MINIMUM WAGE IMPLEMENTATION IN NIGERIA: ISSUES AND PROSPECTS

IGBADUMHE Abaye Friday[1]*, ADENIJI Adenike Anthonia[2], OSIBANJO Adewale Omotayo[3], IMHONOPI David[4], SALAU Odunayo Paul[5]

[1]Covenant University, Ota, Nigeria, honesty_crystal@yahoo.com
[2]Covenant University, Ota, Nigeria, anthonia.adeniji@covenantuniversity.edu.ng
[3]Covenant University, Ota, Nigeria, adewale.osibanjo@covenantuniversity.edu.ng
[4]Covenant University, Ota, Nigeria, david.imhonopi@covenantuniversity.edu.ng
[5]Covenant University, Ota, Nigeria, odunayo.salau@covenantuniversity.edu.ng
*Corresponding Author

Abstract

The purpose of this paper is to explore minimum wage implementation in Nigeria, the contending issues and prospects. The paper employed a systematic and analytical review of literature through documentary sources such as books, journals, reports and online sources with the use of content analysis technique. The review also involves data and documents from government agencies, reports and previous works on wages, budgets and public finances. Budget data covering seven (7) months (Jan – July 2017) were obtained from the National Bureau of Statistics. Reviewed literature shows that the state governments' inability to implement minimum wage is due to reduction of Federal statutory allocation to the states and the states' inability to effectively engage in internally generated revenues. A conceptual model for alternative sources and sourcing of revenue was developed. The paper therefore recommends that the state governments should explore alternative sources of revenue. They should be allowed to negotiate and fix minimum wage base on their ability to pay. Also they are encouraged to reorder their priorities and reduce the many frivolous expenses that eat deep into their annual budgets.

Keywords: minimum wage, implementation, state government, civil servants

1. INTRODUCTION

The evolution of Federal Minimum Wage represents government's most significant intervention in the world of work. It is one of the means through which government improved living conditions of its citizens. Though it's major objective is to prevent the exploitation of workers by their employers, its implementation remains a major bone of contention in labour-management relations in Nigeria (Oyedele, 2016).

It is on record that the Nigerian workforce had been clamoring for better minimum wage over the years but the decision to arrive at the eighteen thousand naira current minimum wage was agreed upon early 2011, given its importance, the Nigerian senate approved the N18, 000: $ 50) minimum wage for workers which has consequently given birth to the Section 2 (1) of the National Minimum Wage Act, that "As from the commencement of this act, it shall be the duty of every employer to pay a wage not less than the national minimum wage of (N18, 000: $ 50) per month to every worker under his establishment."(Elekwa & Eme, 2011).

Although the principal aim of the minimum wage among other things includes the alleviation of poverty – through improved welfare, Elekwa and Eme, (2011) said the policy had been severally adjudged by most Nigerians as a mere political statement. Sulaiman (2012) opines that the attitudes of majority of the state governors who played important roles in negotiating the national minimum wage, failed to implement or pay workers' salaries in their respective states, as at when due. While this situation is not an entirely new phenomenon in the history of Nigeria, the widespread nature of the present scenario is unprecedented (Abe, 2017). Ogunbiyi (2015) recorded that more than a quarter of the 36 states of the federation owed workers' salaries in arrears believed to be over 110 billion naira.

According to Bello, (2017), some state governments owed their workers between seven to seventeen months salaries arrears. The situation became worrisome until the Buhari-led administration decided to provide a temporary measure of respite for the troubled states in the form of bail out. Several reasons have been adduced as being responsible for this precarious situation that Nigeria found herself. Critics alleged that states' treasuries had been depleted over elections and campaigns expenses as sitting governors made spirited efforts to remain in power after the elections. Others argued that many of the states arrived at the present state due to the consistent profligacy of their governors (Abe, 2017).

According to Onyeche and Nse-Abasi (2017) the present economic and financial predicament in many states of the federation can be attributed to the recklessness, lack of political will and drive to implement people-centred policies by the state governors. He stressed that most of these states are littered with white elephant projects carried out by their governors for the sole purpose of looting the treasury, without any regard for the welfare and wellbeing of the people. Even more striking is the governors' apparent lack of sympathy for the plights of their struggling workers. In many government establishments, workers have resorted to cutting corners by demanding gratification from the public for performing their statutory duties (Bashiru. Afees & Ahmed, 2013).

The menace of wages delay has resulted to all forms of workers unrest, leading to slow movement of files in offices, nonchalant attitude towards staff duties among others. In some states, workers have resulted to protests and strike actions while others have adopted various strategies to survive. This lingering problem has resulted to some state governments trading blame over the unpaid wages of civil servants on past governments and insufficient statutory allocation (Abe, 2017).

