

*The Impact of Globalisation on Tanzania's  
Labour Market: Evidence from the  
Manufacturing Sector*

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**Structure of Presentation**

- *Brief Introduction*
- *Trade Liberalisation, Investment Reforms and Privatisation, and Public Sector Reforms – What Effect on Employment?*
- *Who Pays More? Foreign Versus Local Firms, and Exporting Versus Non-Exporting Firms*
- *Who Employs More People? Foreign Versus Local Firms, and Exporting Versus Non-Exporting Firms*
- *Are Workers Insecure in Their Jobs?*
- *Some Policy Issues*

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**Brief Introduction**

- **Basis and aim of paper**
  - *Presentation of key findings of study of impact of globalisation on labour market, and discussion of emerging policy issues*
- **Key issues**
  - *Impact of key economic reforms on employment/labour market*
  - *Who pays and employs more? Foreign-owned Versus Locally Owned Firms, and Exporting firms Versus Non-Exporting Firms*
  - *Are workers secure in their jobs?*
- **The context of the study**
  - *Integration of Tanzania to global economy, eg. Capital flows*
  - *Main impetus, SAPs*

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## Key economic reforms – what effect on employment?

### • Trade Liberalisation

- Undertaken on: exchange rate controls, quantitative restrictions, tariffs and duties (Table A1 in appendix, Table 1, page 5)
- Effect on manufacturing employment: **The Textile Sector:**
  - Faced stiff competition from sub-standard imports due to low tariffs
  - Led to labour redundancies (due to closure), and idle capacity, for example,
    - In early 1980s, 35 textile firms, down to 2 in 1996

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## Key economic reforms – what effect on employment?

### • Investment Reforms and Privatisation

- Undertaken: incentives to attract foreign and private investment, and to focus on what governments do best, to provide services and not to run companies
- The process: investment code (1990), New Investment Policy (1996) led to 1997 Investment Act (established the TIC, identified investment priorities, new co. registration process etc.).
  - Response: increase in FDI inflows
- Privatisation: hailed as a success, with two-thirds of firms earmarked privatised between 1993 and 2002

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## Key economic reforms – what effect on employment?

### • Investment Reforms and Privatisation

- Impact on employment:
  - **Positive:** Figure 1, page 7 – Investment projects approved by TIC and employment created
  - **Negative:** TTCL as an example – reduction in employment through attrition, staff reduction, restrictions on new employment and early retirement.

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## Key economic reforms – what effect on employment?

### Public Sector Reforms

- Undertaken: to cut public expenditure, control public debt: reduce employment, provide incentives to improve efficiency, improve mgt and accountability
- Figure 2, page 8 – trend in real wages as % of real total govt. expenditure – steady decline from 1995 – retrenchments (eg. between 1993 and 1998, 63,000 retrenched).
- Overall Effects: Table A2 in appendix (1990 and 2000):
  - % of people in public sector halved, % of people in govt. sector down by 1%, in parastatal sector also fell
  - % of people in private sector increased – from 3% to 5%

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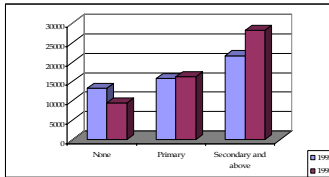
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## Who Pays More? Foreign Vs. Local Firms and Exporting Vs. Non-Exporting Firms

### Mean Wages by Education (all) – Fig 3, page 9




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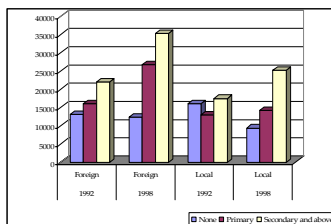
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## Who Pays More? Foreign Vs. Local Firms and Exporting Vs. Non-Exporting Firms

### Mean Wages by Foreign and Local Firms (by education) – Fig. 4, page 10




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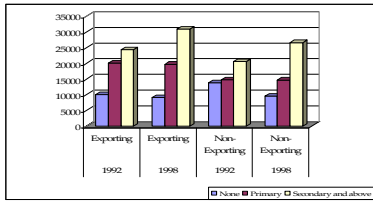
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## Who Pays More? Foreign Vs. Local Firms and Exporting Vs. Non-Exporting Firms

- Mean Wages by Exporting and Non-Exporting Firms (by education) – Fig. 5, page 10




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## Who Pays More? Foreign Vs. Local Firms and Exporting Vs. Non-Exporting Firms

