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Employment Quality and Wages Gains from Global Engagement: Evidence from Ethiopian Manufacturing Firms

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ABSTRACT

This paper analyses the effect of exposure to international trade and foreign ownership on the employment quality (workforce composition) and wages in manufacturing industries. This study used the unbalanced long panel dataset of Ethiopian manufacturing firms over the period 2000–2011 and deploying alternative econometric estimation technique (OLS, FE and GMM-SYS) by estimating dynamic models of employment and wages. The results show that firms' international exposure has a positive contribution to employment creation and wage growth in Ethiopian manufacturing. This affirms the fact that Ethiopian's exports are more labor-intensive and this has mitigated the country's labor surplus. Besides, trade and foreign ownership are found to have an absolute quality-bias which affirms the presence of learning by exporting on the Ethiopian manufacturing sector. We also found that Foreign Direct Investment (FDI) magnifies the wage gap between casual and permanent workers. Whereas, export participation has a positive, but not significant effect on the wage of permanent workers, while it has a weakly positive significant effect on casual workers' wage.

KEYWORDS International trade; employment; wage; foreign ownership