STATEMENT OF THE RESEARCH PROBLEM

Although the Minimum Wage policy has been a useful tool in the effective distribution of State wealth in different economies, it has become increasingly difficult in recent years for most state governments in Nigeria to pay decent salaries to civil servants. Elekwa and Eme, (2011) believe that policy makers especially politicians in Nigeria have used it more often for political purposes than for socio-economic reasons. National Minimum Wage implementation in Nigeria has caused very serious controversy and debate in the country thereby challenging the nature and structure of Nigeria industrial relations system. The delay and non-payment of workers' salaries by several state governments in Nigeria have no doubt compromised the well-being of workers and that of their respective families, (Abe, 2017).

Oyedele, (2016) notes that "between 2014 and 2015, it was very difficult and almost impossible for most states in Nigeria to pay decent salaries to civil servants regularly, due to the fact that amounts of federal transfers to States were significantly reduced". Base on this premise, some state government claimed they could no longer cope with the payment of (N18, 000: $ 50) national minimum wage. The labour union on the other hand, opposed this position and has been agitating for an upward review of national minimum wage on the ground that it has become grossly inadequate to meet their needs in the face of a high rate of inflation in the country (Oyedele, 2016)

While minimum wage issue is widely debated as a matter of policy, but its implementation and payment as well as governments/ ability to pay, is often left out. Majority of the debate on minimum wage over the years mainly focused on delay of payment or labour agitation for upward review of minimum wage (Eme & Sam, 2011, Ogunrotifa, 2012, Jude & Ernest, 2015, Samuel, 2016). The agitations by the Nigeria Labour Congress (NLC) for an upward review of minimum wage from the current (N18, 000: $ 50) to (N66, 500: $ 184.7) has generated divergent views, on the ability and willingness of states government to implement it, especially when the proposed amount (N66, 500: 184.7) is more than 100 percent increase on the current rate (N18, 000: $ 50).

In view of the ongoing controversies, this paper seeks to fill the following gap:

- Examine the factors responsible for the delay or non-implementation of minimum wage among states government in Nigeria.
- To appraise the current agitations of NLC for upward review of minimum wage from the current (N18, 000: $ 50) to (N66, 500: $ 184.7)

- Suggest possible remedies for the delay or non-implementation of minimum wage in Nigeria.

2. LITERATURE REVIEW

Minimum wage can be defined as the smallest hourly wage that is paid to employee as mandated by law. Onyeche and NSe-Abasi (2017) define minimum wage as the lowest wage an employer is allowed to pay workers. The essence of a minimum wage as set out in International Labour Organization (ILO) is to give wage-earners the necessary social protection in terms of minimum permissible levels of wages (Bashiru & Ahmed, 2013). According to Samuel (2016), the importance of wage or salary to employees cannot be over stressed. Indeed, its administration is a major personnel or human resource management function which must receive adequate attention by any organization.

2.1 Minimum Wage: The Historical Background

The first minimum wage policies were enacted notably, in New Zealand in 1894 and in Australia in 1896. It was first introduced in these countries as one of the ways for the prevention and settlement of industrial disputes. It was from this experience that the system of fixing wages through arbitration awards spread to a number of Australian jurisdictions (Nwude, 2013). The International Labour Organisation as cited in Onyeche and NSe-Abasi (2017) submit that it was from New Zealand and Australia that other countries adopted ideas of minimum wage as a measure of preventing unduly low wages of certain categories of workers which were considered vulnerable to abuse. Kester and Adeyeye (2002) reports that minimum wage was introduced to a number of colonies in Africa soon after the First World War, in order to prevent abuses in the living of indigenous workers under forced labour arrangement.

2.2 The Nigeria Experience

In Nigeria, the history of minimum wage dates back to the colonial era and the setting up of Hunts Commission in 1934 (Nwude, 2013). Jude and Ernest 2015, note that there were several other commissions between 1973 and 2003. These include: Wage Board and Industrial Council Act 1974, National Minimum Wage Act 1981, National Minimum Wage Decree No. 43 of 1988, National Salaries, Incomes and Wages Commission Decree No. 99 of 1993, National Salaries, incomes and Wages Commission (Amendment) Decree No. 17 of 1999, National Minimum Wage (Amendment) Act 2000, and the National Minimum Wage (Amendment) Act 2003. The Minimum Wage Act of 2000 ensured an increase of basic salary of 5,500 Naira for federal workers and 4, 500 Naira for state and local government workers. This Act ensured that wages were reviewed every two years and as well provided for a 25% increase in wages for government workers from May 1, 2002, which was never implemented (Jude & Ernest 2015). The table below shows the several government interventions in Nigeria.

