Effects of Economic Globalisation on employment trend and wages in developing countries: Lessons from Nigeria experiences.

Obayelu Abiodun Elijah
Email: obayelu@yahoo.com
Department of Agricultural Economics, University of Ibadan, Nigeria

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Abstract

Since 1986, Nigeria has gradually been integrating with the global economy. This paper examines the effect of globalization on employment and wages in Nigeria. The effects of globalization have been difficult to isolate and evaluate theoretically and empirically due to it multi-faceted nature, but this study attempt to analyse the effects on employment and employees' wages by looking at what happened before, during and after globalization in Nigeria. Information and data were mainly gathered through secondary sources, The results of the analysis shows that globalisation of the Nigeria economy through various economic reforms, deregulation and privatisation has led to downsizing of employment in civil service thereby compounding the widespread job queuing in Nigeria. The collapse of some of the private sector firms has also led to retrenchment of workers following stiff competition from import after libralisation thereby increasing both rural and urban unemployment in Nigeria. Also revealed is the problem of increase in income inequality in the country. There appeared to be a wide gap between earnings of the skilled and unskilled workers in the country. Many less skilled workers and experienced worker have also lost their jobs as a result of globalisation. On the positive side, globalisation has led to high employment creation in the informal sector compared with the job lost in the formal sector due to the increasing number of private firms. Most of the jobs created in informal sectors are insecure despite there higher pay compared to wages in the formal sector. There is the need for training and re-training of employee in order to assist them in maintaining their jobs

Keywords: globalization, labour market, employment, wages, developing countries and Nigeria

Section one: Introduction

Globalization has become the catch-all term used to refer to those various phenomena and processes that are brought about by changes towards world economic integration ((UN-DAW, 1999). It is a complex process implying growing in international integration of economies with regard to markets for goods and factors of production (Bigsten and Durevall 2003) affecting many aspects of people 's lives. It is an economic and multi-faceted phenomenon, and each facet may have different effects on employment, varying by country, time, industry, policies and the like. Globalisation of the Nigeria economy started in 1986 during the Structural Adjustment Programme (SAP) which ushered the country to libralisation, deregulation, commercialization and privatization programme. It comes as a part of large array of economic, technical, social, legal and policy changes, each with interactions and feedbacks, making it difficult to separate the effects. Different analysts tend to focus on different aspects of globalisation, thus often talking at cross purposes (Sanjaya, 2002). The effects are diverse and difficult to isolate and evaluate. Studies on the effects of globalization on employment, wages and economic growth are very rare in Africa unlike others. This suggests that a generalisable relationship between globalisation and employment in developing countries as a whole may not exist. The relationship is, rather, context specific, dynamic and changeable, reflecting particular interactions in each economy between the external facets of globalisation (e.g. shrinking economic distance, greater trade or the spread of international production) that apply to the economy and internal factors that affect its employment response in analytical terms

The process of economy globalization is a process of global industrial restructuring and readjustment. Economic globalization is the increasing interdependence of World economics as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide. While some people believe that globalisation does translate into substantial job creation in developing countries. Others believe that it leads to job loss. In practice, the most important policy modifications fostering the integration of national economies are those that have reduced barriers to trade and to capital flows. Many labour market reforms in developing countries have been introduced as an element of a larger package of reforms that has included liberalization of trade policies and capital markets. In many instances they have been introduced specifically in order to support the success of those elements of the policy reform aimed at greater external integration. The impact of globalization is greatly dependent on the specific features of labour markets.

It is therefore necessary to study the implications of labour market reforms, when investigating the impact of globalization. Policy reforms aimed at attracting foreign capital, and at enabling the domestic economy to adjust maximally so as to take advantage of opportunities for trade, have often included an element of labour market liberalization.

This paper addresses the following questions such as: What are the core characteristics of the process we call globalization? What effect has the enormous increase in globalisation had on earnings and employment in the Nigerian labour market? Has this impact improved or disintegrated the welfare of the workers? What implications does this have for economic growth in Nigeria?

Section two: Conceptual and theoretical underpinning of globalizations, employment and wages

2.1 Impacts of globalization on employment generation

One of the key features of industrial restructuring in the current globalisation process is the increasing polarisation in employment conditions and a growing differentiation in the workforce. One method employed by companies in their attempt to stay competitive through increased flexibility in the production process, is the "casualisation" of labour. This includes part-time workers, seasonal workers, home workers and subcontracted workers. Globalisation is often equated with growing integration of national economies. In the sphere of economics, globalisation is reflected in the increasing acceptance of free markets and private enterprise as the principal mechanism of promoting economic activities (Manda, 2002). Globalization is therefore generally seen as the process of broadening and deepening of inter-relationships in international trade, foreign investment and portfolio flows (Wignaraja, 2001). It is viewed as a rootless process of constantly moving jobs to low-wage countries (Uchitelle 2005).

