

The Impact of Delayed Emoluments on Local Government Administration in Nigeria: Outlining the Crisis and Solutions

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ABSTRACT

Prompt payment of salaries and wages has always been a major challenge facing local government administration in Nigeria since the 1976 local government reforms. The paper reveals that the problem of delayed salaries and wages in Nigeria is wide spread and according to the Nigerian Union of Local Government Employees (NULGE) no fewer than 23 states owe local government employees their hard earned entitlements spanning a period of one (1) to sixteen (16) months. It is on this premise that the study is set to evaluate and highlight the significance of prompt payment of salaries and wages as crucial factors towards achieving the aims and objectives of any local government in the country. The employers of labour are aware of the fact that delay in payment of emoluments is also one way of de-motivating workers in an organization and this also have adverse effects on the smooth process of administration at the local level. The major conclusion of this study is that employee's play key role in enhancing grassroots' developmental growth and sustainability; therefore it is important that they are paid adequately and promptly. In view of the above, the study therefore recommends that local government councils across the country must give the necessary attention that emoluments deserve, as this will help boost the morale of employees which will in turn result in higher productivity.

Keywords: Emoluments, Salaries and Wages, Administration, Local Government

INTRODUCTION

Since the 1976 Local Government Reforms in Nigeria, several challenges have cropped up over the years which impede the performance of local government councils in the discharge of their constitutionally assigned responsibilities. One of such challenges is the dwindling revenue base of local government councils, and this in turn had led to delay in workers' salaries

therefore having adverse effects in local administration (Maurice and John, 2012).

Local governments are generally recognized as the third level regulatory structure made in Nigeria to decentralize administration, convey government nearer to the general population at the grassroots and render social administrations which engender national improvement. According to Agba, et al (2013), local government was intentionally created to be in charge of the administration of around 70 per cent of the assessed 180 million individuals of the Nigerian populace. Subsequently, local government are perceived to be in a vantage position to articulate the necessities of the dominant part of Nigerians and enhance general growth and development through the utilization of the required monetary and human resources in their day to day administration. By and large, from 1999 to 2013, grassroots government operations present a puzzle as far as defending the purpose behind their creation is concerned. The requests and desires for the dividends of governance from the local government has grown exponentially during the period under survey, while the backing required to convey these excesses of a democratic system and progressive development at the grassroots keeps dwindling, lacking, fumbled and misused.

The Constitution of the Federal Republic of Nigeria has accorded local government the status of a third tier of government in Nigeria's robust federal structure. However, the constitution has inherently whittled down the import of this third tier status (Bello-Imam, 2010 p. 55). Each of the three tiers of government has its assigned financial arrangement. Between 1976 and 1992, the federal revenue allocation formula vis-a-vis local government vacillated from 10% of the Federation Account to 20%. Local governments are also entitled to 10% of the internally generated revenue of the state government. These are in addition to revenue from internally generated revenue sources of local government. (Bello-Imam, 2010)

Over the period (1976-1989) it was discovered that the amount internally generated by each local government council, was too small to settle their expenses, so they depended almost entirely on the federal government for financial transfer for the performance of their statutory functions. A function of this paternalism was the financial uncertainty and instability of local governments function in the country. Little wonder, Nigeria local governments seasonally had to suffer pecuniary distress which most often hindered their operations then (Bello Imam, 2010 p. 56).

Nigeria operates a federal system of government with a Federal Capital Territory (Abuja), 36 states and 774 local governments. As the third tier of government, local governments are constitutionally mandated to perform four basic functions: to provide a machinery for the discussion of local needs and for the provisions of corresponding services within the competence and capability of the local area; to provide machinery for the execution at the local level of regional or federal government policy; to provide a consensus mechanism for the resolution of conflicts of interest at the local level; and to provide a training ground for political participation and articulation (Okoli, 1999). This implies that Nigerian local governments are to render cutting edge services that will foster socio-economic development of the rural people. Local governments are expected to be viable instrument for rural transformation, development and the delivery of social services to rural communities in their jurisdiction, if well managed.

