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INDUSTRIAL RELATIONS IN A RECESSED ECONOMY: THE NIGERIAN EXPERIENCE

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Abstract

The present economic recession is affecting every phase of the Nigerian society including work relations. Whether judged in terms of rising unemployment, decline in workers real income value, falling employment, or stagnated minimum wage and allowances industrial relations in the country has experienced full depredations as a result of economic recession. The aim of this study therefore is to empirically investigate the effect of stagnated remunerations on industrial relations in a recessed economy. The paper specifically examines the influence of stagnated minimum wage and earns allowances on industrial relations in a recessed economy. The study used survey method and data was gathered through a series of self-administered questionnaire to a sample of 910 employees drawn from a staff population of 17,590 in 15 ministries, 17 departments, 60 parastatals and agencies in Cross River State, Nigeria. Survey monkey statistical model was adopted in selecting the sample. Information gathered from participants was coded and analysed using linear regression analytical procedure. Findings revealed that stagnated minimum wage and earn allowance significantly affect industrial relations in a recessed economy. We recommended among others that government should urgently, and proportionally increase workers minimum wage and allowances that match with the inflation rate in the country.

Introduction

Nigeria is currently facing the most serious economic recession in its modern history, which has a profound effect on its labour market, inflation, wages, and the management of industrial relations. Trade unions saddled with the responsibility of protecting the well-being of their members, especially in areas of pay and employment security are now facing the greatest challenge in the history of labour relations in the country. Issues concerning improve wages and earn allowance tops the chart of labour bargaining in recent times. This is one of the major reasons why people work is to earn a living. The well-being of the worker is therefore tied to his/her monthly income. Wages remain a significant major tool of graduation workers from poverty as well as bridging the gulf between the rich and the poor (Agba, Ushie & Agba, 2009; Agba, & Ushie, 2010, Agba, Mboto, & Agba, 2013). However, in Nigeria, a sizeable proportion of workers received stagnated images in the face of inflation and economic recession. While the prices of items increase the Nigerian workers' salary is static and its value continues to dwindle as inflation collapse. Consequently, over 75 percent of workers in the country live in abject poverty rotten tenements not able to afford medical care and send their children to school. This is more worrisome as the Nigerian workers have to support relatives and dependents with his/her disproportionate and stagnated income.

The socioeconomic well-being of the Nigerian worker and the perennial economic recession in recent times makes the call for minimum image and earn allowance review imperative. Economic recession here refers to a general slowdown in economic activities for two consecutive quarters' (Central Bank of Nigeria, 2012). It is a significant decline in economic activities that affect real gross domestic product (GPD) of a country lasting for more than a few months (Noko, 2016). This is not without consequences; it affects real income, employment, social and political life of the people. Recession accounts for failing and dwindling dividends, credit default and bankruptcy, product quality compromise and poor financial markets. On the other hand,

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industrial relations, according to Majhosev (2013) is a legally guided interactions between works (unions) and employers (associations) on employment matters.

Despite media reports, there has been much debate among scholars and social commentators as to whether the present economic recession leads to transient or cause a profound negative effect on industrial relations in Nigeria. The concern of this paper therefore is to examine how industrial relations is affected given the present economic realities. Specifically, the study will investigate whether stagnated remunerations in the face of economic recession and the quest by workers for increase in minimum wage and earn allowance has the propensity to mire harmonious industrial relations in Nigeria.

Literature review

Minimum wage and industrial relations in a recessed economy

Minimum wage legislation was introduced in a large number of countries in the last few decades to reduce low pay and improve the living standard of workers. Although it is most common to have one single rate at a national level, in many countries the rates vary by region, industry or occupation (Betcherman, 2013). Wage is at the centre of industrial relation. It is one of the most complex and problematic issues in industrial relations and human resources management. People work with the objective of receiving pay for services rendered at the end of a given period, usually based on terms, stated in the agreement or contract of employment. Compensation and wages remain the singular most important obligation an employer has towards an employee (Cole, 2002; Onyinyechi & Ayanfeoluwa, 2014).

