



THE EFFECTS OF TRADE UNIONS ON LABOUR MARKET OUTCOMES

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ABSTRACT: *This paper explored the effects of trade unions on labour market outcomes. A trade union is any organisation of employees established to improve the conditions of employment of its members through the process of collective bargaining. The findings of the study revealed trade unions therefore attempt to improve the terms and conditions of employment of their members by the employer through the process of collective bargaining. Collective bargaining has become a determinant of production and labour costs. Between employers and employees in the competitive market, it aids in the distribution of added value. For employees, collective bargaining is a key factor for their income and sustainability on a dynamic labour market. Among employees, collective bargaining aids expressing solidarity through the 'wage floors' applying to different groups of workers at a given bargaining level. Hence, the ability of countries, especially developing countries like Nigeria, to be able to compete in the global marketplace depends to a reasonable extent, on their ability to transform industrial relations policies involving trade unions and collective bargaining so that they not only promote flexibility in the workplace but equally encourage the formation and effective use of human resources.*

KEYWORDS: Trade, Union, Labour, Market, Outcome



INTRODUCTION

Generally speaking, trade unions are structured associations of employees that negotiate with employers on a range of matters pertaining to their members' working conditions. They emerged as a result of industrial capitalism's growth spurred by the industrial revolution. Large-scale enterprises grew as a result of the revolution's acceleration of resource accumulation. As a result, it brought together thousands of workers, which ultimately caused management issues for the business owners.

This helped employees realise that they have something to offer as leverage in negotiations to secure their continued employment (Zysman & Schwartz, 1998). As a result, trade union activity is framed as a class conflict between capitalists and workers with divergent interests. Workers try to raise their pay and reduce their hours worked, while capitalists try to boost their profits by lowering wages and increasing the number of hours or intensity of labour. As a result, workers' attempts to use collective action to improve the working conditions that they were facing gave rise to trade unions. Accordingly, a trade union is an association of workers that collectively bargains on behalf of the workers' interests with employers (Kelly, 1998; Visser, 1991; Kolagbodi, 1995; Adewumi, 1997; Fajana, 2000). According to the Trade Union Act of 1973, a trade union is any group of workers or employees, whether they are employed temporarily or permanently, whose goal is to regulate the terms and conditions of workers' employment. This group may or may not be formed with the intention of restricting trade, and its goals may or may not include providing benefits to its members.

Therefore, through the process of collective bargaining, trade unions try to improve the terms and conditions of employment that the employer provides for their members. Economic, political, social welfare, psychological benefits and the opportunity to participate in managerial functions in the industry are just a few of the roles that unions play (Fajana, 2000). In addition to supporting their members, trade unions have been shown to be relevant in addressing some of the systemic injustices that exist in society. Trade unions, according to Ebbinghaus and Visser (2000), have evolved from being social self-help associations, mere bargaining agents, or just lobbyists to becoming a part of a social movement that has allowed the working class to enter and advance mass democracy. The fact that trade unions are currently among the biggest and most powerful special interest groups in democracies serves as more evidence of this. This is especially true given their significant influence over the election and choice of worker representatives in a large number of European businesses (Rogers & Streeck, 1995). The World Labour Report (1997-1998) states that because unions include women, minorities, consumer groups, the unemployed, and the growing ranks of working poor in their ranks, they play a significant role in guiding and upholding democracy as well as acting as defenders of social justice (International Labour Organization, 1998).

Trade Union

Any group of workers founded with the goal of enhancing their working conditions through collective bargaining is known as a trade union. The premise that workers can gain more by belonging to a union than by working alone gave rise to trade unionism. This is a natural outgrowth of the idea that employees frequently feel helpless and unable to defend themselves against the unjust or exploitative use of their authority by their employers. The importance of



trade unions has increased over time, particularly in light of the notion that democracy depends on a strong, autonomous labour movement (Godard 2003). Additionally, the freedom to form unions and to participate in collective bargaining is becoming increasingly recognised on a global scale as a fundamental human right

The World Trade Organisation (WTO) in 1996 and the International Labour Organisation (ILO) in 1995 both reaffirmed this (Godard, 2003). Essentially, trade unions have the authority to act as a collective bargaining agent on behalf of each of their individual members. The primary tool used to exert this relational power has been the strike action. The Nigerian government has recently reduced the use of this weapon by enacting laws that hinder it (see Trade Disputes Act 1976 and Trade Disputes Act, 2004 as examples).

