

## EMPLOYEE CASUALISATION AND COST REDUCTION IN NIGERIA'S OIL AND GAS AND BANKING SECTORS

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### **Abstract:**

*The policy of employee casualisation has been in practice for a very long period in Nigeria and it cuts across the public and the private sectors. It has been a cause of disagreement between employers of labour and unions/casualised staff yet it is growing on daily basis. This study tends to find out the reason why employers and casual staff are continuing in this slavery practice and many job seekers are searching for such jobs and also find out the relationship between employee casualisation and cost reduction in Nigeria's oil and gas sector as well as the banking sector. Questionnaires were printed, distributed and retrieved. The retrieved questionnaires were then used to rank the reasons for the continuing of this obnoxious policy of slavery. It was also used to test the relationship between cost reduction (the dependent variable) and employee casualisation (the independent variable). The study found out that in the oil and gas sector the first reason for employee casualisation is cost reduction, access to specialist for specific project was second while risk mitigation and simplified remuneration were third and fourth respectively. In the banking sector, cost reduction was first, simplified remuneration was second while flexibility and access to specialist for specific project were third and fourth respectively. For casualised staff/job seekers, better than no having job (high rate of unemployment) was ranked first, better than many permanent jobs was second while others and lack of required qualification were ranked third and fourth respectively. The study also revealed the existence of significant and positive relationship between employee casualisation and cost reduction in the oil and gas and banking sectors in Nigeria. The research concluded that this policy of slavery will not end soon since the parties involved are still continuing in it with reasons that they think are good.*

### **Keywords:**

*Employee casualisation, cost reduction, oil and gas, banks, Nigeria.*

## INTRODUCTION

Employee casualisation in Nigeria's oil and gas and banking sectors is not a new phenomenon as it has been in existence for decades. In fact, it is a global practice that has bedeviled both sectors. It is a term that is well known in both sectors of the economy in Nigeria as both sectors relies heavily on it.

This practice of employee casualisation has been the basis of disagreement between employees, employers and unions in majority of companies in Nigeria (Kalejaiye, 2014). The leadership June 12, 2018 had a headline, "NUPENG drags oil majors to ILO over contract staffing." Shell, Chevron, Mobil, Nitel and Total E & P were included among the oil majors that were dragged to the International Labour Organisation (ILO) over the application of standard over continued issues of contract staffing and poor welfare packages. The leadership further reported that Comrade Williams Akporena (the NUPENG President) at the International Labour Conference (ILC) in his presentation on the subject "International oil and gas companies' repressive anti-labour activities in Nigeria" lamented that this fight against this method of exploiting employees is nearly three decades. He also added that the wages that are paid to employees by the IOCs in Nigeria under the casualisation policy are very ridiculous and poor describing the contract staff as "precarious worker"

Employee casualisation, in the midst of so much conflict, is still on the increase. It is gaining much grounds and in an unprecedented way, scale, and intensity (Fapohunda, 2012). He further opined that the increase and the manner employee casualisation is spreading and how it is been slowly accepted, the practice in Nigeria's labour market has turn out to be a subject of huge concern to stakeholders. He sees it as a latest set of "slave" as well as "underclass" that is effective in present day economy that is capitalist and a demonstration of the "degradation" of employment from official (formal) employment to unofficial (informal) and also from "permanent to temporary and precarious forms of work."

In Nigeria this policy of employee casualisation is adjudged a menace in the oil and gas and banking sectors yet this unfortunate policy is almost accepted as many are jostling and hustling for it. People are leaving permanent employment for contract employment. As the trend is getting worse, those in contract employment are holding firm to it and employers are increasing the number of contract staff.

The question is, in spite of the outcry why are people not quitting the job? Why are people jostling and hustling for such employment? Why employers are increasing the number of casualised labour?

The quest to give answers to these questions was the motivating factor that led us to this research work.

