
Employment Policy Papers

Labour market flexibility, employment and income insecurity in Ghana

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Adow Osei Kwadwo

Employment Policy Department

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Preface

The concept of "labour market flexibility and employment security" (also called "flexicurity") was originally used for industrialized countries and applied to them. Since the characteristics of transition economies are not very different from those of advanced countries, the very same notion has been extended to them as well. The interest in this topic has emerged due to the fact that in the past two or three decades, the remedy for rising unemployment has been sought by increasing the flexibility of the labour market. However, this has often been done at the expense of a considerable reduction in workers' protection.

In developing countries, where labour markets tend to be very flexible and the enforcement of workers' protection weak the notion under consideration needs to be adapted. A largely prevailing informal economy, a predominating agricultural sector employing most of the labour force, self-subsistence activities and a very small State budget are among the principal characteristics of the economy of developing countries. In particular, the large size of the informal economy and of agricultural labour determines a high degree of flexibility which is not compensated by measures targetting workers' protection. That is why the concept under discussion for this study on Ghana and for developing countries in general, ought to be reformulated as follows:

A good balance between labour market flexibility and employment and income security, acceptable to both parties involved – employers and workers, is achieved when labour input can be easily and quickly adjusted to the needs of labour demand by assuring, at the same time, a reasonable level of protection for workers. This balance is obtained not only through an appropriate legal framework (which in developing countries de facto applies only to a very small section of the economy), but also and especially through sound social dialogue and well-functioning labour market institutions. In addition, the development of effective labour market policies is of the utmost importance both to improve employability of workers and to assist in their re-employment. Labour market measures are also needed to assure a decent income to workers and households in periods of joblessness and earnings loss in order to alleviate poverty. Such measures also provide labour with the desired skills and adaptability and facilitate the match between labour demand and labour supply.

In the case of developing countries in general and of Ghana in particular, the notion of "employment security" ought to be broadened so as to include household income security, given the high proportion of the population involved in subsistence activities, especially in rural areas. In addition, the labour market policies which are to be considered include public works, training, employment services, labour mobility, and credit for productive activities and job creation. In industrialized countries, labour market policies are funded by the State budget. In the case of developing countries, due to the small State budget, many labour market measures are financed by international donors and NGOs. To analyze employment security and household income security, income transfers that compensate loss of earnings are to be taken into account, although in developing countries, due to the small State budget, such policies may be largely insufficient. That is why risk management mechanisms, such as savings, insurance, public works and credit for productive non-agricultural activities are particularly relevant as substitutes for income transfers that compensate loss of earnings.

The present study on Ghana is being undertaken within an ILO project on flexicurity, which has already been implemented in four industrialized countries and five European transition economies and resulted in two monographs (Auer/Cazes, *Employment stability in an age of*

flexibility: Evidence from industrialized countries, ILO Geneva 2003, and Cazes/Nesporova, *Labour markets in transition: Balancing flexibility and security in Central and Eastern Europe*, ILO Geneva 2003). The objective of this series of studies is to provide policy recommendations aimed at establishing a good balance between labour market flexibility and employment and income security.

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List of Acronyms

AIDS	Acquired Immune Deficiency Syndrome
BoG	Bank of Ghana
CU	Credit Unions
CWIQ	Core Welfare Indicators Questionnaire
DFR	Department of Feeder Roads
DSW	Department of Social Welfare
EIB	Employment Information Bureau
ERP	Economic Recovery Programme
GAWU	General Agricultural Workers Union
GDP	Gross Domestic Product
GEA	Ghana Employers' Association
GGPA	Ghana Government Pensioners Association
GIPC	Ghana Investment Promotion Council
GIPC	Ghana Investment Promotion Council
GLSS	Ghana Living Standards Survey
GoG	Government of Ghana
GSS	Ghana Statistical Services
HIV	Human Immuno-Deficiency Virus
ICCES	Integrated Community Centres for Employable Skills
ICU	Industrial and Commercial Workers Union
ICU	Industrial and Commercial Workers Union
ILO	International Labour Organization
JASPA	Jobs and Skills Programme for Africa
LD	Labour Department
MDPI	Management Development and Productivity Institute
MMDYE	Ministry of Manpower Development, Youth and Employment
MRT	Ministry of Roads and Transport
NACL	National Advisory Committee on Labour
NACL	National Advisory Council on Labour
NBFI	Non-Banking Financial Institution
NBSSI	National Board for Small Scale industries
NGOs	Non Governmental Organizations
NHIS	National Health Insurance Scheme
NLC	National Labour Commission
NRCDD	National Redemption Council Decree
NTC	National Tripartite Committee
NVTI	National Vocational Training Institute
PNDCL	Provisional National Defense Council Law
PSI	Presidential Special Initiative
SAP	Structural Adjustment Programme
SSA	Sub-Saharan Africa
SSNIT	Social Security and National Insurance Trust

STEP	Skills Training and Employment Placement
TUC	Trade Union Congress
TVET	Technical and Vocational Education and Training
VAG	Veteran Association of Ghana
VOTEC	Vocational and Technical Education

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Chapter 1: General background and justification

1.1 Introduction

Ghana was the first sub-Saharan African country to gain independence in 1957. Ghana, formerly called the Gold Coast, was a very successful African country whose economy depended on primary commodities, mainly cocoa and gold. At independence, the government decided to adopt socialism and laid down the basis of Ghana's current industrial infrastructure. Poor macroeconomic management, coupled with a series of military coups, which started in 1966, led to economic decline in the 1970s and early 1980s. In 1983, the government launched the Economic Recovery Programme (ERP) followed by the Structural Adjustment Programme (SAP) to reduce the macroeconomic imbalances and put the country on a sound footing. Multiparty elections were held in 1992, after a new Constitution was adopted. Although Ghana has twice the per capita output of poorer West African countries, its poverty level is high, but decreasing.

The size of public administration has been considerably reduced since the mid 1980s through retrenchment and redeployment exercises. This has led to a remarkable increase of the informal economy. Informal employment reached about 85 per cent of total national employment in 2003 with a large share of the labour force operating as self-employed. Minimum wages fell considerably and income differentials widened after the redeployment exercise and unemployment became a problem. In addition, privatization has led to a significant reduction in employment, especially in the large and medium-scale enterprises. Furthermore, liberalization seems to have determined a number of constraints for SMEs, which are a major employment generator in the country.

Agriculture is the main economic sector and has contributed between 30-45 per cent to GDP over the past two decades. Its high dependence on weather makes its performance unpredictable. Services is the second largest economic sector and is showing an increasing trend in terms of contribution to GDP. It contributed about 44 per cent to GDP in 2003 from about 28 per cent in the early 1990s. Ghana has a relatively broad and diverse industrial base. Manufacturing is the largest contributor to industrial output followed by construction, mining and quarrying. The industrial sector has registered an increasing trend, especially in the mining sub-sector.

Essentially, a largely prevailing informal economy, a predominant agricultural sector employing most of the labour force and a very small State budget for social protection, are among the principal characteristics of Ghana's economy. An economy with such characteristics is likely to present a high level of labour market flexibility and employment insecurity at the same time. It is in such a context that the notion of flexicurity needs to be considered more closely. A good balance between labour market flexibility and employment and income security, acceptable to both parties involved – employers and employees – is achieved when labour input can be easily and quickly adjusted to the needs of labour demand by assuring, at the same time, a reasonable level of protection for employees. A well functioning labour market and a decent level of flexicurity will help create more decent work and increase poverty reduction, which in itself could stimulate growth. It is against this background that this study aims at providing policy recommendations for ILO constituents and policy makers.

The report has ten chapters. Chapters 2 and 3 respectively, discuss the economy of Ghana in relation to labour market developments and the institutional framework in the labour market. Chapter 4 discusses social partners in the labour market and chapter 5 details labour relations in Ghana. Social security systems and risk management mechanisms are discussed in chapters 6 and 7 respectively, while chapter 8 elaborates on labour market programmes. Issues of labour market flexibility and employment and income insecurity are discussed in chapter 9. The last chapter concludes the paper and provides policy recommendations.

1.2 Methodology

The approach to the study was multidisciplinary and integrated, employing a combination of economic and legal analytical tools and methods that involve qualitative and quantitative data analysis techniques to assess the degree of labour market flexibility, employment and income insecurity. The study made use of both primary and secondary data.

The paper extensively relied on secondary data sources from the 1984 and 2000 housing and population census, the third and fourth rounds of the GLSS and the first and second rounds of the CWIQ survey, all published by the GSS. Other secondary data was obtained by assembling relevant literature from published works in the form of books, magazines, articles and other relevant publications. In addition, letters were sent to the relevant stakeholders in the labour market requesting copies of their prior evaluations and reports relevant to the assessment of labour market flexibility and employment and income insecurity. Such institutions included the TUC, GEA, MMDYE, NLC, and DSW, Ghana National Association of Teachers, LD, SSNIT, NBSSI, Ministry for Private Sector Development, MDPI, Parliament of Ghana (Hansard) as well as other stakeholders in the labour market. Data gaps emanating from the initial review with respect to labour market flexibility and employment and income insecurity were addressed in a small sample survey¹ to which we now turn.

The survey contained 97 questions covering various research areas. There were generally two ways of soliciting responses: objective questions that asked respondents to rate improvements, performance or effectiveness of institutions or their actions; and questions that asked respondents to list a set of activities, measures or outcomes. Wherever required, a rating scale of 1 to 5 was employed with 1 being the least and 5 the highest. Ranking was in descending order of relative importance or influence. Most of the questions were closed to allow for consistency of responses and easy analysis of results. To simplify the overall format, the 97 questions were subsequently grouped under 7 sections to cover the broad scope of the study. Preliminary work was done prior to the main survey (for example, a pilot survey and training of enumerators).

After initial internal consultations with colleagues and stakeholders in the labour market, the questionnaire was piloted using a sample of public and private informal employees. Respondents were invited to answer as many questions as they possibly could, skipping those they believed they had no knowledge of. This approach helped us to gauge the time needed to complete the questionnaire, to assess the clarity and the level of difficulty of the questions, and gave each team member an opportunity to comment on the interview process.

The questions were subsequently revised for conciseness. It was also realized that the expertise, knowledge and capacity to monitor and evaluate policies, as well as the institutions and processes of the labour market, differed among the respondents; some being more speculative than others. Therefore, selection of stakeholders had to be informed by the reality on the ground that at the community level some respondents may not have the expertise or the knowledge to make informed assessment of the key aspects of the labour market. Providing good training for the interviewers helped solve this problem.

1.3 Sampling of respondents

The main survey was conducted in four regions: Greater Accra and Central in the southern sector of Ghana, Ashanti in the middle belt and Northern region in the northern belt. Rural and urban settlements in the regions were interviewed. The urban towns included Cape Coast, Accra, Tema, Kumasi and Tamale. Certain districts, which have been designated as rural, were selected for the survey. These are Gomoa District and Agona District (Central region), Ga-Dangbe West District (Greater Accra), Bosomtwi-Atwima-Kwawuma District (Ashanti) and Kusawugu-Savelugu District (Northern). Sampling

¹ Results from this survey are unlikely to provide estimates of high quality due to the small sample size. It is only meant to serve as a guide.

of respondents was based on clusters, represented by towns/villages in the selected districts and towns. Distribution of the sample was based on the active labour force in the regions as documented by the 2000 population census.

A total of 16 undergraduate students from the University of Ghana undertook the survey with four field supervisors. Two interviewers were assigned to each city/district to administer the questionnaire. A training course was organized for the interviewers to instruct them, inter alia, on the level of information that constitutes an adequate response to each question. The questionnaire was designed with sufficient flexibility to ensure the integration of unanticipated but yet, revealing information that arose during the implementation of the fieldwork. Face-to-face interviews were used. Interviews were also conducted with key labour market informants to collect qualitative data that could not be incorporated easily or fully into the survey instrument because of coding difficulties.

The sampling size was 409 and the sampling unit in a town/village was employees from different establishments. The data collection process started in the middle of May and lasted for a month. All the respondents were within the age limit (15 years and above) of the labour force. About 60 per cent of the respondents' education level was above secondary/ senior secondary school and the remainder below that level. In addition, 56.3 per cent of the respondents were men and the others women. The survey also considered location factors. Some 52.5 per cent of the respondents were from rural areas whereas 47.5 per cent were from urban areas. Twenty-one per cent were employees in the public sector and 79 per cent were employed in the private sector. In addition, 11.6 per cent were in management positions while 37.9 per cent and 50.5 per cent were in senior staff and junior staff positions, respectively.

Chapter 2: Labour market developments

2.1 Macroeconomic environment, policies and employment impact

The Ghanaian labour market has undergone considerable changes over the years since the inception of stabilization and structural adjustment policies in the mid 1980s. This was against a background of persistent decline in economic activities and the associated fall in the standards of living between 1975 and early 1983. In April 1983, the Government of Ghana initiated the ERP and later SAP as the first in a series of strategies aimed at reversing the economic turmoil of the mid 1970s and early 1980s. The negative economic situation that necessitated the implementation of the reforms was, to a great extent, caused internally by excessive public spending which led to large fiscal deficits financed by monetary expansion, heavy government interventions through administrative control of prices, distribution and import controls and massive expansion of the public sector. External factors, which led to the economic decline, included severe drought in the early 1980s, decline in international commodity prices of traditional exports, repatriation of about one million Ghanaians from Nigeria, high interest rates on international financial markets and oil price hikes in the late 1970s and early 1980s.

The reform effort in Ghana, which focused on stabilization and liberalization, was principally aimed at introducing a market-based economy and at promoting the private sector as the "engine" of sustained economic growth. Among the most significant and successful measures adopted were exchange rate liberalization, fiscal discipline, tightening of monetary policy, foreign trade reforms, financial sector reforms, privatization of State-owned enterprises, investment expansion, price deregulation, continued fiscal reforms, labour market reforms etc.

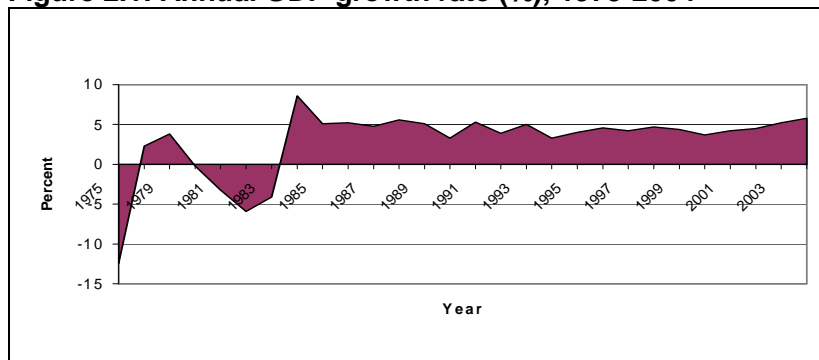
After over two decades, since the implementation of the IMF and World Bank SAPs, the macroeconomic performance of Ghana has improved significantly. The national economy recorded an annual average growth of – 2.2 per cent between 1975 and 1982, average annual inflation rate of 64.9 per cent and balance of payments deficit of \$6.8 million. It experienced an average annual growth of 4.8 per cent and per capita growth of 1.9 per cent from 1984 to 2004. In fact, per capita GDP growth rate improved from an average of 1.7 per cent between 1984 and 2002 to 2.6 per cent in 2003 although the real per capita GDP of \$420 in 2001 falls short of the \$450 earned in 1960.

Since the end of 2000, the Ghanaian economy has witnessed increasing growth as real GDP growth rate increased from 3.1 per cent to 4.5 per cent in 2002 and to 5.2 per cent in 2003 as a result of the improved performance of the agricultural sector whose growth rate has almost tripled from 2.1 per cent in 2000 to 6.1 per cent in 2003. Also, prudent fiscal management, tight monetary policy stance initiated in 2001, coupled with the slow pace of depreciation of the cedi has stimulated the economy. There has been a deceleration of the year-to-year inflation rate from 40.5 per cent, in December 2000, to 21.3 per cent in December 2001 and to 15.2 per cent by the end of December 2002. Inflation, however, rose to 23.6 per cent at the end of 2003 due to the adjustments and corrective measures instituted in the petroleum sector of the economy in February 2003.

As for interest rates, they have been declining since the end of 2000 in line with the monetary authorities' objective of ensuring price stability. The benchmark 91-day Treasury bill rate has been decreasing since 2000 as a result of the prudent fiscal stance of the government, which has seen an improvement in the overall budget balance from a deficit of 8.5 per cent of GDP in 2000 to one of 3.4 per cent of GDP in 2003. An important macroeconomic indicator that has repercussions on employment is the lending rate by deposit money banks. Since the end of 2000, lending rates by deposit money banks have declined significantly from 47 per cent in 2000 to 34.95 per cent at the end of 2004. This is expected to increase private investment and thereby generate employment.

In 2004, provisional figures indicate that real GDP grew at 5.8 per cent, exceeding the projected growth of 5.2 per cent. Year-on-year inflation declined to 11.8 per cent at end-December 2004, marginally over the target but well below the 23.6 per cent at end-December 2003. The cedi remained relatively stable throughout the year depreciating by a moderate 2.2 per cent against the US dollar. The domestic primary balance registered a surplus equivalent to 0.7 per cent of GDP, while the overall budget recorded a deficit of 3.2 per cent of GDP. Net domestic financing of the budget was higher than programmed at ₵393 billion (equivalent to 0.5 per cent of GDP) against the target of a net repayment of ₵1,732 billion (equivalent to 2.2 per cent of GDP). Gross official foreign reserves were equal to 3.8 months of imports, at the end of December 2004, against the target of 3.0 months of imports. Interest rates generally declined and stabilized, with the benchmark 91-day Treasury bill rate falling slightly from 18.7 per cent at the end of 2003 to about 17.0 per cent. Details of the performance of the Ghanaian economy are presented as appendix 2.1.

Figure 2.1: Annual GDP growth rate (%), 1975-2004



Source: Annual Reports of BoG & Quarterly Digest of Statistics of GSS, various issues

Despite the impressive economic performance, which has conferred on Ghana the enviable tag “success story” for SAP in sub-Saharan Africa (SSA), the impact of the various policies under stabilization and structural adjustment programmes on the structural transformation of the economy, has been weak in the areas of unemployment and poverty, at least in the short-run, due to the partial and fragmented nature of the policies (Baah-Boateng, 2004).

The structural transformation of the economy has failed because Ghana still depends on a few primary commodities for exports with value added in agriculture accounting for about 36 per cent of

GDP. Ghana also remains highly dependent on development assistance from overseas due to low domestic resource mobilization. In fact, Ghana's over-dependence on external sources for development financing has led to an ever increasing external debt situation. The total external public debt to GDP increased from 41.1 per cent in 1983 to 75.5 per cent in 2000 and to 111.4 per cent in 2002. The ineffectiveness of policies and programmes has seriously constrained efforts aimed at the development of new and better employment opportunities, as well as at the optimum utilization of the Ghanaian labour force.

The insignificant impact of ERP and SAP on employment and poverty in Ghana can be attributed partly to the fact that although detailed attention was paid to infrastructural development, not much attention was paid to the social sectors. Furthermore, there was a massive redeployment of labour in both the public and private sectors as a result of streamlining government expenditure, and closure of many import-dependent private firms as a result of the realignment of foreign exchange prices.

According to Baah-Boateng (2004), the existence of wage rigidities or labour immobility in the Ghanaian labour market raises basic questions in terms of the effectiveness of macroeconomic policies. This has led critics of the orthodox programme to argue that economic reform measures in Ghana have failed to create jobs for the increasing labour force to alleviate poverty. The reason is that measures have focused mainly on promoting price stability rather than on addressing the underlying weaknesses of the Ghanaian economy. Also, like many other reforming countries, the initial phase of Ghana's reform paid very little attention to the social and legal dimensions of the programmes because it was assumed, albeit erroneously, that the removal of price distortions to ensure efficient resource allocation would by itself enhance productive employment and real income in the long term, thereby reducing poverty.

After two decades of economic reforms in Ghana, the expected long-term benefits in terms of employment generation and poverty reduction are yet to be achieved, although unemployment has declined from 10.1 per cent in 2000 to 5.4 per cent in 2003 and overall poverty incidence reached about 40 per cent in 1998 after decreasing from 52 per cent in 1992. According to Heintz (2004), the inability to create employment opportunities and to enhance the quality of remunerative work restrains Ghana's limited capacity to translate a record of moderate growth into sustainable improvements in living standards during the period of economic reform. It should, however, be noted that there have been improvements in several human development indicators over this period. For instance, Life expectancy at birth increased from 54.0 years in 1982 to 60 years in 2003. Similarly, on average, infant mortality rates fell from 88.4 per 1,000 live births to 64 per 1,000 live births over the same period. Nevertheless, improvements in the social dimensions of the SAPs through human resource development, the creation of more decent jobs and a broader distribution of the benefits from growth, could have led to better results than those recorded.

2.2 Labour market situation

In the Ghanaian labour market, as in other African economies, many of the widely used labour market definitions such as employment, unemployment, labour force participation, etc. are difficult to apply because over 80 per cent (i.e. 80.3 per cent in 2000) of the employed labour force, or economically active population, are self-employed in the informal economy. Nevertheless, various household surveys and the national population censuses have, to a large extent, attempted to measure these labour market concepts despite some definitional/ measurement problems linked to the different formats of the survey instruments used. In addition, the instruments for tracking labour market trends are not available on an annual basis. In fact, over the past two decades, statistical data on the labour market in Ghana has

consisted of snapshots produced by different surveys,² which are not comparable in their coverage and definitions adopted.

The Ghanaian labour market is dominated by the agricultural sector which employs over half of the total labour force. The majority of the economically-active population in this sector are self-employed and are involved mainly in informal economic activities. Self-employment is predominant in the informal economy mainly due to the sluggish growth of formal employment.

There is some degree of imperfection within the Ghanaian labour market as it evidently exhibits wage rigidities resulting from the strong influence of some institutions. Unionization within the formal sector has made bargaining for wages very rigid. Generally, public sector earnings are lower than wages in the private sector. However, there is greater job security in the public sector than in the private one. The national labour market has also been characterized by an increasing incidence of underemployment even though open unemployment, particularly among university and polytechnic graduates, has increased in recent times. Women's labour force participation rate is slightly lower than that of men. Women in Ghana are predominantly engaged in unpaid agricultural labour, in the urban informal economy, or in the service and commercial sectors. On average, women earn less than men due to both their lower educational attainment and discrimination.

The incidence of child labour is a major problem in Ghana. It is particularly prevalent in the rural areas, where the ability to enforce the minimum age requirement for schooling and work, is lacking. The minimum legal age for entering the labour market is 16 years. The 2000 population census reveals that the number of people aged between 7 and 15 years who are economically active is about 747,204, the majority of whom are engaged in agriculture and fishing. Also, the 2001 Ghana Child Labour survey (children aged 5-17 years), conducted by the GSS with support from ILO, shows that in the 12 months preceding the interview (usual economic activity), about two out of five children were engaged in some economic activity. As for the currently economically active, 31.3 per cent of children worked for economic gain in the seven days that preceded the survey. The survey further indicates that the main activities in which working children are involved include agriculture and trade with many of them being unpaid family workers. The main reasons why children worked were to supplement household income and support household enterprise. In general, analysts identified poverty as the overriding factor that pushes children into active employment.

2.2.1 Population and migration

Currently Ghana's population is estimated to be well over 21 million. Over the last two decades, the country's population has grown at a rate of about 2.7 per cent per annum. Table 2.1 shows that in

Table 2.1: Labour force distribution

	1991/92	1997	1998/99	2000	2003
Total population (millions)	14.9	17.1	17.7	18.8	---
Adult population 15+ (millions)	7.91	---	10.27	11.1	---
Labour force/economically active (millions)	6.05	---	8.21	8.29	---
Total employment (millions)	5.77	---	7.6	7.4	---
Employment (%)	84.8	80.7	76.8	82.1	73.6
Underemployed (%)	10.5	12.5	15.7	6.9*	18.9
Unemployment (%)	4.7	3.9	8.2	10.4	7.5
Inactive (%)	23.5	26.9	20.1	25.3	27.9

Source: (GSS, 1995), (GSS, 1998), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

* Made up of those who had jobs but did not work during the census period.

² GLSS I (September 1987-August 1988), GLSS II (October 1988- September 1989), GLSS III (September 1991-September 1992), CWIQ I (September – November 1997), GLSS IV (April 1998- March 1999), Population Census (2000) and CWIQ II (January – March 2003).

1991/92 (from GLSS III) Ghana's population was estimated to be 14.9 million and had 7.91 million adults aged 15 years and above. Some 6.05 million of those adults were economically active, giving a labour force participation rate of 76.5 per cent.

The adult population has increased from 7.91 million in 1991/92 to 10.27 million in 1998/99. Of this latter figure, 8.21 million were economically active, giving a labour force participation rate of 79.9 per cent. The most recent population and housing census that took place in 2000 revealed that Ghana's total population was 18.8 million with 11.1 million adults. Of the adult population, 8.21 million, representing a participation rate of 74.7 per cent, were economically active. With respect to inactivity, table 2.1 indicates that there has been an increasing trend (except in 1998/99), mainly due to education and apprenticeship training, seasonal inactivity, household/family duties and, to a lesser extent, old age, disability, infirmity etc.

Table 2.2: Extent of migration by present location and sex (percentage of adult male/female population)

Location	Sex		
	Male	Female	All
GLSS III (September 1991 – September 1992)			
Accra	62.7	61.1	61.8
Other Urban	56.6	56.1	56.3
Rural	56.1	55.8	55.9
All	56.8	56.4	56.6
GLSS IV (April 1998 – March 1999)			
Accra	46.6	42.9	44.7
Other Urban	49.4	51.8	50.7
Rural Coastal	46.6	48.3	47.6
Rural Forest	60.9	60.6	60.8
Rural Savannah	45.3	46.8	46.1
All	51.4	52.2	51.8

Source: (GSS, 1995), (GSS, 2000a)

With respect to migration, data from the third and fourth rounds of the GLSS indicates that migration, meaning those having previously lived in a location different from their present one, declined from about 57 per cent in 1991/92 to about 52 per cent in 1998/99 (Table 2.2). Across locations, the proportion of migrants in rural areas increased slightly from about 56 per cent in 1991/92 to about 61 per cent in the rural forest areas in 1998/99. Specifically, in 1998/99 the proportion of migrants in the rural forest was slightly larger (60 per cent) than in Accra and other urban and rural locations. With respect to gender, the rates for men and women who migrated in the 1990s were almost identical.

Overall, in 1998/99, 36 per cent of the adult population were in-migrants and 16 per cent return migrants as compared to a slightly higher percentage of 40.3 and 16.3 respectively in 1991/92. In regional terms, close to 40 per cent or more of the population in the south (Greater Accra, Eastern, Central, Ashanti, Brong Ahafo, Volta and Western Regions) were in-migrants. In contrast, in the north of the country the level of in-migration was fairly low, particularly in the Upper East Region where in 1998/99, for instance, only about 10 per cent of the population were in-migrants.

When one looks at the overall level of migration, the contrast between regions in the south and north of the country becomes very clear. In the three northern regions (Northern, Upper East and Upper West Regions), for instance, about a third or less are migrants (both in and return migrants³), whereas in each of the other regions at least half of the population are migrants. In terms of those who moved away from their birthplace and subsequently returned, only the Central and Upper East regions recorded a figure of about one-fifth of the adult population; the other regions recorded lower levels of this type of migrant. Details of migration status by region are provided in appendix 2.2.

³ These are migrants who are new to the location and those who are returning as migrants to the location.

Table 2.3 shows data on migration flows in the country. About two-thirds (65 per cent in 1991/92 and 67 per cent in 1998/99) of all migrants stayed in rural areas, less than a tenth stayed in Accra, and the rest (about a quarter) stayed in other urban areas. In terms of their previous place of residence, majority (about 60 per cent) of them had moved from an urban area. This means that about four out of ten individuals migrated from rural areas.

Table 2.3: Migration flows by previous residence and current residence (%)

Location of previous residence	Location of current residence			
	Accra	Other urban	Rural	Total
GLSS III (September 1991 – September 1992)				
Accra	0.4	3.4	5.6	9.4
Other Urban	6.9	14.4	25.4	46.7
Rural	2.6	7.2	34.0	43.9
Total	9.9	25.1	65.0	100.0
GLSS IV (April 1998 – March 1999)				
Accra	0.2	2.9	6.2	9.3
Other Urban	5.7	14.5	29.3	49.3
Rural	1.9	8.0	31.5	41.4
Total	7.8	25.2	67.0	100.0

Source: (GSS, 1995), (GSS, 2000a)

The overview of migration flows presented above does not suggest any large drift of population from rural to urban areas compared to inter-urban, inter-rural and urban-rural migration. Table 2.3 suggests that about a third of all migration flows (31 per cent in 1991/92 and 34 per cent in 1998/99) involve rural-rural migration, and another third (31 per cent in 1991/92 and 35 per cent in 1998/99) involve urban-rural migration. Almost a quarter involve inter-urban migration flows, leaving only a tenth of all migration moves (10 per cent) from rural to urban areas. Almost three quarters (73.1 per cent) of migrants in Accra in 1998/99 had moved from other urban areas, a quarter (24.1 per cent) moved from rural areas and the rest (about 3 per cent) represented return migrants. The flows to other urban areas show a similar trend, but the flow of migrants to rural areas has a bigger share of rural to rural movement (47 per cent).

Domestic considerations, rather than employment needs, seem to have the greatest influence on migration flows. Almost 60 per cent of all migrants cited marriage (18 per cent -1991/92 and 14 per cent - 1998/99) and other family reasons, such as disputes and famine (43 per cent and 45 per cent in 1991/92 and 1998/99, respectively) as the reason for migrating. In the 1990s there was an increase in the proportion of adults who migrated because of their own job, although only about a quarter said they had moved for work-related reasons (14 per cent -1991/92 and 21 per cent - 1998/99) or their spouse's employment (10 per cent and 6.5 per cent in 1991/92 and 1998/99, respectively). Details of the distribution of migrants, by current location and reason for most recent migration, are provided in appendix 2.3.

2.2.2 Labour supply

As the population data presented above imply, labour is abundant in Ghana. The adult population aged 15 years and above, as well as the economically active population, increased during the 1990s. In the 1970s and early 1980s the labour force growth rate grew at a slower pace than the population growth rate. In the 1990s and early 2000s the situation reversed. The increased labour force growth rate is linked, in particular, to the rising share of the youth population in the 1990s. This means that the Ghanaian labour market has to become more efficient in order to absorb the increase in the economically active population. Available data indicates that so far the labour market has not been able to create enough jobs for all those who are available to work. Employment growth between 1984 and 2000 was 3.1 per cent, lagging behind

the labour force growth rate of 5.8 per cent over the same period. The growth of the labour force is mainly the result of a high fertility rate equal to 4.4 per cent (GSS, 2003), changes in the age composition of the population and age specific participation rates.

Table 2.4: Usual activity/participation rate by gender, age and location

Category	Years		
	1991/92	1998/99	2000
Labour Force Participation Rate	76.5	77.9	74.7
Gender			
Female	78.0	75.8 ^{\$}	72.7
Male	74.4	78.1 ^{\$}	76.7
Age			
15-19	3.5		
20-24	68.9	66.6	
25-44	93.5	83.8	
45-59	94.0	87.9*	
60+	75.4	77.7**	
Location			
Urban	67.2	76.4 ^{\$}	
Rural	81.3	77.5 ^{\$}	

Source: (GSS, 1995), (GSS, 2000a) (GSS, 2002)

\$ - Refers to population aged 70+, * - Refers to the range 45-64 yrs, ** - Refers to 65+ yrs.

Labour force participation rate is defined as the proportion of the total number of economically active persons in the working age group or in the adult population. A person is defined as economically active if they are employed or are available to engage in the production of goods and services (either on a weekly or yearly basis).

