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## Wages and Salaries Determination and Adjustments in the Nigerian Public Sector

**Joy Onyinyechi Ekwoaba**

Department of Employment Relations & Human Resource Management,  
Faculty of Management Sciences, University of Lagos  
[ekwoaba2002@yahoo.com](mailto:ekwoaba2002@yahoo.com)

**Christopher Odogwu Chidi**

Department of Employment Relations & Human Resource Management  
Faculty of Management Sciences, University of Lagos  
[ochidi@unilag.edu.ng](mailto:ochidi@unilag.edu.ng)

### Abstract

The authors reviewed wages and salaries determination and adjustments in the Nigerian public sector from 1934 to 2014. The authors observed that the use of ad-hoc wage commissions in the determination of wages and a host of other conditions of service has hampered effective collective bargaining in the Nigerian public sector. Other issues discussed are the Labour Act, Employees' Compensation Act, the Minimum Wage Act, Pension Scheme, and the National Health Insurance Scheme.

The authors adopted the qualitative research approach and relied on secondary source of data based on the review of literature.

Workers' pay or compensation is regulated through government labour policy as stipulated by the Nigerian labour laws or legislation. These laws include the Labour Act, the Employees' Compensation Act, the Minimum Wage Act, the Pension Act, and the National Health Insurance Act. The provisions of these labour policies have both positive and negative implications for the Nigerian workers. It is hereby recommended that the adoption of collective bargaining and the commitment on the part of the government to abide by the ensuing agreement with unions in the public sector is the surest means for promoting peaceful labour-government relations and to a large extent forestall incessant strikes that have bedevilled the public sector in recent times. There is the need for the Ministry of Labour and Employment to be alive to its responsibilities by ensuring that government labour policies and laws are implemented to the letter. There is the urgent need to step up labour administration and inspection by the Ministry. With regard to the embezzlement of pension funds, there should be stiff penalties imposed on those who mismanage or embezzle such funds and the penalty should be life imprisonment or capital punishment. On the issue of health for employees and Nigerians in general, there is a need to expand the NHIS to accommodate workers in the informal sector and those in the rural areas for the impact to be more felt and visible. Robust budgetary allocations should be allotted to the health sector every year to meet the health needs of workers and Nigerians. In the same vein, the state-of-the-art- medical facilities and centres should be established in the six geo-political zones to meet the health needs of the teeming Nigerians and to reduce medical tourism abroad. This of course will assist to conserve foreign exchange which can be ploughed back to the economy for developmental projects that will benefit the citizenry.

Employee compensation is critical in any employment relationship and a major source of conflict in labour-management relations.

**Keywords:** Wages and Salaries Determination, Adjustments, Public Sector, Nigeria



## 1. Introduction

The Nigerian government is the single largest employer of labour as elsewhere in the globe/world. Employee compensation is critical in employment relationship and a major source of conflict in labour-management relations. The involvement of the Nigerian government in workers' compensation (wages and salaries) began at the turn of the 19<sup>th</sup> century arising from the emergence of wage labour (Fashoyin, 1992). A wage is used specifically to refer to payment to hourly-rated production and service workers and represents direct monetary compensation; whereas, salary is generally paid to administrative, professional and managerial employees. Salaries are calculated on a monthly or annual basis (Yoder & Staudohar, 1982). There are three broad methods by which wages, salaries and conditions of service are determined in Nigeria. These are the individual-employer contract, collective bargaining and Government or State intervention (Chidi, 2017). "Collective bargaining was originated by the Webbs to describe the process of agreeing terms and conditions of employment through representatives of employers (and possibly their associations) and representatives of employees (and probably their unions)" (Rose, 2008, p.274). Organisations in the public sector are owned by the government and are engaged in producing goods and rendering services that satisfy the aspirations and yearnings of the citizens at reasonable or subsidised prices (Chidi, 2017).

Collective bargaining was introduced in the public sector in 1948, under the Whitley councils system which was meant for the regulation of employment conditions in government establishments. In its industrial relations policy, published in 1955 the Nigerian government reaffirmed its confidence in the effectiveness of voluntary negotiation and collective bargaining for the determination of wages (Fashoyin, 1987). According to Fashoyin (1987), for a long time the public employer has used the civil service regulations and *ad-hoc* wage commissions in determining wages and a host of other conditions of service in the public sector and this has hampered effective collective bargaining in the public sector.

The objective of this paper is to review wages and salaries determination and adjustments in the Nigerian public sector from 1934 to 2014. Other issues discussed are the Labour Act, the Minimum Wage Act, Pension Scheme, the National Health Insurance Scheme as well as the Employees' Compensation Act which regulates payments to employees for injuries/death, health insurance. To achieve this objective, the authors adopted a qualitative research approach and relied on secondary source of data based on the review of literature. The paper is structured into eight sections. Section one is the introductory section. Section two reviews wage commissions in Nigeria. Section three examines the labour Act. The fourth section reviews the employees' compensation Act. Section five examines the minimum wage Act in Nigeria. Section six dwells on the national pension scheme in Nigeria. Section seven reviews the NHIS scheme; while section eight deals with conclusion and recommendations.

