CHAPTER FOUR: EMPLOYMENT

4.0 Introduction
The Ghanaian labour market has undergone some changes over the past two decades due to globalisation and the reduction in the direct role of government in productive economic activities. The redeployment exercise introduced in 1987 as part of the Economic Recovery Programme (ERP) and Structural Adjustment Programme (SAP) contributed substantially to the loss of public sector employment between 1985 and 1991. The trade liberalization program coupled with the rapid depreciation of the cedi caused the collapse of many inefficient local companies especially import dependent enterprises and subsequent loss of jobs of many people.

The labour market is characterised by the dominance of the agricultural and rural sectors where economic activity is mostly organized on an informal basis. These sectors employ over half of the total labour force majority of which are self-employed. The informal sector where self-employment is the predominant type of employment is very pervasive partly as a result of the sluggish growth of formal sector employment. The public sector continues to be a major source of formal sector employment.

The market evidently seems to exhibit wage rigidities as a result of the strong influences of institutions in the market. This suggests the degree of imperfection of the Ghanaian labour market. It is estimated that over two-thirds of formal sector jobs are subject to collective bargaining agreement. This suggests the high rate of unionisation within the formal sector of the labour market. As a result of the system, bargaining relative wages among sectors of the economy tend to be rigid. The relative wage rigidities and inefficient labour market information system coupled with limited availability of educational and training facilities account for the low occupational mobility.

Generally, public sector earnings are evidently lower than the private sector. However, there is a greater job security in the public sector than the private sector. As observed by Boateng (2000), the earnings ratio between private sector and public sector employees has been declining in recent times, falling from 1.46:1 in 1988 to 1.06:1 in 1991. The labour market has been characterised by an increasing incidence of underemployment even though open unemployment particularly among university and polytechnic graduates has increased in recent times.

The participation rate of females in the labour market is lower than that among men. According to the World Bank the participation rate among men in 1995 was estimated at 78 percent compared with 49 percent among women in Ghana. Women in Ghana are predominantly engaged as unpaid agricultural labour or in the urban informal sector or service and commercial sectors of the economy. As a result, average earnings among women are lower than men due to the lower educational attainment of women and also discrimination.
The incidence of child labour appears to be a major problem in Ghana and it is particularly prevalent in the rural areas where the capacity to enforce 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 puts the number of people in economically active population aged between 7 and 15 years at about 747,204, the majority of whom are in agriculture and fishing. Analysts have identified poverty as the overriding factor that pushes children into active employment.

4.1 Employment Trends
The agricultural sector continues to dominate the labour market as the main source of employment for the Ghanaian workforce. From about 64 percent in 1960, the share of the sector in total employment dropped to 61 percent in 1984 declining further to 50.7 percent in 2000. This has been partly due to the declining performance of the agricultural sector in the eighties and nineties. The agricultural sector recorded an average annual growth rate of 2.9 percent between 1984 and 2000 compared with 5.8 percent and 6.1 percent in the industrial and service sectors respectively. This has led to a decline in its contribution to total GDP in favour of the service and industrial sectors from 47.9 percent to 36 percent over the same period. The decline in agriculture employment in favour of industry and service reflects its declining share in real GDP as against the increasing share of service and industry (table 4.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>61.1 (47.9)</td>
<td>12.8 (19.6)</td>
<td>26.1 (22.1)</td>
</tr>
<tr>
<td>1992</td>
<td>62.2 (37.8)</td>
<td>10.0 (25.0)</td>
<td>27.8 (27.0)</td>
</tr>
<tr>
<td>1998</td>
<td>55.0 (36.7)</td>
<td>14.0 (25.1)</td>
<td>31.0 (29.1)</td>
</tr>
<tr>
<td>2000</td>
<td>50.7 (36.0)</td>
<td>16.3 (25.2)</td>
<td>33.0 (29.7)</td>
</tr>
</tbody>
</table>

Note: Real GDP figures at 1993 constant prices are reported in parenthesis
Source: Employment figures from GLSS 3&4 and 2000 Population Census;
GDP figures from Quarterly Digest of Statistics: Ghana Statistical Service

Overall employment growth in the Ghanaian economy has not kept pace with the growth of the labour force due to high population growth, adverse effect of globalisation and domestic economic decline. Current estimates show that the industrial sector remains the least employer although it has shown some remarkable improvement in its share of total employment from 12.8 percent in 1984 to 16.3 percent in 2000. The service sector, which is the second largest source of employment, has also shown a remarkable improvement in its share of total employment by 5 percentage points between 1984 and 2000. The main source of the improvement in service sector employment has come from trade and commerce.

Formal sector employment defined as the recorded employment in establishment employing five or more workers showed remarkable improvement between 1960 and 1985 increasing from less than 4 percent to over 20 percent of the labour force. The perception that formal sector employment is the most remunerative and stable form of employment contributed substantially to the faster employment growth in the sector relative to the labour force growth during the period. Specifically, the Ghanaian
labour market witnessed a substantial increase in formal sector employment between 1960 and 1966 under the government’s massive public investment programme and between 1972 and 1978 under the “domestication” programme of the government dubbed Operation Feed Yourself (OFY) as well as the Ghanaianisation programme where protectionism reached its highest point under various policy instruments.

### Table 4.2

<table>
<thead>
<tr>
<th>Year</th>
<th>Public</th>
<th>Private (‘000)</th>
<th>All (‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>184.0</td>
<td>149 (44.7%)</td>
<td>333.0</td>
</tr>
<tr>
<td>1970</td>
<td>288.0</td>
<td>110 (27.6%)</td>
<td>398.0</td>
</tr>
<tr>
<td>1975</td>
<td>318.0</td>
<td>137 (30.1%)</td>
<td>455.0</td>
</tr>
<tr>
<td>1980</td>
<td>291.0</td>
<td>46.2 (13.7%)</td>
<td>337.2</td>
</tr>
<tr>
<td>1985</td>
<td>397.1</td>
<td>67.2 (14.5%)</td>
<td>464.3</td>
</tr>
<tr>
<td>1986</td>
<td>347.4</td>
<td>66.3 (16.0%)</td>
<td>413.7</td>
</tr>
<tr>
<td>1987</td>
<td>315.4</td>
<td>79.0 (20.0%)</td>
<td>394.4</td>
</tr>
<tr>
<td>1988</td>
<td>251.5</td>
<td>55.3 (18.1%)</td>
<td>306.8</td>
</tr>
<tr>
<td>1989</td>
<td>176.7</td>
<td>38.2 (17.8%)</td>
<td>214.9</td>
</tr>
<tr>
<td>1990</td>
<td>189.4</td>
<td>40.2 (17.5%)</td>
<td>229.6</td>
</tr>
<tr>
<td>1991</td>
<td>159.8</td>
<td>26.5 (14.2%)</td>
<td>186.3</td>
</tr>
</tbody>
</table>

Share of private sector in formal sector employment in parenthesis
Source: Quarterly Digest of Statistics: Ghana Statistical Service

However, the formal sector employment took a nosedive between 1985 and 1991, declining by an annual average of 3.7 percent compared with a 3.2 percent annual average growth of the labour force. The major decline of formal sector employment occurred between 1985 and 1991 to the extent that employment level in 1991 was 40 percent of 1985 level (table 4.2). The main source of poor employment performance in the formal sector during the period were public sector retrenchment exercise and privatisation programme as part of the ERP/SAP. The divestiture of some state-owned enterprises caused some under-employed workers to lose their jobs. Boateng (2001a) attributes the poor formal sector employment performance to among other things public sector retrenchment, liberalisation and privatisation; withdrawal of subsidies to loss making public enterprises; liquidity constraints in industry resulting from the drastic depreciation of the value of the cedi; and the reduction in tariff protection of local industry.