Table 1: Summary of Civil Service Reforms and Wage Commissions in Nigeria

Commissions	Year
Hunts Commission	1934
Bridges Committee of Enquiry	1941
Tudor Davies Commission	1945
Harragin Commission	1946
Miller Commission	1947
Hansbury-Gorsuch Commission	1954/1955
Newns Commission (The Elwood Grading Team)	1956
Mbanefo Commission	1959
Morgan Commission	1963
Elwood Commission	1966
Adebo Commission	1970/1971
Udoji Commission	1972
The Cookey Commission	1980/1981
Dotun Philips Panel	1985
The Fatai Williams Commission	1990
The Ayida Panel Review	1994
The Philips Asiodu Committee	1998/1999
Ernest Shonekan Committee	2000
Justice Alfa Belgore Committee	2009/2010

Source: Onuegbu (2010)

It was in 1981 that the minimum wage was first passed into law as the National Minimum Wage Act of 1981 which prescribed a minimum wage of 125 Naira monthly and was revised in 1990 to 250 Naira monthly, and revised again in 2000 to 5,500 Naira monthly. The 2002 Minimum Wage Amendment Act was amended in 2010 based on recommendation of the Justice Alfa Belgore led Tripartite Committee on National Minimum Wage (Onuegbu, 2010).

Subsequently, implementation of the Mbanefo Salaries and Wages Commission in 1959 ensured increases in the salaries, wages and allowances of public servants based on the existing five grading system. The Morgan Commission of 1963 that followed it introduced minimum wage for workers based on geographical area, varying from region to region depending on the economic conditions of the areas like cost of living. However, the implementation of the recommendations of the Elwood Grading Teams in 1964 upturned this variation in minimum wage to achieve uniformities in the wages, salaries and allowances of workers discharging identical functions in the public service, that is, equal pay for equal work, or in line with the principle of fairness and equity. Also, the implementation of the recommendations of Elwood Grading Teams of 1964 resulted to increase in salaries and wages or higher remuneration for civil servants. The implementation of the recommendations of the Adebo Salaries and Wages Review Commission 1970-1971 resulted to a general increase in salaries and wages of public servants and a total abolition of daily paid system for workers (Jude & Ernest, 2015).

Consequently, there were numerous and complex salary structures within each government of the Federation. The Udoji Reform of 1974 brought a unified structure of grading and pay. The Commission established a broad uniformity in the grading and pay of all the public servants within all the public services in the Federation based on a seven-point consideration. It introduced a seventeen salary grade level with each grade level subdivided into salary steps. The Commission described it as a rational pay system based primarily on the worth of work performed, that is, equal work for equal pay or principle of fairness and equity. The Commission provided for the minimum wage as 720 Naira per annum or 60 Naira per month which was salary grade 01, step 1 and the highest salary grade level 17, step 4 was 5,510 Naira per annum, and above salary grade level 17 (Jude & Ernest, 2015).

Perhaps, the first legislative process to enact national minimum wage legislation in the post-independence era started on May 28, 1981 and ended in June 15 of the same year culminating into National Minimum Wage Act of 1981. However, the National Minimum Wage Act of 1981 mandated every employer to comply with wage of 125 Naira as the basic salary per month. Subsequently, in January 1991, the National Minimum Wage Act was reviewed, and workers started to earn a new minimum wage of 250 Naira per month which was an addition of 100 Naira representing a percent increase of 80 percent. But the Babangida Regime (1985-1993) made a series of salary reforms and introduced different patterns of salary systems to various professions taking into account the differing job requirement. The universities, the judiciary, the police, prison service, health, etc, were granted differing salary structures higher than those of the civil service yet the Udoji principle of uniform pay for public servants within a particular service in the entire Federation was maintained in all the tiers of government of the Federation (Onuegbu 2010).

In addition to this, the military rule under the leadership of Babangida Regime (1985-1993) soon after the 1988 Civil Service Reform appointed the Gray Longe Commission and later the Adamu Fika Panel. The two bodies made substantial reforms in the wages and salaries system of Nigeria. They made major adjustments in the salaries, introduced the elongation of salary structure thereby increasing the numbers of steps within each level and ameliorating stagnation and introducing more items of allowances with substantial amount. The Allison Ayida Panel appointed by the General Abacha Regime (1993-1998) in 1997 recommended strongly a substantial review of the wages and salaries of the workers of the Nigerian public servant following its recommendation, the federal government under General Abdulsalam Abubakar introduced a salary structure based on the minimum wage of 3,000 Naira per month for states and local governments and 3,500 Naira for federal workers (Jude & Ernest, 2015).

On May 1, 2000 under Obasanjo’s Civilian Administration (1999-2007), the National Assembly continued with this dual salary structure when it enacted the National Minimum Wage Act to pay a wage not less than national minimum wage of 7,500 Naira per month to all federal workers and oil producing states and then 5,500 Naira to all other states, but this was rejected by the NLC. So, in the same 2000, the Act was amended and the national minimum wage was reviewed upwards for states at 6,500 Naira monthly while that of federal workers remained at 7,500 Naira monthly (National Minimum Wage Amendment Act 2000; Arizona-Ogwu 2007). It was not until 2010/2011 under Jonathan’s Administration that the issue regarding minimum wage was put on the front burner of national politics.