Roles of Trade Unions

The main roles and activities of trade unions vary, but may include:

- **Provision of benefits to members:** Trade unions help to provide professional training, legal advice and representation for members.
- **Collective bargaining:** Where trade unions are able to operate openly and are recognized by employers, they negotiate with employers over wages and working conditions.
- **Industrial action:** Trade unions organise strikes or resistance to lockouts in furtherance to particular goals.
- **Political activity:** Trade unions promote legislation favourable to the interests of their members or workers as a whole. To this end, they may pursue campaigns, undertake lobbying, or financially support individual candidates or parties (such as the Labour Party in Nigeria, Britain) for public offices (Nigerian labour Congress, 2005).

Furthermore, the roles of trade unions include the following:

- Providing security for the union members and keeping check over the employment and termination of member workers' employment.
- Assisting the management in redressing member workers grievances at auspicious levels.
- Ensuring that any unsettled dispute/matter is referred for arbitration.
- Negotiating such matters as wages, hours of work, medical facilities, fringe benefits and other welfare schemes with management.
- Trade unions help to develop cooperation of their members with the employers.
- Awakening of public opinion in favour of labour/workers (NLC, 2005).

The trade unions are also very perturbed about both the political and economic life of the country; hence whether acting alone or in conjunction with students, communities and social movements, the trade union remains a major centre of people's power.



Objectives of Trade Union

According to George, Owoyemi and Onokalu (2018), the objectives of trade unions involve the following:

- Securing better wages for the workers thereby improving their economic lot.
- Securing bonuses for their workers from the profits of the organisation/enterprise.
- Ensuring stable employment for workers by resisting the schemes of management that are aimed at reducing employment opportunities.
- Provision of legal assistance to workers caught up in disputes regarding work and payment of wages.
- Protection of workers against retrenchment and lay-offs etc.
- Ensuring that workers get provident fund, pension and other benefits as stipulated by the rules
- Securing better safety and health welfare schemes for the workers.
- Securing effective participation of workers in management.
- Inculcating self-respect, discipline and dignity among member workers.
- Ensuring uniform opportunities for training and promotion.
- Ensuring organisational efficiency and optimal productivity.
- Generating a committed industrial workforce for improving productivity of the system.

Benefits of Trade Union

Also, Aiyede (2004) stated some reasons why workers join trade unions which are:

- Union provides a worker better opportunities through which he can better achieve his objectives with the support of his colleagues instead of acting alone.
- Trade union protects the economic interest of the workers and ensures a measurable wage rate and wage plan for them.
- Trade unions help the workers to get certain amenities in addition to higher wages.
- In certain cases, the trade union also provides cash assistance at the time of sickness or some other emergencies.
- Trade unions organise negotiations between workers and management and are instrumental for settlement of disputes.
- Trade unions are beneficial to employers as they organise the workers under one banner and encourage them to follow peaceful means for getting their demands.



- Trade unions imparts self-confidence to the workers as they feel that they are an important and integral part of the organisation.
- Trade unions provide a platform for promotion and training and also help the workers to go to higher positions.
- Trade union ensures stable employment for the workers and opposes the management motive to replace the workers with automated machines.
- A trade union assists workers with the opportunity to participate in the management and oppose any decisions which adversely affect them.

Concept and History of Trade Unionism

Today, trade unionism is a global phenomenon that affects practically every kind of organisation, including trade, public and private, institutions, industries, and professions. A byproduct of the industrial revolution, its primary purpose was to provide a united and collective resistance to the exploitation of labourers by factory workers. Since then, it has spread to a wide range of workplaces, including banks, offices, and educational institutions, among others. Additionally, it was meant to be used to obtain fair pay and benefits, favourable service conditions appropriate to the type of work, housing, healthcare, education, travel, leisure, and other amenities.

Scholars have given trade unions a range of definitions. Definitions vary depending on how employees see them and what the legal system in a given nation mandates. According to Akpala (1982), the precise meanings of a trade union can change based on the political and economic context surrounding the worker-management relationship. Sydney and Beatrice Webb (1897) defined a trade union as an ongoing group of wage workers who come together to preserve and enhance the terms of their working lives. A trade union is any group of employers or employees, whether temporary or permanent, whose goal is to control the terms and conditions under which employees are employed. This definition is found in Section 1 of Subsection 1 of the Nigerian Labour Law, Act No. 31 of 1973 (Davison, 1977). According to Otopo (2000), a trade union is an ongoing group of workers that works to preserve and enhance the terms and conditions of employment by representing its members in collective bargaining with the employer (while maintaining its autonomy) and through other channels. A trade union is an association of wage and salary earners that is organised with the aim of advancing the political, social, and economic interests of its members in labour relations.