The first attempts to measure the impact of 'globalisation' on employment date back to the early 1970s. Since then, the employment effects in Less Developed Countries (LDCS) have been studied by a great number of specialists and institutions. The literature on the effects of trade liberalization on employment and wages has been dominated by extensions of the Hecksher-Ohlin model. The main result envisaged is that specialization within developing countries in the production of labour-intensive products will lead to an increase in employment in the labour-intensive sector. Also, as this sector utilizes, for the most part, unskilled labour, the relative demand for unskilled workers should increase, and therefore, the wage gap between unskilled and skilled workers should decrease

Also a great number of studies have considered wage formation in greater detail. One interesting set of findings is that wage formation seems to be critically dependent on the trade position in the sense that import threats exert a downward pressure on wages, while export may be associated with higher wages. Bernard and Jensen (1999, 2001) and Bernard et al. (2003) find that exporting firms tend to have higher productivity and pay higher wages, with the causality running from productivity to exports. Interestingly, they also find that export tends to drive out less productive firms and induce a reallocation of production to more efficient firms. Schank, Schnabel and Wagner (2004) list 18 empirical studies using data from 20 countries, supporting that exporting firms tend to pay higher wages. Empirical studies have also found that import penetration tends to lower wages (see e.g. Boulhol et al. (2006), Revenga (1992), Nicoletti et al. (2001) and Jean and Nicoletti

(2002)). Globalisation has offered many employment benefits to developing countries like Nigeria. It enhances employment and earnings in developing countries because of inflows of foreign investment or increases in the value of a developing country's export products (Edmonds,2002). When a country opens to international markets, foreign investment often (but not always) enters the country. This leads to increases in the demand for local labor and hence higher wages. In addition, many of today's developing countries have comparative advantage in agriculture, and integration into international markets increase the price of the export product to international levels. Thus, trade liberalization may increase employment and wages in these agricultural export sectors. These changes in developing country labor markets stemming from globalization could increase child labor. Increased earning opportunities may increase the demand for child labor and the wages paid to children. Indirectly, increased earnings opportunities to parents can change the types of work performed by parents. Children may be forced to take over some of the activities usually performed by adults within their household. In the external world these countries face, markets become more accessible, transport costs lower, information easier to get, technology easier to access and capital easier to raise: this promises more exports, faster transfer of technology and greater investment resources. On the domestic front, closer integration with the world economy also promises much. Trade liberalisation, according to received trade theory, promotes labour-intensity in (export and domestic-oriented) activities and so boosts employment. Investment liberalisation leads to larger inflows of technology, information, capital, skills and various services, often in a 'packaged' form that lets them be deployed quickly and efficiently.

In Nigeria small-scale agriculture provides the main source of employment for most of the population living in the rural areas. Although employment participation for both male and female has been on the decrease, the share for wage employment and self-employed has been increasing since the 1986s, the economic reform period till this present reform that started in 1999. During this period, however, the share of informal sector employment has been increasing. The share of wage employment as a percentage of total employment outside smallholder agriculture has been declining from 78 percent in 1988 to 28 percent in the year 2000. The share of self-employment and the unpaid family workers has also been declining. However, the share of the informal sector employment in total employment outside smallholder agriculture has increased dramatically from 20 percent in 1988 to 70 percent in the year 2000. The jump in the share of employment in informal sector between 1989 and 1990 from 21 percent to 39 percent respectively, may partly be due to improved statistical coverage of the informal sector in the 1990s. This shows that during structural adjustment program period there has been a shift in employment generation from the formal sector to the informal sector.

2.2 Relationship between employment, and wages

Not only does globalization affect earnings opportunities in developing countries, but globalization also increases the ability of rich countries to influence policy in the world's poorer nations. As developing countries integrate into the world economy and increasingly rely on export markets to sell their products, rich countries can use the threat of trade sanctions to coerce policies that attempt to curtail child labor. Conventional theory emphasizes that capital flows to poor countries are likely to raise wages and increase employment (especially in the sectors employing capital intensively). There is some evidence that higher wages are associated with foreign investment in enterprises (Aitken, Harrison and Lipsey , 1996). Feenstra and Hanson (1997) emphasize the role of FDI and trade (outsourcing) in bringing about a worldwide relocation of marginal activities. The key result is that this relocation "reduces the relative demand for unskilled labour, and this result applies both to the more developed economy that is shedding production activities, and to the developing economy that is receiving them. The reason is that the outsourced activities are unskilled labour-intensive relative to those done in the developed economy, but skilled labour-intensive relative to those done in the less developed economy. Moving these activities from one country to the other raises the average skill-intensity of production in both locations" [Feenstra, 1998]. As a result, FDI and trade can cause increases in wage inequalities in developing countries, just as they may do in developed countries. .Das and Mohapatra (2002) show that financial market liberalization (and in particular, capital account liberalization) appears to be associated in a sample of developing countries with increasing inequality in the distribution of income. Economic theory suggests that increased globalization will lower the relative wage of unskilled labour in the advanced countries and raise the relative wage of unskilled labour in the developing countries when these two groups begin to trade with each other after a period of autarky. This is the famous Stoker-Samuelson theorem, or rather an implication of it, or more correctly, of so-called factor price equalization (Sach, 1996). Other theory suggests that international trade affects the prices of products in both exporting and importing countries and this in turn affects the price of labor (that is, wages within countries by influencing the demand for labor). Changes in product prices brought about by competition from imports alter the profit opportunities facing firms. Firms respond by shifting resources toward industries in which profitability has risen and away from those in which it has fallen. Trade flows thus give rise to shifts in the demand for labor, as more workers are needed in newly profitable sectors and fewer in unprofitable sectors. If the supply of labor is fixed, these demand changes lead to a rise in wages, since workers will demand a premium for switching into more profitable industries (Slaughter and Swagel 1997). Given the high level of unemployment in Nigeria, there is a ready supply of available labour. Many people are highly qualified, with higher education or university degrees. The minimum wage in Nigeria is currently 9500 Naira a month. Given the vast number of private companies in the country, it is very difficult to generalise about wages in the sector. Broadly, pay scales range from N6, 000 at the lower end to N100,000 per month for the top-ranking supervisors. In Lagos, N15, 000 appears to be an approximate average wage. A significant number of companies, however, pay well below these levels, and employees at times are frequently paid late, or not at all. As a rule, wages and working conditions tend to be best within the larger, more professionally organisations and lowest among the unregistered firms. This leads to dissatisfaction and tension and is often recognised as a problem for motivation and commitment by the companies themselves. Sufficient remuneration for the employees is a key condition for a more efficient, committed effort to performances

