

Ghanaian Labor Market

Key Trends and Major Policy Issues



Background

- Ghana then Gold Coast was under British Colonial domination since second half of C19th.
- Gained independence in 1957 (1st in SSA)
- Was a very successful African Economy producing mainly Cocoa and Gold
- The CPP Government (Ruling Party at independence) laid the basis of Ghana's current Industrial Infrastructure ignored cocoa farmers and the private sector due to its socialist ideology.
- Presently under new constitution based on US system after a series of military coups. Presently under NPP government

- In 2000 Ghana had a total population of about 18.8 million out of which 11.3 million were economically active.

(At a growth rate of 2.7%, the population is estimated to be over 21million as at end 2004)

- The current per capita income of Ghanaians stands at around \$390
- Labour force (15yrs-64yrs) constituted about 8.4 million representing 44.7% of the population (Male 49.4% and Female 50.1%)
- In 2002, the labour force constituted 56.6% of the population of about 20.5million, (Human Dev't Report 2004)

- HIV/AIDS prevalence rate in Ghana rather low around 3.5% unlike other parts of Africa.
- Prevalence rate is increasing, but Ghana Government has adopted clear measures aimed at combating HIV/AIDS.
- Ghana introduced Economic reforms (to reduce macro imbalances) and Structural Reforms in 1984.
- Ghana aims at middle Income status by 2015 (MDG).



EMPLOYMENT TRENDS

(Based on 1984 and 2000 population and housing census and GLSS III and IV)

- Employment growth lags behind economic growth
 - Economic growth averaged 4.8% annually as against 3.1% annual employment growth.
- Labour force grew at 5.8% annually
- Employment growth also lags behind labour force growth
- Agriculture sector remains the major employer even though its share of employment has been declining

Distribution of Economic Active Population and GDP by Industry (%)

Year	Agriculture	Industry	Service
1984	61.1 (47.9)	12.8 (19.6)	26.1 (22.1)
1992	62.2 (37.8)	10.0 (25.0)	27.8 (27.0)
1998	55.0 (36.7)	14.0 (25.1)	31.0 (29.1)
2000	50.7 (36.0)	16.3 (25.2)	33.0 (29.7)

Source: Employment figures from GLSS 3&4 and 1984 and 2000 Population Census; GDP figures from Quarterly Digest of Statistics:

Note: Real GDP figures at 1993 constant prices are reported in parenthesis

- **Between 1984- 2000**

<u>Sector</u>	<u>Annual GDP Growth</u>	<u>Annual Empl'y. Growth</u>
Agric	3%	1.6%
Services	6.5%	5.5%
Industry	6.2%	5.6%

- The labour market is characterised by the dominance of the agricultural and rural sector where economic activity is mostly organized on an informal basis.
- The agric. sector and related activities employed a little over 50% of the Ghanaian workforce in 2000, down from 64% (1960), and 61%(1984).



Fig1: Distribution of Formal Sector Employment 1984-2000 (%)