The decline in the formal sector employment occurred particularly in the agricultural sector where employment declined by about 73 percent between 1980 and 1991 leading to the loss of its share in total formal sector employment by 8.4 percentage points. Formal sector employment in Manufacturing seemed to have responded positively to the ERP/SAP in the initial stages but receded after 1987. Manufacturing employment rose by 124 percent between 1980 and 1987 resulting in improvement in its share from 10.4 percent to 20 percent. However, after 1987 employment declined by 74 percent to 20,600 workers in 1991 causing manufacturing share in total formal sector employment to drop continuously to 11 percent in 1991. Some of the major identifiable reasons accounting for the decline in manufacturing employment in the formal sector include the continued depreciation of the cedi which adversely affected the import capacity of raw materials of local manufacturers as well as import
liberalisation policy which caused the collapse of many inefficient local manufacturing enterprises.

The downsizing of the Public Works Department, State Construction Corporation, and the State Housing Corporation contributed to the massive fall of formal construction sector employment of about 65 percent between 1980 and 1991. This led to a fall of the share of construction in formal sector employment from 7 percent to 4 percent over the period. The mining sector also suffered a 34 percent decline in formal sector employment from 26,100 in 1984 to 17,100 in 2000 in spite of the establishment of many mining enterprises after the ERP/SAP and expansion of output in that sector. This might be accounted for by the closure of some mining sites and increased adoption of capital-intensive mining methods especially among the new mining companies. Although the service sector experienced a decline in formal sector employment by 36 percent between 1980 and 1991, its share increased from 58 percent to 67 percent over the period. This was attributed to the substantial decline in the construction, mining and agriculture employment. The main avenue for labour absorption in the service sector was community, social and personal services that constituted about 74 percent of total employment in the formal service sector in 1980 rising to 79 percent in 1991.

Public sector remained the major source of formal sector employment from 1960 until 1985 when it started to decline in its importance in response to the economic reforms in the 1980s and 1990s. Employment in the sector increased from 184,000 in 1960 to a peak of 397,100 in 1985 representing a 115.8 percent employment growth over the period. However, as a result of public sector retrenchment and privatisation programme, employment in the sector began to decline to a low level of 159,800 in 1991. Thus, between 1985 and 1991, public sector employment dropped by 59.7 percent. The number of workers redeployed between 1987 and 1991 was 49,873 accounting for about 32.1 percent decline in public sector employment. The declining employment trend in the public sector appears to have been reversed in the 1990s as result of government policy of meeting the education and health needs of the ever-increasing population resulting in the establishment of many schools and health facilities. The overall public sector employment grew by 39.4 percent between 1992 and 2000 though its share in formal sector declined from 58.1 percent to 51 percent. Some analysts have alleged that some of those retrenched found their way into the public sector by getting appointment in a different ministry, department or region.
Between 1980 and 1987, the formal private sector employment grew by about 71 percent from 46,200 to 79,000 indicating an average increase of about 9 percent per annum. This was largely due to the improved raw materials and spare parts on account of the reduced foreign exchange pressures as a direct consequence of foreign exchange reforms. However as a result of trade liberalisation coupled with high domestic production cost private sector employment dropped from the 1987 level to an all time low of 26,000 in 1991 representing a 67 percent decrease over the period or 13 percent annual average decline. In spite of the decline in employment in the private sector, the share of private sector in total formal sector employment increased from 14.5 percent in 1985 to 17.5 percent in 1990 as a result of the drastic decline in public sector employment over the period.

### Table 4.3

**Employment Generated by Some Divested Companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Post Divestiture Period (Years)</th>
<th>Increase in Workforce after Divestiture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Tulip Hotel</td>
<td>4</td>
<td>231</td>
</tr>
<tr>
<td>Tema Steel Company Limited</td>
<td>6</td>
<td>454</td>
</tr>
<tr>
<td>Ghana Agro-Food Co</td>
<td>4</td>
<td>1073</td>
</tr>
<tr>
<td>Coca Cola Bottling Company</td>
<td>4</td>
<td>264</td>
</tr>
<tr>
<td>Ghana Rubber Estates Limited</td>
<td>2</td>
<td>748</td>
</tr>
<tr>
<td>West Africa Mills Company</td>
<td>4</td>
<td>280</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>--</strong></td>
<td><strong>3,050</strong></td>
</tr>
</tbody>
</table>

Source: Divestiture Implementation Committee

The employment performance of the private sector improved dramatically between 1992 and 2000 by about 85.6 percent as a result of improved performance of some divested State-Owned Enterprises (SOEs), free zones project and investment
programme of the Ghana Investment Promotion Centre (GIPC). Over 1,400 projects registered by GIPC between September 1994 and December 2003 are projected to create employment for about 87,369 people (table 4.4). The success story of some six divested SOEs has created about 3,050 new jobs since divestiture in the early 1990s (table 4.3) although admittedly, some few divested enterprises have collapsed. The number of enterprises registered in the Free Zones enclave between 1996 and 1999 has created direct employment for about 5,523 people.

