



UNIVERSIDADE ESTADUAL DE CAMPINAS

Instituto de Economia

NAOMI TETTEH-BATSA

**THE IMPACT OF ECONOMIC GROWTH ON GHANA'S LABOR
MARKET.**

A FOCUS ON THE LAST DECADE(2009-2019)

**O IMPACTO DO CRESCIMENTO ECONÔMICO NO MERCADO DE TRABALHO DO
GANA.**

FOCO NA ÚLTIMA DÉCADA (2009 – 2019)

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Advisor: Prof. Dr. Anselmo Luis dos Santos

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Defended in 29/04/2022

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A Ata de Defesa, assinada pelos membros da
Comissão Examinadora, consta no processo de vida
acadêmica da aluna.

DEDICATION

This study is wholeheartedly dedicated to the Almighty God for giving me the strength, wisdom, and grace to conduct this research to its successful completion.

My heartfelt gratitude to my late dad, Mr. Jonathan Tetteh-Batsa; I know he is in heaven smiling down, proud of her little girl for completing her master's thesis successfully.

To my mother, sisters, and brother, I am eternally grateful for your relentless support.

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I also acknowledge my colleagues from different continents of the world who made my stay in Brazil a memorable one. God richly bless you all.

RESUMO

Ao atingir o status de renda média, espera-se que o desempenho do mercado de trabalho de Gana responda ao crescimento econômico. Consequentemente, a economia de Gana é identificada como parte das economias que mais crescem no cenário internacional, com uma perspectiva econômica dinâmica tanto na África e no globo. Portanto, este estudo busca identificar o impacto da economia de Gana, o estado da economia sobre o desempenho dos mercados de trabalho. Isso é para observar como o mercado de trabalho de Gana responde às tendências de crescimento de sua economia.

Para atingir o objetivo deste artigo, o estudo adotou a metodologia de pesquisa qualitativa usando dados secundários para chegar às suas conclusões. Principalmente, os objetivos de pesquisa que nortearam a causa deste artigo são identificar a tendência de crescimento da economia de Gana e sua população demográfica: o estado da criação de empregos em Gana, bem como os fatores que influenciam a alta níveis de informalidade no mercado de trabalho e suas respostas ao crescimento econômico do país.

A título de foco, o artigo empregou dados ao longo de uma década de 2009 a 2019 após a crise financeira global e o período em que Gana encontrou um enorme crescimento. Também, justapõe este período com o anterior.

Em linhas gerais, o estudo situa a condição de Gana no contexto africano e, em certa medida, no mundo. Apresentou os indicadores de crescimento econômico em Gana sendo a taxa de crescimento do PIB, inflação, comércio de mercadorias, exportações, investimentos e outros.

Além disso, estudou o desempenho dos principais setores da economia do país e a demografia de Gana. Em relação à criação de empregos, o estudo identificou que o crescimento econômico se traduziu mal na concepção de empregos e oportunidades de emprego inadequadas para a força de

trabalho, apesar de uma perspectiva econômica de bom desempenho. Isso aprovou a resposta inelástica da criação de empregos ao crescimento econômico. Da mesma forma, à medida que a economia crescia, o setor informal crescia, juntamente com altos níveis de privatização no país e más condições do mercado de trabalho.

Para concluir, o documento identifica e avalia algumas medidas tomadas pelo governo do Gana em resposta à capacidade de resposta do mercado de trabalho. O governo de Gana tem lançado programas econômicos como o Visão 2020, o estabelecimento do Agência de Emprego, Plantingfor Food and Jobs, e o Nation Builders Corps. Essas medidas, entre outras, visam colmatar a lacuna de crescimento e emprego no país, uma vez que existe uma taxa de crescimento elevada, um crescimento populacional elevado face a poucas oportunidades de emprego. A economia mal absorveu a força de trabalho ganesa, embora estivesse crescendo.

Palavras-chave: Crescimento econômico, mercado de trabalho, geração de empregos, setor informal.

ABSTRACT

Upon attaining Middle-Income status, Ghana's labor market performance is expected to respond to growth in the economy. Consequently, the economy of Ghana is identified to be part of the fastest growing economies on the international front, with a dynamic economic outlook both within Africa and on the globe. Therefore, this study seeks to identify the impact of the growing Ghanaian economy, the state of the economy on the labor markets performance. That is to observe how Ghana's labor market responds to the growth trends of its economy.

To reach this goal of the paper, the study adopted the use of qualitative research methodology using secondary data to arrive at its conclusions. Mainly, the research objectives that guided the cause of this paper are to identify the growth trend of Ghana's economy and its population demography; the state of job creation in Ghana as well as the factors that influence the high levels of informality in the labor market and their responses to the economic growth of the country. By way of focus, the paper employed data over a decade from 2009 to 2019 after the global financial crisis and the period within which Ghana encountered enormous growth. Also, to juxtapose this period with the one before it.

Broadly, the study situates the Ghanaian condition within the African context and to some extent, the world. It presented the economic growth indicators in Ghana being the GDP growth rate, inflation, trade merchandise, exports, investment, and others. Furthermore, it studied the performance of the major sectors of the country's economy and the demography of Ghana. To the job creation, the study identified that economic growth poorly translated into the creation of jobs and so inadequate employment opportunities for the labor force despite well performing economic outlook. This approved of the inelastic response of job creation to economic growth. Similarly, in as much as the economy was growing, the informal sector was growing as well coupled with high levels of privatization in the country and poor labor market conditions.

To conclude, the paper identifies and appraises some measures undertaken by the government of Ghana in response to the labor market irresponsiveness. The

government of Ghana has undertaken economic programs like the Vision 2020, the establishment of the Youth Employment Agency, Planting for Food and Jobs, and the Nation Builders Corps. These measures among others seek to bridge the growth and employment gap in the country since there is high growth rate, high population growth as against few employment opportunities. That is, the economy hardly absorbed the Ghanaian labor force though it was growing.

Keywords: Economic growth, Labor market, Job Creation, Informal Sector.