2.3 Theoretical Framework

Kevin (2010) opines that Wage Fund theory was propounded by John Stuart Mill. The theory states that in any country, there are limited funds available for wages and that if such fund is divided up between the total numbers of workers, their total wages should not exceed the amount of the funds available (Kevin, 2010). It states that if some workers in some industries gain a bigger share of the fund by raising their wages through trade union action or economic conditions favorable to them that will be done at the expense of other workers whose wages will fall. The theory also implies that the general wage level can increase if the number of workers falls and if the number of workers increase, the average wages would be reduced. (Shynet & Christine, 2015).

Therefore, workers would be at an advantage if they contribute to accumulate capital to enlarge the fund. And that if they made exorbitant demands, on employers or form labour union to agitate for more pay, they would be reducing the size of the fund, thereby forcing down workers' wages. The theory believes that the agitation by workers' union for pay raise on fixed fund to draw upon, could only be achieved at the expense of other workers.

Therefore, this theory explains why most states in Nigeria find it so difficult to pay salaries as at when due, as they depend solely on statutory allocation for payment of wages. This theory therefore believed that the Labour unions are making unreasonable, ill-timed and unrealistic demands because of the current nature of the Nigerian economy. With over twenty states in Nigeria owing backlog of salaries and pensions under the current minimum wage of N18, 000: $ 50, the trade union demand N 66,500 is unrealistic. Hence the need for states government to aggressively engage in an internally generating revenue programme.

However, Wage fund theory was discredited by Francis A Walker, whom argued that the demand for labour was not determined by predetermined fund, but by the consumer demand for products. He insisted that wages were paid out of the product of the labour and not from some previously accumulated capital. Also that there is no reason to assume that the available fund would be constant, it is production that furnishes the true measure of wages. After deduction of rent, interest and profit, the remaining portion of wealth reverts to the laboring class. The theory also failed to identify what portion of the labour forces' contribution to a product was actually paid out in wages. No emphasis has been given to the efficiency of workers and productive capacity of firm.

3. ISSUES AND CONTENTIONS ON MINIMUM WAGE IMPLEMENTATION IN NIGERIA

3.1 Issues on the States' Ability to pay Minimum Wage

The nonpayment of minimum wage by most state government in Nigeria has generated divergent views in Nigeria. Elekwa and Eme (2011) believe that the nonpayment of N18, 000 minimum wage by most state governors is based on the fact that the monthly statutory allocation from the federation account is inadequate to meet their current expenditure. The past Governor of Ondo State, Dr Olusegun Mimiko was said to have blamed the situation on current revenue allocation formula in Nigeria.

In the current revenue sharing formula, according to him, the federal government alone is entitled to 52 percent while the state and local governments are entitled to 48 percent, that is, 26 percent for states and 22 percent for local governments. This is why the federal government is not finding it difficult paying the new minimum wage and the states are asking for review of the revenue sharing formula or special grants form federal government for them to be able to pay the new minimum wage or implement the new minimum wage regime (Jude & Ernest, 2015).

Onuegbu (2010) notes that all states in Nigeria are not equally endowed with natural resources and this resource gap implies that various levels of government have capacity to develop and grow at different pace. This imbalance creates competitions and tension among the units that make up the Nigerian Federation. The tension generated thus leads to agitation on the best way to share the revenue collected and the urge for appropriate revenue allocation formula. The less endowed states in terms of resources will always insist on equality, population and landmass as a criteria or bases for sharing the revenue. Conversely, the more endowed states especially the oil producing states would always prefer a revenue sharing based on derivation. Despite aforementioned arguments on the inability of state government to implement the minimum wage, there are allegations on the part of the organized labour that some state governors are simply insensitive the plight of their workers.

3.2 Issues on Bailout Interventions

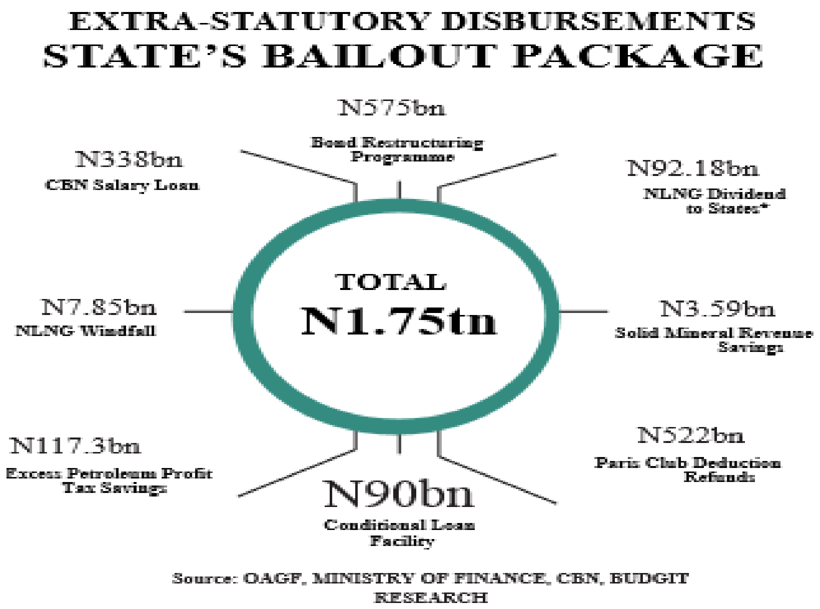
Prior to the 2015 general elections that ushered in the incumbent administration; the level of bankruptcy in many states of the federation had reached the level where civil servants and pensioners resorted to begging to feed their families. The worst hit states were Osun, Oyo, Ekiti, Kwara, Kogi, Bauchi, Ondo, Plateau and Benue. It was recorded that more than a quarter of the 36 states of the federation owed workers' salaries in arrears believed to be over 110 billion naira (Ogunbiyi, 2015).