Emoluments (Salaries and Wages): A Conceptual Review

According to Lawal (2006), Salaries are the entire entitlements of an employee after a given period of time; it could be for a month or for a day. Emoluments usually refer to wages and salaries of workers. However many scholars have argued that there are also many benefits accrued to an employee for such employee to put in his or her best into surpassing expected goals and objectives in the organisation. As Armstrong and Moris (1970) pointed out, salaries or wages are the reward that individuals receive from organization in exchange for their labour and that every organization has its distinct salary system. Choosing a successful salary system depends on considerations of salary levels, salary structure and individual pay determination.

Milkovich and Newman (1999) state that; Salaries and Wages refer to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. According to him, it is paid in the form of wages, salaries and employee benefits such as paid vacations, insurance, maternity leave, free traveling facility, retirement benefits, etc. He indicated that the term 'wage' is used to denote remuneration to workers doing manual or physical work. Thus, wages are given to compensate the unskilled workers for their services rendered to the organization. Wages may be based on hourly, daily, weekly or even monthly bases.

TYPES OF EMOLUMENTS (SALARIES AND WAGES) PACKAGES

According to Dessler (2011), emoluments can be divided into 2 forms- Direct and indirect Emoluments (Salaries and Wages) which are discussed below in detail.

Direct Compensation (Salaries and Wages)

Dessler (2011) explained that Direct Compensation is usually limited to the direct cash benefits that the employees receive on monthly, bi-monthly or weekly basis for the services they render as employees of a particular organization. It could also be in the form of stock bonus compensation, where employees of the organization are given the opportunity to own shares in the organization they work for and at the end of every year they have the opportunity again to gain some dividend in the form of equity on their shares. This is also referred to as Executive stock options (ESO).

Indirect Compensation (Salaries and Wages)

Dessler (2011) refers to Indirect Compensation (Salaries and Wages) as the indirect financial and non-financial payments employees receive for continuing their employment with the company which are an important part of every employee's compensation. Other terminology such as fringe benefits, employee services, supplementary compensation and supplementary pay are used. According to Armstrong (2009), Indirect Compensation or Employee salaries and wages are elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration such as annual holidays. Management uses it ostensibly to facilitate its recruitment effort or influence the potential of employees coming to work for a company, influence their stay or create greater commitment, raise morale, reduce absenteeism in general and improve the strength of the organization by instituting a comprehensive programme in this area (Noe et al., 1996).

Byars and Rue (1997), mentioned the following as some of the more popular indirect compensations offered by today's organizations. Though the list below is not exhaustive it is meant to give a fair idea of the kinds of packages that organizations consider as indirect compensation in the corporate settings today.

- a. **Paid Holidays:** These comprise holidays such as Christmas Day, New Year's Day, Independence Day, Labour Day, etc. One relatively new concept is the floating holiday, which is observed at the discretion of the employee or the employer.
- b. **Workers' Compensation:** This is meant to protect employees from loss of income and to cover extra expenses associated with job-related injuries or illness.
- c. **Social Security:** This is a federally administered insurance system. According to law, both employer and employee must pay into the system, and a certain percentage of the employee's salary is paid up to a maximum limit.
- d. **Retirement Plans:** Retirement and pension plans, which provide a source of income to people who have retired, represent money paid for past services.
- e. **Paid Vacations:** Typically, an employee must meet a certain length-of-service requirement before becoming eligible for paid vacation. Also, the time allowed for paid vacations generally depends on the employee's length of service.

Theoretical Framework of Analysis

Although there are extant competing theories in social sciences and administration that can guide a study of this nature, the one we consider suitable in analyzing and understanding the problem under investigation is the expectancy theory. In its simplest form, expectancy theory (also known as Expectancy theory of motivation) proposes an individual will behave or act in a certain way because they are motivated to select a specific behaviour over other behaviors due to what they expect the result of that selected behaviour will be. In essence, the motivation of the behaviour selection is determined by the desirability of the outcome. However, at the core of the theory is the cognitive process of how an individual processes the different motivational elements. This is done before making the ultimate choice. The outcome is not the sole determining factor in making the decision of how to behave (Oliver, 1974; Montana and Chamov, 2008).

