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OIL INDUSTRY AND NIGERIA'S ECONOMIC DEVELOPMENT: INDUSTRIAL RELATIONS PERSPECTIVE

By

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Abstract

This article examined the role of Nigeria's oil industry from the perspective of industrial relations. The study adopted a qualitative approach towards analyzing the data. Data were sourced from the CBN, Abuja. Major issues addressed in the article bordered on incessant industrial strikes in Nigeria and the FG efforts to resolve them. The article traced industrial disputes to the unsavory developments in the country's oil industry, which are related to pricing of petroleum products. Under the purview of critical analysis, the recent law as fraught with uncertainties about the survival of the trade unions, which had contributed immensely to the improvement of standards of living of the Nigerian workers The article held the oil industry responsible for the growing disharmony between FG and Nigerian workers. It concluded that industrial disharmony itself is a negative contribution of the oil industrial to national development.

Key words: development, economy, labour, Nigeria, oil industry, trade unions, unionism

1. Introduction

Today much of the world's politics and conflicts seem to revolve around the dominant natural resource, petroleum, which became a major commercial source of fuel in the mid 1850s. According to Economides and Oligrey (1999:19) a nation can strike it rich, not necessarily as a result of hard work but merely as a result of generous dose of good luck as it finds itself 'sitting on top of a sea of oil'. The inevitable consequence of this goodluck, they maintained is 'envy, jealousy and at times righteous indignation'. Economides and Oligrey went further to state that the size of the industry and the vital importance of its products and services have created both admiration and fear. For instance, President Theodore Roosevelt, though not a socialist but out of fear of the growing dominance of standard oil, passed an anti-trust law in 1890 that saw the break-up of the standard oil trust and thus strengthened the government's role in public life and the national economy.

In Nigeria today there is much talk about oil and oil money by the educated and the uneducated. The oil industry in the country is said to have moved from a position of relative obscurity in the early 1960s to become the fiscal base of the Nigerian economy (Soremekun & Obi, 1993:209). In line with the views of Economides and Oligrey, oil in Nigeria has become the source of fear, envy and righteous indignation. Whereas Roosevelt in America tried to break the power of standard of oil, Abacha, instead of fighting to break the powers of the oil companies, undertook to break the powers of the trade unions in the oil industry – the PENGASSAN and NUOENG while Obasanjo seems to concentrate all his efforts on breaking the back-bone of the apex labour organization in the country – NLC. In essence, the Nigerian oil industry, which forms the fiscal base of Nigerian economy as stated earlier, is seen to be a source of fear, envy, conflict and righteous indignation. It is with this background that this paper is set to take a brief and exploratory look at the oil industry in Nigeria from the perspective of industrial relations. To achieve the purpose of this article, discussion has been presented in the following sections:

2. The Birth and Growth of Nigeria's Oil Industry

It could be said that Nigerian oil industry is paradoxically older than the Nigerian nation in the sense that the first law dealing with petroleum production in the country was enacted in 1889 while the amalgamation of the Northern and Southern Nigeria to form the political entity called Nigeria took place eleven years later – 1914. It was the Petroleum Ordinance of 1989 and the Mineral Regulation (Oil) Ordinance of 1970 that laid down the basic framework for the development of petroleum and its associated natural resources in Nigeria.

Oil prospecting started as far back as 1908 following the exploration activities in Araromi area of the present Ondo of a German company incorporated as Nigerian Bitumen Corporation. Shell was granted the sole concessionary right covering the entire mainland of Nigeria in 1937. The activities of the Bitumen Corporation and of the Sell Company were interrupted by the First and Second World Wars. However in 1947, following the end of the Second World War in 1945, Shell resumed exploration activities. But it was not until 1956 that oil was discovered in commercial quantity. Since then oil production in the country has so expanded that the revenue realized from it has blinded the eyes of Nigerian leaders so much to the utter neglect of the hitherto important agricultural sector of the economy. According to the foreign operations department of the Central Bank of Nigeria (CBN) (2004:30) 'with the discovery of oil in Olobiri

Bayelsa State in 1958, agriculture, which hitherto was the mainstay of Nigeria's economy lost its prime position to the 'black gold'. As at today, oil accounts for approximately 90 percent of our foreign exchange earnings'. Between 1993 and 2002 the share was mere than 90 percent as can be seen in Table I.