In most recent times, the quest for improved minimum wage for the Nigerian worker and the lack of action by the federal government informed union's walkout on representatives of government on May 1, 2017 during the Workers Day Celebration at Eagle Square Abuja. The insensitivity of government to workers' plight in the face of economic recession is advancing the frontiers of government-labour face out in many ways. Apart from the recession, the federal government in 2016 removed fuel subsidy and increase the unit pump price of Premium Motor Spirit (PMS) from eighty seven Naira to one hundred and forty five Naira. The increase has attendant effect on price of commodities and services, food stuffs, and has significantly reduced the real value for the worker's salary as well as resulted to the free-fall of the Naira. The negotiations between government and Nigerian Labour Congress (NLC) including Trade Union Congress of Nigeria (NUT) for palliatives and a minimum of fifty six thousand naira following the economic realities yielded no fruits. Government inaction since then is raising industrial relations tension in the country (Iroegbu, 2017).

As workers in the Nigeria battle for survival in a recessed economy, the country pays employees' one of the lowest wages in the world (that is, eighteen thousand Naira minimum wage). Even at the fifty six thousand Naira minimum wage proposed to the federal government, the Nigeria worker still remains one of the lest paid in the world. For instance, Argentina pays her workers monthly minimum wage of \$ 6,370, Algeria, \$2,145; Botswana, \$652; Brazil, \$3,660. Other are Chad, \$1,217; Republic of the Congo, \$1,826; Ecuador, \$5,124; Equatorial Guinea, \$2,618; Estonia, \$6,534; Gabon, \$3,043 (Nigeria today, 2017).

Banjoko (2006), noted that wage related issues has led to labour-management relations problems (violent strikes, picketing or work stoppages) much more than any other issues in an organization. The need to inspire and motivate employees via the design, establishment and implementation of a robust pay system that will induce commitment, dedication, loyalty and best performance is an imperative for any business, private or public which aspires to attain the highest organizational productivity. As a precursor to his writing on scientific management theory, Fredrick Winslow Taylor (1896) believed that money is a prime motivator for work efforts; he developed a 'wage system' to ensure a productive workforce. Fapohonda, Adiku, and Lawal (2012) describe minimum wage not only as the smallest hourly wage that an employee is paid as mandated

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by federal law, but also as a social protection which requires the effort, commitment and collaboration of all stakeholders.

This corresponds to ILO Convention 131 of 1970, which stipulates: that minimum wage is a must minimum sum payable to a worker for work performed or services rendered within a given period, whether calculated on basis of time or output, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum need of the worker and his/her family in the light of economic and social condition (Fapohonda, *et al.*, 2012). Minimum wage is definitely the irreducible minimum salary/wages that any federal governments will fix to protect its vulnerable population from the exploitation of employers: No employer is allowed to go below it (Ahiuma-Young, 2013).

Wage laws, structure and administration are central to employment relations, employee motivation and productivity. Casio (2003); Iniodu & Ukpong (2009) argue that improved minimum wage enhances an employee's sense of respect and esteem and reduces industrial conflict. Similarly, Klein & Dompe (2007) noted that wage is a tool for managing the imbalance in bargaining power that low wage workers face in the labour market. Onyinyechi & Ayanfeoluwa, (2014) contend that increase in minimum wage will enhance labour relation between employers of labour and labour unions. Maychrowska & Zolkiewski (2012), suggested that minimum wage should depends on prevailing economic situation; that has a positive relationship with cordial labour relation, and a negative relationship with industrial conflict.

According to Neumark & Wascher (2004), Formby, Bishop and Kim (2006), Onyinyechi & Ayanfeoluwa, (2014), poor minimum wage has not only contributed to industrial conflict; it has also given small gain to lower tail families. Neumark & Wascher (2008) argued again that minimum wage policy raises only the income of poor families, especially those whose incomes are below the stipulated minimum wages. Falk, Enerst & Christain (2006), believe that minimum wage increase leads to a rise in reservation wages, which would persist even after the removal of the minimum wage. Inadequate Minimum wage also results in significant industrial disorder and incessant labour dispute (Folawewo, 2007; Onyinyechi & Ayanfeoluwa, 2014). Government non compliance and insensitivity to the demand of a better minimum wage over the years has led to aggressive trade union activities in Nigeria.