## EMPLOYEE CASUALISATION.

This practice has been for a very long time in Nigeria and it is not only applicable to the oil and gas and banking sectors as almost, if not all the sectors, are in to it. Okafor (2007) acknowledged its presence during the industrial revolution. He sees it as a phenomenon that was exported into the industries over the years.

Employee casualisation depicts a procedure where employees in an entity are casual, not permanent, contract, seasonal or non-full-time-staff with little or without any provision that is legal (Solaja, 2015). It means that an employee under the employee casualisation policy is not seen by the entity as their staff hence treated as a third party. The employees under the casualisation policy are sometimes classified as direct contract staff or indirect contract staff. The direct contract staff, though treated as third party, are paid directly by the employee while the indirect are paid through a labour contractor (Labour supplier) that have entered into an agreement with the company. The indirect contract staff is controlled by the company he works for and not the labour contractor but he is known and treated as a staff of the labour contractor. In most cases, the agreement between the company and the labour contractor is renewed annually.

Since 2000, employee casualisation has become a Nigerian national issue when the Nigerian Labour Congress (NLC) brought it to the domain of the public. Since then, the rate of contract staffing has been on the upward trend while permanent staffing is taking the downward trend. Fapohunda (2012) observed that employment casualization is growing at a frightening pace. Okafor (2010) asserted that in some industries that are local in

the sector that is informal, it is almost a possibility to find a circumstance whereby almost all the staff are casual. Kolawole (2008) opined that in Nigeria even the Central Bank is also caught in the web of casualisation of employers as 600 staff are victims of the Central bank's policy on temporary employment. Employers of labour, according to Fapohunda (2012) are continuously filling positions that should be permanent with casual staff in their companies. In Nigeria, among the companies operating in the oil and gas sector, you can see a situation where two employees are alternates but one is casual and the other is permanent with huge differences in their pay package resulting from discrimination.

In every organization, the contract staff is treated as a second class citizen while the permanent staff in such organization sees them as inferior. Okafor (2007) buttressed this when he listed low wages that is abysmal, dearth of medical care allowances, lack of accident insurance while at work, absence of job security, promotion, gratuity, leave and leave allowances, liberty of association, and collective bargaining agreement or negotiation. The treatment of the casualised labour (Fapohunda, 2012), extends to allowances on the job, services in the canteen, pension plans, health and insurance scheme, allowances for transport and leave entitlement. Okafor (2010) added that the trend now is that victims of labour casualisation work for so many years without needed entitlement and sometimes perform the duty of a permanent employee but are not compensated for such work.

#### **EMPLOYEE CASUALISATION IN THE OIL AND GAS AND BANKING SECTORS IN NIGERIA**

Historically (Accenture, 2014) asserted that the oil and gas companies have relied greatly on casual labours with 5% of the labour force as contingent labours. Fajana (2005) noted that giving statistics that is accurate concerning casual and contract workers in Nigeria is difficult, reason been the dearth of official statistics that is showing the trends and the extent of labour casualisation. In some organizations (Animashaun 2007) opined that report shows that 60 to 90 percent of their workforce are occupied by contract staff. According to the Employment Agencies, the unions in the oil and gas sector claims that 60 percent of the staff in the sector are contract staff supplied by labour contractors.

John & Omorogieva (2016) ropined that in 2013, reports have it that in Mobil all middle class and junior employees had been converted to contract workers. Prior to the reports, (Adenuga, 2006 and Uvieghara, 2001) asserted that in 1980, the marketing unit of Mobil oil limited had 195 junior staff that were permanent but by the year 1991, the number reduced to 28 while in Mobil production division the figure reduced from 400 permanent junior staff in 1980 to 80 in 1991. As at 2013 in the Western division of Shell Petroleum Development Company (SPDC) in Nigeria, over 187 labour contractors were supplying over 3518 contract staff (Fapohunda 2012).