Table I: Actual and Percentage Share of Oil and Non-oil Export Earnings ($ million)

Year	Earnings ($ million)		Percentage Share	
	Oil	Non-Oil	Oil	Non-Oil
1993	9695.18	226.36	97.7	2.3
1994	9127.34	243.25	97.4	2.6
1995	42181.22	1050.30	97.6	2.4
1996	58490.95	1060.82	98.2	2.8
1997	55138.67	1326.21	97.8	2.3
1998	32641.50	1549.35	95.5	4.5
1999	12169.74	202.87	98.4	1.6
2000	18814.29	243.13	98.7	1.2
2001	17624.35	250.17	98.6	1.4
2002	14773.62	785.50	94.9	5.1

Source: *Union Digest 8(1) March, 2004*

3. The Costs of Oil Industry to Nigeria

The growth of oil industry to a prime position in revenue generation and foreign exchange earnings is surely not without costs to Nigeria economy. As has been stated above the emergence of the oil industry landed a death blow on the agricultural sector of the economy. Apart from this, the foreign exchange earned from oil in the mid-1970s threw the federal government expenditure pattern out of gear. According to Osagie (1948:71), as a developing country determined to increase its rate of growth, Nigeria succumbed and co-operated with the West in their recycling strategy of ensuring that the money spent in purchase of oil from the oil-exporting countries was taken back from them through export of machinery, professionals and industrial products. For instance, he went on to illustrate that Nigeria imported a virtual armada of cement in 1975, awarded over-priced contracts to multinational construction and commercial corporations in the mistaken belief that she was no longer subject to scarcity of resources. Not only this, the spending habit of Nigerians was equally affected. There was therefore a curious growth of short-term credit owed to major international banks operating in the Eurodollar market. One recalls at this point a statement by the Governor of the CBN in the mid-1970s that the problem of Nigeria was not *how to get foreign exchange* but rather *how to spend it*. Ironically Nigeria soon became a debtor country, crying out to the world for debt relief.

Another aspect of the costs, to Nigeria, of the growth of the oil industry emanates from the distribution of oil revenue between and among the diverse nationalities in Nigeria. The struggle for equitable distribution has led to internal crises which, according to Soremekun and Obi (1993:211), revolve around *the push and pull of sub-national passions and class struggles*. They predicted that the increased intensity of these struggles, including the rising demands of the oil producing minority nationalities for a derivation-based redress in Nigeria's fiscal federalism, self-determination and a say in the oil industry could spell disaster for the Nigerian nation. Has the prediction come true? Let us take a brief look at some of the happenings in the country in the recent past. In July 20 1999, 64 employees of Shell Petroleum Development Company (SPDC) Ltd were taken hostage by Ozaro and Dorade youths in Delta state. The youths also seized the Drilling Rig-1A and other equipment on hire and this was said to cost the federal government $100,000 daily (Uwakwe, 1999:3). The youths had earlier threatened to blow up all Shell flow stations in Isoko land unless the company paid them ₦50billion compensation for allegedly under developing the area.

In addition, there had been many reported cases of pipeline vandalization occasioning death and destruction of property. For instance about 50 people were roasted to death at Umugbede in Osisioma in Ngwa Local Government Area of Abia state on March 22, 2000 (Vanguard, 2000:1). Also on June 6 2000, pipeline vandals were reported to have engaged security-men of the Federal Task Force on pipeline vandalization in a three-hour gun battle and set some pipelines on fire. This was said to have cost the nation billions of naira to lost revenue (Akanimo, 2000:11). There are many other reported case of oil-pipe vandalization. These resulted in the federal government posting soldiers and other security forces to the Delta Region, and consequently to heavy loss of lives among the youths in the area.

With this little insight into the costs of oil industry to Nigeria one would like to examine the industrial relations perspective of the growth of the oil industry.

4. Industrial Relations Consequences of the Growth of Oil Industry in Nigeria

The analysis here will begin with an examination of the production, export and internal consumption of petroleum products. The results of this analysis which have been presented in Table 2 show that on the average, oil production has steadily increased in all excepting 1982 and 1983. As total output increased, the domestic consumption increased. The proportion that was consumed within the country steadily increased although there were few instances where there were reductions in the proportion domestically consumed. The increased in domestic consumption could be said to have attracted the attention of government. There was not much talk about removal of oil subsidies or increasing the pump price of petroleum products in the 1970s when domestic consumption was relatively low. From 1980 there was a pronounced increase in domestic consumption and from that period the government got attracted towards increasing the prices of petroleum products knowing that the demand for the products is usually inelastic.