## 2. A Review of Wage Commissions in Nigeria

According to Otobo (2007), the government as an employer of labour has been determining public sector terms and conditions through the establishment and functioning of wages and

salaries commissions. There exists now a permanent National Salaries, Incomes and Wages Commission in Nigeria established by Act 99 of 1993. In Nigeria, pay/wage determination via wage commissions dates back to the colonial era with the establishment of the Hunt Commission in 1934. The establishment of the Hunt Commission opened the floodgate for the establishment of several wage commissions such as the Bridges Commission in 1941, Tudor-Davis Commission in 1945, Harragin Commission in 1946, Miller Commission in 1947, Phillipson Commission and Whitley Commission in 1948. Other Commissions that followed include the Gorsuch Commission of 1955, Mbanefo Commission of 1959, Morgan Commission of 1963/1964, Eldwood Commission of 1966, Adebo Commission of 1970/1971, Udoji Public Service Review Commission of 1974, Akintola Williams Commission of 1975, Onosode Presidential Commission on Parastatals 1981, Cookey Presidential Commission on Salaries and Conditions of Service of University Staff of 1981 and Ademolekan Presidential Commission on Salaries and Conditions of Service of Federal Polytechnics, Colleges of Technology, Advanced Teachers and Technical Colleges Staff of 1981, Dotun Philip Commission of 1985, Fatai Williams Commission of 1990, Ukandi Damachi Commission of 1990, Longe Commission of 1991, Ayida Alison Commission of 1994.

Others are the Report of the Vision 2010 Committee of 1997, Phillip Asiodu Committee on the Review of Academic and Professional Allowances for staff of Federal Universities, Polytechnics and Colleges of Education of 1998/1999. Phillip Asiodu Committee on the Review of Harmonised Salaries and Allowances in the Federal Service And the National Minimum Wage, Shehu Sule/Ason Bur Committee on the review of Professional Allowances for Doctors and other Health Professionals of 2000, Ufot Ekaette Presidential Committee on Monetisation 2002, Pension Reform Commission, 2004, Ernest Shonekan Presidential Committee on the Consolidation of Emoluments in the Public Sector of 2005/2006, Onosode FGN/ASUU Re-Negotiation Committee of 2009, Alfa Belgore Committee of 2009/2010, Minimum Wage Review Under President Good luck Jonathan, 2011.

The foregoing Commissions were set up in the colonial period/era and post-colonial era, by successive governments in Nigeria both military and civilian and their objective is to ensure that employers do not exploit their workers and for employers to pay fair and equitable compensation to Nigerian workers in both the public and private sectors (Ekwoaba & Olusanya, 2014; Ekwoaba & Ideh, 2013). Workers' pay or compensation is regulated through government labour policy as stipulated by the Nigerian labour laws or legislation. These laws include the Labour Act, the Employees' Compensation Act, the Minimum Wage Act, the Pension Act, and the National Health Insurance Act. These are discussed in profundity in what follows:

### **3. A Review of the Labour Act of 1974**

The first set of policies that have important implications for the evolving labour market realities is the reform of certain labour laws that are intended to protect workers in employment. Thus, the primary labour law is the Labour Act of 1974 which has been incorporated into the Laws of the Federation, 1990. Section 7 (1) of the Labour Act, Cap 198, Laws of the Federation of

Nigeria 1990 provides that an employee must be given a written letter of appointment within three months of engagement. Such letter should specify, among other things, the date, name and place of work where the worker is engaged, the nature of the employment, whether, for example, work is for a fixed term and when the contract expires. In the event of disengagement, it should state the period of notice by either party. It should also state the hours of work, rate of pay and the periodicity of payment, holiday and provision for sickness or injury and terms relating to these.

The aim of these provisions of the law is that a formal contract of employment should be given to the worker. However, it is an irony that the provisions of this law cover only workers in standard/ regular employment, ostensibly because many workers in non-standard work are engaged informally and often without written contract or letter of employment. In some cases, not only do some employers fail to offer formal appointment letters, they do not keep records of those employed, presumably to evade the law. Instances such as these have increased the vulnerability of the affected workers (Fashoyin, Owoyemi & Chidi, 2012).