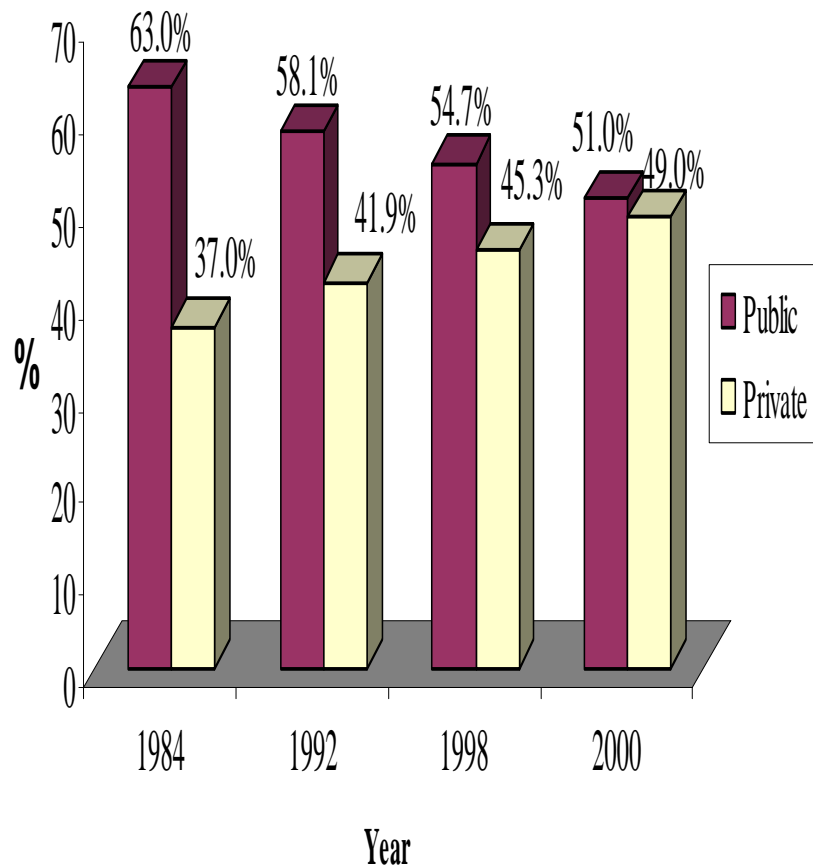
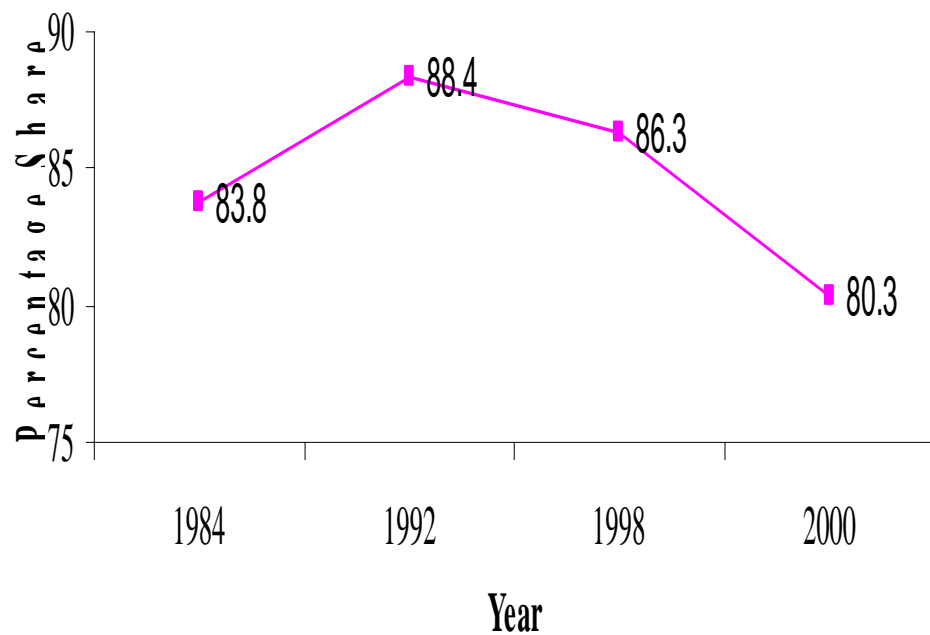


Fig. 2: Share of Informal Sector in Total Employment 1984-2000 (%)



- **Distribution of Labour Force by Type of Employment (%)**

Type of work	1988/89	1991/92	1998/99	% Change 1988 - 99
Paid Work: Public	14.0	13.5	9.8	- 30.0
Paid Work: private formal	6.3	3.9	4.4	-30.1
Paid Work: informal	2.7	3.1	2.6	- 4.0
Export farmer	7.0	6.3	7.8	11.4
Food Crop farmer	38.8	43.6	41.6	7.2
Non-farm self-emply.	30.5	27.6	31.6	3.6
Others & non-working	0.8	2.0	2.1	----
Est. Labour force (ml)	5.4	6.0	7.5	38.9

- **Source: GSS (1995, 1999).**



- The informal sector where majority of the workforce are self-employed is very pervasive partly due to the sluggish growth of the formal sector employment
- There exist strong influences of institutions in the market.
 - High rate of unionisation within the formal sector of the labour market.



- Some degree of imperfection exist within the labour market as the market exhibits wage rigidities due to high rate of unionisation and the existence of collective bargaining agreements.
 - Estimated that over 2/3 of formal sector jobs are subject to collective bargaining agreement.
- Market (especially at formal end) also exhibits low occupational mobility due to
 - Wage rigidities as a result of unionisation and collective bargaining agreements especially within the formal sector.
 - Inefficient labour market information systems
 - Limited availability of educational and training facilities.