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INTRODUCTION

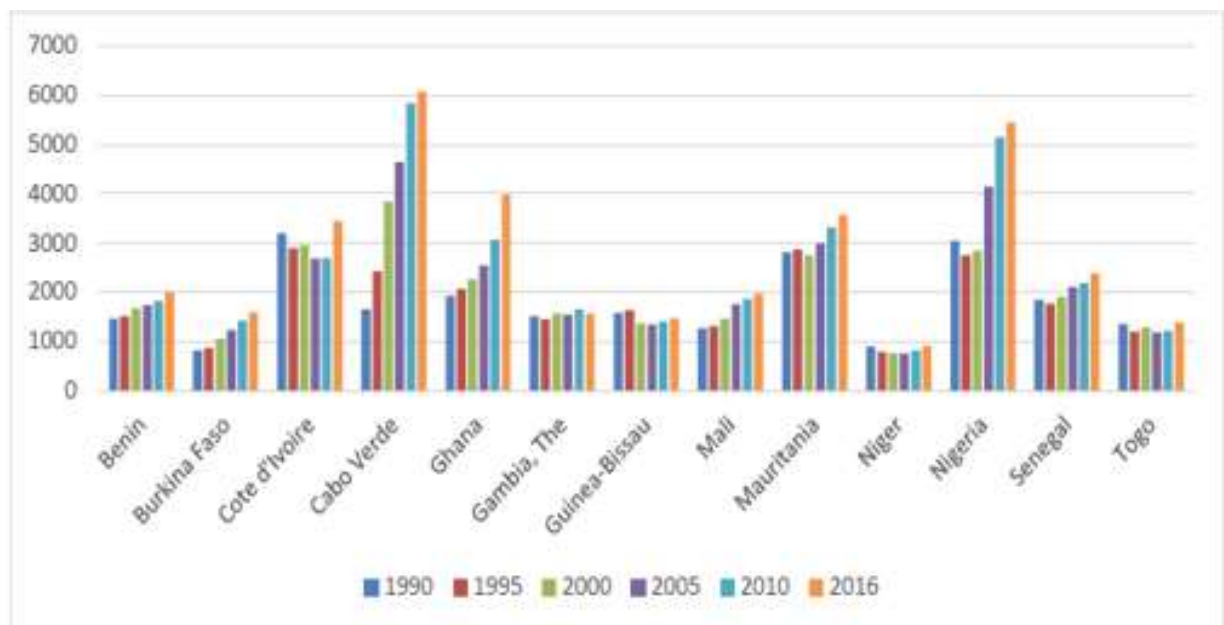
Ghana is among the six African countries (Ghana, Senegal, Cote D'Ivoire, Benin, Guinea, and Burkina Faso) of the ten fastest-growing economies within the African region, and also among the three African countries (Ghana, Cote D'Ivoire, and Senegal) which are part of the world's 10 fastest growing economies in 2018 (West Africa Inequality Crisis, 2019). This study research how the Ghanaian labor market responds to the growth of the economy, with the decade (2009 – 2019) as the focus. Therefore, investigating how the economy absorbs the labor force to produce goods and services in Ghana is one of the two (Nigeria being the other) biggest economies in Africa. A growing economy is expected to have good labor market conditions and it is necessary to know whether this is the case in the Ghanaian economy which has been performing better within the decade (2009-2019), than the period before. Again, to appraise what has been done or is being put in place to boost the state of the labor market which in consequence will cause an advancement in its contribution towards economic growth. Furthermore, it presents the performance of the sectors of the economy in their response to labor market demands and the provisions thereof.

In consequence, the study begins with examining the growing trend of the Ghanaian economy with the stages of its growth over the decade. The demographics of Ghana will be presented as well as job creation in the economy. In addition, the performance of the sectors will be reviewed based on their performance in terms of contribution to GDP, and employment creation. On this backdrop, the study will investigate the relationship between economic growth and unemployment within the economy, job creation and economic growth, the growing informality in the labor market, the causes and the measures put in place to address it, to obtain a resilient labor market characterized by good living conditions of the labor force.

Economic growth among economies around the world is often captured by some economic indicators such as GDP growth, labor force participation, improved wages, enhanced labor rights, social indicators (like the pension scheme, unemployment benefits), and general improvement in the standards of living of the ordinary citizen. These indicators have been widely used parameters for assessing the economic well-being of nations. Fundamental to this economic growth is productivity; a measure of the observed increase in economic activities in terms of the number of goods and services, in terms of labor hours (usually hourly output per unit of labor) characterizes a key segment of an economy. And the production outputs or levels of an economy are greatly affected by the available labor or technology in an economy. In other words, the productivity of labor and related impacts from social policies could

arguably be referred to as the core element around which the performance and wellbeing of nations and the global economy revolve. However, productivity is a function of labor (education and research, and performance) and technology (infrastructure, machine, and equipment) with the amount of available labor playing a vital role in the level of productivity. In the context of the West African sub-region, the 2000s and 2010s have seen higher economic growth with some countries even experiencing double-digit growth, especially Côte d'Ivoire and Mauritania, (Mbaye & Gueye, 2018). Per capita income as the indicator of growth increased enormously in West Africa.

Figure 1: GDP per capita, 1990-2016

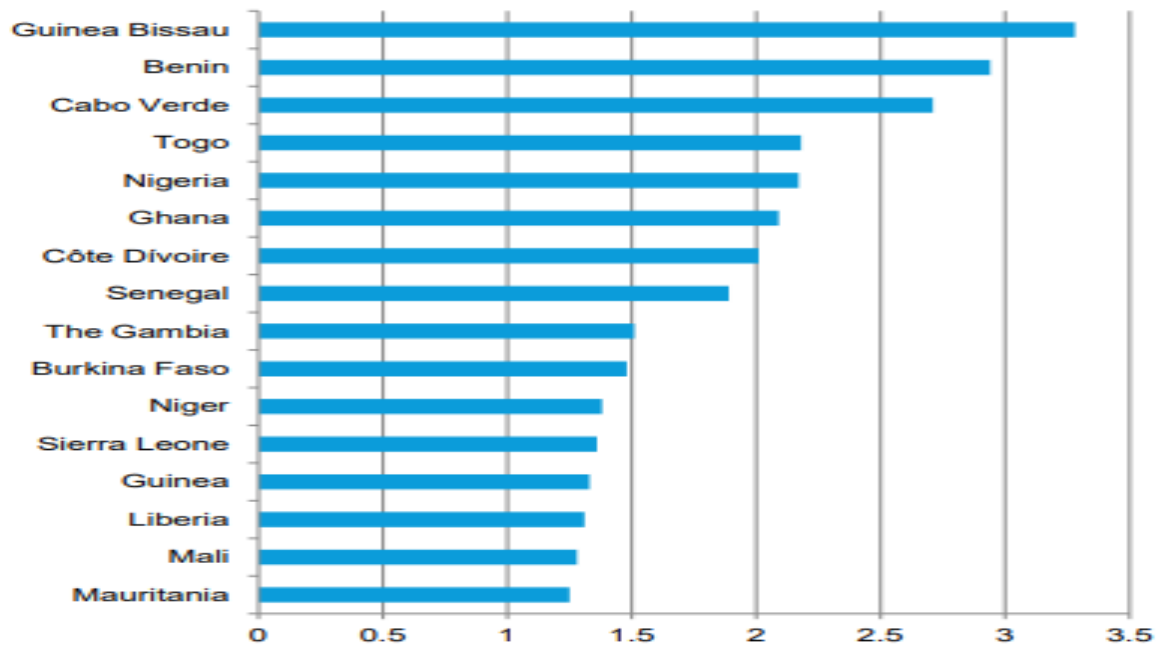


Source: WDI in Mbaye & Gueye, (2018).