#### **4. A Review of the Employees' Compensation Act (ECA) of 2010**

Since some health bills are still paid by a number of Nigeria employees owing to occupational death, injuries and diseases, the Nigerian government from the colonial era came up with workmen compensation as a way of compensating employees for their loss or injury in the course of employment. Nigerian employees most times do leave employment earlier than retirement as a result of injuries sustained at work or during employment. The colonial government in a bid to ensure that Nigerian workers still maintained their standard and living conditions even with the injuries, enacted the first Workmen Compensation Ordinance in 1941. The Ordinance was sequel to the Trade Union Ordinance of 1938 which gave legal backing for the formation of trade unions in Nigeria. The 1941 Ordinance was followed by the Labour Code Ordinance of 1945. The two Ordinances were to ensure the safety of employees at work. By 1958, the Factory Ordinance was enacted to ensure that factories were registered and that workers security, safety and welfare were provided for at factory premises. In the 1987, both the Factory Act and Workmen Compensation Act were amended to cover not just the provision of safety measures but also compensation for injuries and death sustained in the course of employment.

With the coming of the democratic government in 1999, the Workmen Compensation Act was instituted in 2004. The act was optional to employers who are willing to provide additional cover for employees and was mainly left for the private sectors after its repeal in 2010 as government does not collect fund and neither does it manage the fund for the sector. Government gives the private sector regulations that will help them to choose insurers. Insurance experts have objected to this government stance, stating that no profit-driven public sector can deliver social security (Abubakar, 2011). The flaws associated with the 2004 Workmen Compensation Act led to the establishment of the Employees' Compensation Act of 2010 which was signed into law by President Goodluck Ebele Jonathan in 2011.

The New Employees' Compensation Act (ECA) of 2010, which repealed the 2004 Workmen Compensation Act aims at improving the welfare of Nigerian workers. It introduced a new special security scheme for workers in the country. The Act makes provisions for compensation to employees and their dependants for any death, injury, disease, or disability arising out of or in the course of employment and other related matters. The objective of the Act is to, among other things; make comprehensive provisions for compensation to employees who suffer from occupational diseases or those who sustain injuries arising from accidents that occur at the workplace or in the course of employment. It is intended to bring the system of compensation for employees in line with global best practices and trends. The welfare of employees is of paramount consideration under the Act.

As pointed out earlier, the Employees' Compensation Act of 2010 is a reformulation of the Workmen's Compensation Act of 2004. The new law makes provisions for payment of compensation to employees who suffer from occupational diseases or sustain injuries arising from accident at the workplace or in the course of employment. The law creates, in Section 56(1), the Employees' Compensation Fund into which all contributions by employers shall be lodged, which is to compensate employees or their dependants for any injury, disability, death or disease arising out of or in the course of employment. In section 36(1) of the Act, every employer shall within the first 2 years of the commencement of law, make a minimum monthly contribution of one per cent of the total monthly payroll into the Fund. The Act establishes a contributory compensation fund referred to as the Employee's Compensation Fund managed in the interest of both employers and employees. The Fund is managed by the Nigeria Social Insurance Trust Fund Management Board (the Board) established under the Nigeria Social Insurance Trust Fund Act No. 73 of 1993. Contribution to the Fund derives from various sources including, a take-off grant by the federal government, compulsory contributions, fees and charges assessed to employers, gifts or other grants from local or international organisations, and also earnings from profitable investments of the surplus fund by the Board.

The current employee compensation scheme now recognises new categories of workplace injuries such as mental stress resulting from exceptional circumstances in the course of employment. In addition, the scheme provides rehabilitation for injured employees. The scheme seems to have the effect of easing the burden on employers who will not be required to contribute further to the welfare of an injured employee in the event of any accident or injury, no matter the amount of liability involved. As a general rule, an employee or his dependant is entitled to apply to the Board for compensation within one year after the date of the death, injury or disease arising from an occupational accident or disease. Where special circumstances exist, an application for compensation may be made within three years of the occurrence of the accident or injury for which a claim is being made. Payments of compensation under the Act do not affect the employee's retirement benefit payable under the Pension Reform Act 2004 as amended in 2014. It is a very crucial point to note that for any claim for compensation to be sustained by the employee, the claim must be used for injury arising out of or in the course of employment.

It is significant that the law covers employees in both the public and private sectors of the economy. It also covers self-employed persons, whether in the formal or informal economy.

However, members of the Armed Forces, except those employed in a civilian capacity are excluded from the scheme (FRN 2010, Official Gazette). The potential contribution of this innovative law to the welfare of workers is enormous, but it remains to be seen if the operators are able to bring the various categories of employers into its coverage, and perhaps more significantly, whether the enforcement provisions are able to ensure that all employers' categories faithfully implement the revolutionary provisions.

In the Employees' Compensation Act 2010, specifically, employees are liable to compensation for death, injury and disease resulting in the course of work. Compensable categories include death, injury, mental stress, occupational disease, hearing impairment and other injuries occurring outside the normal workplace. Even though there is no judicial pronouncement specifically relating to the Act, previous judicial decisions have attempted to define the phrase "in the course of work". The courts have stated that the "course of the servant's employment can be extended to acts which are outside the employee's working hours and outside the employer's premises, provided the acts are done for the purpose of the employer's business." This definition is consistent with the definition provided in the Act. The Act also provides that an employee shall be entitled to payment of compensation with respect to any accident sustained on the way between the place of work and employee's principal or secondary place of residence; the place where the employee usually takes meals; the place where he/she usually receives remuneration, provided that the employer has a prior notification of such place. These are in agreement with ILO Conventions No. 121 on Employment Benefit 1964 and Convention 102 on Social Security (Minimum Standard) 1954.

