by different kinds of needs. The need instincts are the basic and the non-basic desires of man. Such needs according to Maslow are hierarchical, as one need gets satisfied; those in the upper ladder manifest themselves and become the motivation behind human actions. These needs are physiological, safety, love, esteem, and self-actualisation. Physiological needs may be responsible for migration to the extent that the migrants are unable to secure a job in the country which would have afforded adequate provision of food, shelter and other basic needs.

Safety needs could also explain the desire to move. For instance, the absence of job security, the lack of safety in the environment, attacks by armed robbers, burglary, hired killings, preventable, yet ghastly accidents, rapes, and victimisation of sorts are so mundane that the individual especially those in the urban areas perceive a lot of threat and danger to their lives. It is therefore possible that quite a number have migrated for security reasons.

Love, attention and social activity are important in the ranking of needs by Maslow. This may however not be seriously relevant in explaining the motivation to migrate, except in extreme cases when social dislocations at the family and friendship levels begin to take a toll on work-family conflicts such that the individuals experiencing these consequences are encouraged to seek better deals elsewhere.

Esteem (ego) needs are the desire for self-respect, strength, achievement, adequacy, mastery and competence, for confidence in the face of the world and independence and freedom, for reputation or prestige or respect and esteem from other people may sometimes explain the motivation to move. the inability to satisfy this need produces feelings of inferiority, weakness and helplessness.

Self-actualisation refers to man's need for self-fulfilment, namely the tendency for him to become actualised at what he is potentially good. This need is predominantly for highly gifted and talented individuals. It is from the desire to become the very best in the society. As a higher-order need, it hardly predominates human action without the satisfaction of all the lower-order needs. This need factor also exists as a contributory point to the desire for migration. It is quite difficult to pin down a substantial size of the current migration to self-actualisation need, although it is reasonable to consider the wish among professionals to become the greatest in their trades if only they can get the right tools which are really or perceived as unavailable in the environment of developing countries. It would not be hard to see reason with a medical doctor who despite his training, competence and calling is expected to manage patients and save lives in his surgery. Due to the neglect and malfunctioning of social infrastructure, he is constantly frustrated on account of the large number of lives lost and is thus generally unable to satisfy his need for self-actualisation. to such individuals, it is sensible and economic rationality to move to a place where they would be able to save lives. Similarly, a university teacher would be expected to move to a region where research can be facilitated, and teaching done without problems and hazards.

9.3 Regional Restrictiveness and Employment Prospects

Regional restrictiveness is important in the discussion of labour mobility because it affects the employment prospects of Nigerian youths. It simply means restraints and limitations to labour mobility even when a job vacancy exists. the Nigerian environment's regional restrictiveness is through:

- i. state policy of federal character;
- ii. deployment of contract employment system;
- iii. the monetary and social costs of moving into a new area;
- iv. the tendency to develop affection for certain neighbourhoods;
- v. language, working conditions and social security differences between regions or nations;
- vi. entry requirements into some occupations;
- vii. direct and indirect costs of obtaining required qualifications;
- viii. prior decisions of intended job and career patterns;
- ix. the workers' present position and speciality of skills;
- x. the wage structure and existence of wage differentials between current job or residence and solicited or desired job or residence;
- xi. activities of trade unions;
- xii. discriminatory employment practices of some firms;
- xiii. availability of appropriate and timely information; as well as
- xiv. personal attachment to an area.

In the Nigerian labour market, the quota system which is the policy of the federal government is one of the restrictions of labour mobility. the nation is divided into groups along educational and technological lines or based on backwardness or advancement on these factors. the quota system is used in the allocation of employment such that in the Federal Civil Service, for instance, if the quota for a named state has been filled and there are not enough candidates from another state to fill its quota, the vacancy will just remain unfilled. Therefore, even though the job is available in the Federal Civil Service, the man who is unlucky to have been an indigene of a 'developed' state is denied the job. Thus, employment prospect is hindered.

Another category of regional restrictiveness to jobs is the system of contract employment which is prevalent in some parts of the country. In this case, a jobseeker is employed only on contract for about one to two years. At the time of expiration, the contract may be renewed or not.

Another obstacle is the barriers to the geographical mobility of labour. The monetary cost and inconvenience of moving to a new district are a problem for many workers. Because moving a family together with all its possessions can be very expensive. The accommodation problem of cities may go a long way to discourage persons seeking better jobs from leaving their current residences even though they are suffering from unemployment.

Furthermore, human beings tend to develop an affection for their neighbourhood and would have already built up social relationships in their areas through clubs, societies, unions and other social or religious groups. Naturally, they are reluctant to start rebuilding these relationships anew. Many people are very abhorrent in tearing up their roots. Also, interrupting a child's education is another factor which often limits a decision to move.

The obstacles to the mobility of labour between different countries are numerous. The problems include language, likely differences in working conditions and social security systems. The cost of movement is very high. International migration of labour is often rendered virtually impossible because of quota restrictions on immigrants, visa controls and the need for work permits.

Occupational barriers are among the problems of migration because the conditions of entry into some jobs impose limitations on their choice. For example, many jobs require a certain amount of experience of entering into the labour force for the first time. Even more established members of the labour force may not gain access to the jobs because they require some specific attributes or skills. For many jobs, there are specific entry requirements that the individual must possess (educational and experience qualifications) through some courses of further education or training. This means that cost must be incurred and most time, there is an indirect cost from loss of current earnings since trained or apprentice rates of pay are usually less than the earnings which could be obtained in other jobs. Direct costs for tuition and the purchase of books and equipment may be included too. Some professional bodies also require payment of a membership fee before recognised practice can be started. In some union arrangements (close shop) taking a job may be per-conditioned on holding membership of the union. This is common in European plumbing and

electrical services, but it no longer exists in Nigeria except for professional bodies such as lawyers, medical practitioners and engineers. Moreover, a worker's present position may influence his mobility because highly specialised workers, with a large investment in a particular kind of training, will usually prefer to continue using this training rather than changing occupations.

Another major resistance to labour mobility derives from the "insulation" methods employed by trade unions and professional associations. They frequently impose restrictions on entry to prevent too much competition for jobs, based on the fears about a secular decrease in employment opportunities. But the real problem arises when employment opportunities are expanding, and where restrictions to entry prevent the movement of workers from other occupations.

The employment policies of firms may also serve as restrictions to labour mobility. Employers may adopt recruitment policies which discriminate against certain groups of people such as discrimination based on age, sex, race and even religion. Although there may exist objective economic grounds for such discrimination sometimes, for example, employment of women on the shop floor of a manufacturing outfit and of a Muslim in a pork processing firm; the fact still stands that it will result in a potential restriction of mobility, as such may give rise to a less optimal distribution of labour resources.

Availability of the right information at the right time for the right job goes a long way to affecting labour mobility. Frequently, a job seeker may remain for long without a job while there are vacancies for suitable posts somewhere but without his knowledge. In fact, where market information is inadequate or faulty, much of the observed mobility may be socially and economically unnecessary, and even undesirable from an efficiency point of view since it will lead to labour and other resources being under-utilised or misused.

9.4 International Migration of Nigerian Labour

International migration has been on the increase in the past few decades due to various reasons, including the demographic imbalance between rich and poor countries, large and increasing differences in the socio-economic development between rich and poor countries, the internationalisation of labour markets and the relatively low cost of travel. Nowhere is this trend as visible as in Africa where there has been enormous migratory movement. A brief trace of the economic history of Nigeria with relevance to the brain drain will be considered.

9.4.1 Historical Excursions

The development of Nigeria began in the early 1900s with the optimism that education investment and modern management would be sufficient for economic growth. Part of the efforts for progression was the practice of lending aid by the advanced countries for the training and education of youths from LDCs in foreign lands. the progress made by these countries had become uneven by the 1960s, with the advanced world moving at an even greater pace and thereby widening the international gaps. the better opportunities that abound in the advanced world became attractive to foreign students who decide to stay back.

About 90% of Asian students who go to the USA to study refuse to return home despite appeals to their sense of patriotism by their country. Iran and Lebanon also lost at least 50% of their students to countries where they go to study. India, Egypt, Pakistan, Ghana Nigeria etc. lost some of their best brains to advanced countries like Germany, Japan, the USA and oil-rich countries exemplified by Kuwait, Saudi Arabia and the United Arab Emirates.

Nigeria's economy went through a serious downturn in the 1980s after the boom of the 1975 - 1980 period. the boom period was accompanied by abundant oil revenue. the stagnant period was when oil prices declined during the 1980s and the economy has since continued to plummet into extreme poverty. the fall in foreign exchange earnings coupled with dishonesty and executive fraud at the level of national leadership has meant the collapse of several infrastructural facilities, and the deterioration of employment opportunities and standard of living.

A report by the International Labour Organisation (ILO) informs that nearly 14,000 African scientists, engineers, doctors and teachers emigrated to the United States and Britain between 1962 and 1972. the report further provided that most of the immigrants were Nigerians and Ghanaians. an interview held with an American diplomat informed the author that over 150,000 Nigerians are carrying immigration cards and voted in United States elections as of 1995. Also, according to the UN Department of Economics and Social Affairs in 2020, there were 1.7 million international migrants from Nigeria but a decade earlier, the figure of migrants was 990,000. the problem is often said to be symptomatic of the difference in income, employment opportunities, living and working conditions and social environments between the underdeveloped and developed countries.

9.4.2 Causes and Trends of the Brain Drain

Brain drain can be described as the process in which a country loses its most educated and talented workers to other countries through migration. This trend is considered a problem because the most highly skilled and competent individuals leave the country, and country and contribute their expertise to the economy of other countries. the country they leave can suffer economic hardships because those who remain don't have the 'know-how' to make a difference. Brain drain can also be defined as the loss of the academic and technological labour force through the moving of human capital to more favourable geographic, economic, or professional environments. More often than not, the movement occurs from developing countries to developed countries.