- At the Informal end of the market there is relatively a higher level of labour market flexibility and employment insecurity. -waged employment in agric. Sector is temporary and highly flexible
- Substantial decline in public sector employment and increase in informal sector employment in 1980s and 1990s due to;
 - globalization,
 - **Stabilization and adjustment programmes launched in 1984 especially with respect to;**
 - Public sector retrenchment exercise (49000)
 - Privatization of SOE
 - Liberalization. For instance the reduction in tariff protection of local industries.
 - Withdrawal of subsidies to Loss making public enterprises.
 - Depreciation of the cedi leading to liquidity constraints for import dependent industries.

- Between 1992 and 2000 public sector employment increased by 39% due partly to re-entry of retrenches.
- Share of private sector in formal employment increased by 85% (1992-2000). Was due to
 - Improved performance of some divested SOEs
 - Free zones project (13,760 between 1996-2003)
 - Investment program by GIPC (87,369 between Sept. 1994-Dec 2003)
 - Private sector earnings higher as compared to public sector earnings.



- **Employment Generated by Some Divested Companies**

Company	Post Divestiture period (Years)	Increase in Workforce after Divestiture
Golden Tulip Hotel	4	231
Tema Steel Company Limited	6	454
Ghana Agro-Food Co	4	1073
Coca Cola Bottling Company	4	264
Ghana Rubber Estates Limited	2	748
West Africa Mills Company	4	280
Total	--	3,050

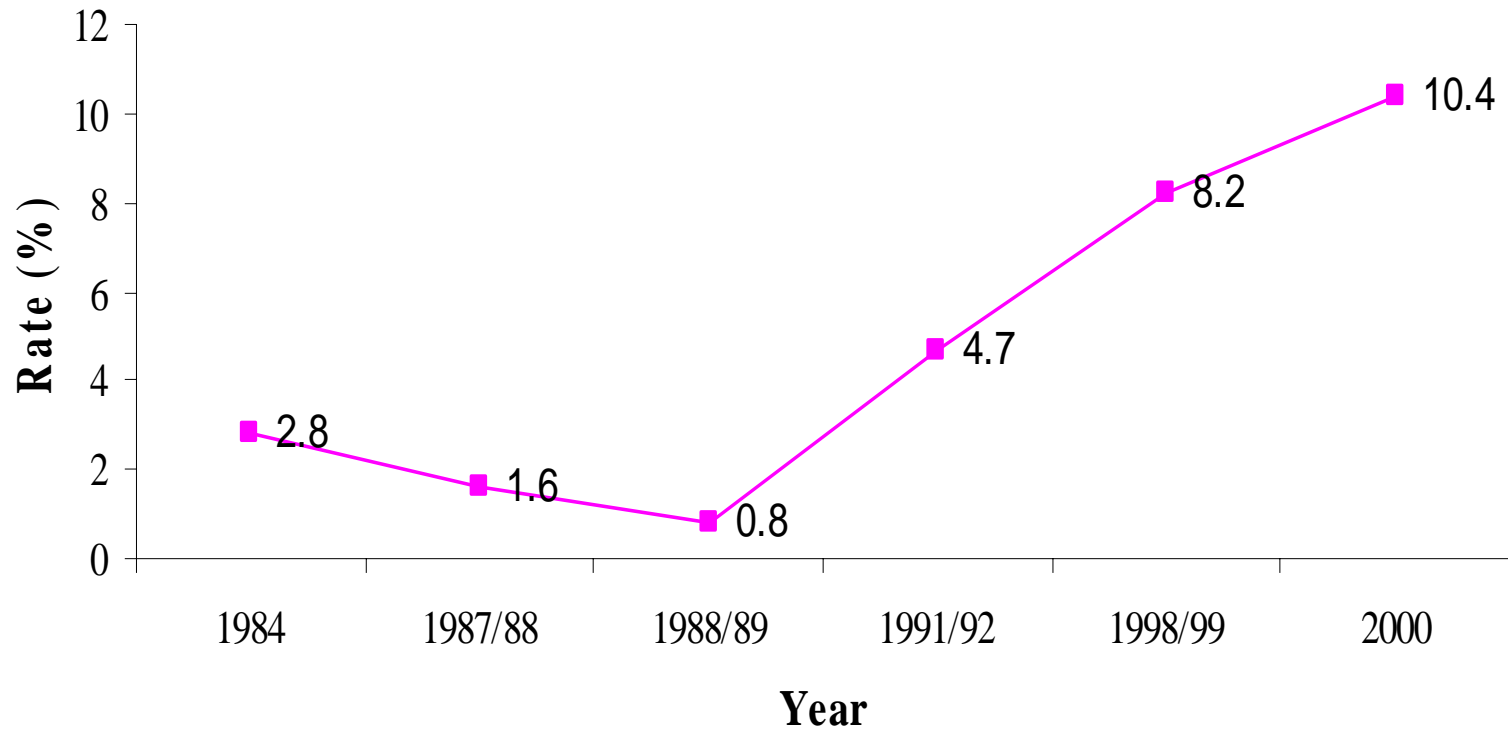
- **Source: Divestiture Implementation Committee**

