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**NON-LINEAR EFFECT OF ECONOMIC GLOBALISATION ON WAGE
DECOUPLING IN THE SOUTHERN AFRICAN CUSTOMS UNION
(SACU)****Abstract:**

Globalisation has been a pivotal force in shaping development trajectories, offering countries multifaceted advantages and challenges, especially relating to their labour market dynamics. Whilst it stimulates demand and alters employment structures, it also fosters skill biased technological preferences and induces notable inequalities. Despite the recognition of these dualities extant research especially at an empirical level has approached this relationship mainly from a linear perspective, overlooking the nuanced non-linear possibilities. Towards addressing this gap, the study sought to examine the non-linear interplay between wage decoupling and levels of economic globalisation in the Southern African Customs Union. It adopted a quantitative approach, employing panel data for five countries from 1990 - 2022. The analysis comprised novel econometric techniques, accounting for cross-sectional dependence, structural breaks, and heterogeneous slopes. Threshold analysis through means of panel CS-ARDL and augmented mean group (AMG) estimation allowed to determine the specific level of integration at which asymmetric effects occur. The findings revealed an inverted U-shape relationship between levels of economic globalisation and the onset of wage decoupling. At lower levels of globalisation labour shares of national income seem to benefit from economic liberalisation, though surpassing a particular threshold does correspond with an intensification of wage decoupling. These insights carry notable implications, suggesting that policy makers should afford more attention towards the manner in which the customs union and its members globalise. Relevance should be directed towards diversifying economic bases, more value-added global participation and ensuring that integration fosters growth that is both inclusive and equitable.

Keywords:

Economic globalisation; wage decoupling, SACU, panel studies; asymmetric effects

JEL Classification: J31, F66, F62