The practice of minimum wage has been on even before the First World War. Minimum wage has been the subject of several serious discourses and was first proposed as a way to control the proliferation of sweatshops in manufacturing industries. The sweat shops employed large numbers of women and young workers, paying them what was considered to be substandard wages. The sweatshop owners were thought to have unfair bargaining power over their workers, and a minimum wage was proposed as a means to make them pay fairly. The objective of minimum wage fixing is to give wage-earners the necessary social protection in terms of minimum permissible levels of wages (Ahiuma-Young, 2013).

Developing countries have regularly increased their minimum wages to provide social protection to vulnerable and non-organized categories of workers. Many countries like Argentina, Brazil, China and South Africa have been among the main drivers of this upward trend. In China it was newly introduced in 2004 to curb wage inequality while it was also introduced in South Africa in 2002. In Nigeria issues of wage negotiation and increment date back to the period of colonial rule and are associated with civil service reform programmes (Falk, Ernest & Christian, 2006). The Nigeria government has always set up ad hoc commissions to consider bonuses or wage revisions during periods of labour union agitation (Maychrowska & Zolkiewski, 2012). Aminu (2008) observed that Collective Bargaining has never played any significant role in wage fixing and labour relations especially in the public sector in Nigeria. In fact, government as the largest employer of organized labour has affected the practice of collective bargaining negatively through its employment practices and actions.

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Earn allowance and labour union dispute in a recessed economy

In a recessed economy like ours, issues concerning employees' earn allowance are prime determinants of work relations in the public and private sectors. The level and distribution of earn allowance and other benefits can have a considerable effect on government and labour union relationship as well as on the morale and productivity of the workforce. It is therefore vital that organisations develop pay systems that are appropriate for workers, that provide value for money, and that reward workers fairly for the work they perform (Noll, 2002). These will help reduce the widespread protest and agitation that often degenerate to industrial unrest in the workplace. In 2002, 21.4 percent of disputes were caused by demand of higher wages and allowances. This percentage was 20.4 percent during 2003 and during 2004 increased up to 26.2 percent. In 2005, wages and allowances accounted for 21.8 percent of industrial disputes.

Poole and Jenkins (1998); Milkovitch & Newman (1990) posit that workers are concerned with the immediate measure of disposable income, although they recognize that allowances associated with terms and conditions of employment and all other benefits in cash or kind are also part of wages. The types and quantum of fringe benefits vary with countries. It is determined through government intervention with legislation and collective bargaining between employers and trade unions. It is therefore a result of tripartite consultation and agreement. According to Armstrong (1999, 2007), the main components of payment systems include; basic pay, productivity incentives, social security, fringe benefits such as medical benefits, paid leave and allowances. Some of the allowances include rent in lieu of quarters, basic amenities for electricity, water, transport, subsidies for education of children, and Domestic Assistants when denied workers leads to industrial crisis (Armstrong, 1999; Bratton, 1999).

The extant compensation research literature provides evidence that pay, in its various forms, affects employee–organization relationships. The role of employee overtime remuneration and other rewards in motivating employees can hardly be denied. The frequent non-payment of employee overtime remuneration has been greeted with widespread protests and agitations that most times degenerate to industrial unrest (Chigozie, 2005). Harrison & Liska, (2008) in their study affirm that reward is the centre pieces of the employment contract-after all it is the main reason why people work. This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the employee. Intrinsic rewards include rewards within the job such as responsibility, autonomy appreciation from the boss and feelings of accomplishment among others. Extrinsic rewards are tangible rewards like pay bonuses and fringe benefits. Poor over remuneration has often been given as a cause of low morale among workers thus leading to numerous strikes.

In the study conducted by Probst & Brubaker (2001), it indicated that the difference between job satisfaction and dissatisfaction lies in the amount and type of rewards that the employee expects that their contribution and efforts should be valued. Prasetya and Kato (2011) in their analysis revealed that there is a significant influences from both financial and non financial on the employee/employers' relations. They noted that the persistent industrial unrests among Nigeria's workers have been largely attributed to non payment/inadequate payment of overtime remuneration.