An association of wage or salary earners formed with the intention of preserving and enhancing its members' wages and employment conditions, as well as elevating their social standing and standard of living in the community, is another definition (Fajana, 2000). It is a formal organisation of industry employees to safeguard shared interests. These interests include the preservation or enhancement of fair working conditions, rates of pay, and health and safety.

Functions of Trade Union

Trade union is an outcome of a factory system. It is based on the labour philosophy “United we stand, divided we fall”. A trade union functions to achieve its goals in a number of different ways (Fashoyin, 2002; Ahiauzu, 1984).



- a. Trade union must be recognized by its members' employer as an organisation with which the employer is prepared to negotiate and must recognize a trade union.
- b. Functions which are directly concerned with the achievement of the objective of the trade union are:
 - i. Negotiating with management to improve the level of pay and conditions of work of its members.
 - ii. Negotiating with management to protect the jobs of its members and to secure a good prospect of a prosperous future for them.
 - iii. Negotiating to improve physical conditions at work.
- c. Other functions according to Purcell (1998) and Akpala (1984) which are not directly connected to the achievement of goals are:
 - i. Lobbying politicians to obtain legislation to improve conditions of work.
 - ii. Encouraging political and social consciousness amongst members.
 - iii. Developing political affiliations with other trade unions for achieving political influence over government.
- d. A trade union should also provide assistance for individual members who need support.

Origin and Development of Trade Unionism in Nigeria

The meaning of the term "trade union" varies based on how employees define it and how many different countries' legal frameworks define it. Fajana (2002) states that the definition of a trade union under the laws of the UK and Nigeria is any combination, whether short-term or long-term, whose main goals are to regulate the relationship between employees and employers, or to impose restrictions on the conduct of any business or trade, and to provide benefits to members.

Employers' associations should be regarded as trade unions according to the definition. The primary source of power for working people is their trade unions. The strength of this workforce's collective can encourage the solution of many issues that the workforce faces and which aid in the development of the country. In general, unions play a role in providing their members with political, social, welfare, economic, and psychological advantages as well as the chance to take part in industry management roles. The primary purpose of trade unions, aside from their expanded role in societal development, is to offer financial advantages to their members.

In Nigeria's past, labour unions existed prior to the development of contemporary trade unionism. The trade union movement originated in the British colonial office and did not spread naturally as it did in the metropolitan countries. This included Nigeria and other former British colonies. Despite this, there is no proof that the British government intentionally brought trade unionism to Nigeria; however, it is possible that events in other countries had an impact on the growth of trade unions in Nigeria. According to Yesufu (2015), trade unionism in Nigeria



developed significantly as a result of the experiences in Sierra Leone. He claims that the first union was created merely to follow the actions of workers in Sierra Leone and was not founded by a group of disgruntled employees seeking a forum to fight for the improvement of particular working conditions or the redress of grievances. (Ubeku, 2002). The practice of trade unionism is not new. The mechanics mutual aid provider and mutual improvement association, established in July 1883, is the first known organisation to have taken an interest in trade union activities. However, the Nigerian Service Union, which was founded in 1912, was the first trade union to be defined by wage employment. The union was not so much concerned with hard core trade unionism as it was with increasing nationalisation of the service and efficiency in the civil service. The Nigerian Teachers' Union and the Railway Workers Union are a couple more. Dissidents from the civil service union founded the railway workers union. The railway workers' belief that the civil service union was too tolerant of fundamental issues and, moreover, that it was not adapting to the economic realities of the time, led them to break away and form their own workers union. The fact that the new unions were composed of artisans or skilled labourers in a variety of trades put them in a strategic position and increased the likelihood that their strike would bring the economy to a complete standstill. The Nigerian Union of Teachers emerged as a progeny of this guild of proficient labourers. Teachers' dissatisfaction with their working conditions led to the formation of the organisation. The fact that the working conditions in the mission schools were worse than those of their peers in government-owned establishments infuriated the African leaders. The union was established as a result of this grievance. The unions' goal was to advance national development. The NUT, a professional workers' organisation, was established in part to oversee government education policy and perform the regulatory duties of the teaching profession. This trend is also evident in the Nigerian Medical Association, which works to advance national health in addition to its members' financial well-being.