On the flip side, this growth did not transcend into the poverty levels of the economy, either in the West African sub-region or in Africa as a whole. Also, associated with acute levels of unemployment affecting the most densely populated category and vulnerable – young people, men, and rural dwellers and since has been a major reason for the high rural-urban migration and high informal sector jobs in Africa. Considering the inequality in Africa according to the West Africa Inequality Crisis (2019) – see figure 2, the West African region is ranked 5th (the least) in terms of the government's commitment towards the reduction of inequality, out of which Ghana came 4th in West Africa and 21st in Africa. Life expectancy in Africa has not been faring well in the West African sub-region, such that irrespective of the growing economies (see fig. 3). Additionally, Ghana is considered the country most committed to progressive taxation in West Africa and 7th in Africa. Within this same period, both demand

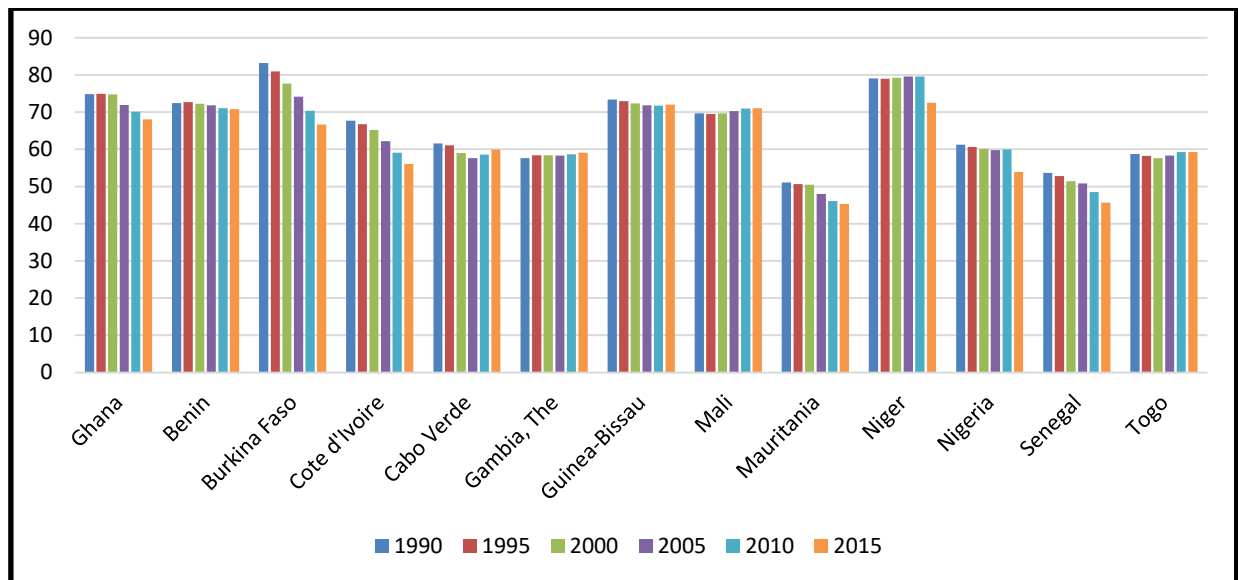
and supply-side effects led to Africa's inability to create decent jobs, as such the high levels of informality, characterized by low incomes, low standards of living, high interests in capital, cumbersome access to registration and licensing, and several others. Concerning job creation in Africa, from the supply side, the booming African population is driven by the highest fertility rates in the world, associated with exponential growth in the working-age population, (Mbaye & Gueye, 2018). Accordingly, Mbaye & Gueye (2018) opine that young job seekers face employability challenges as had obtained limited training to fit into the available jobs, the case in most African countries. Meanwhile, the West African sub region's performance on the commitment to labor market protection and labor laws is not impressive as its ranked 4th out of five, better than East Africa. And this affects the outcomes and performance of the labor market to meet the demands expected of it. More to this hinders the growth in labor market participation and restricts the private sector's full involvement in the labor market as it is restricted. Subsequently, denying civil servants and state employees from enjoying their rights (for example is the right to strike), especially utility and security workers. From the demand side, due to the natural resource endowments in Africa (agriculture, oil, and mining), it does not employ a lot in its activities. The agricultural sector has low productivity, and the minerals sector is capital intensive, and so employs little of the local labor force.

Figure 2: Income inequality in West African countries, 2010–17 (Palma ratio)



Source: West Africa Inequality Crisis (2019)

Figure 3: Life expectancy at birth, total (years)

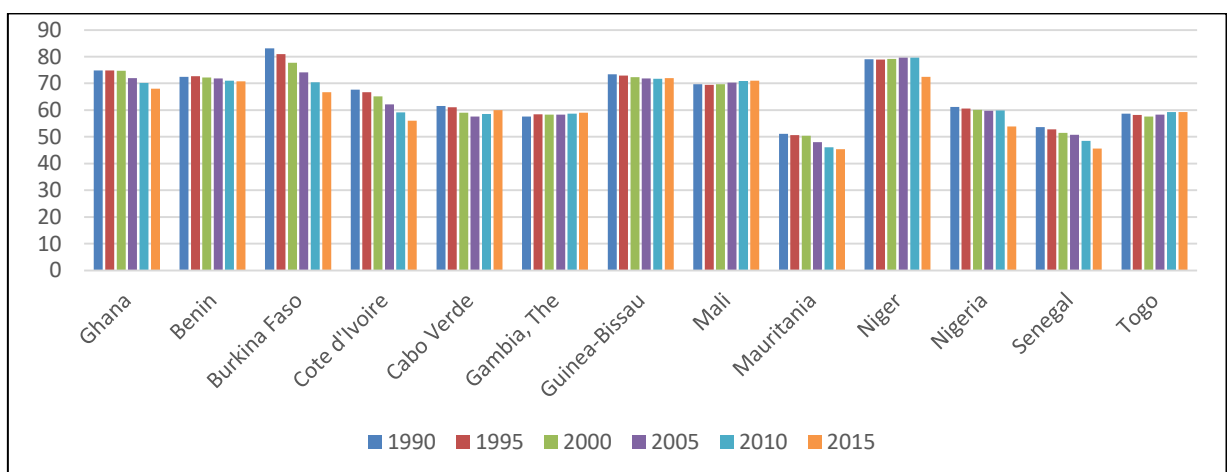


Source: WDI (This chart ends at 2015 since analysis is done on quinquennial basis)

The population growth rate in West Africa is noted to be among the highest in Africa with an average of 2.7 percent between 2011 and 2016. The sub-region, due to that, has a growing trend in its working population, but, has a static labor force participation rates, although higher than that of Sub-Saharan Africa. Within the period 2000 and 2019, labor force

participation rates have been high and remained largely unchanged, according to the ILO's report in 2019. However, has been declining for countries in West Africa. (See fig. 3). From figure 3, the labor force participation rate is declining for almost all the countries including Ghana. With regards to unemployment, Africa, as a whole, at first, at a glance is seen to have high rates, however, low according to the ILO. This is as a result of the high number of discouraged workers and also youth from high-income homes who go back to school when there are no jobs to accommodate them. Therefore, the not in education, employment, or training (NEET) rates in Africa among the youth especially, stands higher than the unemployment levels. Furthermore, the continent is characterized by highly vulnerable employment which according to the ILO should be the summation of irregular workers to unemployment. Irregular workers consist of seasonal workers, self-employed workers, temporary workers, and family workers. Another feature of the labor market in Africa is the issue of underemployment, an indicator of poor quality of jobs, and skill–job mismatch in the economy. This leads to low productivity, as the employment opportunities offered or available do not match the obtained worker qualification and so offers low incomes, a disincentive for labor to work harder. Sometimes leading to withdrawal from the labor market. In Ghana, the government is only able to employ 600 thousand on its payroll, and so it's either the private sector or informal sector employment. This accounts for the informality in Ghana constituting about 80 percent in 2011 and 88.1 in 2012.