Table 2.4 shows the trends in participation rates in Ghana by gender, age groups, and location. The table indicates that the overall labour force participation rates in the 1990s increased marginally from 76.5 per cent in 1991/92 to 77.9 per cent in 1998/99, but then declined to 74.7 per cent in 2000. The rates were higher for women than for men in 1991/92, but the trend reversed and participation rates of women became lower than those of men over the years. Participation rates are especially high (about 94 per cent in 1991/92 and 87.9 per cent in 1998/99) in the 45-60 years age group. Participation rates for both men and women have declined during this period in all the age groups. The decline in women's participation rates may be due to the downsizing exercise that took place in the public sector and affected many more women than men. Even though the overall participation rates have become more or less the same for the two sexes, the rates are higher for males in the prime age-groups. Some of the reasons for the relatively lower participation rates for females are the lower education level, wage discrimination, lack of jobs, all of which discourage women from participating in the labour market, as well as the heavy workload in the household.

The key supply issue for the Ghanaian Labour market is the quality of labour. Ghana like other sub Saharan African countries has an education deficit and a relatively lower life expectancy as compared to the rest of the world. In Ghana, one of the major causes of rising unemployment has been identified as the mismatch between skill requirements of employers and skills of prospective employees. In the 1990s the situation improved thanks to the educational reforms that began in the mid 1980s and the provision of almost free and universal education, which has ensured an increased stock of educated labour (junior secondary school and above).

With respect to child and adult health indicators the government of Ghana has made remarkable progress. For instance, in 2003 life expectancy at birth had increased to 60 years from 54.0 years in 1982. In addition, infant mortality rates fell from 88.4 per 1,000 live births to 64 per 1,000 live births over the

same period. Unlike other SSA countries, the threat posed by HIV/AIDS in Ghana has not reached worrying levels (prevalence rate⁴ was 3.1 per cent in 2004) and the government has adopted clear measures aimed at combating the HIV/AIDS menace.

2.2.3 Labour demand

Over the past two decades, employment growth in Ghana has lagged behind economic growth. As shown in table 2.5, while the economy recorded an annual average growth of 4.8 per cent between 1984 and 2000, employment grew only by 3.1 per cent over the same period. Obviously, the slow growth of the economy coupled with the low investment rate resulted into a relatively slow growth in overall labour demand. With a 5.8 per cent annual growth of the labour force and a limited absorption capacity of the economy, particularly in the 1990s, it is not surprising that unemployment rates increased in those years.

The agricultural sector, which remains the major employer, has seen its share of total employment decline over the last two decades from 61 per cent in 1984 to 45 per cent in 2003. Over the same period, its contribution to real GDP decreased from about 48 per cent to almost 36 per cent. Between 1984 and 2000, employment in the agricultural sector grew by 1.6 per cent annually as against 5.5 per cent in services and 5.6 per cent in the industry sector, with the small-scale sub-sector being the most employment generating. Over the same period, the agricultural sector recorded an average annual growth of 3 per cent as opposed to 6.5 per cent and 6.2 per cent in the services and industry sectors respectively. Consequently, particularly in the 1990s, the share of employment in both the services and the industry sectors rose appreciably, as that of agriculture fell (table 2.5). The reduction in the share of agriculture in total employment in favour of the services and industry sectors reflects the changing distribution of sectors in real GDP between 1984 and 2000.

Table 2.5: 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)
1991/2	62.2 (37.8)	10.0 (25.0)	27.8 (27.0)
1997	55.9 (36.6)	11.3 (25.4)	32.8 (28.7)
1998/9	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)
2003	44.5 (36.1)	11.8 (24.9)	43.7 (29.8)
Annual growth rate (1984 – 2000) by Industry			
GDP	3.0	6.2	6.5
Employment	1.6	5.6	5.5

Source: (GSS, 1995), (GSS, 1998), (GSS, 1987), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

Figures in parenthesis are real GDP figures at 1993 constant prices.

Note: rows do not add up to 100 because 'net indirect taxes' are omitted.

Despite the agricultural sector seeing an improvement in its sectoral growth rates since 2001 (see appendix 2.1), as a result of the positive developments in the cocoa and forestry sub-sectors, its employment impact has been insignificant. The employment share of the cocoa and forestry sub-sectors in total agriculture employment has decreased from about 47 per cent in 1987 to about 35 per cent in 2002. The nature of the cocoa and forestry sub-sectors suggests that employment could be static, since the area under cultivation has not expanded. Indications are that food crop farmers who would have wished to shift to cocoa production and other perennial forest products are constrained by land tenure problems.

Within the industry sector, the construction and mining/quarrying sub-sectors have been the driving force in the modest sectoral gains. This emerging trend appears to be the result of the massive

⁴ Prevalence rate is the percentage of the population which exhibits the disease at a particular time (or over a period of time).

construction projects taking place in the country, especially in road construction, where funding has been provided by both donors and the government. The manufacturing sub-sector has also experienced marginal gains, but its performance has nevertheless been unimpressive. In terms of employment, the manufacturing sub-sector is increasingly the single largest industrial employer. While the manufacturing sub-sectors share in overall employment has declined from almost 12 per cent in 1998/99 to 6.4 per cent in 2003, that of construction increased from 1.4 per cent to 3.9 per cent over the same period.

“Wholesale and Retail Trade, Restaurants and Hotels” is the largest sub-sector in the services sector, accounting for about 60 per cent of the relative share of the services sector to GDP. The contribution of this sub-sector to GDP seems to be reflected in the respective share of overall employment. It is the largest employer in the services sector and recorded a tremendous increase between 1991 and 2003 employing about 22 per cent of the working population in 2003, (over 50 per cent of employment in services). Although the financial services sub-sector appears to be making significant gains, indications are that financial services are not complementing agricultural and manufacturing production on the scale anticipated to make Ghana a middle-income country in the medium term. Available evidence shows that financial institutions consider manufacturing and agricultural enterprises very risky undertakings with high default rates (Gockel and Akoena, 2002). The financial services sub-sector also made a significant contribution to employment, which has increased over the years since 1991 to almost 8 per cent of overall employment in 2003. Details of employment by sector are provided in appendix 2.4.

With respect to gender, employment trends in the 1990s up to 2003 indicate that generally there is not much difference between the proportion of employed men and that of employed women. Except for 1998 and 2003, a relatively higher proportion of women are employed than men (table 2.6).

Table 2.6: Employment by gender (% of adult female/male population)

Category	1991/92	1997	1998/99	2000	2003
Female	73.9	55.2	80.7	50.3	65.6
Male	71.7	44.7	84.0	49.7	67.9

Source:(GSS, 1995), (GSS, 1998)), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

In Ghana, the perception that formal employment provided the most remunerative and stable jobs made the formal sector attractive and contributed to the faster formal employment growth relative to the labour force growth during the period from 1960 to 1985. In those years, formal employment rose from less than 4 per cent to over 20 per cent of the labour force⁵ but took a nosedive between 1980 and 1991, declining by an annual average of 3.7 per cent compared with a 3.2 per cent annual average growth of the labour force. The employment level in 1991 was 40 per cent of the 1985 level.

The main reason for the poor employment performance in the formal sector during those years could be attributed to the ERP/SAP which, among other things, led to public sector retrenchment, liberalization and privatization, withdrawal of subsidies to loss-making public enterprises; liquidity constraints in industry as a consequence of the drastic depreciation of the cedi and the reduction in tariff protection of the local industry (Boateng, 2001A).

The declining employment trend in the public sector appears to have been reversed in the late 1990s as a result of the government's policy of meeting the education and health needs of the ever-increasing population. Many schools and health facilities were set up for that purpose. The overall public sector employment grew by 39.4 per cent between 1992 and 2000 though its share in the formal sector declined from 58.1 per cent to 51 per cent in 2000 and thereafter rose marginally to 52.6 per cent in 2003. In terms of distribution, public sector employment declined from 8.4 per cent in 1991 to 6.9 per cent in 1997 and to 6.2 per cent in 1998. However, it increased to 9.1 per cent in 2000. Some analysts believe

⁵ As a result of the government's massive public investment programme and between 1972 and 1978 under the “domestication” programme dubbed Operation Feed Yourself as well as the protectionist “Ghanaianisation” programmes.

that some of the retrenchees found their way into the public sector by being appointed in different ministries, departments or regions. Appendix 2.5 and 2.6 provide the distribution of total employment and formal employment, respectively. The increase in informal employment and decline of formal employment, as depicted in appendix 2.5, may be due to the limited recruitment in the public service and the introduction of special employment programmes in the informal economy by the new government.

The employment performance of the private sector improved considerably between 1992 and 2003 as a result of the better performance of some divested state-owned enterprises, of the free zones project and of the investment programme of the Ghana Investment Promotion Council (GIPC). Over 1,400 projects registered by GIPC between September 1994 and December 2003 reportedly created employment for about 87,369 people. Moreover, the enterprises registered in the free zones enclave between 1996 and 1999 generated about 5,523 jobs.

The informal economy, which is by far the most dynamic and flexible sector in the Ghanaian labour market, remains the main source of employment for the working population. Agriculture and rural activities constitute the largest share of it. Informal employment rose by 46.4 per cent or 2.7 per cent on annual average between 1984 and 2000. Informal jobs increased significantly between 1984 and 1992 when the share of informal employment in total employment rose from about 84 per cent to 88 per cent, mainly as a result of public sector downsizing and import liberalization. For instance, most of the over 49,000 employees affected by the redeployment exercise (mostly drivers, labourers, sweepers, cleaners, and other grades in the lowest echelon in the public and civil service) who lacked adequate skills for the formal private sector found refuge as self-employed in the informal economy.

This underscores the crucial role of the informal economy as a provider of alternative employment opportunities in alleviating the negative consequences of the SAP. The growth of informal employment recorded a marginal decline after 1992 (appendix 2.5) due partly to the possible re-entry into the formal sector of some of the informal employees who could no longer cope with the problems associated with working informally. In addition, some informal operators obviously joined the ranks of jobless people, as reflected in the increasing unemployment rate in the 1990s. However, data from GSS (2003) indicates that the share of informal employment increased from 80.3 per cent in 2000 to 84.7 per cent in 2003, possibly as a consequence of the STEP programme, which has provided vocational skills to the unemployed who registered in 2001/02. Some of the trainees have found employment in the informal economy. Almost 46,000 jobs were created in the rural areas through the government's cocoa diseases and pest control programme and about 10,000 people found jobs as cassava farmers under the government's integrated action programme for cassava starch production and export.⁶ The government claimed in its 2004 budget statement that it had facilitated the creation of about 265,000 jobs, around 63 per cent (i.e. 166,200) of which are in the informal economy.

In 2003, the distribution of the working population indicated that the private informal sector was the main employer (84.7 per cent), employing slightly more people in the rural areas (92 per cent) compared to urban (75 per cent) and more females (90.5 per cent) than males (78.6 per cent). With respect to the formal sector (both public and private), table 2.7 shows that a relatively higher proportion of the urban working population (about 20 per cent) were in the formal sector in 2003 than the rural working population.

⁶ It has been argued that most of these people were farmers already, but it does not take away the fact that this programme has created employment even for such farmers who might otherwise be considered underemployed.

Table 2.7: Distribution of working population by location, sex and age in 2003

Category	Public	Private formal	Private informal	Semi-public/ parastatal	NGO/ int. organs	Others	Total
Location							
Urban	12.0	11.2	75.0	0.5	0.3	1.0	100.0
Rural	3.6	3.0	92.0	0.3	0.1	1.1	100.0
Gender and Age							
Male	10.2	9.5	78.6	0.6	0.2	0.1	100.0
15-29	4.6	8.8	84.9	0.3	0.2	1.2	100.0
30-49	12.7	10.8	74.5	0.7	0.2	1.0	100.0
50-64	16.5	8.7	73.0	0.7	0.2	0.8	100.0
65+	3.4	4.9	90.4	0.2	0.2	0.8	100.0
Female	4.4	3.7	90.5	0.2	0.1	1.1	100.0
15-29	2.7	4.6	91.0	0.2	0.2	1.3	100.0
30-49	5.7	3.6	89.5	0.2	0.1	0.9	100.0
50-64	5.2	3.0	90.4	0.1	0.2	1.0	100.0
65+	0.8	2.2	96.1	0.0	0.0	0.9	100.0

Source: (GSS, 2003)

The private informal sector in 2003 offered the male working population employment mainly in agriculture (60.2 per cent) and, to a lesser extent, in services (25.5 per cent), whereas the formal sector offered the male working population employment mainly in the services and industrial sectors (table 2.8). In contrast, table 2.8 shows that in 2003 the female working population was offered employment in mainly the services sector across all employers. This is reflected in the gender distribution across sectors. Indeed in 2003, the agriculture and services sectors employed about 50 per cent and 34 per cent of the male working population, respectively. The female working population were however employed mainly in services (52 per cent) and, to a lesser extent (39 per cent), in agriculture.

Table 2.8: Distribution of working population by sex, sector and employer: 2003

Category	Public	Private formal	Private informal	Semi-p public/ parastatal	NGO/ int. organs	Others	Total
Male	10.2	9.5	78.6	0.6	0.2	0.1	100.0
Agriculture	7.2	14.2	60.2	23.0	10.7	39.2	50.0
Industry	5.2	32.6	14.4	25.3	15.5	17.0	15.0
Services	87.4	53.4	25.5	51.8	73.7	43.8	34.0
Female	4.4	3.7	90.5	0.2	0.1	1.1	100.0
Agriculture	4.8	16.6	42.1	24.0	8.0	38.0	39.0
Industry	2.2	12.8	7.5	16.6	6.2	5.0	8.0
Services	92.9	70.6	50.2	59.4	85.7	57.0	52.0

Source: (GSS, 2003).

As for status in employment, data from the various publications of the GSS indicates that close to 80 per cent of the total labour force are self-employed. Most of them work in agriculture. Waged employees in the public sector make up the rest. The majority of private informal employees can be found in the agriculture and services sectors, largely because of the ease of entry and the relatively low investment requirements needed compared to the industrial sector. Male employees can be found mostly in agriculture where activities tend to have a subsistence nature. Women dominate jobs in services, particularly in sales. Appendices 2.7 and 2.8 provide details on employment status.

Besides agriculture, which employs the majority of the economically active population, work in sales remains the major occupation for women, whereas men are predominant in production. Quite significantly, a high proportion of women (21.3 per cent) are engaged in commercial activities and a

relatively large proportion of men (18.9 per cent) are engaged in production, clerical and related occupations. Professional and technical occupations, as well as services, have undergone a significant improvement between 1991 and 2000. Both occupations more than doubled their respective shares, moving from 4.2 per cent in 1998/99 to 8.6 per cent in 2000 for the former, and from 2.8 per cent to 5.9 per cent over the same period for the latter (table 2.9). Administration and management has remained the occupation which engages the smallest proportion of the working population in relative terms.

Most of the economically active population are found in rural areas and are largely engaged/employed in agriculture. Table 2.9 shows that in 1992, about 78.4 per cent of the rural labour force were engaged in agriculture as against 19 per cent in urban areas. Commercial activities are the main occupation for the urban labour force accounting for 32.7 per cent in 1992. The corresponding share in 1998 reached about 33.4 per cent, while in rural areas the proportion was only 11.6 per cent. Production is the second major activity for the urban labour force with a share of 25.1 per cent. Agriculture remains the major source of economic activities for the rural labour force accounting for 70.1 per cent in 1998 followed by production (11.8 per cent) and sales (11.6 per cent).

Table 2.9: Type of occupation of economically active population 15+ (%)

Occupation	1991/92			1998/99			2000		
	Urban	Rural	All	Urban	Rural	All	Male	Female	All
Professional & Technical	8.3	2.5	4.2	6.8	2.8	4.1	10.0	7.2	8.6
Adm. & Managerial	0.6	---	0.2	0.7	0.0	0.2	0.4	0.2	0.3
Clerical & Related	7.1	0.7	2.5	5.1	1.0	2.3	6.9	1.9	4.4
Sales	32.7	7.8	15.1	33.4	11.6	18.5	8.6	21.3	14.9
Service	5.4	1.7	2.8	9.1	2.7	4.7	4.3	7.6	5.9
Agriculture	19.0	78.4	61.1	19.9	70.1	54.3	48.5	47.3	47.9
Production, Transport Equip	26.8	8.8	14.0	25.1	11.8	16.0	18.9	13.5	16.2
Others	---	---	---	---	---	---	2.4	0.9	1.6
Total	100	100	100	100	100	100	100	100	100

Source: (GSS, 1995), (GSS, 2000a) (GSS, 2002).

The proportion of the labour force living in urban areas increased marginally from 29.2 per cent in 1992 to 31.4 per cent in 1998. This seems to suggest that the strides made to minimize the migration of the youth from rural areas to urban centres, through the implementation of rural electrification and other employment programmes in the late 1990s, was quite successful. Evidence of this is the marginal increase in the proportion of the urban labour force implying that the incidence of rural-urban migration increased at a diminishing rate as compared to the 1980s.

2.2.4 Unemployment trends

Fundamentally, unemployment results from excess aggregate labour supply over aggregate labour demand. The slow growth in GDP in the context of a rapidly expanding labour force, coupled with declining formal employment, tends to push up the rate of unemployment. The labour force in Ghana almost doubled between 1984 and 2000 with an annual average growth of 5.8 per cent compared to an average real GDP growth of 4.8 per cent. The slow growth of the economy indicates a low absorption capacity creating an excess of labour.

The adult unemployment rate for the country stood at 4.7 per cent in 1992 and declined slightly to 3.9 per cent in 1997. It thereafter more than doubled to 8.2 per cent in 1998. In 2000, the unemployment rate rose to 10.4 per cent but declined to 7.5 per cent in 2003. Appendix 2.9 provides trends in unemployment. The increasing unemployment rates in the 1980s and 1990s could be attributed to several factors: globalization and unfair trade practices, high domestic production costs due to high interest rates and rapid depreciation of the domestic currency, lack of access to credit, erosion of capital base and weak

institutional and policy support. All of these factors have led to the collapse of many local medium and small-scale enterprises⁷ and lowered competitiveness. For instance, between 2003 and end of 2004, about 5000 members of the Union of Industry and Finance lost their jobs in the textile, poultry and rice industries. This was the result of the reduction of tariff protection under trade liberalization which ensured that these infant industries were not ousted by foreign companies. It is expected that by the end of 2005, about 2,000 more employees will have lost their jobs.

Unemployment appears to be an urban phenomenon in Ghana even though the rate in rural areas increased over the 1990s. The rural unemployment rate in 1998 was 5.5 per cent as against 13.4 per cent in urban centres. Similarly, 11.3 per cent of active urban adults were unemployed in 1992 as opposed to only about 1.7 per cent in rural areas. The relatively high incidence of unemployment in urban areas has been attributed to rural-urban migration resulting from the deterioration of the social and economic conditions in rural areas, coupled with inadequate jobs in urban centres. The seemingly high incidence of urban unemployment needs to be analysed carefully. In rural areas many people may be engaged in farming as part-time work since they have nothing else to do. This category of employees might be classified as employed rather than underemployed even though they are not working full-time. Subsequently, the unemployment rate in rural areas may be artificially underestimated.

Generally, unemployment rates are lower for men than for women even though the female participation rates have increased considerably in recent years. Apart from 1997 when the female unemployment rate fell below that of men, unemployment rates for women have remained above those of males. Appendix 2.10 provides details on adult unemployment rates by gender. A publication of ILO and JASPA (1989) has observed that, in many African countries, including Ghana, women are twice as likely to be unemployed than men. This observation appears false in recent times as the female-to-male unemployment ratio declined from 1.46:1 in 1992 to 1.16:1 in 1998 and to 1.06:1 in 2000. In 2003 it increased marginally to 1.09:1.

The relatively higher unemployment rate among women in the early 1990s has been attributed to their lower educational attainment, public sector downsizing affecting women more than men, because women occupied very low level jobs targeted by the programme, and overcrowding in the informal trade sector where at least 50 per cent of the female labour force in urban areas operate. Moreover, the decline in the female-to-male unemployment ratio in the 1990s could be linked to the improved educational attainment of females, especially in the 1990s, and to the fact that some women, who became discouraged, dropped out of the labour force completely thus becoming inactive and bringing their unemployment rate down. More research is needed on this subject. Indeed, the proportion of women in tertiary institutions increased from 0.4 per cent in 1984 to 2.2 per cent in 2000, while post secondary education rose from 0.5 per cent to 1.4 per cent over the same period.

The most obvious feature of the recent unemployment situation in Ghana is that the incidence of unemployment among the youth aged 15-24 years is higher than among the general population. The GLSS 3 estimates that in 1992, 17.1 per cent of youth aged 15-24 in the labour force were unemployed as against 4.3 per cent for 25-44 and 2.7 per cent for 45-59 age groups, respectively (appendix 2.11). Similarly, the GLSS 4 puts the unemployment rate for the youth aged 15-24 at 15.9 per cent compared to 7.4 per cent for 25-44 and 4.7 per cent for 45-64 age groups, respectively confirming the general assertion that unemployment rates tend to decrease with age. Appendix 2.11 provides details on unemployment by age. Rapid population growth averaging 2.7 per cent per annum over the last two decades, with its upward pressure on the labour force, has been identified as the core reason for the high incidence of youth unemployment.

The educational dimension of unemployment in Ghana suggests that unemployment among illiterates is relatively low at a rate of about 0.8 per cent and 6 per cent in 1992 and 2003, respectively. Open unemployment seems to increase with education. Unemployment among literate adults was about 8.5 per cent in 2003. This is partly due to the fact that in the wake of a general shortage of jobs, unskilled

⁷ In Ghana medium and small-scale enterprises are a major employment generator in both the private formal and informal sectors

people with low expectations are ready to accept informal jobs that are less secure and poorly paid. It also appears that those who are educated, but without specific skills relevant to the labour market are disadvantaged, suggesting a possible mismatch between their training, job expectations and characteristics of the available jobs. Apparently, the excess of tertiary educational output over the ability of the economy to absorb this output and lack of required skills and competence of recent “tertiary educated” persons due to poor educational infrastructure have, in recent times, led to increasing unemployment rates among university and polytechnic graduates.

The unfavourable economic environment has also adversely affected the ability of the private sector to make impressive strides towards growth. The private sector was not able to absorb the ever-increasing labour force, largely composed of dropouts from the educational system. The education reform programme, started in 1987, has created a situation where at two transitional points of the educational system (junior and senior secondary school), a substantial number of students (at least 60 per cent) fail to gain admission to the next step on the ladder and, therefore, exit the school system to enter the labour market in search of jobs. This has created a pool of unemployed youth who are mostly semi literate and lack the required skills for employment.

2.2.5 Underemployment

An underemployed person is one who is available to work longer hours and is seeking to do so. The ILO⁸ defines the time related underemployed as comprising those who are currently working, but are willing and available to work additional hours and have worked less than the normal duration of work determined for that activity. Inadequate employment on the other hand refers to those who are working in an enterprise and who, during the reference period, want to change their current work situation, or (particularly for the self-employed) who want to change their work activities and/or environment because their skills are under-utilized. Data on inadequate employment is difficult to obtain as available information on underemployment mostly focuses on time-related underemployment. According to the GLSS 3&4, a measure of underemployment is the number of people who work 40 hours or less a week in their main job and are willing to work more hours.

Table 2.10: Estimates of underemployment (% of economically active population)

Year	Urban			Rural			National		
	Male	Female	All	Male	Female	All	Male	Female	All
1991/2	6.0	6.0	6.0	10.0	7.0	8.0	9.0	7.0	8.0
1998/9	10.7	11.6	11.3	15.7	14.8	15.2	14.2	13.7	13.9
2003	---	---	12.1	---	---	14.9	14.3	13.0	13.6

Source:(GSS, 1995), (GSS, 2000a), (GSS, 2003)

The overall adult underemployment rate in 1992 was 8 per cent as against 13.9 per cent and 13.6 per cent in 1998 and 2003, respectively. The distribution of the underemployed by gender and location is shown in table 2.10. Notably, underemployment is relatively higher in rural areas than in urban ones. This is possibly due to the fact that in rural areas many people may be engaged in farming on a part-time basis because they have nothing else to do. In addition, in rural areas people engage in non-agricultural employment on a casual or part-time basis due to seasonal inactivity. It should also be added that most rural women are engaged in unpaid domestic duties.

⁸ <http://www.ilo.org/public/english/bureau/stat/download/res/underemp.pdf> .

2.2.6 Disadvantaged groups (disabled and affected by HIV/AIDS)

The 1997 CWIQ survey reported that about 1 per cent of the Ghanaian population was physically/mentally disabled and, therefore, unfit to engage in any significant economic activity, unless provided with special technical support. The disabled comprised slightly more female than male. Labour force surveys and other official sources of information on the Ghanaian labour market are often silent on disabled and HIV/AIDS affected persons within the active adult population. What is normally reported is the proportion of the unemployed and the inactive adult population who are disabled. The 2000 housing and population census reported that 3.4 per cent of the inactive population was disabled with slightly more adult men (3.6 per cent) than adult women (3.1 per cent). Data from the CWIQ II survey in 2003 indicates that less than 1 per cent of the unemployed and 3 per cent of the inactive population were disabled. Currently the Ghana Society for the Physically Disabled has a membership of about 1,800,000, the majority of whom have no means of livelihood and are forced into begging to make ends meet.

There is little or no information on HIV/AIDS affected persons participating in the labour force. Data from the Ghana Health Services (GHS) sentinel surveillance survey for people aged 15-49, however, gives an indication as to the HIV prevalence among the labour force in the country. The survey reveals that median HIV prevalence was very high in 1992 (3.6 per cent), but decreased considerably to 2.4 per cent the following year and remained at that level until 1997. The figure again rose to 3.4 per cent in 1998, but fell to 2.4 per cent in 1999. There has been a persistent increase in the median HIV prevalence rate since 2000, rising from 2.3 per cent to 3.6 per cent in 2003, an increase of about 57 per cent over the three-year period. While a consistent decline is recorded for the age group 15-24, a steady increase is observed for the older age groups, including 30-49 years old. It is possible prevention programmes have effectively targeted the younger, but not the older age groups. Data for the period 1998-2002 shows that the highest prevalence was in the 25-29 age group. In the 2003 survey, the highest prevalence was instead observed in the 45-49 age group, shooting up from as low as 0 per cent in 2000 to 6 per cent.

Infection from HIV/AIDS reduces labour productivity and availability to work and has particularly negative effects on the agricultural sector where production is labour intensive and has a subsistence nature. The impact of HIV/AIDS on the agricultural sector in Ghana is felt at the household level through reduced labour for farming, increased dependency ratio and a gradual decrease in agricultural production. HIV/AIDS infection can cripple the sector which for a long time has contributed significantly to economic development in Ghana. With respect to farm production, HIV/AIDS reduces labour availability in that, during the relatively short farming seasons when the demand for labour is high for land preparation, sowing, weeding and harvesting, employees are engaged in care of the sick. As the number of HIV/AIDS infected persons increases, demand for labour in care and domestic work could take precedence over farm work.

Chapter 3: Labour market institutions

Institutions in the labour market are defined here to include the behavioural patterns or entities pertaining to both the supply and demand-side. They also include the laws, regulations, conventions, customs and practices which shape those behaviours. Evidently, the nature of such institutions is partly responsible for the existing balance between labour market flexibility and employment and income security. The major labour market institutions in Ghana are the constitution, laws, policies, regulations, conventions and collective bargaining agreements (CBAs), the National Tripartite Committee (NTC) and the National Labour Commission (NLC).

3.1 Laws, regulations, policies and conventions

Article 21 (1) (e) of the 1992 Constitution of the Republic of Ghana guarantees freedom of association and indicates that the freedoms include the freedom of all persons to form and join a trade union or any other national or international association of their choice for the protection of their interests. The Constitution also prohibits forced labour (Article 16) and discrimination in employment on the grounds of gender, religion, race, colour, ethnic origin, creed and social or economic status (Article 17). Other provisions of the Constitution relating to the labour market are Article 24 (economic rights of employees), Article 27 (women's rights), Article 28 (children's rights) and Article 29 (the rights of disabled persons).

Besides the Constitution, there are other legal acts which regulate the labour market. The Trade Unions Ordinance of 1941 (Cap 91) and its various amendments provide for any group of five or more employees at a workplace to constitute a local union within a national union.

The Industrial Relations Act (Act 299) of 1965 and its various amendments mandate the Registrar of Trade Unions - the Chief Labour Officer of the Labour Department (LD) - to issue a collective bargaining certificate to the local union through the Trade Union Congress (TUC) prior to the satisfaction of all requirements for the establishment of a union. The Act and its amendments also contain provisions for negotiation committees to conclude CBAs, settlement of disputes, unfair labour practices, strikes and lockouts, provided that any agreement concluded between parties be in writing. They also established a national advisory committee on labour to advise on matters relating to policy proposals affecting labour relations.

The Labour Decree of 1967 (NRC 157) provides for the establishment of public employment centres in the district capitals and mandates employers to register their job vacancies and to recruit certain categories of employees through these centres. The Decree also provides the procedure for minimum-wage fixing and sets the employable age at a minimum of 16 years for all persons, except in the case of work in your own family, agriculture or domestic business. Other provisions of the Labour Decree include conditions for the termination of employment contracts and the payment of severance awards, the protection of female employees, the protection of employees' pay from arbitrary deductions, forced labour, reporting of industrial injuries, death and bribery in employment, the employment of disabled persons, leave with pay, reinstatement, 8 hours of work per day, and the principle of equal pay for equal work. The Decree also outlaws the private recruitment of workers in the country. This Decree was influenced by ILO Conventions, in particular the convention on Equal Remuneration (Convention 100).

The Factories Offices and Shops Act was passed in 1970 and deals with the improvements necessary to attain internationally accepted standards in the areas of safety, health, and welfare of workers. PNDCL 66 consolidates the Factories Act by providing details on cleanliness, overcrowding, lighting, protective clothing, accidents, training, new machines, etc. The Workmen's Compensation Law was passed in 1987 by the Provisional National Defense Council (PNDC). The law provides that if a worker sustains injuries in the course of their duties, they must be paid cash compensation by their employer. There are also a number of amendments and the Public Service (Negotiating Committee) Law passed in 1992 (PNDCL 309).

Some international laws are binding for Ghana. Since Ghana became a member of the ILO in 1957, it has ratified 46 Conventions including seven of the eight core Conventions (Conventions 29, 87, 98, 100, 105, 111 and 182). As of 2003 only the Minimum Age Convention of 1973 (No.138) has not been ratified (TUC, 2004). These Conventions are being implemented in the country.

3.2 The Labour Act

In the 1990s, it became evident that laws governing the labour market were many, but scattered with each one focusing on a different subject matter. Some of the laws have been in existence for as long as fifty years and were out of tune with the current needs of the labour market. As a result, many of the

laws were not enforced. For example, the Labour Decree requires employers to register all vacancies with the public employment centres, but in reality very few comply with this provision. In order to make easy reference to the labour Acts that were scattered in various statute books and to bring the existing enactments on labour in conformity with the 1992 Constitution and the ratified ILO Conventions, a new law - The Labour Act of 2003 (Act 651) has been passed and assented. The Act has reduced a number of ratified Conventions into national laws to make them enforceable. In general, the Act amends and consolidates all labour related Laws in the country and repeals almost all the Labour Acts earlier mentioned.

The Labour Act seeks to cover all employers and employees except those in strategic positions such as the armed forces, police service, prisons service and the security intelligence agencies. Major provisions of the Labour Act deal with the establishment of public and private employment centres, employment protection, general employment conditions, employment of persons with disabilities, employment of young persons, employment of women, fair and unfair termination of the employment relationship, protection of remuneration, temporary and casual employees, union collective agreements, the National Tripartite Committee (NTC), forced labour, occupational health, safety and the environment, unfair labour practices and the establishment of the National Labour Commission (NLC).

