



Fuel Subsidy Removal, Poverty and Declining Relevance of Organized Labour in Nigeria

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Abstract

Original Research Article

This paper explores the relationship between fuel subsidy removal, poverty and the declining relevance of the organized labour as the primary watchdog in Nigeria. The fuel subsidy removal policy has been a subject of intense debate and has had far-reaching consequences on the socio-economic landscape of the country. While proponents argue that subsidy removal reallocates funds toward critical developmental initiatives, opponents highlight the disproportionate burden it places on low-income households, exacerbating poverty and widening inequality. This study critically examines the immediate and long-term implications of subsidy removal, particularly its effects on the cost of living and access to essential goods and services. Additionally, the paper examines the responses of trade unions that are historically pivotal in championing workers' rights by scrutinizing their effectiveness amidst political and economic shifts. This research aims to contribute to the broader discourse on economic reforms, poverty alleviation, and labour advocacy in Nigeria, offering insights for policymakers, labour organizations, and academics. The study utilizes a qualitative approach, integrating data from scholarly articles, reports, newspapers and other secondary sources. Content analysis was used to provide an in-depth analysis of the complex interplay between policy decisions and societal outcomes. The paper adopted the concepts of Price Elasticity of Demand and Declining Trade Union Influence to explain the relationship between fuel subsidy removal, poverty, and the declining influence of organised labour in Nigeria. The paper concludes that there is a relationship between fuel subsidy removal, poverty, and declining relevance of trade unionism in Nigeria. The paper therefore recommends the need for inclusive policy frameworks that prioritize social safety nets to mitigate the adverse effects of fuel subsidy removal on vulnerable populations.

Keywords: Fuel subsidy, Removal, Poverty, Declining relevance, Organised labour.

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INTRODUCTION

It is beyond any contestation that Nigeria is endowed with both human and natural resources which include a vast quantity of petroleum resources. Indeed, Nigeria as the most populous black country with a

population of over 200 million and the sixth largest oil exporter in the Organization of Petroleum Exporting Countries (OPEC) is still battling with inadequate and obsolete refineries that cannot be able to refine the crude oil it produces and thus, subjecting



the nation to exporting the crude oil and importing refined petroleum product back to the country. As noted by Onyeizugbe & Onwuka (2020) Nigeria with four government owned refineries with a capacity of 445, 000 barrels per day, enough for its domestic requirements, is still a net shipper of refined petroleum products and the only member of the OPEC still importing refined fuel product (Adekoya, 2020). This necessitated increased in the landing cost of the product and unbearable fuel price for domestic consumers. As a panacea to the lingering problem and in an effort to help the Nigerian masses to get the Premium Motor Sprit (PMS) at an affordable price, different government at different point in history, introduces subsidy on petroleum product. Over the years however, the same Nigerian government has made several attempts to remove the subsidy on the belief that the subsidy is not benefitting the common man but the rich oil marketers, petroleum dealers and to a large extent the small cabals in Nigerian National Petroleum Corporation Limited (NNPCL). To buttress this fact, KPMG (2023:5) posits that “the stark truth is that the PMS fuel subsidies have really benefited neighbouring counties, rent-seekers and the rich, as opposed to the poor”.

The organised labour at different time in history has successfully resisted these moves by the government through effective mobilization of all Nigerian citizens to a mass protest so as to compelled the government to rethink their decisions or at least maintain a fair subsidy on PMS. This has been the trend until the coming of Bola Ahmed Tinubu into power on May 29, 2023 when he announced the removal of fuel subsidy on PMS (KPMG,2023, Premium Times Newspaper, 29th May, 2023). Since then, Nigerian masses have been swallowed into more abject poverty and untold economic hardship. The price of petroleum rises to over 300% for the first time in history and keep rising. Consequently, the prices of transportation, food items, health, education and all other basic needs were affected. Thus, necessitating the government to roll out a number of policies to cushion the effect of subsidy removal. These includes amongst others 50B Naira conditional grants to One Million NANO business, purchase of massive bus system for the transportation industry, the use of Compressed

Natural Gas (CNG) to compete with PMS, provision of student loan to curtail unwarranted strikes in our higher institutions and many other policies to justify the effective usage of the money recovered from subsidy removal. Many Nigerians including the leadership of the organised labour were hopeful that President Bola Tinubu would deliver his campaign promises going by his eight years administration as a Governor of Lagos State.