The employment rate represents the number of persons employed expressed as a percentage of the working age population (persons 15 years of age and older). The employment rate reflects, to a certain extent, the state of an economy. A high employment rate indicates the ability of an economy to create jobs and to employ a large percentage of its working age population. The complexity of the relationship between globalization, employment and wages is daunting when we try to determine its impact for a large numbers of countries. Mainstream economics puts forward an inverse relationship between employment and wages in the long-run. The hypothesis is that higher wages induce a capital-labour substitution and so can involve an increase in the structural (technological) unemployment. Unemployment is seen as a temporary deviation from the steady-state equilibrium, which in the long-run can be reached again. Two main causes can induce unemployment: either the real wages, which are higher than the equilibrium ones (this is the so-called "classical unemployment"), or the "effective demand", which is lower than the equilibrium one (this is the so-called "Keynesian unemployment"). Both classical and Keynesian unemployment can be solved through price or wage adjustments and persistent unemployment can be explained as a consequence of wage or price rigidities. Theoretically, persistent unemployment should in turn weaken the workers and unions bargaining power and so induce a decrease in wages. In this view wages and unemployment are inversely correlated (Phillips curve) and the labour market should be a self-adjusting institution. Yet, many countries - especially the European ones - exhibit a tendency to persistent high rates of unemployment. According to mainstream economics, this persistence is due to some viscosity which hinders the correct running of the self-adjustment mechanism. In other words, economists suggest that unemployment can persist and often translate into long-term unemployment only if it does not exert a proper downward pressure on real wages. Wages can be rigid as a result of an "implicit contract" between the firm and the workers: if the latter are risk averse, they might prefer to gain a stable rigid wage than to receive a floating wages according to the different status of either the economic cycle or the firm’s profitability.

2.3 Effects of Wages and Productivity

The short-run impact of globalization has undoubtedly been of a contractionary nature. Increased competition nationally and internationally has resulted in relentless pressures to reduce costs and enhance productivity, inter alia, through reductions in employment and wages. Furthermore, this has contributed to increased uncertainty about job prospects. The effect has been to reduce aggregate consumer demand. Governments have also been constrained to restrain or reduce public expenditures to decrease budget deficits and control inflation. Increased integration of factor and product markets has effectively. There are various theories behind the concept of efficiency wages. Efficiency wage theory asserts that higher wages make workers more productive. In these models, wages cannot be lowered because the cost of falling productivity is larger than the savings from lower wages. Thus, lowering wages would increase costs of production. The four reasons usually given for efficiency wages are first, in poorer countries, higher wages can increase nutrition and health leading to an increase in productivity and output. Second, higher wages can reduce turnover decreasing hiring and training costs reducing costs per worker. Third, the average quality of workers can depend upon the average wage paid since lowering wages will cause the best workers to leave. Fourth, higher wages can bring forth higher effort. In these models it is optimal to pay a wage above the wage that equates the supply and demand for labor. Increasing the minimum wage will increase effort. If the theory that higher wages cause higher effort has validity at all, it ought to affect workers at the lower end of the wage distribution who are most likely to be discouraged and shirk on the job. Alternatively, an increase in the minimum wage attracts more productive, discouraged workers back into the labor force.

Thus, coupled with an institutional, coordination failure, or some other story that keeps wages below their efficiency wage level initially, an increase in the minimum wage and the dignity that comes with it could increase productivity enough so that the increase actually pays for itself. But if all firms raise the minimum wage, then the average wage increases, discouraged workers return to the labor force, productivity soars, and costs fall.

2.4 The employment effect of trade liberalization

According to traditional trade theory, greater openness in an economy leads to more specialization, in line with its comparative advantage. This implies that sectors intensive in low-skilled labour should expand, because this is the abundant resource. And sectors that are intensive in capital are expected to shrink. The greater demand for low-skilled labour supposes to lead to higher wages in the long run and thus reduce poverty. Employment only increase if the expanding exporting sector is more labour-intensive than the shrinking import substitution sector (UNECA 2004 and Fosu 2002). The received trade theory on the other hands does not provide a clear guide to its employment and wage effects and in its most commonly used version it assumes away many factors that affect employment during globalization. Much finally depends on the ability of each country to cope with the liberalized trade, investment and technology flows that globalization implies.