- Public sector employment however offers greater job security



Unemployment

Figure 3: Unemployment Rates 1984 - 2000 (%)



- Adult unemployment Rate stands at 8.2%
classified into

Age Group	Male	Female	Both Sexes
15 – 24	12.7%	18.7%	15.9%
25 – 44	7.3%	7.5%	4%
45 – 64	4.8%	4.5%	4.7%

- **Accra** **16.6%**
- **All Urban** **13.4%**
- **Rural** **5.5%**



- Increasing incidence of unemployment especially in urban areas.
- Ascendancy of open unemployment among university and polytechnic graduates (between 15-24 yrs) .
- Presence of about 230,000 new job seekers annually.
- Formal sector capable of absorbing only 2% of the new job seekers.
- Unemployment high among females than males.
- Substantial underemployment esp. in rural areas.
- Increase in duration of unemployment has driven many job seekers (esp. University graduates) to pursue higher and professional courses

- **Increase in Unemployment. Why?**
- Economic growth lags behind Labour force growth.
 - Since 1984 economic growth averaged 4.8% annually whilst labour force growth 5.8% annually.
- High population growth rate.
- Limited absorptive capacity of the job market for the over 30,000 graduates from the tertiary sector annually (Most of them technically incompetent and unsuited for the world of work due to poor educational infrastructure and linkages)
- Formal sector can only absorb 2%.



- Educational reform Programme
 - eliminates many children at two key transitional points (JSS and SSS) creating a pool of unemployed and mostly semi-literate youth with unemployable skills
- Adverse effects of globalization and Liberalization
 - Has posed problem for MSEs which are a major employment generator both in the formal and informal sector. Problems include;
 - High input cost due to depreciation of the cedi
 - Increased competition and falling demand
 - High interest rates and lack of access to credit
 - Cash flow problems due to erosion of capital base
 - Weak institutional and policy support
- Privatization and Public Sector Reforms