The first clear indicator that Nigeria’s states were teetering into financial ruin came when most state governors asked the federal government for a relief in form of bailout package, due to their inability to pay workers’ salaries. Partly due to political and economic reasons, the Mohammed Buhari led government stepped in; proffering a bailout package that came with conditions (Akinrefon, 2015)

Bello (2017) quoting Akinrefon (2015) opines that the bailout was released for the purpose of workers' salaries, as it would encourage the affected states to pay the backlog of their workers' salaries. Part of the relief package was the CBN's special intervention fund to be offered to states, which were in the form of soft loans available to states to access solely for the purpose of paying the backlog of salaries.

Over the last two years, the Federal government has injected more than N1.75tn into the States, to help these entities mitigate the extensive financial upheaval. This is due to the fact that most states are facing a significantly dire fiscal cycle; most are struggling to meet core obligations, including the payment of civil servant salaries and/or pensions, the servicing of overhanging debt and seeing to the day-to-day running of government. Despite this intervention, most state governments still have very limited space to maneuver, as they are neck-deep in debt which was accumulated under the assumption that crude oil prices would remain above the $80/barrel mark (Bello, 2017).

State’s Bailout Package Between 2015 and 2016



Source: BUDGIT Research, (2017)

Bello (2017) reveals that since the collection of the bailout fund, some state governments have refused to clear the backlog of salaries and arrears they own their workers. Some of them have not stated clear reason why they have failed to do so, considering the fact that the fund was specifically tied to workers' salaries and retirees' pensions. Some civil servants have accused government of divert the fund for other purposes. Some have even protested openly against shoddy disbursement of the fund, while others have embarked on strike to show their grievances. Opposition and prominent Nigerians have joined the fray expressing concern on how state governments are managing the fund. He asserted that some States have been accused of using part of the fund for capital projects and that these projects are indeed portrayed as misplaced priority.

3.3 Issues on Upward Review of Minimum

Following the recent demand by the Nigeria Labour Congress (NLC) for an upward review of minimum wage from the current (N18, 000: $ 50) to (N66, 500: $ 184.7) arise issues on how realistic is this demand, due to the current harsh economic conditions in the country occasioned by the fall of oil price at the international market and the current economic recession in Nigerian. This is also happening at the time when most state governors are unable to pay regular salaries to their workers. Eme and Ogbochie (2017) believe many of these states have not paid their workers for several months. This view is in line with Ogunbiyi (2015) who reported that more than a quarter of the 36 states of the federation owed workers' salaries in arrears.

According to Eme and Ogbochie, (2017), two major divergent views have emerged to explore how realistic the Labour's demand for a new minimum wage can go. The Constitution- welfarist view posits that wage increase is a constitutional issue as contained in Section 14 (b) of the amended 1999 Constitution (FGN, 1999). As a major function of government, it is the duty of government to tackle the deplorable economic situation in the country occasioned by the sharp fall in the price of crude oil at the international market and the need to improve workers' pay to enable them cushion the effect of the economic recession on them. Those in support of this view are of the opinion that the N18, 000 minimum wage is no longer enough to meet the basic needs of workers and their families. They believe that the reality of the high cost of living in Nigeria has made an increase in the minimum wage imperative. Atseye. et al, (2014) argue that minimum wage in Nigeria is relatively low when compare with what is obtainable in other developing countries like Algeria, Gabon, Bostwana and Tunisia who have minimum wages higher than Nigeria.

The second view according to Eme and Ogbochie, (2017), argues that minimum wage is a political instrument in the hand of policy makers and politician to achieve political gains. This is because while the politicians pay themselves promptly and excessively, they always ask workers to make sacrifices because the economy is bad. This perspective also believed that the Labour unions are making unreasonable, ill-timed and unrealistic demands because of the current nature of the Nigerian economy. Those in support of this view believed that with over twenty states in Nigeria owing backlog of salaries and pensions under the current minimum wage of N18, 000 $ 50 , the demand for N66, 500: $ 184.7 is unrealistic.