Section three: Methodology

Nigeria, the most populous country in Africa is located approximately between Latitudes 4^o and 14^o North of the Equator and between Longitudes 2^o 2' and 14^o 30' East of the Greenwich Meridian. To the North, it is bordered by the Republics of Niger and Chad, to the East by the Republic of Cameroon, to the South by the Atlantic Ocean and to the West by the Republic of Benin. The surface area of the country is approximately 923,770 m^2 .About 35% of this land mass is believed to be arable while 15% is said to be used as pastures, 10% as forest reserve, 10% for settlements and the remaining 30% is considered uncultivable, for one reason or the other (Cleaver and Shreiber, 1994). Its domestic economy is dominated by agriculture, which accounts for about 40% of the Gross Domestic Product (GDP) and two-thirds of the labour force. The external sector is dominated by petroleum, which generates about 95% of Nigeria's foreign exchange earnings while agriculture contributes less than 5%. Trade imports are dominated by capital foods, raw materials and food.

Data used for this analysis were mainly obtained from secondary sources such as the Central Bank of Nigeria, Abuja as well as the Nigeria National Bureau of Statistics (NBS).The data were later analysed using simple statistics such as average, percentage and in tabular forms

Section four: Results and Discussion

This section presents findings on the effects of globalization on wages and employment in Nigeria

4.1 Economic Reforms in Nigeria

The economic reforms in Nigeria are aimed at generating a conducive environment for private investment. Key pillars of the reform process include mproved macroeconomic management, reform of the financial sector, institutional reforms, privatisation and deregulation, and improvement of the infrastructure. The importance of infrastructure for economic growth and development cannot be overemphasised. The poor state of electricity, transport and communications is a major handicap for doing business in Nigeria.

The government has also made progress in consolidation of the banking system. Prior to the reforms, the industry was highly fragmented, with many banks having very small and undiversified capitalisation. The reforms stipulate a minimum paid-up capital of $188 million, up from $15 million, with a deadline for compliance at the end of December 2005, which resulted in a record number of bank mergers and acquisitions. As a result, the number of banks in Nigeria has shrunk from 89 in 2004 to 25 in December 2005. With a much higher capitalisation base, the Nigerian banking sector will be expected to play an important role in financing economic development through increased credit to the private sector. The privatisation and deregulation programme is also a notable area of success. The programme started n 1989 following the inauguration of the 11-member Technical Committee on Privatisation and Commercialisation (TCPC) on 27 August 1988. In the first round of privatisation, between 1989 and 1993, the TCPC privatised 55 firms. Offer for sale was the predominant mode of privatisation. The second round of privatisation, which began in 1999, is aimed at full or partial divestment of government interest in 98 public enterprises in 14 sectors. Since 1999, approximately 45 public enterprises have been privatised. The most remarkable progress has been in the communications sector, where the number of cell- phone lines increased from less than 0.25 million in 2001 to 8.3 million in 2004. Thus, the deregulation of the telecommunications industry has greatly improved access to telecommunications services. Similarly, the deregulation of downstream petroleum has been accompanied by reductions of subsidies on petroleum products, saving $1 billion.

4.2 Effects of globalization on employment generation in Nigeria

Employment pertains to persons who, during a specified period of time, work for pay or profit. It is a situation in which all those persons seeking work in a community are able to find suitable work fairly readily. People who have part-time temporary jobs are counted as employed even though they are significantly underemployed. Also person working at least one hour during the reference period (day or week) is considered as employed as opposed to unemployed person who is a person not working even at that minimum amount of time. In Nigeria, small-scale agriculture provides main source of employment for most of the population living in Rural Area. Employment participation for both male and female has been on the decrease, the share for wage employment and self employment has also been decreasing since 1986 reform period when SAP was introduced. The major occupational groups for employment in Nigeria are agriculture; sales production and professional. The four combined to account for (95.8%) of employment in the country (NBS 2000). Agriculture is the employer of active labour force in Nigeria. More than 80% (2/3) of the rural population in Nigeria is engaged in one type of agricultural activity or the other either directly or indirectly. The roughly indicates the extent to which the agricultural sector absorbs the labour force in the country. However, a World Bank Report (1970) put as it that the agricultural sector employed 71% of the total labour force in Nigeria in 1960 and by 1977 this had dropped to 56%. This was 68% in 1980, falling to 55% in 1985, 53% in 1986, 55% in 1987, 55% in 1988 and 57% annually from 1989 to 1992(Adubi, 1995).

However in 2000, the professional led with about 42.9% follow by agriculture with (34.1%), sales (14.6%), production (4.2%), services (0.7%), and clerk (3.6%), administration (0.03%) (National Bureau of Statistics 2002). The revealing fact about this is that agriculture had lost its traditional first likely position to professional occupation, which was the impact of the Structural Adjustment on the economy introduced in 1986. Decline in the number of people employed directly by agriculture is due to increase in urbanization and industrialization in Nigeria. Able body men and women migrate from the rural areas to urban centres for white colar jobs leading to other sectors engaging more labour than they previously did. Agriculture is no longer appealing to the youths in the country; they preferred professionals' jobs to agriculture. Analysis of gender difference in professional employment has shown that males constitute about 26. 3%, while the corresponding figures for the females are about 58.7%. For agriculture, the gender difference shows about 49.1% for males and 19.6% for females; for sales it is about 10.8% for males and 18.2% for females. While for production, it is about 7.2% for males and 1.4% for females (NBS 2002)

Considering the economic and the financial crisis that have **c**haracterised the economies of many African countries, including Nigeria, over the years, the informal sector is expected to provide the needed impetus for employment generation especially in the rural sector of the economy. That is, the informal sector is expected to serve as a viable mechanism for the creation of jobs for the rural populace through additional incomes. Moreover, the informal sector is expected to provide employment to those who could not obtain well-remunerated job in the formal sector of the economy so as to alleviate poverty.