The following factors tend to encourage the brain drain in the Nigerian labour market:

- a. The significant differences erected by disparaging economic fortunes between the north and south countries
- b. The continued devaluation of the Naira within the world economy
- c. Inability of the country to provide education locally to meet national demands of the economy
- d. The dissemination of information to Nigerians at home by those who have managed to travel, painting a picture of affluence in respect of Western countries
- e. The granting of citizenship status to babies born in Britain and America; and
- d. The perceived relative advantage or positive effects of the brain drain.

The movement of Nigerians to foreign lands is attributable to several factors. But basically, it is the promise of a better life, which is difficult to get in present-day Nigeria because of the state of the economy. the economic crisis of the past few years has systematically reduced the inadequate opportunities in the country, and this brings about the exodus of highly skilled Nigerians in search of more favourable opportunities in other countries. Also, the stories of armed robbery, burglary and paid assassins tend to aggravate the general insecurity in the country. the international migration of labour just like the foreign exchange flight of the 1970's and 80's will have the effect of slowing down, if not arresting and thwarting the desired pace of development in the nation.

The present migration to foreign lands is not restricted to any particular profession because unskilled personnel are part of the movement. Although this exodus has affected virtually every important aspect of Africa's economy; it seems to affect the universities much more. This might be because it is relatively easy to record movement within this sector of the economies of African countries. Medical doctors, pilots, and engineers are the key professionals who are quitting.

The evidence available shows that the current economic downturn in the economy of developing countries explains the sudden increase in the motivation for international migration for better opportunities. the draconian measures under SAP have made life intolerably hard for most citizens, especially those who are barely above the poverty line, several workers have been retrenched and coupled with the increased price of commodities, people are merely surviving rather than living.

Furthermore, because of the large-scale unemployment that exists in society there is increasing attraction to seek employment outside their countries. the value of the naira has continually depreciated due to continuous devaluation; such that money income has become a mere tale even in the face of the introduced elongated salary structure in the early 1990s. Similarly, the continuous depreciation of the naira has made high wage rates in those countries quite attractive, especially to young school leavers.

Another factor that heightens the movement of Nigerian personnel abroad is the lack of equipment and funds to carry out their specialised jobs. This is the basic reason given by professionals for leaving Nigeria. Research institutes and universities have been crying for necessary facilities which have not been forthcoming. the hospitals face the same problem of lack of drugs, and equipment to perform simple surgical operations on needy patients. Thus, many qualified Nigerian specialist doctors have either left out of frustration or because they felt that it was morally wrong to watch their patients die without being able to help. It could also arise because of financial fulfilment which other countries like Saudi Arabia and the USA readily provide with hard currencies.

Initially, migration was almost restricted exclusively to those who are pursuing higher education, but this trend has since changed because it is now more expensive to study abroad. Nevertheless, a few still manage to go abroad for further studies. for these few students who are currently

undergoing training, there is an increasing attraction not to return because of the availability of scholarships to study abroad and difficulties associated with returning to Nigeria, coupled with the political and economic uncertainties that they may encounter on return.

For other professionals such as sportsmen and those in the liberal arts, the motivation seems to be in search of subsistence rather than the absence of tools with which to perform their professional functions. It is demonstrated that more people are interested in going out of the country than coming into it. This phenomenon is attributable to the poor economic conditions prevailing in the country coupled with a host of other problems as identified *inter alia*.

9.4.3 The Impact of the Brain Drain

Although brain drain is usually described as a problem that needs to be solved, some benefits can be derived from the phenomenon. Also, as brain drain is prevalent in a developing country, there may be some negative repercussions that can affect the economy.

The Positive Effects

1. International migration of skilled labour has some advantages for the country. the acquisition of skills by migrating Nigerians would definitely be useful for the country's development. This advantage is however based on the argument that the people that have migrated would later choose to return to their country.
2. Another benefit is remittances; the migrants send the money they earn back to their home country, which can help to stimulate the home country's economy, this outcome is also preconditioned on the premise that the people have the intention of coming back home and thus decide to send some money home.
3. There is also the possibility that technology may be transferred from abroad to a less developed country (LDC). Such adaptation is also capable of creating employment opportunities. But the question here is, is it really possible for the LDC to apprehend such an advantage considering the past experiences with the advanced countries in the area of technology? Besides, what kinds of jobs are held by Nigerians working abroad? Are such jobs requiring skills or are they menial? If the latter is the case, then no meaningful technology transfer can result.

4. It is also believed that the international migration of LDC labour will lead to improvement in the diplomatic relationship with other countries on the basis that these countries will not want to lose such skilled manpower and will thus behave responsibly. However, it should be noted that this might also be a disadvantage because it can make LDCs' nationals subjects of international ridicule.

5. Brain drain is also defended on the grounds that it eases the unemployment problem at home. It is claimed that those who are unable to secure employment at home should be allowed to move out in search of such employment elsewhere. It is also argued that it is unethical to prevent people from looking for their daily bread since nobody can survive without the satisfaction of his/her basic needs.

Negative Effects

1. Migration is an obstacle to structural change which is requisite if there is to be rapid growth and development in the economies of the third world. the high-level manpower moving abroad is what is required internally if development is to take place. Government programmes aimed at the development will suffer in the absence of personnel to carry out the implementation of the policies. the people prefer to be drivers and cleaners in foreign countries rather than stay in their own countries and search for unavailable jobs. to the outside economies, however, the general economic environment becomes more conducive to further growth because of greater output occasioned by manpower made available cheaply from anywhere in the world.

2. Migration also reduces the level of productivity in the home country because as labour moves out, the level of manpower available reduces. As a result, productivity is bound to be adversely affected. This is further compounded by the fact that training people to acquire new skills is often expensive and takes time to achieve. in determining the value of an emigrant, two general types of costs are to be considered. First, there are the resources spent on bringing up and educating the personnel. Secondly, there is the value of the service this individual would have rendered to his country if he had not emigrated. Thus, the economic cost of migration can be summarised as the loss of resources embodied in the emigrant and its impact on specific growth areas.

9.4.4 Possible Solution to the Problem of Migration

International migration cannot be solved through legislation because such laws can breach fundamental human rights. Nevertheless, there are some moves that governments can make to reduce the number of highly educated and skilled workers from relocating to other countries. One way that governments can keep their skilled workers is to ensure that citizens feel safe and to take steps to stimulate economic activity.

Other solutions include higher wages and creating a better educational system so that citizens do not have to go overseas for higher education. Also, when paying for higher education, governments can withhold the award of the degree until the individual returns and agrees to work in the home country.

Good governance at the national and international levels, especially the maintenance of reasonable security for people's lives and property is essential for economic progress. Thus, withholding political and economic emigrants, who blame their government's failure for political unrest and stagnant economic growth, is possible. Transparency in leadership is essential and should be maintained.

Offering higher wages for `insiders` according to their qualifications is essential, instead of overestimating and hiring expatriates, which are more costly.

Education plays a powerful role, especially in the growing problems of international migration. Therefore, offering these individuals the necessary education qualifications in their home countries, and expanding a better educational infrastructure may definitely prevent emigrants who are seeking a higher education abroad.

Seeking alternative measures for the return of warranty from the beneficiaries, such as the withholding of academic degrees until the graduates return and are willing to serve the people, may be another considerable alternative.

The last alternative measure could be taxing emigrants who were indigenously trained in their home countries. This is indeed a sensitive issue and may sound absurd and may potentially infringe on the basic human right and freedom to choose the nature and location of individuals where to

live and where to work. Thus, it must be agreed upon by the international community and international laws.

Conclusion

This chapter concludes that labour mobility is the ease with which human resources can be transferred from one form of employment to another. It could be inter-regional, rural-rural, rural-urban, urban-rural or urban-urban, or between nations. It also conceptualises the process of migration and presents information to illustrate these ideas from the Nigerian experience. The philosophies of labour mobility, regional restrictiveness and implication for employment prospects, as well as the incidence and persistence of ascriptive factors heightening international brain drain, were presented. An attempt was made to consider the issue of the brain drain by providing a theoretical and empirical framework to study the issue, describe the trend and magnitude as well as examine its causes and consequences.

Case Study

Insecurity, high unemployment and graft are just some of the things plaguing Nigeria, Africa's most populous country. As these issues are getting worse, more and more Nigerians are trying to emigrate to Europe and North America. They even have a word for going abroad. Nigerians even use a word for leaving their country due to economic hardship: 'Japa'. Meaning 'to flee' in Yoruba, it has become synonymous with seeking a better life abroad.

Most parents have sold their properties, and their lands for their kids to go and migrate, for example is "Chuka Okeke, a 25-year-old Nigerian who is applying for schools in Canada. Okeke's parents are providing support for him and his family to move. However, it can take months or even years to complete the paperwork and meet all the requirements before a visa is issued. For Chuka Okeke and other Nigerians hoping to emigrate for job or educational purposes, visas to countries like the UK, Canada and the US can be expensive. Moreover, applicants are often required to prove they have the financial means to secure their livelihoods for the duration of their stay. But the precarious situation in their home country still makes many young Nigerians go to great lengths to 'japa'.

What policy do you think the government should put in place to reduce brain-drain which is eating deep into the country?

Revision Questions

Multiple Choice Questions (MCQs)

1. It is unlikely that the wage rate would stay much higher in one part of the country than in another, other things being equal because.....

- (A) labour will move to high-wage regions and capital will move to low-wage regions
- (B) labour will move to low-wage regions and capital will move to high-wage regions
- (C) labour tends not to move from one region to another
- (D) capital tends to move from one region to another.