On the side of the Organized private sector and their inability to break even occasioned by the rising cost of doing business, such agitations will lead to job losses. Irrespective of the side of the divide one belongs, the organized labour arrived at this conservative new wage by multiplying the amount the Ministry of Internal Affairs uses in feeding a prisoner which is N300 per meal and N900 per day multiplies by 30 days in a month. In addition, the labour union leaders also added the housing, transport and other allowances paid to workers in their computation to arrive at N66, 500, bench mark (Eme & Ogbochie, 2017). It is important to state that since Minimum Wage Act of 2011 came into effect, state governors have been kicking against it and have on several occasions threatened to re-trench workers if government will not review Nigeria' fiscal federalism. They posited that the Act was imposed on them by the Federal Government and need to discuss with their respective state workers in the spirit of true federalism.

Table 2. States' Average Monthly Revenue Profile (Between Jan –July 2017)

State	FAAC Allocation (N)	Internally Generated Revenue (N)	Value Added Tax (N)	13% (N) Share of Derivation	Total Average Monthly Revenue (N)	Monthly Recurrent Expenditure (N)	Short falls/ Excess(N)	Total Debt as at Dec. 31 , 2016 (N)	Indicator
Abia	1.95b	1.06b	768.8m	253.2m	4.03bn	4.78b	-0.75b	53.5b	Bad
Adamawa	2.06b	482.4m	803.8m	N/A	3.34b	5.00b	-1.66b	62.1b	Bad
Akwa Ibom	3.97b	1.94b	861.2m	6.7b	13.49b	14.11b	-0.62b	170.9b	Bad
Anambra	2.3b	1.35b	901.3m	N/A	4.54b	4.72b	-0.18b	23.3b	Bad
Bauchi	2.03b	723.1m	918.0m	N/A	3.67b	4.90b	-1.24b	99.8b	Bad
Bayelsa	7.21b	658.8m	728.4m	4.77b	8.60b	12.93b	-4.33b	172.1b	Bad
Benue	2.80b	769.4b	881.6m	N/A	3.82b	5.53b	-1.71b	74.2b	Bad
Borno	2.69b	222.9m	873.3m	N/A	3.80b	4.97b	-1.18b	37.7b	Bad
Cross River	910.6m	1.23b	782.3	N/A	2.92b	6.21b	-3.29b	163.4b	Bad
Delta	1.86b	3.67b	915.1m	4.36b	10.80b	13.17b	-2.36b	254.2b	Bad
Ebonyi	2.03b	195.2m	731.2m	N/A	2.95b	3.35b	-0.39b	42.3b	Bad
Edo	1.59b	1.92b	847.1m	226.6b	4.36b	6.38b	-2.02b	101.4b	Bad
Ekiti	1.16b	249.3m	731.7m	N/A	2.15b	4.59b	-2.44b	102.5b	Bad
Enugu	2.04b	1.19b	849.1m	N/A	4.08b	4.60b	-0.51b	70.9b	Bad
Gombe	1.63b	732.4m	245.1m	N/A	2.61b	3.91b	-1.30b	70.1b	Bad
Imo	2.06b	489.3m	864.2m	275.1m	3.41b	4.48b	-1.07b	111.7b	Bad
Jigawa	2.61b	294.6m	909.2m	N/A	3.82b	5.16b	-1.33b	28.9b	Bad

Kaduna	2.78b	1.42b	1.10b	N/A	5.30b	6.96b	-1.65b	131.56b	Bad
Kano	3.35b	2.58b	1.74b	N/A	7.67b	6.62b	+1.05b	163.37b	Good
Katsina	2.66b	462.16m	1.02b	N/A	4.14b	3.98b	+0.16	42.29b	Good
Kebbi	2.27b	261.m	799.4m	N/A	3.33b	3.35b	-0.03b	34.77b	Bad
Kogi	2.24b	797.4m	807.8m	N/A	3.85b	4.89b	-1.04b	81.17b	Bad
Kwara	1.80b	1.44b	737m	N/A	3.98b	5.36b	-1.38	53.14b	Bad
Lagos	392.8m	25.2m	6.38b	98.4m	32.08b	25.44b	+6.64b	737.7b	Good
Nasarawa	2.10b	283.6m	700.4m	N/A	2.99b	3.22b	-0.23b	76.2b	Bad
Niger	2.42b	490.1m	865.3m	N/A	3.78b	4b	-0.22b	45.9b	Bad
Ogun	1.06b	6.08b	870.5m	N/A	8.01b	8.50b	-0.49b	166.96b	Bad
Ondo	1.67b	723.7m	821.8m	1.13b	4.35b	7.93b	-3.58b	68.3b	Bad
Osun	-183.1b	740.4m	816m	N/A	1.37b	6.32b	-4.94b	168.9b	Bad
Oyo	2.08b	1.57b	1.31b	N/A	4.97b	10.63b	-5.66b	137.9b	Bad
Plateau	1.39b	765.9m	812.8m	N/A	2.96b	5.78b	-2.82b	119.3b	Bad
Rivers	2.87b	7.10b	1.52b	4.77b	16.27b	11.75b	+4.52b	157.2b	Bad
Sokoto	2.45b	378.8m	835.8m	N/A	3.67b	5.28b	-1.61b	34.64b	Bad
Taraba	1.82b	491.3m	735.5m	N/A	3.05b	4.11n	-1.06b	45.66b	Bad
Yobe	2.31b	270m	733.1m	N/A	3.31b	3.49b	-0.18b	22.32b	Bad
Zamfara	1.42b	398.1m	794.5m	N/A	2.61b	3.42b	-0.80b	68.62b	Bad