The provision in the New Act complies with periodic payments as recommended by ILO Convention 121 of 1964. In the case of death of the bread winner or permanent incapacity, the Board makes a periodic payment, specifically on monthly basis, to the dependants of the deceased employee or incapacitated employee. The amounts and conditions of payment may change as follows: Increments in periodical payments are provided if the disabled persons required constant help or attendance of another. The condition of periodic payment can be reviewed, suspended or cancelled depending on changes in the degree of working capacity or substantial changes in the cost of living. The Act makes room for changes in payment based on the degree of incapacity or rate of adjustment of the injured employee; but this is at the discretion of the Board. For example, Part III, No. 7 of the New Employees' Compensation Act stated that the compensation payable for occupational disease may, in addition to the provision of this section of the Act be determined by regulations made by the Board. What this means is that besides the provisions of this Act, the Act also empowers the Board to determine compensation by its regulation. In our opinion, this allows for flexibility of the Act. The minimum benefit levels stipulated by the Act includes: In the case of death resulting from the course of work the scale of compensation is 90 per cent of the total monthly remuneration of the deceased employee as of the date of death where the deceased leaves dependants wholly depending on his earnings, a widow or widower. Part IV, sub-section 1(a) of the Employees' Compensation Act identified the following conditions and the scale of compensation: where the deceased employee leaves dependants wholly dependent on his earnings, a widow or widower:

- i. and two or more children, a monthly payment of a sum equal to 90 per cent of the total remuneration of the employee as of the date of death,
- ii. and one child, a monthly payment of a sum equal to 85 per cent of the total monthly remuneration of the deceased employee as of the date of death,
- iii. without a child who, at the date of death of the employee, is 50 years of age or above, or is an invalid spouse, a monthly payment of a sum equal to 60 per cent of the total monthly remuneration of the deceased employee, and
- iv. who, at the date of the death of the employee is not an invalid spouse, is under the age of 50 years and has no dependant children, a monthly payment of a sum that is equal to the product of the percentage determined by subtracting 1 per cent from 60 per cent for each year for which the age of the dependant, at the date of death of the employee, is under the age of 50 years, and provided that total percentage shall not be less than 30 per cent.

## 5. A Review of the Minimum Wage Act in Nigeria

The minimum wage ensures that all workers receive a predetermined minimum wage (Ujo, 2008). Given the structure of employment and the growing size of non-standard workforce, the role of the minimum wage in serving as a safety net for workers at the lowest rung of the income ladder can hardly be over-emphasised. In fact, this role of the minimum wage in protecting the workers at the lower rung of the income ladder has been one of the outstanding features of wage determination in Nigeria since the 1950s. With growing number of non-standard workforce relative to those in regular or standard employment, the role of the minimum wage in providing regular income for the designated workers is key to the minimisation of poverty in the country. Yet the determination of the minimum wage has for several decades been acrimonious and turbulent aspects of the employment relationship in Nigeria. (For a historical account of the determination of the minimum wage, see Ezeife, 1987: Fashoyin, 1991). Minimum wage covers only the financial aspect of compensation and was not obvious until 1972, when the Nigerian government set the monthly financial compensation of workers at ₦60 minimum per month.

In 1981, following the usual drama and acrimony surrounding the determination of the minimum wage, the government and the social partners agreed to an ad hoc tripartite panel to determine the minimum wage. After threats of strikes for the lack of progress in the negotiations, the parties agreed to a minimum wage of ₦125 per month for the designated workers. Between 1981 and 2010, four such ad hoc tripartite determinations had taken place, at a regularity of 10 year period. The more recent minimum wage determination was concluded in 2010. This exercise, similar to earlier exercises, have drawn considerable acrimony (even at the time of writing), because of the reluctance of state governments to pay, on claims that they had not been duly consulted by the federal government, while they questioned the right of the central government to determine the minimum wage for them.

