

AN INTERNATIONAL JOURNAL OF ARTS AND HUMANITIES
(IJAH)

Bahir Dar, Ethiopia

Vol. 3 (3), S/No 11, July, 2014:26-34

ISSN: 2225-8590 (Print) ISSN 2227-5452 (Online)

DOI: <http://dx.doi.org/10.4314/ijah.v3i3.3>

EFFECTS OF STRIKE COST ON ECONOMIC
DEVELOPMENT IN NIGERIA

EZEAGBA, EMENIKE CHARLES

Department of Accountancy

Nnamdi Azikiwe University, Awka, Nigeria

Abstract

Strike, the most overt expression of industrial conflict is a common phenomenon in Nigeria. No doubt, this action affects the cost of production and of course productivity as in most cases strike cost (wages and salaries as well as other unavoidable payments) are paid during the strike period. This paper theoretically examines strike cost and economic development in Nigeria. Taking strike cost as a factor of production the paper develops a model that can be used as a framework for analyzing the effect of strike cost on economic development. At the end, the paper is of the opinion that though industrial conflict is inevitable, strike can be avoided with good industrial relations.

Introduction

Industrial conflict is constant and an inevitable part of any organization. The concept is associated with the "conflict theory" as organizations deal with people competing for self- interest. However, strike, an extreme form of industrial conflict, can be avoided, but most organizations hardly ever plan to avoid it even when they know it must occur. For example, government knows that Association of Nigerian Universities staff (ASUU) must go on strike on the expiration of ultimatum but government hardly ever thinks of preparing in advance to avoid the strike.

Strike is a concerted and sustained refusal by working- men to perform some or all of the services for which they were hired (Webster's Dictionary, 1995). Strike indicates a breakdown of cordial relation between employees and employers. It is a useful means for the employees to press and meet their demands but the negative effect of strike is difficult to measure in economic terms. However, a strike by a group in a long chain of production and distribution can put many people out of work in the same firm, in other firms even in other industries (Kempner, 1980). For example, the current strike action by ASUU in Nigeria has affected many sectors of the economy that depend on the universities for survival, more especially the technological growth of the nation, the books and stationeries enterprises. Strike imposes cost on the employees, the employers and the entire economy. The employees may suffer loss when they are not paid during the strike period. On the part of the employers; cost may be indicated by lost output, lost customers and lost management confidence. For the entire economy loss of productivity which affects Gross Domestic Product (GDP), constitutes the most significant quantitative cost to society (Fashoyin, 1992). In the light of the aforementioned, whatever be the case, the effects of strike must be adequately considered. Many issues have been discussed in relation to strikes in Nigeria.

The main purpose of this paper is to examine the strike cost and productivity in Nigeria. In particular the paper will identify the causes of strikes in Nigeria, develop a theoretical model that can be used to analyze the effects of strikes on an economy. The paper will then suggest ways to reduce strikes in Nigeria.

Causes of Strikes in Nigeria

Table 1 Industrial Relations Statistics in Nigeria 1970 - 1999

Year	Trade Dispute	Work Stoppages	Workers Involved	Man-Days Lost
1970	165	4 4	14,784	27, 072
1971	296	165	77,104	208,114
1972	196	6 4	52,748	145,125
1973	173	6 0	33,963	115,371
1975	775	346	107,489	435,493
1976	230	125	52,242	148,141
1977	172	9 3	59,270	136,349
1978	142	78	105,525	875,137

Effects of Strike Cost on Economic Development in Nigeria

1979	155	755	204,742	2038,855
1980	355	265	221,088	2,350.1. ⁹⁹⁸
1981	258	234	323,700	2,218,223
1982	341	253	2,874,721	9,652,400
1983	184	131	629,177	404,822
1984	100	49	42,046	301,809
1985	77	40	19,907	118,693
1986	87	53	157,165	461,345
1987	65	38	57,097	142,506
1988	156	124	55,620	230,613
1989	144	80	157,342	579,968
1990	174	102	254,540	1,339,105
1991	204	117	460,471	2,257,382
1992	221	124	238,324	996,611
1993	160	90	880224	6,192,167
1994	199	110	1541146	234,307,748
1995	46	26	193,944	2,269,037
1996	114	101	1,246,119	165,901,430
1997	97	89	1,128,575	141,762,722
1998	115	108	1,307,007	180,911,070
1999	136	131	1,513,650	230,870,392