The Labour Act has been in existence for barely two years, making it difficult to assess its effectiveness. However, a critical look at the document suggests that it provides a useful guide to the governance and management of the labour market at the national and enterprise levels. It also establishes an independent body – NLC – to mediate and reconcile employers and employees in the event of a dispute. To some extent the labour Act provides some level of flexibility in the labour market and aims at promoting employment, minimizing conflict in the industrial relations system, and promoting investment and Ghana's competitiveness in the international market. Specifically, "negative" flexibility that makes employees more disposable and "positive" flexibility that provides employers with greater freedom to organize their activities have both been taken care of by the Act. The major challenge is the implementation of the Law, especially in the informal economy where information about labour relations is virtually non-existent.

3.3 Collective bargaining agreements

The Labour Act regulates collective bargaining agreements (CBAs) which establish working conditions and terms. Collective bargaining is the interaction between employees acting through their accredited unions and the employer within limits set by formal rules, accepted practices and laws. The Labour Act guarantees the minimum content of a CBA and clearly specifies the terms and conditions⁹ on which agreement can be reached. Most CBAs have a duration of 2-3 years. Some provide for wage indexation and other mechanisms for the automatic adjustment of wage levels to general economic conditions, such as inflation changes. A recent survey of 96 enterprises in Ghana showed that over 37 per cent of CBAs had wage indexation clauses which required salaries to be adjusted upward when inflation rises above a certain level. Long-duration CBAs usually had a wage re-opener clause that allowed the parties to review wages at least once every two years (Boateng, 2001).

In general, the provisions in CBAs apply to the formal sector, especially where there is unionized labour. The problem lies with the informal economy where many of the employees do not belong to unions or employees' associations. It is estimated that about 88.3 per cent of informal employees are not covered by any CBA. In their case, employment conditions are determined either exclusively by the employer or by the employer and the employees through informal bargaining. The problem could be worse in the agricultural sector. The General Agricultural Workers Union (GAWU) estimates that only about 8 per cent of agricultural labour is formal, mostly in commercial agricultural farms. A review of some of the CBAs in the formal agricultural sector indicates that such agreements contain the basic

⁹ These include category of employees it relates, conditions of work, probation, remuneration and its calculation, termination of employment, procedures for avoidance and termination of appointment, principles of matching remuneration with productivity, essential services among other.

provisions established by law and provide for other benefits such as health, vehicle, housing, provident fund and end of service benefits. Such benefits are totally missing in the informal economy where the majority of agricultural workers are found.

Bargaining in the formal sector is largely decentralized, though centralized bargaining sets the tone for the discussions on wages. Specifically, the National Tripartite Committee (NTC) centrally fixes the national minimum wage, which provides the basis for decentralized bargaining through CBAs. The Trade Union Congress (TUC) coordinates national unions and provides guidance on bargaining. Local unions sometimes involve regional or national union officials in collective bargaining. Both local unions and employers sometimes use industry-wide trends and practices to determine their own settlements, especially in the construction industry.

The nature of bargaining in the labour market has implications on flexibility as well as employment and wage settlements. According to Boating (2000A), empirical observations suggest that highly centralized bargaining increases the leverage of the local union at the national level and lower frequency of strikes, whilst decentralized bargaining leads to greater flexibility and leverage and helps employers to respond to changing market conditions. However, it is costly to small firms.

There are indications that decentralized bargaining is increasing. This is evidenced by the increasing diversity of employees' interests, which has forced workers to become less willing to pursue common aspirations at the expense of personal goals. Flexible technologies and the reduction in the power of local unions coupled with the preference of local employers for decentralized bargaining, are other factors that account for rising decentralization.

The public sector has two negotiating systems. In some of the public sector institutions, such as Local Government Employees' Union, management carry out the bargaining on behalf of the government while in others, such as the Civil Servants' Association and the Ghana Registered Nurses' Association, agreement is reached through consultation with a public service negotiating committee set up under PNDCL 309 of 1992 for that purpose.

There are other public service institutions which do not have CBAs, but whose management determines salary increases with the approval of their boards or commissions and/or with final approval from their sector minister. The salary and compensation system disparities among public service institutions led to the formulation of the Public Sector Incomes Policy (PSIP), which aims at creating an internally consistent and externally competitive compensation pay structure for all public servants. However, the implementation of the policy was discontinued due to its inherent problems.

3.4 The National Labour Commission

One major change in the labour market brought about by the Labour Act is the establishment of an independent NLC with the overall responsibility of resolving industrial disputes. The Labour Department (LD) and the Ministry of Manpower Development, Youth and Employment (MMDYE) had until then performed this role. Specifically, the function of the NLC is to facilitate the settlement of labour and industrial disputes, investigate labour related complaints, maintain a data base of qualified mediators and arbitrators and promote effective cooperation between employees and management. As a quasi-judicial body mandated to ensure the strict observance of the Labour Act, the commission has the power and privileges of a high court with respect to enforcing the attendance of witnesses, and can examine them under oath or otherwise. Currently, the development and passage of the legislative instrument of the commission is underway. However, the commission has drawn up internal rules and procedures for the settlement of labour disputes. The commission has also recruited arbitrators and judges and is in the process of training them. As of the end of July 2005, the commission had received a total of 169 complaints from employees, trade unions and employers for settlements. The majority of the complaints (61 per cent) are on dismissals and unfair termination of the employment relationship, while the others are on non-payment of severance, national minimum daily wage and social security contributions.

3.5 The National Tripartite Committee

In accordance with ILO Conventions and the Constitution of Ghana, the NTC on Salaries and Wages Guidelines and the National Advisory Council on Labour (NACL) were formed to enhance the development of the labour market. Over the years, the NTC has dealt mainly with the determination of the national daily minimum wage in the formal labour market, though it has other functions too, such as advising on employment and labour issues and consulting with partners on economic and social issues. Representatives of the committee include government, the Ministry of Finance, MMDYE, and the Ghana Statistical Services (GSS); Employers, represented by the Ghana Employers' Association (GEA); and organized labour represented by the TUC as provided by law. Decisions of the committee on wages and salaries are binding on all employers.

Over the years, the committee has been able to establish a national minimum wage acceptable to all parties. The actual problem is monitoring. In the formal sector, the majority of the employees receive above the minimum wage and thus the issue of monitoring is not very important. The problem is with the informal economy where it is believed that some employees are being paid less than the minimum wage. Unfortunately, not having a voice with respect to bargaining and the lack of unions to support their activities, make it difficult for these people to negotiate with their employers.

Chapter 4: Social partners

Ghana is a former British colony and adopted the tradition of organizing employees and employers with the view to harmonizing industrial relation practices before independence (1957). The Labour Act provides a legal backing for the formation and independence of employers' and employees' associations, details the procedures for the establishment and operation of organizations and prohibits employers' and employees' associations from being controlled by any institution or political party.

Associations have certain organizational rights which include the right to draw up their constitution and rules, elect their officers and representatives, organize their administration and formulate their own programmes, be part of any federation of trade unions or employers association, affiliate to and participate in any activities or join international employees or employers' organizations. Social partners in Ghana are made up of organized labour, Ghana Employment Association and the government.

4.1 Employees' associations

Organized Labour¹⁰ in Ghana is made up of the TUC, Ghana Federation of Labour, Ghana National Association of Teachers, Civil Servants' Association and the Ghana Registered Nurses' Association. Among these organizations the largest group is the TUC. Being the umbrella organization for labour union activities, it represents organized labour in all dealings with government and employers' associations on labour issues. In the following section we elaborate on the activities of the TUC.

4.1.1 Trade Union Congress

The TUC of Ghana was formed in 1945 with the registration and coming together of 14 national unions under the Trade Union Ordinance of 1941. It is made up of 17 affiliated national unions and has a secretariat which coordinates their activities. The primary objective of the TUC is to improve the pecuniary and non-pecuniary employment conditions of its members. Specifically, the TUC aims at unionizing all employees in Ghana under a united trade union movement; secure social, political and

¹⁰ Sometimes called the Consultative Forum.

economic justice; support efforts of affiliated unions to improve wages, create better conditions of service at work places and ensure the ratification and application of ILO and other international conventions with a view to harmonizing world labour practices. There exist different estimates of the number of unionized workers. The GLSS 3 and 4 indicate that union density of the formal sector has decreased from 54 per cent in 1992 to 50 per cent in 1999, whereas other sources (Boateng, 2001B) estimate union density in the formal sector to be 68 per cent. Table 4.1 provides the number of registered members of the 17 national unions. From the table it can be seen that union membership is structured along industrial lines regardless of occupation and has decreased from 521,000 in 1996 to 251,000 in 2001. The TUC estimates its membership to be about 350,000 though the preliminary report¹¹ on a membership survey it undertook in 2001 indicates that membership stood at 251,000 as presented in table 4.1. It is also to be noted that the principle of one union per industry guides the formation of unions in Ghana.

Table 4.1: Membership of TUC

National Union	1996	2001
General Agriculture Workers Union	86,602	14,710
Industrial & Commercial Workers Union	104,521	42,070
Local Government Workers Union	26,100	7,521
National Union of Seamen	1,871	257
Public Utility Workers Union	8,468	17,111
Railway Workers Union	4,495	8,842
Teachers & Educational Worker Union	31,878	30,246
Construction & Building Material Workers Union	36,046	11,676
Timber & Wood Workers Union	24,219	22,758
Health Services Workers Union	28,148	16,647
Communication Workers Union	6,026	7,124
Public Services Workers Union	89,064	27,084
Ghana Mine Workers Union	17,050	8,379
Railway Enginemens' Union	850	160
Maritime & Dock Workers Union	28,379	5,780
General Transport, Petroleum and Chemical Workers Union	15,219	3,247
Ghana Private Road Transport Union	12,000	26,901
Total	520,936	250,513

Source: (TUC,1997) and (TUC,2001)

The TUC has established regional secretariats in the ten regions of Ghana for the effective coordination of activities of members at the grass-root level. The TUC is governed by a board and committees constituted largely by representatives of the national unions. There are also regional and district councils of labour that are responsible for the regional and local unions at the bottom of the hierarchy. The head of the TUC is the secretary-general, supported by two deputy secretary-generals. The national unions are autonomous bodies with a national chairman and a general secretary. Some of them do have local unions within their area of legally accepted jurisdiction. The TUC does not participate directly in collective bargaining, but provides guidance and coordinates the activities of the national unions.

The trade union movement has suffered a severe membership loss since the implementation of the ERP/SAP in the early 1980s. There are many explanations for the decline in membership. Retrenchment in the public sector in the 1980s reduced the number of unionized employees and shifted employment to the informal economy where trade unions do not operate (Boateng, 2000). Trade liberalization has led to an increase in competition and uncertainties in the product market. Many employers feel they need stable

¹¹ The TUC believes that the results are preliminary and underestimated their membership.

cost level in order to meet the competition and, therefore, prevent unionization directly or indirectly. Mass lay-offs adopted by the private sector as a key cost-cutting measure have also considerably reduced the membership of trade unions (TUC, 2001).

The TUC exerts a strong pressure not only on the labour market, but also on the general economic environment of the country. At the national level, the TUC represents organized labour and civil society in key national bodies, institutions, commissions, boards and committees such as the Social Security and National Insurance Trust (SSNIT) Board, NTC, Media Commission, NACL, National Population Council, Divestiture Implementation Committee, Ghana Free Zones Board, National Vocational Training Institute (NVTI), Public Utilities Regulatory Commission, National Health Endowment Fund, Ghana Committee on Human and Peoples Rights. It has always been concerned with the development of the legal framework that regulates industrial relations practices. It also plays a significant role in the ILO, the International Confederation of Free Trade Unions (ICFTU), the Commonwealth Trade Union Council and the Organization of African Trade Union Unity (TUC, 2004).

According to Boateng (2000), the impact of TUC on the labour market can be felt in three major areas, namely, wage determination, labour turnover and mobility, and income distribution. Empirical studies suggest that the average wage in unionized firms is usually higher than in non-unionized firms. Unionization in Ghana has allowed employees to influence wages through collective bargaining. The studies indicate that about 73 per cent of those in the formal sector see their leaders' actions having an impact on labour policy formulation and implementation. Through negotiation for secured and reasonable wages, better working conditions and fringe benefits, unions are able to influence labour turnover and reduce labour mobility and voluntary resignation. The collective voice provided by unions also helps employees to channel their grievances to the appropriate quarter without anonymity. Furthermore, the TUC works in favour of marginalized groups like women and children who would otherwise be discriminated against and helps to improve their standards of living. Boateng (2000) argues that unions are not the only institutions in the labour market, but their impact is quite substantial relative to the others. In recent years, the pressure of liberalization has allowed the TUC to broaden its scope beyond labour market issues to include economic and social matters, since they inextricably and broadly affect employees. The TUC collaborates with all other employees' organizations and the broader civil society on all issues of national concern.

The TUC faces a number of challenges and uncertainties. Technological advancement is helping employers to scale down employees while outsourcing, sub-contracting and the increased informalization of employment pose a danger to the world of work. Moreover, unrestricted labour markets, reforms and the neo-liberal political regime are causing a slight change in industrial relations in favour of employers, especially foreign investors. This threatens to some extent the expression and exercise of freedom of association and the right to organize and bargain collectively (TUC, 2004). Additionally, depressed wages and other unfavorable employment conditions, increasing health and safety challenges, worsened pension benefits and weaker social security systems are some of the challenges making employees worse off. Furthermore, issues on poor working conditions, non-payment of living wages, wage disparities between junior and management staff, work casualization, and the loss of trade union membership pose a serious threat to employment and income security.

A major challenge that the TUC faces with the enactment of the Labour Act is the possibility for at least two employees within a workplace to form a trade union. The Labour Act allows the creation of multiple trade union centres in the context of trade union pluralism. National unions can, therefore, legally break away and compete against the TUC. The TUC is already experiencing problems with internal union divisions. In the 1980s and early 1990s, the Judicial Service staff pulled out of the Public Services Employees' Union to form an independent organization under the name of Judicial Service Staff Association of Ghana (JUSSAG). Similarly, some senior employees of the Council for Scientific and Industrial Research withdrew from the Public Services Workers' Union. In 2004, the largest national union in the TUC in terms of membership (Industrial and Commercial Workers' Union), broke away though part of its members decided to stay with the TUC as the Union of Industrial, Commercial and Finance employees (UNICOF). The emergence of a multiplicity of occupational unions could pose a

threat to the TUC as the most representative labour organization. The TUC should adopt new approaches to industrial relation management in order not to lose its members and to continue to be the most representative labour organization in Ghana. It should recognize that the inability to effectively operate outside of the formal sector is a factor contributing to its decline in membership. The informal economy has virtually no formally recognized union. Developing linkages to extend unionization to informal operators would provide some form of representation and protection, thus enhancing the security level for informal workers.

The Ghana Private Road Transport Union operates fully in the informal economy, whilst the General Agricultural Workers' Union through its Rural Workers' Organizations Division has been organizing informal workers since 1970. Some efforts are being made by the TUC to bring informal employees on board. The TUC in its medium-term policies for 2004-2008 has recognized the importance of organizing workers and has also acknowledged the difficulty involved in organizing the informal economy. Hence, it has developed strategies to deal with the situation. Currently, almost all the 17 national unions have desk officers responsible for the informal economy. Already, the Timber and Woodworkers Workers' Union, Public Service Workers' Union, Local Government Union and the Construction and Building Materials Workers' Union have taken bold steps to organize informal workers. Some existing informal workers' associations, such as the Makola Market Traders' Association, Association of the Physically Challenged and the Madina Shoe Sellers' Association are also making efforts to join the TUC as associate members. A way of enhancing the organization of the informal workers is to collaborate with the Ministry of Local Government and Rural Development through the provision of regulation enhancing access to facilities and resources that will help informal operators conduct their business legally and in a win-win environment. The success of such a move will require district assemblies to recognize the informal economy as a strategic partner in the creation of employment and enterprise rather than as a nuisance in need of 'discipline'.

4.2 Employers' organizations

The Ghana Employers' Association (GEA) was established in 1959 to provide a collective approach to matters relating to industrial relations, represent and promote the interest of its members in their dealings with social partners and promote good industrial relations in Ghana. It is the main employers' association and has a track record of good organization in the social partners' system. There are other associations such as the Association for Small-Scale Businesses and the Centre for Indigenous Business Associations. However, their activities and membership are quite limited. Under its constitution the GEA collects from its members statistical and other data as may be necessary for the analysis of wage structure and employment conditions in Ghana and in order to bring to the attention of its members labour Acts, policies and regulations affecting them. The GEA also aims at promoting the interest of its members within organizations and vis-à-vis the government. As the main employers' association in Ghana, the GEA represents employers in all national committees and boards where employers' participation is required, such as the NTC, Private Enterprise Foundation, University of Ghana Counseling and Training Center, National Accreditation Board, NAACL, NVTI, SSNIT Board, Ghana Education Trust Fund, Board of the Institute of Professional Studies, National Technical Examination Committee, Ghana AIDS Commission, IPEC Steering Committee, GSS, National Institutional Renewal Programme, Board of MDPI, Advisory Board of the School Of Administration, Legon, National Board for Professional and Technical Examination, National Trade Testing Committee. It also represents employers in international organizations such as the ILO and the International Organization of Employers.

The GEA provides a variety of services to its members. They span all sectors of the economy, such as industrial relations services, human resource development, executive selection, disputes resolution, advocacy, etc. Over the years, the GEA has performed its functions with considerable expertise and commitment. It has played a major role on behalf of its members in the negotiation and

signing of CBAs and provided a reasonable degree of coordination in the decentralized process of collective bargaining. The services offered by the GEA provide some respite to their beneficiaries who can thus concentrate on their core businesses. As of the end of December 2003, the GEA had 328 members spanning all sectors of the economy as presented in table 4.2. Membership increases each year. Categorization and responsibilities of members in terms of dues are based on the turnover of the individual firms. The association has four categories of membership A1, A2, B, and C with annual dues of 7.9, 6.1, 3.3 and 1.6 million cedis respectively. A 40-member council governs the association with representation on the council proportional to the number of companies in each sector. There are various committees such as the executive committee, advisory committee, administrative and finance committee. The GEA has two branches in Accra and Tema to facilitate the work of its members in the southern part of Ghana and a branch in Kumasi to see to the affairs of those in the northern part. Through consultation, dialogue and negotiations the association has to some extent helped in creating a relatively stable industrial environment.

Table 4.2: Membership of GEA

Sector	Number
Agriculture, fishing and timber	24
Airways and inland transport	9
Banking, insurance and finance	28
Building and civil engineering	18
Commercial	70
Education and health	11
Hotel, catering and tourism	12
Manufacturing	100
Pharmaceuticals	13
Petroleum and power	7
Private protective security	3
Shipping /port	18
Information, communication and technology	11
Utility	4
Total	328

Source: Compiled with data from the 2003 and 2003 Annual Report of the GEA.

The GEA played a significant role in the formulation and implementation of the Labour Act and the GPRS. Issues of concern to the association such as the composition and function of the NLC, sympathy strikes and lock out, casual and temporary employment, and unionization processes, among others, were discussed with the parliamentary committees before their passage into law. The association believes that the Labour Act was extensively discussed by all stakeholders and adequately represents employers' interests on the labour market.

4.3 Ministry of Manpower Development, Youth and Employment

The MMDYE is the executive body responsible for the formulation and implementation of labour Acts, policies, regulations and conventions on industrial relations, as well as for the monitoring and evaluation of such policies and programmes. The Ministry is also in charge of the implementation of labour market programmes in collaboration with other stakeholders in the sector. It convenes meetings of the NACL and the NTC on salaries and wages and advises the government on the decisions of these committees. The Ministry used to facilitate mediation and reconciliation between employees and employers in conflict situations. The labour Act has delegated the mediation role of the Ministry to the NLC. Although the Ministry plays a very important role in ensuring an effective labour market, it is

highly marginalized together with its departments and agencies. Problems which the Ministry is confronted with include inadequate resource allocation, weak institutional capacity, lack of appropriate basic equipment and lack of needed personnel. For example, the Medium-Term Expenditure Framework, 2004-2006 of the Ministry of Finance and Economic Planning indicates that the discretionary expenditure ceiling for the Ministry amounts to about 75.8 billions cedis. This is about 0.41 per cent of total government programmed discretionary expenditure. Out of this amount, more than 70 per cent goes towards the payment of personal emoluments and administration, leaving very little for investment. Moreover, the staff capacity of the whole ministry is very limited and comprises only about 67 persons with only 27 being technical staff. The ministry is currently streamlining its activities by adopting a Sector-Wide Approach Program to fund institutional capacity development and aims at embarking on an aggressive and proactive cross-sectoral decent work creation effort. The ministry undertakes its responsibilities with the help of four departments: the Labour Department (LD), the Department of Social Welfare (DSW), the Department of Cooperatives and the Factories Inspectorate Department. Of these four, the LD and the DSW are the most important in terms of effectiveness and will be discussed in subsequent sections. The other two departments are virtually inactive in the labour market due to resource constraints.

4.3.1 Labour Department

The LD was established in 1938, to among other things, advise the government on labour and industrial relations issues, inspect labour conditions, report on developments in trade union formation and activities, report on job vacancies, placement and unemployment, publish labour statistics and employment bulletins, and examine various international conventions with regard to their national application. The head of the LD, the chief labour officer, is responsible for the registration of trade unions. Although the LD has a wide range of responsibilities, its capacity to deliver timely and effective services is inadequate. It manages 62 public employment centres in Ghana, and an Employment Information Bureau (EIB) which collects statistical data on the employed and the unemployed through registration. Employment centres submit monthly reports on employment and unemployment to the EIB which can use the data for policy purposes. Information from the LD indicates that the department has focused on the recruitment of unskilled labour over the past two decades leaving the recruitment of skilled labour to private employment centres. The Labour Act provides for the establishment of private labour centres and sets the conditions for starting them. Therefore, the LD has done much to ensure a stable industrial relations' system, though more needs to be done to make the department an effective regulator in the labour market.

4.3.2 The Department of Social Welfare

The MMDYE is responsible for social security issues through the DSW. The mission of the department is to work with communities to improve their well being through the promotion of equitable development for the poor and marginalized groups. Specifically, the objective of the department is to provide community-based rehabilitation programmes, provide social welfare services, promote access to social services for vulnerable groups, coordinate and regulate specialized services for underprivileged children, collaborate with NGOs to help the poor, promote social, economic and emotional stability in families, and create awareness on HIV/AIDS and population issues.

The department generally pursues these objectives through the administration of justice, community care and the protection of the rights of children and the vulnerable. It has four schools which provide vocational and character training for young criminals and offers assistance to prisoners. As for the protection of children's rights, it has intervened in family feuds, resolved cases of child maintenance, child custody, paternity, family reconciliation, violence against women, and forced marriage. The DSW also supervises about 2,400 day-care centres and ensures that they operate in accordance with laid down

rules and regulations. Furthermore, the department has 3 children's homes under its direct control and a vocational training center. It is collaborating with the Women and Juvenile Unit of the Ghana Police Service, the Ministry of Education and the Ministry of Local Government and Rural Development in the implementation of its programmes. Unfortunately, the capacity of the department to effectively discharge its duties is seriously limited.

In general, there is a serious resource constraint which hampers the efficiency and effectiveness of the government. Various non-governmental organizations (NGOs) have also joined the social partners' network. Though their role is unclear, many of them focus mainly on social security for the poor. Weak institutions make it difficult to enforce laws and regulations governing the labour market and contribute to increased insecurity levels.

4.4 Social dialogue

From an economic perspective, the main interest of employers is to utilize the abilities of their employees to ensure business growth and to maximize profit. The interest of employees is to achieve high and stable income, job security and job satisfaction. The contradictory nature of the objectives of both employers' and employees' organizations suggests that co-operation is needed to reach equilibrium. In cases where employers' interests are satisfied at the expense of the employees, conflicts arise and must be resolved using the machinery provided by the industrial relations system. There have been consistent improvements in industrial relations over the years, due to the growing relevance of the role played by the government, employers and workers as social partners. The government, employers' associations and workers' unions are adequately represented in the two main bodies in the labour market - NLC and the NTC - as required by law. Collaboration in all labour market programmes and issues has been effective. The GEA and TUC are adequately represented in national boards and committees influencing the labour market. They have also effectively participated in the formulation and implementation of labour market policies and programmes. Discussions with the GEA and TUC indicate that the Labour Act and the GPRS were formulated with their valuable inputs. Cooperation between social partners has led to a reasonable number of industrial actions. On average, there have been 34 industrial actions annually from 2001 to 2004, most of which have been resolved amicably. Usually, industrial actions take the form of demonstrations, sit-down strikes and the total closure of the workplace. The basic reasons underlining industrial actions are low salaries and poor working conditions. Other reasons are delays in the payment of allowances, breakdown in negotiations, solidarity strikes and non-payment of salary arrears.

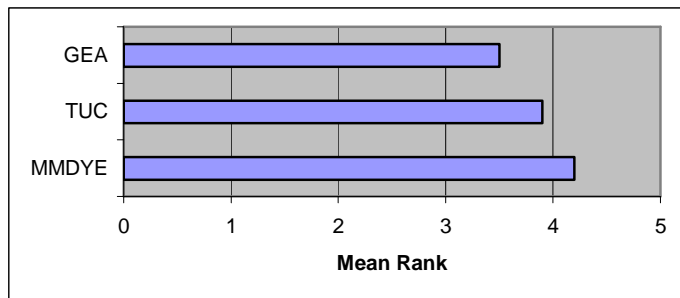
Collaboration between social partners is impressive. The NTC, GEA and TUC have also developed a bipartite relationship through quarterly meetings to discuss issues of mutual interest and to have a forum for discussion and dialogue. Prevention of the deadly HIV/AIDS pandemic is an area where the social partners have collaborated. All the social partners have teamed up to organize workplace information, education, communication policies and programmes with support from both donors and the government for the formal and the informal sector.

The TUC, GEA and the government have collaborated to organize programmes tailored to covering occupational safety and health at work, and the environment. Academic courses and sensitization seminars and workshops for labour market entrants have also been jointly run. By law¹² employers are supposed to provide training for their employees to attain the level of competence required for the performance of their jobs and to enhance their career perspectives. The National Vocational Training Act, 1970 (Act 351) and the National Vocational Training Regulations (Executive Instrument 15) re-enforce this obligation by enjoining companies to introduce apprenticeship schemes when there is a technical business attached to the establishment. Despite these initiatives, there are some challenges to be overcome. These include inadequate coordination of educational activities, insufficient attention to target groups and participant selection, and the relative dependence on external sources of funding.

¹² Act 651 (9)(d).

Coordination has not only been in the area of labour market programmes, but also in the formulation and implementation of policies. On a scale of 1 to 5, where 1 is the least score and 5 the greatest, respondents to the survey conducted by the authors of this paper were asked to assess the level of coordination between social partners in the implementation of labour market programmes. The average score was a little above the mean as indicated in figure 4.1.

Figure 4.1: Effectiveness of social partners in formulating and implementing policies



Source: Authors' Survey, 2005

The impact of social partners, particularly the TUC on wage determination through the NTC is quite strong in the formal sector. It is estimated that over two-thirds of formal sector jobs are subject to CBAs. It is worth mentioning that social dialogue taking place in Ghana has partly led to wage rigidities. The relative wage rigidities and inefficient labour market information system, as well as limited availability of educational and training facilities, account for the low occupational mobility in Ghana. People are, therefore, not able to retrain themselves in other areas and move freely from one job to another. Unavailability of labour market information to facilitate labour mobility to some extent affects labour market flexibility and employment security.

The lack of alternative employment opportunities and the high income insecurity in the informal economy, coerce many employees in the sector to place a high premium on social dialogue as a way of resolving labour market problems. Many informal employees engage in dialogue with their employers to resolve labour market issues. Quite often employees are in a disadvantaged position because of their vulnerability, susceptibility and their lack of voice and support in the negotiating process. No matter how badly the negotiation goes, there is always a settlement and that, to some extent, ensures industrial harmony. As already mentioned, about eight per cent of agricultural workers are in the formal sector, mostly in commercial agricultural farms. Most of the employees in the formal agricultural sector are unionized and always able to engage in dialogue with employers. Information from the General Agricultural Workers' Union indicates that rarely do they settle their labour problems in court. At worst local union leaders are brought in to help in negotiations at the firm level. Many of the agricultural workers in the informal economy are self-employed, operating at a subsistence level and occasionally employing people during the agricultural season as farm laborers. For such employees there is some form of social dialogue and wage levels acceptable in the community, but seldom does dialogue focus on satisfying law requirements. The assumption is that any other benefit stated in the law is embodied in the agreed wage in the community. Settlements on other issues are dominated by the views of the employer with very little input from the employees. The authors' survey indicates that about 50 per cent of those in the informal economy have various forms of unions in their workplaces, but the majority of them are not affiliated to any union or organization. Reasons given for not affiliating themselves to any parent union include their small size, ignorance, belief that other unions do not champion their cause, bureaucratic procedures, fear of losing autonomy currently enjoyed, and lack of knowledge and confidence in such unions. In addition, the majority of the people (83 per cent) in the informal economy are not associated with any group (such as a union) functioning as a forum for discussion and, to a certain extent, for

bargaining. In this regard, the government and organized labour, particularly the TUC, have a responsibility to educate and bring informal employees on board.

Both the nucleus and extended family systems play a significant role in ensuring employment and income security in Ghana. The sharing of benefits, both in cash and in kind, and responsibilities among individual members of the family helps to reduce vulnerability in the household, especially for women and the aged. Caring for the young, the physically challenged and the aged would be difficult without the existence of the family, social capital and dialogue. About 78 per cent of the respondents discuss employment and income issues with their social relations (friends and relatives). Out of those who discuss income and employment issues with their social relations, about 70 per cent believe that these discussions help them resolve their employment and social issues. Cross tabulation for the self-employed shows that about 78 per cent of them discuss employment and income issues with their relations, with 70 per cent of them benefiting from these discussions. Though social dialogue and family ties contribute significantly to employment and income security, individualism, materialism, westernization on the part of the youth, coupled with the enactment of the interstate succession law (PNDC Law 111 and 112) pose a threat to the existence of this mechanism as an effective social security system. The net effect of the erosion of this social security system implies neglecting the vulnerable and marginalized groups. Efforts should be made by the government, religious bodies, NGOs and the wider civil society not only to educate the public on the importance of the extended family, but also to transform it in a way that will accommodate the ongoing development trends.

4.5 Social capital

Ghanaians attach a strong importance to social capital. Social capital in Ghana relates to trust, possession of particular information and, to some extent, the provision of a safety net embodied in interpersonal relations. According to Coleman (1988) the value of social capital lies partly in the fact that it creates human capital. In Ghana social capital in the family and in the community plays a crucial role in the creation of human capital, thereby helping to ensure employment and income security. The strength of the relationship between parents and children (e.g. amount of time devoted to helping children) or the degree of relationship between generations (religious schools or groups) help the creation and transfer of human capital from generation to generation.