These procedural issues of the determination of the minimum wage speak only to one of the fundamental anomalies in the determination of the minimum wage in Nigeria. There is the equally and perhaps more fundamental issue relating to the category of workers that ought to be

targeted when determining the minimum wage. Historically in Nigeria, the minimum wage has targeted the lowest paid wage earner in the public service, and the corresponding grades in the private sector. However, as has recently been argued, this target is not only a misadventure; it is crisis-laden (Fashoyin, 2011). In the first place, by targeting the bottom of the well-established salary ladder in the public sector, the minimum wage sets off an uncontrollable wage agitation by upper-grades wage earners who justifiably want to maintain existing wage parity between their grades and that of those at the bottom. As Fashoyin (2011) argues, the crisis over the target of the minimum wage policy is inevitable and will subsist as long as the policy fail to focus on those members of the labour force in low wage establishments and who are disadvantaged because they lack organisation or the capacity to influence their wages. In other words, the policy on the minimum wage has ignored the role of the minimum wage as a wage floor designed to protect workers in the bottom of wage income. This point is critical because a growing proportion of the workforce has fallen into the minimum wage category as a result of the observable increase in non-standard employment in the country.

In 1982, there was a salary and wage freeze which was lifted in 1988 fiscal year (UNESCO, 2012). In 1985, the 1<sup>st</sup> of October to be precise, the General Ibrahim Babangida administration applied deduction of between 2 per cent to 20 per cent from workers' salaries, rents and dividends. The then Head of State, General Ibrahim Babangida told Nigerian workers then that they were giving to their future generation (Babangida, 1991). In 1990, workers' minimum wage rose to ₦250, and by 1993, it was increased to ₦363. In 1998, there was a sharp increase to ₦3,500. In 2000, under the administration of President Olusegun Obasanjo the minimum wage was split into two: with federal government paying its workers ₦7,500 minimum while the states and private employers paid ₦5,500. The Minimum Wage Act of 2004 seems to harmonise minimum wages across federal, state and the private sector. In 2011, the Minimum Wage (Amendment) Act, which replaced the Minimum Wage Act of 2004 was signed into law on the 22<sup>nd</sup> of March, 2011; by the then President of Nigeria Dr. Good-luck Ebele Jonathan to review the national minimum wage upward from ₦7,500 to ₦18,000 minimum per month.

Till date, the minimum wage which an average Nigerian worker earns monthly statutorily stands at ₦18,000 per month. The minimum wage was increased to ₦18,000; as against the demand of the NLC for ₦52,500. Minimum wage has been put in place via legislation. In Nigeria, the law on minimum wage has not been religiously complied with by many state governments in Nigeria owing to inability to pay arising from poor revenue base. As of the time of writing this paper, the price of a bag of rice has almost exceeded the minimum wage of ₦18,000 per month. The current democratic dispensation under President Muhammadu Buhari has set up a minimum wage committee for the review of the current minimum wage at the instance of organised labour in view of the excruciating economic conditions that Nigerian workers are grappling with. However, it remains to be seen if this committee will come up with a minimum wage of ₦56,000 per month which is the yearning and aspiration of organised labour. As of the time of writing this paper, organised labour has threatened an industrial action twice over the minimum wage as state governments have divergent views on the amount to pay. Just last week, the Federal government gave a tacit approval of ₦30,000 monthly minimum wage. There is a need to



institute the living wage for every employee so that they can live well and have a reasonable standard of living (Chidi, 2017).

## 6. A Review of the National Pension Scheme

The Nigerian government has equally made substantial adjustments in the non-wage compensation of pension. In explaining the non-wage compensation of pension and the associated reforms; Anyim, Olusanya and Okere (2014), PENCOM (2008), Ahmed, (2006) and Odia and Okoye (2012), view pension as the benefits employers pay to employees on retirement or after attaining the statutory retirement age or age of superannuation, which makes employees to be financially independent at old age and during post-employment years. Though a deferred reward and remuneration package, it guarantees employees comfortable life after active years of service. According to Adams (2005), pension is the amount that company or government pays an employee after having worked for a specific period of time and retires either as a result of ill health, old age or having reached the statutory age of retirement. This amount is assumed to be paid monthly to retirees until their death by employers. Chizueze, Ikeji, Agba and Ogaboh (2011) and Adebayo (2006), view pension as a scheme of an earned income that has employees paying a portion of their earning during their working life into the pension fund. Ozor (2006), posits that the sums paid by employees during their working life can only be earned upon disengagement from active service. Nigerian employees before 2004 Pension Reform Act were scared of the word pension because the scheme was not only problematic but also fragmented and rigid. The scheme caused untold hardship on retirees who have to queue long hours, wait for days, weeks, months and even years to earn their entitlement (Dostal & Cassey, 2007).