President Tinubu has spent over two years in office but the pathetic story of economic hardship in Nigeria has continued on daily basis with no any likely hope of mitigating it. And, while Nigerians continued to bear the brunt of fuel subsidy removal, the Bretton Woods institutions of World Bank says that Nigeria could save N3.9 trillion in 2023 from fuel subsidy removal and this is expected to reach over N21 trillion by 2025. The World Bank Country Director, Chadhuri explained that the policy though painful remains crucial to the economy of the nation. Conceivably, also this gives the government the confidence to believe that they are on the right track and most often encourage the citizens to bear with the administration, assuring that everything will come to pass soon. But assurances have to be accompanied with actions and the government has not demonstrated that they are doing something to tackle the hardship. This unfortunate development has forced organised labour to engage and threatened the government on various instances with mass protest and strike action. However, Nigerians are progressively loosing hope on the organised labour as the defenders of workers right to the extent that any call by the labour unions is considered dead on arrival and this has significantly affected the role of labour unions as pressure groups.

This paper therefore, examined the relationship between fuel subsidy removal, poverty and the declining relevance of organised labour as a pressure group in Nigeria. The paper is streamlined into five parts. The First part is this introduction, the second is the literature review and theoretical framework, while the third part examines the relationship between fuel subsidy removal and poverty and part four of the paper interrogates fuel subsidy removal and declining relevance of organised labour. The last chapter concludes the paper.

Literature Review and Theoretical Framework

Defining Fuel Subsidy

The term subsidy is subjected to different interpretation. Subsidy can be an assistance paid by government to individuals, groups or enterprises which can be in form of cash, tax reduction or by reducing the cost of goods and services. It can also be a step taken by the government in order to keep prices of goods and services below market level for the consumers to access them. Perhaps, this made Bashir (2016) to assert that, one of the purposes of subsidy is to help individual consumers and businesses alike that are in dire need of such products; without which (subsidy) they may not be able to acquire under normal circumstances. Subsidies take different forms; these include grants, tax reduction or by reducing the cost of goods, exemptions or price controls. Others affect prices indirectly such as regulations that skew the market in favour of a particular fuel, government sponsored technology or research and development (Adebiyi, 2011, Del Granado, Coady, & Gillingham, 2012). Fuel subsidy means that a fraction of the price that consumers are supposed to pay to enjoy the use of petroleum products is paid by government so as to ease the price burden. In other words, fuel subsidy is a form of price manipulation whereby the government fixes the pump price of fuel for sale to consumers and pays the retailer the difference between the actual price and the regulated price per litre (Iyobhebhe, 2011; Nwafor, Ogujiuba & Asogwa, 2006). According to Coardy *et al* (2013) subsidies comprise of both consumer and producer. The consumer subsidies refer to intermediate consumers (firms, independent oil marketers etc) and final consumers (households), while the producer type denotes to the producers of fuel products, coal, natural gas, and electrical power. Consumer subsidies are further divided into two components: a pre-tax subsidy; which arises if the price paid by firms and households is below supply and distribution costs; and a tax subsidy which implies that taxes are below their efficient level.

Oluwabukola, (2023) noted that the main benefit of subsidy removal is the budding for cost savings for the government, which can be redirected towards

other development projects. Public analysts and government officials who have supported the removal of fuel subsidies have always promoted this narrative. The money saved from subsidies can be used in other critical sectors such as healthcare, education, and targeted infrastructure development. Additionally, subsidy removal can promote competition in the petroleum sector, increasing efficiency and better service delivery (Civic Keypoint, 2023). Removal of subsidies brings about new investment possibilities with domestic and international investors likely to invest their resources. The policy undoubtedly will create job opportunities and develop the local community where such investment occurs. This notwithstanding, its removal especially in a less developed country like Nigeria that is relying on a single economy (oil dependent economy) can be very difficult. Perhaps, this made Asare *et al.* (2020) to suggest that COVID-19 pandemic presented an opportunity for low oil prices for governments to remove fuel subsidies, which can provide additional resources for responding to the pandemic and shift resources into more productive spending for long-term recovery and resilience.