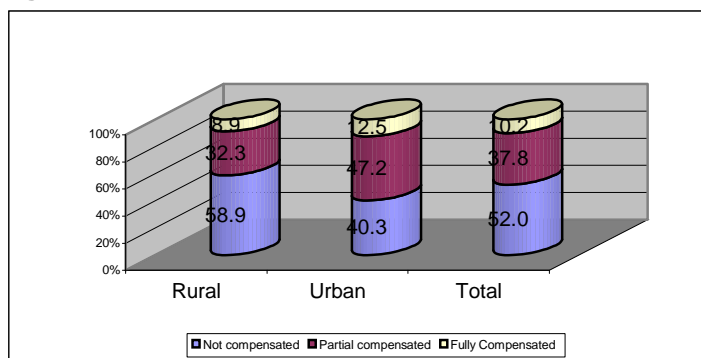
It must be mentioned that, although social capital is defined as networks of relationships, it is the individual access to such networks and the benefits they receive from them that matter. Using the amount of social transfers received by the household as a crude measure of social capital as proposed by Charmes (1997), we realized from the survey that Ghanaians attach a great importance to social capital. About 70 per cent of the respondents either remit or are remitted by their relatives, family members or friends. Disaggregated results in rural/urban areas show that those in rural areas are remitted more than they remit. Dasgupta (2004) indicates that about 42 per cent of Ghanaians rely on friends in the event of crises. The high level of remittances and the high dependence on families and friends confirm the functional and productive role of social capital in the lives of Ghanaians. Such assistance and transfer help sustain poorer individuals and communities, thus greatly improving their employment and income security, but may at the same time create mutual personal creditor-debtor-relationships (dependencies). Good as these forms of social support from families, friends and communities are, their extent is limited and puts additional pressure on people and communities that are already impoverished and vulnerable. Such a system cannot serve as sound social protection in the long run unless ways to make it conform to the ongoing development trends are found.

4.6 Occupational safety, health and environment

The ILO Conventions on occupational safety, health and environment have been ratified by Ghana and related Laws have been passed to implement them. Institutions such as the LD, the

Occupational Health Unit of the Ministry of Health, the Factory Inspectorate Division of the MMDYE and the Mines Department were created to, among other things, enforce laws on occupational health and safety at work. In spite of the existence of these institutions and laws, and the efforts made by unions to ensure safe working conditions, studies have shown that the rate of occupational injury and death are still high at the workplace. For example, a study sponsored by the Organization of African Trade Unions between 1997 and 1999 indicates that 75 work-related deaths and 1,622 work-related injuries were recorded in the country. This number excludes unreported cases. Generally, employees are not satisfied with health, safety and hygiene standards at their workplace. A survey conducted by the TUC under the African Employees' Participation Development Programme reveals that about 84 per cent of workers are not satisfied with health, safety and hygiene conditions at their workplaces.

Figure 4.2: Compensation for occupational hazards



Source: Authors' Survey, 2005.

In some cases, basic facilities and amenities such as toilet, potable water and washrooms are not available at the workplace. Similar surveys by the TUC and the Occupational Health Unit of the Ministry of Health in 1997 and 1998 in the mining sector, reveal numerous health and safety hazards relating to falling materials, fire outbreak, slips and falls, handling, trucking, machinery and haulage. Other health hazards prevalent in the mines are noise pollution, exposure to chemicals, dust, gassing, excessive vibrations, heat and fumes. The result of these hazards has been an upsurge in diseases like respiratory infections, skin diseases, stress, tuberculosis and other terminal diseases. Akabza (2000) contends that mining in the western region has made mine employees vulnerable to many diseases. In our survey, about 54 per cent of respondents reported that there are occupational hazards associated with their work. Surprisingly, the number of people who do not receive any compensation for occupational hazards is very high in both urban and rural areas, as indicated in figure 4.2.

Chapter 5: Labour relationships

5.1 Introduction

Labour contracts define the relationships between employers and employees. These contracts vary considerably, yet a distinction can be made between formal contracts which mostly govern relationships in the formal sector and follow rules contained in law and CBAs, and contracts in the informal economy which are usually by word of mouth. Consequently, labour market security and flexibility vary in the two sectors, with the informal economy being characterized by a high level of insecurity and flexibility. This is due to the fact that legal relations seldom govern contracts in the informal economy. The relative ease with which parties enter into contracts and withdraw from the

relationship helps to increase insecurity in the sector. Indeed, the relationships in the informal economy may be likened to the age-old rule that all employers may dismiss their employees at will, for good cause, no cause or even for reasons which are morally wrong, without being guilty of a legal wrong (Date-Bah, 1990). This traditional rule forces informal employees to rely on the whims of their employers for preservation of their livelihoods.

British statutory and common laws have significantly influenced Ghana's labour relations jurisprudence, albeit with modifications. The hub of British labour relationships is primarily the duty positions of both employer and employee and their corresponding responsibilities. Offering a rationale for this development Lord Slynn¹³ posited that duties should be imposed on the employer whether by statute or judicial decision to care for the physical, financial and even the psychological welfare of the employee. The House of Lords also introduced the duty of care concept based on the future security status of employees (Oliver, 1999). The rationale behind this development is that the duty of care responsibility required the employer to provide against accidents at work and to comply with health and safety standards. With this in mind the courts in Ghana maintain that employers must provide, as far as practicable, a working environment which is reasonably suitable for the performance of the employee's contractual duties.

British jurisprudence introduced yet another development in labour relations in the form of procedures to protect employees against dismissal. For instance, the Employment Rights Act 1996¹⁴ indicated that an employee who is dismissed is entitled to a written statement of the reasons for their dismissal. Jurisprudentially this promotes fairness, rationality and ensures that hearing is given to an employee before dismissal. In addition, this provision came with rules that prescribe the conditions under which dismissal is permitted. The value inherent in this statutory requirement is that of natural justice, which required that once there is a contract, protection is naturally called for. An implication of this provision is the need to consult social partners before decisions affecting them are taken, which the courts protect.

According to British labour relations' experts, unfair dismissal or termination of employment contracts is of relevance to flexibility and employment security, not only because they provide protection for the employee, but also because they introduce into employment relationships elements of democratic theory through participation and consultation. British labour jurisprudence is also mindful that a court must not substitute its own decision because reasons may differ from one employer to another, but rather it should determine reasonable responses from the position of an employer.

In Ghana, the socialist approach to governance in the early years of independence saw the State becoming the major controller of labour relations in the country, particularly in the formal sector. It was during this period that most of the far-reaching policies and laws on labour were formulated. These laws provided less freedom to hire and fire based on an infamous slogan "jobs for the boys". Indeed, this was a contradiction of the liberal British capitalist essence, which ensured that jobs were meant for qualified employees. This statist position was made clear in the Industrial Relations Act of 1965 (Act 299), which set up the Unfair Practices Tribunal. This tribunal could make an order of reinstatement of a dismissed employee. The Labour Decree 1976 (NLCD 175) also supported this policy position. The impact of this statist approach on labour market flexibility and security was that employment positions became secure at the expense of productivity. The courts have made some efforts to get round this problem, though with much difficulty. Various governments have facilitated the move from the statist position, particularly in the 1990s, gradually placing the employer/employee relationship firmly on contractual principles. Currently (2005), Ghana has ratified 47 of the ILO Conventions which have influenced the Labour Act.

Legally, the nature of labour relations in Ghana provides for protection. The Labour Act prohibits restrictive conditions of employment. It indicates that an employer is prohibited from interfering in any way with an employee's right to form, participate, reframe or join a trade union of their choice. In addition, employers are prohibited from refusing to employ a person because of their

¹³ Spring v. Guardian {1995} 2 Ac p.296 @ 335

¹⁴ The Employment Rights Act, 1996 section 92.

membership with a union, or from promising an employee any benefit or advantage for not participating in union activities or from discriminating against an employee on grounds of gender, race, colour, ethnic origin, religion, creed, social, economic status, disability or politics. Most of these rights are also guaranteed and entrenched in the constitution. To some extent, they ensure employment security and protect employees from arbitrary layoffs.

5.2 Employment contracts

The Labour Act provides the framework for all labour contracts in the country. Even though there are numerous variations, which arise as a result of peculiar circumstances, the mutual consent of both parties represents the spirit behind a contract. This means bargaining is at the heart of all labour contracts in Ghana. The Act does not specifically define the various types of contract. What it does is to recognize the labour contract as a “contract of employment” and as a “contract of service” whether expressed or implied, and if expressed, whether oral or in writing. It is, therefore, possible to have both written and oral contracts. Generally, the Act provides that employment for a period of six months or more, or for a number of working days equivalent to six months or more in a year, shall be secured by a written contract. The contract must express in clear terms the rights and obligations of the parties, names of both parties, the job to be performed, the remuneration and hours of work, conditions relating to incapacity due to sickness or injury, details of social security, conditions for termination, disciplinary rules if applicable and the procedure for dealing with grievances. The survey conducted by the authors of this paper indicates that written contracts are provided more in the formal sector than in the informal one. While 92 per cent of employers in the formal sector provide written contracts, only 20 per cent of those in the informal economy do so.

Contracts in the informal economy are in many cases not governed by any CBA and the relationship tends to fall within the brackets of temporary or casual employment. Wage rates are fixed by mutual understanding of the parties involved. Unfortunately, the influence of the employee is quite minimal due to the high level of unemployment and the lack of employment alternatives.

The Labour Act also makes provisions for a variety of other arrangements. These cover part-time employment, sharecrop arrangements, apprenticeship, and sea-going employment in the fishing industry. In addition, it covers workers who are wage earners in general, as well as any person who works for less than an average of 24 hours a week.

The Act provides for employment contracts with remuneration on a monthly rate (contracts from month to month), weekly rate (contracts from week to week), and at a rate other than monthly or weekly (contracts determinable at will). About 97 per cent of the respondents of the authors' survey have their remuneration in cash. In kind reward occurs mainly in the informal economy and consists of the goods and services produced or delivered in the activity in which the employee is engaged. The work of Apt and Amankrah (2004) shows that in urban areas 26 per cent of employees are paid monthly wages, 21 per cent are paid daily wages, and 20 per cent are paid on a commission basis. In rural areas, 45 per cent of employees are paid with produce from the land, 16 per cent rely on daily wages, 12 per cent receive monthly wages, and 20 per cent obtain payments based on commissions.

About 83 per cent of the respondents of the survey conducted by the authors of this paper had permanent contracts. The remaining 17 per cent were casual workers, assistants and agency employees, whose jobs are not permanent. Moreover, 56 per cent and 41 per cent of the respondents had worked for more than three months and between one to three months, respectively. The remaining percentage had worked for less than a month. Disaggregated figures show that there is no significant difference between the informal and the formal sectors and between the private and the public sectors. The permanent nature of employment in general, especially in the formal sector, reveals some degree of security of employment in Ghana.

The Labour Act provides for wages, hours of work, rest period, paid public holidays, night work and sick leave for temporary employees to be equal to those of permanent employees, of the same level

and qualifications. Data from the survey suggests that casual and temporary employees are being exploited, especially in the informal economy. Of the 14 per cent of the respondents who were casual or temporary employees, about 47 per cent reported being paid less than permanent employees of the same level and qualifications. In addition, 40 per cent asserted not being paid their full wage during public holidays. Employment contracts of casual and temporary employees need not be in writing and they are, therefore, difficult to enforce since there is never any reference point.

The Labour Act provides that a temporary worker who is employed by the same employer for a continuous period of six months or more be made a permanent employee. Unfortunately, it does not provide the number of times a temporary contract can be renewed; neither does it fix a time limit within which a sequence of temporary contracts can be concluded. In some economic activities, the practice is that casual or temporary employees are laid off after five months and made to reapply for the same position and status when their contract expires. Implicitly, some employers in this way use contracts for a limited duration at their will. The survey indicates that about half of the casual and temporary employees have worked for more than six months, whilst 35 per cent and 32 per cent have renewed their contracts annually and quarterly/semi annually, respectively. The remaining percentage has renewed their contracts depending on the season and the availability of work. Moreover, about half of permanent employees had no probation period, while 34 per cent and 14 per cent had a probation period of less than six months and more than six months respectively. A fifth of the permanent employees had their probation period renewed though this goes against the provisions of the Labour Law. This suggests that some employers are violating provisions on casual and temporary employment. In all cases, the difference between rural and urban areas is not significant. Act 651 mandates the Labour Inspectorate Division of MMDYE to carry out inspections on conditions of work, workers' protection, and on the provision of technical advice and information on applying labour standards. Sadly, labour inspectors are not effective in their control actions, largely due to lack of logistical support and financial resources.

5.3 Duties and rights of employers and employees

The rights of the employer are clearly set out in the Act. These include the right to employ, discipline, transfer and promote an employee, and terminate the employment relationship. Other notable rights of the employer are the right to formulate business policies and set targets, modify these policies and targets, extend or cease operations and determine prices of products. These norms seek to provide the employer with certain rights relating to the operations of their business as a private person and as underscored in the privatization policy. The corresponding duties of the employer include the duty to pay the agreed remuneration, take all steps to ensure that employees are free from risk of personal injury, train and retrain workers, provide employees with a copy of the employment contract, keep open channels of communication, and protect the interest of employees. In fact, these are common law principles designed to create a conducive working environment in terms of the psychological and physical welfare of employees, and to provide them with a certain degree of security.

The rights of employees, as provided by the Labour Act, include the right to work under safe and healthy conditions, receive equal pay for equal work, have reasonable rest, join or form a trade union, be trained and retrained, and receive information relevant to their work. The corresponding duties of employees are to work conscientiously, report to work regularly, enhance productivity, exercise due care in the execution of assigned work, obey lawful instructions, take into consideration the safety and health of other employees, protect the interest of the employer, and take proper care at work.

5.4 Termination of appointment

The Labour Act provides the grounds for the termination of the employment relationship by both the employer and the employee. In general, the employment relationship may be terminated by mutual agreement between the two parties. Whiles the employee can terminate the employment relationship on

grounds of ill-treatment and sexual harassment, the employer can terminate it when they die before the expiration of the period of employment, if the employee is medically unfit for work, because of the inability of the employee to carry out his/her work due to sickness or accident, due to the incompetence of the employee or to their proven misconduct, and because of redundancy or legal restrictions imposed on the employee prohibiting them from performing the work for which they are employed. Generally, provisions for termination of appointment have been detailed in the law and touch on almost all issues in the labour market that can be classified as unfair termination. These provisions offer employees some level of protection from employers and enhance the security level of employment.

In general, termination of appointment is rare. This could be attributed to the mutual understanding that exists between employers and employees. About 64 per cent of the respondents of the survey carried out by the authors of this study have not seen any termination of appointment in their workplace in the past two years. The figure is a little higher in urban areas (74 per cent) than in rural areas (55 per cent). There is no significant difference between the formal and the informal sectors. Reasons for termination of appointment include alcoholism, absenteeism, redundancy, stealing, negligence of duty, incompetence, non-adherence to rules and regulations, misappropriation of funds, non-adherence to advice leading to financial loss, continuous vacation of post and violation of terms of employment contracts. The reasons above suggest that cogent reasons must be given before an employer may decide to terminate the employment relationship.

Overall, about half of the respondents asserted that there exists regular procedures for the termination of appointment. There is a significant difference between the formal and the informal sectors. While 74 per cent of respondents in the formal sector asserted that there exists regular procedures for terminating the employment relationship, only 27 per cent of respondents from the informal economy held this view. The majority of the respondents in both the formal and the informal sectors, reported that a committee is set up to investigate the case or a query is given before the application of the code of conduct and the CBA, in the termination of appointment.

To ensure fairness, and prevent dismissed employees from suffering undue hardship before finding another job, the Labour Act provides that any remuneration earned by them before termination of the employment relationship, any deferred pay due to them before termination, and any compensation due in respect of sickness or accident, be paid to them before exit. In the case of foreign contracts, the expenses and necessities for the journey and repatriation costs, both of the employee and of their accompanying family members, in addition to any other payments, should be borne by the employer. Employers seem to be complying with this provision. About 75 per cent of interviewees indicated that any remuneration, deferred payment or compensation due to the employee is normally paid before exit with no significant difference between locations and sectors. This result should be interpreted with caution since many employers in the informal economy are not aware of their rights and duties.

Termination of appointment may be unfair if the employer fails to prove that the reason for termination is just, or that the termination occurred in accordance with a fair procedure. The burden of proof is mostly on the employer. In line with fairness as a cardinal labour relation policy, the Labour Act provides for a notice period for the termination of the employment relationship. In the case of a contract of three years or more, a one month notice or one month pay in lieu of notice is required. In the case of a contract of less than three years, two weeks' notice or two weeks' pay in lieu of notice is envisaged, and in the case of contract from week to week, a seven days' notice is necessary. Formal employment contracts carry less risk in terms of the use of legal procedures to address termination. For weekly contracts, which are normally by word of mouth, the risk of non-respect of the above-mentioned notice requirements is high. Notice is not required for labour contracts determinable at will by either party. The contract may be terminated at the close of any day without notice. This practice is common in the informal economy. The Labour Act provides remedies for unfair termination. According to the law an employee who claims that their employment relationship has been unfairly terminated by their employer may present a complaint to the NLC. If upon investigation of the complaint the Commission finds that the termination of the employment relationship is unfair, it may order the employer to re-instate the employee from the date of the termination, or order the employer to re-employ the employee, either in the position

for which they were employed before the termination, or in another reasonably suitable job with the same terms and conditions enjoyed by them before the termination. The employer can also be ordered to pay compensation to the employee. Compensation packages for redundant workers for genuine reasons are normally covered by CBAs. The criterion used is the monthly salary multiplied by a number of months as specified in the CBA. For unlawful dismissals, the courts look at the circumstances of the individual case and discretionally fix the compensation package based on case law. Usually, where the CBA has provisions on redundancy, those provisions are applied with some margins to cater for the inconvenience caused to the employee.

There are situations where dismissals due to procedural lapses are not treated as unfair. This happens where the offence is so heinous and the facts so manifest that the employer could not accept any explanation provided by the employee. The view of the court in such a case is to strike a balance between the needs of the employer to control the business for which they are responsible and that of the freedom of the employee. This arrangement to some extent supports labour market security and flexibility in a liberal economy (Friedman, 1972).

The Labour Act makes provision for annual leave. About 99 per cent of respondents in the formal sector reported having benefited from annual leave whereas the figure for the informal economy is around 67 per cent. The majority of respondents also reported that in cases where their annual leave is interrupted for a genuine reason, their employers fully compensate them for the interruption. Formal sector employees are also allowed to plan their annual leave compared to employees in the informal economy. This gives them some form of flexibility. While 75 per cent of the respondents are allowed to plan their annual leave, the corresponding figure for the informal economy is 37 per cent. Working overtime¹⁵ is common as indicated by 43 per cent of the respondents. About half of those who work overtime reported that there is no difference between the wages they receive during normal working hours and those for overtime periods. While 47 per cent of those who work overtime in the formal sector had their wages increased when they worked overtime, this only applied to 32 per cent of those in the informal economy.

Almost half of the respondents are satisfied with their working conditions in so far as they are paid and somehow given the opportunity to influence their working time as and when needed. Disaggregated results indicate that informal and rural employees are more satisfied with their working conditions, in so far as they are paid and somehow given the opportunity to influence their working time as and when needed, more than formal and urban workers. Future studies should focus on explaining this observation.

While 75 per cent of respondents in the formal sector engage in negotiations with their employers or have their wages adjusted whenever the minimum wage is adjusted, only 38 per cent of those in the informal economy enjoy this facility. Strikingly, 44 per cent of those in the informal economy have their wages linked to performance whereas the figure for the formal sector is 14 per cent.

Informal and social contacts play a role in keeping people in employment. Whereas about 47 per cent reported that they would miss the social contacts which they have established in the event of losing their jobs, 33 per cent and 18 per cent reported that they would miss the informal contacts and the environment, in the event of losing their jobs. This, to some extent, shows the importance that Ghanaians attach to social capital. About 83 per cent of the respondents reported that their employers have not violated any aspect of their contract in the past two years. Of those whose contracts have been violated in the past two years, about 70 per cent resolved the problem with their employers through personal dialogue while the remaining involved their heads of department and employees associations in the settlement.

¹⁵ Overtime here refers to situations where employees work above their normal time especially in the evening and on weekends.

5.5 Position of the courts and effects of CBAs

Since labour relations are mainly defined in labour contracts, sanctions automatically imply a breach of the contract by either the employer or the employee. The major areas where breaches occur are unfair dismissals or unfair termination of the employment relationship, and the related need to pay compensation or remuneration. The Labour Act is quite recent and its implementation and application are not yet clear. However, the courts have their own position with reference to labour matters. In most cases they take their point of reference from the contract that appoints the employee and the CBAs which can be linked to it. Reference is also made to the common law principles in equity.

The Labour Act provides that parties negotiate in good faith and make every reasonable effort to reach an agreement. The spirit of the framework is the embodiment of the requirement that each party makes available to the other party information relevant to the negotiation. It also provides for negotiation committees or joint negotiating committees which abide by their own rules, and which by law must be lodged with the appropriate authority. The effect of the agreement is that it affects all employees of the class specified in the agreement. The rights conferred to an employee by the agreement are not waived by the employee and, if there is any conflict between the terms of the agreement and the terms of the individual contract, the CBA prevail, unless the terms of the contract are more favorable to the worker.

Box 5.1: Case studies on the position of the courts in labour relations

Effect of Collective Bargaining Agreements: The employees of Volta Aluminum Company (VALCO) were members of the Industrial and Commercial Workers Union (ICU). The CBA of the company provided that in the event of a redundancy certain conditions must be met. The agreement also proscribed the entry of any employee into any contract outside the CBA bonding an employee to VALCO without discussion with the ICU. VALCO is a heavy user of electricity. Reduced supply of electricity led the company to lower production and hence its workforce. As a result of this, the company negotiated with its employees a programme where they would be disengaged. If they could not be reintegrated within 12 months, they would have been made redundant. A number of employees were subsequently laid off and not recalled after 14 months. These employees filed for wrongful dismissal. The Court of Appeal held that the negotiations with the employees were invalid because the CBA dealing with the conditions of service was negotiated between VALCO and ICU, and the effect of the CBA was that at all material times it was the document which governed the relations between the parties.

Wrongful Dismissal (when proper)¹⁶: This is a case of proper dismissal where the court of appeal held that the employee stood condemned for instant gross insubordination when she, by insults, posed a defiant attitude before the authorities. The employee also put herself outside the pale of any investigation or disciplinary committee when she deliberately refused to answer to queries so as to put forward her version of what was reported against her.

Wrongful Dismissal (Compensation in damages): In this case¹⁷, an employee of the university was dismissed contrary to laid down procedure. It was held that the employee was entitled to three months pay and a measure of damages in compensation of a further three months pay since that would constitute a reasonable period during which he could find another job.

Termination (when fair): In this case¹⁸ the employee had as part of his conditions of service “contract terminable by six months notice on either side”, and the basic issue for determination rested on whether the employer was right in commuting the six months into cash which was paid to the employee. The Supreme Court held that the provision in the employee’s conditions of service was that the employee could terminate the appointment by giving his employers six months notice without giving any reasons and vice versa. The court saw this to be in conformity with equitable principles, and what was important was the mutual agreement of the parties that the labour contract could be terminated by giving six months notice of intention to do so.

Both statute and the courts have tried to hold a balance between creating conditions that are suitable for both employees and employers. Normally, labour related cases that reach the courts take their terms of reference from existing statutes and CBAs. Albeit, the courts have made attempts to develop a

¹⁶ Presbyterian Hospital, Agogo v. Boateng (1984 – 86) GLR P382

¹⁷ University of Ghana v. Mensah {1984 – 86} 2 GLR,

¹⁸ Bannerman-Menson v. Ghana Employers Association

case law position. The courts have taken this position for policy reasons, to ensure that employment generation matches with the labour force growth, and to reduce unemployment. For the courts to agree to any termination, for example, the employer should satisfy the court that the offence for which the contract is being terminated is indeed grievous from the legal perspectives. This suggests that key to Ghana's labour relations are the rights of both the employer and employee, as enshrined in the law and specified in CBAs. The courts combine the institutions, the constitution, the state of the economy and related poverty situations of employees in drawing up their common law precedents albeit with a hindsight on British jurisprudence.

As a result of the effects of CBAs, most employees are currently looking to their unions to know how best their interests can be advanced. Generally, the movement towards CBAs and workplace negotiation capacities is engaging unions more than before, partly because of the movement towards privatization. It is becoming clear that CBAs and negotiations hold the key to the security of labour in the country and the courts are ready to enforce agreements that come out of such negotiations. Box 5.1 provides case studies of the position of the courts.

5.6 Labour contracts in the informal economy and in agriculture

The informal economy employs a large number of the labour force both in urban and rural areas. The sector is expanding due to the large number of school leavers who remain unemployed. This labour force has drifted into various jobs which are informal in nature and more flexible in terms of recruitment and termination of appointment. The sector is directed by a logic filled with varied atypical voluntary employment agreements which are mostly not documented. The courts, therefore, have difficulties in addressing matters that arise out of informal labour relations. At best they may apply equitable measures such as specific performance or make orders for quantum **meruit**.

Contracts in the sector are characterized mainly by word of mouth and lack the minimal application of labour standards in the areas of health and safety, freedom of association, social security, medical benefits, child labour, etc. The lack of a formal union in the informal economy makes jobs less secure for the many whose skills are not adequate for the needs of formal employment. Informal jobs include a broad range of atypical forms of employment which allow for more flexibility but not enough security.

There is no institutional framework to monitor the performance of the sector and the various forms of contract. District assemblies who are supposed to play that role have little information on the size and characteristics of their local informal economy and have not been able to monitor employment conditions, health and occupational safety standards, social security and the presence of children in local enterprises, nor have they provided any sustainable support for the sector.

Customary labour practices and their related norms permit employees and employers to negotiate terms of contracts. This does not take the form of an employment contract. Under this arrangement a landlord gives his lands to a tenant farmer who agrees to share the crops with the landlord on the basis of an agreed sharing formula. The dominant type of sharecropping is one which appears in two forms: the "abusa" and the "abunu" systems. The tenant farms on a new land and gives the landlord as rent either one-third of the yield in the former type, or an equal share in the latter. Usually the arrangement holds so long as both parties are in agreement. Since contract in these areas is by word of mouth, termination is easy and is given by either party without notice. When problems arise, they are rarely settled in the court.

The GAWU of the TUC has realized this development and is moving towards creating a voice for these workers. What mostly concerns these labour pools is their right to fair prices for the goods and services they provide. GAWU has recently called on the government to ratify international conventions that provide security and protection for the farmers. GAWU is also advocating for the full ratification of ILO Conventions on health and safety, child labour and gender in Agriculture

Chapter 6: Social security

A sound social security system can help strengthen flexicurity in that it ensures income security, as people are protected at times when they face different types of risks, including when they lose their jobs. In addition, social security enhances productivity which can contribute to guaranteeing employment security.

Some attention has been given to social security issues in Ghana. Article 37, clause 6, sections (a) and (b)¹⁹ of the 1992 Constitution (the Directive Principles of the State Policy) emphasizes the necessity of social security for the poor, vulnerable and the aged. In spite of this laudable provision in the constitution, there is hardly any viable all-inclusive social security system in place to provide the much needed social safety net for the poor and socially excluded.

The DSW is responsible for social protection. Even though the department is making an effort to ensure that the social security needs of the people are addressed, more has to be done to make it effective and efficient. The number of staff is about 963 and is woefully inadequate. Resources as well as facilities to allow the department to work effectively are also not available. The department received on average about 0.93 per cent of total government expenditure from 1997 to 2003, with about 70 per cent of this amount going to pay personal emoluments. Very little is, therefore, left for investment activities in social security. Unemployment benefit schemes and social assistance for the unemployed are virtually non-existent.

Efforts have been made in health programmes to ensure that vulnerable groups do have access to health services, as a way of ensuring social protection, but with little success. For example, the government made provisions for some exemptions from health costs in the budget of the Five Year Work Plan (1997-2001). The exemptions concerned “paupers”, antenatal care, care of the under fives, and care for the elderly. Generally, exemptions for antenatal care, care of the under five and the elderly were implemented with some success. Reports from the Ministry of Health indicate that a number of factors prevented the poor and the vulnerable from benefitting from such exemptions. Some of those factors include reluctance of health providers to grant exemptions, difficulty in identifying who a “pauper” is, delays in obtaining the refund for exemptions granted, inadequate funding to support the exemptions, ignorance of communities of their “rights” to exemptions, and administrative bottlenecks in relation to exemptions for “paupers”. Much remains to be done to make this measure an effective instrument for social protection.

6.1 Social security schemes

In 1991, the Social Security and National Insurance Trust (SSNIT) Law, (PNDCL 247) was passed to provide employees with income security when they face certain risks. The benefits which the law deals with refer to three contingencies, namely pension, invalidity and survivor’s. Employees also enjoy some level of protection against employment injury under the Workmen’s Compensation Law (PNDCL 187). The SSNIT pension scheme has a contributory nature, with employers and employees paying 5 per cent and 12.5 per cent of basic salary, respectively, to the scheme on a monthly basis. The qualifying period for enjoying benefits from the scheme is 240 paying months. The calculation of benefits is based on 50 per cent of the average salary of the three best years of your working life. Table 6.1 provides data on SSNIT contributions from 1997 to 2004.

¹⁹37 (6) (a) the state shall ensure that contributory schemes are instituted and maintained that will guarantee economic security for self-employed and other citizens of Ghana and 37 (6) (b) the state shall provide social assistance to the aged such as will enable them to maintain a decent standard of living

Table 6.1 : SSNIT contributions and membership

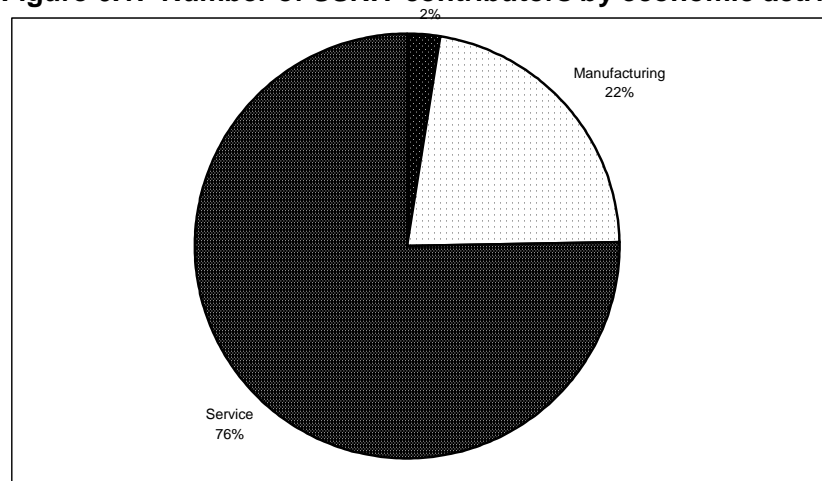
Year	Contribution (billion cedis)	Membership (000 ²)	Average contribution (000 ²)
1997	205.6	597.1	344.4
1998	268.9	627.1	428.7
1999	375.3	616.6	608.7
2000	461.5	626.5	736.5
2001	723.2	652.8	1107.9
2002	1041.5	652.3	1596.7
2003	1367.9	589.5	2320.3
2004	1632.6	619.3	2636.3

Source: SSNIT, Research Division.

From the table above, it can be seen that SSNIT contributions and membership have risen steadily, except in 2003 when there was a reduction in membership. This was largely due to a decrease of the private sector size. Disaggregated figures indicate that the average contribution from subverted agencies is higher than that from government institutions, but lower than that from the private sector.

Figure 6.1 provides the number of SSNIT contributors by economic activity. From the figure it can be seen that the majority (70 per cent) of the contributors are from the service sector followed by the manufacturing sector. Sadly, contributors from the agricultural sector form just two per cent of the total number of contributors, though the majority of the labour force is employed in that sector. This is due to the informal nature of the sector. The SSNIT is making efforts to bring these informal sector employees on board. However work on this is just at the preparatory stage.