2. Crisis in any part of a country will discourage mobility of workers

- (A) International
- (B) upward
- (C) regional
- (D) occupational

3. When there is employee mobility this can also be referred to as

- (A) global relocation
- (B) employee transfer
- (C) domestic relocation
- (D) all of the options

4. the international exodus of skilled and highly educated labour force is called

- (A) migration
- (B) brain drain
- (C) International trade
- (D) labour supply

5. Which of these is not a source of regional restrictiveness in the Nigerian environment?

- (A) Direct and indirect costs of obtaining required qualifiers
- (B) Activities of trade union
- (C) Deployment of contract employment system
- (D) All of the options

6. When $P_o > P_i$ this means that

- (A) medium or high mobility can be expected
- (B) low or no mobility and not regulated
- (C) middle and meander life
- (D) none of the options

7. Movement of labour from one industry to another industry is known as mobility.

- (A) geographical
- (B) industrial

(C) regional

(D) occupational

8. Identify from the options below the disadvantages of migration. It.....

(A) leads to cultural disintegration in the destination region

(B) reduces population pressure on agricultural land at the source region

(C) boost markets at the receiving region

(D) leads to the development of social amenities in the receiving region

9. How can you describe the movement of people from their own countries to other countries?

(A) Rural-urban migration

(B) Immigration

(C) Emigration

(D) Labour turnover

10. the relevance of manpower development in Nigeria does **not** include.....

(A) economic development

(B) labour migration

(C) poverty alleviation

(D) political stability

Theory Questions

1. Discuss the factors that can be responsible for migration.
2. What factors explain regional restrictiveness in Nigeria?
3. Describe the magnitude of the problem of brain drain in Nigeria and what do you think is the motivation for the syndrome?
4. It is believed that international migration of skilled personnel from developing countries to developed countries has both positive and negative effects. Discuss.
5. What policy measures can be put in place to minimise regional immobility in Nigeria?
6. Give practical suggestions of how the developing countries can manage the problems of brain drain confronting them.

Answer (MCQs)

- | | |
|------|-------|
| 1. A | 6. A |
| 2. C | 7. B |
| 3. D | 8. A |
| 4. B | 9. C |
| 5. D | 10. B |

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CHAPTER TEN

TRADE UNION, WAGES AND EMPLOYMENT

10.0 Learning Objectives

The purpose of this chapter is for students to be able to:

- i. Explore the critical roles of trade unions in employment relationships
- ii. explain the contribution of unions in recruitment, wage determination, industrial peace and conflict resolutions.
- iii. understand the implications of trade union roles on organisational outcomes like supply efforts and productivity.

10.1 Introduction

Trade unions play a very important role in the employment of workers and also in wage determination. Because employment and wages also play an important role in the lives of workers, there are a lot of issues in the labour market when trade unions do not get involved. Therefore, trade unions play multi-dimensional roles in the labour market.

A trade union is a continuous association of wage earners to maintain and improve the conditions of their working life (Webbs, 1897). Trade Union Act Section 1 defines a trade union *as any combination of workers or employers whether temporary or permanent the purpose of which is to regulate the terms and conditions of employment of workers whether the combination in question would or would not apart from this Act be an unlawful combination by reasons of his purposes being in-restraint of trade and whether his purposes do not include the provision of benefits for his members.*

By this definition, Animashaun & Shabi (2009) noted that a trade union is the regulation of terms and conditions of employment of the workers. Also, employers can be regarded as trade unions for this reason. Yesufu (1984) regarded a trade union as an association of employees for the promotion and defence of the terms and conditions of employment of their members including their standard of living. With this definition trade union is used to denote employees alone.

Animashaun & Shabi (2009) noted that a trade union is a vehicle for the articulation and protection of the collective interest of workers whether within or outside the employment nexus. Therefore, a trade union may carry out their struggle behind the factory gate and take an interest in what goes on in the larger society.

10.2 Objectives of Trade Unions

Generally, the objectives are to protect, and defend their members against injustice and to ensure workers' inalienable right to higher and better life. Therefore, the important objectives are to:

1. regulate terms and conditions of employment
 2. improve the working conditions at the workplace.
 3. raise the living standards of workers.
 4. protect the workers by exploitation of management
 5. help in the maintenance of discipline of the organisation/industry
 6. ensure the proper implementation of personnel and welfare policies.
 7. replace managerial dictatorship with workers' democracy
 8. establish industrial peace by improving employee and employer relations.
 9. act as the best negotiator machinery.
 10. safeguard the interest of the organisation and organisational health.
11. protect the interests and welfare of workers. All in all, the trade union serve the aims of both workers and management in the organisation.

With these objectives in view, the trade unions performed the following functions:

1. Collective bargaining with the management to secure a better work environment for the workers.
2. Providing security to the workers and keeping a check on the hiring and firing of workers.
3. Helping the management in the redress of grievances of workers' grievances at appropriate levels.
4. If any dispute or matter remains unsettled referring the matter for arbitration.

5. to negotiate with management certain matters like hours of work, fringe benefits, wages, medical facilities and other welfare schemes.
6. to develop cooperation with employers.
7. to arouse public opinion in favour of labour or workers.

10.3 Importance of Trade Union in Employment

The existence of a strong and recognised trade union is a prerequisite for industry peace. In many cases, there is always collective bargaining where employment situations are regulated between workers and management representatives. Collective agreements are reached to stop the impending conflict. Other importance of trade union includes:

- Helping with the recruitment and selection of workers
- Inculcating discipline among the workforce
- Ensuring settlement of disputes in a rational manner and helping in a social adjustment of workers to new working conditions, rules and policies

10.4 Trade Union and Employment

Trade unions serve as veritable referrals in recruitment. In most cases when the internal labour market is explored in recruitment, the trade union members always refer potential workers who can easily adapt to the culture of the firm. This function reduces the cost of training to make a recruit settle down at work and quickly adjust to the work environment.

Trade unions can encourage more efficient practices; and can promote the image, brand and organisational product thereby improving and widening the customer base and the marginal revenue of the organisation.

10.5 Trade Union and Wages Determination

Wage determination is often expected to be at equilibrium i.e., the use of market forces to determine wage under the assumption that there is a perfect competition. So, at the point of equilibrium for the supply and demand of labour, the wages are determined. In reality, however, there is still wage differential occasioned by other factors like individual negotiation and skills possessed by the individual and the trade union. Also, many labour markets are never competitive,

not competitive institutional elements like trade unions always influence trade determination. Trade union always wants to maximise:

1. Employment for all members of the union
2. The total wage bill and
3. The wages of a select group of workers within the union

This can be imposed by the unions on management even if the confessional approach in which both the union and the firm agreed on the wage to be paid is collective bargaining. Therefore, collective bargaining comes to be recognised as the best practice in wage determination. The essence is that it brings about industrial democracy and relatively industrial peace. At another level when wages are determined by regulatory agencies of the government and wage commissions, especially through minimum wage legislation the union ensures that this is implemented by management or firms.

Collective bargaining is significant because individual workers combine to negotiate the terms and conditions of employment with their employer. This gives them more power than individuals negotiating his/her wages and conditions of service. Employers must bargain with the union to determine wages where such is required. This is because the strength of the union in the industry lies largely on strike action.

When a collective agreement is not strong between the management and the union industrial action may follow and this could bring untold damage to the operation of the employer. Industrial actions like strikes, demonstrations and protests.

The cost industrial action brings to employers can likely be:

1. Loss of production
2. Loss of output
3. Inability to meet customers' demand
4. Loss of profit

Also, there are other costs which include:

a. Pre-strike Cost: This includes costs associated with loss of productivity. At the point of negotiation, workers put forth less effort.

b. Cost during Strike: During a strike, there is no productivity; the shop-floor will have been closed and this will affect the bottom line.

c. Longer Term Cost: After the strike is over many workers don't come back to work on time and this will lead to loss of business. In order to meet up with production loss overtime may be embarked upon which is an additional cost to the firm.

d. Uncommon Cost: this may include sabotage of work by employees, destruction of equipment, legal cost, litigation, and the hiring and training of recruits.

10.6 Effects of Strike on Union Members

There are different effects that a strike can have on the workers, and they include the following:

1. Employees may lose their remuneration. This is because, many organisations, both in public and private sectors, have adopted “the no work, no pay principle” (Abiwu, 2016). Besides, workers may also lose their source of income in situations where the employer, especially in the private sector, decides to dismiss all the striking employees.
2. Although the employer may not be able to dismiss the employees once the strike is over, an unhealthy employment relationship may be created. This is supported by the studies carried out by Abiwu in 2016 that strikes negatively affect the relationship and trust employees have between them and their employers.
3. There can be a division between employees who went on strike and those who decided to stay and work. Due to this, these two parties may view each other as enemies, and this is likely to have negative implications on both the working conditions and employment relations. Employers are also more likely to favour employees who stayed behind when their colleagues went on strike.

10.7 Trade Union and Conflict Resolution

A peaceful organisation allows for the smooth operation of the firm. This also translates to an increase in the fortune of the organisation. Trade unions can do a lot to ensure a peaceful work environment. All that is required is for the management to carry the union along in areas concerning terms and conditions of employment and be open to the workers' representatives about

operations, changes and its fortune. of importance also is ensuring the sharing of profit with the workers. With such the union representatives may become understanding and collaborate with the management for a peaceful work environment. Also, an understanding union would not allow conflict to fester.

Conclusion

Trade unions are an essential element in wage determination, employment relationships and the peaceful working environment of any organisation. Unions always protect the rights and privileges of their members. It also ensures that its members are well-protected and receive psychological support.

Case Study

Trade Unions have become an integral part of many professional bodies across the world.

In Nigeria, workers have various unions which serve as the mouthpiece of members within the profession. the major aim of such unions is to defend the rights of members. There are numerous trade unions in Nigeria under the larger coalition of two unions: the Nigeria Labour Congress, NLC, and the Trade Union Congress, TUC.

However, in recent years, some professional unions, because of their strategic roles, have been more heard in the public space than others. Their threats and industrial actions always bring tension to the nation thus making them receive quick attention and intervention from the public and government.

Some are so powerful that they can hold the government to ransom, either by crippling the economy or paralysing service delivery in strategic areas.