Thus, removal of fuel subsidies in Nigeria have been the focus of considerable academic and policy-oriented discourse, motivated by the need to address fiscal deficits while balancing socio-economic impacts. Subsidies have for long been a contentious policy tool in Nigeria, where oil accounts for a significant portion of government revenue and exports (World Bank, 2016). Proponents of subsidy removal argued that it promotes fiscal responsibility, reduces distortions in the energy market, and reallocates public funds toward critical infrastructure and social programs. However, critics highlight its potential to exacerbate poverty and inequality, particularly in a country where a large proportion of the population lives below the poverty line (National Bureau of Statistics, 2020).

The World Bank (2016) emphasizes that eliminating fuel subsidies can lead to significant economic disruptions, particularly for low-income households. Fuel price increases directly affect transportation and production costs, which cascade into higher prices for essential goods and services. This inflationary

pressure disproportionately impacts vulnerable populations who spend a larger share of their income on basic necessities. A study by the International Monetary Fund (IMF, 2019) found that removing fuel subsidies in Nigeria could increase the headcount poverty rate by 1.2 percentage points and the poverty gap by 0.4 percentage points. This indicates that there is a relationship between fuel subsidy removal and increasing poverty rate in Nigeria. What then is poverty?

Poverty broadly defined is a condition where individual(s) lack essential resources such as income, food, healthcare, or shelter (World Bank, 2020). Poverty remains a pressing global challenge. Poverty can be categorized into two main paradigms: absolute poverty and relative poverty. Absolute poverty refers to a state where individuals cannot meet basic subsistence needs, such as adequate food, water, and shelter. According to the World Bank (2020), individuals earning less than \$1.90 a day are classified under absolute poverty. Relative poverty, on the other hand, is contextualized within societal standards. As explained by Hickel (2017), relative poverty highlights disparities in income and access to resources within a specific community. Poverty is not exclusive to income deficit but also includes other forms of deprivation such as portable water, education, access to health facilities and improved standard of living. To buttress this point, Alkire & Foster (2016) argued that multidimensional poverty frameworks, such as the Multidimensional Poverty Index (MPI) offer a broader understanding of poverty by incorporating health, education, and living standards as indices to measure poverty.

This is also to argue that poverty has different dimensions. These includes economic, social and environmental. In economic dimension of poverty as asserted by Banerjee and Duflo (2019), many individuals in poverty are trapped in a cycle that perpetuates economic instability due to inadequate investments in health, education, and infrastructure. The social dimension of poverty is characterised by exclusion, stigma, and limited participation in civic activities. Walker (2018) posits that poverty often isolates individuals from their communities, creating barriers to opportunities and collective progress. The environmental dimension on the other hand refers to

these environmental factors that plays a significant role in perpetuating poverty. These includes geographical barriers, climate change, and natural disasters which to a large extent affect the poor populations. Perhaps, this made Sachs (2015) to posit that sustainable poverty alleviation strategies must include environmental considerations. Thus, the determinants of poverty are multifaceted, involving both structural, institutional, and individual factors. Globalization, for example, has created inequalities in wealth distribution, leading to economic disparities (Sumner, 2016). Moreover, systemic discrimination based on gender, ethnicity, or class perpetuates poverty cycles. This can extend beyond the individual to affect societies and economies. According to WHO, poor health outcomes, limited educational attainment, and increased crime rates are commonly associated with higher poverty levels (WHO, 2017). Child poverty, in particular, has long-term repercussions for societal development, as noted by UNICEF (2021).

Whereas policy makers are of the view that global and local initiatives aimed at poverty eradication such as microfinance programs, social safety nets, and education reforms have achieved varying degrees of success in combating poverty (Chatterjee (2020)), it still remains debatable especially in Nigeria where such programs were implemented without a clear focus and on most occasions the programs do not reach the targeted population. To buttress this fact Adeleke (2024) assert that because of a number of issues these programmes remain only symbolic rather than substantial. Adeleke further identified corruption, financial mismanagement, lack of cooperation between federal and state governments among others as major obstacles to the success of the programmes.

For the sake of this paper, poverty will best be understood from both the sociological and economic perspectives. Hence, Crossman (2019) sees poverty as a social condition that is characterized by the lack of resources necessary for basic survival or necessities to meet a certain minimum level of living standards expected for the place where one lives. In essence therefore, the income level that determines poverty level differs from place to place, and thus, making social scientists like Sociologists and

Economists to believe that poverty is best defined by conditions of existence, like lack of access to food, clothing, and shelter. People in poverty conditions typically experience persistent hunger or starvation, inadequate or absent of quality education and health care, and are usually alienated from mainstream society. Thus, the concept of poverty is subjected to different interpretation. This paper therefore, examined the connectivity between poverty, fuel subsidy removal and declining relevance of trade unionism in Nigeria.