There are some differences between the informal and formal sector employment. Employment in the formal sector is somehow protected so that the level of wages and working conditions in the sector are restricted in such a way that the job- seekers in the market cannot benefit unless they find their ways to cross the barrier to entry. Moreover, there are some differences in the wage rates and average earnings between the two sectors. Employment in the informal sector is often characterised by various hours of work over a period of time. This is because of lack of long contractual relationship in the sector as well as the prevalence of self-employment. Based on this, it appears that an average worker in the informal sector will be greater than the differential wage rates. In addition there is lack of contractual relationships in employment in the informal sector in Nigeria. Most people also find it much easier to be employed in the informal sectors than the formal sector but with a relatively high turnover in the short run. This is based on the fact that job-seekers who cannot find regular job in the informal sector for short or long periods engage in informal sector activities rather than being wholly unemployed.

As indicated in the table 1, it is clear that the share of employment in the formal sector has declined over time and at the same time there has been a rapid increase in the share of employment in the informal sector during the economic reform period especially since 2000 to date in Nigeria. The shift in the share of employment from the formal to the informal sector is due to a number of factors. These includes civil service reforms such as retrenchment of civil service employees who eventually find refuge in the informal sector, retrenchment in the private formal sector as previously protected firms collapse due to competition emanating from increased imports due to free trade following trade liberalization, and increased unemployment due to increased school drop out especially after primary level examination

Table 1: **Employment in the Federal Civil Service in Nigeria 1970-1997**

Periods	Year	permanent	Temporary	Contract	Total
Pre-globalizations	1970	58,982	4,752	N.A	63,734
	1971	67,985	2,568	“	72,553
	1972	80,399	3,938	“	84,337
	1973	95,484	4,629	“	100,113
	1974	106,258	16,656	“	122,914
	1975	115,518	5,817	“	121,335
	1976	125,580	6,391	“	131,971
	1977	116,544	5,338	“	121,882
	1978	182,203	5,474	“	187,677
	1979	192,099	5,220	“	197,319
	1980	217,980	8,194	“	226,174
	1981	246,789	8,930	“	255,719
	1982	263,496	1,982	“	265,478
	1983	286,032	6,091	“	292,123
	1984	300,427	1,413	“	301,840
	1985	250,104	5,202	“	255,306
Economic Reforms period. (Structural Adjustment Programme (SAP) era)	1986	249,170	5,899	“	255,069
	1987	249,143	5,594	577	255,069
	1988	250,146	4,341	292	254,487
	1989	286,861	1,159	-	254,487
	1990	286,861	997	269	287,278
	1991	180,884	1,096	274	182,254
After the SAP era	1992	186,104	4,948	277	191,329

	1993	191,508	5,411	283	197,202
	1994	194,250	5,599	290	200,137
	1995	194,136	5,593	289	200,018
	1996	192,007	5,932	272	197,211
	1997	191,723	5,954	410	198,087

Sources: Computed from Nigeria National Bureau of Statistics (various issues)

The number of jobs created in the informal sector are not, however, as good as those lost in the formal sector. First due to high competition in the informal sector, the survival rate of firms in the sector is very low making jobs in this sector very insecure. Also after the economic reform which has led to increase in wages and salaries in Nigeria in recent time, earnings in most of the informal sector are lower than in the formal sector making workers in the sector vulnerable to poverty. Job creation and job destruction are important in determining whether churning occurs against globalisation by potential losers. Also the natures of jobs have change so that a worker ceases to be covered for unproductively l due to low wages. A permanent worker who used to enjoy all benefits extended by formal labour regulations now loose the benefits. One source of job destruction has been the downsizing of state-owned enterprises and government agencies. In some cases, up to a half of the workforce in state-owned enterprises needs to be considered redundant, if those enterprises are to be run as private firms (Belser and Rama, 2001). Quite a number of people in Nigeria have lost their jobs through state-owned enterprise downsizing and more are likely to be retrenched as the exercise is still going on. It has been argued that public sector downsizing is not directly connected to globalisation, but the two are not independent either since countries that remain isolated from the outside world can keep their state sectors untouched for much longer (Rama, 2001).

Tables 2, 3 and 4 show an impressive growth rate of employment in industries and businesses in Nigeria starting from 1999 second phase economic reforms in Nigeria. The growth of employment in communication sector was the highest in 2001 due to the privatization of the in sector leading to the emergence of Global communication systems (GSM) which are private operators. This is an evidence that economic globalization brings about more employment of people.