Figure 4: Labor force participation rate (% of total population ages 15+) (modeled ILO estimate)



Source: WDI (This chart ends at 2015 since analysis is done on quinquennial basis)

Employment share in the various sectors presented a wide disparity. The agricultural sector has over the years remained the sector that employs the majority of the labor, especially those

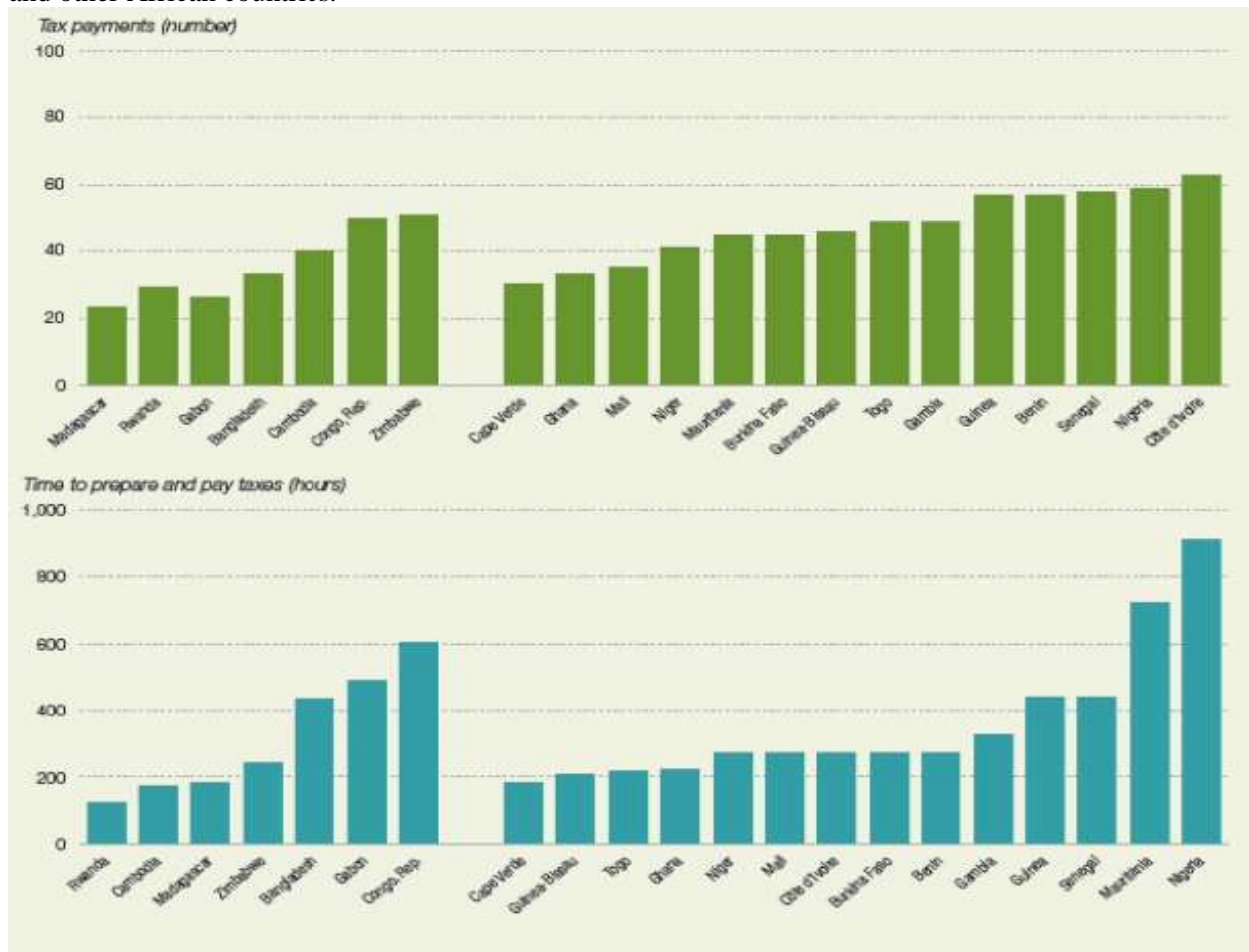
in the central, eastern, and western Africa – where Ghana situates, although over the years there has been a decline in the agricultural sectors' employment. The decline is characterized by several reasons – search for “white color” jobs, urbanization (hence rural-urban migration), low standards of living of some farmers, as well as the high cost of acquiring machinery for modernized farming. Meanwhile, in Southern Africa, employment is high in the services sector. In 2011, the agricultural sector accounted for 53.5% of overall employment, and from the ILO, is projected to be around 50.5% by 2020, in the case of Ghana, and is around 50 percent, (GLSS VI). Of the three sectors, the industrial sector lags far behind in Africa. The high agricultural sector employment is characterized mainly by the majority of women and subsistent farming and also responding relatively poorly to exportation as compared to other parts of the world. Therefore, farming is characterized as a means for survival and so cushions the poor. Another feature of the sector is that its exports are predominantly raw materials, the raw farm produces, with very little semi-processed and processed agricultural produce. These in some cases fail to meet export demands on the market, hence return to the countries. Meanwhile, the services sector is the fastest-growing, accommodating the majority of job seekers.

Finally, the business and work environment in the labor market of Africa has an imbalance between the demand and supply, thence high unemployment, underemployment as well as few high-quality formal employments. The unfavorable business environment which also responds poorly to the economic growth of the economy is a reason for these effects. It is also another reason why the formal sector has been unable to create more decent jobs to employ the labor force. A consequence of the unfavorable business environment is the boom in private-sector jobs and the informal sector employment in West Africa – licensing, high taxes and other bureaucracies suppress the private sector growth, talk-less of employment generation. Less spoken of is the labor market distortions that hinder the introduction of new technologies hinging the economic growth. Mbaye & Gueye (2018, p.24) assert that “*How many taxes a company must pay and how much time it takes to declare and pay them, rather than the tax rates themselves, create a bottleneck for businesses*”, figure 4.

Yet again, there is a labor market paradox in Africa, wherein the abundance of the labor market, there is a relatively high labor cost, West Africa no exception, higher than other regions in the rest of the world. According to Ceglowski et al., (2015), the wage (relative unit labor costs - RULCs) relative to the United States in 2010 was 6.5 in Senegal as compared to 0.7 in Malaysia, 1.1 in China, and 0.8 in Mexico and Colombia”. So, in Africa, the unit cost

of labor service is higher than other regions that have the same per capita income.

Figure 5: Number of taxes and number of hours to declare and pay taxes in West African Countries and other African countries.



Source: Mbaye and Gueye, (2018)

Therefore, this paper studies the Ghanaian situation concerning how the labor market responds to economic growth. The study seeks to present in detail the context in Ghana and even more how the state of Ghana's economy influences the labor market. As such these will be the questions the study seeks to answer:

1. What is the trend of Ghana's economic growth and its labor demographics?
2. What is the job creation situation in Ghana?
3. What are the determinants of the informal sector in Ghana and its performance in response to Ghana's economic growth?

Worth noting is that this will be done by juxtaposing the period before the decade under review against the decade 2009 to 2019 – which is the focus of this paper.

The study employs both qualitative and quantitative analysis using tables and diagrams, for the necessary representation of findings and to adequately expose the motive of the paper.