Figure 6.1: Number of SSNIT contributors by economic activity, 2004



Source: SSNIT

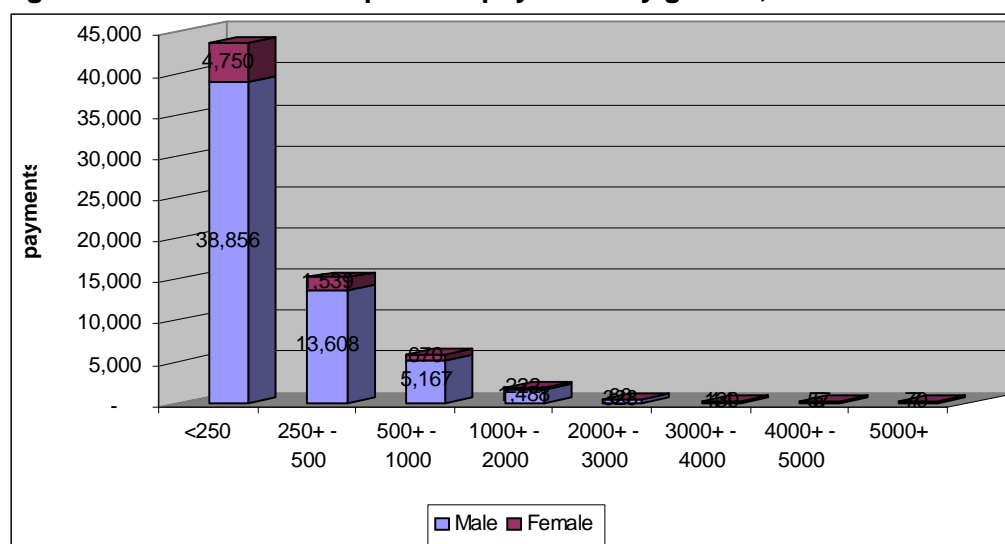
Overall annual average old age/invalidity benefit payments by SSNIT have grown considerably from about 644.5 thousand cedis in 1993 to about 5061.7 thousand cedis in 2004 in nominal terms (table 6.2). In real terms, however, the increase is not significant, with annual average old age/invalidity benefit payments increasing from 786.10 thousand cedis in 1998 to 1441.26 thousand cedis in 2004.

Table 6.2: SSNIT benefits and claims²⁰ (in billion cedis)

Year	Lump		Sum		Old age/		Invalidity		Death/		Survivor		Total		
	Claims	Number	Average*	Claims	Number	Average*	Claims	Number	Average*	Claims	Number	Average*	Claims	Number	Average*
1993	0.7	4,924	140.3	0.3	6,684	47.3	0.8	2,377	335.4	1.8	13985	129.0			
1994	1.1	4,737	235.9	0.4	10,738	41.9	2.3	2,864	815.9	3.9	18339	212.9			
1995	2.2	5,834	384.9	0.9	16,214	53.6	3.2	2,659	1195.6	6.3	24707	254.7			
1996	2.1	4,463	466.4	1.3	21,775	59.7	5.8	2,949	1977.3	9.2	29187	315.6			
1997	2.1	2,527	833.5	22.3	26,665	835.7	9.5	3,274	2912.0	33.9	32466	1044.9			
1998	2.7	3,045	895.5	19.9	30,936	644.5	11.2	3,545	3152.1	33.8	37526	901.7			
1999	5.0	2,634	1915.8	28.8	35,533	811.0	14.9	3,276	4561.4	48.8	41443	1177.7			
2000	6.6	2,528	2603.8	45.7	41,301	1106.9	22.9	3,169	7237.4	75.2	46998	1600.8			
2001	8.1	2,353	3462.8	67.9	47,024	1443.9	30.8	3,534	8709.8	106.8	52911	2019.0			
2002	10.1	2,391	4217.9	105.9	51,576	2053.4	44.3	3,659	12111.8	160.3	57626	2781.9			
2003	11.4	2,355	4824.7	166.5	57,447	2898.6	70.4	4,209	16718.9	248.2	64011	3878.2			
2004	16.1	2,479	6502.6	339.0	66,971	5061.4	110.4	4,859	22726.9	465.5	74309	6264.7			

Source: SSNIT, Benefits Department, * the average is in thousands of cedis and obtained by dividing the claims by the number of recipients.

Figure 6.2: Distribution of pension payments by gender, December 2004



Source: SSNIT, Benefits Department.

The distribution of pension benefits from SSNIT (figure 6.2) is highly unequal and gender biased. In 2004, for example, the average annual pension payment was 675.1 thousand cedis whilst the maximum and minimum monthly pensions were 10.5 million and 100 thousand cedis, respectively. Overall about 63 per cent of pensioners received less than the minimum wage of about 302 thousand cedis. Females constitute about 11 per cent of the total number of contributors and the majority of them can be found in the lower income brackets.

In recent years, the SSNIT pension scheme has come under serious criticism from various stakeholders regarding transparency and accountability. The Law (PNDCL 247) requires the Trust to submit annual audited financial reports to the government through the Minister of Finance, but not to the

²⁰ Whiles lump sum claims represent a bulk amount of money paid to employees at the point of exit to pension, old age/ invalidity pension refers to monthly payments to pensioners and employees who exit early from employment due to health related problems. Death survivor claims are benefits paid to survivors of a pensioner.

contributors. This reduces transparency and accountability. Submitting information on the fund in the same way as company shareholders are provided with annual reports would help improve transparency and accountability. In addition, the governing body and employees of the scheme cannot be sued for losses incurred by SSNIT (section 33 of PNDCL 247). This is a flaw because the beneficiaries are made to carry any burden of losses incurred by the management of the scheme. Under these conditions a principal-agent problem arises where the principal (contributor) cannot observe activities of the agent (managers) due to information asymmetry. Agents are, therefore, able to use their private non-observable information not in the interest of the principal, but rather in their own interest. Such a situation leads to the exploitation of the principal through high administrative costs and low pension payments.

The perception is that the scheme has made bad investments and that its investment decisions are influenced by the government and this is likely to be true. Of the 12-members of the board of SSNIT, seven come from the government or are appointed by the government including the Director-General. Reducing undue pressure from the government and any form of political manipulation becomes imperative if the fund is to operate effectively.

Under the SSNIT scheme, the calculation of benefits depends on contributors' salaries for their best three years. There is a tendency for many private companies, especially self-employed contributors, to raise their salaries or that of their employees during the last three years of service. This trend enables contributors to have higher pensions upon retirement. It should be added that many loans have been advanced to students on concessionary terms. However, the recovery rate is quite low.

A recent actuarial report on the impact of the government using 2.5 per cent out of employees' contributions to fund the National Health Insurance Scheme (NHIS) highlighted some liabilities of the fund. The report indicates that the pool of funds, which act as reserves for future benefit payments, is less than the net present value of accrued benefit entitlements. This culminates in an unfunded liability, which is not reported in financial statements. For example, as of December 1999, the Government Actuary's Department of the UK determined the unfounded liabilities to be about 4.708 trillion cedis. The implication is that the scheme will require an additional 4.708 trillion cedis to pay all of its accrued liabilities, should the scheme be terminated at that point. The report also notes that at the current contribution rate of 17.5 per cent, the fund's ratio²¹ will fall below four in the year 2005, or earlier should the contribution rate be reduced.

A major issue concerning the SSNIT scheme is its ownership. There are those who believe that the scheme belongs to the government, since it is the ultimate guarantor or underwriter, whereas others, largely supported by the TUC, assert that the trust is a private fund with the government implicitly assuming a custodial responsibility through the establishment and appointment of trustees who hold the fund in trust for the benefit of the contributors.

Essentially, the threats to the scheme include high administrative costs, poor returns on investment, the burden of the national students' loans, political interference and the 2.5 per cent of employees' contributions used to finance the NHIS.

The Civil Service Pension Scheme (CAP 30) was established by the colonial and independent governments of Ghana for their retired employees in 1946. The scheme is contributory for some employees, but unfunded and dependent on the consolidated fund for payment of benefits. The calculation of benefits is based on 70 per cent of one's terminal salary and the qualifying period for receiving benefits is 120 months. Currently the Ghana Armed Forces is the main institution that benefits from this scheme. As of December 2004, there were about 1.1 million pensioners in the civil service pension scheme. Expenditure on pensions under the scheme is less than 1 per cent of GDP. Generally, expenditure on pension schemes in the country has always been less than 1.5 per cent of GDP as shown in table 6.3. The Civil Service Pension Scheme suffers from various administrative and governance problems that

²¹ Fund ratio is a measure of the financial strength of the scheme and could be explained as the number of years the reserves of the scheme could be applied to operate the scheme at the current expenditure should contributions cease. For the SSNIT scheme the minimum level is 4 years.

undermine effective control and contribute to the over-bloated pension register and the rising cost of the scheme.

Table 6.3: Expenditure on pension schemes (billion cedis)

	2000	2001	2002	2003	2004
Gratuity payments		77.9	114.4	200.7	266.8
Number of beneficiaries		3599	4719	5728	5484
Pension payments		216.2	270.4	355.3	268.6
Number of beneficiaries (thousands)		1,105	1,111	1,216	1,116
Average pension payment (thousand cedis per annum)		196	243	292	241
Total pension and Gratuity payments	266.4	294	384.8	556	535.4
Total pension and gratuity payments as % of GDP		0.77	0.81	0.84	0.67
Total benefit payment by SSNIT	0.28	0.28	0.34	0.38	0.58
Total benefit payments by SSNIT as % of GDP	75.2	106.8	160.3	248.2	465.5
Total social security payments	341.6	400.8	545.1	804.2	1000.9
Total social security payments as % of GDP	1.26	1.05	1.14	1.22	1.25

Sources: Compiled with data from CAGD and SSNIT.

There are also other pension schemes. These are the Ghana Universities Superannuating Scheme, the Unilever Pension Scheme and the Ghana Commercial Bank Pension Scheme. The freezing of the end-of service benefits in 1991 led to the establishment of private schemes and provident funds. Trust deeds and rules govern such private occupational pension schemes with no central regulatory authority. However, the principal law that is supposed to govern private pension schemes is the Long Term Saving Act (Act 679). The act provides a tax relief of 17.5 per cent of contributors' monthly salaries in addition to the 17.5 per cent granted to SSNIT contributors. Concern with the gross limitation of the current social security schemes led the president of Ghana to form a commission – the Presidential Commission on Pensions – in 2003 to examine existing pension schemes and to make recommendations for a sustainable and efficient system that would guarantee workers a decent standard of living based on a pension.

Evidently, the most important social safety net in Ghana is the traditional community and family-based welfare system that involves extended families, local organizations, etc. Apt and Amankrah (2004) confirm this by arguing that employees do not fall on the government or on institutions for assistance in times of need, but rather rely on family and friends. Such a system, as discussed earlier, incorporates traditional and cultural norms and has demonstrated its ability to uphold and consolidate social cohesion and practices.

In general, social security should be concerned with not just cash benefits and medical care, but also in kind benefits and the satisfaction of other basic needs, like housing and possibly food security. Apt (1994) calls for the formulation of policies that integrate indigenous structures and practices and prolong active economic roles for the elderly, and promote financial security in old age. The implication is that the elderly should be given the opportunity to participate at certain levels of the development process where their age and experience allow.

The approach of Ghana towards social security is based on the assumption that economic growth will take care of the social security needs of the aged, vulnerable and marginalized groups, such as women, children and the physically challenged. Very little emphasis is given to the specific needs and requirements of those categories of persons. Social security institutions and safety nets are much less developed than the level of national economic development would allow. Additionally, social security provision for employees in the informal economy is essentially a private concern for families and communities. Unemployment benefit schemes and social assistance for the unemployed are virtually non-existent. The government is yet to design and develop viable policies and programmes for the welfare of poorer segments of the society.

The meagre pension and gratuity received by pensioners, the inability to prepare sufficiently for retirement, the high cost of social services, such as health as well as the erosion of the purchasing power

of pension allowance resulting from inflation have rendered many pensioners vulnerable and destitute (Obiri-Yeboah, 2003). Many of them are, therefore, forced to return to work in the formal and informal sectors, either as consultants or on a contract basis or as private entrepreneurs. In fact, income insecurity poses a threat to many Ghanaians, especially the aged. Apt and Amankrah (2004) report that more than 50 per cent of pensioners are worried about their financial position at old age and anticipate government interventions to ensure income security.

What is more worrying is that only a small percentage of people over 60 years are benefiting from pensions. The work of Apt and Amankrah (2004) reveals that only 19.2 per cent and 17.8 per cent of respondents aged 60 and above are entitled to pension in Urban Ashanti and Urban Accra, respectively. The majority of employees who are working in the informal economy as unpaid family workers, self-employed, micro-entrepreneurs, farmers, craft employees, artisans, traders, etc. will not have any social protection against insecurity when they retire from active work unless they have personal pension plans.

6.2 Employment and income insecurity, and coping strategies

A very important component of income and employment security is the non-wage and other benefits provided by employers for their employees. In the formal sector the Technical Sub-Committee of the NTC has deliberated and agreed on the establishment of end-of-service benefits as a supplementary benefit scheme to the existing SSNIT pension scheme at the enterprise level. The committee has also provided guidelines for the establishment of the scheme. The Ghana Employers' Association (GEA) has encouraged its members to establish provident funds for their employees. From the survey conducted by the authors of this paper, about 28 per cent of the respondents affirmed that their employers have put in place measures aimed at enhancing employment and social security. The figure is a little higher in rural areas (34.5 per cent) and the formal sector (39.3 per cent), and lower in urban areas (22.4 per cent) and in the informal economy (19.3 per cent). These figures to some extent indicate that not very much is being done by employers to ensure employment and income security.

Some of the measures put in place by management to ensure employment protection are improvements company finances, business expansion, ensuring efficient supplies, forming partnerships to enjoy economies of scale, quarterly meetings to discuss the work situation and insurance. In the formal agricultural sector, irrigation facilities and tractor services are offered. With respect to income security, higher salaries, provision of various forms of assistance to employees, the establishment of welfare and provident funds, payment of medical bills, education in various areas of income security are some of the measures put in place. A cursory look at the measures shows that most of them contribute only indirectly to ensuring employment and income security through the sustainability of the business. From the survey, areas where employers have done much are the payment of medical refund and the provision of credit facilities for their employees. About 62.5 per cent of the respondents receive partial or full medical refund. A cross check of the results shows that whereas 70 per cent and 72 per cent of those in the urban and formal sector receive partial or full medical refund, respectively, the corresponding figures for the rural and the informal economy are 56 per cent and 54 per cent, respectively. The work of Standing (2004) also indicates that about 46.9 per cent and 54.6 per cent of urban and rural households have insufficient income to finance their health care.

According to Standing (2004), the majority of men (52.7 per cent) and women (55.6 per cent) in Ghana have experienced at least one financial crisis in the past three years. Some 80.0 per cent of men and 78.5 per cent of women experience considerable income variation from month to month. Access to credit to support individuals in times of need, becomes critical. Our survey indicates that about 46 per cent of respondents have access to loans from their employers though the amount borrowed is not significant. In rural areas the figure is higher (57.1 per cent) compared to urban areas (34.2 per cent). In addition, those in the formal sector obtain loans from their employers more (50.5 per cent) than those operating informally (42.3 per cent). The inability of the majority of individuals in the informal economy

to access loans limits their ability to absorb shocks, such as floods, droughts, illnesses, layoffs, civil strife, poor rainfalls, bushfires, and so on.

Box 6.1: TUC's efforts in ensuring income security

The TUC at the national level has made efforts to institute measures aimed at ensuring income security. The Union in 1997 raised an amount of 5.7 billion cedis from 99,000 employees to establish the Labour Enterprise Trust with the primary objective of establishing business partnerships that will yield profit and help improve the well-being of employees. This was due to the job losses registered during the down sizing of the until then over-bloated Civil Service which took place when the SAP/ERP was adopted. The Labour Enterprise Trust is governed by a board composed of 9 members. Five of them including the chairman are representatives of TUC. The Trust has succeeded in establishing 5 formal businesses - long-term investments in an Insurance Company (Unique Insurance Company), a City Car Park project, a Water Tanker Service, a radio Taxi Service and an Employees Property Ownership Scheme - with the support of the ILO, Government of Singapore, EMPRETEC (Ghana) Foundation and the International Co-operative and Mutual Insurance Federation. These companies are successfully operating and have made modest gains by creating 186 direct jobs.

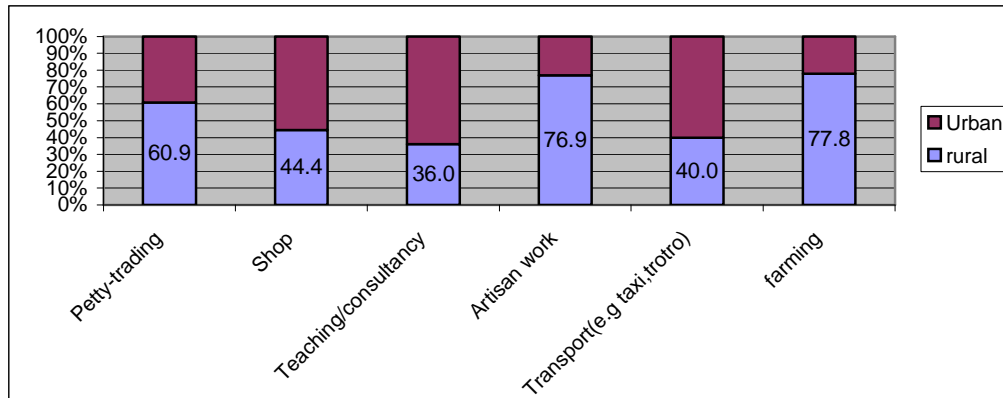
Civil society and in particular independent democratic representative member-based organizations in the informal economy largely contribute to the strengthening of income security, especially in a country like Ghana where State support is virtually unavailable. Such institutions include self-help groups, savings societies, faith-based associations, cooperatives, mutual benefit societies and NGOs. The work of these organizations is beneficial to all spheres of social and employment security. Their action is complementary to that of the government.

Information from the Registrar General's Department indicates that there are over 2000 such organizations working in different areas to enhance employment and income security directly and indirectly. However, many of them are not active and coordination of their activities is very weak. To date Ghana does not have any policy or policy framework on NGOs. The Ghana Association of Private Voluntary Organizations in Development is an umbrella organization for such NGOs. The association has about 429 foreign and local registered NGOs working in different areas, such as food security, micro credit, conflict resolution, health, education, environment and income generation, amongst others. The positive aspect of the work of these NGOs is that they operate at the grassroots' level and most of their activities directly benefit the rural, vulnerable and marginalized groups. Complete information on their activities is non-existent. However, it is generally accepted that the activities of these organizations are developmental in nature and in most cases are designed to ensure social protection for the vulnerable and needy. While some of them are doing very well in their areas of operation, the activities of others are less impressive.

A third of the respondents interviewed by the authors of this paper were associated with organizations with informal mechanisms (non-standard forms) of social and employment protection. Disaggregated analysis revealed that the figure is a little higher in rural areas (40.9 per cent) than in urban areas (19.3 per cent). However, there is no difference between the formal and the informal sectors. Some of the social protection schemes mentioned include financial aid, welfare services and funeral aid. In the agricultural sector some of the associations provide free tractor services, particularly for out-growers.

In comparison with other flexible work schedules, such as a 40-hour week extended to six days in a week, 40 hours' working time compressed to four days in a week, working from home for certain hours in a week, if the job allows it, working only for some months in a year if the job permits, the majority of the respondents preferred the normal 40-hour week completed in five days. Reasons given for this preference included familiarity, sufficient time for personal matters, difficulty involved in working more than eight hours a day, convenience and less stressful.

Figure 6.3: Supplementary business of respondents by rural /urban (%)



Source: Authors' Survey, 2005

Individuals and specific vulnerable groups use a number of mechanisms to ensure income security. At the household level, individuals undertake other activities besides their principal one, to generate alternative income. About 48 per cent of those interviewed have other businesses that serve to supplement their main income. Figure 6.3 provides the percentage of urban and rural respondents who undertake other businesses to improve their income levels. In rural areas, handicraft work and farming are the main supplementary economic activities, whereas teaching/consultancy, taxi driving, and setting up shops are predominant in urban areas.

The lack of a holistic policy on social security and the meagre pensions received by pensioners has led to the formation of pensioners' associations. The major ones in terms of membership and effectiveness are the VAG, Ghana Commercial Bank Pensioners' Association, Unilever Pensioners' Association, GGPA, and the National Pensioners' Association (SSNIT). The total membership of these associations is about 142,270 with the GGPA being the largest with around 93,000 members. The basic objective of these associations is to improve the welfare of their members. Some of them such as VAG and GGPA have regional and district offices. Almost all of them are financed from membership dues of 1000 cedis a months. Only the GCB and Unilever require 2,000 and 500 cedis, respectively as monthly dues. The VAG receives subventions from the government and other income from the operation of a special raffle and other businesses. The GGPA receives some income from the operation of transport and investments in treasury bills. The other enterprise-based associations also receive various forms of assistance from their parent companies albeit very small.

Benefits from the associations to their members are very small. For example, the basic benefit provided by the GGPA is 10,000 cedis to the children of a deceased member or to the member in the event of their spouse's death. The VAG has expanded benefits through various forms of assistance such as medical refund, provision of coffins and spectacles for active members in some of the districts. Comparatively, VAG is ahead of all the associations in terms of funding due to the support from the government and the administration of the VAG special raffle.

The associations have serious financial difficulties. Several attempts have been made to raise money through income generating activities, but with limited success. For example, GGPA tried to invest in agriculture and bee-keeping but the project failed because of the vagaries of the weather, technical problems and the lack of a proper feasibility plan. Lack of foresight and investment options poses a major problem to the associations.

6.3 Towards a universal pension scheme

Today, it is widely accepted in Ghana that the social security pension system needs to be reformed to better satisfy the needs of pensioners and to include those who are not catered for by any social security scheme, except the traditional informal system. The provision of social security protects the aged from poverty and from a decline in their standards of living due to the cessation of regular income. Table 6.4 presents estimates of the amount of resources needed to provide an annual pension of 211,680 cedis (70 per cent of the minimum wage of 11,200 cedis per day in 2004) to the estimated 1.1 million Ghanaians above 64 years in 2004. From the table an amount of 2.8 trillion cedis (2.18 per cent of GDP) will be needed to finance such a universal pension scheme. The biggest challenge is how to finance this scheme. It must be noted that the provision of old age pension involves trade-offs between protection and distortion, in that benefits are conditional upon income or employment and the financing of these benefits through taxes collected creates deadweight losses resulting from changing the behaviour of both the older and the younger population. A first port of call would be to have a national identification system that would help track individual contributions to the scheme.

According to Fieldstein (2001), the key features of social security today should be a shift from a pure pay-as-you-go tax-financed system in which taxes on current employees are primarily distributed to current retirees, to a mixed system that combines pay-as-you-go benefits with investment-based personal retirement accounts. Many people, especially the self-employed, could contribute something towards their pension if the right stimulus is provided. A personal retirement account funded by the individual with the government providing some incentive for people to invest for their old age would be a better alternative. The incentive system could be tailored to take care of poorer segments of the society. The scheme could be fashioned along the lines of the NHIS. A major problem with such a scheme would be the administrative cost, risks and how to ensure income redistribution.

Table 6.4: Cost of universal pension scheme

Item	
Estimated population above 64 years in 2004	1106952.1
Minimum wage per day in 2004 (cedis)	11200
Annual minimum wage (thousand cedis)	3,628.80
70% of minimum wage (thousand cedis)	2540.16
Monthly pension	211680
Total annual payment (trillions)	2.81
Government Expenditure in 2004 (in trillion cedis)	25.85
Nominal GDP (2004) (in trillion cedis)	77.62
Pension payment as a % of Government expenditure	10.88
Pension payment as a % of GDP	2.18

Source: Authors' computation

Chapter 7: Risk management mechanisms

7.1 Savings and credit

Income insecurity is a dynamic process relating to activities such as risk, irregularity, susceptibility, and the vulnerability which surrounds income generating capacity. As such, the availability of savings and credit facilities is quite vital in ensuring income security. In recent years, savings have improved in Ghana. Information from the African Development Bank Report (2004) indicates that annual average (1980-1990) gross national savings as a percentage of GDP was about 9.9. This is very low compared to that of Africa (23.5). The situation has improved substantially in the 1990s. Annual average

(1991-2003) gross national savings as a percentage of GDP have increased to about 23.2 per cent compared to that of Africa (19.8 per cent).

Table 7.1: Liabilities of deposit money banks (in billions cedis)

Year	Demand	Foreign Currency	Savings	Time	Total	Growth
1990	120.8	0.0	55.7	10.6	187.1	
1991	140.0	0.0	79.0	17.6	236.6	26.4
1992	174.8	0.0	116.4	42.3	333.5	40.9
1993	235.3	0.0	136.6	63.6	435.5	30.6
1994	320.9	0.0	206.6	67.2	594.7	36.5
1995	371.1	0.0	259.5	144.8	775.4	30.4
1996	1,898.2	515.6	1,227.1	802.2	4,443.2	473.0
1997	2,728.4	2,671.3	1,753.0	1,204.8	8,357.5	88.1
1998	3,636.5	2,830.2	2,365.7	1,788.3	10,620.7	27.1
1999	11,739.1	9,416.2	9,284.1	6,527.7	36,967.1	248.1
2000	12,394.6	17,672.5	11,564.6	6,593.5	48,225.1	30.5
2001	15,930.2	24,956.7	16,696.4	11,253.6	68,836.9	42.7
2002	29,840.6	36,346.5	23,117.0	15,643.6	104,947.7	52.5
2003	47,778.0	48,620.0	30,901.4	19,982.7	147,282.1	40.3
2004*	66,253.0	59,742.7	37,926.9	24,927.8	188,850.4	28.2

Source: Bank of Ghana, *Figures are from January to November.

Tables 7.1 and 7.2 show the liabilities of deposit money banks and end-use analysis of deposit money bank loans and advances for the period 1990 to 2003. Average annual growth of savings has hovered around 85 per cent from 1990-2003. The increase in savings has led to an increase in loans and advances. Average annual growth of loans and advances is about 90 per cent over the same period. The drastic increase in savings, loans and advances in 1996 and 1999 is primarily due to pre election year spending.

Table 7.2: End-use analysis of deposit money banks loans and advances, 1990 - 2003

Year	Agricultural	Industrial	Service	Total	Growth	Share of agriculture (%)
1990	12.2	31.0	24	67.4		18
1991	12.4	34.7	35	82.3	22.1	15
1992	14.7	55.9	62	133.1	61.7	11
1993	17.3	76.2	83	176.3	32.5	10
1994	24.4	121.0	111	256.0	45.2	10
1995	42.1	188.1	143	373.0	45.7	11
1996	264.5	1,113.1	753	2130.9	471.3	12
1997	460.1	1,491.7	1569	3521.2	65.2	13
1998	741.5	2,206.4	2548	5495.5	56.1	13
1999	3,256.1	9,202.9	9576	22035.4	301.0	15
2000	4,968.5	17,445.9	14693	37107.5	68.4	13
2001	6,761.3	23,757.6	27310	57828.6	55.8	12
2002	6,930.1	25,228.1	36365	68522.9	18.5	10
2003	9,977.4	31,469.7	32041	73487.9	7.2	14
2004	8,569.4	30,882.7	34138	73589.9	0.1	12

Source: Bank of Ghana, *Figures are from January to November.

End-use analysis of deposit money banks loans and advances for the period 1990–2003 shows that the majority of the loans and advances go to the industry and services sectors, particularly those in the formal sector. Very little, approximately 12 per cent, of total loans and advances go to the agricultural sector where majority of the labour force can be found. The absence of credit facilities, physical assets as well as social protection renders informal operators, particularly those in the agricultural sector, very vulnerable. A little destabilization in their income earning resulting from flood, drought and illness renders them poor and the lack of coping strategies and mechanisms makes it difficult for them to work out of poverty. Similar situations usually have downstream impacts such as taking children out of school or depleting resources through the sale of properties, like land.

There are many problems associated with improving investment opportunities or with making credit facilities available to the low and middle-income groups and employers in the informal economy, especially in rural areas. These include the difficulty in penetrating isolated rural communities with poor infrastructure, the cost of infrastructure development in rural areas to minimum savings requirements, security requirements for loans, the complicated paper work which is not familiar to rural people, and the high interest rates charged by banks. Moreover, businesses in rural areas are informal in nature and have their own problems such as deficiency in governance, poor business environment, lack of appropriate legal systems and property rights, absence of or weak market institutions. In order to better serve rural people and informal employees various schemes have been devised. These include the establishment of rural banks, credit and savings schemes and credit unions. In the following sections, we provide some details on these establishments with respect to their performance on savings mobilization and credit provision.

7.1.1 Rural banks

The Banking Act makes provision for the establishment of rural banks to mobilize savings and provide credit in rural areas. In all there are 131 rural banks spread throughout the country. Information from the Bank of Ghana, as shown in table 7.3, indicates that there has been a steady growth in the activities of rural banks. Deposits, loans and advances on average increased by about 50 per cent annually from 1998 to 2004. Though end-use analysis of the loans and advances is not available, discussions with managers of rural banks reveal that most of the loans go to the informal economy and to rural clients for rural development.

Table 7.3 Deposits and loans of rural banks (in billion cedis)

	1998	1999	2000	2001	2002	2003	2004
Deposits	110	138	236	382	732	949	1,357
Investments	58	71	144	248	452	525	725.5
Loans And Advances	48	67	98	145	249	348	567.5
Total Assets	157	185	317	519	954	1,275	1,791

Source: Bank of Ghana.

7.1.2 Credit unions

The credit union (CU) movement in Africa was started in Ghana by a catholic missionary in 1955. CUs are owned and controlled by their members. The basic objective of a CU is to save together and create a financial pool out of which members can borrow resources in times of need and/or for other productive or provident purposes. As of 2004, there were 261 CUs. Some 135 of them are workplace based with 71 and 55 of them community and parish based, respectively. The large number of workplace-based CUs reveals their importance to employees. Each CU is run by a board of directors (management committee) elected by members to manage the affairs of the CU. Management takes place through technical committees, such as the credit committee, supervisory committee and the education committee.

There is an umbrella organization (the CU Association) with headquarters in Accra. Its function is to coordinate the activities of the individual unions. The activities of CUs are regulated by the Financial Institutions (non-banking) Law of 1993 (PNDCL 328). Table 7.4 provides some basic information on the performance of CUs from 2000 to 2004.

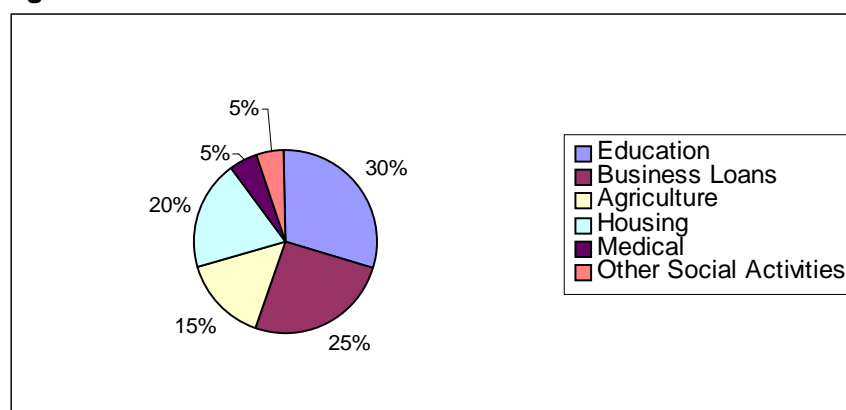
Table 7.4: Membership, loans and deposits of CUs (billion cedis), 2000-2004

Details	2000	2001	2002	2003	2004
Membership	76,356	96,052	125,000	132,000	163,860
Deposits	55	84.6	150.2	206	354.7
Loans	38	59.4	88.3	88.3	216.9
Total Assets	63.4	98.6	200	250	423.8

Source: Credit Union Association of Ghana.

On average membership grew by about 21 per cent annually over the period 2002-2004, and deposits and loans grew on average by 60 per cent and 63 per cent, respectively over the same period. The role of CUs in ensuring employment and income security is significant though their coverage is quite small. CUs have contributed to capital formation. The disbursement of such capital has been beneficial to agriculture, small-scale businesses and the overall welfare of their members, especially the low and middle income operators in the informal economy.