The Nigeria pension scheme can be traced to the 20<sup>th</sup> century organised by workforce in the private and public sectors in the colonial era (Barrow, 2008), Ikeji (2002) as cited in Anyim et al. (2014), opined that the colonial pension law was primarily designed for the British officials who moved from place to place within the vast British Empire and the intention was to guarantee continuity of service wherever they had worked. He further noted that the Pension Ordinance had limited application to Nigerian or indigenous employees and was granted at the pleasure of the Governor-General. This implies that the pension scheme at that period of time was not an automatic right of Nigerians who were discriminated against and did not have equal rights as their British counterparts. The Nigeria first pension scheme which was inaugurated in 1951 with the Pension Ordinance had a retroactive effect from the 1<sup>st</sup> of January, 1946 (Balogun, 2006; Barrow, 2008). The legislation provided pension and gratuity for public sector employees while the National Provident Fund (NPF) established in 1961 was the first legislation enacted on Pension matters to cover private sector employees (Anyim et al, 2014). The 1961 pension scheme was based on 6 per cent basic salary of 80 shillings (now ₦8) contribution which was shared equally by both employer and employee, that is employer contributes 40 shillings (now ₦4) while employee contributes 40 shillings (now ₦4). Eight naira (₦8) is based on “₦1 to 10 shillings “in line with the Federal Government change to decimal currency policy of Naira and Kobo on the 1<sup>st</sup> of January, 1973 (CBN, 2015).

The Non-contributory and unfunded pension plan enshrined in Cap.30 of the Laws of the Federation of Nigeria of 1961 is a colonial inheritance which was solely designed to take care of colonial administration employees (Orifowomo, 2006). The 1951 and 1961 Pension Ordinance and National Provident Fund (NPF) were to cater for pension issues in both the public and private sectors. These were followed in 1972 and 1979 by Pension Act No.102 and Pension Act No. 103 which catered for the Armed Forces. Other Pension Acts included, Pension Right of Judges Act No. 5 of 1985, the 1987 Pension Act No. 75 that established the Police and other government agencies pension schemes. The 1987 Pension Act established the Local Government Staff Pension Board which caters for local government employees' pensions (Sule & Ezugwu, 2006 as cited in Ayegba, James & Odoh, 2013).

The challenges of the previous schemes made government to establish the National Social Insurance Trust Fund (NSITF) in 1993 under Decree No. 73, to replace the defunct National Pension Fund (Odia & Okoye, 2012). NSITF which took effect from the 1<sup>st</sup> of July, 1994; was set up to address pension and retirement issues of employees in the private sector of the economy against any law of employment that is against workers in their old age, invalidity or death (Balogun, 2006). The Pension Act of 1997 allowed parastatals to have different pension arrangements for their staff. The pensions in Nigeria can be classified as follows: retiring pension, compensating pension, superannuating pension and compassionate allowance. The entire pension scheme used in Nigeria from 1951 to 1997 was the Pay- As -You -Go (PAYG) pension policy. The 1951 scheme which has retroactive effective from January 1946 has basic salary contribution of 6 per cent. That is of 3 per cent for the employer and 3 per cent for the employee. Other schemes include: the 1961 National Provident Fund Scheme had 7.5 per cent contribution of basic salary of 2.5 per cent by the employee and 5 per cent by the employer.

The Armed Forces Pension Act No 103 had 15 per cent contribution of basic salary of 12.5per cent by the employer and 2.5 per cent by the employee. The 1976 and 1979 Pension Act No 102 that commenced on the 1<sup>st</sup> of April, 1974 and the other Government Agencies Pension Act No 75, 1987 and Local Government Pension Decree 1987 had 7.5 per cent basic salary contribution of 2.5 per cent by the employee and 5 per cent by the employer. From 1995 to 1999, the basic contribution rose to between 16.7 per cent and 30 per cent. The percentage contribution was reversed in 2002 to 10 per cent of 3.5 per cent contribution by employee and 6.5per cent by the employer (Fapohunda, 2013; Odia & Okoye, 2012).

In the PAYG scheme, three tiers of government are responsible for the pension of public servants while some corporate organisations, especially the multinationals had special pension programme for employees. The lack of payment after retirement by PAYG Pension schemes otherwise known as "Benefit Plan" owing to government budgetary allocations, non-contributory bottlenecks and corruption in terms of misuse and embezzlement of pension fund led to the establishment of the 2004 Pension Scheme otherwise known as the "Contributory Pension Scheme." The 2004 Contributory Pension Scheme, took care of the challenges of budgetary provision release by all tiers of government, fraud and corruption to name a few. According to Ayegba, James and Odoh (2013) and Goloma, (2009), the 2004 Pension Reform Act was to remove the usual delays in processing the retirement benefits of workers in all sectors of the

economy. According to Sule and Ezugwu (2009) as well as Ahmed, (2008), the 2004 Pension Reform came to remove the various problems inherent in the PAYG at both the public and private sectors of the Nigeria economy. Government aims at establishing the Pension Act 2004, invariably was to relieve government of pension problems, reduce the suffering of pensioners and give an average Nigerian employee hope in retirement.