Table 2   Total Employment in Industries and Businesses

ECONOMIC ACTIVITY	TOTAL EMPLOYMENT							Total
	1999	2000	2001	2002	2003	2004	2005	
AGRICULTURE	76,540	79,926	80,702	81,254	88,386	109,513	123,761	640,083
MANUFACTURING & PRO.	1,916,781	1,835,130	1,905,077	1,849,207	1,944,024	1,987,518	1,912,906	13,350,641
BUILDING & CONSTRUCTION	290,574	307,896	476,454	409,933	398,798	431,731	459,023	2,774,410
HOTELS, REST. & TOUR	537,067	509,664	572,039	556,216	544,291	538,214	520,556	3,778,047
TRANSPORT	154,693	158,178	179,180	192,873	203,266	189,142	241,354	1,318,688
COMMUNICATIONS	17,409	28,342	193,682	198,897	315,039	325,047	467,260	1,545,674
EDUCATION SERVICES	8,228	8,857	12,444	18,402	20,394	21,887	25,781	115,993
MINNING & QUARRYING	56,137	18,737	18,737	19,934	31,940	33,697	35,867	215,050
UTILITIES	14,896	14,510	14,565	14,841	15,172	15,448	14,896	104,326
BANKING	28,263	17,111	24,274	24,896	24,453	25,312	29,883	174,192
DISTRIBUTIVE TRADE	146,577	145,501	162,478	177,094	183,549	190,948	196,511	1,202,658
PRIVATE PROFESSINAL SERVICES	7,047	8,449	7,639	7,797	8,804	9,594	10,206	59,536
REAL EST. & BUS. SERVICES	75,004	77,810	85,552	92,982	94,203	93,996	103,348	622,896
HEALTH	305,880	301,616	318,367	346,082	347,300	355,726	330,042	2,305,012
FINANCE	24,108	28,164	28,189	28,747	25,350	26,846	52,398	213,802
TOTAL	3,659,203	3,539,891	4,079,381	4,019,156	4,244,968	4,354,617	4,523,792	28,421,008

Source: National Bureau of Statistics 2006

Table 3: Index of Employment by Economic Activity							
ECONOMIC ACTIVITY	1999	2000	2001	2002	2003	2004	2005
AGRICULTURE	100	104.42	105.44	106.16	115.48	143.08	161.70
MANUFACTURING & PROCESSING	100	95.74	99.39	96.47	101.42	103.69	99.80
BUILDING & CONSTRUCTION	100	105.96	163.97	141.08	137.24	148.58	157.97
HOTELS, RESTAURANTS & TOURISM	100	94.90	106.51	103.57	101.35	100.21	96.93
TRANSPORT	100	102.25	115.83	124.68	131.40	122.27	156.02
COMMUNICATIONS	100	162.80	1112.56	1142.51	1809.66	1867.15	2684.06
EDUCATION SERVICES	100	107.65	151.25	223.67	247.86	266.01	313.35
MINNING & QUARRYING	100	33.38	33.38	35.51	56.90	60.03	63.89
UTILITIES	100	97.41	97.78	99.63	101.85	103.70	100.00
BANKING	100	60.54	85.89	88.09	86.52	89.56	105.73
DISTRIBUTIVE TRADE	100	99.27	110.85	120.82	125.22	130.27	134.07
PRIVATE PROFESSIONAL SERVICES	100	119.89	108.40	110.64	124.93	136.13	144.82
REAL ESTATE & BUSINESS ERVICES	100	103.74	114.06	123.97	125.60	125.32	137.79
HEALTH	100	98.61	104.08	113.14	113.54	116.30	107.90
FINANCE	100	116.82	116.93	119.24	105.15	111.36	217.35
TOTAL	100	96.74	111.48	109.84	116.01	119.00	123.63

Source: National Bureau of Statistics 2006

TABLE 4: REAL GROWTH RATE OF EMPLOYMENT IN INDUSTRIES & BUSINESSES AT CONSTANT 1999						
ECONOMIC ACTIVITY	2000	2001	2002	2003	2004	2005
AGRICULTURE	4.42	0.97	0.68	8.78	23.90	13.01
MANUFACTURING &PROCESSING	-4.26	3.81	-2.93	5.13	2.24	-3.75
BUILDING & CONSTRUCTION	5.96	54.75	-13.96	-2.72	8.26	6.32
HOTEL, RESTAURANT & TOURISM	-5.10	12.24	-2.77	-2.14	-1.12	-3.28
TRANSPORT	2.25	13.28	7.64	5.39	-6.95	27.60
COMMUNICATIONS	62.80	583.38	2.69	58.39	3.18	43.75
EDUCATION SERVICES	7.65	40.50	47.88	10.82	7.32	17.79
MINNING & QUARRYING	-66.62	0.00	6.39	60.23	5.50	6.44
UTILITIES	-2.59	0.38	1.89	2.23	1.82	-3.57
BANKING	-39.46	41.86	2.56	-1.78	3.51	18.06
DISTRIBUTIVE TRADE	-0.73	11.67	9.00	3.64	4.03	2.91
PRIVATE PROFESSIONAL SERVICES	19.89	-9.58	2.07	12.91	8.97	6.38
REAL ESTATE & BUSINESS ERVICES	3.74	9.95	8.69	1.31	-0.22	9.95
HEALTH	-1.39	5.55	8.71	0.35	2.43	7.22

FINANCE	16.82	0.09	1.98	-11.82	5.90	95.18
TOTAL	-3.26	15.24	-1.48	5.62	2.58	3.88

Source: National Bureau of Statistics 2006

Employee in real estates and business services as indicated in table 4 were highly compensated in Nigeria in after the beginning of the 1999 reforms exercise in Nigeria, while those in agriculture were the least compensated

4.3 Effects of globalization on minimum and wage increase and employment in Nigeria

The importance in studying the effects of globalization on the labour market lies in the fact that earnings from labour represent the main source of income for the great majority of the inhabitants of developing nations and especially of the poorer groups of workers, who lack ownership of any other material assets. Various studies (Ikiara and Ndung'u 1997; Revenga, 1997; Currie and Harrison, 1997) show that the short-term impact of trade liberalization on wages may be negative. While the short term impact of foreign direct investment on earnings is positive. Microeconomic studies dealing with foreign direct investment systematically report a positive impact on wages.