The National Bureau of Statistics (2021) noted that over 40% of Nigerians live below the poverty line. For these individuals, even a slight increase in living costs can have devastating effects. Rising fuel prices, a direct outcome of subsidy removal, disproportionately affect low-income households, which spend a larger share of their income on essential goods. This creates a regressive impact, worsening inequality and pushing more people into extreme poverty. To advance this argument Olayemi, (2022) posited that the removal of fuel subsidies in Nigeria have triggered a ripple effect on virtually all other sectors of the economy. For instances, an increased in transportation costs lead to increase in prices for goods and services, while small businesses that are reliant on fuel for generators (due to inadequate electricity) faces higher operating expenses. These factors can stifle economic activity, reduce employment opportunities, and erode household incomes, further compounding poverty levels across the country and revealing the interconnectedness between fuel subsidy removal and poverty.

The ripple effects extend down to public services, as higher fuel prices increase operational costs for schools, hospitals, and public transportation systems. For instance, rural areas with limited access to electricity rely heavily on fuel-powered generators for education, healthcare and small and medium enterprises services. Subsidy removal worsens challenges in these sectors, further marginalizing already underserved communities (Eze & Adamu, 2023). In such a situation, both public and private employees are affected as their take home pay or wages cannot sustain them and their families. Thus, the organised labour that protect and defend the

interest of the common man step in, to ensure the welfare of its members and generality of Nigerian public. Perhaps, it was on this context that Otobo (1996) posits that trade unions as organizations of wage earners and workers, occupy a special position because they are the only group in society that is mandated to respond to the government and private employers' socio-economic policies that are not favourable to their members' interest. As key stakeholders in the country's development, these unions, including the Nigeria Labour Congress (NLC) and the Trade Union Congress (TUC), have influenced economic policies and engaged in protests to hold governments accountable. But in recent years, there was a gradual decline in the influence and effectiveness of trade unionism, thus, raising questions about its relevance in addressing contemporary challenges facing the workers they claim to protect. According to Nnoli (1993) Nigerian workers have always lived under a very harsh conditions, with caloric content of their meals below the recommended minimum by the United Nations. Added to this they cannot afford a reasonable shelter, good education and health care for their families. Nnoli further argued that despite all these challenges the workers put much faith in their trade unions in solving some of their problems. Today it is no more the case, the one-time charismatic organised labour that have played a substantial role in promoting social justice, equity and economic well-being of Nigerian masses are losing their integrity and magnetism. Nigerians feel betrayed by the labour unions due to the perceived double standard role exhibited by the unions (Anyim *et al* 2013). Indeed, the situation has worsened to the point that the civil society organisations that partnered with the trade unions during period of crises are raising questions on the seriousness of trade union leaders and have labelled them as betrayers. For instance, the January, 2012 fuel subsidy crises in Nigeria, has led leaders of civil society groups and opposition political parties to continue the protest after feeling betrayed by the labour unions. Similarly, the sale of government houses was one of the bitter legacies of the Obasanjo administration. This policy was implemented without any serious challenge from labour union (Adewumi, 2009) and this has made Anyim *et al* (2013) to conclude that the betrayal of people's trust

and confidence are becoming a frequent re-occurrence within trade union circle. This in essence has destroyed the confidence and trust that labour workers have on their leaders and thus, making it difficult for the labour leaders to mobilize effectively against unfavourable government policies (such as fuel subsidy reforms) and consequently leading to further pauperisation of workers and erosion of trade unions influence in Nigeria. To further expatiate on this, the concepts of price elasticity of demand and declining trade union influence were used to provide the needed theoretical guide.

Theoretical Framework

The paper combined the concepts of Price Elasticity of Demand and Declining Trade Union Influence to explain the relationship between fuel subsidy removal, poverty, and the declining influence of organised labour in Nigeria.

