

Managing Remuneration Disparities between Advanced and Developing Economies: A Study of Nigeria and United Kingdom

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ABSTRACT

Remuneration disparities between advanced and developing economies is a long age problematic issue and remain a persistent challenge in global labour markets. This article examines wage structures in Nigeria and the United Kingdom, highlighting the economic, institutional, and socio political drivers of inequality. Using a comparative case study approach, the paper explores productivity gaps, governance structures, labour market institutions, and currency valuation as key determinants of remuneration differences. Findings reveal that while the UK benefits from strong old institutional frameworks and wage regulation, Nigeria struggles with weak enforcement, inflationary pressures, and informal labour practices. The study argues that managing disparities requires coordinated policy interventions, including labour law reforms, bilateral migration agreements, and international cooperation under International Labour Organization (ILO) conventions. Recommendations emphasize strengthening Nigerian institutions, stabilizing currency, and leveraging technology for wage transparency. The article contributes to debates on global wage inequality and offers practical pathways for harmonizing remuneration across diverse economies.

KEYWORDS

Wage disparities. Nigeria, United Kingdom. Minimum wage reforms. Collective bargaining. Brain drain. Globalization. Labour market. Institutions

I. INTRODUCTION

Remuneration is the compensation workers receive for their works. It is central to economic justice and social stability. Yet, disparities in remuneration between advanced and developing economies remain unadulterated. The United Kingdom, as a mature industrial economy, has established wage regulation mechanisms, collective bargaining traditions, and strong enforcement institutions. Nigeria, by contrast, faces challenges of fake government agencies, weak governance, inflationary shocks, and a large informal labour sector. These differences manifest in wage gaps that not only affect domestic labour markets but also drive international migration, remittance flows, and global inequality.

This issue remains one of the most pressing challenges in global labour markets. These disparities are not only in absolute wage differences but also in relative purchasing power, career progression opportunities, and institutional wage-setting mechanisms. The contrast between Nigeria and the United Kingdom provides a compelling case study: while the UK represents a mature, advanced economy with standardized wage structures and strong

collective bargaining institutions, Nigeria exemplifies the struggles of a developing economy grappling with inflation, currency depreciation, and fragmented labour frameworks.

The wage gap is stark. Average monthly earnings in Nigeria hover around \$220, compared to \$4,307 in the UK, a nearly 20-fold difference. Even when adjusted for purchasing power parity, Nigerian workers earn significantly less, with minimum wages equating to roughly \$2 per day, compared to \$19 per day in the UK. Such disparities extend across sectors, with healthcare professionals in Nigeria earning less than 5% of their UK counterparts' salaries. These figures highlight not only economic inequality but also the structural drivers of migration, brain drain, and social unrest.

Understanding and managing these disparities is critical for both national and global stability. For Nigeria, wage reforms are essential to stem the exodus of skilled professionals and to improve living standards. For the UK, managing wage disparities is equally important, as it influences immigration patterns, labour supply, and international competitiveness. At the global level, the persistence of such gaps raises questions about fairness, sustainability, and the future of work in an interconnected economy.

This article seeks to explore the structural drivers of remuneration disparities between Nigeria and the UK, analyse their socio-economic consequences, and propose policy approaches for managing these gaps. By situating the discussion within broader theories of wage determination and labour market dynamics, the study aims to contribute to ongoing debates about equitable wage management in a globalized world.

This study focuses on Nigeria and the UK as representative cases of developing and advanced economies. Nigeria, Africa's largest economy, grapples with structural weaknesses in wage administration, while the UK exemplifies institutionalized wage regulation. By comparing these two contexts, the paper seeks to answer the following:

- What are the drivers of remuneration disparities between Nigeria and the UK?
- How do institutional frameworks shape wage outcomes?
- What policy interventions can mitigate disparities?

The significance of this study lies in its contribution to global debates on wage inequality, labour migration, and sustainable development. Addressing remuneration disparities is not only an economic imperative but also a moral one, aligned with the UN Sustainable Development Goal 8 on "Decent Work and Economic Growth."

