

# **PRIVATIZATION AND LABOUR RESISTANCE IN NIGERIA IN THE 21ST CENTURY: THE CASE OF NATIONAL UNION OF ELECTRICITY EMPLOYEES (NUEE)**

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## **Abstract**

This article examines the impact of privatization on workers in Nigeria. It studies the factors that make National Union of Electricity Employees (NUEE) oppose the privatization of NEPA. It argues that the impact of privatization on workers can only be fully understood within the context of the political economy of privatization. The article revealed that the fear of job losses and erosion of workers' rights are among the cardinal reasons why labour unions are at the forefront of resistance to privatization. The article adopts the Marxian political economic theory as its theoretical framework of analysis. It goes further to make some recommendations among the following: Government should embrace consultation with workers of public enterprises before privatization, workers of privatized public enterprises should not forfeit benefits they enjoyed formerly in their previous employment prior to privatization, and the legislation making NEPA a monopoly should be reviewed to enable other energy companies to participate and compete with NEPA.

## **Introduction**

The last two and a half decades have witnessed the evolution of a movement worldwide, in favour of widespread calls for a reduction in the level of government participation in industry. This debate has led to the reduction of government equity interest or outright sale of enterprises, utilities and nationalized corporations as is being proposed for NEPA, refineries and Nigeria Ports Authority (NPA), to mention but a few, in Nigeria to private sector buyers.

The worldwide movement toward privatization and deregulation is part of a growing belief among policy makers that private firms operating in free markets are more efficient producers and innovators than governments. The call is for a diminished role of government in resource allocation, but not for a zero role (Lipsey and Crystal, 1999:304).

The policy of privatization in Nigeria owes its origin to a decree promulgated in 1988, establishing the Technical Committee on Privatization and Commercialization (TCPC) on July 5th, 1988 by the Military Government of General Ibrahim Babangida. Thereafter, successive Nigerian governments have sustained the policy with lots of enthusiasm.

Meanwhile, privatization become inevitable in Nigeria following many years of unsuccessful efforts to reform the public enterprises, widely associated with poor performance. This poor performance is due to official corruption and government excessive interference and control into the management of the enterprises. These problems became even more glaring from the early 1980s with the inception of economic crisis, thereby calling for a new approach to reverse the economic down turn. Accordingly, the privatization option was recommended and adopted as the most viable strategy to realize economic growth and efficient management of these enterprises.

One of the major criticisms of the privatization exercise in Nigeria today has been its negative impact on workers, particularly workforce reduction. Foremost among the critics are employees of state enterprises and their Labour Unions who fear retrenchment and the loss of benefits, often compounded by lack of social safety nets and functioning labour market (Chotten, 2000:299 in Ezeani, 2004:23).

This article is divided into seven (7) sections the first being introduction. Section two adopts the Marxian political economy theory as its theoretical framework, while section three examines the meaning and objectives of privatization. In section four, the issue of labour resistance to privatization is x-rayed. Furthermore, section five reveals the reasons behind NUEE resistance to privatization of NEPA. Section six draws conclusions while section seven proffers recommendations.

## **Theoretical Framework of Analysis**

This article adopts the Marxian political economy framework of analysis. This framework derives from the writing of Marx (1968). Marx developed material theory, often called historical or dialectical materialism. According to him, political economy is "the anatomy of civil society" and this entails "the study of the sum total of (he relations of production, the economic structure of the society" (Aina, 1986:4 in Ezeani, 2004:23). The political economy approach emphasizes the centrality of the "mode of production" in the study and analysis of political phenomena. The "mode of production of material life" according to Marx (1968:181) "conditions the social, political and intellectual life processes in general". The "mode of production" refers not merely "to the means of production were owned and the social relation between men which resulted from their connection with the process of production" (Dobb, 1948:7). Also it emphasizes "the importance of domination, exploitation, struggle and conflict between classes in any mode of production" (Aina, 1986:4 in Ezeani, 2004:23). Government and the state are class instruments employed to protect and promote the interests of those in control under capitalism -the bourgeoisie (Dyke, 1969:168).

Implicit in the political economy perspective or framework is that the hierarchical structure of the society emanates from the established ways of organizing production and distribution in material and spiritual life, which ensures the unequal expropriation of nature and the results of human work by social classes and groups (Ezeani, 2004:24).

The utility of Marxian political economy framework in the analysis of privatization, especially its impact on workers (employees), cannot be over-emphasized. Applying this framework to the subject matter of this article, privatization is regarded as a product of the shifting emphasis of international capitalism from a policy of active role in the economy through the establishment of Public Enterprises (PEs) to provide goods and services to a policy of gradual withdrawal from the provision of certain goods and services.