- **Implications!**
  - Globalisation is not good for less skilled workers - they get less paid, and hence are likely to remain poor
  - Globalisation is good for more skilled workers/more educated or influx of foreign firms is beneficial to more skilled workers, like other studies elsewhere – they get paid more
  - Globalisation is likely to widen income inequality among workers in Tanzania, unless efforts are made to improve the education of the less skilled/educated workforce

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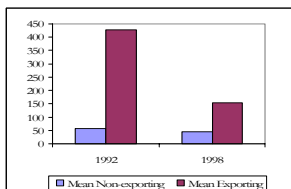
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## Who Employs More? Foreign Vs Local Firms and Exporting Vs. Non-Exporting Firms

- **Trend in Mean Employment (all)**
  - Figure 6, page 11
- **Mean Employment-Exporting Vs. Non-Exporting Firms, Fig.7, page 12**




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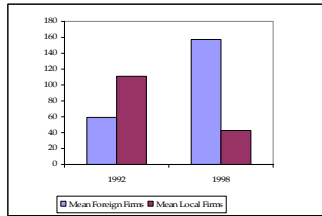
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## Who Employs More? Foreign Vs Local Firms and Exporting Vs. Non-Exporting Firms

- Mean Employment Foreign Vs. Local – Fig. 8, page 12



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## Wage Determinants – Results from Regression Analysis

- Table 2, page 14 – estimation results
  - **Human capital aspects:** Earnings ↑ with age, but at a decreasing rate; Earnings ↑ with experience; Educational attainment above primary level leads to better pay; Male workers get paid higher than female workers (gender)
  - **Firm size** – has positive effect on earnings
  - **Firm location** – not significantly different from Dar, and less than Dar, except for Morogoro (more!)
  - **Globalisation variables**
    - Degree of foreign ownership – positive effect
    - Percentage of exports to African countries – positive effect
    - Percentage of exports to non-African countries – negative effect (!)

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## Wage Determinants – Results from Regression Analysis

- **Implications from regression results:**
  - With respect to globalisation variables:
    - low pay is not a sufficient argument against globalisation – foreign ownership and extent to which firms export leads to an increase in earnings of workers!
  - With respect to education and globalisation
    - Does not seem to lead to poverty reduction to uneducated and less educated, and it therefore increases income inequality – **negative outcome**
    - Creates incentives for investing in education – **positive outcome**

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## Are Workers Insecure in Their Jobs?

- **Degree of Unionisation**
  - **The role of unions** - voice of representation, sees to adherence to safety regulations & standards, drafting labour contracts & conditions of service, negotiations for packages (lay offs, early retirement), collective bargaining ⇒ degree of unionisation a proxy for extent of job security
  - **General observation** – decrease in union membership with structural adjustment in Africa, but based on scanty data
  - **For Tanzania:** Table 3, page 16
    - Between 1992 and 1998 – increase in number of firms indicating non-union membership of workers
    - Decrease in firms reporting 100% union membership of workers
    - Negative outcome – increase in job insecurity

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## Are Workers Insecure in Their Jobs?

- **Number of Lay offs**
  - Source of insecurity due to persistent fear of being the next one to go
  - Positive relationship between lay offs and privatisation, and FDI – due to new technology, or mere trimming of workforce to minimise costs
  - Table 4, page 17 – labour activity: layoffs, resignations, workers absconding – indicative of high job insecurity, and high rate of unemployment also contributes to insecurity – Table A2 in appendix

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## Are Workers Insecure in Their Jobs?

- **Increasing prevalence of casual workers**
  - Necessitated by increasing competition, hence need to cut costs, often directed at variable factors, labour being key:
    - Less costly severance benefits, and focus on core operations and leaner structures ⇒ reduce no. of permanent staff, increase part-timers and casuals
  - Insecurity arises: workers know they can be dispensed with any time, hence can abscond, or work with less dedication.
  - Table 5, page 18 – employment by type –
    - mean number of full-time workers declined between 1992 and 1998
    - existence of full-time casual workers in 1998, a category that did not exist in 1992
    - number of part-timers declined between 1992 and 1998.

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## *Some Emerging Policy Issues*

- *How can Tanzania benefit from the presence of more foreign-owned and exporting firms?*
  - *Investing in educating a key resource – people – will narrow income inequality, and enable our products to compete in the global market*
  - *Encourage more unionisation, through worker education, and employers!*
  - *Foreign firms pay more, employ more – not bad at all! But need to encourage more local ownership of firms*

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