

Globalization, increased FDI flows and Wage Inequality in a Small Petroleum Rich Economy

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Abstract

This paper investigates the impact of FDI on wage inequality in a small petroleum rich economy. The paper argues that in Trinidad and Tobago, Foreign direct Investment (FDI) by being skills biased, leads to an increase in demand for skills and hence an increase in the returns to skilled labour relative to unskilled labour, the overall consequence of which is an increase in sectoral wages in the FDI predominated sector. The paper also shows that FDI in T&T has encouraged a dualistic wage structure and that the petroleum sector has engaged a greater amount of trade union activity than any other sector.