Figure 7.1: Distribution of loans from CUs



Source: Credit Union Association of Ghana

Figure 7.1 shows the sectoral distribution of loans by CUs. It can be seen that most of the areas for which loans are granted are social and developmental in nature. Evidently, the loans go to help members absorb shocks and reduce the risk of income and employment insecurity. Loans are difficult to obtain for many employees, especially those in the informal economy, due to their lack of collateral. Loans offered by CUs, therefore, provide a cushion for workers in times of need and help reduce shocks deriving from labour unrest and labour unavailability. Credit thus enhances employment and income security. Other indirect downstream impacts on welfare, income and employment security of the activities of CUs include the creation of direct and indirect employment,²² helping to provide children's education, access to health care, and small business development.

²² CUs employed about 550 people in 2004.

7.1.3 Savings and loan schemes

Another important avenue for savings and credit for the informal economy is savings and credit institutions. Overall there are 11 recognized savings and credit schemes registered with the bank of Ghana. Like CUs, the Non Banking Financial Institution Law regulates the activities of savings and credit schemes.

Table 7.5: Assets and liabilities of savings and loans schemes (in billion cedis)

	2000	2001	2002	2003	2004
Total assets	37.7	78.6	142.9	198.4	340.9
of which loans	15.1	28.1	46	70.1	130.5
Total liabilities	34.9	71.9	142.9	171.7	258.1
of which deposits	32	67.3	106.3	161.6	225.9

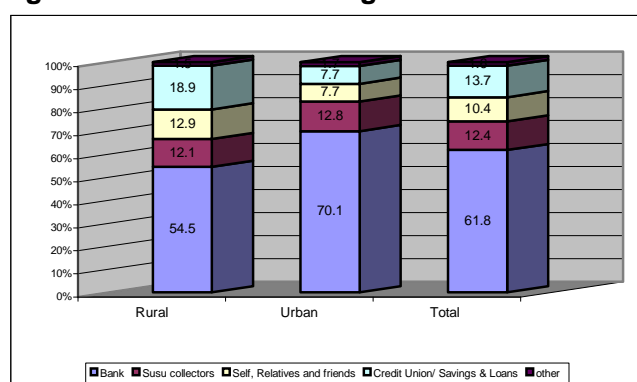
Source: Bank of Ghana.

Overall assets of Savings and Credit Schemes are lower than those of CUs. However, annual average growth in the volume of credit and deposits is much higher in savings and loans institutions than in credit unions for the period 2000-2004.

Problems which both CUs and savings and credit institutions face are low interest rates, loan delinquency, delays in repayments and administrative costs. Making special concessionary credit available to these institutions and assisting them in developing innovative ways to reduce delinquency rates and delays in payments as well as assisting them in expanding their coverage would be of immense help.

This study found that savings are picking up in both rural and urban areas. About 66.2 per cent of the respondents were able to save in the last 12 months (no difference between rural and urban areas). Of those, 77.5 per cent save out of their wage income, the remaining out of non-wage incomes. Savings are generally higher in rural areas, however, the level is low. About 45 per cent and 55 per cent of rural and urban dwellers, respectively, save less than 10 per cent of their monthly income. The basic reasons for saving are to ensure income security and to buy an asset. The preferred savings means is the bank, as indicated in figure 7.2.

Figure 7.2: Preferred savings medium



Source: Authors' Survey, 2005.

As of 1998, 14 banks in Ghana created about 33 new products to help attract savings and investments, as well as to improve financial intermediation. Among these, the 'Susu' Scheme (International Commercial Bank Ltd), TTB 'Sesame' Account (The Trust Bank Ltd), Prudential Welfare

and Business Savings Accounts (Prudential Bank), 'Akuafu Abasobo' (Agricultural Development Bank) present the most appealing characteristics focusing on the informal economy and addressing the specific needs of particular groups. Although progress has been made in the area of savings' mobilization and credit provision, more needs to be done to get the majority of Ghanaians to subscribe to such products/services, especially in such a low-income, low growth environment. Banks' focus on large companies and less on micro and small-scale industries, high charges on some of these new products, discouraging participation, concentration of banks in urban centres, and alienation of the majority of rural and agricultural workers, who most need such products, are some of the problems hindering the participation of the poor in banking and, indirectly, causing income insecurity.

7.2 Regulatory framework for banks and its consequences

In 2003 a new Banking Act was promulgated to revise the Banking Law, 1989 (PNDCL 225) and to lay down new rules reflecting current international standards and ensuring effective supervision and regulation of the banking sector in Ghana. The new law adequately considers the Basle Core Principles for Effective Banking Supervision (Basle Core Principles). The law addresses perceived weaknesses in the banking sector, ensures financial stability and makes the Bank of Ghana (BoG) autonomous. It also provides greater transparency in the regulatory framework for banking. In this regard the bill contains clear rules and procedures for banking supervision and thus reduces arbitrariness and the discretionary power of the BoG as a regulatory body so that regulatory decisions can be seen to be certain, deliberate and unbiased.

The Non-Banking Financial Institution (NBFI) act (PNDCL 328) provides the legal basis for the establishment and operations of NBFI in Ghana. The BoG has developed various guidelines to regulate banks and NBFIs in the country as required by law. Most of the guidelines have provisions for permitted businesses, capital requirements, restrictions on lending, investments, portfolio management norms, corporate management norms, deposit taking rules and penalties. Different guidelines have been developed for deposit taking and non-deposit taking NBFIs to reflect their specific needs. In addition, the BoG has developed sanctions for offences and non-compliance to ensure fairness and transparency. Discussions with some banks suggest that they are conversant and comfortable with the provisions. Areas which seem to raise problems are the 9 per cent non-interest earning reserve requirement for banks, and the national reconstruction levy of 10 per cent and 7.5 per cent on profit (before tax) for banks and NBFIs respectively. However, a review of banks' operations in 2003 indicated that banks were not handicapped by these measures and in fact carried excess reserves of about (including primary reserves) 40 per cent of total deposit liabilities for the most part of 2003. High profitability ratios of banks resulting from high charges have led to the collapse of some businesses (BoG, 2004).

There are various factors inhibiting savings mobilization in Ghana. From an economic perspective, these include low-income levels, high illiteracy rates, poor savings culture, unattractive real interest rates on savings, the lack of confidence in financial institutions, and limited availability of such institutions. High and rising bank charges are a disincentive to domestic savings and effective intermediation. Charges have rendered banking services expensive to the ordinary Ghanaian. The problem of high bank charges has caused complaints from the monetary authorities, politicians, corporate bodies and individuals (BoG, 2004).

In rural areas, where people do not have property or assets to be used as collateral for bank credit, a practical alternative would have been the use of land. However, the weakening of the fundamental principles of customary land law and the breakdown of the trusteeship ethos have determined landlessness, endemic poverty and general insecurity for women and men alike. Land conflicts, protracted litigation and adjudication failures, documentation bottlenecks and uncertainty are widespread problems with informal land markets. (Kasanga and Kotey, (2001,). These factors have hampered the use of land as viable collateral for access to credit.

Many studies have shown that the higher the degree of tenure security, the higher the demand for investment. Amanor (1999) remarks that clarification of tenure rules and security of rights are essential to promoting farm investment, improving productivity and encouraging investment in land as a basis for export oriented growth. Tenure insecurity has made it difficult to use land as collateral in the formal credit market. Evidently, the low investment in agricultural land improvement might be attributed to the tenure insecurity. Lack of security in this area is a disincentive for the formal credit system to extend credit for a productive use of land in agriculture.

In the informal economy, the social and cultural dimensions to the problem of low savings deserve some attention. Many people in the sector do not plan for their future and, therefore, do not develop the habit of saving in order to achieve their future goals and aspirations. In the absence of planning, one's success or failure depends on luck. People, therefore, accept whatever comes their way and spend whatever income they get. Many daily income earning self-employed people in the informal economy - carpenters, watch repairers, car mechanics, shoe makers - spend their income as they receive it, anticipating that they will receive more subsequently. Moreover, middle income self-employed people do not keep track of their daily expenditure. Under such conditions, regulating expenditure and increasing savings becomes a problem. Furthermore, social and environmental pressures have some impact on low savings. Some people, particularly women and recent graduates, are not in a position to plan their lives as they are at the mercy of social and environmental demands. Such an attitude to life encourages spending and reduces personal savings. Encouraging savings through education could help solve some of these problems.

7.3 Social insurance

There is no overt programme on social insurance from the government apart from the pension schemes earlier mentioned. However, there are various social insurance and welfare schemes operating in workplaces, parishes and communities.

The cash and carry health system which required out-of-pocket and spot payment for health services, contributed to the development of health infrastructure and improvement in health facilities and services. However, there are reports indicating that the poor did not benefit much from that system due to lack of financial resources and the non-availability of health facilities in rural areas. This, among others, prompted the establishment of the National Health Insurance Scheme (NHIS). As of July 2005 the following activities have been undertaken for the implementation of the NHIS: enactment of the National Health Insurance Law (Act 650), Inauguration of the National Health Insurance Council (Regulator), recruitment of staff for the council's secretariat, development of accreditation tools, preparation of a national health insurance drug list and prices, development of systems for the tracking of the National Health Insurance Fund, development of the tariff structure for health centres and hospitals, approval of the budget of the national health insurance council, and approval of the formula for disbursement of subsidies obtained from the National Health Insurance Levy by Parliament.

The National Health Insurance Law touches on almost all the key issues in health insurance, such as establishment and functions of the National Health Insurance Council; types, registration and licensing of health insurance schemes; District Mutual Health Insurance Schemes; private health insurance schemes; general provisions applicable to operations of health insurance schemes; national health insurance fund; national health insurance levy; and administration and financial provisions. The benefit package covers about 90 per cent of diseases in the country.

The structure for the establishment of the NHIS, funding, benefit packages, as well as other operational issues, has been established. Information from the National Health Insurance Secretariat indicates that about 128 of the 138 District Mutual Health Insurance Schemes in Ghana (93 per cent) are in various stages of establishment. Most of them are to be launched before the end of the year 2005. Some 28 mutual health insurance schemes (23 per cent) are already processing claims and benefits.

The survey conducted by the authors of this paper indicates that about 29 per cent of total respondents have registered with the NHIS. The figure is lower in rural areas (24 per cent) than in urban ones (34 per cent). Reasons why people have not registered include, lack of financial resources, lack of knowledge about the scheme, and the unavailability of the scheme in their area. The scheme is facing many challenges, such as networking, governance, management capacity, risk management, fraud control, marketing, universal control, availability of health services, quality care and assurance, community participation and the management of referral systems.

A major problem that needs to be examined to ensure social and income security, is the non-availability of health facilities and personnel in rural areas where the majority of the working poor reside. Information from appendix 7.1 indicates that the population to doctor and population to nurse ratios are very high compared to the minimum standards of the World Health Organization.²³ Unfortunately, the majority of these medical practitioners and health facilities are in urban areas. The additional cost in terms of accommodation, transport and lost earnings that rural workers incur traveling to urban centres for medical treatments could make their situation worse and increase their vulnerability. Another problem to be considered is the brain drain in the health sector. Of the 702 general practitioners/medical officers, 932 pharmacists and 8976 nurses trained in Ghana from 1995 to 2003, about 69 per cent, 38 per cent and 17 per cent, respectively left the country for better conditions of service in the developed world (ISSER, 2004). The NHIS should make a conscious effort to implement measures to alleviate the consequences of such problems on the vulnerable rural inhabitants who are already impoverished.

Recognition should be given to the fact that it is the first time that such a scheme has been implemented in sub-Saharan Africa and, therefore, there are no experiences to draw from. The secretariat should not only be up and running, but also concentrate more on identifying and coping with the risks of the scheme before they even occur.

7.4 Public works

The government of Ghana recognizes the use of public works in generating employment. Evidence of this is the implementation of the Programme of Action to Mitigate the Social Cost of Adjustment carried out in the 1980s, which employed labour-intensive technologies in the implementation of Priority Public Works, Feeder Roads Projects, Food for Work Projects, Special Employment Schemes and Sanitation Projects. An ILO report on structural adjustment and employment in Ghana indicates that the use of labour-based technologies generated twice the number of jobs that would have been created with the conventional equipment/capital intensive methodologies (NDPC, 2003, p. 58). A study by DFID (1998) shows that road projects using labour based methods were 30 per cent financially cheaper than equipment based methods. In fact, this reflects one core problem of economic development - as long as labour is so cheap in comparison to capital, no sufficient capital/investment based growth process can get started. Upgrading the skills of the labour force to make it more expensive in relation to capital, therefore, becomes imperative.

The GPRS echoes the use of labour-based methods in public works as a strategy for poverty reduction in the construction and maintenance of civil infrastructure, wherever it is feasible, and emphasizes the proper identification, management and monitoring of occupational risk at work places to ensure the implementation of health and safety standards (NDPC, 2003).

The Public Works Department (PWD) under the Ministry of Works and Housing is one of the first departments established by the colonial government to implement the government's policy on good construction practices, public buildings' maintenance, contract administration, and the provision of technical advice to the government at the national, regional and district levels. In recent years, many of its responsibilities have been taken over by other agencies due to specialization and decentralization. At present, the department principally focuses on the maintenance of government buildings located mainly in

²³ Minimum standards for WHO is Physicians – 1:5000, Nurses – 1: 1,000.

cities. It is mostly funded by the government. The department estimates that an amount of 25 billion cedis is needed annually to sustain the maintenance of government buildings. However, the investment expenditure for the department has always been less than a billion cedis. It is only in 2004 that an amount of six billion cedis has been made available to the department for investment activities.

Discussions with the head of the department revealed that the PWD has about 2000 employees recruited on a full-time basis and hardly engages people in rural areas on short-term work. In addition, in situations where contracts are awarded to contractors, very little is taken into account with respect to the social-economic and employment generating capacity of development as specified in the Public Procurement Act. The explanation given is that the social and economic criteria to be used in determining the optimum bid are non-existent. Moreover, many contractors prefer to deal with their trusted artisans than to rely on local workers who may lack the required work ethics and experience. However, local labourers are used in most contracts. Another department under the Ministry of Works and Housing which has the responsibility of training and assisting rural communities to build their own houses during off agricultural season is the Rural Housing Department. Unfortunately, its investment budget over the year is so low that the department has not been able to undertake any meaningful investment activity.

Table 7.6: Releases for the road sector development programme (million US\$)

	GoG	Donor	Total	Total as a % of GDP
1966	105.79	98.37	204.16	2.95
1997	135.94	96.83	232.77	3.38
1998	107.87	112.23	220.1	2.94
1999	144.93	73.77	218.7	2.84
2000	75.72	59.5	135.22	2.72
2001	55.13	39.66	94.79	1.79
2002	69.24	32.16	101.4	1.65
2003	94.21	48.81	143.02	1.91

Source: Road Sector Development Programme Review Reports, 2001-2003, MRT.

A major sector notable for public works is the construction sector. The sector averagely contributes about 30 per cent to industrial GDP. Information from GLSS IV indicates that the sector employs about 1.4 per cent of the economically active population above 15 years. In the construction sector, road construction takes a huge chunk of the investment budget and has the potential to generate employment. As indicated in table 7.6, expenditure on the road sector as a percentage of GDP has decreased consistently from 3.38 per cent in 1997 to about 1.65 per cent in 2002, but increased thereafter to 1.91 per cent in 2003. Average annual expenditure on road construction from 1996 to 2003 was about US\$168.8 million with around 58.4 per cent coming from the government and the remainder from donors.

Table 7.7: Ghana's efforts to support labour-based methods of road construction

	GoG	Donor	Total	Total as a % of GDP
1966	105.79	98.37	204.16	2.95
1997	135.94	96.83	232.77	3.38
1998	107.87	112.23	220.1	2.94
1999	144.93	73.77	218.7	2.84
2000	75.72	59.5	135.22	2.72
2001	55.13	39.66	94.79	1.79
2002	69.24	32.16	101.4	1.65
2003	94.21	48.81	143.02	1.91

Source: Road Sector Development Programme Review Reports, 2001-2003, MRT.

Box 7.1: Ghana's efforts to support labour-based methods of road construction

In 1987, the Government of Ghana together with donors such as the World Bank, ILO and the United Nations Development Programme undertook a programme to rehabilitate and construct roads and culverts using labour based-methods. The programme involved training, the provision of construction equipment and the provision of road construction contracts for the trained contractors. The training programme helped 21 contractors, 103 supervisors, 15 mechanics, 29 engineers and 31 foremen to upgrade in their respective areas. With respect to construction, a total of 150 kilometers and 214 culverts were rehabilitated or constructed. The average man day input was 2,650 man days per kilometer and the employment created about 397,000 man days. The total cash wage paid to the employees was about US \$368,000. This works out to an average daily wage of about one US dollar. The Department of Feeder Road (DFR) has about 96 class "C"²⁴ contractors who bid for the construction, rehabilitation and maintenance of gravel and earth feeder roads. Additionally, there are about 400 small-scale contractors²⁵ (A4) who have skills in maintenance operations under the DFR Maintenance Performance Budgeting System. Between 1998 and 2004, the department has trained most of the small-scale contractors and has provided them with various forms of support. The department has established a revolving fund with the help of DANIDA and funds generated from the sale of some department's equipment at the Agricultural Development Bank for labour-based contractors. Moreover, in addition to the 10-15 per cent (of contract sum) 'mobilization fund' that is made available on the award of a contract, an additional fund of 20 per cent of the contract sum can be provided specifically for the purchase of equipments upon provision of a guarantee. The payment of this facility is linked to the implementation of the project.

A study by (Stiedl and Tajgman, 2002) indicates that labour-based methods in construction are far less used than equipment-based ones and are not popular with either the government or the majority of road contractors. Reasons for that are the non-inclusion of employment generating clauses in the operational guidelines of the responsible agencies,²⁶ difficulty in managing employees, late payment of contract certificates which makes it difficult to pay employees, low speed of implementation of labour-based contracts, lack of labour organization skills and engineering techniques, amongst others. There are also many problems confronting labour-based contractors. These include a general shortage of construction equipment, high turnover requirements in some bids which makes it difficult for labour-based and domestic contractors to be eligible to bid, and the practice of accepting the lowest bid, even when it is not feasible.

Box 7.2: Analysis of jobs generated by the Ministry of Roads and Highways

For the first half of 2001, the Ministry under its periodic and routine maintenance work estimated about 3,612 person months of jobs to be generated out of which 26.8 per cent and 91.4 per cent were for females and unskilled workers, respectively. The average cost per employee is about 500,000 cedis per month and higher than the minimum wage for that year. Most of the jobs generated were fixed term with only 12 per cent of the jobs being seasonal. Casual and part time employees were virtually absent and only 11 people had permanent jobs. The total cost of labour is estimated at 1.8 billion cedis whereas available finance for the project is about 19 billion cedis, representing 5 per cent of the cost.

Moreover, a study by DFR on the Social Aspects of Construction in the Western Region of Ghana on nine labour standards indicates that the enforcement of the Labour Act in rural areas in road works is unimpressive. The LD confirms this finding and further elaborates that labour inspection is widely absent in urban centres and non-existent in rural areas. The department has too limited resources to undertake monitoring, while the Construction and Building Materials Employees' Union has neither transport facilities to reach remote rural areas nor the interest in rural employees, whose main occupation

²⁴ These are contractors who are supposed to undertake road construction, maintenance and spot improvements using labour based methods.

²⁵ These are small contractors who can undertake spot improvements and reshaping up to 80 km and regravelling up to 200 km but are not necessarily to use labour based methods.

²⁶ Agencies here include the DFR, Ghana Highway Authority and the Department of Urban Roads.

is farming with road work used to fill the gaps. The report also indicates that employees were resistant to social security payments. In addition, the rights of casual workers are often abused.

The Parliament of Ghana enacted the Public Procurement Act in 2003 (Act 663). The objective of the Act is to provide for public procurement, establish public procurement boards, make administrative and institutional arrangements for procurement, stipulate tendering procedures and provide for everything connected with procurement. Article IV details the various methods of procurement and provides adequate procedure for its implementation. Part V also touches on tendering procedures under national and international competitive bidding, as well as other forms of international bidding. It provides adequate guidelines and procedures on all aspects of tender, such as the procedure and content of invitation to tender, the provision and content of tender documents as well as the clarification, language, submission, security, opening and evaluation of tenders.

Information from the Ministry of Roads and Highways reveals that all road contracts in Ghana currently go through competitive bidding. Also, the DFR has packaged some contracts in such a way that small-scale contractors, using labour intensive methods, are favored. For example, at the evaluation stage of tenders, bids to labour-based contractors are valued 10 per cent less than the actual value, to enable them compete with capital-based contractors, though the total sum is paid to the labour-based contractor.

Subsection 4 (c) of Article 59²⁷ of the Public Procurement Act mandates procurement committees to take into account the economic development and employment generating potential of tenders while Article 60²⁸ (1) and (2) make reservation of a margin of preference for work by domestic contractors. Also, Article 14 (2)²⁹ virtually implies that the law is applicable at the national, regional and district levels.

Evidently, these sections of the Public Procurement Act justify the fact that procurement is not just a procedure for the purchase of goods and services, but rather could be used as a strategy for poverty reduction, if well implemented. This could be achieved through the creation of decent employment that provides fair wages, good conditions of work and the promotion of local enterprises.

Good as these clauses are, there are still a number of issues not adequately provided for, making it difficult to effectively implement the provisions of the Act. With respect to the clause on the evaluation of tenders, there are no guidelines on how the economic development and employment generation potential of tenders should be assessed, measured and weighted. This makes it difficult for procurement committees to take into consideration the employment generation potential and the social impact of the projects when evaluating tenders. The margin of preference provides a much simpler and clearer procedure for its implementation, due to clear assignment of weights. However, what poses a problem is the non-determination of the size of the margin.

²⁷ Article 59 (1) (c) To determine the lowest evaluated tender, the procurement entity shall consider the effect the acceptance of the tender will have on: the balance of payments position and foreign exchange reserves of the country; the counter trade arrangement offered by suppliers or contractors; the extent of local content, including manufacturer, labour and materials, in goods, works or services being offered by suppliers or contractors; the economic-development potential offered by tenders, including domestic investment or other business activity; the encouragement of employment, the reservation of certain production for domestic suppliers; the transfer of technology; the development of managerial, scientific and operational skills.

²⁸ Article 60 (1) -A procurement entity may grant a margin of preference for the benefit of tenders for work by domestic contractors or for the benefit of tenders for domestically produced goods or the benefit of domestic suppliers of services.. Article 60 (2) -The margin of preference shall be calculated in accordance with the procurement regulations and reflected in the record of the procurement proceedings.

²⁹Article 14 (2) without limiting subsection (1), this act applies to central management agencies; government ministries, departments and agencies, subvented agencies; governance institutions; state owned enterprises to the extent that they utilize public funds; public universities, public schools, colleges and hospitals; the BOG and financial institutions such as public trust, pension funds, insurance companies and building societies, which are wholly owned by the state or in which the state has majority interest; institutions established by government for the general welfare of the public or community.

The DFR has made some effort to take into consideration the socio-economic development and employment generation potential of projects in the evaluation of tenders, but only indirectly, through a labour availability survey conducted in the area before a project is undertaken. Moreover, at the project preparation stage, it is ensured that material can be found within a five km radius. With respect to labour standards, there are line items in the budget for the provision of the minimum standards on health and safety. Unfortunately, social security payments for temporary workers are not adhered to as provided by law. It must be mentioned that most of these provisions are considered in donor-funded projects. From 2005, the DFR is planning to extend these provisions to government funded projects.

What needs to be done is to conduct a study providing detailed guidelines on the inclusion of employment generation and local development considerations in public procurement, as well as the determination of the appropriate size of the margin of preference. Such guidelines would make it easier for government agencies to make procurement decisions based not only on financial and technical principles, but also on the wider socio-economic impact and the employment generation capacity of procurement contracts. The opportunities for informal operators, particularly those in the agricultural sector, to participate in the implementation of public infrastructure would significantly reduce income insecurity as well as poverty.

In 1961, Ghana ratified ILO Convention 1949 (No. 94) establishing an important basis for public contracts' policy implementation. However, it has never been able to demonstrate to the relevant international supervisory bodies that it is implementing the Convention's main obligations (Stiedl and Tajgman, 2002).

Chapter 8: Labour market programmes

Various labour market measures and programmes have, over the years, been adopted and implemented by the Government of Ghana and other stakeholders to provide financial support and labour market integration to those seeking work: usually the unemployed, the underemployed and the employed who are looking for better jobs. These policy measures and programmes, which have an impact on both supply and demand in the labour market, have contributed either directly or indirectly to the matching of labour demand and supply through mainly public, and to a lesser extent, private employment services. Other programmes have enhanced labour supply through training and retraining, or created labour demand through self-employment, public works and enterprise/business creation. Some initiatives were aimed at changing the structure of labour demand in favour of disadvantaged groups through registration, training and retraining, and subsequent job placement.

8.1 Active labour market (employment) programmes

In Ghana, since the inception of the ERP/SAP, several employment and training programmes have been set up by ministries, departments and agencies as well as NGOs and the private sector to promote job creation and improve employability in a constantly changing national labour market. Labour market policies in Ghana have been mostly active policies geared towards employment generation and flexibility. For instance, the national employment policy framework, besides creating an enabling environment for accelerated growth and employment generation, tried to promote adequate wage and self-employment opportunities for labour market entrants. A considerable degree of emphasis was placed on the development of small and micro enterprises as well as employment opportunities for women. The employment generation strategy was based on labour intensive projects like the Feeder Road Rehabilitation and Maintenance Projects, Priority Public Works Projects and Food for Work Projects, amongst others, with labour clauses ensuring that the employment benefits were basically restricted to the project area and duration. Indeed, in the 1980s, the Programme of Action to Mitigate the Social Costs of Adjustment focused on labour intensive infrastructural projects, such as hand-dug wells, sanitation

projects and labour intensive feeder roads' projects. It was a direct employment generation programme which created about 20,000 person-work-years of employment during a five-year implementation period.

Other labour market programmes include the provision of credit for farmers and small-scale enterprises, developing employment related skills for the increasing labour force, and enhancing opportunities for women in development. The first five years of vision 2020 built into all macroeconomic and employment promotion policies, with the view to increasing productive employment opportunities.

8.2 Skills development programmes

Besides the lack of jobs, one of the causes of rising unemployment in Ghana is the mismatch between the skill requirements of employers and those of prospective employees. Information from the LD indicates that between 1994 and 1999, a total number of 2,785,914 job seekers registered with the department, out of which 59,000 were placed in about 66,000 vacancies. About 7,000 vacancies (about 10 per cent of total vacancies) were not filled because of the mismatch between the skills required and those of registered candidates. Details on registration, vacancies and placement are provided in appendix 8.1.

Employers are often concerned about the quality of skills and the cost of retraining and upgrading new labour market entrants. This has informed their job offers. Most advertisements on job vacancies by employers require a rich experience from prospective applicants as a minimum criterion. The unemployment registration exercise that took place in 2001/02 revealed that almost all the one million registered unemployed did not have any meaningful employable skills. This was partly due to the failure of educational institutions to produce the required skilled manpower to meet the changing labour market needs.

Education has the potential of contributing to improving labour market flexibility and labour productivity, lowering income inequality and promoting growth and development. Labour market flexibility and productivity of the labour force are dependent on competent skilled employees and technicians, as the latter enhance the quality and efficiency of product development, production and maintenance. Education also strengthens security in that the employer's interest in their highly educated, skilled and qualified employees is stronger because they cannot be easily replaced.

Although data indicates an increasing trend in unemployment among highly educated youth, illiteracy is still high among the adult population in Ghana. The overall illiteracy rate as of 2000 was 45.9 per cent. In 2000 37.1 per cent of the adult male population were illiterate compared with 54.3 per cent adult females. The main reason for the higher incidence of female illiteracy in Ghana lies in the existing inequalities in access to education and training. Limited access to training and education to marginalized groups, such as women and the poor in rural areas, especially in the agricultural sector, can be attributed to the lack of investment in education and skills acquisition, the lack of time for training due to women's multiple roles, limited autonomy and decision making, restricted mobility, low level of awareness of training opportunities and other assistance schemes, and inappropriate time or venue of training activities.

In Ghana, evidence shows that various governments since independence have been seriously committed to the development of the skills of the labour force through formal, informal or non-formal education. Employment generation through skills development has remained an integral part of past and present development policy objectives. Appendix 8.2 provides an overview of Ghana's efforts towards skills development.

Currently the government under the GPRS, 2003-2005, has identified as two of the ten mechanisms for poverty reduction, easy acquisition of vocational skills and credit to do business. Although previous efforts had been made to improve the skills of the Ghanaian labour force through technical and vocational education and training (TVET), the fiscal resources to actualize such efforts have been woefully inadequate. The allocations to selected sub-sectors within the Ministry of Education over the past two decades indicate low levels of support to TVET. As compared with the other two post-basic school programmes (i.e. the senior secondary school and teacher education), TVET has received the least amount of resources over the period and has only recorded marginal increases over the same period.

To correct this anomaly, in 2003, the government approved an amount of around 18.7 billion cedis³⁰ from the Ghana Educational Trust Fund to support skills and training programmes in vocational technical institutions. Under the STEP programme³¹ which provides training and support to the unemployed youth registered in 2001/02, the government allocated an amount of 11.2 billion cedis in 2003.

Within the Ghanaian labour market there are different approaches and training typologies to upgrade the skills of the labour force. The three main training types that have been, and continue to be, used are formal training/education, non-formal training and informal training.

8.2.1 Formal education/training

In Ghana, the acquisition of formal education which prepares students for an academic qualification occurs through schools, colleges, universities and skill development institutions. General education forms the largest component of formal education, notwithstanding the fact that vocational and technical training is also important for a significant proportion of the population. The educational reform, which took off in 1987, attempted to give more weight to technical and vocational training by introducing into the system practical oriented courses like steel work, carpentry, painting, fine art, catering and dressmaking. However, the reform only succeeded in reducing the maximum years of pre-tertiary education from 17 to 12.

The formal educational institutions in Ghana basically provide general academic training³² to equip students with the minimum skills to enter the labour market, express themselves and understand the dynamics of society. The institutions also provide an opportunity for employees to upgrade their skills. Over 30,000 students graduate annually from the tertiary education system. Most of them are technically incompetent and unsuited for the world of work due to the general nature of the training received and to the poor linkages with enterprises. The slow pace of employment generation coupled with the overproduction of tertiary graduates and the few linkages with enterprises have led to the low employability of tertiary graduates. To upgrade their skills and increase their chances of getting gainful employment (i.e. improve employability), some university, polytechnic, and secondary school leavers in recent times have found it necessary to pursue practical professional courses in accounting and management. Most of these professional courses are organized by institutions in Ghana and abroad, including the Institute of Chartered Accountants, Ghana, the Association of Certified Chartered Accountants and the Chartered Institute of Marketing in the United Kingdom. Skill development institutions, like the Ghana Institute of Management and Public Administration (MDPI) and the Ghana Secretarial School, provide post-experience training to re-equip the skills of a good number of people in the labour market.

With respect to vocational and technical training, the government under the GPRS is putting more emphasis on training and retraining to make labour market entrants employable. Vocational and apprenticeship training, as well as training programmes in entrepreneurial skills, for graduates have been on the priority list of the government to curb the growing incidence of youth and graduate unemployment. In an effort to promote community based vocational and technical skill development, the NVTI has significantly increased the number of centres under its supervision all over the country. The vocational training curricula have also been reviewed to increase their relevance in the current labour market. A policy to expose graduates to micro finance and to encourage the youth to enter into self-employment is underway.