But does the ongoing privatization policy signify a passive role by the state in the economy? The answer is simply no; rather, the privatization option represents a strategy by the indigenous capitalist class in Nigeria (who incidentally constitutes the ruling and governing class) in collaboration with their foreign collaborators to increase their ownership and control of the means of production. In the quest for efficiency and / or profit for the dominant capitalist class, the privatization policy has resulted into mass retrenchment of workers, like in the prices of goods and services beyond (he reach of most workers rights).

It is important to state here that the efficiency and /or profit and higher productivity sought by the privatization policy is for the benefit of the indigenous capitalist class and their foreign collaborators alone.

## **Meaning and Objectives of Privatization (I)**

### **Meaning of Privatization**

There are various definitions of privatization, some of which do not recognize its diverse forms. According to the Commercialization and Privatization Decree (FGN, 1988), privatization is perceived as:

The transfer of government owned shareholding in designated enterprises to private shareholders, comprising individual and corporate bodies.

Okonkwo (1986:112) sees privatization in the following ways:

The government act of privatization is the placement of some government (both state, and federal) owned companies into the hands of private individuals, or management by private interest, through private sale or acquisition.

Considerations of where the operational control lies are important in privatization. In this direction, privatization typically involves the transfer of ownership, and control of public enterprises to private sector (Jones, 1999:39; Todaro, 1989:569). This is also perhaps,, why privatization has been

defined as the transfer of majority ownership of public enterprises to private sector (Kireri et al, 1994:242).

Having known what is privatization, it is important to make clear the objectives of privatization

of public enterprises.

## **(II) Objectives of Privatization**

The objectives of privatization are usually formulated by policy makers. Some relate to economic gains while other emphasize socio-political gains. The objectives of privatization have been summarized as follows (Obadan, 2000:21-22):

- (a) Improving economic efficiencies (productive, allocative and x-efficiencies produced by the enterprises).
- (b) Reducing fiscal deficits through increased tax revenue on enterprise output, reduction in central government transfers to the enterprise sector, and receipts from privatization sales.
- (c) Reducing government interference in the economy.
- (d) Broadening ownership of businesses through wider shares and assets ownership.
- (e) Generating new investments, including foreign investments.
- (f) Developing the capital market and deepening the financial-system.
- (g) Reducing the administrative burden of government,
- (h) Providing the opportunity to introduce competition.

## **Labour Opposition and Resistance to Privatization What is Labour?**

Labour can be defined as "man's purposeful activity to adapt objects of nature to satisfying people's needs" (Ryndina and Chernikov, 1985:7, in Opafola, 2003:164). The term "Labour" is also used to refer to a group or groups of workers. The union of such group or groups is called labour union. A labour union is an organization of workers formed for the purpose of advancing its members' interest in respect to wages, benefit, and working conditions" (Mish, 1989:658; in Opafola, 2003:164). It is this operational aspect of labour that is of interest to this article.

Hundreds of millions of people are employed in state-owned enterprises around the world. The trend now is that many of the state-owned companies are being sold into private hands (privatization), while the employers and policy makers are sure of enormous gains that will be accruing from the privatization exercise, the labour unions and workers are highly skeptical of it because of job loss that will result from the process. This is one of the reasons why workers have insisted that they and their unions should be consulted before any privatization process could be carried out. But on the side of government the opposite is the case.

Privatization, has always been accompanied and sometimes preceded by massive job losses, The desire to achieve the goal of greater efficiency, higher productivities and better service delivery require downsizing of the labour force and in some instance, reduction in income of the workers (Ezeani, 2004:29). This is not surprising because it is in the interest of capital to retrench workers and reduce income in order to maximize profits.

When governments privatize, they are often confused on how to handle the consequences that would result from the exercise. It is with the confusion on how to handle the social effects of privatization like early retirement, redeployment, redundancy etc., that have often led to clashes with trade unions.

The legitimate fear of labour is that privatization results, in most cases, in reduction in the workforce, lower wages, deteriorated working conditions and other benefits being enjoyed by the workers. As we have discussed earlier, privatization has led to job losses and this has imposed untold hardships on Nigerian workers. Trade unions in Nigeria have therefore embarked on protests against privatization. For example, in September 2002, the National Union of Petroleum and "Natural Gas (NUPENG) and Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) members were in Abuja in thousands, to protect the planned privatization of Nigeria's refineries and the upstream oil sector ("Nigeria Labour Factsheet - September-October, 2002:2). The Nigeria Labour Congress (NLC) has also on several occasions criticized government policy on privatization. From the foregoing, it is not surprising that workers and labour unions are at the forefront of opposition to privatization, causing government sometimes to delay or postpone privatization.