NLC is an umbrella organisation for trade unions in Nigeria. Under Nigeria's military governments, labour leaders were frequently arrested and union meetings disrupted. the NLC has had various clashes with the government especially on salaries, reduced subsidies and plans to deregulate the purchase and selling of petroleum products.

On January 2, 2012, the national strike which NLC embarked upon which crippled the nation was to protest the then President Goodluck Jonathan's decision to remove subsidy subsidies on

petroleum products and this action lasted twelve days. the NLC state chapters have also had confrontations with their state governments from time to time over salaries and staff welfare.

Also, on May 29, 2023, President Bola Tinubu announced the end of the subsidy regime in his inaugural address. Following the pains Nigerians face because of the removal of subsidy by Tinubu, NLC, through its President, Joe Ajaero, declared the planned strike on Friday, June 2, after its National Executive Council (NEC) meeting in Abuja. However, this was later called off with the president promising to give palliatives and review minimum wages.

Discuss the impacts of the present agitation of the trade union on the welfare of Nigerian workers.

Revision Questions

Multiple Choice Questions (MCQs)

1. Expressions for equitable wage and fair condition of services are mostly marshalled by
(A) collective bargaining
(B) trade union
(C) management
(D) stakeholder

2. in what ways can employers' associations employ to achieve their objection in trade disputes?
(A) Blacklist
(B) Lockout
(C) Collective bargaining
(D) Threat to strike

3. How do you regard the process of slowing down activities in the workplace by the workers? (A) Work to rule
(B) Strike
(C) Protest
(D) Picketing

4. What is commonly used in organisations where the workers are non-unionised?

- (A) Negotiation
- (B) Deputation
- (C) Joint consultation
- (D) Proxy

5. How would you classify the trade union function?

- (A) Psychological and economic functions
- (B) Economic and social functions
- (C) Militant and fraternal functions
- (D) Management and political functions

6. What is another unofficial name for a strike?

- (A) Wild cost strike
- (B) Political strike
- (C) Constitutional strike
- (D) Light strike

7. Identify from the following options the one that is not an obstacle to the existence of trade unions.

- (A) Discipline of workers
- (B) Ethnicity
- (C) Personality clashes
- (D) Proliferation of trade union

8. Which of the following is not an obstacle to trade unionism in Nigeria?

- (A) Proliferation of trade union
- (B) Personality clashes
- (C) Ethnicity
- (D) Inculcating discipline among workers

9. Lighting strike can also be known as

- (A) constitutional strike
- (B) unofficial strike
- (C) political strike
- (D) wild cost strike

10. How would you describe the type of strike in which employees do not leave their work but instead limit it while remaining on the job?

- (A) Sympathy strike
- (B) Slow down strike
- (C) Sit down strike
- (D) Economic strike

Theory Questions

1. Examine the role of trade unions in (a) recruitment (b) dispute resolution (c) wage determination.
2. Discuss the likely positive implication of effective participation of unions in the roles enumerated above.
3. Describe the likely occurrence of hindrance to the union performing these roles on (a) productivity (b) employee's welfare (c) the labour market in general.
4. What are the objectives of trade unions in Nigeria?
5. What outcomes might generally arise when trade unions exercise their political power in collective bargaining through a strike action?
6. the history and contemporary operating environment of trade unions in Nigeria is highly constraining to the achievement of their labour market objectives. Discuss

Answer (MCQs)

- | | |
|------|------|
| 1. B | 6. D |
| 2. D | 7. A |

3. A

8. D

4. B

9. B

5. C

10. C

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CHAPTER ELEVEN

INFLATION AND INCOME POLICY

11.0 Learning Objectives

The main objectives of this chapter are to:

- i. Review the concept and evidence on inflation in the Nigerian economy
- ii. Discuss the implications of inflation for the welfare of workers
- iii. Examine the functioning of other aspects of the labour market such as the nature and efficiency of income policy.
- iv. Understand the influence of inflation on workers especially in respect of wage, welfare retention and satisfaction.

11.1 Introduction

Inflation can be defined as the accumulated rise in the price of goods and services as a result of a large volume of money in circulation used in exchange for the few available goods. That is, too much money chasing goods. It can also be viewed as the high and continuous rise in the price of goods and services over some time in an economy. These definitions are far from perfect, but they point out some salient points that can be considered such as:

- i. an increase in the supply of money relative to other available goods and services
- ii. a continuous and sustained rise in the general price level.
- iii. an increase in demand without a corresponding increase in the production of goods and services
- iv. Limitation of supply which leads to a scramble for the available goods and services.

Inflation seems to be a feature of all economies. There are many definitions of inflation by economists, but generally, they agree that inflation is a persistent and sustained rise in price. The persistence has to be emphasised because for the trade cycle or business cycle there are crises like depression. But this may not sufficiently describe inflation. In other words, rising pricing or gross demand is not necessarily inflationary but a feature of the trade cycle.

1. Demand-Pull Inflation: This is a situation where the sustained increase in aggregate demand exceeds a given level of supply of goods and services. As total demand increases without a corresponding increase in goods and services, demand tends to pull up prices. As more and more people scramble for the available goods and services, the pricing of goods is bid up. If this rate is sustained, it results in inflation.

2. Cost Pull Inflation: This is a rise in the price of goods and services caused by an increase in the cost of factors of production that is demand for more wages and salaries, which are above labour productivity. This is referred to as wage-induced inflation. Also, increases in the cost of raw materials, and expenses, tend to push up prices. the increase in cost is passed down to the consumer in the form of high prices.

3. Creeping Inflation: This is a gradual rise in prices of goods and services over some time. A 2% – 3% increase over time qualifies as creeping inflation. However, this type of inflation is very useful for economic growth as it stimulates investment.

4. Hyperinflation: This is the extreme form of inflation in which the value of money loses its purchasing power. Money loses its function as a store of value. an increase in the economic output is impossible because of the breakdown in monetary mechanisms. It is associated with an increase in demand, occasioned by an increase in the supply of money. This type of inflation is not too common. It is usually experienced during wars when labour and other resources are channelled towards the prosecution of war.

5. Suppressed Inflation: a situation in which at existing wages and prices, the aggregate demand for current output and labour services exceeds the corresponding aggregate supplies. It is also a situation where the government prevent price rise through price control, rationing, etc. This inflation can lead to corruption, black marketing artificial scarcity etc.

6. Imported inflation: This is a general and sustainable price increase due to an increase in the cost of imported products. the price increase includes the price of raw materials and all imported products or services used by organisations in the economy and also consumer finished goods.

11.3 Causes of Inflation

1. Fiscal Deficit: It is acknowledged that budgetary deficits fuel monetary expansion and this leads to inflationary pressures.

2. Cost Cost-Push Factors: Incessant calls by unions that engage in strikes to wage increases also lead to inflation. As wages and salaries are increased, producers and retailers increase the price of goods. the gain of wage increases becomes eroded because inflation will set in.

3. Exchange Rate Changes: It can be in the form of gradual depreciation of a country's currency or outright devaluation of the currency. When a country out-rightly devalues its currency, it experiences a sharp rise in prices.

4. Agro-Climatic Conditions: agriculture provides substantial raw material for manufacturing. the neglect of the sector results in low and sometimes a shortage of locally made raw materials. the competition for the scarce, but available ones lead to the shooting up of prices of procurement. These increased prices of raw materials also translate to an increase in prices of goods, hence inflation.

5. Monetary Expansion: This occurs when there is extra-budgetary spending by the government and its agencies. the consequence is a money supply increase in the economy. Such extra-budgetary spending is not often on investment but consumption spending. There would be excess money in circulation in the economy, but limited goods to buy therefore prices of available goods are hiked.

Other causes of Inflation include:

- i. Expected future rise in prices
- ii. War
- iii. Continuous general strike actions, and
- iv. Excessive importation: (a situation of dependence and over-dependence on the importation of goods and services

11.4 Effects of Inflation on Employment

Employment tends to stagnate in a moment of high inflation. Firms experience an increase in marginal cost without a corresponding increase in marginal revenue to the firm. Prices of raw

materials become high; inflation decreases consumption. Consequently, employers tend to freeze employment during this period.

11.5 General Effects of Inflation

1. Effect on Saving: Since money loses its value during periods of inflation, saving is discouraged. This tends to affect capital formation adversely. Hence, investment is hindered. Potential savers divert their money to buying real assets rather than saving.
2. Reduction in Standard of Living: Inflation leads to a reduction in the standard of living of the populace. Goods and services become exceedingly dearer, and the common man finds it hard to make ends meet. Malnutrition, diseases, slums, etc. appear. Other negative effects include:
 3. It affects employment: this might be because the unit cost of production will increase and demand will decrease, which may reduce the hiring of labour.
 4. It affects income, that is, it leads to a decrease in real money.
 5. Loss to creditors, in the sense that, the value of money that he is going to get back from his debtors must have reduced due to inflation.
 6. It can lead the country to be a dumping ground.

11.6 Effects of Inflation on Workers

1. Loss of real income.
2. Reduction in the purchasing power arising from loss in the real income.
3. Discouragement of savings.
4. Reduction in the standard of living.
5. Increase in the willingness to borrow /increase in interest rates.
6. Lost morale and reduction in output because the rated output is not commensurate with that of input.
7. Agitation for more wages, which may fuel inflation if considered by employers.
8. Strain and tension, anxiety about money because nobody knows exactly what is expected.

11.6.1 Effects of Inflation on Productivity

When inflation is mild, production is stimulated. But when inflation becomes chronic, investors run away from production, and they put their money into investments that are stable and can be turned into liquidity. Such investment includes real estate and precious metals whose values increase over time even during inflation.

11.6.2 Inflation and Moon Lighting

Taking up other employment or dual employment [informal employment] during inflation seems to be high for formal employees. This is done to mitigate the erosion of real income of their salary as a result of the effect of inflation on real wages. It also means loyalty and commitment of employees could be ostensibly eroded at this time because of dual employment.