Expectancy theory is about the mental processes regarding choice, or choosing. It explains the processes that an individual undergoes to make choices. In the study of organizational behavior, expectancy theory is a

motivation theory first proposed by Victor Vroom of the Yale School of Management (Edigin and Otoghile, 1994).

Vroom (1964) cited in Edigin and Otoghile (1994), defines motivation as a process governing choices among alternative forms of voluntary activities, a process controlled by the individual. The individual makes choices based on estimates of how well the expected results of a given behaviour are going to match up with or eventually lead to the desired results. Motivation is a product of the individual's expectancy that a certain effort will lead to the intended performance, the instrumentality of this performance to achieving a certain result, and the desirability of this result for the individual, known as valence (Rao, 2000).

The models provide a convenient and useful framework for investigating the place of salaries and wages in the organizational goal attainment of many Local Government Councils in Nigeria, these councils have the primary aim to provide efficient social services for it dwellers and engender sustainable development. The theory sufficiently provides the research work with the theoretical assumptions that the expectancy of staff available in Local government at any given time when placed side by side with the local government objective to provide social service determines staff commitment and the level of staff motivation directly affects the local government's plan. Hence, the two merits of due payment of salaries in local government administration is (i) to develop - the career growth potential of employees by improving job performance and career advancement opportunities; and (ii) to promote better social service delivery by making the realization of the local government's objectives achievable.

CHALLENGES AND CAUSES OF DELAYED EMOLUMENTS IN NIGERIA

Table 1: Showing List of States in Nigeria that owe workers Salaries

States	Estimated Work Force	Months Owed
Abia	1,174,705	2
Bayelsa	916,364	7
Benue	1,664,418	4
Imo	1,587,267	2
Ekiti	1,028,067	6
Kogi	1,438,926	15
Kwara	1,002,166	11
Nasarawa	622,065	2
Ogun	1,762,740	6
Ondo	1,611,371	7
Osun	1,524,312	12
Oyo	2,372,968	6

Compiled by the Author, Adapted from the Vanguard News online April 25, 2017 and the National Bureau of Statistics (2010)

One of the major ecological factors confronting public administration in Nigeria is the poor economic situation of the country (Oyedele, 2016). While public sector manpower has risen rapidly over the years, the economic fortunes of the country had fluctuated greatly with grave consequences for the performances of the civil services of the country. This development has impaired greatly, the contribution of civil servants at the three levels of government to nation-building and national development. For several decades, the country had depended heavily on oil as its major source of national revenue. Unfortunately, the world oil market prices have been highly unstable. According to Olowu (1991), since 1977, the oil sector has faced periodic oil gluts and since 1980, a gradual reduction in oil prices has ensued with the result that large-scale contraction (privatization, reduction in employee benefits and retirement) has had to be embarked upon in the public sector. The trend of this economic depression continued in the 1980s.

From the mid – 1980s in Nigeria, government resource base had declined sharply. It became increasingly difficult to pay decent civil service salaries at all or pay salaries regularly, and as inflation level rose, aggravated by the adoption of Structural Adjustment Programme (SAP) that necessitated sharp currency devaluations, real wage levels fell by as much as 50 percent and sometimes more –resulting in severe wage erosion (Olowu and Adamolekun, 2005). Over

the last few decades, the economic situation of the country has gone from bad to worse. Today, the economy of the country is still faced with many problems, amongst which are high inflation, rising interest rates, low productivity in the real sectors, inadequate foreign exchange, capacity underutilization of industries, large external debt burden and import-dependence of the economy (Okunneye, 1985).