Theoretical consideration

The study is anchored on Hangover theory. The theory has its origin from the works of Lugwig von Mises and Friedrich Hayek as embedded in the Austrian Business Cycle Theory (ABCT). It was redeveloped and shaped as a result of the criticisms levelled against it by Paul Krugman and others. The main thrust of the theory is that recessions are the inevitable payback for good times. It holds that excessive investment during economic boom creates too much capacity in factories and this result to excessive production of goods that cannot find markets; and building of structures (houses) that cannot find tenants. The economic boom follows this trend for a while before its unsoundness unfolds. The economic boom also creates low prices of

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goods and services, employment, reduced unemployment, boost the labour market and industrial relations as well as enhance workers wages (Krugman, 1998).

The economic boom eventually dwindles as investment spending collapse. The outcome of the collapse is proportional to the previous excesses witnessed during the economic boom. The collapse in investment leads to unemployment and the fall in wages and poor work relations. This suggests that slump is the ultimate price society pays for boom. That is, recession is the inevitable punishment for the excesses of the previous economic expansion. Though the theory has been criticized for its simplicity and viewing recession as "inevitable outcome of boom", however, the tenets of the theory are to some extent applicable to the Nigeria situation. It should be noted here that all the economic recessions experienced in Nigeria came after economic boom. The economic recession of the 1980s came after the 1970s oil boom. The current recession (that is, 2016 to 2017) came after the economic boom of 2005 to 2010. Again, during recession, workers real wage value declined, leading to quest for improved wages. Recessions in Nigeria results to unemployment and it has a profound effect on the labour market and labour relations.

Methods

The study used survey method. The survey was conducted through a series of self-administered structured questionnaire to a sample of 910 employees drawn from ministries, departments, parastatals, and agencies in Cross River State, Nigeria. Survey monkey statistical model was adopted in selecting the sample. The study sample was drawn from a staff population of 17,590 in 15 ministries, 17 departments, 60 parastatals and agencies. The questionnaire used for the study contained statements, on four Likert scale, requiring participants to indicate their level of agreement and disagreement to the items. The responses range from strongly agree (SA) which was ranked 4 points, agree (A) 3 points, disagree (D) 2 points, and strongly disagree 1 point.

Information gathered from the questionnaire was coded and analysed using linear regression analytical procedure. The analysis was done hypothesis by hypothesis by testing each at 0.05 level of significance. The hypotheses tested in this study are: (1) Working hours does not significantly relate to labour union agitation. (2) There is no significant relationship between workers' safety and labour union agitation.

Area of study

This study will be carried out in Cross River State, Nigeria. It is a coastal state in South-South Nigeria. It occupies a total area of 20,156 km² (7,782 sqm) and has a total population of 2,882,988 as at the 2006 census (NPC, 2006). Cross River state has an average population density of 93 km² (240 sqm). The state is covered by a body of water from the tributaries of Cross River and Atlantic Ocean. This makes the land fertile and provides abundant aquatic resources for exploitation. Two third of Cross River State is covered by tropical rain forest making it one of the world's biodiversity hotspots. The state shares boundaries with Benue State to the north, Enugu and Abia States to the west, to the east by Republic of Cameroon and to the south by Akwa Ibom State and the Atlantic Ocean.

The Cross River State economy is predominantly agricultural. However the entire economic activities in the state divided into two sectors: the public and private sector. In the agriculture sector, private entrepreneurs own more than eighty percent of the state's agricultural workers force who engage in subsistence farming and some large plantations. The public sector is run by the government and features large plantations and demonstration farms. Yam, corn, cassava, and rice, are some of the major food crops grown while cocoa, palm-kernel, palm oil, timber and rubber are exported. Fishing in the inland waterways as well as deep sea fishing and scrimping along the coast are significant commercial activities. The state is the hub of tourism and is often described as the tourism destination of Nigeria.

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The Cross River State is divided into 18 local government areas for administrative convenience. It is administered through lager government bureaucracies. Cross River State is popularly called civil service state because of the presences of federal and state ministries, departments, agencies, and parastatals from where this study drew her sample.