11.6.3 Inflation and Retention

Employee retention seems to be lower during inflation. the fortune of a firm tends to dwindle during inflation also productivity becomes reduced as patronage of their goods or services is drastically reduced. There is a tendency to rightsize or downsize by organisation management.

11.6.4 Inflation and Employee Satisfaction

Employee satisfaction could be assumed to be low during chronic inflation. This is because there is a reduction in the real wage, retention of employment is threatened, morale is dismally low, and there is a reduction in the standard of living of workers as a result of a hike in general prices of goods and services.

11.6.5 Inflation and Employee Welfare

With inflation, employers tend to slice or remove certain welfare services enjoyed by employees this is done to reduce the firm's marginal cost without corresponding marginal revenue foisted on the firm by inflation. Welfare services like subsidised meals, newspapers, overseas training and training in general are geometrically reduced.

11.7 Wage and Income Policy in Nigeria

Income policy refers to statements by the public authorities that are aimed at controlling the growth and distribution of incomes to the different factors of production to direct these in the paths that would aid the development efforts of the economy. In Nigeria, the aim of income policies is partly to minimise inflation by controlling prices and incomes. A regime of regulation was pursued between 1976 and the 1980s, but the adoption of structural adjustment in the 1980s meant a departure from the usual income policy guidelines.

Income policy is designed to, amongst other things, redistribute income to achieve specific social goals. The perceived goals to be achieved arise from society's unwillingness to accept the adverse adjustment effects that would emerge from the operation of a free market. Thus, it is the unwillingness to allow the market to make the adjustments that the government intervenes; ostensibly with a national wage policy to achieve equitable income redistribution. However, while the government hopes to minimise to the barest minimum, the economic inefficiency arising from the exercise, it nevertheless, encourages rent-seeking and moonlighting activity from labour, especially in the public sector. This sub-optimal behaviour of labour tends to decrease national productivity while increasing overheads (Tule, 2010).

Conclusion

Inflation is taken to be a phenomenon of an increase in the price of goods and services. The increases in the supply of money without a corresponding increase in the volume of goods and services circulating in an economy. The consequence is that there is lots of money chasing few goods.

Inflation has negative consequences on workers' income, real wages and standard of living. The general practice is to cut wages and the welfare services provided by employers to workers. Unemployment tends to rise during inflation, as employers tend to place an embargo on employment in order not to incur costs, since additional workers may not generate corresponding revenue commensurate to the cost on him/her. Workers' morale tends to be low during acute inflation. Apprehension is high among workers as a result of mass retrenchment during this period. Moonlighting comes to the front burner. Workers are more likely to engage in moonlighting to augment their salary which real value has been eroded by inflation.

Case Study

Generally, high inflation imposes welfare costs on a nation, hinders the efficient allocation of resources by affecting the role of changes in the relative price level, and discourages investments and savings in an economy as it creates unpredictable future prices. the situation also affects financial development because it makes financial intermediation more costly, and the poor are mostly affected because they rescind in holding financial assets that provide a hedge against high inflation and decrease a country's international competitiveness by making exports more expensive. It also has a negative effect on payment balance and reduces the long-term growth of a country. Businesses and households perform poorly during the period of high inflation (Frimpong & Oteng-Abayie, 2010).

How can a government control the inflation rate in the country because it affects so many areas in the economy generally?

Revision Questions

Multiple Choice Questions (MCQs)

1. Which of the following is **not** a positive effect of inflation?
 - (A) Decrease in real income
 - (B) Increase in production
 - (C) Debtor gain
 - (D) Rise in profit

2. What happens when the basic factor at work is the increase in aggregate demand for output from the government, the entrepreneur or the households?
 - (A) Monetarist theory
 - (B) Demand-pull inflation
 - (C) Supply pull inflation
 - (D) Derived demand

3. What happens when a set of measures by which the inflationary pressure in an economy is removed to maintain the value of money?

- (A) Inflationary gap
- (B) Deflation
- (C) Disinflation
- (D) Inflationary spiral

4. How would you describe inflation that occurs when persistent inflation becomes uncontrollable, and the value of money keeps declining rapidly?

- (A) Cost-push inflation
- (B) Demand-pull inflation
- (C) Creeping inflation
- (D) Hyperinflation

5. the neglect of agriculture which provides substantial raw materials for manufacturers in an economy makes it to experience

- (A) deflation
- (B) stagflation
- (C) inflation
- (D) disinflation

6. the causes of inflation do not include.....

- (A) war
- (B) cost-push factor
- (C) increases in price
- (D) fiscal deficit

7. What will be the effect of a high inflation rate on workers?

- (A) Reduction in workers welfare
- (B) Increase real wages of employee
- (C) Non-agitation for wage increase
- (D) Welfare packages are geometrically increased

8. When an economy is experiencing high inflation it can lead to
- (A) production is being stimulated
 - (B) reduction in the purchasing power arising from loss in real income
 - (C) encouraged savings
 - (D) increase in the purchasing power of money
9. Which of the local peculiarities which exist as a fall out of the current level of political, economic and industrial development of the Nigeria labour market is
- (A) low rate of unemployment
 - (B) increasing inflation rate
 - (C) few informal labour market
 - (D) low rate of industrial conflicts
10. When the inflation rate and unemployment rate are rising in the same direction in an economy is known as
- (A) Demand full inflation
 - (B) Hyperinflation
 - (C) Stagflation
 - (D) Cost-push inflation

Theory Questions

1. Inflation is said to be a multi-casual phenomenon. in view of this, discuss an efficient and comprehensive programme for the control of inflation in Nigeria.
2. What are the social-economic and psychological effects of prolonged inflation on the welfare of fixed-income workers?
3. What are the fundamental elements and strategies of income policies in Nigeria?
4. Outline the main types of inflation in Nigeria and explain how they can be controlled.
5. Explain the positive and negative effects of inflation on employer and employee efficiency.
6. Examine the relationships between inflation and the following:
 - a. employee real wage

- b. employee satisfaction
- c. employee welfare
- d. employee retention
- e. employees and organisational productivity

Answer (MCQs)

- | | |
|------|-------|
| 1. A | 6. C |
| 2. B | 7. A |
| 3. C | 8. B |
| 4. D | 9. B |
| 5. C | 10. C |

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CHAPTER TWELVE

AScription AND GENDER ISSUES AT WORK

12.0 Learning Objectives

The main aim of the chapter is that students should be able to:

- i. Illustrate the issues of ascriptive inequalities in the labour market.
- ii. Describe how women had come to be active participants in the formal labour market.
- iii. Recognise the causes of discrimination against women and
- iv. Highlight the implication of discrimination against women for diversity, performance and retention of talent.

12.1 Introduction

In all societies of the world, there is a tendency for women to occupy a lower status than men. Men's domination seems natural. Research conducted about men is often generalised to women. the explanation for male-female differences has been hotly debated in recent times. It has been argued that the differences in the roles of men and women are due to physical, biological and cultural differences. Mudorck (1949) was the first to examine occupation in different societies and concluded that there is a division of labour along gender lines. Oakley (1974) criticised this and argued that there is no universality of gender division of labour, but differences are culturally determined.

If biological and physical differences and culture are not responsible for differences in gendered behaviour and roles what then is? It has been argued that differences between sexes are socially constructed through manipulation, canalisation (directing boys and girls toward different objects), verbal appellation and exposure to different activities.

These thoughts had been extended to industrial settings attributing different roles and occupation types to different sexes. However, liberal feminism theory postulates that no one gains from the existing gender inequalities. Rather, both sexes are harmed as the potential of both sexes is suppressed.

12.2 Gender and Industrialisation

The changing status of women has been traced to industrialisation. Certain factors are responsible for the limitations of the women in the initial factory:

1. Factory Acts of 1819 restricted child labour. However, there was increasing dependence of children on their parents as they required care and supervision. the role fell on women. the child's growing dependence heralded the dependence of women in marriage and their restriction to the home.
2. Between 1841 and 1914 there was combined pressure from male workers and philanthropic reformers restricting female employment in the industry. They called for women's gradual withdrawal as they were seen as a potential threat.
3. the Mine Act of 1842 banned women as miners
4. the economic weapon used was the exclusion of women from membership of trade union
5. Contracts with employers to prevent women from being hired
6. Legally laws were promulgated to restrict the employment of women
7. Psychological weapons include making caricatures of women in employment

Industrialisation according to Oakley (1974), separated men from the daily routines of domestic life, established the economic dependence of women and children on men and isolated housework and childcare from other work.

12.3 Women in Paid Employment

Since 1914 there has been an increase in women's employment (Oakley, 1974). Inequality persists for both sexes. Some of the features of women in paid employment include:

- i. Low pay compared to male counterparts
- ii. Few in high-status
- iii. They are more in menial jobs and more likely in part-time work
- iv. They are more in the lower steps in their occupation
- v. They tend to work in particular types of jobs that are of low status
- vi. They are denied access to top management positions (glass ceiling)

The inequalities have been explained in many ways:

1. There are different roles women perform in the family
2. Human capital theory argues that women lack a commitment to paid employment as they always have to take a break to nurse their children, thereby interrupting work and their career
3. the dual labour market theory posits primary and secondary labour markets. the primary market guarantees pay, job security, good working conditions and promotion prospects. It includes professional managerial and highly skilled workers. the secondary market consists of lower pay jobs with less job security, inferior working conditions and few opportunities for promotion (Fajana, 2000; Ojo, 1998; Haralambos and Holbron, 2004). the market exists side by side. Women are regarded as suitable for the secondary sector which is occupational sex segregation.
4. Even when women perform equally as men in the same status, in most cases they find it difficult to get to the peak of their career. Ascriptive rather than achieved status is given to women. Women are simply discriminated against.