Ghana's TVET system has grown from less than 10 public technical institutes and 20 private vocational schools at independence in 1957 to 23 technical institutes, over 150 public vocational institutes and centres, 10 polytechnics, two technical universities and two other universities which train technical

³⁰ Amount was used mainly for the rehabilitation of workshops in vocational and technical institutions/schools.

³¹ This is discussed in detail in section 8.2.4.

³² Educational training is free at the basic level.

teachers. In addition, there are about 450 registered and about 500 unregistered private vocational institutions and centres throughout the country. These vocational and technical institutions, which are under the supervision of the Ghana Education Service, provide formal vocational and technical training to a significant number of the Ghanaian labour force. On average, all the formal TVET Institutions have an estimated annual capacity of 35162 trainees. Details are presented in appendix 8.3.

These institutes offer various types of training programmes including upgrading, pre-employment programmes and craft courses with a strong practical component. Such courses are supplemented by close linkages with the industrial sector. The NVTI has been responsible for the nationwide coordination of all aspects of vocational training, including apprenticeship. It was set up by the NVTI Act of 1970 (Act 351) to promote apprenticeship in both formal and informal sectors and to give the youth training in employable skills. There are 32 training centres under the NVTI. Over a period of 20 years after its establishment, the NVTI trained over 40,000 persons in various skills, including carpentry, masonry, auto mechanics, dressmaking, welding, etc. The institute has stepped up its intake since 2000 with a total enrolment of 10,703 people between 2000 and 2003. In 2003 the NVTI trained and tested about 10,000 students in technical vocational skills. Apart from the government-run vocational and technical schools, there are private vocational institutions some of which are sponsored by NGOs and religious institutions. For instance, the Opportunities Industrialization Centre (OIC), which offers vocational training at its three centres in Accra, Kumasi and Takoradi, trained about 2,300 youth in various skills between 2000 and 2002. GRATIS, which provides technological skills in engineering, food processing, tye and dye, batik, broadloom weaving has, since its establishment in 1987, trained 22,271 people. Other NGOs like Don Bosco of the Catholic Church, Adventists Relief Agency (ADRA), and World Vision, etc. have trained many people, especially the youth in vocational skills.

One notable problem associated with vocational education is the difficulty in placing qualified graduates from vocational schools in wage employment although even specific opportunities exist. For instance, it is not uncommon to observe that vocational and technical schools are producing qualified typists who end up being unemployed in the wake of a shortage of computer operators. The lack of linkages between vocational schools and the job market have been identified as the reason for the mismatch in labour demand and supply.

Some legitimate concerns have also been raised about the limited link existing between the informal economy and the vocational and technical institutions in the formal sector. Very often, apprentices, who acquire their skills in the informal economy, end up working in the same informal economy, while trainees from vocational and technical institutions are seldom employed informally. Possibly, one of the reasons for this trend is that Graduates from the formal training system have acquired higher levels of general education and see themselves as occupying higher places on the social ladder. They are, therefore, inclined towards jobs in the formal sector, which has a limited absorption capacity. Working in the informal economy, where jobs are poorly paid and employees are regarded as being at the lower end of the social ladder, is not appealing to them. On the other hand, by their training, apprentices are inclined towards informal jobs which offer poor working conditions. The informal economy would need the infusion of new skills and methods through the training of graduates of vocational schools to enter the informal economy as entrepreneurs or as paid employees.

The current formal education/training system has little impact on the employment situation in Ghana because it has not been able to address the needs of the formal sector which happens to be the target for employment of those who undergo formal training. The rigidity of the formal training system has been identified as one of the causes of the irrelevance of formal training in Ghana. The current formal training system determines the overproduction of skills for which demand on the labour market is insignificant. It employs instructors whose skills are obsolete and who are incapable of changing. In addition, they cannot be dismissed. Shortage of qualified instructors in skill areas for which there is substantial demand on the labour market, limited coverage of formal training, and unequal access to such training by disadvantaged groups like women and the disabled in Ghana, are also cited as reasons for the insignificant impact of formal training on the employment situation in Ghana.

To improve the formal training system, the Council on Technical and Vocational Education and Training and other structures are being established. Furthermore, the government has accepted the principle of setting up in each district a TVET and an apprenticeship programme. To better prepare the youth for employment, those who are more inclined to vocational and technical disciplines, which are in high demand, will be offered the cost of a year's apprenticeship borne by the state. In line with this policy, the MMDYE identifies and supports private sector businesses to undertake such activity. In addition, the Government has indicated that it will facilitate the setting up of career counseling and job placement centres at all tertiary institutions. Such centres would provide guidance and counseling to the over 30,000 potential labour market entrants on how to improve their employability after graduation and on how to use the skills acquired in self-employment. The World Bank is currently undertaking a study on the causes of youth unemployment and under-employment in order to provide support for youth development programmes.

8.2.2 Non-formal training

Non- Formal training is provided outside the educational system mainly by government, a variety of non-governmental organizations and private institutions. It offers project-related training and education through seminars, lectures and workshops for identifiable groups with the view to enhancing productivity in their current or planned occupation.

Non-formal training is very popular in Ghana because it is cost effective, accessible and participatory for specific target groups, especially the disadvantaged or vulnerable and hard-to-reach ones like grassroots' people. It is usually of a short duration, demand driven, flexible, simple in organization and it is often delivered in formal settings although not as rigid as formal training. On-the-job training organized by some establishments takes this form. Some of the non-formal training programmes are listed in appendix 8.4.

The functional literacy programme under the auspices of the Non-Formal Education Division of the Education Ministry targets illiterate men and women (including the aged) and offers training in functional literacy and numeracy. The functional literacy programme also provides training in income generating activities. Beneficiaries are adults, particularly from rural areas, and they receive training and education in hygiene, agriculture and agro-processing. Over 3,000 adults are enrolled each year. The programme has been assessed as a success story.³³ Through the income generating projects the literacy programme in rural areas has provided income support to participants especially in the form of part-time employment for those involved in seasonal agricultural jobs.

EMPRETEC and the GEA continue to provide entrepreneurial, managerial and occupational training while some establishments provide on-the-job training for their employees. The NBSSI is an institution involved in the training of small-scale entrepreneurs in the areas of management and entrepreneurship development. In 2003, the NBSSI trained 10,738 people comprising 6,435 women and 4,303 men. The training areas covered included management, technical training, information seminars, training needs assessment, a start-your-own-business programme and marketing seminars. The Ghana Banking College organizes refresher courses for personnel in the banking sector to teach new developments in the industry. Some enterprises also provide study leaves and scholarships for their employees to pursue relevant postgraduate degree programmes aimed at boosting their skills. Other companies, such as Ghana telecom, have training schools because of their peculiar labour demand.

³³ In third quarter of 1996 the National Service Secretariat carried out an evaluation of the Functional Literacy Programme in all the 110 districts in the country.

8.2.3 Informal training programmes

Informal education/training in Ghana is characterized by its lack of uniformity, absence of fixed start and end dates and absence of an underlying curriculum. Informal training focuses on practical skills and offers minimal or no theoretical instruction. It takes place within the community, family setting, in the street or during the working process. In Ghana, the most prominent and pervasive form of Informal training is the traditional apprenticeship system that provides about 48 per cent of the vocational and technical skills of the labour force in the informal economy. According to the World Bank (1995) between 60 and 80 per cent of skill development in the Ghanaian labour market is accounted for by informal training. In addition, about 60 per cent of junior secondary school graduates in Ghana who are unable to continue their education at the traditional senior secondary school and vocational and/or technical institutes find refuge in apprenticeships. Clearly, informal training is a very important component of skills development in Ghana and serious efforts to develop the informal apprenticeship system should be increased since it is a very effective tool for employment creation, especially for the youth.

The informal apprenticeship system is the predominant mode of acquisition of semi-skilled trades, crafts and occupations. It offers training skills to the youth in artisanship, dressmaking, hairdressing, etc. The method of training is to learn the trade by watching the master and other senior apprentices perform the job. The results of the GLSS IV in 1998/99 show that the most prominent trades taught in the informal apprenticeship system are tailoring/ dressmaking (about 37 per cent), carpentry and mechanical trades (table 8.1). The majority of those in tailoring/dressmaking in both rural and urban areas are women (over 66 per cent).

Table 8.1: Distribution of apprentices by main trade learnt, sex and location (%)

Trade Learnt	Urban			Rural			Ghana		
	Male	Female	All	Male	Female	All	Male	Female	All
Carpentry	16.0 (39.5)	0.4 (29.6)	8.5 (39.2)	15.7 (29.4)	-	9.0 (29.4)	15.8 (33.4)	0.2 (29.6)	8.8 (33.4)
Masonry	8.5 (31.2)	-	4.4 (31.2)	11.4 (30.0)	-	6.6 (30.0)	10.2 (30.4)	-	5.7 (30.4)
Tailoring and Dressmaking	13.2 (37.1)	64.4 (29.4)	37.8 (30.8)	12.5 (31.4)	68.1 (26.0)	36.6 (27.0)	12.8 (33.7)	66.4 (27.5)	36.8 (28.6)
Blacksmithing	4.0 (55.5)	-	2.1 (55.5)	3.4 (39.3)	-	2.0 (39.3)	3.6 (46.3)	-	2.0 (46.3)
Mechanical	17.2 (36.9)	0.3 (19.1)	9.1 (36.5)	11.2 (35.9)	0.4 (29.2)	6.6 (35.8)	13.6 (36.4)	0.3 (22.7)	7.7 (36.2)
Electronics/Electrical	8.9 (36.7)	-	4.6 (36.7)	5.0 (41.7)	-	2.9 (41.7)	6.5 (39.0)	-	3.6 (39.0)
Painting/Spraying	4.8 (36.2)	1.1 (16.6)	3.0 (29.1)	3.1 (37.1)	0.7 (23.7)	2.1 (35.2)	3.7 (35.4)	0.9 (20.1)	2.5 (32.8)
Other	27.5 (35.3)	33.7 (24.1)	30.5 (28.9)	7.7 (29.7)	30.8 (21.5)	34.8 (26.5)	33.6 (31.5)	32.1 (22.8)	33.0 (27.4)
All	100.0 (37.2)	100.0 (27.3)	100.0 (32.4)	100.0 (31.8)	100.0 (24.5)	100.0 (28.7)	100.0 (31.5)	100.0 (25.8)	100.0 (30.2)

Source: (GSS, 2000a) *Length of Training (months) in parenthesis

One notable feature of informal training is the absence of uniformity in the duration of training. On average apprenticeship training lasts for about two and a half years, with that of a blacksmith lasting about four years. It should be noted that on average training for male apprentices (about three years) is longer than that of female apprentices (about two years). In addition, the duration of apprenticeship training is longer in urban areas than in rural ones. These differences are based on the type of trade learnt rather than on the location of training or gender of apprentices.

It is worth noting that, although the level of educational qualification of apprentices has been on the increase, as with the other programmes of the reformed educational system, the general educational levels of these apprentices are still low. Moreover, in recent times there has been an increasing trend in the number of graduates from the formal educational system in Ghana who turn to the apprenticeship system for skill development options. Informal apprenticeship is seen as a last resort to improve employability in response to labour market conditions.

Another method of informal skills development is internal skill acquisition through self-tuition. According to ILO/JASPA (1989), the apprenticeship system has provided skills to about 55 per cent of entrepreneurs, while 34 per cent resorted to the self-tuition system. There are some obvious limitations in the mode of training in the informal apprenticeship system. Baah-Nuakoh (2003) points out that the level of technical knowledge within the informal economy is limited to what is passed on from the master to the apprentice by repeated exercise. The method of training does not extend to an explanation of the mechanisms behind the operation of the machine. He also argues that the emergence of new ideas from artisans tends to be slow unless they are introduced into the system from outside. Those who have work experience from the formal sector seem to be more likely to be dynamic and innovative than those with training from the informal economy.

Despite its limitations, the informal apprenticeship system in Ghana has contributed, and will continue to contribute, significantly to improving the skills of the labour force. The government in recognising this has indicated that in 2005 the Ministry of Trade and Industry in collaboration with the Ministry of Education and the MMDYE will provide a comprehensive on-the-job practical training for the labour force in the industrial sector to sharpen their skills in order to enhance their productivity levels.

8.2.4 Skills Training and Employment Placement (STEP) Programme³⁴

The STEP Programme was initiated in 2003 by the government to offer vocational training and support in terms of micro-credit to the low-skilled unemployed youth who registered in 2001/02. Specifically, the programme helps unemployed youth to either find waged employment or become self-employed. Training is delivered by both public and private institutions. The programme also provides placement of apprentices with master craftsmen and both micro-credit and other business development services. STEP is made up of components of policy interventions and programmes aimed at meeting the varying aspirations³⁵ of the almost one million registered low-skilled unemployed youth. The employment registration exercise revealed that 40 per cent of the young unemployed aspired to be placed in ongoing and impending projects whilst 34 per cent expected to be assisted to set up their own enterprises. Almost 14 per cent of the registered unemployed wanted to be trained in a trade or skill area or to receive apprenticeship (9 per cent) or to be reintegrated with their families (about 3 per cent).

Based on the different aspirations of the young unemployed, table 8.2 details the eight components of the STEP programme implemented between 2003 and 2005.³⁶ The institutions that have been implementing the various components of the STEP programme include the government's own VOTEC training institutions (i.e. NVTI, ICCES, technical institutions), private providers (i.e. private VOTEC institutions, NGOs, religious VOTEC institutions, etc), the GRATIS Foundation and private workshops (to conduct apprenticeship training) and EMPRETEC (to conduct the graduate entrepreneurship training).

³⁴ Currently this is the main employment programme for the unemployed in Ghana under the MMDYE.

³⁵ The registered unemployed youth numbering 943,212 stated their own aspirations in their completed questionnaires administered to them during the registration exercise.

³⁶ After this period the STEP programme will be integrated into the mainstream of vocational education in Ghana.

Table 8.2: Components of STEP

Component	Objective
1	Provision made for JSS/SSS graduates without prior experience in apprenticeship to undertake 3-6 months modular and competency-based training courses in key vocational areas in various public and private vocational/technical institutions. After such courses, trainees will be put in cooperatives of 15-20 members and be granted micro-credit to practice their newly acquired trades.
2	3-day training on teaching methodologies to selected master craftsmen who received skills enhancement through GRATIS to become effective trainers. The training was to be followed by the attachment of a maximum of 10 apprentices per trained master for workshop-based apprenticeship. This is expected to constitute the beginnings of a new national apprenticeship programme
3	The organization of supply-chain farming projects through vocational agricultural training. The beneficiaries are being empowered to grow specific items for which access to micro-credit is guaranteed and linkage to markets facilitated.
4	Entrepreneurial Skills development programme targetting graduates from the tertiary education system to enable them to set up and manage their own enterprises. Unemployed graduates will compete for 100 training positions offered by EMPRETEC per year. Upon completion of the training programme, participating banks will select for funding the winning business plans submitted by these graduates
5	Integrated training programme for all categories of vulnerable persons, especially the physically challenged/disabled. All the rehabilitation centres of the Department of Social Welfare are being reformed and re-oriented
6	Provision of more community-based vocational training programmes through the ICCES to increase the relevance of vocational and technical training as well as its accessibility to the youth.
7	The use of labour market information systems for the monitoring and evaluation of the various interventions of skill training and employment promotion programmes in Ghana.
8	The promotion of direct job placement in both public and private formal sectors. Moreover, the rehabilitation of public job centres and the strengthening of the employment bureau of the labour department

As for its achievements, the STEP programme in conjunction with the PSI and the African Growth and Opportunity Act offered advanced programmes in garment factory supervisors (12 weeks), cutters in the garment industry (8 weeks) and industrial sewing machine operators (8 weeks). In February 2003, the first batch of 3482 trainees was admitted to accredited VOTEC institutions and subsequently received their certificates. The second phase of this component took off in November 2003 and by March 2004, 9,370 people had registered. Under Phase II of the STEP, about 12,750 people were trained in 46 trade areas including 'batik tye'. As of the end of 2004, about 1,400 unemployed young persons were still undergoing apprenticeship programmes in welding, machinery and fabrication, tye and dye, food processing, dressmaking, hairdressing, masonry, and carpentry. In 2004 training in the growing of indigenous leafy, exotic vegetables and mushrooms, as well as the rearing of snail, rabbit, grass-cutter and bees begun. By the end of 2004, about 7,000 people (3000 in snail farming, 3000 in grass-cutter rearing and 1000 in leafy vegetables) had been trained. Another batch of 2,000 people are being trained in bee-keeping, mushroom farming, rabbit rearing and growing of local vegetables.

In all, 27,500 young people out of the nearly one million who registered as unemployed in 2001/02 have benefited from the STEP programme. An amount of 6 billion cedis (less than 1 per cent of GDP in 2004) of micro loans has been disbursed to graduates of this programme for the establishment of their own small-scale enterprises. The government of Ghana has also indicated that STEP will be accelerated and decentralized to five zones nationwide, so as to bring its benefits to others throughout the country.

Though STEP has achieved some success, a recent appraisal of the programme by Preddey (2005) suggests that there are problems with its governance and management. In addition, there is a

perceived mismatch between the skills acquired from STEP programmes and the skills actually needed for gainful employment. It also seems that there is an inadequacy of arrangements for start-up capital. Moreover, the placement of trainees with master craftsmen has not been effective since it is not an institutional concern for training providers. Furthermore, information on microcredit and access to it has been very difficult, while outcomes of the programme have not been monitored. Another issue seems to be the fact that training providers have been highly regulated. Information management is not adequate and the funding mechanism is cumbersome and complex.

In conformity with the youth policy of building, nurturing and producing hardworking and resourceful youth to become self-reliant, the government established the National Youth Fund with seed money of 50 billion cedis (less than 1 per cent of GDP in 2004). Out of this amount, 10 billion cedis were made available to support the youth to set up and operate private businesses. At the end of the year, 2.4 billion cedis had been disbursed through eight vocational and technical institutes with more applications being processed. Over 20 new training centres were also established in 2004, mostly in rural areas. These new institutions add to the ten social welfare vocational centres offering employable skills to the youth and vulnerable, especially in rural areas. In 2005, the government indicated that the National Youth Council would also strengthen its youth centres country-wide to, inter alia, provide counselling in career development, education and training.

8.3 Business and job creation programmes

Job creation within the private sector remains one of the key policy targets that the current government has pursued to make the private sector the engine of growth and the centre of Ghana's economic development. Various policy measures and employment programmes have been started within the context of the GPRS since 2001, to create jobs and ultimately reduce poverty. As of the end of 2003, the government indicated in its budget statement for 2004 that it had created over 260,000 jobs, of which about 166,000 were in the informal economy. A large majority of those jobs were in public works in the construction sub-sector. The robust growth of 6.1 per cent in the construction sub-sector and the implementation of major road projects such as the Accra-Kumasi, Accra-Yamoransa, and Accra-Aflao roads contributed to job creation during the last four years (ISSER, 2004).

The Presidential Special Initiatives (PSIs) in cassava, palm oil, garments, and salt try to expand and diversify export markets with direct linkages to labour intensive activities across supply chains. The PSIs are economic development strategies that have been put in place to produce those items where Ghana has a comparative advantage. These PSIs, which were expected to be located in rural areas, have enormous employment generation potential and have, in fact, been successful in some rural areas. The cassava starch project is the most advanced PSI. It has indirectly created employment for approximately 10,000 small-scale farmers from the nine districts near the Ayensu Starch Factory at Bawjiase in the Central Region of Ghana. This is a 4 million dollar starch processing plant and it is the second of its kind in Africa. It is expected to process about 20,000 tons of starch annually for domestic use and exports.

The PSI on textiles has also started to take advantage of the USA government's African Growth and Opportunity Act, as well as of other markets in Europe. About 50 Ghanaian medium sized garment-manufacturing companies were expected to commence production in the Tema Free Zone Enclave by the beginning of the second quarter of 2003. An amount of US\$1.2 million had also been disbursed to purchase the Volta Garment Factory for the establishment of a clothing technology and training centre. Training programmes of eight weeks for up to 400 textile employees per batch, were expected to commence in 2003. Another initiative has also been launched. It is the Export Action Programme for Garments and Textiles which aims at developing a critical mass of high growth-oriented, internationally competitive exporting firms targeting U.S. and European markets. Under this programme, small industrial villages have been established to make garments for export to the United States. Some 14 garment and textile companies have benefited from training to improve their standards in 2002. In addition, a model medium-sized commercial manufacturing unit with 300 employees would serve as a demonstration centre for mass production of

textiles. This project is expected to create about 90,000 full time jobs and to inject 3.4 billion dollars in export revenue into the Ghanaian economy by 2005. Following his visit to Malaysia, the president initiated a move to encourage the production and processing of palm oil. This initiative is also expected to offer employment opportunities for rural communities and generate sustainable income.

Through the PSI on salt, the government has intensified efforts to revive and develop the salt industry in Ghana as a foreign exchange earner. The PSI on salt was due to take off in 2003 as the government had already facilitated the acquisition of US\$40 million which could be accessed by private ventures for salt production for export. This initiative is expected to provide jobs to the coastal population and thus reduce poverty. Some 24.2 per cent of urban coastal people and 45.2 per cent of rural coastal population lived in poverty conditions in 1998/99. With respect to income and employment creation in rural areas, the government has also tried to promote the establishment of local resource-based micro, small and medium scale enterprises through the Job Creation and Poverty Reduction, Agribusiness programme and the Rural Enterprises Development Programme. The Rural Enterprise Development Programme of the Ministry of Trade and Industry consists of a decentralized approach to employment creation which directly involves district administrations. The vision of the programme is that each of Ghana's districts should be able to develop a business plan for three flagship enterprises based on local resources and competencies.

Other ministries in collaboration with the MMDYE have also put in place programmes that are labour intensive. Box 8.1 provides a summary of employment programmes organized by other ministries. Unfortunately, data on the implementation of such projects and on the jobs created are not available.

Box 8.1: Employment generating projects of some ministries

Ministry of Lands, Forestry and Mines - In 2001, the Ministry started the National Forest Plantation Development Programme aimed at encouraging the development of a sustainable forest resource base. The project is expected to generate 80,000 jobs in rural areas in addition to farm products worth about 20 billion cedis per year to supplement rural incomes. Initial funding from the government has been used to launch the programme and donors are expected to provide funding of about 12 million US dollars.

Ministry of Environment and Science - As of 2002, the Ministry has been engaged in a rural micro and small enterprise project aimed at building the knowledge and experience of rural enterprises. Annually, the project is expected to train 1,200 artisan/master craftsmen, establish 3700 businesses, revive 2000 distressed businesses, disburse 37.5 billion cedis as credit funds, and rehabilitate 250 km of feeder roads using labour intensive methods. The annual input/cost of the project is about 10.93 million US dollars over a period of 8 years.

Development of the Densu Basin - the project aims at developing the ecology and environment of the Densu basin to ensure the continuous flow of the Densu River. The project was initially expected to start in 2002 and to generate on average about 520 jobs over a two-year period. The total cost of the project is about 7.9 billion cedis. Salaries of employees are estimated at 300 cedis per month.

Ministry of Local Government and Rural Development - During the period 1996-2003, under various projects in districts and towns, the ministry is expected to generate a total of 22,097 man months, an equivalent of about 1840 permanent jobs per year.

Ministry of Works and Housing - The Ministry decided to undertake the implementation of projects in housing, water, sanitation and hydrology to generate employment. The housing component was supposed to create seven jobs per every 10,000 US dollar investment made. In general, the project is expected to generate about 45,000 jobs and envisages the full participation of women.

Source: Compiled from the project documents of the various ministries

The National Board for Small Scale Industries (NBSSI) charged with the promotion of small-scale businesses continues to support the development and improvement of informal enterprises. In 2003 for instance, the NBSSI supported the establishment of 120 new businesses compared to 767 created in

2001. It also facilitated the provision of credit for an amount of about 210 million cedis to about 380 (609 in 2001) entrepreneurs under various financial schemes.

Jobs have also been indirectly created through the activities of the Ghana Investment Promotion Council (GIPC), the Free Zones Board and the Export Development and Investment Fund (EDIF). As for the GIPC, findings indicate that over 1,400 projects were registered with the GIPC between September 1994 and December 2003. Jobs for about 87,369 people were created particularly in urban centres. The Export Processing Zones within the Free Zones enclave generated about 13,800 direct jobs as of the end of 2003. Furthermore, government and donor support for the Non Traditional Export sector led to an increase of about 45,000 full-time jobs between 1993 and 1999. To provide financial support for the development of export trade, the Export Development and Investment Fund, which became operational in July 2001, provided assistance of 185.9 billion cedis to small and medium size enterprises in the export sector between June 2002 and December 2003. This was expected to create about 250,000 jobs within a four-year period (ISSER, 2004).

In general, business and job creation programmes by the government have had a positive impact on employment, although much needs to be done to make such programmes more efficient. Invariably, these are all new initiatives whose results cannot be precisely assessed and quantified just yet. The added benefit is that most of the programmes target the unemployed and the youth.

8.4 Employment services

Officially, employment services in Ghana are offered by public agencies under the LD because there are no formally registered private employment agencies. The public employment centres across the country assist the unemployed and the employed to find suitable jobs, and employers to find suitable employees. They also provide vocational guidance to young people. In addition, they take appropriate measures to facilitate occupational mobility with a view to adjusting the supply of labour to employment opportunities. Employment centres can also facilitate the transfer of unemployed persons from one place to another and provide arrangements for registration, training and retraining of people with disabilities. The provision of these services evidently helps to promote flexibility in the labour market. Data from the LD indicates that employment centres are normally patronized by artisans who are in the lower echelons of employment or by employers who are looking for artisans.

As for job placement, the 62 existing employment centres have failed to provide employment for most of the registered jobseekers. The lack of information on job vacancies and the limited number of available positions are the main reasons for the failure of job placement services.³⁷ During the first quarter of 2000, only 2.8 per cent of the 59,804 registered jobseekers had been placed, whilst out of 60,125 registered job seekers, only 2.7 per cent obtained a placement during the second quarter of the same year. Employment statistics by the EIB classified by registration, placement and live registration as at the end of 2004 indicate that 365,306 persons registered as job seekers out of whom about 15 per cent were females. This shows that at the public employment centres a lot more men than women are unemployed. Vacancies submitted by employers were 7,065 and the centres were able to place a total of 7,029 out of whom 13 per cent were women. A further projection by the bureau indicates that in terms of live³⁸ registered people for the year 2004, a total of 19,054 registered with about 15 per cent women. Overall, a total of 20,371 job seekers were placed in various jobs through public employment centres all over the country.

There are no formally registered private employment agencies offering employment services in Ghana although the Labour Act allows for the setting up of such private agencies. Evidence suggests that prior to the enactment of the Labour Act, private employment agencies were operating on the quiet,

³⁷ Majority of the youth depend on “contacts” to secure jobs rather than patronizing the job placement centres.

³⁸ These are the active persons who patronized the centres seeking jobs as at the time the monthly statistics were being compiled.

offering what they call "corporate and personnel solutions". Their advertisements speak of a commitment to human resource development through training programmes that should enhance the prospective job seekers' understanding of the labour market. They are not recruiting by certificates and academic qualifications, but rather placing emphasis on basic qualifications leading to training, which they see as very effective in meeting the unique requirements of the current labour market. A cross section of employers patronizing these private recruitment agencies are law firms, financial institutions, beauty pageants, private schools, manufacturing and retail concerns, oil companies, etc. Some of the methods these agencies use include on-the-job assistance, networking, monitoring of trainees for six months to help them adjust to their new positions after placement, and vacation camps.

It is worth noting that most public employment centres in Ghana have been almost rendered redundant because employers are inundated with job seekers. Unfortunately, many of the unemployed have little or no skills to offer and employers do not need the expertise of employment centres to recruit them. In addition, some services like employment screening, which should have been carried out by the employment centres, is being done by the human resource departments of some private and some public sector institutions. Public employment centres lack skilled staff to undertake recruitment for skilled job openings (Heintz, 2004). To provide database support for public employment centres to be established under the new labour Act (Act 651), a National Manpower Survey will be conducted and a comprehensive human resource database developed. This will be a useful tool for developing curricula and skills development programmes in the training institutions, more in line with the skills needed in the labour market.

8.5 Labour market programmes for the disadvantaged/vulnerable

As for marginalized groups, there are 14 public rehabilitation centres, most of which train the disabled in various areas of vocational skills. Under the STEP programme an integrated training programme for the physically challenged/disabled and other vulnerable groups is being offered. Rehabilitation centres of the DSW are being reformed and re-oriented towards vulnerable groups. In addition, the government in 2005, allocated 1 billion cedis for training the disabled. Some 20 districts were initially selected to pilot the programme. Companies that hire more than five disabled people receive tax rebates. Sadly, only a few companies have taken advantage of this incentive.

Other development partners and NGOs are also involved in offering employment support and programmes to the disabled in Ghana. The World Bank is supporting the Ghana Society for the Physically Disabled with a grant of 100 million cedis under the Ghana Development Marketplace, to expand the chalk factory. This factory was established in October 2005 to help create jobs for the society's members the majority of whom are unemployed, living in deplorable conditions. The chalk factory has provided employment for about 17 disabled people. It produces about 23,000 pieces of chalk daily with a capacity of 345,000 pieces per day.

In 2005, the government indicated that it would continue to take steps to improve the living standards of the vulnerable and excluded by mainstreaming their needs into general public policies. In this regard, operations of NGOs would be streamlined through the introduction of an NGO Policy. This would take into consideration the role of charities to ensure that the needs of the vulnerable are addressed. The DSW will be strengthened to handle emerging social issues such as human trafficking, the concerns of the physically challenged, the aged and those affected by HIV/AIDS.

8.6 Evaluation of labour market programmes

Currently, there is no systematic monitoring and evaluation of labour market programmes in Ghana. This is a crucial aspect of the Ghanaian employment framework that is being neglected by policy makers. The present situation could be due to the lack of short- and medium-term employment indicators. Monitoring and evaluation based on clear indicators would provide reliable information on the

performance of employment programmes and would make it possible to improve the effectiveness of measures adopted. According to Heintz (2004), the current set of monitoring indicators identified in the GPRS gives little attention to employment programmes. Out of 52 implementation indicators in the GPRS, the only one on employment is the number of functioning employment centres. The main reason for the absence of an evaluation system for labour market programmes is the lack of reliable, timely and consistent labour market statistics in Ghana. In fact, it is imperative that Ghana develops these if the employment-intensive growth strategy outlined under the “Production and Gainful Employment” thematic area in the GPRS is to be successful. Although the GLSS, together with other employment supplements provide the needed information to develop detailed employment indicators in Ghana, its administration is too erratic to provide annual information for evaluation and policy-making.

Chapter 9: Labour market flexibility and employment and income security

Ever since Ghana gained independence in 1957 and became a member of the ILO, labour matters have engaged almost all governments. Over these years, Ghana has tried increasingly to bring its labour laws into conformity with ILO Conventions and policy directions. In 1991, the need arose to take a national look at the labour situation and a comprehensive approach led to the adoption of the new Labour Act. The Act passed in 2003 has been in force a little over a year and its impact on flexicurity is thus not that significant except for what the courts hold as the common law position.

9.1 The legal regime, labour relations and flexicurity in Ghana

The national Constitution, a configuration of laws and a number of ILO Conventions have influenced industrial relations in Ghana as discussed in section 3.1. As for national labour legislation, the later acts have only added to or subtracted from the previous ones according to current circumstances. The high court has always had jurisdiction in all labour matters. In order to ensure security, labour contracts cannot contain any clause seeking to oust the jurisdiction of the court regardless of the voluntary nature of the contract.

These trends suggest that various governments over the years have been engaged in enhancing different levels of labour market security and flexibility. Some critical questions hover around the general aspect of the Ghanaian labour market in terms of flexibility and security. Is the legal framework appropriate in creating both flexibility and security? Is social dialogue well functioning and promoting flexicurity? Are institutions functioning well? Are employment policies effective? Are household incomes sufficient and secured?