Source: Central Bank of Nigeria (1999)

From table 1, it is clear that there have been enormous strikes in Nigeria. However, from observations, survey, experience and relevant literature, the causes of strikes can be summarized as follows:

- i. **Government failure (known also as institutional failure).** Arises from poor political leadership .lips service; poor knowledge of the society and complete disregard for the tenets of good government. Lack of accountability, transparency in government business; unpredictability in government behaviour, absence of rule of law, inefficient and ineffective public administration, bad and inconsistent policies, absence of sound management of natural resources. Many times the Nigeria Labour Congress (NLC) and students have had to strike against government failures. Example, the

Structural Adjustment Programme (SAP) riot of 1988 and petroleum price hike of 2001.

- ii. **Obnoxious Policies:** Workers do go on strike when management makes obnoxious policies that sometimes affect their fundamental human rights. For example, in 2001 the First Bank of Nig. Plc came up with a policy that the bank can no longer allow a couple to work in the bank, consequently, any couple involved, one of the spouses should go on voluntary retirement or both of them get the booth. To the staff and the general public this was an unpleasant policy. The workers went on strike and the management had to rescind the guideline. Another example, as Aigbokahevbolo (2000) observed in the year 2000, as a change effort Edo state of Nigeria handed over formally missionary schools back to the missionaries. To the teachers and the public this was an obnoxious policy. The teachers went on strike and the government has to reverse its decision.
- iii. **Changes in offer of Appointment:** Arises when one party attempts to alter the direct compensation package and other conditions of service. This is the most popular cause of strike in Nigeria. For examples, earlier, in 1980, a demand by the NLC for a minimum wage was ignored by government, and only 2-day nation-wide strike induced management to negotiate, which ultimately led to enactment of the Minimum Wage Act of 1981 (Fashoyin, 1992). In 2001 Coca Cola Nig. Plc casual workers went on strike in a bid to become permanent workers.
- iv. **Non-implementation of Agreements:** Workers and employers usually reached agreements after negotiations but in some cases one party may refuse to honor the agreements. For example, Since December 2002 ASSU has been on total strike following Federal Government failure to honor the agreements it reached with ASSU in 2001 over proper funding.
- v. **Differential in compensations package and conditions of service:** Sometimes, different payment scales and other conditions of service are applied to workers in the same organization because of differences in task. But the un-favored group always raise grievance. For Example, in Nigerian, with effect from 2001 the FGN approved a new salary scale for the academic staff of the universities, called University Academic Staff Scale (UASS) while the non- academic staff union is to remain on the old scale- Harmonized Tertiary Education Salary Scale (HATTIS). The non- academic staff union has raised grievance, since February 2003 to date - April 2003 the non- academic staff union has been on strike demanding for equal scale.

- vi. **Challenge to Union Legitimacy:** Occurs when individual grievance, such as termination of appointment of an employee, may become a collective grievance if the employees perceive the action as a challenge to union legitimacy. For example, in the year 2001 the university of Ilorin management terminated the appointment of 44 lectures for participating in 2001 ASUU nationwide strike, to ASUU this was a challenge to the union legitimacy. ASUU had to go on strike; the FGN had rescinded the decision by restating the sacked lecturers but planning to post them to other various universities.
- vii. **Unnecessary Delay in Payments of Salaries and other Emoluments:** In Nigeria many organizations always delay or refuse to pay their workers' salaries and other emoluments even when the organizations concerned have sufficient funds to pay. For example, secondary schools in Anambra state have been on strike for over a year for non-payment of salary.