Table 4.4
Expected Employment Creation by Projects under GIPC

<table>
<thead>
<tr>
<th>Year</th>
<th>Expected Employment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ghanaians</td>
<td>Foreigners</td>
</tr>
<tr>
<td>1994*</td>
<td>1,243</td>
<td>74</td>
</tr>
<tr>
<td>1995</td>
<td>10,291</td>
<td>542</td>
</tr>
<tr>
<td>1996</td>
<td>11,147</td>
<td>857</td>
</tr>
<tr>
<td>1997</td>
<td>10,374</td>
<td>684</td>
</tr>
<tr>
<td>1998</td>
<td>12,248</td>
<td>643</td>
</tr>
<tr>
<td>1999</td>
<td>8,652</td>
<td>650</td>
</tr>
<tr>
<td>2000</td>
<td>9,360</td>
<td>556</td>
</tr>
<tr>
<td>2001</td>
<td>5,837</td>
<td>493</td>
</tr>
<tr>
<td>2002</td>
<td>5,522</td>
<td>466</td>
</tr>
<tr>
<td>2003</td>
<td>7,237</td>
<td>493</td>
</tr>
<tr>
<td>Total</td>
<td>81,911</td>
<td>5,458</td>
</tr>
</tbody>
</table>

* September – December 1994
Source: Ghana Investment Promotion Centre (GIPC)

The informal sector remains the main source of employment for the working population with agricultural and rural sector constituting a greater proportion. Informal sector employment rose by 46.4 percent or 2.7 percent annual average between 1984 and 2000. The importance of the informal sector jobs increased heavily between 1984 and 1992 when the share in total employment rose from about 84 percent to 88 percent. During the same period formal sector employment suffered a major decline due to public sector downsizing and import liberalisation. Formal sector employment dropped from 450,800 in 1984 to 186,300 in 1991 accounting for an increase in informal sector from about 4.5 million to 7.1 million between 1984 and 1992. Over 49,000 people affected by the redeployment exercise were mostly drivers, labourers, sweepers, cleaners, and other grades in the lowest echelon in the public and civil service who lacked the requisite skills, which would make them employable in the formal private sector. Most of those redeployed found refuge as self-employed in the informal sector. The number of people in self-employment increased from 3.8 million in 1984 to an estimated level of 5.2 million in 1992 representing about a 36.8 percent increase. This underscores the crucial role of the informal sector as a provider of alternative employment opportunities in alleviating the negative consequences of the SAP. The sector’s employment role suffered a marginal decline after 1992 (fig 4.2) due partly to the possible re-entry into the formal sector of some of the informal sector workers who could not continue to bear the heat and nuisance of the informal sector while some obviously joined the army of jobless people as reflected in the increasing unemployment rate in the 1990s (fig. 4.4).
4.2 Economic Growth and Employment

The core solution to the problem of unemployment arguably is economic growth through private sector expansion. Improvement in employment and incomes of workers requires a substantial increase in real growth rates over growth of the labour force. In Ghana employment growth appears to lag behind economic growth. While the economy grew by 4.8 percent on average per annum between 1984 and 2000, employment growth over the same period averaged 3.1 percent. With agriculture as the main source of employment, its sluggish growth performance has adversely affected its contribution to employment. The 3.0 percent average growth rate of the agricultural sector over a seventeen-year period from 1984 could only absorb 888,218 workers representing an annual employment growth of 1.6 percent in that sector. The service and industrial sectors performed relatively better in terms of growth and this was translated into employment generation. The service sector recorded an annual employment growth of 5.5 percent as against 6.5 percent growth in real GDP between 1984 and 2000 while the industrial sector created 658,249 jobs representing 5.6 percent annual average employment growth with an annual average growth of 6.2 percent over the same period. These developments have affected the sectoral distribution of employment and real GDP. The reduction in the share of agriculture in total employment in favour of the service and industrial sectors (table 4.1) reflects the changing distribution of sectors in real GDP between 1984 and 2000.

Obviously, the performance of an economy in terms of employment depends on the growth and distribution of investments. A substantial amount of new investments are needed to equip new labour market entrants and re-tool the existing workforce to boost growth. Generally, the slow growth of the economy of about 3.5 percent on average per annum over the past two decades coupled with low investment rate meant slower growth of overall labour demand. Given the growth rate of population and labour force of 2.7 percent and 3.1 percent respectively, it is estimated that the economy needs to grow at about 7 percent in order to impact significantly on employment and the poverty situation.

However, the link between economic growth and employment depends on the labour intensity of industry, the level of labour cost compared with other factor costs, the
skill requirements and competition on the respective markets. The increasing unemployment rate (as shown in fig 4.4) in spite of the positive growth experienced since 1984 has been explained partly by the fact that growth has significantly occurred in sectors where labour intensity is limited. In Ghana, the mining sector has been identified as the sector with the lowest labour absorption rate while tourism and packaging in the service sector are counted among the activities with high labour absorption rate. Wood and garments industries of the manufacturing sector and exportables are relatively more labour intensive. Some analysts have argued that labour cost relative to capital is a relevant long-run determinant of labour absorption rate especially in the manufacturing sector.

Given the capital intensity of mining activity and the 6.7 percent annual average growth recorded since 1984, the sector could only boast of 1.9 percent employment share in 2000 compared with the 5.6 percent share in total real GDP. Similarly, due to the high capital intensive nature of large scale construction which account for a greater chunk of the sub-sector’s output in the economy, its share in total employment is less than 2.5 percent compared with 7.9 percent share in total real national output. As observed by Boateng, K. (2000), though the formal sector of the economy although employs relatively a small proportion of the labour force, it contributes to the growth of the informal sector and its micro and small enterprises, through various linkages. The skill requirements in the agriculture and informal commercial activities are relatively low and thus making it a major source of employment for low skilled workforce particularly females since educational attainment of females is lower compared with their male counterparts.

Thus, economic growth does not necessarily imply employment generation. For economic growth to impact positively on employment, the quality of skills produced should be in line with the changing needs of the economy and entry requirements of the labour market. In Ghana, like many African countries, the increasing incidence and duration of unemployment in recent times has been attributed to widespread disparity between the kind of skills produced by educational institutions and the skills required by the labour market. Given the changes in skill demand in Ghana, it is estimated that about 47 percent of social science and arts students who graduated in 1999/2000 are likely to enter into unemployment (Boateng and Ofori-Sarpong 2001).

The employment impact of the increasing share of the service sector in national output has been felt in the trade sector while the manpower needs of the fast growing Information Technology, Finance and Health sub-sectors is yet to be met. Government of Ghana (2002) asserts that the basic factor affecting the capacity of the economy to generate jobs for the growing number of people coming out of various institutions is the relative slowness of economic growth. However, the impact of economic growth on employment generation depends sufficiently on the source and distribution of growth and the skill of the new labour entrants vis a vis the skill requirement of employers in the labour market.
4.3 Composition of Employment and Unemployment
The number of people employed and unemployed constitutes the labour force. In Ghana, the “employed” comprises all persons above fifteen years who during a specified period performed some work for wage or salary or for profit or family gain in cash or kind. Those who had jobs or formal attachment to a job or had an enterprise in the form of business enterprise, a farm, or a service undertaken but temporarily not at work for any specific reason are considered as being in employment. On the other hand, the “unemployed” consists of all persons above fifteen years who are without work, i.e., neither in paid nor self-employment, but are currently available for work and seeking work.