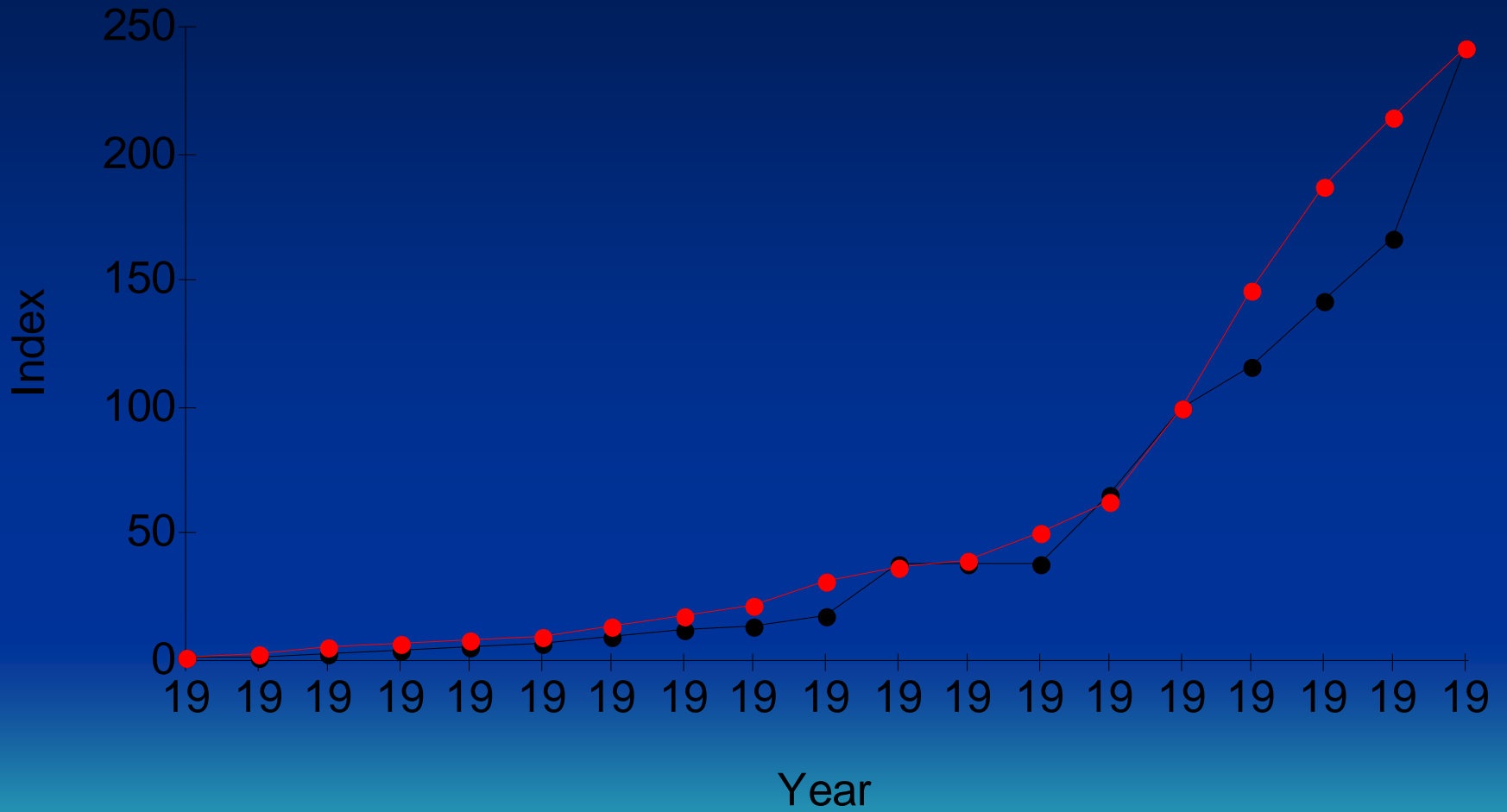


Wages

- Govt, labour unions, and Employers form the tripartite committee in determining minimum wages as a way of shaping the structure of wages at the formal end of the labour market.
- Rising general price level and currency depreciation has led to decline in the real incomes of workers especially those with fixed incomes.
- Real minimum wages declined as CPI lies above minimum wage index (table below)



Minimum Wage Index & CPI (1995 = 100)



● MWgeldx

● CPI('95=100)

Employment Policies

- Ghana has never had any comprehensive employment policy apart from NSS initiated to improve labour absorption.

Before ERP/SAP

- the major policy thrust apart from ISI (which was aimed at greater employment) was public sector investment
- Public sector investment in the 1960s led to significant increases in urban formal employment in the public sector and protected industries

ERP/SAP

- Since 1987, the Government has tried to link wages to productivity and ability to pay indicators to ensure a stable macroeconomic environment.
- An attempt was made to rationalize the public sector salary structure under the Ghana Universal Salary Structure (GUSS) in 1999.
- In response to changing economic environment, the Tripartite Committee comprising the Government, Employers Association and the Trade Union Congress (TUC) meet to determine the Minimum Wage for the Labor Market.

- The government has emphasized that the private sector will be the main center for future employment.
- The program of redeployment and retrenchment was instituted as a measure to minimize redundancy and waste in the public sector.
- A number of retrenched workers were given some training programs and funds to start up small-scale enterprises.
- Through the National Board for Small Scale Industries some micro enterprises are given some entrepreneurial training.
- Government undertook a registration exercise of the unemployed to identify their potential skills in order to design policies and programmes to absorb them.



- The government in 1999 embarked upon a pilot programme to train graduates to acquire entrepreneurial skills so as to improve employment especially in the industrial sector.
- New Labour Law
- Under the GPRS employment is considered as the core objective of the policy framework for poverty reduction.



- Employment generation is to emanate basically from economic growth through;
 - the adoption of labour intensive technology,
 - agricultural modernization,
 - agro-processing, and manufacturing,
 - services, and non-traditional export development among others.
- Special emphasis MSEs and employment opportunities for women.
- Strategies adopted to meet the objectives include,
 - improvement in macroeconomic stability,
 - modernising agriculture and
 - enhance skill and entrepreneurial development for the youth.