In the face of this perverse economic situation, the revenue accruable to the federal government continued to record huge shortfalls in recent years. This has resulted into hyper-inflation trends, massive fall in the value of the nation's currency among other economic hardship factors in the country. Consequent upon this hard economic realities, most states and local governments have become insolvent to the extent that they can no longer pay salaries of their civil servants as and when due.

It has therefore become increasingly difficult and almost impossible for governments at all levels to pay decent salaries to civil servants regularly or to even pay at all. This is because of a continuous and sharp decline in oil revenue to the country, devaluation of the nation's currency, very high inflation rate and general economic hardship in the country. The result is that real wage levels fell drastically resulting in severe wage erosion and depression across the country's civil services.

One major disturbing aspect of this situation is the recent pronouncement by the thirty-six State Governors that as a result of the deteriorating state of the economy, the State Governors were struggling to meet up with expenditure, especially payment of salaries, because of dwindling monthly allocations occasioned by plummeting crude oil, therefore, payment of N18,000 minimum wage imposed on them is no longer bearable.

According to the communiqué released by the Governors forum on 19th November, 2015, they were having a hard time meeting up with expenditure, especially payment of salaries because of dwindling monthly allocations occasioned by plummeting price of crude oil (Tribune, 21 November, 2015). They added that, the economic situation was worrying, as more states would reach a stage where they would not be able to pay salaries of civil servants not to talk of embarking on capital projects, infrastructures development and establishment of industries. Some State Governors are even contemplating on downsizing their workforce. The fact is that the cost of governance is high

especially as every state depends heavily on the federal government's monthly revenue allocation for survival.

However, in a swift reaction to the resolution of the State Governors forum, the Nigeria Labour Congress and the Trade Union Congress of Nigeria warned that any attempt to undermine the payment of the N18,000 minimum wage by the State Governors will not be taken lightly by workers. According to the labour unions, the N18,000 minimum wage was not allocated to worker or imposed on State Governors, it was negotiated through a tripartite process hence, a product of law. They argued that the minimum wage was actually due for an upward review. The President of the Nigeria Labour Congress, Comrade Ayuba Wabba and his Trade Union Congress counterpart, Comrade Bobboi Kaigama, announced that if attempt is made to reduce, review downwardly or do anything outside of the legal minimum wage of N18, 000 which cannot even take workers home, workers will be mobilized to resist it by withdrawing their services and close down the country. (Tribune, 21 November, 2015). According to the Unions, the N18, 000 minimum wages is about eighty (80) US dollars per monthly salary – about 2.5 dollars a day. The fact is that, from an employee's perspective, the real value of pay depends on its actual purchasing power (Hays and Reeves, 1984).

“The failure to pay a worker his salary is one that is bound to have profound effect on the country. Where a worker is unable to receive his salary, it is not improbable that even those around him and particularly his dependents will suffer. He will be unable to take care of basic issues such as rent, food, and healthcare”. Afe Babalola SAN”.

The result of the delay or irregular payment of workers' salaries, low level of salaries, the proposed further reduction in salaries and the hyper inflation in the country all constitute wage erosion and compression that has serious implications for effective personnel management in general and the performance and productivity of the civil servants in particular (Oyedele, 2016).

IMPACT OF DELAYED EMOLUMENTS ON NIGERIA LOCAL GOVERNMENT ADMINISTRATION

It has been established that virtually all sectors in Nigeria experience delay in payment of emoluments, however the focus of this section is to examine the effects of this menace in various local government around the country.