The role of minimum wages in developing countries like Nigeria is still very controversial. There is a growing view among economists that the minimum wage offers substantial benefits to low-wage workers without negative effect while others has widely widely proposed that minimum wages act inadvertently to increase unemployment. Although the logic of this conventional prediction is well-known, it may be less widely applicable than generally thought. The damaging effect of minimum wages on employment is accompanied by its effect on increasing the wage of those who find work. In Nigeria, where intra-family and intra-community transfers of income are common, the net income of employed individuals is increased by the application of a minimum wage while the unemployed have nothing to lean on for survival. In 1998, their was an upward review of the minimum wage from N250.00 to N 5,200.00, which was later slashed to N 3,500.00 for federal civil servants and N 3,000.00 for their state counterparts. Starting from May 2000, the Federal Government of Nigeria as parts of its reform exercise approved the minimum wage of N7, 500 ($75) per month for Federal Government workers, an increase of 114.29% from the approved in the previous years. This is seen as a positive step in the move towards poverty alleviation. The impact of a 114% increase in minimum wage and the negotiations in the private sector has already reflected in an increase in some prices of manufactured foods. In an attempt to cushion the price effect of the wage increase, government announced a 25% slash in telephone installation charges from N20, 000 to N15, 000. Charges on international calls were also slashed by 25%, while domestic calls at off-peak periods such as weekends and public holidays were slashed by 50%. In 2006, an increase in wages by 12.5% for all categories of workers, both in private and public sector and at federal, state and local council levels has resulted to retrenchment of many workers. In

2007 the Federal Government of Nigeria announced a new consolidated salary structure of 15% for federal civil servants, members of the armed forces, academic and non-academic staff of federal tertiary institutions, the police and other paramilitary services as well as teaching hospitals and research institutions. With the consolidated salary scheme, the least public official in the presidency now earns N1.7 million per annum, about N140,000 month, while the highest paid receives N4.8 million per annum, about N400,000 per month. Those in the latter category are top government officials appointed by the President but whose salaries are not determined by the Revenue Allocation and Fiscal Mobilisation Commission. They include "the chief of staff to the President; chief of defence staff and the service chiefs; the inspector general of police (IG) and the heads of the paramilitary services, major generals and their equivalents in the armed forces, police and the paramilitary services, and other service chiefs.

The consolidated armed forces salary structure provides an annual salary of N260,000, about N21,000 per month, for the least paid (that is, a private) and N2.68 million per annum, about N220,000 per month, for the highest paid officer (that is, a brigadier general. For the police and other paramilitary forces, however, a recruit, who is the least paid, receives N63,000 per annum, about N5,250 per month. A constable receives N293,000 per annum, about N24,000 per month, while an assistant inspector general of police (AIG), or his equivalent rank in the paramilitary service earns N2.46 million per annum, about N200,000 per month. For the other categories, that is, the non-academic staff of federal government tertiary institutions, teaching hospitals and research institutes, the least paid worker will receives N152,000 per annum while the highest paid staff receives N2.87 million per annum. On the other hand, a level one academic staff receives N694, 000 a year while the highest paid academic staff receives an annual income of N3.2 million, about N260,000 monthly. While the least paid civil servant on the 15% increase if implemented earns an annual wage of N144,000, about N11,500 per month, a director, a level 17 officer, who is the highest paid, earns N2.27 million per annum, about N190,000 monthly. The implication for this pay rise is that a level one officer salary amounting to N11, 500 per month as a take-home pay come down to about N8,500 after tax, pension and other deductions. Another finding of the study is that the minimum wage appears to have actually caused a reduction in employment in large firms in Nigeria contrary to that of developed country literature on minimum wages (Card and Krueger, 2003). Large firms suppose to behave like monopsonists in the labour market, as a result of which increases in the minimum wage cause increases in wages and increases in employment. The study also finds that the elasticity of investment with respect to the minimum wage is negative. It was found that prior to the introduction of the wage review in Nigeria; public sector wage structures for employees were inferior to those of the formal private sector for the same genre of employees (see table 5 and 6)

Table 5: Real Take Home Wages and Salaries in Public Sector				
YEAR	Period	Naira Per Month		
		GL. 01	GL. 08	GL. 15
1979 -83	Pre-globalization period or SAP era	244.00	737.22	1,947.70
1984-88	Era of first reform in Nigeria (SAP era)	164.29	427.64	1,064.06
1989-93		149.23	272.64	576.14
1994-98	New reform era	82.1	198.2	369.7
2003-2003		139.4	340.3	728.9
Source: National Bureau of Statistics – Nigerian Facts Sheet				
Note: SAP = Structural Adjustment period, Real take home monthly wages and salaries in the public sector reflect the amount realized by deflating nominal Salaries/wages with the Consumer price index. Wages and Salaries include basic salary and all allowances, less Taxes and other deductions. Real take home wages and salaries is a milestone for understanding full impact of inflation to purchasing power of local currency.				