The objectives of the new pension reform are to ensure that every worker receives his/her retirement benefits as and when due, empower the worker, assist workers to save in order to cater for their livelihood during old age, establish uniform rules, regulations and standards for administration of pension matters and establish strong regulatory and supervisory framework for the scheme (Pension Reform Act, 2004). In the 2004 Pension Reform Act, every employee shall maintain a Retirement Savings Account (RSA) in his/her name with any Pension Fund Administrator (PFA) of his/her choice and notify the employer of the details. The scheme is comprised of 15 per cent total contribution with the employee and employer each contributing a minimum of 7.5 per cent of the employee's monthly emoluments of monthly basic salary, transport and housing allowances. In the case of the Armed Forces, 12.5 per cent contribution by the employer, and 2.5 contribution per cent by the employee. The scheme covers all organisations with at least 5 employees in their employment. The Pension Act 2004 was amended in 2014. The 2014 Pension Amendment Act covers organisations with as low as 3 employees and a total of 18 per cent contribution based on emoluments as agreed in contract of employment by both employer and employee. In the 2014 Pension Act Reform, the employer is required to contribute 10 per cent while the employee will make a contribution of 8 per cent of total emolument (Anyim et al, 2014; Fapohunda, 2013).

A holder of a retirement savings account upon retirement and on attaining the age of 50 years, whichever is later shall utilise the balance standing to the credit of his/her retirement saving account for the following benefits: programmed monthly or quarterly withdrawals calculated on the basis of an expected life span; annuity for life purchased from a Life Insurance Company licensed by the National Insurance Commission with monthly or quarterly payment; and lump sum from the balance standing to the credit of his/her retirement savings account; provided that the amount left after that lump sum withdrawal shall be sufficient to procure an annuity or fund programmed withdrawals that can produce an amount not less than 50 per cent of his/her annual remuneration as of the date of his/her retirement. Any employee who retires before the age of 50 years in accordance with the terms and conditions of his/her employment may, on request, withdraw a lump sum of money not more than 25 per cent percent of the amount standing in retirement saving account; provided that such withdrawals shall only be made after six months of such retirement and the retired employee does not secure another employment. Any amount payable as retirement benefits is exempted from tax.

## **7. A Review of the National Health Insurance Scheme (NHIS)**

The non-wage compensation of health insurance which covers employees in both the private and public sectors of the Nigerian economy has also undergone reforms to arrive at its current form.

With respect to the Universal Healthcare Coverage (UHC) around the world, the World Health Organisation (WHO) in its report observed that it has been difficult to achieve universal healthcare coverage in many developing countries owing to out-of-pocket expenses which include over the counter payments for medicines and fees for consultations and procedure (World Health Organisation Report, 2010). Medical fees especially have been the main challenge to health care coverage and utilisation; not just for employees but also for the entire population of most developing countries and Nigeria is no exception. Health facilities are inadequate and the cost of accessing health care is expensive in Nigeria (Yohesor, 2004; Odeyemi & Nixon, 2013; Vonke & Sunday, 2014).

The yearly budgetary national allocation to health in Nigeria has not only been fluctuating but has been meagre to cater for the health needs of its over 160 million people. This is evident in the report of the Budget Office of the Federation and the Federal Ministry of Finance in 2012. The report of the Budget Office for year 2000, shows that ₦15.7 billion which is 2.1 per cent of the national budget was allocated to the health sector. This was increased to ₦42.6 billion in 2001, representing 271 per cent increase to 2000 and 4.1 per cent of total annual budget. In 2002, it was ₦44.7 billion and 1.9 per cent of annual budget for that year. In 2003, increased to ₦52.2 billion and 2.1 per cent of annual budget. In 2004 the health budget was ₦59.8 and 1.9 per cent of total annual budget. The year 2005, witnessed the allocation of ₦71.7 billion, representing 3.2 per cent of the annual budget. In 2006 health budget increased to ₦106.9 billion and 5.6 per cent of total annual budget. In the following years: 2007, 2008 and 2009 the health budgets stood at ₦122.9 billion, ₦143.9 billion and ₦154.6 billion respectively representing 5.1 per cent, 3.6 per cent and 4.3 per cent of the total annual budgets for the three consecutive years. In 2010 and 2011, budgetary allocations to health stood at ₦164.9 billion and ₦266.7 billion respectively which is 3.7 per cent and 5.4 per cent of total annual budgets for the two consecutive years. From the foregoing therefore, it is crystal clear that successive governments' budgetary allocations to health have been very inadequate to cater for the health needs of its huge population. The only way out of this quagmire is for government to encourage the risk-pooling prepayment approach as exemplified by the National Health Insurance Scheme (NHIS) to cater for the health compensation of the country's workforce (Onyebede, Goyit & Nnadi, 2012; NHIS Report, 2005; World Health Organisation Report, 2010).