II. LITERATURE REVIEW

A. Theories of Wage Determination

- Human Capital Theory argues that wages reflect investments in education, skills, and experience. Advanced economies like the UK benefit from higher literacy rates,

vocational training, and tertiary education enrolment, while Nigeria struggles with underfunded education systems and skill mismatches.

- Labour Market Segmentation explains disparities between formal and informal sectors. In Nigeria, over 60% of workers are employed informally, limiting wage regulation and social protection. The UK's labour market is predominantly formalized, ensuring compliance with wage laws.
- Institutional Economics emphasizes the role of wage councils, collective bargaining, and government policy. UK wages are shaped by strong institutions like the Low Pay Commission, while Nigeria's fragmented structures weaken enforcement and leave workers vulnerable to inflationary shocks.
- Purchasing Power Parity: Currency valuation affects real wage comparisons. Nigerian wages, when adjusted for PPP, reveal deeper disparities relative to UK wages.

B. *Global Wage Inequality*

Studies by the International Labour Organization (ILO) and World Bank highlight persistent wage gaps between advanced and developing economies. Globalization has intensified competition for labour, often leading to outsourcing and wage suppression in developing countries. Scholars argue that wage disparities are not merely economic but institutional, reflecting governance quality and enforcement capacity.

1. *Nigeria's Wage Landscape*

Research shows Nigeria's minimum wage policy is undermined by inflation, arrears in public sector payments, and weak enforcement. Informal labour dominates, with workers often earning below subsistence levels. Corruption and political instability further distort wage administration.

2. *UK's Wage Landscape*

The UK has institutionalized wage regulation through the National Minimum Wage Act (1998) and subsequent Living Wage campaigns. Collective bargaining remains influential, particularly in unionized sectors. Gender pay gap reporting has added transparency, though disparities persist across industries.

3. *Minimum Wage Policies*

- Research shows that minimum wage reforms in developing economies often fail to keep pace with inflation, eroding real income. Nigeria's minimum wage, last revised in 2019, has lost over 50% of its value due to currency depreciation.
- In contrast, the UK's National Minimum Wage is reviewed annually, indexed to living costs, and enforced through penalties for non-compliance.
- Comparative studies highlight that wage floors in Nigeria are politically contested, often delayed, and rarely aligned with productivity growth.

C. Comparative Studies

In the UK, Strong unions and sectorial agreements (e.g., NHS pay scales) create predictable wage structures, reducing disputes. The Nigeria scenario shows that Labour unions are active but face government resistance, frequent strikes, and inconsistent enforcement. Wage negotiations are often reactive, triggered by crises rather than proactive planning. Literature suggests that fragmented bargaining contributes to wage instability and undermines trust in institutions.

Comparative analyses reveal that advanced economies achieve wage stability through strong institutions, while developing economies struggle with enforcement and macroeconomic volatility. Nigeria and the UK exemplify this divergence, making them ideal case studies for understanding global remuneration disparities.

Wage disparities drive brain drain, particularly in healthcare, engineering, and IT. Nigerian doctors earn less than 5% of their UK counterparts, prompting mass migration. Studies show that migration is not only wage-driven but also linked to working conditions, career progression, and institutional reliability. Migration literature emphasizes the feedback loop: wage disparities fuel migration, which in turn deepens skill shortages in developing economies and perpetuating keep inequality measurement on both sides.

Nigerian professionals migrate to UK for wages up to 20 times higher, exacerbating domestic skill shortages. UK benefits from this inflow, reinforcing its labour supply, while Nigeria suffers from talent loss and weakened public services. This dynamic illustrates how wage disparities shape global labour mobility and deepen inequalities.

D. Globalization and Wage Inequality

Globalization integrates labour markets but unevenly distributes benefits. Advanced economies attract skilled labour, while developing economies struggle with capital flight and talent loss. It is a noted fact that globalization widens wage gaps unless accompanied by institutional reforms. Nigeria's integration into global markets has exposed its workforce to competitive pressures without adequate wage protections, while the UK has leveraged globalization to reinforce wage stability.