12.4 Reasons for the Increase of Women in Paid Employment

1. Education: More females are increasingly gaining access to education unlike in the past when their place is regarded to be in the kitchen. They are to be heard and not to be seen. Hence in the past, there were no investments in girls' education. With the breakthrough of women like Funmilayo Ransome-Kuti and Margaret Ekpo. Nigeria like other economies is having a change of attitude and increasingly releasing the female child to access Western education
2. Economic depression has decreased the capability of men in employment as breadwinners. So, women augment family earnings. This also allows for professionals and higher educational qualifications among women.
3. Change in societal attitude: Women are now being seen and heard. A slogan like "What a man can do, a woman can do better" has spurred women to exploit men-dominated activities and continue to acquire the competencies to make them compete better.
4. Improved health facilities that enable women to combine childbearing and job market participation

5. Demonstrated women's capabilities in managerial positions e.g., Okonjo-Iweala who headed the economic group of Nigeria for some years, women like Dora Akunyili etc.
6. Legislation: equal opportunities and affirmative action that stipulate a specific percentage of women in public position
7. Diversity management that recognises the talents and unique values of both sexes can contribute toward organisational outcomes

12.5 Women's Experience in Employment

Women often experience discrimination in workplaces; they are more often recruited into ascriptive occupations. Fajana (2000) describes an ascriptive labour market as assigning superior status to a given segment of a market based on factors which are historical or cultural, but which are not necessarily equitable or desirable. This often leads to preferences in recruitment for or against women. Women are preferred for nursing, catering, and marketing and discriminated against for engineering, medical and management positions. For instance, Fajana (2002) finds that a greater proportion of males were employed than females for senior intermediate levels of professional, administrative and skilled work. Larger proportions of women were recruited into clerical and unskilled occupations.

The major reasons of preferences for men include:

- a. financial consideration (more cost during ante-natal)
- b. Reduction of productivity because of time off for pregnancy, nursing etc.
- c. Women employment protective laws that prohibit women from working in certain positions like mining sites; yet women apply for such.
- d. Gender roles and stereotyping; men always advance the domineering position that women do not make good leaders. Such opinion affects female selection, promotion, performance ratings, and training of women for managerial roles.

Discrimination of women brought about through gender roles stereotypes discrimination in job posting, discrimination for promotions, harassment and posting to areas where they cannot easily attain management positions are unethical. HR managers should be guided, watch and ensure that the organisation's HR practices do not come short of the best ethics and justice in the treatment of both sexes.

Conclusion

Women are significant resources in organisations; part of organisational strategies is to manage the diverse group of the organisation in such a manner that they will contribute maximally to organisational outcomes. Discrimination, ascription, and occupational segregation are not competitive strategies in an ever-competitive business environment.

Discrimination leads to loss of talent, hostility, non-supportiveness, estranged relationships and unethical behaviour. the current practice of retaining inexperienced men even when there are more skilled women deprived society of the productive effort of the best talent and impact negatively on organisational outcome of performance, satisfaction and turnover intention.

Revision Questions

Multiple Choice Questions (MCQs)

1. Women no longer suffer from..... roles in seeking employment in Nigeria.
(A) feminine
(B) feminist
(C) gender
(D) money
2. Attributing certain occupations to a particular sex is known as
(A) sex occupational stereotyping
(B) sex discrimination
(C) sex attribute
(D) gender discrimination
3. When talented women are hindered from getting to the peak of their career is known as
(A) sex stereotyping
(B) gender discrimination
(C) occupational discrimination
(D) glass ceiling
4. What is ascription?
(A) Glass ceiling
(B) Attributing a specific role to a specific sex
(C) Attributing a role to both sexes
(D) Sex discrimination
5. the rate that shows the number of women who can give birth israte
(A) birth
(B) fertility

- (C) population
- (D) none of the options

6. in some organisations men are still preferred to women because of

- (A) financial consideration
- (B) education
- (C) changes in societal attitude
- (D) diversity of management

7. Now there is an increase of women in paid employment because of.....

- (A) financial consideration i.e., more cost during ante-natal
- (B) their ability to work in a particular type of job.
- (C) population rate
- (D) diversity management that recognises talents and unique value

8. Former features of women in paid employment include

- (A) low pay compared to male counterparts
- (B) they were more likely to hold menial jobs and part-time duties
- (C) they were in the lower rungs in their occupation
- (D) all of the options

9. the changing status of women has been traced to

- (A) women agitation
- (B) industrialisation
- (C) women liberation
- (D) diversity of management

10. Determinants of female labour force participation in Nigeria include

- (A) fertility
- (B) availability of household technology
- (C) female education

(D) all of the options

Theory Questions

1. Describe (a) glass- ceiling (b) sex discrimination (c) sex-stereotype in the context of the labour market
2. Explain the factors leading to the exclusion of women in the labour market during the industrialisation era.
3. Account for the factors that lead to the increase in women's participation in paid employment
4. What do you understand by gender discrimination? in what way is this discrimination ascriptive in nature?
5. What reasons are relevant biologically and psychologically to employers which reduced their preference for female job applicants?

Answer (MCQs)

- | | |
|------|-------|
| 1. C | 6. A |
| 2. A | 7. D |
| 3. D | 8. D |
| 4. B | 9. B |
| 5. B | 10. D |

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CHAPTER THIRTEEN

EMPLOYABILITY

13.0 Learning Objectives

At the end of studying this section, the student should be able to:

- i. Understand the concept and operationalisation of employability.
- ii. Explain the role that individuals as well as the town and the gown can play to make people employable.
- iii. Discuss how to improve the employability of existing workers by individuals and employers.

13.1 Introduction

Knowledge, skill and abilities (KSAs) possessed by an individual become significant if they are relevant and applicable in the specific organisation they elect to work for. The KSA should, to a high extent, provide extensive opportunity for the individual who possesses it to have a high probability of securing employment.

An individual already working needs to consistently and continually apply his or her KSA to the task at hand and to any other that may emerge as a result of changing forms of work and other work environmental factors like technological change, new economic and social market demand and others. That an employee will always be relevant and his KSA will continue to make him progress in his career choice makes him or her employable.

Employability is, therefore, a factor of education, training, work enabling environment, timing between the acquisitions of KSA and transferring these to application on work. It is multi-dimensional. According to Warwick School (2006), it is a combination of student skill, subject understanding, personal qualities, critical thinking, and reflective abilities. Essentially, individuals, work organisation management, employers and educational institutions need to do a lot collaboratively to ensure the employability of workers in every society. Employability has different connotations. It applies to both potential and existing employees as well as to the employers.

13.2 Definition of Employability in Relation to Potential Employees

Employability from the point of view of a potential employee is his/her ability to get a job that is satisfying (Idowu, 2016) as a result of the acquired knowledge, skills and abilities. This also has a cognitive expression. This is the perception of a potential employee, (a fresh graduate for instance) of his possibilities of getting equal or better employment (Brenttson, 2008) and the perception that he would be able to perform on the job. Based on this cognitive aspect of potential employees' employability, Brenttson (2008) pointed out that employability can be categorised mainly into two: (1) actual employability and (2) perceived employability.

In effect, an individual may perceive he is employable based on the knowledge he/she has when in fact the employer finds him, or her unemployable based on employability skills required to deliver or perform on the job. It also pertains to an existing employee who may perceive that the possessed KSAs may still be relevant for the job he is performing while a rapid change in the work environment (internal and external) might have rendered such experience obsolete.

13.3 Definition of Employability in Relation to Employers

An employer, as a matter of competition and survival, needs to create a work environment which offers opportunities for personal and professional growth of employees. This becomes important when it is realised by the management that as individuals within the organisation grow, and consistently acquire the necessary and relevant skills and abilities to enable them to deliver on their tasks, the organisation becomes competitive. of importance also is the fact of being satisfied with the ability to successfully and effectively deliver, career progress and has a high potential of being retained due to his employability, the more the organisation grows, remains competitive and a high chance of survival.

13.4 General Definition of Employability

Based on this, employability can be taken to mean the ability of an individual to secure and maintain satisfactory employment. Issues of securing and keeping satisfactory work are the centrality of all definitions of employability.

Bernttson (2008) for instance, defined employability as the capability of getting and keeping satisfactory work. Pool and Sewell (2007) capture this by defining employability as having a set

of skills knowledge, understanding and personal attributes that make a person more likely to choose and secure occupations in which they can be satisfied and successful. Cork Institute of Technology explains employability as the ability to gain initial employment, maintain employment and obtain new employment.

All the definitions capture the preceding arguments above that employability is multi-dimensional connoting as enumerated in (Idowu, 2016) below:

- a. Fresh graduates' ability to secure employment and transfer their KSAs to deliver on the job
- b. An existing employee getting satisfaction on the job
- c. An existing employee's continual relevance in the organisation through self-development and acquisition of new skills
- d. The employer creates the enabling environment for the employee to acquire the relevant knowledge; to continually apply the knowledge in the light of changing circumstances like strategies, technological change and organisation re-engineering.
- e. The employee will continually progress, be more productive and satisfied with his/her competence
- f. Employers are also satisfied with their competence and delivery.

The above suggests that employees must possess certain skills to be employable whether that employee is a potential or existing one.

13.5 Employability Skills and Knowledge

These skills are what potential and existing employees need to have to secure initial employment (potential employees) to continually deliver on their job duties and maintain the job by continually developing themselves (existing employees). the skills include achievements, understanding and personal attributes such as skills and abilities (Dacre & Pool, 2007; Idowu, 2016). Further, these competencies are dynamic and change over time. the employability skills required at the port of entry (for fresh graduates) would change over time as he progresses in his/her career ladder and is saddled with higher and more complex job duties. Changes in competencies also arise from work environment dynamics: changes in organisational strategy, form of work, organisational culture and structure and technology.

In collaboration with British Industry, Warwick University defined employability/transferable skills as “a set of attributes, skills and knowledge that all labour market participants should possess to ensure they have the capability of being effective in the workplace to the benefit of themselves, their employer and their wide economy”.