Legally, the Labour Act is expected to direct the labour market in Ghana. It does so with the support of the law courts which have also developed common law positions to support it. To some extent, the provisions of the Act indicate that it promotes flexibility. From an economic perspective, flexibility could be explained in general as the movements from inactivity and/or unemployment to employment and vice versa, and the shifts from one job to another. A good way to measure flexibility is the employment elasticity to economic growth. Unfortunately, there exists no reliable data to calculate it. However, the large size of the informal economy, where employment relationships are easy to enter into and exit from, provides some evidence of the high degree of flexibility of the Ghana labour market.

Employment policies are geared towards influencing employment levels in general and improving access to employment for particular demographic groups within the population, such as the youth and women. Skills development programmes, general and formal education and poverty reduction programmes are meant to increase productive and gainful employment. These programmes are adopted because of the large number of unskilled people in the labour force, particularly in rural areas, as earlier discussed. Demand-driven approaches to skills acquisition sometimes fail to ensure that graduates are able to adapt easily to changes in labour market demand. Such a training system ends up being counter-

productive to long-term employment objectives and to flexibility. Recently, most policies on vocational and technical training have targetted the youth to make them more adaptable to the changing requirements of the labour market and thereby to make them more flexible.

9.2 Flexibility and security in the formal/informal sectors

The formal sector comprises employment in the public sector and in the organized private one where jobs are backed by contracts specifying working conditions. Most contracts are permanent in nature and supported by CBAs and the courts, which makes them more secure. This has made positions in the formal public and private sectors more attractive with some including benefits such as accommodation, transport, medical care, and so on. A high degree of protection of employment, coupled with fringe benefits, have implications on flexibility and security. The formal sector presents less flexibility compared with the informal economy.

Even though employers have the right to hire and fire, they have some constraints when it comes to firing in the formal sector. The processes for firing are cumbersome compared with dismissing workers in the informal economy, especially when reference is made to CBAs and the law. The burden of proving that an employee must be fired, based on the reasons provided in the Labour Act, such as low productivity relative to a worker's input, is quite challenging. The survey conducted by the authors indicates that contract termination based on the law is not rampant, showing a certain appreciable level of security for workers in the formal sector. The level of flexibility is higher in the formal private sector than in the public one. The Economic Governance and Management Report of the African Peer Review Mechanism reveals that procedures for firing a public servant are so demanding that the worse punishment for a civil servant is being transferred. Nonetheless, it seems that in general exit from formal employment is rather easy, whereas job shifting is not common. One interesting revelation according to Apt and Amankrah (2004) about the formal sector is that on the average there is a general feeling of satisfaction among workers in terms of independence at the workplace, opportunities for promotion, work environment, hours worked and so on. This degree of freedom provides them with opportunities to engage in other work to supplement their regular wages which are woefully inadequate. Double work is used as a tool to enhance income security for employees.

There is ample evidence to suggest that the formation of employers' and workers' associations has greatly facilitated tripartite cooperation and the deepening of social dialogue in the country. As to whether or not this dialogue is promoting labour market flexicurity is another issue. Decentralized bargaining, which is deepening in the Ghanaian labour market, has led to greater flexibility and has helped employers to respond quickly to changing market conditions. However, the strong influence of social partners, the inefficient labour market information system and the low labour mobility have determined wage rigidities and reduced flexibility in the formal sector. It should, nevertheless, be mentioned that, although the formal sector is less flexible than the informal economy, its small size makes its aggregate impact on the national labour market flexibility almost insignificant, given the high degree of flexibility in the informal economy where the majority of the labour force is found.

The relatively higher employment and income security levels enjoyed by formal employees have made the formal sector the first choice for most school leavers and labour market entrants. Security in the sector is seen in employment contracts spelling out conditions of service, including dismissal. In addition, security lies in the protection of income through the minimum wage machinery and in the comprehensive social security coverage. The only shock to hit formal employment that posed a serious threat to security occurred in the late 1980s and 1990s when the SAP/ERP was introduced and massive retrenchment and privatization were undertaken. On that occasion, over 200,000 jobs were lost.

According to ISSER (2003), the informal economy is characterized by ease of entry, small-scale operations, limited access to finance, unregulated markets, reliance on indigenous resources and rudimentary or outdated technology. Other features include the prevalence of family ownership, self-employment, generally low educational standards, labour intensive activities and low productivity. The

sector is characterized by highly adjustable business plans, by employers who are mainly in micro and small businesses, and by employment not based on written contracts. The informal economy also serves as a “dumping ground” when jobs are lost in the formal sector. Labour contracts in this sector are mostly by word of mouth and both parties can easily withdraw from them. The degree of flexibility is therefore high. The lack of written employment contracts makes it difficult for workers to seek legal protection since there is no concrete reference point. The agricultural sector is perhaps even more flexible in that employees, most of whom are self-employed, easily shift from one job to another. Multiple-job holding is common due to the instability of agricultural activities. The use of unpaid family labour, and seasonal fluctuations in agriculture, make workers look for other jobs as a way of diversifying their productive activities and income sources. Enhancing income security is crucial in this sector.

The high degree of flexibility in the national labour market is associated with a low level of security. Unemployment benefits are not available. In general, security in the formal sector is higher than in the informal economy. Old age pension schemes exist in the formal sector, but the benefits and the number of beneficiaries are very small and inadequate. Poor working conditions, insufficient social security coverage, lack of representation, communication channels and infrastructure especially in the informal economy and in rural areas, put workers at risk and make them vulnerable. The lack of recognized unions in the informal economy makes representation security very low.

Apt and Amankrah (2004) have indicated that in the labour market in Ghana income insecurity is very high. According to them, Ghanaian households have to cope with income insecurity as a result of insufficient income levels, irregular payments and depreciating income over time. In addition, insecurity as a result of uncertain pensions and retirement benefits, causes anxiety at the prospect of old age. The PSS reveals that about 50 per cent of the survey respondents had insufficient levels of basic household essentials. In addition, in times of crisis and of job loss, workers had to seek assistance from family and friends. With respect to employment insecurity, the PSS survey indicates that the precarious nature of self-employment, work in the informal economy and the ability to keep one’s job in the face of high unemployment were posing a serious threat to Ghanaian households.

9.3 The public /private employment centres and flexibility

According to the Labour Act, public and private centres shall assist the unemployed and the employed to find suitable jobs, and employers to find suitable workers. The agencies shall also take appropriate measures to facilitate occupational mobility with a view to adjusting labour supply to employment opportunities. They shall also facilitate the transfer of unemployed persons from one place to another as a measure of meeting temporary local maladjustments in labour supply and demand. In addition, the centres shall assist in social and economic planning, and shall provide vocational guidance to young persons. Furthermore, the centres shall operate within the framework of the macro social and economic planning of the country, and provide arrangements for registration, training and retraining of persons with disabilities. The centres shall take into account the country’s technological and scientific capacities in terms of the vocational, technical, professional, administrative and managerial backgrounds of the recruited persons. The policy goal behind such provisions is the promotion of labour mobility and of flexibility in the labour market.

The legislative instrument to regulate private employment agencies has not yet been passed. However, there is ample evidence that such agencies are seriously operating on the quiet offering what they term corporate and personnel solutions, proactive job-seeking, and career development training. They also help the self-employed reshape their businesses.

What is becoming clear is that policies are geared towards engineering the passing of knowledge and skills to the large unskilled pool of the labour force.³⁹ Efforts should be directed towards training,

³⁹ Parliamentary debates on the Labour Bill stressed this position hence the need to strengthen the recruitment centres

meeting the needs of the economy and, at the same time, facilitating the adjustment to different and changing labour market demands. This would make the labour market more flexible.

Chapter 10: Conclusions and recommendations

In Ghana, employment growth has lagged behind economic growth. The slow growth of the economy, coupled with the low investment rate, resulted in a relatively slow increase in overall labour demand. It is not surprising that the economy recorded increasing unemployment rates until four years ago, when unemployment started to decline. The slow growth of the economy indicates a low absorption capacity of the labour market with the creation of an excess of labour supply. Overall, adult underemployment rate in 1992 was 8 per cent as against 13.9 per cent and 13.6 per cent in 1998 and 2003, respectively. Underemployment is relatively higher in rural than in urban areas, possibly due to the fact that in rural areas many people work in agriculture, which offers work on a part-time basis. Most rural women are engaged in unpaid domestic duties. About one per cent of the Ghanaian population are physically/mentally handicapped and are unfit to engage in any significant economic activity unless they receive special support to harness their creative potential.

The Constitution, as well as various laws, regulations, policies and international conventions, guided the labour market prior to the end of the 1990s. A new labour law was passed in 2003 to harmonize all the labour laws in various statute books and to incorporate various ILO Conventions which Ghana has ratified. Although the Act is quite recent, a critical look suggests that it provides a useful guide to the governance and management of the national labour market. The challenge is the implementation.

Social dialogue between social partners in Ghana is somewhat impressive. Besides collaborating through the NTC, NACL and NLC, the GEA and the TUC represent employers and workers respectively, in various national boards and committees where their presence is required. The two organizations have also developed a bipartite relationship through quarterly meetings, to discuss issues of mutual interest and to have a forum for discussion and dialogue. Unionization within the formal sector has made bargaining for wages very rigid. The relative wage rigidities and the inefficient labour market information system, coupled with the limited availability of educational and training facilities account for the low occupational mobility in the Ghanaian labour market. Unfortunately, the lack of alternative employment opportunities and the high income insecurity in the informal economy have led many employees to place a high premium on social dialogue as a way of resolving labour market problems, despite its minimal input on critical decisions.

Social security institutions and safety nets in Ghana are much less developed than the level of economic development of the country would allow. Social security provision for employees in the informal economy is essentially a private concern for families and communities. Unemployment benefits and social assistance for the unemployed are virtually non-existent. The meagre pension and gratuity received by pensioners, the inability to prepare sufficiently for retirement, the high costs of social services, such as health, have rendered many pensioners vulnerable and destitute. In fact, the government has yet to design and develop viable policies and programmes for the welfare of poorer segments of the society.

There is no overt programme on social insurance from the government, apart from the pension schemes earlier mentioned. However, there are various social insurance and welfare schemes operating in workplaces, parishes and communities. The NHIS is a move to ensure social protection nationwide in the health sector. Ghanaians attach a strong importance to social capital. Clear evidence of this is the mutual support which is present all over the country. The key role of social capital in Ghana is largely due to the unavailability and/or weakness of public services and institutions. In effect, the most important social safety net in Ghana is the traditional community and family-based welfare system that involves extended families and local organizations. Efforts should be made to streamline this system and to avoid the impoverishment of those who are already poor.

In recent years the performance of savings and credit has improved in Ghana. However, end-use analysis of deposit money bank loans and advances, shows that the majority of the loans and advances go to the industrial and service sectors, particularly to those in the formal sector, leaving very little to agriculture, where the majority of the labour force is found. Although some progress has been made in the area of savings mobilization and access to credit, more needs to be done to make sure that the majority of Ghanaians benefit from savings and credit services, especially in low-income, low growth areas.

The government of Ghana recognizes the use of public works in generating employment. A procurement law applicable at the national, regional and district level has been passed with clauses mandating procurement committees to take into account the economic development and employment generating potential of tenders. There is also a reservation concerning margins of preference for work carried out by domestic contractors. There seem to be no guidelines on how economic development and employment generation potential of projects by different tenders are assessed, measured and weighted. In addition, the size of the margin has not been determined. This makes it difficult to implement these clauses. This impediment has serious implications on employment generation and on the socio-economic development of rural Ghana. In recent years, the DFR has adopted measures to ensure that these clauses are applied in donor-funded projects. However, labour-based methods in public works, especially in the construction sector are not popular with either the government or the majority of road contractors. This is the case even when labour-intensive technologies are financially and technically equivalent or better in terms of both quality and employment creation than equipment-based methods. The enforcement of the Labour Act in rural areas in road works is very weak. In addition, seasonality is not taken into consideration in the implementation of public works so as to offer agricultural workers an alternative source of income.

Various labour market measures and programmes have, over the years, been adopted and implemented by the government of Ghana and other stakeholders, to provide financial support and labour market integration to those seeking work, the underemployed and the employed who are looking for better jobs. However, the lack of coordination between various providers, coupled with the low labour mobility, have to some extent led to a mismatch of labour demand and supply. In addition, there is no systematic monitoring and evaluation of labour market programmes in Ghana.

A good balance between flexibility and employment and income security in Ghana is achievable but not without special efforts. Flexicurity is one of the policies that would ensure decent work for the majority of Ghanaians. The multi-dimensional nature of the concept of flexicurity, at least in the Ghanaian context requires multi-faceted measures integrating legal, institutional and administrative changes, supported by all stakeholders, as well as cooperation from citizens. Such measures should include, but not be limited to:

- Promoting risk management mechanisms through savings, insurance, credit, and public works.
- Promoting efficient labour market information and employment services to help facilitate the match between vacancies in the private sector and job seekers.
- Strengthening the capacity of social partners, particularly of the MMDYE and its departments as well as of the TUC.
- District assemblies accepting the informal economy as a partner in development and making efforts to organize informal workers and operators.
- Improving land tenure and tenure security in order to encourage investment in land and to enable rural people to use land as collateral for loans.
- Reforming the SSNIT law to make it more transparent and accountable.
- Initiating discussions on the formulation of a universal social security scheme for the country, which should be contributory in nature and which should take care of the poor.
- Developing a framework to monitor and evaluate labour market programmes.
- Bringing employment centres up to international standards to meet current demands brought about by globalization.

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- Expediting action on the legislative instrument to regulate private employment agencies.
 - Improving macro economic policies so as to help adjust the economy in order for it to meet labour market demands.
 - Supporting the TUC to facilitate the unionization of the informal economy.
 - Ratifying and applying the provisions of the ILO Convention 182 on the elimination of the worst forms of child labour that exist in the informal economy.
 - Ensuring that trainees acquire skills that would make them easily adaptable to changing labour demand patterns in the economy.
 - Establishing a sound, reliable, timely and consistent labour market information system to enhance labour mobility, minimize mismatch and research cost associated with unemployment, and for the purposes of monitoring and evaluating labour market policies.
 - Developing social and economic infrastructure particularly, road, electricity and communication networks, especially in rural areas, to reduce the rural urban drift and increase employment in rural areas.
 - Enhancing informal and agricultural sector activities through the provision of effective entrepreneurial and demand-driven training
 - Reorienting formal education by emphasising practical training and also by encouraging the trainees to take active interest in self-employment.
 - Enforcing labour laws in the informal economy by putting up structures to register workers and informal operators, and provide support for them in a win-win environment and with the view to monitoring their activities.
 - Implementing the national identification programme
 - Providing detailed and technical guidelines for the inclusion of employment generating and socio-economic development criteria in the selection of tenders, and setting the margins for work by local contractors.
 - Improving enrolment and course planning, as well as funding policies and procedures for demand driven training programmes that would make graduates more employable
 - Considering a national apprenticeship audit exercise to standardize the duration of trade apprenticeships and skills' assessments.
 - Increasing intakes of less educated people in the informal economy into TVET institutions and reorienting the programmes of technical and vocational institutes to the labour requirements of the informal economy.
 - Developing curricula for specific capacities of the informal economy and encouraging/equipping graduates from vocational and technical schools with capital to enter into self-employment.
 - Reorganizing the governance and management of the STEP programme and making it more demand driven. In addition, the funding mechanism of the programme should be reviewed and simplified.
 - Expanding the role of STEP to support the new national TVET policy and setting up mechanisms to undertake tracer studies on STEP graduates.

Appendices

Appendix 2.1: Performance of Ghanaian economy, 2000 – 2004

Macroeconomic Indicator	2000	2001	2002	2003	2004*
National GDP					
Nominal GDP (¢ billions)	27,153	38,014	47,764	65,262	79,803.7
Real GDP Growth (%)	3.7	4.2	4.5	5.2	5.8
Sectoral Growth Rates (%)					
Agriculture	2.1	4.0	4.4	6.1	7.5
Industry	3.8	2.9	4.7	5.1	5.1
Service	5.4	5.1	4.7	4.7	4.7
Monetary (%)					
<i>Consumer Price Inflation:</i>					
Year-on-Year	40.5	21.3	15.2	23.6	11.8
Annual Average	25.2	32.9	14.8	26.7	12.6
<i>Interest Rates:</i>					
Demand Deposits (DMBs)	16.75	13.5	8.0	8.5	7.5
Savings (DMBs)	18.0	14.5	11.13	11.09	9.5
91-Day Bills	38.0	28.9	26.6	18.7	17.1
Lending Rates(DMBs)	47.0	43.75	36.36	34.95	28.75
<i>Exchange Rate (¢ to US\$1):</i>					
Inter-Bank	6886.8	7,329.85	8,438.82	8,852.30	9,051.30
Forex Bureau Rate	6,800	7,322.73	8,681.82	9,130.43	9,258.30
Fiscal (%)					
Domestic Revenue/GDP	17.7	18.2	20.7	20.8	23.8
Domestic Expenditure/GDP	15.3	14.4	18.5	18.8	
Primary Balance/GDP	2.4	3.8	2.1	2.5	0.7
Overall Balance/GDP	-8.5	-7.2	-5.3	-3.4	-3.2
Net Domestic Financing/GDP	8.74	2.3	4.9	-0.004	0.5
External Sector (\$ millions)					
Trade Balance	-830.2	-1,101.4	-641.2	-672.2	-1425.4
Current Account Balance	-386.4	-324.5	15.6	40.8	-151.3
Gross International Reserves	264.0	364.84	601.2	1425.6	1732.0
GIR in months of Imports	0.9	1.2	1.9	3.9	3.8
External Public debt/GDP	75.5	121.1	111.4	89.7*	NA

Source: State of the Ghanaian Economy ISSER, (various Issues),

*- Provisional, DMB - Deposit Money Banks

Appendix 2.2: Migration status by region (%)

Region	In Migrants		Return Migrants		Non Migrants	
	1991/92	1998/99	1991/92	1998/99	1991/92	1998/99
Gt. Accra	55.0	42.5	8.1	6.2	36.9	51.3
Central	37.5	35.1	26.5	22.1	36.1	42.8
Western	46.6	40.0	15.0	10.1	38.5	49.9
Eastern	48.6	34.7	13.9	17.1	37.5	48.2
Volta	38.0	42.7	19.6	14.3	42.5	43.0
Ashanti	42.6	37.4	19.4	19.2	38.0	43.4
Brong Ahafo	43.6	35.1	14.3	17.7	42.1	47.2
Northern	26.0	24.1	10.2	11.6	63.8	64.3
Upper West	18.7	19.2	16.6	9.1	64.7	71.7
Upper East	5.5	10.4	25.2	35.7	69.3	53.8
ALL	40.3	35.7	16.3	15.7	43.4	48.6

Source:(GSS, 1995), (GSS, 2000a)

Appendix 2.3: Distribution of migrants by current location and reason for most recent migration (%)

Location	Reason for Recent Migration						Other
	Own Employment	Spouse Employment	Marriage	Other Family Reasons	School	Drought or War	
GLSS III (September 1991 – September 1992)							
Accra	17.4	9.5	10.5	41.7	7.8	0.3	12.8
Other Urban	11.5	11.7	19.7	33.3	9.0	0.1	14.8
Rural	14.6	8.8	18.7	46.8	3.7	0.7	6.7
All	14.1	9.6	18.1	42.8	5.5	0.5	9.4
GLSS IV (April 1998 – March 1999)							
Accra	30.4	7.4	8.3	43.3	5.2	0.3	5.0
Other Urban	23.9	6.9	12.7	41.1	4.6	0.6	10.3
Rural Coastal	16.9	5.2	10.8	48.9	1.7	2.6	13.9
Rural Forest	22.3	6.1	15.3	44.9	1.3	1.0	9.1
Rural Savannah	12.5	7.8	20.1	50.6	1.6	1.2	6.1
All	21.1	6.5	14.2	45.2	2.6	1.1	9.3

Source: (GSS, 1995), (GSS, 2000a)

Appendix 2.4: Employment (working population aged 15+) by sectors (%)

Sectors	1991/92	1997	1998/99**	2000	2003
Agriculture, Hunting, Forestry & Fishing	62.2	55.9	55.0	50.7	44.5
Industry	10.0	11.3*	14.0	16.3	11.8
Manufacturing	8.2	4.9	11.7	11.5	6.4
Mining & Quarrying	0.5	0.3	0.7	1.9	0.9
Construction	1.2	2.0	1.4	2.5	3.9
Electricity, Water & Gas	0.1	---	0.2	0.4	0.6
Service	27.8	32.8	31.1	33.1	43.7
Transport & Communication	2.2	1.7	2.2	3.6	2.7
Trade, Hotels & Restaurant	15.8	21.3	18.3	18.3	22.3
Finance, Insurance, Real Estate & Business services	0.5	0.3	0.8	1.7	7.6
Community, Social & Personal Services	9.3	10.2	9.8	9.5	11.1
Total	100	100	100	100	100

Source: (GSS, 1995), (GSS, 1998), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

*Includes Part-time Workers

** Refers to working population between 15-64

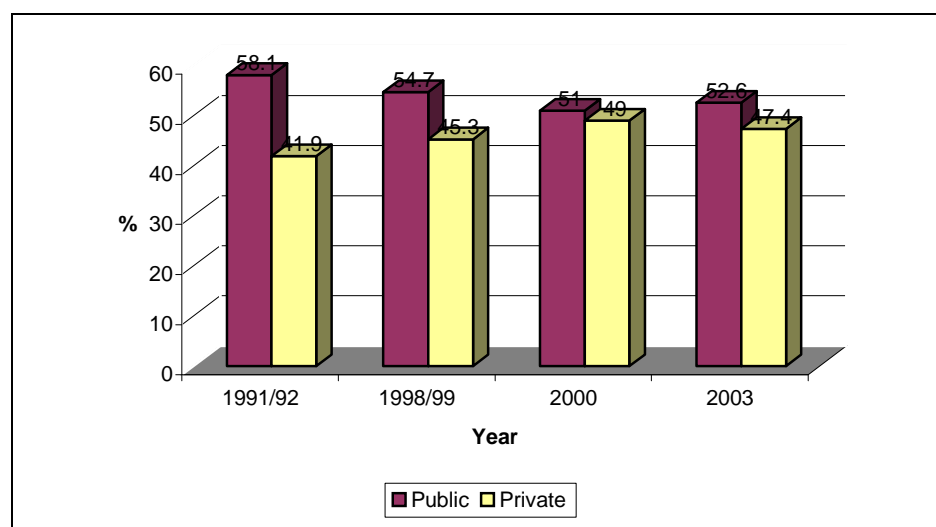
Appendix 2.5: Distribution of total employment (15yrs+) by employer

Category	1991/92	1997	1998/99*	2000	2003
Public (including Semi Public/Parastatal)	8.4	6.9	6.2	9.1	7.6
Private Formal	5.6	4.2	7.5	8.0	6.5
Private Informal	85.6	89.0	86.3**	80.3	84.7
NGO's/Insti.	---	---	---	0.7	0.2
Others	0.4	---	---	1.9	1.0

Source: (GSS, 1995), (GSS, 1998), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

* refers to age 16-64 ** includes self employment (agric & non-agric self-employment)

Appendix 2.6: Distribution of formal sector employment (%), 1991-2003



Source: (GSS, 1995), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

Appendix 2.7: Employment status (percentage of total labour force)

Labour Category	1991/92 (GLSS3)	1998/99 (GLSS4)
Wage Employees	15.4	13.2
Government Employees	7.8	5.9
State Enterprises Employees	1.2	0.6
Private Employees	6.4	6.7
Farmers	56.7	55.7
Non-Agricultural Self Employment	23.5	27.3
Unpaid Family labour	1.3	0.3

Source: (GSS, 1995), (GSS, 2000a)

Appendix 2.8: Total employment by employment status

Category	2000	2003
Self-Employed with Employees	5.2	3.7
Self-Employed without Employees	67.6	66.7
Unpaid Family Worker	6.6	7.4
Casual Employee and Regular Employee	15.3	15.6
Domestic Employee	0.9	0.9
Student/Apprentice	3.7	4.7
Other	0.6	1.1

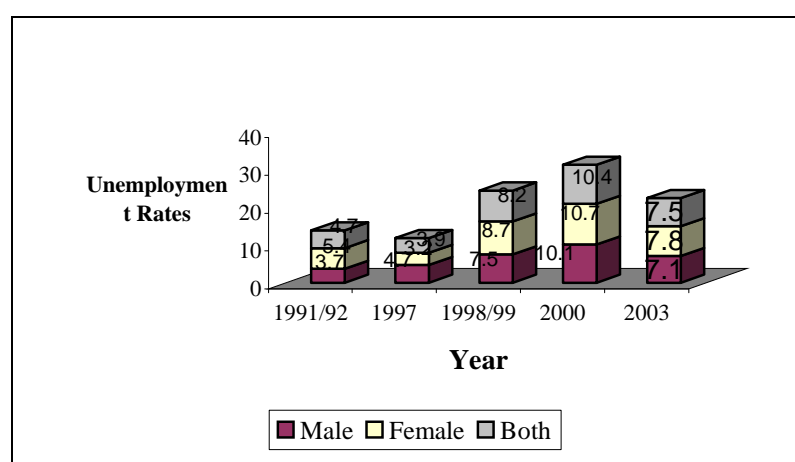
Source: (GSS, 2002), (GSS, 2003)

Appendix 2.9: Unemployment by location

Category	Years				
	1991/92	1997	1998/99	2000	2003
Total Unemployed (%)	4.7	3.9	8.2	10.4	7.5
Location (% Within)					
Urban	11.3	7.0	13.4	---	10.6
Rural	1.7	2.2	5.5	---	4.9

Source: (GSS, 1995), (GSS, 1998)), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

Appendix 2.10: Adult unemployment rates by gender 1991-2003 (%)



Source: (GSS, 1995), (GSS, 1998)), (GSS, 2000a) (GSS, 2002), (GSS, 2003)

Appendix 2.11: Unemployment rate by age

AGE	GLSS III (1991/92)	GLSS IV (1998/99)
15-19	7.7	
20-24	9.4	15.9
25-44	4.3	7.4
45-59	2.7	4.7
60+	2.4	
ALL	4.7	8.2

Source: Source : (GSS, 1995), (GSS, 2000a)

Appendix 7.1: Population to nurse and population to doctor ratios

	2000	2001	2002	2003
Population (thousands)	18,912	19,434	19,973	20,529
Population to doctor ratio	Na	22811	22193	17489
Population to nurse ratio	Na	2043	2080	2598

Source: Ghana health Services

Appendix 8.1: Employment situation by registration, vacancies and placement

Year	Registration	Vacancies	Placement
1994	506,953	6,753	5,677
1995	543,687	8628	8,791
1996	455,768	9,372	8,285
1997	519,396	14,364	11,067
1998	523,600	16,319	14,680
1999	236,510	10,533	10,501
2000	172932	-	6146
2001	261684	7058	7542
2002	513228	7487	8124
2003	235180	7682	6522
2004	356306	-	7029

Source: Labour Department, MMDYE

Appendix 8.2: Efforts towards skills development in Ghana

Regime	Policy Document	Employment Related Policy Objective
CPP Government	7-Year Development Plan (1963/64 – 1969/70)	Aimed at full employment, security of the worker, rapid industrialization, a revolution in agricultural production, and structural reorganization of the entire production system
PP Government	2-Year Development Plan (1968-1970)	Provision of the foundation for self-generating growth through efficiency in the use of investment resources to reduce unemployment and poverty.
SMC Government	5-Year Development Plan (1975/76 – 1979/80)	To ensure full employment, acceleration of growth of real gross income, equity in the distribution of income and reduction of poverty
NDC Government	National Development Policy Framework, Vision 2020	To afford all citizens of Ghana the right to work with the formal sector expected to account for 60 percent of total employment
NPP Government	Ghana Poverty Reduction Strategy (GPRS), 2003-2005	To increase production and gainful employment in order to reduce poverty.

Source: Various Development Plans Documents

Appendix 8.3: Formal TVET institutions and estimated annual capacity as at 2000

Institutions	Number	Programme of Instruction	Number enrolled
Ministry of Manpower Development, Youth and Employment			
NVTI Centres	32	Tradesman/Artisan Courses	3,700
ICCES Centres	66	Vocational/Technical Courses	4,500
Vocational Training Centres	8	Vocational/Technical Courses	560
Rehabilitation Centres	14	Vocational/Technical Courses	125
Youth Leadership Training Centres	7	Vocational/Technical Courses	985
Ministry of Education and Sports			
Universities (UCC and UW)	4	1 st degree Technology courses	720
Polytechnics/Technical Institutes	40	Diploma/Technician/Craft	7,000
Teacher Training Colleges	12	Vocational/Technical courses	700
Functional Literacy Centres	110	Functional literacy	3,200
Ministry of Health			
Nurses Training Colleges	16	Specialized Courses	800
Midwifery Training Schools	10	Specialized Courses	200
Public/Community Health Nurses Training Schools	5	Specialized Courses	95
School of Hygiene/ Health	3	Specialized Courses	75
Others	4	Specialized Courses	62
Ministry of Local Government and Rural Development			
Women's/Vocational Training Centres	22	Vocational/Technical Courses	345
School of Local Gov't Studies	2	Local Government studies	420
School of Horticulture	1	Horticultural Practices	35
Ministries of Communication, Tourism and Modernization of the Capital City			
NAFTI	1	Professional Photography	65
Ghana Institute of Journalism	1	Journalism	50
Hotel Catering & Hospitality Training	1	Pre-Service Hospitality studies	20
Ministries of Food & Agriculture, Industry & PSI and Lands & Forestry			
Agricultural Colleges/ Farm Institutes	8	Vocational Agriculture	280
Regional Technology Transfer Units	15	Technical/Artisan Courses	1,200
School of Forestry	1	Forestry	25
NGOs/Religious/Private Insti.	450	Vocational/Technical Courses	10,000
TOTAL	833		35,162

Source: Adapted from Botchie and Ahadzie (2004)

Appendix 8.4: Summary of some non-formal skill development programmes in Ghana

Institution	Programme Offered	Beneficiaries
Non-Formal Education Division of Ministry of Education and sports	Training in income- generating activities integrated into functional literacy programme.	Illiterate men and women including the aged
Council for Scientific and Industrial Research (CSIR)	Training in snail farming, animal rearing, use of new methods of cultivation etc.	Unemployed, rural poor, farmers, retired officials.
Women's World Banking	Training women in accessing and managing micro-credit	Micro and small scale entrepreneurs
National Council for Women & Development	Training women in the use of appropriate technologies	Food Processors
Ministry of Food & Agric. and the International Institute for Communication and Development (IICD)	Training of farmers in the use of ICT to improve productivity, and marketing of output.	Farmers and Extension Officers
31 st December Women's Movement	Train women in Food Processing	Micro and small scale entrepreneurs
Ministry of Women and Children's Affairs	Training for Good Agronomic practices and food processing	Women in poor rural Communities
The Social Investment Fund	Training in Vocational Skills	Poor/Disadvantaged communities
Community-based Poverty Reduction Project (CPRP)	Delivering of essential packages to reintegrate street children in communities and families	Poor Communities
National Board For Small scale Industries (NBSSI)	Training in management and entrepreneurial development	Small-scale industrialists
International and local NGOs	Short Training in various skills	Poor & disadvantaged groups and individuals
Integrated Community Centres for Employable Skills (ICCES) programme	Occupational/Entrepreneurial training	Youth especially new labour force entrants
Skills Training and Employment Placement (STEP) programme	Provision of short, practical vocational training and financial support	Unemployed youth who registered in 2001/02

Source: Adapted from Botchie and Ahadzie (2004)

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