Table 2: Structure of Oil Production, Export and Domestic Consumption for 1970 – 2001 (‘000 barrels) and Man-days lost due to strike.

Year	Production	Export	Domestic consumption	Domestic as % of total	Man days lost due to strike
1970	395,689	383,455	12,234	3.09	27,072
1971	558,689	542,545	16,144	2.89	208114
1972	665,255	650,640	14,655	2.20	145112
1973	719,379	695,627	23,752	3.30	115371
1974	823,320	795,710	27,610	3.35	144881
1975	660,140	627,638	32,510	4.92	435493
1976	758,058	736,822	21,236	2.80	148141
1977	766,055	715,240	50,815	3.89	136349
1978	696,324	674,125	22,199	3.19	875137
1979	845,463	807,685	37,778	4.47	2038855
1980	760,117	656,260	103,857	3.66	2350998
1981	525,291	465,095	56,196	10.70	2218223
1982	470,638	401,658	68,980	14.66	9652400
1983	450,961	392,031	58,930	13.07	404822
1984	507,487	450,580	65,907	11.21	301809
1985	547,088	486,580	60,508	11.06	118693
1986	535,929	486,584	49,345	9.21	461345
1987	483,269	390,514	92,755	19.19	142506
1988	529,602	435,797	93,805	17.71	230613
1989	625,908	522’481	103,427	16.52	579968

1990	660,559	548,249	112,310	17.00	1339105
1991	689,850	585,838	104,012	15.88	2257382
1992	711,340	604,300	107,040	15.05	966611
1993	691,400	563,614	127,786	18.48	6192167
1994	696,190	578,044	118,146	16.97	234307748
1995	715,400	616,900	98,500	12.77	2269037
1996	740,190	648,960	91,500	12.36	94664
1997	759,710	673,340	86,370	11.37	359801
1998	776,190	687,390	88,620	11.42	47631
1999	778,900	666,490	112,410	14.43	3158087
2000	797,880	688,080	109,800	13.76	6287733
2001	817,150	674,930	142,220	17.40	4722910
2002	685,773	521,973	163,800	23.86	5505322

Source: CBN Statistical Bulletin Vol. 13 December, 2002

The continued interest of the government in increasing the prices of petroleum products definitely attracted the anger of the working class. The apex labour organization, NLC spear headed the struggle to redress the hardship occasioned by the rising fuel prices and the consequent rise in the cost of living. Industrial disputes were declared on a number of occasions and in fact nationwide strikes were organized. Although not all the strikes were associated directly with increase in prices of petroleum products, yet one still recognizes that it indirectly contributed to such other strike actions. For instance, the agitation for wage increase which in many cases resulted to strike was necessitated by rising cost of living induced by rising fuel prices. When the workers take-home pay could no longer take them home (as much of their income was drained by transport cost), they has no alternative than to seek redress by asking for upward review of their wages. Strike statistics show that in 1999, 2000, 2001 and 2002 the number of workers involved in strike was 173,858; 344,722; 259,290 and 302,006 respectively in contrast to 14,784, 77104 and 52748 for the years 1971, 1972, and 1973 respectively when domestic consumption of petroleum was still very low (CBN, 2002:330).

5. Growing Antagonism between Labour and Government

In many countries, governments often find themselves in great antagonism with labour. Often this results from a mistaken perception on the part of government that labour union leadership is holding itself out as alternative government. But Cleag (1076) has described unions as opposition that will never form the government.

In Nigeria, where corruption seems to be the order of the day, there are instances where labour is compelled to organize strikes in protest against perceived injustices. For instances, in 1994 when NNPC could not settle the near $1billion it owed its foreign partners which led to dismissal of many of the oil workers by foreign partners, the two major oil workers' unions NUPENG and PENGASSAN mounted a national strike to bring about a halt in the layoffs. This came up at the time that the political atmosphere in the country was charged following the annulment of the June 12 elections results that were believed to have been won by M.K.O. Abiola. The control position of oil industry in Nigeria's economy bestowed enormous power on the two oil workers' unions to inflict serious injury on the general public. The strike was said to have cost the government $34 million per day in lost oil revenue (Bacon, 1995) and also paralyzed most of the industries in the country. That year recorded the highest number of man-days lost due to strike as Table 2 shows. The leaders of NUPENG and PENGASSAN, Wariebi Agamene and Nilton Babibi respectively, believed that a democratically elected government would be in a better position to end corruption, spearhead economic development, halt the layoffs and enhance worker's wages. They saw the strike as a patriotic struggle aimed at saving the oil industry and the nation from collapse. They believe that struggle for economic emancipation cannot be separated from struggle for democracy and accountability (Bacon, 1995). The aftermath of the struggle was the imprisonment of the labour leaders among whom was Frank Kokori, the secretary-general of NUPENG.