Eroke (2012) and Fapohunda (2012) agreed in their different studies that 50% of staff in the oil and gas, telecommunications, manufacturing companies and banking are casualised. It is no more news in Nigeria that almost all the cashiers at the counter and in the bulk rooms in the banks operating are victims of employee casualisation. Most banks operating in Nigeria hire more casual staff because they are relatively cheap in hiring them and poorly paid instead of hiring permanent staff as to reduce cost of the employees' benefits (Fakpohunda, 2012; Kalajaiye, 2014)

It should be noted that the problem of labour casualisation is not perculiar to Nigeria only but a global issue. The Bureau of Labour statistics (2012) as cited by Solaja (2015) shows that in the United States about 82 million employees are casual, 60% of the labour force in Korea are victims, 58% in Bosnia and Herzegovina, 52.5% in Macedonia, 49% in Serbia, and 40% in both Greece and Japan. In Nigeria, the Campaign for Democratic Workers' Right (2010) reported that 45% of the labour force are casual and under harsh environment of work.

**Table 1. Key Drivers for Contingent Workforce Adoption in Asia**

<b>Key Companies</b>	<b>Contingent Workforce (% of total Workforce)</b>	<b>Number on Contingent Workforce</b>
ONGC	30%	9900
British Petroleum	25%	4000
PT Pertamina (Persero)	15%	3300
Anton Oilfield Services (Group) Ltd	40%	1530
Others (average)	25%	1289
Baker Hughes	10%	1000
Citi Bank	30%	15000
Bank Diamond	20%	9000
ANZ Bank	15%	4650
Credit Suisse	60%	4440
Deutsche Bank	20%	3600
Others (average)	22%	1795

*Source: In March 2015, CXC Global Commissioned a Third Party Research Project on the Key Drivers for Contingent Workforce Adoption in Asia*

**Table 2. Casual/Contract Workers in Nigeria's Oil and Gas and Banking Sectors**

<b>Companies</b>	<b>No. and % of Permanent Workers</b>	<b>No. and % of Casual Workers</b>	<b>Total</b>
Nigerian Agip Oil Company (NAOC)	246 (12.8%)	1680 (87.2%)	1926
Chevron Petroleum	202 (25.8%)	582 (74.2%)	784
Shell Petroleum Development Company	695 (7.8%)	8190 (92.2%)	8885
Conoil	387 (15.3%)	2150 (84.7%)	2537
Mobil Producing	35 (6.6%)	529 (93.8%)	564
Nigeria National Petroleum Corporation	9000 (75.0%)	3000 (25.0%)	12000
United Bank for Africa (UBA)	595 (15.8%)	3178 (84.2%)	3773
Guarantee Trust Bank (GTB)	358 (14.1%)	2180 (85.9%)	2538
Zenith Bank	325 (16.2%)	1680 (83.8%)	2005
Skye Bank	264 (16.0%)	1376 (84.0%)	1640
First Bank of Nigeria (FBN)	1830 (30.0%)	4270 (70.0%)	6100

Source: Fapohunda, T. M. (2012).

**Table 3. Casual/Contract Workers in Petroleum Sector**

<b>Company</b>	<b>No of workers on Permanent job</b>	<b>No. of Casual/ Contract Workers</b>	<b>% of Workers on Casual/Contract</b>	<b>Total</b>
NAOC	211	1500	87.7	1711
Elf Petroleum	199	550	73.4	749
Elf Oil	42	132	75.9	174
SPDC	520	8000	93.9	8520
Mobil Producing	492	2200	81.7	2692
Mobil Oil	-	492	100.0	492
Nidogas	15	150	90.9	165