Secondary data will be sourced. Articles, reports, journals from scholarly sites, and publications will be used. For the figures and tables, data was obtained from World Development Indicators (WDI), International Labor Organization (ILO), Ghana Living Standards Survey (GLSS), Labor Force Reports (LFR), Population and Housing Census (PHC) report published by the Ghana Statistical Service (GSS), International Monetary Fund (IMF) and the Institute of Statistical Social and Economic Research (ISSER) in University of Ghana. Notwithstanding, other government websites will be visited to draw information where necessary. This study will not only present empirical findings but also theoretical studies relating to the case of Ghana.

This research is composed of three chapters. The first chapter of this work will present and discuss the economy of Ghana, including the various sectors. The determinants of economic growth in Ghana are expounded in the light of the outlook of the Ghanaian economy. It will also present macroeconomic policies undertaken and their effects on economic growth. The second chapter of this study also explores and describes Ghana's labor market. It will expose the categorization and demography of the labor market concerning both formal and informal jobs. Also, poverty and inequality in Ghana are addressed as well as how the country is performing in reducing them. Chapter three continues to analyze the situation of job creation, that is, how growth translates into job creation in the country. Here, is the degree of responsiveness of job creation and employment levels to the growth rate of the economy. As well as the minimum wages and labor market outcomes, rural-urban migration, and the labor market. Also looks at the situation of the informal sector against the formal sector and its trend, considering how the issues of rural-urban migration led to informality. Finally, concludes with recommendations and suggestions on how to improve the sector and then boost economic growth in Ghana.

1 CHAPTER 1

1.0 OVERVIEW OF THE ECONOMY OF GHANA

1.1 Introduction

This chapter of the dissertation presents an overview of the economy of Ghana. It presents the performance of the economy during the period 2009 to 2019. The various stages of the economy's growth pattern will be addressed. Also, in exposing the stages of the GDP growth rate, various macroeconomic policies that were undertaken during the periods of each stage will be presented. In addition, the drivers of economic growth (net exports, foreign direct investment, general price levels – inflation, the exchange rate, trade openness, investment) in Ghana and how have affected the performance of the economic outlook. Furthermore, the performance of the various sectors of the economy is investigated as part of the performance of the economy of Ghana.

To begin with, Ghana sits on the Gulf of Guinea – the Atlantic Ocean, with Cote d'Ivoire, Togo, and Burkina Faso as its border countries in West Africa (World Bank, 2021). According to Ackah et al., (2014), since independence in 1957, the backbone of the economy of Ghana has been the primary production and export of raw materials such as cocoa, gold, timber, and bauxite among other raw materials. The economy focused on agriculture and some level of industrialization which drove the economy during the early periods after independence. After independence, Ghana's economy has been a hybrid private sector and public sector economy, and the government sector-led economic operations by state-owned enterprises mainly the industries (Ackah et al., 2014). Local people's private sector employment was primarily in agriculture production and processing and craftsmanship on a small scale. The economy was then a concentrated economy in which urban areas had formal economic activities like teaching, healthcare, and financial service provision.

At present, Ghana's economy is driven primarily by the trade sub-sector, mining, manufacturing, and in most recent times, the oil sub-sector, and the service sector which contributes 47.2 percent to the GDP (GSS). Although Agriculture is still the largest sector by employment in Ghana's current economy through cocoa production, still falls behind the service sector. Economic reforms from the 1980s, such as the Economic Recovery Program (ERP) prescribed by international financial institutions such as the International Monetary Fund (IMF) and World Bank (WB) to cure Ghana's economic ills have played an important role in Ghana's economic space since its inception and implementation (Ackah et al., 2014). Also, the Structural Adjustment Program (SAP) and the Highly Indebted Poor Country (HIPC) initiatives intended to adjust Ghana's macroeconomic situation and provide support

for a comprehensive debt-reduction package for Ghana in the (2000-2008) respectively, influenced regime change, democratization as well as trade liberalization in Ghana. However, these were all economic policies that were implemented before the period under review and as such will not be discussed in much detail.

The economy transformed and experienced high growth rates in Gross Domestic Product (GDP) after the implementation of the economic restructuring programs but the increase in growth was conversely mirrored in the employment of the labor force in the informal sector mainly self-employment between 2000-2010 (Amoh, 2016). The increase in the informal sector labor force was due to recommendations of economic reform programs, which included the privatization of state-owned enterprises, which invariably caused job losses in the formal sector (public and private sectors) which in turn fueled the growth of the informal sector.

1.2 Economic Growth Indicators of Ghana

The decade 2009 to 2019 has seen Ghana performing well as compared to many other countries in the sub-region. The country's economic growth performance has been remarkable among the Sub-Saharan countries, through which the country, according to Aryeetey & Baah-Boateng (2015), attained Middle-income status in 2007. Ghana, before reaching middle-income status, was among the strongest policy performers among low-income African countries (Bogetic et al., 2007). Growth averaged 4.0 percent per year in the 1990s, increased to 5 percent between 2001 and 2005, and surpassed 6 percent in 2006-07. With a population growth rate of slightly less than 2.5%, this translates into a GDP per capita growth of up to 4% (World Bank, 2009). Growth within the period was largely by public investment into the economy and domestic consumption funded in part by foreign aid and remittances. This increase and good economic growth performance led to a massive reduction in poverty, such that the share of the population in poverty reduced from 51.7 percent in 1991-02 to 39.5 percent in 1998-09, and 28.5 percent in 2005-06. Notably, the decade 1999 to 2008 had an average growth of 5.32 percent, which is below the 6.62 percent growth average for the period 2009 to 2019. Consequently, the growth within the period 2009 and 2019 been higher is attributed to the oil exploitation in 2011. This led to the boost in the industrial sector performance and has been contributing immensely to Ghana's economic growth.