Findings

Hypothesis one

In the null form, hypothesis one states that, minimum wages has not significantly incited labour union agitation in a recessed economy. There are two variables in this hypothesis, minimum wages which serve as the independent variable while the dependent variable is labour union agitation, linear regression analysis was used to test this hypothesis at p<.05, the result is presented in Table 1.

Linear regression was conducted to determine the best linear combination between minimum wages and labour union agitation. The result in Table 1 shows that the predictor variable (minimum wages) significantly predicted labour union agitation, F (1,910) = 9.808, P<.005. The correlation is positive and small (R=.103). More importantly, they accounted for 10.3 percent of the variance in labour union agitation. The beta weights suggest that an increase in refusal of implementing minimum wages contributes significantly to the prediction of labour union agitation (β =.103, t=3.132, p<.05), the adjusted R Squared value of .010, which is a measure of effect size indicate that 1.0 percent of the variance in labour union agitation was explained by the model. According to Cohen (1988), this is small effect size. This result implies that, the null hypothesis which states that, minimum wages has not significantly incited labour union agitation is rejected while the alternate is upheld.

Hypothesis two

In the null form, hypothesis two states that, earn allowance has not significantly incited labour union dispute in a recessed economy. The independent variable in this hypothesis is earn allowance while the dependent variable is labour union dispute, linear regression was employed to test this hypothesis at p < .05, the result is presented in Table 2.

Linear regression was conducted to determine the best linear combination between earn allowance and labour union agitation. The result in Table 2 shows that the predictor variable (earn allowance) significantly predicts labour union dispute, F(1, 910) = 52.735, P < .05. The correlation is positive and moderate (R = .234). More importantly, they accounted for 23.4 percent of the variance in labour union dispute.

The beta weights suggest that an increase in earn allowance contributes to the prediction of labour union dispute (β =.234, t=7.262, p < .05), the adjusted R Squared value of .054 which is a measure of effect size, indicate that 5.4 percent of the variance in labour union dispute was explained by the model. According to Cohen (1988), this is a moderate effect size. This result implies that, the null hypothesis, which states that, earn allowance has not significantly incited labour union agitation is rejected while the alternate hypothesis is upheld.

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Table 1: Linear regression of stagnated minimum wages and union agitation

Variable	Mean	SD	r-value	Sig.	
Minimum wages	18.61	2.68	0.103	.001	
Labour union agitation	17.36	2.53			
Model summary					
Model	R	R Square	Adjusted R Squared	Sd. Error of the Estimate	
1	.103	.011	.010	2.67	
ANOVA					
Model	Sum of	Df	Mean	F	Sig.
	Squares		Square		
Regression	70.077	1	70.077	9.808	.002
Residual	6502.063	910	7.145		
Total	6572.140	911			
Regression coefficients					
Model	В	Std. Error	Beta	t.	Sig.
Constant	16.715	.613		27.279	.000
Labour union agitation	.109	.035	.103	3.132	.002

^{*}significant at .05; df = 1, 910; critical r = .062; critical F = 3.86

Table 2: Linear regression of earn allowance and labour union dispute

Variable	Mean Mean	SD	r-value	Sig.				
Earn allowance	18.61	2.68	0.234	.000				
Labour union dispute	17.05	3.94						
Model summary								
Model	R	R Square	Adjusted R Squared	Sd. Error of the Estimate				
1	.234ª	.055	.054	2.612				
ANOVA								
Model	Sum of Squares	Df	Mean Square	F	Sig.			
Regression	360.000	1	360.00	52.735	.000			
Residual	6212.141	910	6.827					
Total	6572.140	911						
Regression coefficients								
Model	В	Std. Error	Beta	t.	Sig.			
Constant	15.89	.384		41.336	.000			
Labour union dispute	.159	.022	.234	7.262	.000			

^{*}significant at .05; df = 1, 910; critical r = .062; critical F = 3.86

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Discussion of findings

Minimum wage and labour union agitation

The result of the statistical analysis of hypothesis one revealed that minimum wage significantly incites labour union agitation. The finding shows that civil servants in the state civil service who are fortunate to have jobs are finding it increasingly difficult to survive on their monthly pay because the pay of workers in the state is one of the lowest in the country. It indicated that fixing of minimum wage prevents the exploitation of weak, ill-informed, or isolated groups of individuals. Minimum wage affords such people a more comprehensive protection than is available through existing voluntary bargaining machinery. It shows that the fixing of minimum wage affords workers a reasonable income to meet their basic needs and raise their standards of living. The study further reveals that through the introduction of minimum wage government is not only prevented from using unreasonably cheap labour; they are encouraged to use human resources more efficiently and therefore, promote workers satisfaction.