National Oil	51	178	77.7	229
Smithnigeria	25	80	76.2	105
Schlumberger Group	250	1000	80.0	1250
African Petroleum Plc	300	376	55.6	676
NNPC	9000	3000	25.0	12000
Total Nigeria Limited	136	534	79.7	670
Lighthouse Petroleum	58	105	64.4	163
Comex Nigeria Limited	52	150	74.3	202
Remm Oil Service	120	350	74.5	470
Devtag Drilling Company Limited	96	300	75.8	396
Tidex Nigeria Limited	65	120	64.9	185
Consolidation oil	300	600	66.7	900
Chevron	450	3000	87.0	3450
Trans Pecan Sedco Forex	50	150	75.0	200

Source: NUPENG, 2003

### **WORKERS' CASUALISATION AND COST REDUCTION**

Chisala (2006) referred to the ordinary corporate tendency to hire and keep employees on employment that is temporary instead of permanent employment, and for years as a measure to reduce cost. Danesi (2001) believes that casualisation of labour force is a means that effectively reduce cost, maximize profit and de-union the workforce. Fapohunda (2012) viewed it as a strategy that is appropriate for cost reduction. He further asserted that casualisation on the periphery seems reasonable because reduction in cost translates to more profit which is the final target of business owners. He also posited that some entities in the bid to cut cost on salaries and wages agree to firing high proportion of their permanent staff and are replaced with casual staff. Increased desperation in cutting down cost and increasing capital mobility of organizations are factors enhancing labour casualisation by employees (Okafor, 2011; Fapohunda, 2012 and Besso, 2003). In the opinion of Kalleberg (1999), in economies that are advanced as a result of globalization and liberalization of trade, many organisations have engaged contract labour, non-fulltime job, temporary job etc. in order to slash cost and competitively stay in the global market. Labour casualisation, to a great extent, is a result of increased desperation of labour employers to bring down operational costs. The policy of staff casualization is seen as a very suitable way to reduce cost. The beginning of this international yet cruel and unkind strategy of employment only considers cost reduction for business owners to the detriment of the casual staff.

### **METHODOLOGY**

Primary data was sourced from the field using structured questionnaire. The data collected was used to rank the different reasons why casualised workers, job seekers accept this policy and employers of labour in the oil and gas and banking sectors are continuing in the casualisation policy in Nigeria in spite of numerous protest, picketing and strikes. The Partial Correlation Matrix Technique was employed to determine the relationship between the variables. The significance of the variability was tested using the ANOVA. All the tests were performed on the SPSS platform

### **APRIORI EXPECTATION**

It is our expectation that the variables will be significantly and positively related. That is the predictor variable (employee casualisation) will respond in a positive manner to the dependent variable (cost reduction).

## RESULTS AND DISCUSSION

**Table 4: Ranking of the Reasons for Labour Casualisation**

Reasons	Computed Response	Percentage	Ranking
<b>A. Oil and Gas Sector</b>			
Risk Mitigation	14	12.07	3rd
Cost Reduction	63	54.31	1st
Simplified Renumeration	10	8.62	4th
Access to Specialist for Specific Project	29	25	2nd
Total	116	100	
<b>B. Banking Sector</b>			
Flexibility	12	10.34	3rd
Cost Reduction	71	61.21	1st
Simplified Renumeration	24	20.69	2nd
Access to Specialist for Specific Project	9	7.76	4th
Total	116	100	
<b>C. Casual Employees/Job Seekers</b>			
Lack of required qualification	8	6.9	4th
Better than not having job (high unemployment rate)	43	37.07	1st
Better than many permanent jobs	35	30.17	2nd
Others	30	25.86	3rd
Total	116	100	

**Source: Authors' Analysis**

From the table above, cost reduction ranked 1<sup>st</sup> as the reason why employers in the oil and gas sector in Nigeria practice or engage in the practice of employee casualisation having 54.31%. Access to specialist for specific project ranked 2<sup>nd</sup> with 25% while risk mitigation and simplified remuneration ranked 3<sup>rd</sup> and 4<sup>th</sup> with 12.07% and 8.62% respectively.