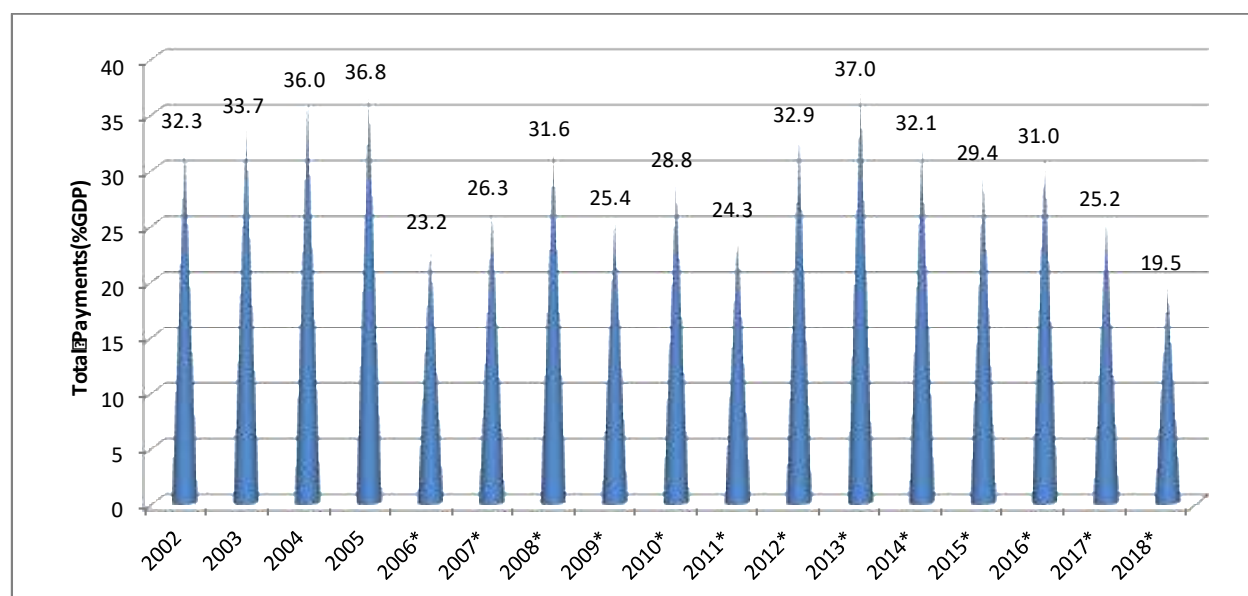
Indicators	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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GDP Growth Rate (%)	4.84	7.90	14.05	9.29	7.31	2.86	2.12	3.37	8.13	6.20
Trade (% of GDP)	71.59	75.38	86.30	93.17	61.28	67.62	77.28	70.01	73.84	71.94
Inflation (%)	19.25	10.71	8.73	7.13	11.67	15.49	17.15	17.45	11.70	9.86
Merchandise Trade Balance	-	-	-	-	-	-	-	-	1187.6	1808.6
	2206.5	2962.0	3052.3	4210.8	3848.3	1383.4	3143.9	1781.7	7	5
	5	2	0	2	2	1	8	7		
Exports (% of GDP)	29.29	29.48	36.94	40.36	25.66	29.90	32.68	32.18	35.35	35.39
Direct Investment	1677.8	2527.3	3222.2	3293.4	3226.3	3356.9	2970.8	3470.6	3239.0	2908.1
	4	6	5	3	3	9	9	7	9	8
GDP per capita (Constant prices)	3568.2	3755.5	4180.4	4461.9	4678.2	7402.8	4694.8	4745.4	5018.0	5214.5
	1	2	7	7	6	6	6	3	5	6
GDP per capita growth rate (%)	2.21	5.25	11.32	6.73	4.85	0.53	-0.17	1.08	5.75	3.90

Table 1: Economic Growth Indicators, 2009–2018.

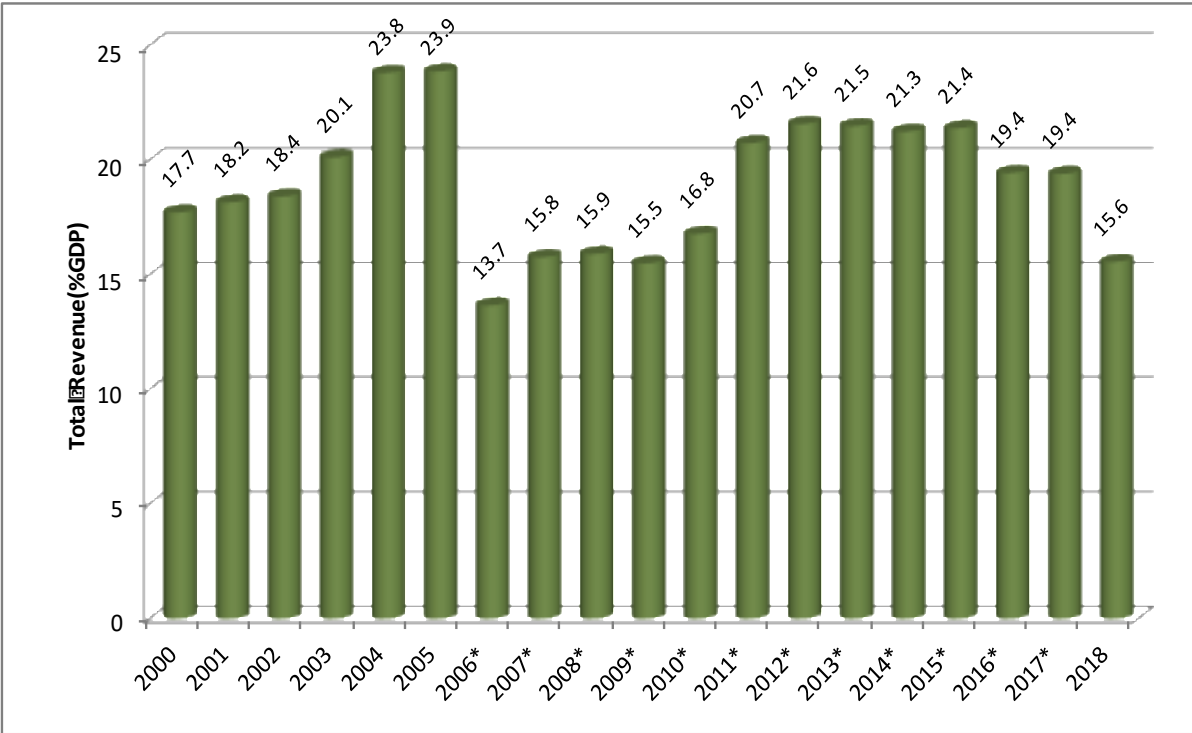
Source: WDI (2021) and Bank of Ghana website

Figure 6: Trends in Government Payments (% of GDP) from 2002 to 2018



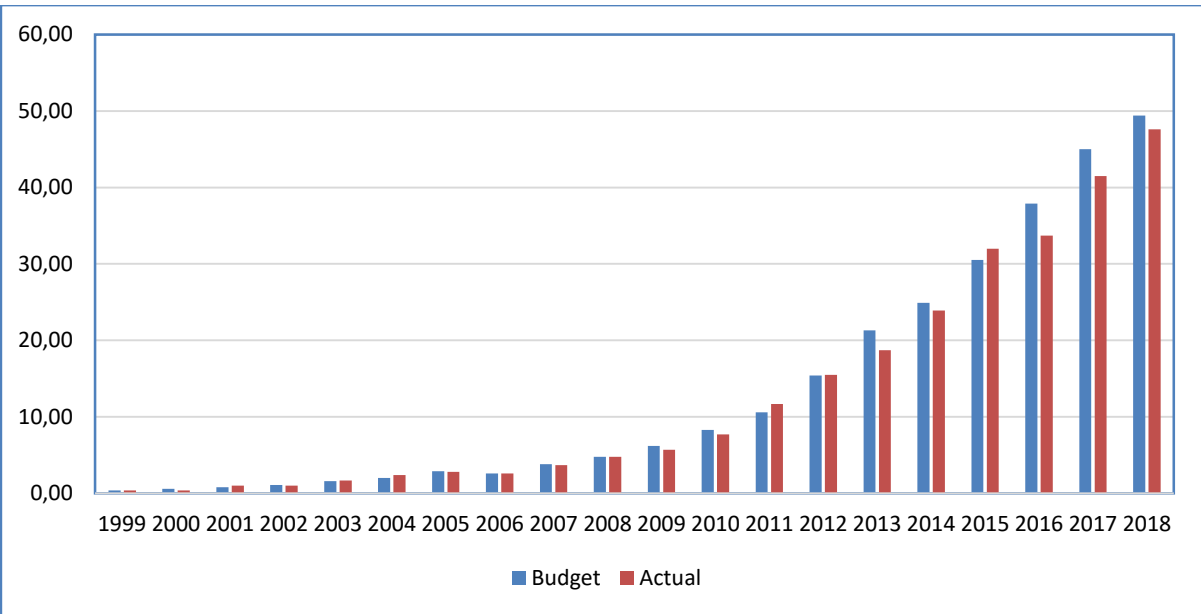
Source: SGR 2018, ISSER; Budget Statement 2019.