Fig. 4.3: Employment Status of Economically Active Population
in 2000

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage Employee</td>
<td>15.3%</td>
</tr>
<tr>
<td>Apprentice</td>
<td>3.7%</td>
</tr>
<tr>
<td>Unpaid family worker</td>
<td>6.6%</td>
</tr>
<tr>
<td>Domestic Employee</td>
<td>0.9%</td>
</tr>
<tr>
<td>Self-employed with employee</td>
<td>5.2%</td>
</tr>
<tr>
<td>Self-employed no employee</td>
<td>67.6%</td>
</tr>
<tr>
<td>Other</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: 2000 Population and Housing Census; Ghana Statistical Service

The employment status in the Ghanaian labour market is largely skewed in favour of the self-employed. In 2000 self-employed workers with no employees constitute about 68 percent of the economically active population while additional 11.2 percent are unpaid family workers, apprentice and domestic employees in the informal sector (both agriculture and non-agriculture). This leaves 20.5 percent of the working population classified as employees and employers who could be taxed at source (fig. 4.3). Similarly, in 1984 almost two-thirds (64.9%) of the working force was self-employed with no employees and apprentice while unpaid family workers and house-helps accounted for 12.5 percent. Employees and self-employers accounted for 20.9 percent indicating that about 79 percent of the workforce cannot be taxed at source. This suggests that there is a high tendency of direct tax evasion in the economy. Among the females, self-employed with no employees constituted over 72 percent in both 1984 and 2000 compared with less than 63 percent for males. The participation rate of males regarding employees and employers is higher than females. While 9.6 percent and 5.0 percent of females are employees and employers respectively in 2000,

14 Self-employed with employees (5.2%) and Wage employee (15.3%)
the proportion of males working as employees and employers is 21.0 percent and 5.4 percent respectively. This pattern is also observed in 1984.

Agriculture continues to remain the main source of employment for the economically active population in spite of the drop in its share between 1984 and 2000 followed by production, transport and equipment, and sales work. In all, there are about 3.97 million employed people (or about 48 percent of the working age population) whose main occupation is agriculture compared with 16 percent engaged in production, transport and equipment and 15 percent in sales or commerce. Beside agriculture, sales work remains the major occupation for women while the men are predominantly in production. Quite significantly, a high proportion of women (21.3%) are engaged in commercial activities and a relatively larger proportion of men (18.9%) are engaged in production. Professional and Technical occupation as well as service has undergone a significant improvement between 1984 and 2000. While the share of the working people engaged in professional and technical occupation more than doubled from 4.1 percent to 8.6 percent that of service also more than doubled from 2.4 percent to 5.9 percent over the same period (table 4.5). Administrative and managerial has remained the occupation, which engages relatively least proportion of the working population.

Unemployment fundamentally 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 sector employment tends to push up the rate of unemployment. The labour force in Ghana has almost doubled between 1984 and 2000 with an annual average growth of 5.8 percent compared with an average real GDP growth of 4.8 percent. The slow growth of the economy indicates a low absorption capacity creating excess labour in the economy.

The adult unemployment rate for the country, which stood at 2.8 percent in 1984 rose to 4.7 percent in 1992 and more than doubled to reach 10.4 percent in 2000. The increasing unemployment rates in the 1980s and 1990s could be attributed to globalisation and unfair trade practices, which coupled with high domestic production cost in the wake of high interest rate and rapid depreciation of the domestic currency has led to the collapse of many local firms and made a lot less competitive. Public sector downsizing involving privatisation and redeployment which contributed, to over 85 percent of the loss of about 235,000 formal sector jobs between 1985-1990, and low level of directly productive investments to absorb the 5.8 percent average labour force growth have also contributed significantly to the rising unemployment rates in the economy.
Generally, unemployment rates are lower for males than for females even though the female participation rates have increased dramatically in recent years. From figure 4.4, apart from 1984 when female unemployment rate fell below that for male, unemployment rates for females have remained above that of males (fig 4.4). The ILO/JASPA (1989) study observed that, in many African countries including Ghana, women have twice the chance of being unemployed than men. This observation appears not to be the case in recent times as the female-to-male unemployment ratio declined from 1.46:1 in 1992 to 1.16:1 in 1998 and further down to 1.06:1 in 2000.

The relatively higher unemployment rate among women in the early 1990s has been attributed to their low educational attainment relative to men, public sector downsizing which affected women more than men because women occupied the very low level jobs which the programme targeted; and overcrowding in the informal trade sector where at least 50 percent of the female labour force in the urban areas operate. However, the decline in the female-to-male unemployment ratio in the 1990s could be linked to the improved educational attainment of females lately. Between 1984 and 2000, the proportion of females in tertiary institution increased from 0.4% to 2.2 percent while post secondary also increased from 0.5 percent to 1.4 percent.

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 GLSS3 estimates that in 1992, 17.1 percent of youth aged 15-24 in the labour force were unemployed as against 4.3 percent for 25-44 and 2.7 percent for 45-59 age groups. Similarly, the GLSS4 puts the unemployment rate for the youth aged 15-24 at 15.9 percent compared with 7.4 percent for 25-44 and 4.7 for 45-64 age group. The GLSS 1&2 estimates in 1987 and 1989 respectively follow a similar trend as shown in table 3. This confirms the general assertion that unemployment rates tend to decrease with age. The rapid rate of population growth averaging 2.7 percent with its upward pressure on the labour force has been identified as the core reason for the high incidence of youth unemployment.
Table 4.5
Adult Unemployment Rate by Age (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>4.8</td>
<td>2.8</td>
<td>17.1</td>
<td>15.9</td>
</tr>
<tr>
<td>25-44</td>
<td>1.6</td>
<td>0.9</td>
<td>4.3</td>
<td>7.4</td>
</tr>
<tr>
<td>45-64</td>
<td>2.1</td>
<td>0.3</td>
<td>5.1*</td>
<td>4.7</td>
</tr>
<tr>
<td>All</td>
<td>1.6</td>
<td>0.8</td>
<td>4.7</td>
<td>8.2</td>
</tr>
</tbody>
</table>

* include 2.4 of 55-64 age group
Source: Ghana Living standard Survey; GSS

The educational dimension of the unemployment situation in Ghana suggests that unemployment among illiterates is relatively low with the rate at 0.8 percent in 1992. On the contrary, open unemployment seems to increase with education. This is due partly to the fact that in the wake of general shortage of jobs, unskilled people with low expectations are ready to accept informal sector jobs that are less secured and low paid. It also appears that those who are educated but without specific skills relevant in the labour market are disadvantaged suggesting a possible mismatch between their training and job expectations and the characteristics of the jobs available in the economy. 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” workforce due to poor educational infrastructure have in recent times led to increasing unemployment rate among university and polytechnic graduates.

The unfavourable economic environment has adversely affected the ability of the private sector to make impressive strides towards growth and absorb increasing labour force. ISSER (1995) has observed that most of the unemployed youth are school dropouts. The education reform programme, which started in 1987, has created a situation where at every level of education, at least 60 percent fail to gain admission to move up the ladder. This has created a pool of unemployed youth who are mostly semi literates and lack the requisite employable skills.