Source: National Bureau of Statistics (January 2017 Distribution of Revenue Allocation to State government Shared by the Federation Account Allocation Committee) http://yourbudgit.com/wp-content/uploads/2017/10/State-of-states-2017-report.pd

4. DISCUSSIONS

From the literature review, it could be deduced, that most states seem to be in an unfavourable financial position as their monthly recurrent expenditures are higher than revenue base. With the current fall in oil prices, there are challenges with resource mobilization among Nigerian States and that these challenges are likely to deepen should nothing be done about the State of IGR in the States. The data presented in Table 2, reveals that most states' total revenue can hardly cover their average monthly wage bill which is not healthy for them at all. So, if the States' spending is not checked and radical fiscal reforms quickly undertaken, most of them could be heading for a fiscal breakdown.

Studies also revealed that there are variations or differences in the revenue profile of states in Nigeria. Apart from differences, there is also a wide gap between revenue shared by the federal government and other tiers of government or specifically between the federal government and the state governments. Jude and Ernest (2015) study revealed that in the current statutory allocation sharing formula, federal government alone is entitled to 52 percent while the state and local governments are entitled to 48 percent, that is, 26 percent for states and 22 percent for local governments. This explains why the federal government can afford to pay the N 18 000 minimum wage. It is on this note that states are asking for review of the revenue sharing formula or special grants from the federal government for them to be able to pay the current minimum wage.

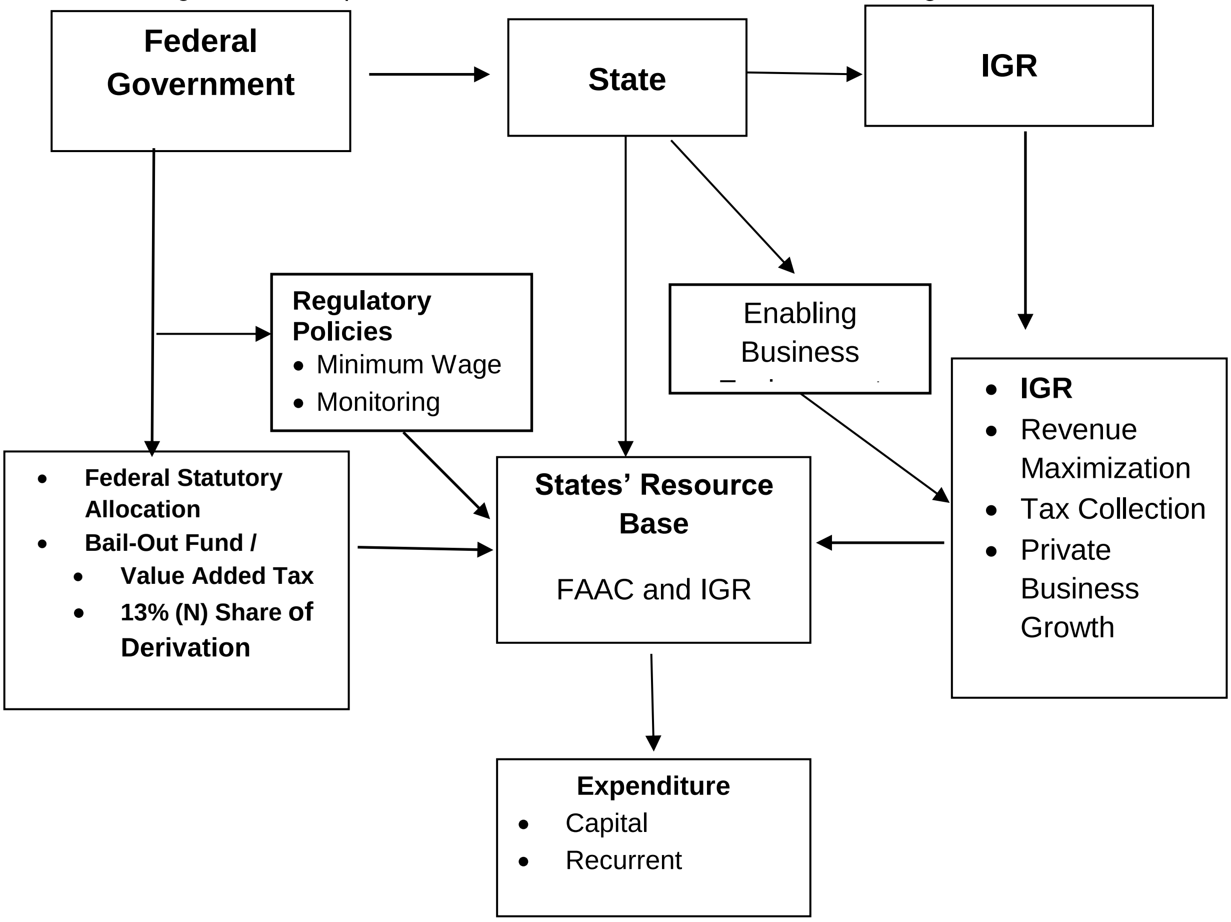
Based on this revenue disbursement process, the governors of the 36 states under the aegis of the Nigeria's Governors Forum (NGF) promptly demanded a Fiscal Restructuring Plan that intends to see more revenue allocated to states at the expense of the federal government. This is in line with Elekwa and Eme (2011) who argue that the monthly statutory allocation from the federation account is inadequate to meet the states' wage bills and other development projects before them.