The following are employability risks required by an organisation of potential and existing employees:

- 1. Communication:** ability to listen and make yourself heard, that is express oneself clearly and articulately application of literacy, expression in writing and critical mind. Clarity and conciseness, interpersonal skills and acting on key directives. [Warick, 2016: Cit 2016 Stemnet 2016].
- 2. Teamwork:** ability to work co-operatively, interdependently and collaboratively with others. Supportive of others getting along with others, accommodating to others and getting along with others. It also requires working with people from different backgrounds, different professions and expertise.
- 3. Creativity and innovation:** people with ideas, valuable suggestions and a strong personal drive.
- 4. Organisational skills:** the ability to take responsibility for your workload and the use of initiative to deal with the unexpected, being organised, being methodical, and skills for planning and implementing deadlines.
5. Ability to learn: trainable minds
- 6. Use of new technology:** the ability to learn and use new technologies for recording and communicating with others in their specific functional areas. for instance, an HR functionary is expected to be able to use technology in all HR value chains.
- 7. Professionalism:** requirement for commitment to deliver the best standard using the right procedure.
- 8. Self-management:** ability to manage oneself with little supervision showing flexibility, resilience, self-motivating and asserting
- 9. Flexibility:** ability to adapt to a changing and evolving workplace and at the same time be productive to a high standard.

10. Commercial/ Business/ Customer awareness: it is being aware of the organisation's business, drivers of business success, how the organisation operate, issues that affect the business and the skills required to add value.

11. Problem-solving/Analysis: the ability to analyse issues and information using creative thinking to provide effective solutions.

12. Numeracy: the ability to use data and mathematics to support decisions.

13. Entrepreneurship skills: the ability to demonstrate innovation, creativity, collaboration and risk-taking.

13.6 Attitude Required for Employability

Employers also require a specific positive attitude as much as hard skills from employees. According to Warwick (2016), these attitudes are as follows:

1. Can do.
2. Readiness to participate and contribute to the issue.
3. Openness to new ideas.
4. The drive to make all this happen.

13.7 Ensuring Employability

Individuals, the town (employer professional bodies and educational institutions need to play some roles in assuring employability.

13.7.1 Individuals

At the initial stage of studentship, individuals need to think about their life and how to make it. There is a need to think about the economy and skills in high demand. Then work towards the future. the need to be focused on their studies is important. Knowledge and acquisitions to be successful in the future are encouraged. Attendance at seminars and talks: that would enhance one's knowledge is also important at this stage.

13.7.2 Existing Workers

To demonstrate good employability, the employee should work towards the following:

1. Self-development especially for top performance.
2. Self-development for other skills that may be required in the job in the future and also at other units of the organisation
3. Self-development that can be transferred to other organisations if need be
- 4, for expected changes in the strategy, new business, restructuring and new forms of work that may emerge.

13.7.3 Employer's Role (The Town)

Employers need to manage careers and make career paths for each job available to workers. in addition to individual workers' self-development, employers should invest in training to ensure sustainable employability.

1. an eye to the future change should moderate the types of training given to workers.
2. Need to collaborate with territory institutions on employability skills for specific jobs and job positions.
3. Develop curriculum collaboratively: professional bodies for each knowledge area should be involved as the syllabus is being developed by the regulatory bodies for tertiary institutions.
4. There could be endowment by specific employers to tertiary institutions to train specific skills. in such a situation experienced managers can participate in lecturing.
5. Allow for reverse sabbatical

Conclusion

Employability is taken to operate at three prongs: the level of individuals, employers and tertiary institutions. the fresh graduate becomes employable if he has the required skills. the existing worker needs to be relevant with regard to his skills, hence, a constant renewal of skills is essential. the employer also needs to provide an environment where the employee continually develops himself by renewing his skill set and acquiring new ones. the schools also need to impart the required employability skills to the students. the town, the gown and the individual play specific

roles in ensuring employability. These roles are expected to be performed collaboratively by these actors.

Case Study

According to Ajufo (2019), globally the number of students graduating from tertiary institutions keeps growing rapidly as well as the skills mismatch, possession of a degree in the world of today is no longer a guarantee of a good job and tertiary institutions are being blamed for failing to properly prepare students to meet the demands and expectation of the 21st-century workplace. Also, according to the National Bureau of Statistics (2016), 13.5 million young people of employable age are not employable, and the figures keep increasing. Therefore, entrepreneurship training was introduced with the aim of the overall training of individual and university undergraduates for useful living. Students are trained to acquire skills that are required in the 21st-century world of work.

From the assertion above, can the employability skills of students be enhanced through entrepreneurship development programmes?

Revision Questions

Multiple Choice Questions (MCQs)

1. In labour market analysis, the acronym KSA is known as

 - (A) knowledge, success and ability
 - (B) know, staff and ability
 - (C) knowledge, skills and ability
 - (D) none of the option

2. Which of the following is **not** an employability skill?

 - (A) Sales
 - (B) Technology
 - (C) Ethical behaviour
 - (D) Teamwork

3. Leadership skills can also be known as

 - (A) prioritizing
 - (B) treating everyone fairly
 - (C) anticipating problems
 - (D) breaking new ground

4. Which of the following is considered the most important skill in the workplace?

 - (A) Effective communication
 - (B) Leadership Strategies
 - (C) Certifications
 - (D) Knowledge of technology

5. Which of the following can be used to define employability?

 - (A) A specific style of behaviour in the workplace
 - (B) Positive work behaviours and personal qualities which make an individual more likely to gain employment in their career

- (C) Recognizing the questions which relate to goals. Purpose and needs
- (D) Arriving at work on time and completing the tasks assigned.

6. Which of the following can be considered knowledge of technology skills?

- (A) Creating a final product
- (B) Active listening
- (C) Teamwork
- (D) Willingness to learn

7. Which of the following is **not** an employability skill?

- (A) Leadership
- (B) Teamwork
- (C) Problem solving
- (D) Punctuality

8. Teamwork can best be defined as

- (A) solve problems creatively and identify mistakes with efficiency.
- (B) ability to motivate yourself to accomplish a better result for an organisation.
- (C) working effectively and efficiently with others.
- (D) pointing out others' mistakes.

9. Employees teach, show and demonstrate skills that employees will practice

- (A) when working
- (B) on-the-job training
- (C) off-the-job training
- (D) none of the options

10. an employer expects employees to

- (A) have positive attitude
- (B) gets along well with co-workers
- (C) use their skills and training to help the business operate and make a profit

(D) all of the options

Theory Questions

1. Explain in detail the concept of “Employability”
2. List and explain the different skills employers require in workers.
3. Discuss any seven (7) types of employability skills.
4. Explain the attitude required for employability.
5. Explain the roles the following play in employability.
(i) the employers (ii) the treasury institution (iii) the individual

Answer (MCQs)

- | | |
|------|-------|
| 1. C | 6. D |
| 2. A | 7. D |
| 3. B | 8. C |
| 4. A | 9. B |
| 5. B | 10. D |

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CHAPTER FOURTEEN

MODERN LABOUR LEGISLATION

14.0 Learning Objectives

At the end of studying this chapter students should be able to:

- i. Discuss workers as equal partners in the workplace.
- ii. Explain the objectives of modern labour legislation
- iii. Analysis of the problems of modern labour legislation
- iv. Proffer solutions to injustice in the workplace

14.1 Introduction

Legislation comes into existence to cater to the growing needs of society, which may be caused by technological, economic, political, and social changes. It is like a citadel which requires regular repairs, revamping and replacement. "Life and Laws have moved together in history and they must do so in future". It is from this perspective that Labour legislation has to be studied. The industrial society brought about excessive exploitation of the working classes by the employer who took advantage of the individual dispensability of the worker and wanted maximum profit on his investment.

Every society revises, reviews, refurbishes and reinvents its legal concept and civilised ways of living. The changes brought about by the Industrial Revolution created some gaps, and it became the responsibility of society to fill up those gaps. Society went for certain social devices to take care of the gaps, which are known as labour legislation.

The labour legislations are the products of the Industrial Revolution and they have come into being to take care of the aberrations created by it. They are different from common legislation because they come to alleviate special disorders created by specific circumstances. Therefore, they are specific and not general in orientation, philosophy and concept.

14.2 Principles of Basic Modern Labour Legislation

The principles governing labour legislation are more influenced by the postulates of social justice than general justice. Workers are the weaker class of industrial society and have suffered long at the hands of employers. Legislation therefore is to protect workers and secure justice for them. The influences of 'discriminating justice' and 'distributive justice' can be seen over them. All labour legislation is heavily tilted towards labour and specifically designed like that.

Labour legislation seeks to deal with problems arising out of the occupational status of the individual. Therefore, such problems as hours of work, wages, working conditions, trade unions, industrial disputes etc. come to be the main, subject matter of labour legislation. However, under labour legislation, the individual is affected in the capacity of a worker or an employer. Therefore, the person/people who are neither the employers nor the workers are least affected directly by labour legislation. For example, legislation regarding working conditions such as the factory legislation or laws regarding payment of wages or compensation for work injury or employment of women or children imposed upon the individuals as workers and the employers. As labour legislations are to regulate the conditions of labour, in the industrial environment, it is required to be adjusted as per the changing requirements of industry.

The labour law is designed to protect workers' and employers' interests. This is ensured primarily through elaborate regulations that govern various aspects of employment relationships. The long-term objectives of labour legislation are to create a workforce that can compete with foreign labour, to bring about economic development and growth, to improve the cost of living and living standards, converge people's incomes with national income levels through various taxes, establish employment security, provide protection and relief to the injured workers and other categories of employees.

The central objective of labour laws is to safeguard workers' rights, promote trade union activities and make employment more secure. They aim at improving the status of working-class people. Furthermore, they ensure fair and reasonable conditions of work for all the employees. The protection of the workers' and employers' interests is ensured primarily through elaborate regulations that govern various aspects of employment relationships.