The study indicated that the initial non-compliance of the state government to the new minimum wage policy led to labour union agitation among civil servants in the state. From the mean source of the different groups, the study reveals that increased and prompt payment of minimum wage could enhance government-labour relationship. In other words, a better industrial harmony can be achieved and sustained by regular review of minimum wage as stipulated by law and in line with the prevailing economic realities. This finding is in support of Neumark & Wascher (2004), who reported that non-implementation of minimum wage policy, has contributed significantly to industrial conflict. They observed that the failure of government to regularly review and the inability of some states in the country to pay the approved minimum wage has led to labour unrest among public servants. The findings is consistent with the views of Iniodu & Ukpong (2001) who observed that minimum wage paid to civil servants at local, state and federal levels in Nigeria is grossly inadequate to meet the socio-economic needs of workers. This they contend poses a great threat to industrial peace and harmony. They argued that improved regular review and payment of minimum wage enhances workers' sense of respect and esteem as well as reduces industrial unrest.

This finding is also similar to that of Falk, Ernest and Christian (2006), who believe that increased minimum wage leads to rise in wage reservation among civil servants. They averred that inadequate payment of minimum wage results in industrial disorder and incessant labour dispute. They noted that delay and non-compliance by government to the demand of a better minimum wage package has led to strained relationship between government and labour unions. Minimum wage is a must minimum sum payable to a worker for work done or service rendered within a given period. The insincerity and initial inability of government in some quarters to pay the approved minimum wage resulted in industrial agitation among workers in the state.

The result of the statistical analysis of the last hypothesis revealed that there is a significant relationship between earn allowance and labour union dispute. This implies that delay in the payment of workers' earn allowance or stagnated earn allowance could incite labour union disputes in a recessed economy. The study shows that delay in payment of workers allowanced during economic crisis is seen as a denial of right. It reveals that workers view strike action as normal when their earn allowance is delayed or stagnated. Again, it shows that workers count on labour union to lobby and mount pressure on the government to respond to their demands.

The finding agrees with Noll (2002) who states that appropriate pay system and fair reward for workers' will help reduce the widespread industrial protest and agitation. The finding is consistent with Harrison & Liska (2008) who observe that reward is the center piece of employment; after all, it is the main reason why people work. They reported that non-payment of extrinsic reward is the cause of numerous strike actions among workers. The finding equally supports Prasetya & Kato (2011) whose study reveals a significant influence from both financial and non-financial rewards on employee-employers relations. They noted that the

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persistent industrial unrest among Nigeria worker has been linked to non-payment/inadequate payment of remuneration.

Conclusion and recommendations

This study examined industrial relations in a recessed economy with Nigeria in focus. The paper posit that the present economic recession is affecting every phase of the Nigerian society including work relations. The study showed evidence that links workers' plight in Nigeria to economic recession and stagnated remunerations. Specifically, the paper investigates the effect of stagnated minimum wage and worker earn allowance on industrial relations in a recessed economy. The study sampled opinion from 910 employees drawn from a staff population of 17,590 in 15 ministries, 17 departments, 60 parastatals and agencies in Cross River State, Nigeria. Findings revealed that stagnated minimum wage and earn allowance significantly affect industrial relations in a recessed economy. We recommended that government should urgently and proportionally increase workers minimum wage and allowances to match with the economic reality and inflation rate in the country. We suggested a four year periodic review of workers' wages and allowances in-line with economic dynamics of the country. Government should ensure adequate employees' representative in the ongoing minimum wage review committee. Issues relating to workers remunerations should not be politicized employers of labour as this will hike industrial dispute in the country. Again, employers of labour, both in the public and private sectors should not delay in the implementation of the outcome/ report of the 2017 wage review committee set up by federal government.

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