4.4 Sectoral and Regional Composition of Employment and Unemployment
One of the best measures of economic activity besides the unemployment rate is employment-population ratio. Nonetheless, the sectoral and regional composition of employment provides a clue about the source economic activity. The total number of people in employment as of 2000 was 7.4 million yielding an employment-population ratio of 39.4 percent. This represents an increase of 37.1 percent over the 1984 level. The private sector provides employment for about 88 percent of the working population, majority of whom are in the informal sector. As shown in fig 4.5, the informal sector accounted for 80.3 percent of the economically active population in 2000 compared with 8.7 percent in the private formal sector while the share of the public sector including parastatals stands at 9.1 percent. The size of the public sector of 10.2 percent in 1984 compared with the current level of 6.2 percent suggests a modest impact of the ERP/SAP on the size of the sector in terms of employment. The private informal sector remains the largest source of employment particularly for rural folks who are predominantly in agriculture and related activities while most of the
formal sector jobs are in the urban area especially in the big cities of Accra, Kumasi, Takoradi and Tema.

**Fig 4.5 : Distribution of Economically Active by Employment Sector in 2000 (%)**

![Pie chart showing distribution of economically active population by employment sector](chart.png)

Source: 2000 Population and Housing Census: Ghana Statistical Service

Most of the economically active population are in the rural areas majority of which are engaged in Agriculture. In 1992, about 78.4 percent of the productive workforce in the rural areas was engaged in agriculture with 19 percent of the urban workforce engaged in agriculture. The main occupation for the urban workforce is commercial activity accounting for 32.7 percent in 1992. In 1998, sales or commercial activity was the source of livelihood for about 33.4 percent of urban workforce while only 11.6 percent in the rural areas was engaged in commercial activity. Production is the second major activity among the urban workforce with 25.1 percent share in total urban labour force. Agricultural activity remains the major source of economic activity for the rural labour force accounting for 70.1 percent in 1998 followed by production (11.8%) and sales (11.6%). The proportion of the labour force living in the urban areas dropped from 31.4 percent in 1984 to 29.2 percent in 1992 and later increased to 31.4 percent in 1998. This seems to suggest that the strides made to minimize the migration of the youth from the rural areas to the urban centres through rural electrification programme in the late 1980s was short-lived since the subsequent increase in the proportion of the urban workforce means that the incidence of rural urban migration is on the increase.
Table 4.6
Main Occupation of Economically Active Population by Locality (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>8.3</td>
<td>2.5</td>
<td>6.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Adm./Managerial</td>
<td>0.6</td>
<td>---</td>
<td>0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Clerical</td>
<td>7.1</td>
<td>0.7</td>
<td>5.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Sales/Commercial</td>
<td>32.7</td>
<td>7.8</td>
<td>33.4</td>
<td>11.6</td>
</tr>
<tr>
<td>Service</td>
<td>5.4</td>
<td>1.7</td>
<td>9.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Agriculture</td>
<td>19.0</td>
<td>78.4</td>
<td>19.9</td>
<td>70.1</td>
</tr>
<tr>
<td>Production</td>
<td>26.8</td>
<td>8.8</td>
<td>25.1</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Source: Population Census and GLSS 3&4: Ghana Statistical Service

Unemployment appears to be an urban phenomenon in Ghana even though the rate in the rural areas has increased since 1984. The rural unemployment rate in 1998 was 5.5 percent as against 13.4 percent among urban dwellers. Similarly, 11.3 percent of the active urban adults were unemployed in 1992 whereas only about 1.7 percent of adults in the rural areas were reported unemployed. The relatively high incidence of unemployment in the urban areas has been attributed to the high rural-urban migration as a result of increasing deterioration in the social and economic conditions in rural areas coupled with inadequate jobs in the urban areas. The seemingly high incidence of urban unemployment compared with unemployment in the rural areas needs to be analysed with some level of caution. This is because in the rural areas many people may be engaged in farming as a part-time work since they have nothing else to do. This category of workers might be classified as employed rather than underemployed even though they are not working full-time. As a result of this the unemployment rate in the rural areas may be underestimated.

Fig. 4.6: Adult Unemployment Rates by Location 1984-1998 (%)
The regional distribution of unemployment across the northern savannah belt through the middle forest regions down to the coastal forest belt provides an interesting dimension to unemployment in Ghana. The northern savannah belt recorded the lowest average unemployment rate of 1.0 percent in 1984 compared with 2.4 percent and 4.6 percent in the middle and coastal belt. Within the coastal belt, Greater Accra with high level of urbanisation recorded the highest unemployment rate of 7.7 percent while Ashanti was the region with the highest rate of unemployment (3.1%) among the regions in the middle belt.

<table>
<thead>
<tr>
<th>Belt</th>
<th>Region</th>
<th>1984</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>Upper East</td>
<td>1.0</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td>Upper West</td>
<td>0.7</td>
<td>15.0</td>
</tr>
<tr>
<td></td>
<td>Northern</td>
<td>1.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Brong Ahafo</td>
<td></td>
<td>1.5</td>
<td>7.3</td>
</tr>
<tr>
<td>Middle</td>
<td>Ashanti</td>
<td>3.1</td>
<td>11.2</td>
</tr>
<tr>
<td></td>
<td>Eastern</td>
<td>2.6</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td>Volta</td>
<td>1.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Coastal</td>
<td>Western</td>
<td>2.7</td>
<td>8.7</td>
</tr>
<tr>
<td></td>
<td>Central</td>
<td>2.9</td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td>Gt. Accra</td>
<td>7.7</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Source: Population & Housing Census: Ghana Statistical Service

The 2000 population census provided a different picture about the distribution of unemployment in Ghana. Surprisingly, the northern belt recorded the highest average unemployment rate of 13.3 percent (with upper East recording 20%) as against 10.7 percent in the coastal belt and 9.1 percent in the middle belt. Although, the reference month for both censuses is the month of March, the farming season in the north, in 2000, might have started late, which might have distorted the outcome of the 2000 census. Thus, most of the unemployed in the northern belt might be waiting for the commencement of the farming season and hence best be described as hidden unemployed.