14.2.1 Problems of Modern Labour Legislation

There is a gross violation of Nigerian labour laws by employers (including the government) this is obvious by the non-uniformed salary structure at the various levels of government, with the government categorizing salaries into federal pay and non-federal pay, etc. even though the economy is the same and affects both workers, thereby subjecting the economy of the Nigerian worker to that of deprivation and hardship. Also, there is the refusal to adhere to the stipulated minimum wage, the federal government sets minimum wage, yet the state governments oftentimes deliberately refuse to honour it on the ground of “Inability to pay”.

The dehumanizing effects of employment casualisation and other unethical labour practices currently embraced by employers lay bare the weaknesses of the Nigerian Labour Laws as all these defects violate the rights of the Nigerian worker which the Nigerian labour laws are enacted to protect thereby undermining their essence.

Poor implementation by the administering institutions is another challenge of Nigerian labour laws. the country has formed and reformed several labour laws but lacks the willingness and capacity to fully enforce them. Evidently, the country’s reliance on a top-down approach has proved defective due to inadequate infrastructural base and manpower, poor enforcement mechanisms or sanctions, leadership and corrupt practices. the fact that Nigerian labour laws are centrifugal yields poor execution, particularly at sub-levels as states and local governments are constrained from passing labour laws to enhance conditions of employment because labour issues are contained in the Exclusive Legislative List.

Another problem is that the government in several instances does not respect the labour agreement, memorandum and understanding (MOU) that are signed at various times but go back on these agreements at the point of implementation. It is common knowledge that the language the government understands is “strike”.

There is also the politicisation and marginalisation of labour unions (e.g., NLC) by the government which contradicts Nigerian labour laws. the government springs forth labour policies that weaken labour dynamism. Although successive governments amended the Nigeria labour laws several times without adequate consultations with the NLC. the continuous marginalisation of the labour unions in the formulation and implementation of the policies contributes to the recurring labour

conflicts in Nigeria. Labour unions have been destabilised both nationally and state-wise with many withering away and some are operating as an umbrella arm of the executive arm of the government.

14.2.2 Recommended Solutions to the Problems

The following recommendations were suggested to solve the challenges faced by the labour unions in Nigeria.

1. Government: the government should demonstrate leadership by example by respecting labour agreements. They should enforce a uniform salary structure at all levels of government. Also, the state government owing workers' salaries should endeavour to offset the arrears and also keep to the stipulated minimum wage.
2. There should be adequate provision to safeguard against abuses and excesses of employers through enforcement of the law by an independent, uninfluenced and incorrupt judiciary.
3. The government should adopt labour-friendly policies that allow rather than disallow labour unions so as to strengthen the dynamic and demonstrate labour practices in Nigeria. Labour unions should be consulted in the events of labour reforms.
4. The legislative arm of the government should endeavour to put into consideration the possible impact of any proposed modification of labour laws in both the short and long term to ease agitations and conflicts as well as aid effective implementation.
5. There is a need to anatomise the provisions in the constitution on the power to legislate on labour matters to make the provisions cogent and devoid of obvious conflict and superfluity i.e., all labour law should conform to international labour standards.
6. There is a need to harmonise the several legislations on labour relations in Nigeria. This becomes necessary to achieve harmony in the existing legislation and for ease of reference.

14.3 Social Justice

The principle of social justice implies the establishment of equality in social relationships. It aims at removing discrimination suffered by particular groups of labour. Social justice is the view that everyone deserves equal, economic, political and social rights and opportunities. It is also the fair

and equitable distribution of power, resources and obligations in society to all people regardless of race, ethnicity, age, gender, ability, status, sexual orientation or religious or spiritual background. Inclusion, collaboration, equal access and equal opportunities are fundamental principles underlying social justice. Social justice exists because of social injustices that are prominent across key developmental areas including gender, education, health, and access to resources and opportunities. the state of the Nigerian social justice system reflects many social injustices and inequalities such as widowhood practices, girl girl-child marriage, female genital mutilation and more. the core of social work is the promotion of social justice, development, and the empowerment and liberation of people. Social workers are trained to challenge injustice and inequalities and to promote access to resources and opportunities.

14.4 Social Welfare

It could be defined as the many programmes that are designed to help people in need of goods and services that they are unable to provide for themselves. the system varies from state to state, but many of the basic structures are the same. to qualify for benefits, there are usually requirements that must be met. These include a proven mental or physical disability, the number of people in a family, or the individual's or family's income and asset assets the state shall provide relief to any citizen who might face a calamity or someone who has some illness or disability.

Although the protective and social security laws have the effect of promoting labour welfare, special labour welfare with a view to providing certain welfare amenities to the workers, and often to their family members also. the main purpose behind the enactment of labour laws on this principle is to ensure the provision of certain basic amenities to workers at their place of work and also, to improve the living conditions of workers and their family members.

14.5 Social Security

Social security is a human right which responds to the universal need for protection against certain life risks and social needs. Effective social security systems guarantee income security and health protection, thereby contributing to the prevention and reduction of poverty and inequality and the promotion of social inclusion and human dignity. They do so through the provision of benefits, in cash or kind, intended to ensure access to medical care and health services, as well as income security throughout the life cycle, particularly in the event of illness, unemployment, employment

injury, maternity, family responsibilities, invalidity, loss of the family breadwinner, as well as during retirement and old age. Social security systems therefore constitute an important investment in the well-being of workers and the community as a whole, and facilitate access to education and vocational training, nutrition and essential goods and services. In relation with other policies, social security contributes to improving productivity and employability, and to economic development. For employers and enterprises, social security helps to maintain a stable workforce that can adapt to changes. Finally, it reinforces social cohesion and therefore contributes to building social peace, inclusive societies and fair globalisation by ensuring decent living conditions for all.

14.6 Social Equality

No society is free from discrimination. Indeed, discrimination in employment and occupation is a universal and permanently evolving experience. Millions of women and men around the world are denied access to jobs and training, receive low wages or are restricted to certain occupations simply on the basis of their sex, skin colour, ethnicity or beliefs, without regard to their capabilities and skills. In a number of developed countries, for example, women workers still earn between 20 and 25% less than male colleagues performing equal work or work of equal value, which shows how slow progress has been over recent years in this regard.

Freedom from discrimination is a fundamental human right and is essential for workers to be able to choose their employment freely, develop their potential to the full and reap economic rewards based on merit. Bringing equality to the workplace also has significant economic benefits. Employers who practice equality have access to a larger, more diverse and higher-quality workforce. Workers who enjoy equality have greater access to training and often receive higher wages. The profits of a globalised economy are more fairly distributed in a society with equality, leading to greater social stability and broader public support for further economic development.

14.7 Social Equity

Social equity is, as defined by the National Academy of Public Administration, “the fair, just and equitable management of all institutions serving the public directly or by contract; and the fair and equitable distribution of public services, and implementation of public policy; and the commitment to promote fairness, justice and equity in the formation of public policy.”

It also means ensuring that all communities are treated fairly and are given equal opportunity to participate in the planning and decision-making process, with an emphasis on ensuring that traditionally disadvantaged groups are not left behind.

Revision Questions

Multiple Choice Questions (MCQs)

1. the central objective of is to safeguard workers' rights, promote trade union activities and make employment more secure.
 - (A) social justice
 - (B) labour legislation
 - (C) social welfare
 - (D) none of the option

2. Which of the following is not a challenge to labour laws in Nigeria?
 - (A) the government in several instances does not respect the labour agreement, memorandum and understanding that are signed at various times
 - (B) State governments owing workers' salaries hardly offset the arrears and also keep to the stipulated minimum wage.
 - (C) Adoption of labour-friendly policies that strengthen dynamic labour practices
 - (D) Periodical legislation on minimum wage.

3. Which of the following will you recommend to remedy the challenges faced by the labour laws in Nigeria?
 - (A) State government owing workers' salaries should endeavour to offset the arrears and also keep to the stipulated minimum wage
 - (B) Adoption of labour-friendly policies that allow rather than disallow labour unions so as to strengthen dynamics and demonstrate labour practices
 - (C) Labour unions should be consulted in the events of labour reforms.
 - (D) All of the options

4. Social is the view that everyone deserves equal, economic, political and social rights and opportunities.
 - (A) welfare
 - (B) security
 - (C) justice

(D) equality

5. the human right which responds to the universal need for protection against certain life risks and social needs is known as social

- (A) equity
- (B) security
- (C) equality
- (D) welfare

6. Employers who practice among workers have access to a larger, more diverse and higher quality workforce.

- (A) equality
- (B) security
- (C) welfare
- (D) none of the options

7. the principle of social is to ensure the provision of certain basic amenities to workers at their place of work and also, to improve the living conditions of workers and their family members

- (A) equality
- (B) justice
- (C) welfare
- (D) equity

8. the principle of social implies the establishment of equality in social relationships.

- (A) equity
- (B) justice
- (C) equality
- (D) welfare

9. for employers and enterprises, social helps to maintain a stable workforce that can adapt to changes.

- (A) security
- (B) justice
- (C) equality
- (D) welfare

10. When worker representatives force up wages to enable fewer workers to be hired, this is known as

- (A) Demographic shifts
- (B) Voluntary unemployment
- (C) Institutional rigidities
- (D) Disguised unemployment

Theory Questions

1. the labour legislation is the product of the Industrial Revolution and they have come into being to take care of the aberrations created by it. Discuss
2. What are the challenges faced by the labour legislation in Nigeria?
3. Proffer solutions to the problems of labour laws in Nigeria.
4. What are the objectives of labour legislation?
5. Write short notes on the following
(i) Social justice (ii) Social welfare (iii) Social security (iv) Social equality

Answer (MCQs)

- | | |
|------|-------|
| 1. B | 6. A |
| 2. D | 7. C |
| 3. D | 8. B |
| 4. C | 9. A |
| 5. B | 10. C |

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