Price Elasticity of Demand

The Price Elasticity of Demand (PED) provide theoretical frameworks for understanding the potential effects of fuel subsidy removal and its relationship with poverty in Nigeria. Alfred Marshall a British Economist developed the concept of Price Elasticity of Demand (PED). He introduced this idea in his seminal work, "Principles of Economics," published in 1890. Marshall's work laid the foundation for much of modern microeconomic theory, and his analysis of elasticity has become a fundamental concept in economics.

Price Elasticity of Demand (PED) measures how sensitive the quantity demanded of a good is to a change in its price. In the context of fuel subsidy removal, when the government removes subsidies on fuel the price of fuel increases. Given that fuel is a necessity with inelastic demand, consumers have to spend more on fuel, reducing their disposable income for other goods and services. This invariably increases higher cost of leaving as a result of higher transportation costs, which in turn raises the prices of goods and services. This worsens the poverty level as families struggle to get the funds for basic necessities.

Declining Trade Union Influence

Trade unions have historically played a crucial role in advocating for workers' rights and social welfare. However, their influence has been declining due to various factors such as economic and government policies. One of such policies that has destabilise Nigerian workers and their union leaders was the economic hardship as a result of fuel subsidy removal. This has weakened the bargaining power of trade unions and consequent upon this was the workers prioritization of immediate survival over collective action. In addition to this, is the unfavourable government policies that undermine trade unionism, such as restrictions on strikes, prohibition of union activities and declaration of No Work No Pay, and the unpalatable one-sidedness of the judiciary especially the Industrial Court has to a large extent culminated to diminishing influence of organised labour in Nigeria. The removal of fuel subsidies can be seen as part of a broader neoliberal agenda that weakens labour movements in Nigeria.

By combining these two frameworks, it can be discerned that the relationship between fuel subsidy removal, poverty, and declining trade union influence has led to economic strain which makes it harder for workers to mobilize and support trade union activities thereby leading to weakened advocacy and a vicious cycle of poverty for vulnerable populations. In summary therefore, fuel subsidy removal leads to higher fuel prices and increased poverty, which in turn weakens the influence of trade unions. This creates a feedback loop where the declining power of trade unions makes it difficult to advocate for policies that could alleviate poverty and protect workers' rights.

Fuel Subsidy Removal and Poverty: The Nexus

The removal of fuel subsidies in Nigeria has far-reaching implications for poverty, affecting households and economic systems in both direct and indirect ways. Subsidies, though often criticized for their inefficiencies and fiscal burdens, have historically served as a form of indirect social welfare for many Nigerians. Removing these subsidies without implementing adequate compensatory mechanisms can lead to severe

economic consequences for vulnerable populations, thereby deepening poverty and inequality (Moyo & Songwe, 2012). According to Akintayo (2023), since the announcement of the removal of fuel subsidy by President Asiwaju Bola Ahmed Tinubu on 29 May, 2023, the aftermath of it on the citizens have been very traumatizing. He exclaimed that since the price of petrol is up to N617. 00, cost of transportation, prices of food and other items have shoot up tremendously, provoking anger among workers and the public at large. High cost of living has skyrocketed, for instance, transport fares have shoot up by over 200% since subsidy removal. Prices of food items and others have all witnessed phenomenal increases.

Akintayo (2023) reported that a civil servant, Omolola Ayodele, told The PUNCH correspondent that life had been unbearable for her family since May 29. “This is the worst we have experienced in the last 10 years. No salary increment accompanied by the removal of fuel subsidy especially for state and private workers. This is the height of suffering because life has never been this hard. We can no longer eat to our satisfaction. I have a family of six, and you can imagine that I am a civil servant and my husband is into a small-scale business”. The

transportation fare across both the rural and urban areas in Nigeria has skyrocketed beyond a bearable line to especially the common man and the less privileged in the society (Akintayo, 2023). Even the Breton Woods Institutions attest to the fact that subsidy removal is catastrophic and need to be managed with caution. To buttress this fact, World Bank (2016) concur that subsidy removal can lead to a surge in inflation, primarily affecting the prices of essential goods and services. This is consistent with findings from the IMF (2019), which reported that the increase in fuel prices following subsidy removal has exacerbated poverty rates, particularly among vulnerable populations. To further compound the situation these in the lower income brackets are the hardest hit, as they spend a higher proportion of their income on transportation and energy in addition to food, healthcare, and utilities; which are heavily reliant on fuel for production and transportation. These escalating costs have pushed many Nigerians deeper into poverty. A report by the Nigerian Bureau of Statistics (2021) reveals that as fuel prices increase, the poverty rate has also risen, with an estimated 1.2% increase in the national poverty headcount since the subsidy removal was first implemented.