4.5 Underemployment and Hidden Unemployment
An underemployed person is the one who is available to work longer and seeking to do so. Thus, it is the extent to which people may be employed but not as fully as may be desirable. The ILO defines the visibly underemployed as comprising those working less than the normal duration of work determined for that activity, or doing so involuntarily, and seeking or being available for additional work. The invisibly underemployed on the other hand refers to those who are working in an enterprise where their skills are under-utilised. However, data on invisible underemployment is difficult to come by as available data on underemployment mostly focuses on visible underemployment. According to the GLSS 3&4, a measure of underemployment is obtained by the number of people who work for 40 hours or less a week in their main job and are willing to work more hours. The overall adult underemployment rate in 1992 was 8 percent as against 13.9 percent in 1998. The distribution of underemployed by gender and locality is shown in table 4.6 below.
Table 4.8
Underemployment by Gender and Locality (%)

<table>
<thead>
<tr>
<th>Locality</th>
<th>Gender</th>
<th>1992</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>Male</td>
<td>10.0</td>
<td>15.7</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>7.0</td>
<td>14.8</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>8.0</td>
<td>15.2</td>
</tr>
<tr>
<td>Urban</td>
<td>Male</td>
<td>6.0</td>
<td>10.9</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>6.0</td>
<td>11.6</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>6.0</td>
<td>11.3</td>
</tr>
<tr>
<td>National</td>
<td>Male</td>
<td>9.0</td>
<td>14.2</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>7.0</td>
<td>13.7</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>8.0</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Source: GLSS 3 & 4; Ghana Statistical Service

Underemployment seems to affect people in both urban and rural areas though it is relatively higher among the rural folks. The rate in the rural area was 8 percent in 1992 compared with 6 percent among the urban dwellers, while in 1998 the rate among rural folks increased to 15.2 percent as against 11.3 percent in the urban area. The gender disparity of the rate of underemployment does not appear to be wide. In 1998, the national underemployment rate among the males was higher than among females by 0.5 percent compared with 0.7 percent in the urban area and 0.9 percent in the rural area. The males and females had identical rates of underemployment in the urban area in 1992 while in the rural areas male underemployment was 3 percent higher than females compared with 2 percent at the national level. The underemployment rate is lower for females than males in Ghana because of high domestic commitments of females, which prevent them from working more hours.

Hidden unemployed refers to those people who become discouraged with their futile job search activity and eventually drop out of the labour market as a result of the difficulty in finding work. Thus, the phenomenon refers to people who would like to work but believe that jobs are so scarce that looking for work is of no use. The exclusion of this army of hidden unemployed tends to underestimate the officially reported unemployment rate. High hidden unemployment occurs in times of economic recession when people become frustrated in search for a job and thus drop out of the labour force.

Apparently, no comprehensive survey has been undertaken in Ghana to estimate the number of people who constitute the army of hidden unemployed. Some frustrated and discouraged university and polytechnic graduates in the labour market seek refuge by pursuing professional courses to upgrade their skills in order to make them more employable rather than becoming hidden unemployed. In the northern part of Ghana, no farming activity takes place during the dry season between November and March and as a result, the army of people who find it difficult to secure jobs in the southern part of the country stop searching for jobs and become hidden unemployed. The inclusion of these people in the estimation of unemployment rate during that period would significantly affect the overall unemployment rate in the country. However, this group of people could be classified as seasonally unemployed and
taken into account in the estimation of the unemployment rate if they do not stop their search but remain and continue their search for jobs in the labour market.

4.6 Technology and Employment

Technology involves the introduction of new methods of production for efficient production. Technological change encompasses the introduction of new products and production techniques and it serves to reduce cost of production. While people who view technological change as a blessing often consider the enormous gain in the standard of living made possible by new technology, others think it is a curse because of its adverse consequences for workers. In a competitive economy, technological change that emphasises the increasing usage of capital as against labour reduces enterprise demand for labour. Generally, technology tends to raise the relative demand for more skilled workers and consequently reduces the demand for manual labour. Gyan-Baffour et al (2001) observe that in Ghana capital-intensity technologies do not necessarily result in lower levels of employment. Rather, improvement in technologies leads to increases in efficiency of both capital and labour.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; technical</td>
<td>4.1</td>
<td>4.2</td>
<td>4.1</td>
<td>8.6</td>
</tr>
<tr>
<td>Adm. &amp; managerial</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Clerical &amp; Related</td>
<td>2.4</td>
<td>2.5</td>
<td>2.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Sales</td>
<td>13.8</td>
<td>15.1</td>
<td>18.5</td>
<td>14.9</td>
</tr>
<tr>
<td>Service</td>
<td>2.4</td>
<td>2.8</td>
<td>4.7</td>
<td>5.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>60.7</td>
<td>61.1</td>
<td>54.3</td>
<td>47.9</td>
</tr>
<tr>
<td>Prod. Transport &amp; Equip</td>
<td>16.4</td>
<td>14.0</td>
<td>16.0</td>
<td>16.2</td>
</tr>
<tr>
<td>Other Labourers</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>1.3</td>
</tr>
<tr>
<td>New Workers</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: GLSS 3&4 and 1984 and 2000 Population Census; Ghana Statistical Service

Generally, one of the major sources of increasing demand for skilled manpower in the wake of globalisation is Information Technology (IT). The introduction of new IT has an effect of reducing the cost and increasing the speed of communication to the benefit of the growth and development of the economy. In Ghana, like many developing economies, employment of skilled workforce has been on the increase in response to globalisation. The proportion of professional and technically skilled workforce in the economically active population as shown in table 7 rose from 4.1 percent in 1984 to 8.6 percent in 2000. Similarly, the share of clerical and related workforce in total economically active population rose from 2.4 percent to 4.4 percent over the same period. One notable sector that has shown drastic improvement in employment since 1984 is the service sector. From a share of 2.4 percent in 1984, the share of the service sector in total labour force more than doubled to 5.9 percent in 2000. This could be partly attributed to the infusion of IT in the finance and insurance sub-sector of the service sector, which has contributed to a vast increase in the demand for high skilled workers in that sector. Employment in transport, storage and communication industry as a proportion of total labour force also increased from 2.3
percent in 1984 to 3.6 percent in 2000, which could be partly attributed to improvement in IT in the economy.

On the contrary, the rate of growth of employment for the production and related workers with skilled manual and craft workers, but mainly unskilled and semi-skilled has been low and marginally declining. Its share declined marginally from 16.4 percent in 1984 to 16.2 percent in 2000. Similarly, the employment growth in agriculture has declined drastically from 60.7 percent to 47.9 percent over the same period. According to the World Employment Report (1998) employment in high skilled manufacturing industry as a percentage of total manufacturing employment declined marginally from 20.3 percent in 1980 to 19.4 percent in 1994. This is in contradiction with the assertion that as many traditional production functions are displaced by machines, employment of production workers decline especially in the manufacturing sector. This suggests that globalisation and its attendant technological transfer has had a limited impact on the demand for skilled manpower in the manufacturing sector.

4.7 Upskilling of the Labour Force
A mismatch between the skill requirements of employers and skills of prospective workers has been identified as one of the major causes of rising unemployment and streetism in Ghana. More often than not employers complain about the quality of skills and the cost of re-equipping and retooling new labour market entrants. The unemployment registration exercise that took place in 2001 revealed that almost all the one million registered unemployed did not have any meaningful employable skills. The failure of educational institutions to produce the requisite skilled manpower to meet the changing labour market requirements in the economy has been observed as a major cause of the mismatch in the labour market. In an attempt to make vocational training more useful in the Ghanaian labour market the vocational training curricula were reviewed to increase their relevance to the current labour market. Entrepreneurship and co-operative programmes were added, and graduates exposed to micro financing with the view to encouraging the youth to enter into self-employment.