The Theoretical Model of the Effect of Strike on Economic Development

As stated earlier, strike has negative effect on technology of the nation and increases cost of Production. A growth accounting model especially Solow model (1956 and 1957) can be used to analyze the effect of strike on economic development. Growth accounting model consists of decomposing growth into the growth of output, growth in capital, labour and technical change (Boschini, 2002).

Starting from the general neo- classical production function with a Hick's -neutral productivity or technical change and strike taken as a factor of production.

$$Y = F (A, K, L, S) \dots\dots\dots (1)$$

Where Y represents the output (GDP), A is the level of technology, K is the capital, L is the labor and S is the strike.

Since production function is only derived for non- negativity of input and output levels and depending on the level of output required and efficiency.

Hence (1) is defined as $k > 0$, $L > 0$ and $S > 0$

At time t, equation (1) may be written as:

$$Y_t = A_t F (K_t, L_t S_t) \dots\dots\dots (2)$$

Where

Y_t represents the output in time (t),

A_t is the level of technology in time (t),

K_t , is the capital in time (t)

L_t , is the labor in time (t) and

S_t , is the strike in time (t).

Production function is assumed to single valued continuous function with continuous first and second order partial derivatives. Since the general production function (1) is not linear, in applied empirical work a specific type of production function is estimated: a Cobb-Douglas (CDPF) or Constant Elasticity of Substitution (CES).

Assuming CDPF, (since we are using Solow Framework (1957), which assumes constant to scale, increasing the inputs by a factor of c) results in an increase in output by a factor of c., with first and second order partial derivatives, and proportionate change in both sides of the equation, equation (2) can be written as:

$$\frac{\dot{X}_t}{X_t} = \frac{\dot{A}_t}{A_t} + a \frac{\dot{K}_t}{K_t} + b \frac{\dot{L}_t}{L_t} + c \frac{\dot{S}_t}{S_t} \dots \dots \dots (3)$$

Where \dot{Y}/Y_t is growth rate of output,

\dot{A}_t is the rate of change of technical progress,

A_t

$\frac{\dot{K}_t}{K_t}$, $\frac{\dot{L}_t}{L_t}$ and $\frac{\dot{S}_t}{S_t}$

K_t , L_t and S_t

are the growth rate of capital stock, labor services and strike respectively, the coefficients a, b and c are elasticity of the change in output with respect to the changes in factor inputs.

Thus from equation 3 economic growths depends on the rate of technical progress, contribution of capital to output, labor to output and level of strike.

Technical change was not easy to measure as a result; Solow (1957) derived an equation (4)

$$\frac{\dot{A}_t}{A_t} = \frac{\dot{Q}_t}{Q_t} - a \frac{\dot{K}_t}{K_t} - b \frac{\dot{L}_t}{L_t} + c \frac{\dot{S}_t}{S_t} \dots \dots \dots (4)$$

Where

\dot{A}_t is the value of Total factor productivity (TFP), \dot{Q}_t is the change in the value of quantity

A_t

Q_t is the factor coefficient of capital, K_t is the change in the value of capital b,

L_t is the factor coefficient of labour and L_t is the change in the value of labour.

L_t

Thus output growth is equal to the weighted average of capital and labor growth plus growth technology (TFP).

In our case, the technical progress and effect of strike on economy can be calculated by:

$$\frac{A_t}{A_t} = \frac{Q_t}{Q_t} - a \frac{K_t}{K_t} + b \frac{L_t}{L_t} + c \frac{S_t}{S_t} \dots \dots \dots (5)$$

Where

A_t is the value of TFP, Q_t is the change in the value of quantity

A_t

Q_t

a is the factor coefficient of capital, K_t is the change in the value of capital b,

L_t is the factor coefficient of labour, L_t is the change in the value of labor is the .

L_t factor coefficient of strike and S_t is the change in value of Strike. S_t

Thus, output growth is equal to the weighted average of capital, labour and poverty growth plus growth technology (TFP).