TABLE 5: COMPENSATION OF EMPLOYEES IN INDUSTRIES & BUSINESSES (IN NAIRA)							
ECONOMIC ACTIVITY	1999	2000	2001	2002	2003	2004	2005
AGRICULTURE	50,165.23	79,095.48	90,483.27	98,421.78	108,220.94	99,637.05	102,164.27
MANUFACTURING & PROCESSING	1,689,454.31	168,377.00	209,970.35	392,724.20	250,975.84	296,694.13	326,528.98
BUILDING & CONSTRUCTION	197,236.40	231,931.33	235,430.73	306,786.98	215,859.01	338,841.03	402,954.00
HOTELS, RESTAURANTS & TOURISM	179,535.89	263,737.97	245,511.63	360,731.99	358,652.59	414,755.30	476,309.54
TRANSPORT	148,445.59	151,069.48	145,981.84	143,637.65	174,313.16	195,023.04	241,510.18
COMMUNICATION	481,554.98	386,623.15	442,179.97	498,556.96	457,022.32	527,590.08	539,754.09
EDUCATION SERVICES	120,704.83	137,747.98	219,631.76	278,859.67	340,486.65	429,756.16	445,290.91
MINNING & QUARRYING	11,658.89	13,972.06	14,970.06	39,630.39	32,505.85	32,319.64	37,309.70
UTILITIES	187,777.78	262,357.41	280,303.03	418,215.61	450,909.09	621,428.57	755,555.56
BANKING	539,644.84	714,160.25	1,067,876.64	1,150,256.16	1,000,476.25	1,735,155.63	1,670,493.50
DISTRIBUTIVE TRADE	215,653.49	264,324.89	374,896.02	434,141.08	496,511.54	574,634.14	610,425.47
PRIVATE PROFESSIONAL SERVICES	145,077.54	154,550.60	172,252.84	196,465.25	332,620.74	404,789.02	664,951.42
REAL ESTATE & BUSINESS	8,776,774.68	6,637,289.50	7,132,037.56	7,305,075.96	8,664,191.02	12,800,605.40	13,802,227.28

SERVICES							
HEALTH	170,246.41	263,043.61	330,996.49	327,054.44	390,165.07	477,835.89	463,070.98
FINANCE	99,358.57	179,843.38	235,297.66	347,753.09	548,984.68	558,242.82	413,678.20
TOTAL	334,464.87	342,983.06	389,555.18	524,763.62	484,607.57	630,200.02	703,469.65

Source: National Bureau of Statistics 2006

Section five: Conclusion and recommendations

This section summarises the key findings with policy recommendations of the effects of globalization on wages and employment in Nigeria

5.1 Policy implications of globalisation on wages and employment in Nigeria and Conclusions.

Although globalization has generally brought benefits, it has also been associated with inequality, vulnerability to external shocks and a brain drain in Nigeria. Nigeria is already affected by the current wave of globalization that is driven by lower transport and communication costs, liberalized markets for goods, service and capital and faster technical change. Mostly affected are the low-skilled workers having difficulty moving to a different sector and poor people, who generally lack the assets to invest in productive activities. Trade integration increases competition and shifts the sectoral structure of the economy, more firms have entered and many have exited thereby increasing temporary unemployment

Free trade alone through liberalization and deregulation cannot foster growth and development nor alleviate the unemployment and poverty problems in developing countries. This paper analyses the effect of globalisation on employment and earnings outcomes in developing countries with particular emphasis on Nigeria. Reforms of the Nigeria economy that started since 1986 through privatization, libralisations and commercialization has led to increases in wage and salaries of employee in Nigeria thereby boosting the incomes of low-wage workers and their families. High rates of job loss are also found in recent time in Nigeria along side with the rise in minimum wages of employee. However, in the long run, economic globalisation will bring more entries of firms than exists and provides more employment opportunities and wage. This is evidenced in Nigeria where there has been an increase in employment opportunities in the informal sector compared to the formal sector. But most of the job opportunities in the informal sector are insecure due to low survival rate of firms. Wages and salaries of public servants have increased but with a high inequality with those in some informal sectors like communication and oil and gas sectors. Real workers take home after deducting taxes and pension with inflation is observed to have dropped when compared with the pre-globalisation period of early 80s in Nigeria thereby worsening poverty level. There is also an increase in general unemployment rate and the expansion in the informal sector employment. This is attributed to civil service reforms, downsizing of employment in parastatals, collapse of some of the private sector firms and retrenchment especially in previous highly protected private sector firms following stiff competition from imports after trade liberalization. After globalization of the economy in Nigeria, most organizations have increased the number of part-time and full-time casual workers to make savings in terms of paying fewer benefits. The real earnings for all workers increased during the reform period that started in 2000 in Nigeria. The less skilled and untrainable employees lost their jobs after the economic globalization exercise in Nigeria compared to the highly skilled. This study also shows that there was little variation in employment levels of skilled and unskilled workers, but a significant increase in skilled workers' relative wages in Nigeria after trade liberation.

5.2 Recommendations

Developing Countries that failed to globalised its economy are in danger of becoming outsiders and be left far behind the development of other economies and if they participate fully in the process, it is most likely that they will be reduced to annexes of developed countries due to the latter dominance in the process. Economic globalisation therefore is a fact of life in the World economy. Developing countries should develop their own domestic technologies so as to be able to enjoy the full benefits of globalisation just like China and other countries. Also for globalisation to be successful, developing countries must liberalize their short-term capital movements gradually to avoid macroeconomic instability. Globalisation should offer opportunities for increased supply of goods from the developing countries to the world's market, improve performances in production of goods and services, and improve labour market outcomes in the long run in these countries. Nigerian governments need to cushion the most vulnerable groups against globalization's adverse effects. Mitigating the adverse effects of globalization includes providing basic social security, retraining workers for growing sectors and improving access to education and credit.

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