The formal educational institutions in Ghana basically provide general academic training to equip students with the minimum skills to enter the labour market and express themselves and understand the dynamics of society. The institutions also provide opportunity for employees to upgrade their skills. Skill development institutions like Ghana Institute of Management and Public Administration (GIMPA), Management Development and Productivity Institute (MDPI) and Ghana Secretarial School provide post-experience training to re-equip the skills of a good number of people in the labour market. Some non-formal institutions also offer 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. The Integrated Community Centres for Employable Skills (ICCES) and EMPRETEC continue to provide entrepreneurial and occupational training while some establishments provide on-the-job training for their workers. The National Board for Small Scale Industries (NBSSI) is another institution involved in the training of small-scale industrialists in the area of management and entrepreneurship development. The Ghana Banking College organises refresher courses for personnel in the banking industry to be abreast with new developments in the industry. Some enterprises also
provide study leave and scholarship for their workers to pursue relevant postgraduate degree programmes as a way of boosting their skills.

In recent times some university, polytechnic, and secondary school leavers find it necessary to pursue professional courses in accounting, and management among others with the view to upgrading their skills and increase their chances of securing gainful employment. Most of these professional courses are organised by professional bodies in Ghana and abroad including ICA Ghana, ACCA and CIMA in United Kingdom and CPA in the US.

One aspect of skill upgrading in Ghana over the years is the informal system of apprenticeship, which has been the dominant form of learning skills especially for Junior Secondary School leavers who do not gain access to the traditional senior secondary school and vocational and/or technical institutes. The informal apprenticeship system remains the predominant mode of acquisition of semi-skilled trades, crafts and occupations. Most of these informal apprenticeship systems offer training skills to the youth in artisanship, dressmaking and hairdressing etc. The method of training is for the apprentice to learn the trade by watching the master craftsman and other senior apprentices perform the job. Another method of informal skill acquisition apart from apprenticeship is internal skill acquisition through self-tuition. According to ILO/JASPA (1989), the apprenticeship system accounts for about 55 percent of entrepreneurs who obtained their training in the informal sector while 34 percent resorted to the self-tuition system. There are some obvious limitations in the mode of training in the informal apprenticeship system in Ghana. Baah-Nuakoh (2003) points out that the level of technical knowledge within the sector is limited to what is passed on from the master to the apprentice by repeated exercise since 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 tend to be slow unless they are introduced from outside; thus those who have work experience from the formal sector were likely to be more dynamic and innovative than those with training from the informal sector. These limitations notwithstanding, the informal apprenticeship system contributes significantly to upskilling labour force in the economy.

4.8 Education and Vocational Training

Education is a key strategic and important tool aimed at producing a population of at least knowledgeable and productive citizens. It is a means by which people acquire knowledge, recognise and absorb new ideas and develop the cognitive skills to acquire technical capabilities. Education has the potential of contributing to improving productivity of labour, lowering income inequality and promoting growth and development. The total illiteracy rate in Ghana as of 2000 was 45.9 percent majority of whom are females. The educational characteristics of adult Ghanaians in 2000 shown in table 8 indicate that 37.1 percent of adult male population are illiterate compared with 54.3 percent among adult females.
### Table 4.10

**Educational Characteristics of Adult Population (15yrs+) in 2000 (%)**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Overall</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not literate</td>
<td>45.9</td>
<td>37.1</td>
<td>54.3</td>
</tr>
<tr>
<td>Literate in English only</td>
<td>12.7</td>
<td>14.4</td>
<td>11.1</td>
</tr>
<tr>
<td>Literate in Ghanaian Lang. only</td>
<td>6.4</td>
<td>6.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Literate in English &amp; Ghanaian Lang</td>
<td>34.2</td>
<td>41.6</td>
<td>27.2</td>
</tr>
<tr>
<td>Literate in other Language</td>
<td>0.8</td>
<td>0.9</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: 2000 Population and Housing Census; Ghana Statistical Service

In Ghana, the development of skills of the labour force may be undertaken through formal, informal or non-formal education. The acquisition of formal education through schools, colleges and universities as well as skill development institutions prepares students towards the award of an academic qualification. The general education forms the largest component of formal education albeit vocational and technical training are also important for a significant proportion of the population. The educational reform, which took off in 1987, attempted to put more weight on 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 excluding preparation for primary education at the kindergarten without the inculcation of any meaningful vocational and technical oriented skills into the students.

Non-formal education offers task or project-related training through lectures, seminars and workshops for identifiable groups with the aim of enhancing productivity in their current or planned occupations. On-the-job training organized by some establishments usually takes this form. The functional literacy programme under the auspices of the Non-Formal Education Division (NFED) of the Education Ministry offers training in functional literacy and numeracy for adults who have not had formal education. The programme has benefited a number of adults, particularly the rural folk, in the area of hygiene, agriculture and agro-processing.

Informal education has as its main component the apprenticeship system that provides about 48 percent of the vocational and technical skills of the labour force in the informal sector. In Ghana about 60 percent of Junior Secondary School graduates who are unable to continue their education at the senior secondary school level find refuge in apprenticeship or become unemployed. A serious effort to develop the informal apprenticeship system would potentially help to minimise the high incidence of unemployment and underemployment particularly among the youth in the economy.

There are about 23 vocational and technical institutions in Ghana under the supervision of the Ghana Education Service, which provide formal vocational and technical training to a significant number of the Ghanaian workforce. These institutes offer varying types of training programmes including block release, upgrading, pre-employment programmes and craft courses with more emphasis on practical training, to be supplemented by industrial attachment. The National Vocational Training Institute (NVTI) has been responsible for the nationwide coordination of all aspects of
vocational training including apprenticeship. It was set up by 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 30 training centres under the NVTI. Over a period of 20 years after its establishment, the NVTI had trained over 40,000 persons in various skills including carpentry, masonry, auto mechanic, dressmaking, welding, etc. The institute has stepped up its intake since 2000 with a total enrolment of 10,703 between 2000 and 2003. Apart from the government-run vocational and technical schools, there are private vocational institutions some of which are sponsored by religious institutions.

One notable problem associated with vocational education is the difficulty in placing qualified graduates from vocational schools in wage employment although specific opportunities exist. This result from the lack of linkages between vocational schools and the job market, which makes the schools turn out products that possess identical skills. It is uncommon to observe that vocational and technical schools are producing qualified typists who end up unemployed in the wake of shortage of computer operators. This calls for a revision of the vocational education curricula to focus on demand driven programmes that would make the graduates employable.

Some legitimate concerns have been raised about the limited linkages existing between the informal sector and the vocational and technical institutions in the formal sector. More often apprentices who acquire their skills in the informal sector virtually end up in the sector while trainees from vocational and technical institutions seldom end up in the informal sector. Graduates from the formal training system are prepared basically for jobs in the modern industrial sector, which has limited capacity to absorb them. There is therefore the urgent need to re-orient the programmes of technical and vocational institutions to the labour requirements of the informal sector and above all encourage and equip graduates from vocational and technical schools with capital to enter into self-employment. The informal sector would need the infusion of new skills and methods of operation through the training of the graduates of vocational schools to enter the informal sector as entrepreneurs or as paid employees. A conscious effort to upgrade the skills of entrepreneurs and apprentices from the informal sector through training programmes could also help boost productivity in the informal sector.