It is important to mention that various compensation packages have been used by countries to reduce labour opposition as well as address its concerns. They include the following:

- (i) Campaigns to explain the cost and benefits of privatization, pointing out likely alternative as liquidation;
- (ii) Payment of generous severance and pension packages; (iii) Encouragement of voluntary departures; (iv) Employment insurance;
- (v) Employee ownership schemes at reduced prices and easy terms; (vi) Special lines of credit to assist laid off workers in starting their own business; (vii) Skill training to assist the re-entry of redundant workers into employment; and (viii) Subsidized private employment.

A number of countries have used these measures, in various degrees, to secure worker's confidence and support the privatization process. This has been achieved in Malaysia with special guidelines which state that all privatization schemes must ensure that employees will not lose the benefits they held, and be absorbed into divested firms under terms "no less favourable" than those they enjoyed, while working for public enterprises (Obadan; 2000).

### **National Union of Electricity Employees (NUEE) Opposition to NEPA Privatization**

Notwithstanding the lure of privatization policy, its implementation still goes with numerous opposition and resistance from some groups each having various shades of philosophical inclinations that spell out their grouse against the programme.

Perhaps the most systematic opposition to privatization by the current government has come from the National Union of Electricity Employees (NUEE). The union has taken on the government, and the Bureau for Public Enterprises (BPE) has so felt the union activities that it took the unprecedented step of dragging the union to court, and obtained an injunction against the disruption-of the privatization exercise (Nigeria Labour Fact sheet - September-October, 2002:3).

The National Union of Electricity Employees opposition of NEPA privatization are based on the following factors (Nigerian Labour Fact sheet - September-October, 2002:6):

- > Electricity supply is basically a social service and a major catalyst of economic growth and development.
- '>- That only about 30 percent of the populace has access to electricity supply.
- > That the current arrangement of the BPE in NEPA would amount to a transfer of public sector monopoly to private sector monopoly.
- > That the attendant high tariff which the present arrangement would encourage, would be devastating to poor Nigerians, 67 million of who live on less than \$1 per day.
- > Privatization of electricity would retard the pace of development and growth in the country. Darkness would be the lot of over 70 percent of the population because of the profit motive of private entrepreneur.
- > It would compound the masses' problem of rural - urban migration.
- > Loss of job would be a common feature with its attendant consequences of hunger, malnutrition, armed robbery and other social vices. Artisans, carpenters, vulcanizers, welders etc. who depend on electricity to earn their living would be thrown out of job, while the army of the jobless would increase.
- > The security of the nation would be compromised, as NEPA would be entrusted in the hands of corrupt, unpatriotic private investors including foreign nationals.
- > Government and its agents of privatization, NCP and BPE cannot arrive at the accurate value of the assets of NEPA.

NUEE is frowning against full privatization of NEPA. "We believe that the foreseeable option to NEPA privatization are commercialization and private sector participation" (Nigeria Labour Fact sheet - September - October, 2002:7).

The Union (NUEE) further states that commercialization would ensure that while NEPA makes profits, its still discharges its social services obligation to the Nigerian public. Energy supply is an indispensable social service without which community life would be unattractive.

Commercialization would ensure efficiency of operators including NEPA as consumers would be free to shift loyalty to any of the energy companies of their choice. In other way round privatization would leave the consumer unprotected (Nigeria Labour Fact sheet - September-October, 2002).

### **Recommendations**

In order to accelerate the pace of privatization in Nigeria, the government should:

- (1) Initiate special guidelines, which will state that all privatization schemes must ensure that employees will not lose the benefits they held and, be absorbed into divested firms under terms no less favourable than those they enjoyed, while working for public enterprises.
- (2) Government should come up with a very clear framework that will involve the new owners of privatized public enterprises in designing a comprehensive system of compensatory and proactive measures to deal with labour dislocation occasioned by privatization exercise.
- (3) Government should respond to workers and their labour union's fear of privatization by making policies that would allow for consultation at every stage of the process including the institutionalization of very good and effective social protection scheme.
- (4) The legislation making NEPA a monopoly should be reviewed to enable other companies that may wish to participate set up their own energy companies and compete with NEPA. This would bring a healthy competition.

### **Conclusion**

So far in this article, the impact of privatization on workers and labour resistance have been discussed. It was noted that the fear of job loss and erosion of workers' rights or industrial democracy that usually accompanied privatization exercise were the basic reasons behind labour resistance to privatization. The article revealed that workers and labour unions are at the forefront of resistance to privatization, as they demand for better welfare for their members in the privatization exercise. It was members observed in the article that NUEE proffers commercialization of NEPA to privatization, given the fact that commercialization ensures that while NEPA makes profits, it still discharges its social services obligation to the Nigerian public.

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