Table 1: Relationship between Fuel Prices and Cost of Living (2012-2023)

Year	Average Fuel Price (NGN per liter)	Inflation Rate (%)	Poverty Headcount (%)
2012	97.00	12.0	32.0
2015	145.00	9.5	35.0
2016	145.00	15.0	40.0
2018	145.00	11.5	43.0
2020	162.00	12.8	45.5
2023	185.00	18.2	47.0

Source: Nigerian Bureau of Statistics, 2021; IMF, 2019

Table 1 above demonstrate clearly how fuel prices have increased following subsidy removal. Inflation has also risen significantly, and the national poverty

rate has been adversely impacted. The increase in fuel prices correlates with the overall increase in living costs, which exacerbates the socio-economic

divide. This has also shown a strong relationship between fuel subsidy removal and increasing poverty level in Nigeria.

Fuel subsidy removal has both negative and positive microeconomic implications. Raji (2018) in explaining the negative implications of fuel subsidy removal posit that it will lead to immediate pain and hunger for families, fewer food in the land, difficulty in affording medicine and increase in the cost of education especially in the Northern region of Nigeria. The poor and middle-class consumers have witnessed a fall in their purchasing power to the extent that some have argued that there are no more middle class in Nigeria; you are either rich or poor. On the other hand, positive microeconomic implication of the removal of fuel subsidy includes determining the price of petrol by the forces of demand and supply (Su *et al*, 2020), rather than being determined by government regulation. In other words, this will thwart the under-pricing of petrol and control corruption arising from inflating the amount of imported PMS under the fuel subsidy regime. Another positive impact of fuel subsidy removal is its ability to determine the accurate pricing that reflects actual conditions in the international market for crude oil (Ozili & Obiora, 2023).

From a macroeconomic perspective, subsidy removal offers potential benefits, such as reducing fiscal deficits and promoting investment in alternative energy sources. Studies by Oluwole & Hassan (2021) argued that subsidy removal could free up resources for infrastructure development and poverty alleviation programs, ultimately enhancing long-term economic growth. However, they caution that these benefits are contingent upon effective policy implementation and the equitable distribution of savings. Thus, questioning the ability of government to gain public trust on the effective utilization of the accrued savings from subsidy removal and by implication this have open up to the challenges of fuel subsidy removal.

One of the primary challenges of subsidy removal in Nigeria is the lack of trust in government institutions. Ogunbiyi (2020) observes that Nigerians are often skeptical about the government's ability to utilize

savings from subsidy removal for public benefit. This skepticism is rooted in a history of mismanagement and corruption, which has undermined confidence in reform initiatives. Added to this is dearth of or weak social safety nets and inadequate communication strategies intensify public resistance to subsidy removal. Another critical challenge is the political sensitivity of fuel pricing. The subsidized price of fuel has been considered a social contract between the government and its citizens, making any attempt to adjust it a politically contentious issue. According to Eze and Adamu (2023), successive governments have faced significant political backlash for implementing subsidy reforms, resulting in policy reversals and inconsistent implementation.

Despite these challenges, policymakers have continued to argue that fuel subsidies are fiscally unsustainable. According to Okonjo-Iweala (2018), subsidies have diverted significant resources from critical sectors such as education and healthcare, while also fostering corruption and inefficiencies in the oil and gas industry. She notes that approximately 30% of Nigeria's subsidy expenditures have historically been lost to leakages and fraudulent practices. These inefficiencies highlight the need for reforms that prioritize transparency and accountability in public resource management.

In contrast however, the benefits of subsidy removal can only be appreciated if accompanied by comprehensive social protection measures. Perhaps this made Adebayo & Adeoye (2022) to posit that targeted interventions, such as palliatives in form of cash transfers, public transportation subsidies, and investments in renewable energy, can help mitigate the adverse effects of subsidy reforms on low-income households. Examples from other developing countries, such as Indonesia and Ghana, illustrate the importance of sequencing subsidy removal with gradual price adjustments and well-communicated compensation packages (Coady *et al.*, 2017).