The combination of these unions contributed to the economic stability of the country. A disastrous period of labour unrest was brought on by the union workers' militancy against the unfavourable policies of the government, and this ultimately resulted in a successful general strike in 1945. A central union known as the Trade Union Congress of Nigeria (TUCN) was established in order to guarantee the ongoing harmonisation of the various unions. The congress called for the creation of a labour party, increased industrialization, and the nationalisation of all public utilities in order to increase employment (Fashoyin, 2003). Based on the information gathered, numerous central labour organisations were established between 1942 and 1975. These unions presented plans for advancing the welfare of their members, sustaining trade unionism, and the overall scope of national development. It is important to remember that nationalist leaders' fight to purge the economy of incompetent leadership contributed to the rise of unionism. Thus, in order to achieve this specific goal, group collectivism was made possible by trade unionism and nationalism. Nonetheless, a centralised organisation of these diverse trade unions was required due to the growth of trade unions. The Nigerian Labour Congress (NLC) was established as a result in 1975. This developed into the other unions' sturdy framework. It manages the affairs of all these unions, and these unions are considered affiliated with the NLC. The process for this affiliation included certain requirements and directives. The NLC emerged as a central figure in relations between the government and its member trade unions. From the money they have received from their members, the affiliated trade unions are required to make certain reservations to the NLC. Over time, the NLC has stepped in to mediate disputes between the government and the nation's



professional and skilled labour force. Due to the centralization of trade unions, any union that neglects to pay its dues commits an offence and faces a fine equal to twice the contribution amount if found guilty. The Abacha military regime and the Obasanjo-led democratic government both saw constant harassment, detention, and intimidation of NLC leaders, but the organisation remained steadfast. The NLC, led by the renowned labour activist Comrade Adams Oshomole, met a similar end when the government almost brought about the unhealthy dissolution of the different NLC-affiliated unions.

Effects of Trade Unions on Labour Market Outcomes

Collective bargaining is one of the main ways that outcomes in the labour market are decided in the modern era. The term "collective bargaining" refers to the process of negotiating terms of employment and working conditions between representative worker organisations and employers, groups of employers, or employers' associations in order to come to a mutually agreeable agreement (Okere, 2008). Negotiation and bargaining are similar in that they end in agreement (Fajana, 2000). Otherwise, no deal could have been reached when discussions drag on for ages without a firm conclusion. The focus on the bargaining situation in Nigeria's public service highlights the significance of this distinction. Based on the definition of bargaining given above, the evidence that is currently available tends to suggest that a lot of what occurs in the public sector is better understood as negotiation than as bargaining. In 2005, Adodo carried out research on collective bargaining in Nigerian formal organisations and came to the conclusion that the process reflects discussions on topics on which the management and the trade union have differing opinions. He discovered that the procedure is predicated on the idea that employees have the right to negotiate terms with their employers regarding pay and other terms of employment, and that employers must acknowledge this right. Omole, Noah and Powell (2006) conducted a state-by-state analysis of the effect of teacher collective bargaining on workers' performance, which runs counter to Adodo's claim. Since most agreements reached during collective bargaining are not implemented, their findings, they claim, show that bargaining between workers and management has no appreciable impact on workers' welfare. They found that in the course of negotiations, the majority of union leaders give in to management. According to Fashoyin (2003), the goal of negotiation is to improve workers' welfare in order to raise their socioeconomic standing. Put another way, it will be sufficient for a union to be able to negotiate issues that will directly improve the socioeconomic status of its members in both social and economic activities without resorting to strikes. This is regarded as trade unionism's beneficial function.

CONCLUSION

Trade unionism in Nigeria has helped to bring about higher nominal wages in the modern sector through independent commissions but despite the carefully constructed institutional framework and the vowed commitment of all parties concerned, voluntary collective bargaining has failed to function as a significant mechanism for fixing wages, implying defective collective bargaining in Nigeria. However, it is clear from this study that workers welfare is influenced by some factors including level of negotiation, and union's education of members. Skillful and well-educated union leaders can make a great difference to the effective management of labour demands. The enormous face-up or conflicts observed between management and workers is



due to the fact that union leaders are not living up to their responsibilities in terms of engaging in a high level of responsible negotiation with management, education of members to know their rights in the organisations..

Based on the findings of the study, the study recommends that:

- (1) Union leaders should only be persons with high ability to negotiate with management for the welfare of its members and not individuals who will compromise the Union's stand on personal benefits.
- (2) Union leaders should ensure the education of members. This can be done through the organisation of seminars and workshops for its members, which will enhance their knowledge and conflicts in work settings reduced to the nearest minimum.
- (3) Trade unionism should be encouraged in all work settings and its leaders should be vested with knowledge of industrial relations.

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