Since the end of NUPENG and PENGASSAN struggle, the NLC has been in the forefront in the struggle for economic emancipation of the Nigerian workers. The assumption of office by Adams Oshiomhole as the NLC President saw the intensification of the struggle and at a stage people started calling him the 'People's President', and this attracted the anger of the president who accused him of trying to run a parallel government with a view to obstructing the government policies and good intentions.

On December 2 1999, NLC rejected the federal government budget proposal, describing it as a budget for IMF and big business as President Obasanjo, was alleged to have prepared the budget under severe pressure from international financial agencies, foreign creditors and oil firms. More importantly, labour outlined a nation-wide strike as a measure to compel the government to stop its planned increase in the prices of petroleum products (Gbadamosi & Egbede, 1999). On

October 9 2004, a four-day warning strike was planned and executed successfully by NLC and civil society organization. Following this, November 16, 2004 was fixed as the day for the commencement of total and indefinite strike unless the government redressed the situation by bringing down fuel prices which was pegged at ₦54 per litre. The government conceded to their demand and the strike was averted.

Oshiomhole and many other labour officials had been arrested and later released on different occasions because of their union activities, the latest being on October 9, 2004 as a result of the 4 – day warning strike (This Day, 2004).

6. Government Response to Labour Struggles

One of the planned responses by the government to labour agitation is privatization of the oil sector. According to Chottenpando, privatization programme is based as much on political factors as on financial and economic consideration. The government sees privatization of the oil sector as a way of shielding itself against labour agitations on issues bordering on fuel prices as it could always claim that prices are now determined by the impersonal forces of the market. Of course, the government can easily argue that its action is aimed at improving the efficiency of oil sector and freeing resources for providing public good and mobilizing capital for expansion and modernization (Chottenpanda, 2000:183).

In most of the developing nations where privatization programme had been carried through, there had been reduction in work force, lower wages and deteriorated working conditions. This being the case, it could be argued that the privatization programme is being carried out, apart from other reasons, in order to intimidate labour. The strategy of intimidation seems to have worked for the government when it applied the so-called no work-no-pay principle in dealing with the academic staff of the Nigerian Universities whose cause has been fought by ASUU through strike actions over the years.

The strategy of intimidation had led to the arrest and harassment of labour leaders. As stated earlier, Oshiomhole and many other labour officials had been arrested though later released, on many occasions, the latest being on October 9, 2004 as a result it has taken steps in another direction – labour legislation. A bill has been sent to the senate seeking to outlaw NLC which is one of the three main labour centers, stop automatic check-off duties, ban and make strike a criminal offence (Nwachukwu, 2004). Commenting on the bill sent to the senate by the president, the labour party had stated that in targeting the right to strike, the government aims to deprive workers the benefit of a university and legally sanctioned means of pursuing their grievances (Nwachukwu, 2004:6).

The passage of the bill by senate recently, while empowering the federal, state and local governments to deal more effectively with the situation of growing strikes, has raised harmony in Nigeria's oil industry.

7. Conclusions

From the foregoing, it can e safely concluded that even though Nigeria's oil industry had contributed immensely to the country's development, still it had constituted a major source of industrial disharmony in Nigeria. The democratization of the NLC sought to be achieved through the law passed recently on trade union activities is fraught with uncertainties abut the harmonious relationship between the government and the Nigerian workers and worse still, the survival of trade unionism in Nigeria.

Undeniably, trade unions in Nigeria had been in the fore front of struggles for actualization of democracy in the country. The betterment of the lot of Nigerian workers through negotiated settlement between the employers and the workers has remained a cache achieved by trade unions through purposeful leadership. Eventually, if democratization of NLC results in loss of effective control of the activities of the Nigerian workers, then it portends a serious setback to FG effort to foster economic empowerment of Nigerian masses. Viewed either way, this is simply a negative contribution of Nigeria's oil industry to the country's economic development. Perhaps, the *growthmanship* syndrome exhibited by the Nigerian economy today with increasing oil revenues and the accompanying harsh economic realities faced by Nigerian economy today with every rise in prices of petroleum products fuelling frequent strikes are factors potent enough to cast a serious aspersion as to whether or not oil is really a blessing to Nigeria.

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