The discourse above only underscores the complex nature of fuel subsidy removal in Nigeria. While the economic rationale for eliminating subsidies is well-documented, its socio-economic consequences

necessitate careful planning and execution. Effective mitigation measures, stakeholder engagement, and transparent governance are critical to ensuring that subsidy reforms achieve their intended objectives without exacerbating poverty or social unrest.

Fuel Subsidy Removal and the Declining Relevance of Organised Labour

Trade unions have indeed played a significant role in Nigeria's history, particularly in advocating for workers' rights and challenging oppressive regimes. During the colonial period, they were instrumental in fighting against colonial rule and exploitation. The Nigeria Labour Congress (NLC) was particularly active during the military dictatorship in the late 1980s and 1990s, contributing to the return to democratic rule (Anyim *et al* 2013, Ka'oje, 2019). However, in the new democratic era that began in 1999, there has been a noticeable absence of a vibrant trade unionism in Nigeria. This has led Anyim *et al* (2013) to posit that since return to democratic rule in 1999 opposition to the ruling People Democratic Party anti people policies remained unchecked. This shift has raised questions about the current role and effectiveness of trade unions in Nigeria. While they continue to advocate for workers' welfare, their influence and ability to mobilize support have been challenged by various factors; including internal issues and external pressures. This unfortunate situation has made workers which the unions represent to lose confidence in their leaders, because on several occasions the issues in dispute were been settled behind the door before calling for protest and consequently leaving the workers frustrated and agitated. On many instances labour leaders call off the strike and / or protest at a point when the workers are more determined to fight a cause they perceived as just. To buttress this argument Anyim *et al* (2013) posits that the 21st century labour leaders are characterized by extravagant lifestyles funded by the sweat of hardworking union members. This certainly paint a stark contrast to the original mission of these organizations. Instead of focusing on the welfare and rights of their members, some leaders seem more interested in personal gain and organizing profligate events that do little or no benefit to the workers. It is

indeed a disturbing development when union leaders prioritize personal gain over working class collective welfare, it erodes trust and undermines the very fundamental principles of unionism and thus, leading many workers to view their unions not as protectors of their rights, but as entities that have lost their way. This has to a large extent undermine any attempt by the union leaders to mobilize support for protest action or strike in Nigeria, because even before the protest Nigerian populace have concluded that the union executive has been settled with brown envelopes. In addition to this, is the important role that social media plays in spreading of news in a country where content is not filtered before their release on various social media handles.

Trade unions in Nigeria, which have historically been instrumental in advocating for social justice, equity, and the economic well-being of the masses, are now perceived by many Nigerians as losing their integrity and charisma. This decline in perception is attributed to the unions' current double standards in performing their legitimate functions. The situation has worsened to the point where civil society groups, which have traditionally supported trade unions during crises, are now questioning the sincerity of trade union leaders. These leaders are seen as sluggish and prone to "selling out," leading to a perception that they are betraying the common people's hopes (Anyim, *et al* 2013).

Relatedly, Ajayi (2018) opined that fuel subsidy removal has to a large extent discloses the growing irrelevance of organised labour in mitigating the socio-economic challenges faced by the populace. From a historical context, unions have served as a counterbalance to unpopular government policies. For instances, the nationwide strike of 2012 forced the government to partially restore subsidies after an initial removal attempt. However, in recent years, the unions have struggled to mobilise effectively against subsidy reforms, reflecting their diminishing strategic and political capacities. This trend has understandably led to a loss of trust and confidence among union members. The lack of tangible benefits and the perception of mismanagement can discourage workers from participating in union activities further weakening the unions' influence and effectiveness.

Provision of subsidies on fuel have been a long tradition and was used to serve as a mechanism to stabilize energy prices for consumers, thereby mitigating the impact of global oil prices. When governments decide to eliminate these subsidies, the repercussion is often a sharp increase in fuel costs, which disproportionately affects lower-income populations. In response, trade unions that are regarded as bastions of workers' rights, tend to mobilize members for protests, strikes, and negotiations aimed at safeguarding employees' interests and preserving their purchasing power. However, the recent trend towards a diminishing influence of trade unionism complicates these dynamics and only exposes the inaptitude of the organised labour.