4.9 Labour Market Regulation and Policy
The main identifiable actors in the Ghanaian labour market are the employers, organised labour and the government. These core actors constitute the Tripartite Committee, which determines the minimum wage as a way of shaping the structure of wages in the formal labour market. The Ghana Employers’ Association (GEA), which was established in 1959, aims at promoting the interest of its members and currently represents employers at the Tripartite Committee, ILO and International Organisation of Employers among others. Trades Union Congress (TUC) and Joint Consultative Forum represent organised labour at the tripartite committee. The TUC was formed in 1945 with fourteen unions under the Trade Unions Ordinance of 1941 and was recognised under the Industrial Relations Act 1965 as the main umbrella organisation.

15The Joint Consultative Forum comprises the Civil Servants Association, the Ghana National association of Teachers, and the Judicial Service Staff Association of Ghana together with the TUC form the National Consultative of Ghana Labour.
for labour union activities and mouthpiece of unionised labour in its dealings with
government and employers. Among the TUC’s stated objectives is to support efforts
of affiliated unions to improve wages, shorten hours of work and create better
conditions of service at work places. It also aims at securing social, political and
economic justice in Ghana and to ensure that workers benefit from these through
collective action. The TUC currently has seventeen national unions.

Generally, labour market factors that tend to influence the outcome of the market in
Ghana include industrial relations and labour laws, organized labour or unions and
employers’ associations and minimum wage legislation. Some analysts have
attributed the imperfection of the Ghanaian labour market to the strong influence of
some of these institutions, regulations and laws. Nonetheless, these laws and
regulations serve as a guide in industrial relations at the national and enterprise levels
and also provide machinery for reconciling employers and employees in the event of
dispute in order to ensure a stable industrial atmosphere, fair distribution of income
and industrial progress.

One important institution within the system of industrial laws and regulations in
Ghana is the Labour Department. It was establish in 1938 to among other things
advice the government on all labour and industrial relations issues and also report on
employment, job vacancies and unemployment. The Department is also responsible
for inspecting labour conditions generally, and producing a report on developments in
trade union formation and conduct. The Department also publishes labour statistics
and employment bulletins and examines various international conventions with regard
to their local applications. The head of the Labour Department is the Chief Labour
Officer whose role as a registrar of trade unions would be taken over by the Labour
Commissioner with the coming into force of the labour Act of 2003 (Act 651).

Some of the notable laws and regulations that guide the government in administering
the labour market include the Labour Decree of 1967 (NRCD 157) which among its
many provisions provides for the establishment of public employment centres in the
district capitals to workers (both employed and unemployed) to secure suitable jobs
and also assists employers find suitable workers. The labour decree sets the
employable age at a minimum of 16 years for all persons except in the case of own
family agricultural or domestic business and also set out the procedure for fixing
national minimum wage. It also makes provision for the protection of female
employees in matters relating to underground mining work, night shift and maternity
leave. Other important provisions of the labour decree include: provisions concerning
the termination of employment contracts and the payment of severance awards;
protection of employees’ pay from arbitrary deductions, forced labour; reporting of
industrial injuries and deaths; and bribery in employment.

The view that some of laws governing the labour market have been in existence for as
long as half a century and are out of tune with modern trends and demands
necessitated the review of the Ghana labour laws. In the year 2003 a new labour Act
was passed by Parliament of Ghana to replace the Labour Decree of 1967, Industrial
relations Act of 1965 and Trade Unions Ordinance of 1941 among others. The new
labour act, Act 651 introduces some level of flexibility in the labour market with the
aim to promoting employment, minimizing conflict in the industrial relations system in Ghana, and thereby promoting investment and Ghana’s competitiveness in the international community. Some of the major elements of the new labour act include the establishment of private fee-paying employment agencies, the recognition of the right of workers to form their own unions, which replaces the earlier law of placing all unions under the TUC, and the establishment of a Labour Commission to among other things facilitate the settlement of industrial disputes and promote effective labour cooperation between labour and management.

Labour market policies over the years have been geared towards employment generation. The aim of the national employment policy framework is to create an enabling environment for accelerated growth and employment generation and also to create adequate wage and self-employment opportunities for labour market entrants. A considerable degree of emphasis is placed on the development of small and micro enterprises as well as employment opportunities for females. Employment generation strategies have been based primarily on labour intensive projects like labour based Feeder Road Rehabilitation and Maintenance Projects, Priority Public Works Projects and Food for Work Project among others. The employment benefit of such projects is basically restricted to the project area and the life of the project. In the 1980s, PAMSCAD embarked on labour intensive infrastructural projects including the construction of hand-dug wells, sanitation projects and labour intensive feeder roads projects among others as a direct employment generation programme. These works created about 20,000 person-work-years of employment during a five-year implementation period.

A sustained employment generation programme through active labour market policies have been pursued alongside the short-term direct employment generation programmes. These include provision of credit schemes for farmers and small-scale enterprises, developing employment related skills for the increasing labour force and enhancing opportunities for women in development, etc. The first five years of vision 2020 built into all macroeconomic and promotion policies, employment promotion considerations with the view to increasing productive employment opportunities.

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

A notable feature of incomes policy in Ghana until early 1980s has been the system of centralised collective bargaining, which establishes the structure and levels of wages in the public sector. The minimum wage determined by the tripartite committee serves as a benchmark for shaping the structure of wages in the formal sector. The abandonment of the system has created a situation where wages and salary structures has to a large extent been determined by inflationary pressures and strike actions
rather than through negotiations and bargaining. The strike driven system of wage determination in the public sector has made nonsense of the role of productivity in wage determination causing imbalances in the public sector wage structure. The 1994 Gyampo Commission report, which was expected to provide policy guidelines for government to address the earnings differentials in the public service failed to make any positive impact due to lack of political will and opposition from a section of the labour front.

One important aspect of Public Sector Incomes policy was the rationalisation of public sector jobs with the view to rectifying disparities, distortions, anomalies and inequalities in public service salaries and wage structures. The job rationalisation policy was aimed to ensure equity and fairness in unifying public sector incomes, standardised job titles in the public sector, enhanced labour mobility within the public services, and consequently link compensation to productivity, economic growth and increase in domestic revenue. The policy was meant to correct the use of supposedly analogous grades and titles for the determination of salary levels in the public services instead of job content. The implementation of the policy was not without problems particularly at the initial stages. The initial distortions created brought a lot of opposition from the labour front. Nonetheless, the distortions and imbalances of the salaries and wage structure of the public services remain unresolved.