Figure 7: Trends in Government Revenue (% of GDP): 2000-2018.



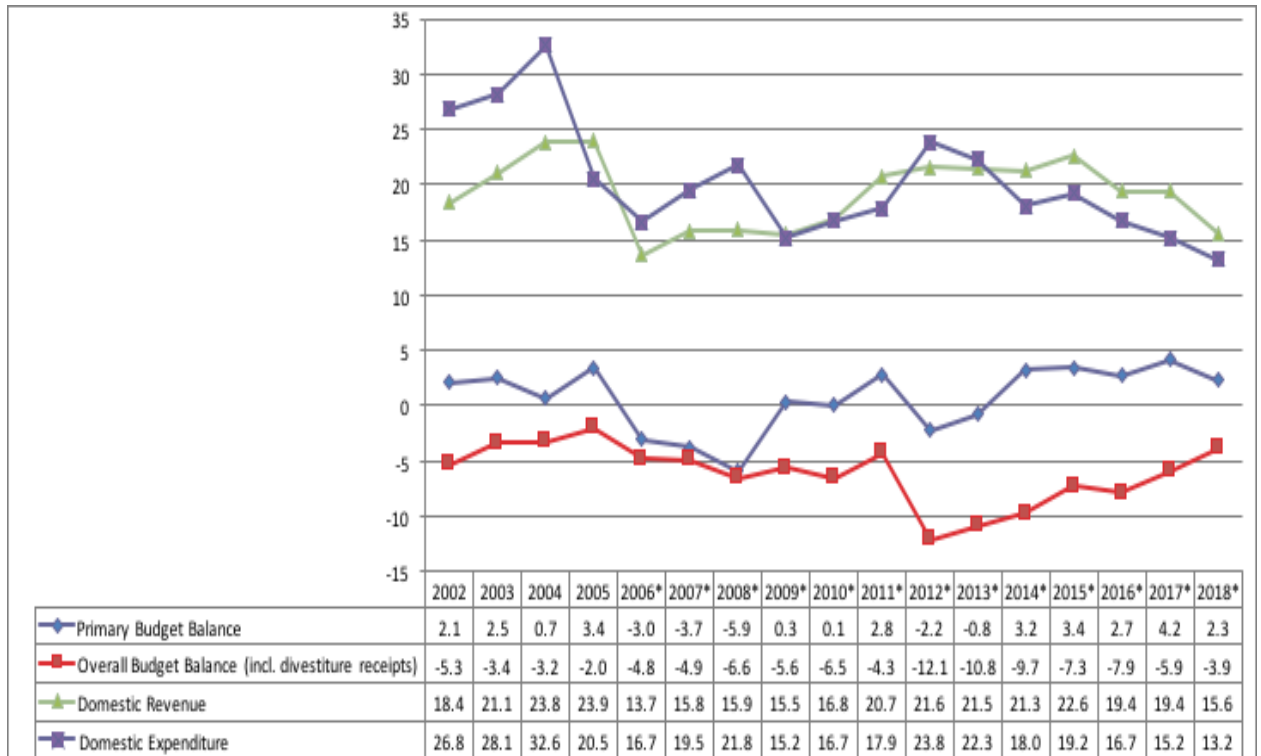
Source: SGR 2017&2018, ISSER; Budget Statement 2019

Figure 8: Budgeted and Actual Revenue (1999-2018)



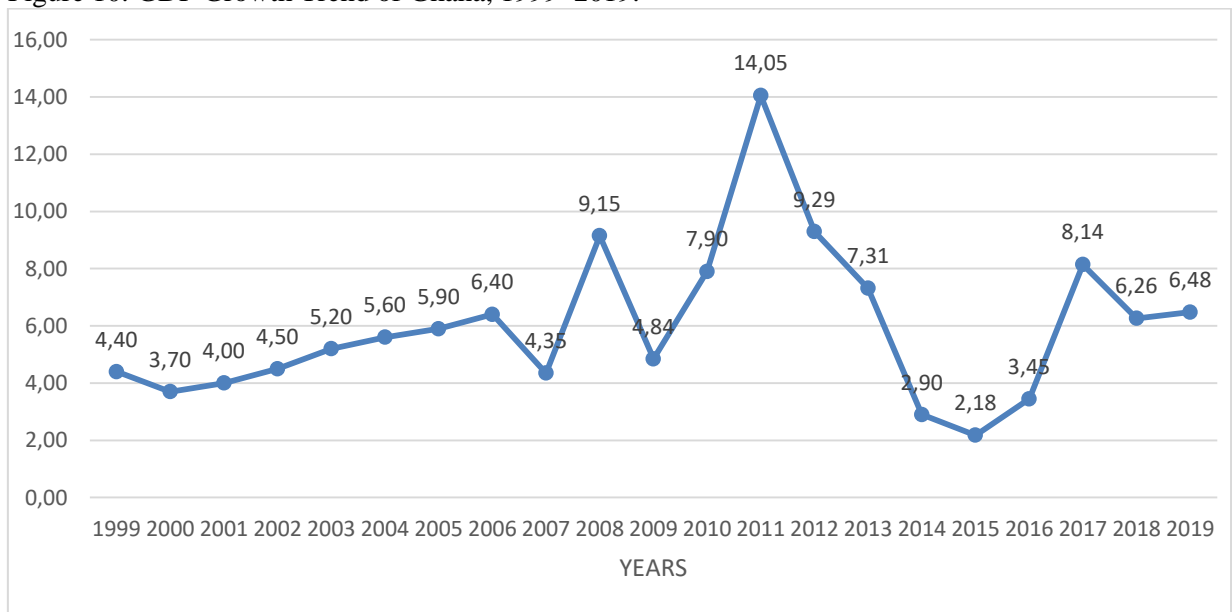
Source: SGR 2018, ISSER; Budget Statement 2019

Figure 9: Fiscal Indicators, 2002-2018 (% of GDP)



Source: State of the Ghanaian Economy/Budget Statements; SGE, ISSER (Various Issues)

Figure 10: GDP Growth Trend of Ghana, 1999–2019.



Authors' figures using data from WDI (2021).

The trend of Ghana's growth performance from 2007 to 2019 as seen in the figure above presents three stages in its growth pattern: Recovery, Sluggish growth, and rapid growth.

The recovery period is characterized as such considering the years 2007 and 2008 known for

the Global financial crisis and its impact on Ghana. From the report by the IMF (2009) on SSA, “Through their financial links with other regions in the world, South Africa, Nigeria, Ghana, and Kenya were hit first, suffering falling equity markets, capital flow reversals, and pressures on exchange rates.” When the world’s economy was shrinking by an upsurge of the financial crisis, known to be the first in the 21st Century, it affected many strong economies beginning in the US, leading to a recession. Orlowski (2008) stated that the crisis was a complex multifaceted process “also known as a credit crunch, occurs when there is an uncontrollable reduction in money supply and wealth, with people losing confidence and refusing to honor their debt obligations”, Gockel (2010). The consequence was a disincentive for further creation or availability of credit to individuals and institutions that need it. According to Petri and Plumber (2009), the crisis was due to policy failures in developed economies, spread to through new interconnections in the world economy.