The idea of Health Bill on National Health Insurance Scheme in Nigeria is not new phenomenon; it was conceived in 1960 under the Halevy's Committee on Lagos Health Bill. But not until 1984, did National Council on Health, set up a committee to advise government on it owing to legislative issues and political instability. The Committee did not start review until 1985, when they did review, the health sector advised that the National Health Insurance Scheme bill be kick started. The bill was not promulgated until 1997 when the government of the Federal Republic of Nigeria in response to the World Health Organisation (WHO) clarion call, repackaged and launched the Nigerian National Health Insurance Scheme on the 15<sup>th</sup> of October, 1997. The scheme had no enabling law establishing it, until the promulgation of Decree 35 otherwise now referred to as Act 35 of 1999 in May 1999. The health reform was in essence stalled between 1960 and 1997 by legislation and political instability in the country. The scheme only became reactivated on the 6<sup>th</sup> of June, 2005, after another 6 years of delay (NHIS Report, 2005). The

objective of the National Health Insurance Scheme was to give good health care services, reduce medical bills, give equal health care cost among different income groups, and employees in both the public and private sectors of the economy.

The NHIS which is an agency under the Federal Ministry of Health consist of three main programmes: one formal and two informal (Odeyemi & Nixon, 2013). The Formal Sector Social Health Insurance Programme (FSSHIP) covers public employees and the Organised Private Sector (OPS) employees, and is implemented via a managed care model funded through percentage contributions from employees and employers. The scheme has contributory premium of 15 per cent of worker's basic salary with the employee contributing 5 per cent and the employer contributing 10 per cent. It is mandatory for organisations with ten or more employees (Metiboba 2011, NHIS 2012, Odeyemi & Nixon, 2013). The two other schemes, the Urban Self-Employed Social Health Insurance Programme (USSHIP) and the Rural Community Social Health Insurance Scheme (RCSHIP) are outside the formal sector and not part of the focus of this paper. As a compensation package, the NHIS which collects premium purchases health services that cover the illness of employees, their spouses and four children under the age of 18 (NHIS, 2005). According to Ichocku (2005), Yohesor (2004), and Metibuba (2011), despite the NHIS, exorbitant health services bills are still paid for by employees as the scheme does not cover high cost illnesses such as surgery, hypertension, dental problems to name a few. Only generic drugs are given to employees, spouses and children under the age of 18. In most cases, the Health Maintenance Organisations (HMOs) lack essential drugs thereby leading to additional financial burdens on the employees who bear the cost of recommended medications which are in some cases are exorbitant.

## 8. Conclusion and Recommendations

This paper set out to examine wages and salaries determination as well as adjustments in the Nigerian public sector from 1934 to 2014. It has been observed that the use of *ad-hoc* wage commissions in the determination of wages and a host of other conditions of service in the public sector has hampered effective collective bargaining in the public sector. Workers' pay or compensation is regulated through government labour policy as stipulated by the Nigerian labour laws or legislation. The provisions of these labour policies have both positive and negative implications for the Nigerian workers. These laws include the Labour Act, the Employees' Compensation Act, the Minimum Wage Act, the Pension Act, and the National Health Insurance Act. These public policies have been used in the determination and adjustments of wages and salaries in the Nigerian public sector. A cursory examination of these policies reveals that their provisions tend to benefit workers in the formal sector. Although, an x-ray of the policies reveal that workers in the informal economy are covered by the provisions of some of these lofty public policies, but from experience, the workers in the informal economy have been relegated to the background and are yet to fully benefit from the provisions of these public policies. With respect to the provisions of the Labour Act, there have been instances where letters of employment were not issued to workers even after the three months mandatory period specified in the Act. This is preponderant in the informal economy/sector. The minimum wage of ₦18,000 per month is

meagre considering the high cost of living in Nigeria at the moment. With regard to the administration of pension, a lot needs to be done to ensure a hitch-free payment of pension to retirees as and when due. The NHIS seems to be for the very few workers in the formal sector as well as those in the urban centres/ cities. Those in the informal sector and rural areas have not been fully covered.

The authors hereby recommend that the NHIS should be expanded to accommodate workers in the informal sector and those in the rural areas for the impact to be more felt and visible. It is also recommended that the adoption of collective bargaining and the commitment on the part of the government to abide by the ensuing agreement with unions in the public sector is the surest means for promoting peaceful labour-government relations and to a large extent forestall incessant strikes that have bedevilled the public sector in recent times. There is the need for the Ministry of Labour and Employment to be alive to its responsibilities by ensuring that government labour policies and laws are implemented to the letter. There is the urgent need to step up labour administration and inspection by the Ministry. With regard to the embezzlement of pension funds, there should be stiff penalties imposed on those who mismanage or embezzle such funds and the penalty should be life imprisonment or capital punishment. On the issue of health for employees and Nigerians in general, robust budgetary allocations should be allotted to the health sector every year to meet the health needs of workers and Nigerians. In the same vein, the state-of-the-art medical facilities and centres should be established in the six geo-political zones to meet the health needs of the teeming Nigerians to reduce medical tourism abroad. This of course will assist to conserve foreign exchange which can be ploughed back to the economy for developmental projects that will benefit the citizenry.

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