E. Empirical Studies on Nigeria and UK

Comparative studies reveal that currency depreciation and inflation in Nigeria erode wage gains, creating a cycle of wage stagnation UK literature emphasizes the stabilizing role of wage councils and collective agreements in maintaining wage equity. Sectorial analyses highlight healthcare as a critical case: Nigerian doctors earn less than 5% of UK doctors, fuelling migration and undermining domestic healthcare delivery. Empirical evidence underscores the need for hybrid wage management strategies that combine institutional reforms, productivity-linked pay, and inflation-indexed wage adjustments.

III. RISKS AND CHALLENGES IN MANAGING WAGE DISPARITIES

So many variables play around the corridor of workers remuneration causing risks and challenges in hands of managers and policymakers while trying to formulate appropriate wage structures that will be globally acceptable. A handful of these elements are;

Inflationary Pressures; Nigeria's wages are constantly eroded by high inflation, often exceeding 15–35% annually. Even when wage increases are implemented, they quickly lose value, creating a cycle of wage stagnation. Inflation-indexed adjustments are difficult to sustain without strong fiscal discipline.

- **Currency Depreciation;** The Naira's depreciation against major currencies undermines wage reforms. Workers' real incomes decline as import-dependent economies face rising costs and this leads to currency instability that makes long-term wage planning unpredictable.
- **Enforcement Gaps;** Nigeria struggles with weak enforcement of minimum wage laws, especially in the informal sector. Employers often bypass regulations, leaving workers vulnerable. In contrast, the UK enforces compliance through penalties, highlighting institutional weaknesses in Nigeria.
- **Political Resistance;** Wage reforms in Nigeria are highly politicized, with governments reluctant to raise wages due to budgetary constraints. Frequent strikes by unions reflect the adversarial nature of wage negotiations. Political instability undermines continuity in wage policies;
- **Brain Drain;** Wage disparities fuel migration, particularly in healthcare and technology. Nigeria loses skilled professionals to the UK, weakening domestic service delivery. Retention policies are costly and difficult to implement without broader economic reforms.
- **Cost of Living Illusion;** While Nigeria's living costs are lower than the UK's, rapid inflation erodes this advantage. Workers face rising food, housing, and transport costs, making nominal wage comparisons misleading. The illusion of affordability masks deepening poverty.
- **Sustainability of Reforms;** Wage parity is difficult to sustain in a globalized economy where productivity gaps remain wide. Without structural reforms in education, infrastructure, and governance, wage increases risk becoming unsustainable.
- The challenge lies in balancing fairness with competitiveness. This section underscores managing wage disparities and it is not just about raising wages, it requires tackling inflation, currency stability, enforcement, and institutional reforms.

IV. CASE STUDY: NIGERIA VS UNITED KINGDOM

A. *Wage Structures*

Nigeria's wage system has a national minimum wage of ₦30,000 per month (about \$26 at current exchange rates), though enforcement is inconsistent. Average monthly earnings hover around \$220, with significant variation across sectors. The UK wage system is made up of a National Minimum Wage of £12.71 per hour (\$16.83), reviewed annually by the Low Pay Commission. Average monthly earnings are \$4,307, reflecting a structured and

predictable wage framework. The disparity is stark: UK wages are nearly 20 times higher than Nigeria's, even before adjusting for purchasing power parity.

In Health sector, Nigerian doctors earn \$124–\$476 per month depending on seniority, while UK doctors earn \$4,000–\$14,000. This gap drives medical brain drain, with thousands leaving annually. In education sector Nigerian teachers earn \$100–\$200 monthly, compared to UK teachers at \$3,000–\$5,000. The disparity undermines retention and quality of education in Nigeria. Technology & Finance: Nigerian IT professionals earn \$300–\$600 monthly, while UK counterparts earn \$4,000–\$7,000. This fuels migration to tech hubs abroad.

If purchasing power parity (ppp) is compared, Nigeria's wages are further eroded by inflation (15–20% annually) and currency depreciation. PPP-adjusted minimum wage in Nigeria is about \$2 per day, compared to \$19 in the UK. Even accounting for lower living costs, Nigerian workers face declining real incomes, while UK workers maintain wage stability. UK Strong institutions like the Low Pay Commission, Wage Councils, and collective bargaining agreements ensure wage predictability and fairness. Nigeria: Wage-setting is fragmented, often reactive, and heavily politicized. Strikes are common, reflecting weak institutional capacity to manage disputes. The institutional gap explains much of the disparity in wage stability and enforcement.