In the banking sector, the analysis still ranked cost reduction as 1<sup>st</sup> with 61.21%. Simplified remuneration as 2<sup>nd</sup>, flexibility as 3<sup>rd</sup> and access to specialist for specific project as 4<sup>th</sup> with 20.69%, 10.34% and 7.76% respectively.

On why casual employees are continuing on the job and job seekers are ready to take up appointment as contract staff ; better than not having job (high rate of unemployment) ranked 1<sup>st</sup>, better that many permanent jobs ranked 2<sup>nd</sup>, others ranked 3<sup>rd</sup> while lack of required qualification ranked 4<sup>th</sup> with 37.07%, 30.17%, 25.86% and 6.90% respectively.

## TEST OF HYPOTHESIS

Ho. Significant and positive relationship does not exist between employee casualisation and cost reduction in the oil and gas and banking sectors in Nigeria.

**Table 5: Analysis of the Relationship between Employee Casualisation and Cost Reduction.**

<b>Table 5a Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.625 <sup>a</sup>	.551	.495	1.049

a. Predictors: (Constant), Employee Casualisation

**Table 5b** ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	8.819	1	8.819	8.020	.004 <sup>b</sup>
1 Residual	164.944	115	1.100		
Total	173.763	116			

a. Dependent Variable: Cost Reduction b. Predictors: (Constant), Employee Casualisation

**Table 5c** Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Std. Error			
(Constant)	3.349	.232		14.437	.000
1 Employee Casualisation	0.213	.063	.225	2.832	.004

a. Dependent Variable: Cost Reduction

*Source:SPSS Output (Based on questionnaires' Data 2018)*

From table 5a,  $r^2$  is 0.551 indicating that 55.1% of changes in cost reduction are explained by changes in employee casualisation while 44.9% of changes in the employee casualisation are explained by other factors not captured in the model.

From table 5b, probability value of 0.004 is less than 0.05. This suggests that employee casualisation (predictor variable) has a significant relationship with cost reduction. This signifies the model can be suitably relied upon predict the dependent variable (cost reduction).

From table 5c, the output of the static regression result shows the existence of significant and positive relationship between employee casualisation and cost reduction in the oil and gas and banking sectors of Nigeria as justified by the significant probability value of 0.004 coupled with a positive coefficient value of 0.213 which suggest a positive relationship. On this premise, we reject the null hypothesis and thus conclude that there exist a significant and positive relationship between employee casualisation and cost reduction in the oil and gas sector as well as the banking sector in Nigeria. The result suggests that increase in employee casualisation will result to increase in cost reduction.

## CONCLUSION

Employee casualisation is a major problem in the oil and gas and banking sectors in Nigeria. It takes the form of slavery and degradation yet the practice is on the increase on daily basis as permanent workers are sacked and replaced by contract staff. And sometimes the permanent staff is sacked and rehired as casualised staff. Many reasons were given and ranked on why this slavery policy is gaining ground in spite of the problems it has created between employers, employees, unions and even the government.

In the oil and gas and banking sectors the result from respondents ranked cost reduction and the number reason employers are continuing with this obnoxious policy. Richardson & Allen (2001) opined that, theoretically, works that are casual reduces operation cost of an organization. They further asserted that the corporate tread to hire and keep employees on casual employment instead of permanent employment,

sometimes for years, is a means of cost reduction. Also Adenugba, 2004; Okarfor 2005; Akanbi, 2006) in their different findings asserted that oil and gas companies indigenously owned have made their qualified contract workers to remain on contract on a wage that is slavery with the mindset of maximizing profits that are super normal at the barest minimum cost of labour.

On why victims of this policy are still continuing on the job and job seekers still ready to take up such jobs, analysis from respondents revealed that “better than not having job (high unemployment rate)” ranked 1st. This confirms the opinions of Lenz (1996); Segal & Sullivan (1997), that having casual work is most times better than having no job at all

The finding from the test of hypothesis showed a significant and positive relationship between employee casualisation and cost reduction in the oil and gas and banking sectors in Nigeria.

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