The significant of Solow equation 4 and our equation 5 is that they help to understand the growth in technology and the effect of strike on economic growth in a particular firm, country and comparison among firms and countries.

Strikes in Nigeria: The Way Out

From the table I on appendix and experience there is evidence that strike frequency is on the increase during the civilian democratic admiration because the workers enjoy the right to strike. Looking at the table, during the second republic (1979-83) Nigeria had the highest average of strike cases and again with the coming of civilian administration in 1999 the country is experiencing another growing strike frequency.

However, hope is not lost provided that the following are vigorously pursued.

- i. **A Well-Defined Industrial Relations** is inevitable; industrial relations provide a legal basis for the conduct of labour -management relationship. Every organization should readdress its industrial relations, Provisions must be made for (i) the rights of the employee (2) the registration and conduct of trade unions and employee association (3) strikes and lock- outs (4) The reforms of collective bargaining.
- ii. **Good Leadership and Motivation** are indispensable, leadership and motivation that are based on the internal and external environments will strengthen the labor- management relationship thus reduce strike frequency. To achieve these employers:
 - Must learn to carry employees along;
 - Set clear moderate achievable goals;
 - Take calculated risks desires feedback on performance;
 - Adopt incentive pay method, which is more effective motivator than straight salary
- iii. **Honoring Agreements.** Agreements are meant to be honored; once an agreement is reached between an employer and the employees the parties must work hard to meet the obligation.
- iv. **Prompt Payment of Salaries** and other emoluments are imperative; these can be achieved with the following:
 1. Budgets, stating reliable sources of recurrent expenditures,
 2. Adequate cash management, credit terms must recognize payments of salary period;
 3. Revolving overdraft facility can be arranged with a financial house.
- v. **Relating With Other Organizations in the Same Industry** is essential, sympathy strikes 'do occur in Nigeria. This is a situation where by a group of trade unionist and not in dispute with their employer(s) in support of and in sympathy for strikers in a trade dispute. When there is strike in one organization, the organizations without strike should show sufficient understanding and concern quickly ill order to avoid a sympathy strike.

- vi. *Use of a Token Strike.* Workers should learn to use more of a token strike (a short stoppage e.g. a day strike). This serves as a warning to the employers and is the most economical form of strike.

Conclusion

This paper examined strike cost and economic development in Nigeria and developed a theoretical model that can be used to analyze effects of strike cost on economic development. In light of the consequences of strike on the society, this paper recommended avoidance as the management and control technique for strike. This can best be achieved with good industrial relations.

References

- Aigbokhaevbolo, O.M (2010). *Implementing Change Efforts in Nigerian Organizations*. In Benin Journal of Social Sciences, Benin City: Faculty of Social Sciences University of Benin. Vol. 8 and 9 (I and 2).
- Akerele, A. (2008). *Extending The Frontier Of Industrial Conflict In Nigeria*, Un Published Work Benin City: Faculty of Social Sciences University of Benin
- Boschini, A. (2002). *Macroeconomic: Growth Theory*, 2
- Central Bank of Nigeria (CBN) (2001). *Statistical Bulletin*, Abuja: CBN. Vol. 10 (2). Retrieved online from <http://www.sanFrank.Su//Prof.fn> 20919 pdf.
- Encyclopedia Britannica (1972). *Encyclopedia Britannica*, Chicago: Encyclopedia Britannica Inc
- Fashoyin, T. (2009). *Industrial Relations in Nigeria Lagos: Longman Nigeria*
- Kempner, T (1980). *A Hand Book On Management*, USA: Penguins Books Ltd.
- Stephen, X. D. & Benson, P. S. (1991). What Counts Most Motivating Your Sales Force? In *Harvard Business Review* Paperback 90000, Boston: Harvard Business School Publishing.
- Webster's Dictionary (1995). *The New Webster's Dictionary of the English Language. International Edition* New York: Lexicon International publishers Guild Group