B. Policy Approaches to Managing Wage Disparities

1. Minimum Wage Reforms

Nigeria can reform its wage system by introducing automatic inflation-linked adjustments, enforcing consistent state-level implementation of the national minimum wage, and expanding protections for informal workers and pensioners. Current reforms have raised the minimum wage to ₦70,000, but uneven application across states and rising inflation (over 30% in 2025) show the need for deeper structural change it important for need of a framework where wages automatically adjust to inflation and exchange rate changes in Nigeria. Without this, wage increases quickly lose value in high-inflation environments. Example the ₦70,000 minimum wage signed in 2024 is already worth less than ₦40,000 in real terms due to inflation. Nigeria's minimum wage should be indexed to inflation and reviewed annually, similar to the UK's Low Pay Commission model. Linking wage floors to productivity growth can prevent inflationary spirals while ensuring real income stability. Hybrid wage-setting models could combine statutory minimums with sector-specific adjustments.

2. Collective Bargaining Strengthening

Collective bargaining in Nigeria needs to harmonize all states wage bill then institutional reinforcement to reduce reliance on strikes. Nigeria should emulate the Sectorial wage agreements, modelled of the UK's NHS pay scales, which could provide predictability and fairness. Encouraging tripartite negotiations (government, employers, and unions) would balance interests and reduce wage volatility. Equally important to look at is the framework of the Nigeria informal sector wage system. Over 60% of Nigerian workers are in the informal economy, where wage laws are unenforced Policies to transition workers into formal employment — through tax incentives, compliance monitoring, and social protection schemes — would expand wage regulation coverage. Formalization also improves access to pensions, healthcare, and training.

3. *Progressive Wage Models*

Introducing progressive wage structures tied to skills, training, and sectorial productivity can reduce disparities. Leveraging Singapore's Progressive Wage Model (PWM) will help uplift low-wage workers by linking wage increases to skills upgrading and productivity growth. It will ensure sustainable wage growth, clear career pathways, and better service standards without destabilizing businesses. For example, healthcare professionals could receive wage increments linked to years of service and specialization, reducing migration pressures. Again the UK's structured career progression models offer a good template for Nigeria.

4. *International Cooperation*

Global institutions (ILO, World Bank) can support wage harmonization through technical assistance and funding. Cross-country benchmarking of wages can guide reforms and reduce inequities. International frameworks could also address ethical concerns around labour migration and wage exploitation. This will position policy interventions as both national and global, emphasizing hybrid strategies that combine institutional reforms, productivity-linked pay, and international cooperation.

V. CONCLUSION

Remuneration disparities between advanced and developing economies remain a defining feature of global labour markets. The comparison between Nigeria and the United Kingdom illustrates the depth of these gaps: wages in the UK are nearly twenty times higher than those in Nigeria, even before adjusting for purchasing power parity. These disparities are not merely statistical; they shape migration flows, weaken institutional trust, and perpetuate cycles of inequality.

The case study highlights that wage differences are driven by structural factors, inflation, currency depreciation, productivity gaps, and weak institutional frameworks. While the UK benefits from strong collective bargaining institutions and predictable wage-setting mechanisms, Nigeria struggles with fragmented enforcement, political resistance, and the erosion of real incomes. The result is a persistent brain drain, particularly in critical sectors such as healthcare and education.

Managing these disparities requires a hybrid approach. National reforms in Nigeria must include inflation-indexed minimum wages, stronger collective bargaining, and the formalization of informal work. Sector-specific wage models tied to skills and productivity can help retain talent, while international cooperation can ensure fairer outcomes in global labour mobility. At the same time, advanced economies like the UK must recognize their role in sustaining global inequalities and explore bilateral frameworks that balance labour inflows with support for developing economies.

Ultimately, wage disparities cannot be eliminated overnight. However, through coordinated reforms, institutional strengthening, and international collaboration, they can be managed in ways that promote fairness, reduce migration pressures, and foster sustainable development. This study underscores the need for equitable wage management strategies that bridge the gap between advanced and developing economies, ensuring that globalization does not deepen inequality but instead becomes a driver of shared prosperity.

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