- a. **Increased Poverty, Poor Service Delivery and Dilapidating Infrastructure:** Among the impacts of delayed emoluments in Nigerian local government administration is ravishing poverty among local government employees and which leads to poor service delivery in the local councils. Infrastructural decay represents another glaring outcome of this pandemic as employees are reluctant to maintain government facilities.
- b. **Misappropriation of Public Money and Stores, Abuse of Official Position/Powers and Acceptance of Gifts:** The consistent corrupt practices observed among local government employees in the local government councils across the country, could be stressed to the continuous delay in the payment of salaries and wages. K. Santhanam Committee made an observation that Corruption can only manifest when there is someone to corrupt and capable of corrupting and the major cause of corruption is lack of money simply placed delayed payment of emoluments.
- c. **Moral turpitude and Inaptitude to Work:** Many researches have proven that the average man is motivated by the outcome of his duties and this is to say that every employee look further to the day is paid is wages. In the situation where he isn't given what is due to him this could lead to behavioral turbulence, psychological mayhem and outright misbehavior as observe in many local government councils in the country.
- d. **Under-assessment of Income Tax and Estate Duty for Pecuniary Gain:** This is another outcome of delayed emoluments in various local governments in Nigeria. Employees saddled with the responsibility of revenue collection and aggregation, now embark on mediums to steal from the government treasury. The aim of these outrageous activities is to satisfy their personally needs and that of those depending on them.
- e. **Misuse of Government Facilities:** Also observed in some local government in the country is the misuse of government facilities this could also be an outcome of delayed emoluments owed by the government to her local government employees. The local council facilities has been seen as an umbrella for business or a plaza where you sell items such as shoes, clothes and even perishable goods (vegetables and ice fish). This has reduced the concentration of these employees on their major administrative duties in the councils.

f. **Distrust in Government:** A wide spread outcome of delayed emoluments in Nigeria local government administration is the distrust in government. According to many employees in the local councils government has not fulfilled her part of the deal which is to provide the employees with their salaries and wages, and this becomes serious where government continue to make fetish promises that is never accomplished.

It is one thing to be blessed with abundant human resources and another to manage these resources to achieve stated objectives. No organization can hope to move or improve positively without the effort of her workers and as such sound salaries or wages is a sine qua non for improved performance of workers, which invariably must lead to better social service delivery in the localities. Workers contribute in no small measure towards improved performance in social services as Health, Education, Environment, Empowerment, and Infrastructure etc. In a situation where workers are continuously owed salaries and wages spanning to a period within 7-18 months, this becomes problematic as it invariably affects the daily administration of the local councils.

The problem of finance management continuously present difficulties in the affairs of all public organizations, the statutory functions of local government to enhance good governance through smooth administration at the local level, thus becomes impossible when workers enthusiasm to work drops as a result of delay in payment of salaries and wages as observed in many Local government across the nation (Agba *et al.*, 2013; Akindele and Olaopa, 2002).

RECOMMENDATION AND CONCLUSION

The paper therefore recommends that there is a need to come up with strategic control plan that will enhance the prompt payment of workers' emolument at various local governments around the country. This is necessary in order to reap the gains of local government administration in Nigeria. Thus, this paper recommends that efforts must be put in place by higher levels of government which are responsible for the allocation of revenues to the local government to utilize the office to ensure there is no delay in allocations. Furthermore, the performance and improvement of the workers' emolument can be optimizing with the view of the local council generating tangible

internally generated revenue. And this can be done with the local council ruggedly imposing taxation principles on her citizenry.

Also, it is being recommended by the author that a special task force be set up to look into the salary and wages administration in various local government in order to arrest the issue of delayed payment of salaries and wages in these local government areas. This task force according to the author opinion must be technocrats with durable experience in the administrative local system in salaries and wages matters.

Again, the issue of corruption must be address in the local government council. As being discovered in the study, corruption is one of the major factor responsible for the delayed emolument condition many local government councils in the country. So therefore, if there will be meaningful improvement in the salaries and wages condition of the council workers' in Egor local government area, the cancer called corruption which is eating up every fibre of the administrative system in Nigeria (both lower and higher level of government) must be cut off or operated upon.

Finally, the researcher recommended that a massive diversification of the Nigerian economy from solely dependent on oil revenue to other forms of revenue generation be put in place. Nigeria, a country blessed with lots of mineral resources, but solely dependent on one "oil" must review her internally generated revenue profile for the betterment of her citizenry.

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