Several factors contribute to the declining influence of trade unions. First, the rise of precarious employment and gig economies has fragmented the workforce, making it difficult for traditional unions to maintain cohesive organization and bargaining power. As labour markets evolve, many workers find themselves outside the purview of established unions, leading to a disconnection between trade union leadership and the interests of their potential constituents. Second, the political landscape in various countries has seen the entrenchment of neoliberal ideologies, which often prioritize market-driven solutions over collective labour rights. This has resulted in legislative environments that are less conducive to union activities, further eroding their influence.

Moreover, the removal of fuel subsidies presents a complicated conundrum for unions. On the one hand, heightened fuel prices trigger immediate discontent among the workforce, which unions can exploit to rally support and demonstrate their relevance. On the other hand, unions are often scrutinized for their perceived inability to effectively address broader economic challenges in an increasingly complex global market. This duality can diminish the perceived legitimacy of union leadership, thereby weakening their bargaining position. Other factors associated with declining influence of trade unions in Nigeria includes but not limited to political co-optation and fragmentation, eroding of public trust, and changing economic structure. In relation to co-

optation and fragmentation, Iyoha, (2020) submitted that government intrusion into activities of trade unions has suggestively weakened the bargaining power of organised labour and as such the 2023 subsidy removal has further showcased the unions' inability to act as the "voice of the people." Perhaps, this made Adeniran & Saibu (2022), to concur that unions' inability to influence economic reforms erodes their relevance and perpetuates poor governance. Many labour leaders have been accused of pursuing personal gains rather than championing workers' rights. Additionally, internal divisions and rivalry among unions have undercut their unified stance. For instance, the Nigeria Labour Congress and her sister union the Trade Union Congress are not operating on the same page. This can be vividly seen when the individual unions are giving conflicting statements on an issue that bothers Nigerian populace like subsidy removal and minimum wage. On public trust, Nigerian populace has lost confidence in the leadership of organised labour due to its inconsistent positions on issues like fuel subsidy removal. For instance, unions initially opposed the 2023 subsidy removal but failed to sustain mass protests, leading to disillusionment among workers and citizens (Salau, 2023).

Adelabu, (2019) opined that the decaying of Nigeria's industrial sector which is traditionally a stronghold for union activities, has impeded the influence of organised labour. The rise of informal and precarious employment (groups difficult to unionize) has further eroded the unions' membership base.

Thus, the removal of fuel subsidies represents a significant policy shift with broad socio-economic consequences. It underscores the pressing need for trade unions to adapt to the changing landscape of labour relations and political dynamics. As they navigate these challenges, it is important that unions re-establish their relevance by addressing the evolving needs of the workforce, advocating for equitable economic policies, and reinforcing collective bargaining structures. Only through such adaptations can trade unions reclaim its influential role in advocating for workers' rights amidst the challenges posed by fuel subsidy removal and the changing nature of work itself. It is key for trade

unions to realign with their core mission of advocating for workers' rights and welfare. Transparency, accountability, and genuine commitment to the members' interests are essential to restoring faith in these organizations.

Conclusions

The removal of fuel subsidies in Nigeria underscores the economic fragility and social inequality that persist in the country. Nigerians are more impoverished since the fuel subsidy removal. Poverty has reached its highest peak to the point that today in Nigeria you are either rich or poor, there is nothing like a middle class. The arguments forwarded by the proponents of subsidy removal to improve the lives of Nigerians by investing the money saved from subsidy only remained a mirage as nothing has changed two years after the removal. Corruption and mismanagement of oil wealth has continued unchecked under President Bola Ahmed Tinubu's administration. Organised labour, once a formidable force for workers' rights and public accountability, is increasingly seen as ineffective and fragmented. This to a large extent have made Nigerians to believe that, there once while strong unions have been co-opted and compromised.

To address the socio-economic challenges linked to subsidy removal and restore the public trust on organised labour, the paper recommends the following policy measures: (i) Strengthen labour institutions - labour unions must undergo internal reforms to address corruption, enhance transparency, and rebuild public trust; (ii) Promote social dialogue - the government should institutionalise mechanisms for regular consultation with labour unions and other stakeholders in policy formulation; (iii) Targeted Subsidies - subsidy reforms should be accompanied by targeted interventions to cushion the impacts on low-income households, such as cash transfers, public transport investments, social welfare programs, and gradual removal of subsidy by percentage; and (iv) Support Informal Sector Unionisation - labour unions need to adapt to the changing structure of the economy by organising informal sector workers and advocating for their rights.

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