Not only are there concerns about the sharing formulae for Federally Collected Revenues, there are challenges emanating from the mono product nature of the source of funding, with up to 70 percent coming from oil. There are issues with the options, capacity and opportunities for some of the federating units (particularly the States and local governments) to raise internally generated revenues. A number of the natural resources assigned to States by the Constitution are yet to be developed enough to yield robust revenues to them. Likewise, the capacity to harness the revenue sources and collect what is needed is limited almost in all States. Most States in Nigeria depend on transfers from the Federation account for as much as 80 percent of their fiscal resources. This has affected the capacity of the States to run the most basic machineries of government without the monthly allocation.

Thus, with the new minimum wage regime, the recurrent expenditure for some states may be ranging from 70 percent to 90 percent of the total budget hereby shrinking the available funds for capital expenditure. No state will develop in this way, and it will just be an accident waiting to happen, because it will not be long before the states will collapse or forced to retrench workers to cut recurrent expenditure. But the politicians and political officeholders are not helping matters at all with the rising cost of governance contributing to the recurrent expenditure.

But while many State governments are genuinely eager to grow their internally generated revenue base, they seem largely unable to harness available opportunities to do so. Many legitimate sources of revenue remain unexploited, while procedures for collecting, remitting and accounting for the ones exploited often fall short of expectations, giving room for avoidable leakages. Therefore, there is need for strong commitment on the part of state governments to improve their revenue base through internally generated revenue (IGR) as presented in **Figure 1**.

Figure 1: Conceptual Framework on States' Sources and Sourcing of Revenue



Source: *Researcher, (2018)*

The figure 1 depicts possible alternative sources and sourcing of states' revenue in Nigeria. The sources were grouped into two broad areas. The Federal Statutory Allocation and the States' internally generated revenue (IGR). Studies revealed that the chuck of the state's resources come from the Federal Statutory Allocation. There are challenges emanating from the mono product nature of the source of federal government funding, with up to 80 percent coming from oil. Oil. The instability of oil revenues as a result of the volatile global oil market is one major source of concern for such dependence of Nigerian state governments on revenues accruing to the federation account. There are issues with the options, capacity and opportunities for some of the federating units (particularly the States and local governments) to raise internally generated revenues. Therefore states are advised to explore opportunities embedded in their environment.

5. CONCLUSION AND THE WAY FORWARD

Based on the analysis of literature reviewed, especially on the states' revenue profile, it was discovered that most state governments are seriously faced with an increasingly huge budget deficits. The down tide significantly affected the revenue of states and basic commitments such as payment of salaries, utility bills among others gradually became difficult, thereby prompting two-third of Nigeria's state governors to demand for bailout. Despite the bailout, many of them are yet to settle backlogs of workers' salaries.

Consequent upon these findings, the following recommendations are made:

i. States governments should explore alternative sources of revenue to augment statutory allocation. They are advised to embark on aggressive internally generated revenue drive which has hitherto been largely ignored for a long time.

ii. Sources of internally generated revenue should include: Investment in Agriculture and Solid Minerals exploration.

iii. Proper monitoring of revenue collection agencies must be ensured in order to check corruption on the part of revenue collectors. They should reduce drastically the cost of governance by cutting down on expenses of office in order to save more money for a rainy day They are also encouraged to reduce the number of political appointees who are not productive.

iv. The state governments also need to tremendously embrace high level of transparency and accountability, develop workable economic plans, and take haircuts especially on overheads, in order to expand their internally generated revenue (IGR) base.

6. CONTRIBUTION TO KNOWLEDGE

Based on the proposed conceptual model, this study suggests alternative sources and sourcing of revenue for state governments in Nigeria. The study will help redirect their focus from statutory allocation to internally generated revenue. Following paradigm shift, state governments are advised to formulate policies targeted towards internal revenue generation. This will help resolve the problem of non-implementation of minimum wage in Nigeria. The paper through its conceptual model provides specific lessons for Nigerian employers, economy planners and government on how to achieve industrial harmony.

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