For the developing economies, the impact was first evident in form of a decline in export volumes, a fall in commodity prices, and a drastically reduced inflow of foreign capital, being faced with job losses, income growth and remittances decline, (Ajakaiye et al., 2009). The impact in Ghana was observed in 2009 with a drastic fall in stocks by more than 11 percent, and declining trade performance. Also, export receipts fell following from 2007, from UDS5.66 to USD4.72 in 2009 – a growth rate of 4.35 percent in 2009 from 5.9 and 6.4 percent in 2007 and 2008 respectively. Notwithstanding, the effect on the Ghanaian economy was not as intense as other countries like Nigeria, Liberia, and some others, due to the robustness and resilience of the economy, the reason for the quick recovery from the crisis, (see Gockel, 2010 and Okonah, 2016). Ghana’s ability to recover from the impact of the crisis is associated with factors such as a reduction in its fiscal deficit from 9.2 percent in 2008 to 5 percent in 2011. In support of this, the IMF (2009) stated that Ghana, like Kenya, postponed planned borrowing. Another boost in Ghana’s economy came from the production of oil within the same period accounting for the double-digit growth rate in Ghana.

The period afterward, from 2014 to 2016 was the *sluggish growth period*. Despite the oil production and the macroeconomic decisions that sustained the economy, decisions of the incumbent government resulted in poor growth performance. From the 2015 African Economic Outlook (AEO) of the United Nations Development Program (UNDP), Ghana’s economy in 2014, was faced with sharp currency depreciation, deepening energy crisis, deteriorating macroeconomic imbalance, and rising inflation and interest rates. The reasons for these arose from macroeconomic policies undertaken in 2012. In an IMF survey, the IMF

mission chief for Ghana, Joel Toujas-Bernate, stated that a combination of factors that resulted in the weakening of the economy was from macroeconomic policies, institutions, and shocks (IMF, 2016). He stated that on the policy side, in 2012, there was a high increase in the fiscal deficit mainly due to what he termed a “swelling of wage bill” from salary increments and pay scale reforms more costly than should have been. The reform was the introduction of the Single Spine Salary Structure (SSSS) by the outgoing government in 2012. The SSSS which focused on linking all public sector workers irrespective of specialization onto a uniform salary structure, hence saw some lower salaries going up enormously. Again, there were cases of increased spending and “over-optimistic revenue projections” (IMF, 2016). The IMF survey adds that the consequence was a tripling of fiscal deficit, a substantial increase in inflation, and depreciation of the local currency of about 60 percent. The result was very eminent in 2014 and the years ahead as the economy could not make do provisions for growth. Finally, high government spending in 2016 towards elections drained the economy, therefore the reasons for the poor performance over that period.

The rapid growth stage was experienced from 2017 to 2019. During this period, the performance of some of the sectors improved the outlook of the country. The economy grew by 8.14 percent (8.5 % provisional) in 2017, the highest in five years, compared to 3.45 percent in 2016. Published by the National Development Planning Committee (NDPC), the Acting Government Statistician, Mr. Baah Wadieh attributed this growth of the economy to increased oil and gas production. The oil production grew by 80.4 percent in 2017. The industry sector recorded the highest growth rate of all the three sectors. Although the services sector recorded the least growth, two of its subsectors recorded double-digit growth: Information and Communication by 13.2 percent and Health and Social Work by 14.4 percent. Additionally, over the same period, the fiscal deficit trends declined from 6.5% in 2015 to 4.8% and 3.9% in 2017 and 2018 respectively, (MoF, 2019). The Minister of Finance added that “the successful consolidation of public finances was achieved on the back of prudent fiscal management and fiscal measures”. These fiscal measures (macroeconomic policies) included: “imposition of Luxury Vehicle Levy on motor vehicles with engine capacity 2950cc and above; introduction of an additional Personal Income Tax band of 35 percent on monthly incomes over GH¢10,000; and a restructuring of the VAT by separating the GETFund and NHIL levies from the Input-Output mechanism of the VAT and converting them into straight levies at rates of 2.5 percent while maintaining the VAT rate at 12.5 percent”. In 2018 for instance, there was a decline in money supply in line with the

disinflation process. Therefore, the economy's performance was an encouraging one under the incumbent government preferably better than the previous government.

1.3 Drivers of Economic Growth in Ghana, 2009-2019

The study of the economic development of Ghana relies on a mixture of many variables and various economic policies. The country has over the years, tried several approaches to arriving at good growth rates for economic development. These began with the push for rapid industrialization in the 1960s, using a wide array of control measures and state interventions, (Adu, 2013). As such, Ghana's economic growth reflects the strong economic growth experienced by the service and industrial sectors following the implementation of the economic reform program in the 1970s, with little indication about what the ultimate development goals were, these interventions continued, (Aryeetey et al., 2000). By 1983, there was a severe deterioration of the economy due to poor macroeconomic and institutional policies as well as external shocks. Real GDP was negative in the years 1966, 1972, 1975-1976, and 1983, and this coincided with negative growth rates. The average GDP growth rate in the 1960s was 2.3 percent, 1.44 percent in the 1970s, and 1.99 percent in the 1980s, then in the 1990s, it averaged slightly above 4 percent. Over the period from 2004 to 2013, the GDP growth rate has exceeded 5 percent, this then fell during the next three years and recovered after 2016 till 2019. These facts about Ghana's growth rate performance are a clear signal that there is the need to inquire about the drivers of economic growth in the Ghanaian economy. This chapter presents the key drivers of Ghana's economy.

Adu (2013), particularly within the neoclassical framework, identifies investment in physical capital as the most fundamental determinant of economic growth, however, he presented that this evidence is not conclusive in juxtaposing investment alone with economic growth. This support the evidence that the drivers of economic growth in Ghana (and even Africa as a whole) is predominantly based on neo-classical theories and indicators other than Keynesian. Other models consider Human Capital Development as a key driver of growth, especially education, (see Mankiw, Romer, and Weil, 1992). Meanwhile, there is a dispute over whether it is the growth level of human capital that drives growth. Macroeconomic conditions of an economy, as well as government policies, have gained much attention in the literature as a driver of economic growth. Reasons are that a stable and favorable macroeconomic is considered conducive for economic growth, (Adu, 2013). This requires moderate inflation rates, adequate increase in investment (both private and public), scale-up consumption in the economy, foreign sector performance (net export), otherwise will have adverse effects on

productivity and investment in the economy. Trade openness has equally caught the attention and has been noted to positively impact economic growth, having a positive relationship with economic growth within the trade sector [Dollar, (1992); Sachs and Warner, (1995); Edwards, (1998); Dollar and Kraay, (2000)]. Other drivers include financial development which allows for optimal allocation of capital and risk, favorable for investment and hence economic growth. The financial development, at firm-level analysis by Rajan and Zingales (1998), Beck et al. (2005), reports that financial development accelerates economic growth by removing growth constraints on small firms whereas improving the credit access and rates to these firms and households. And finally, technological growth in the economy through adequate research and development promotes productivity within the economy.

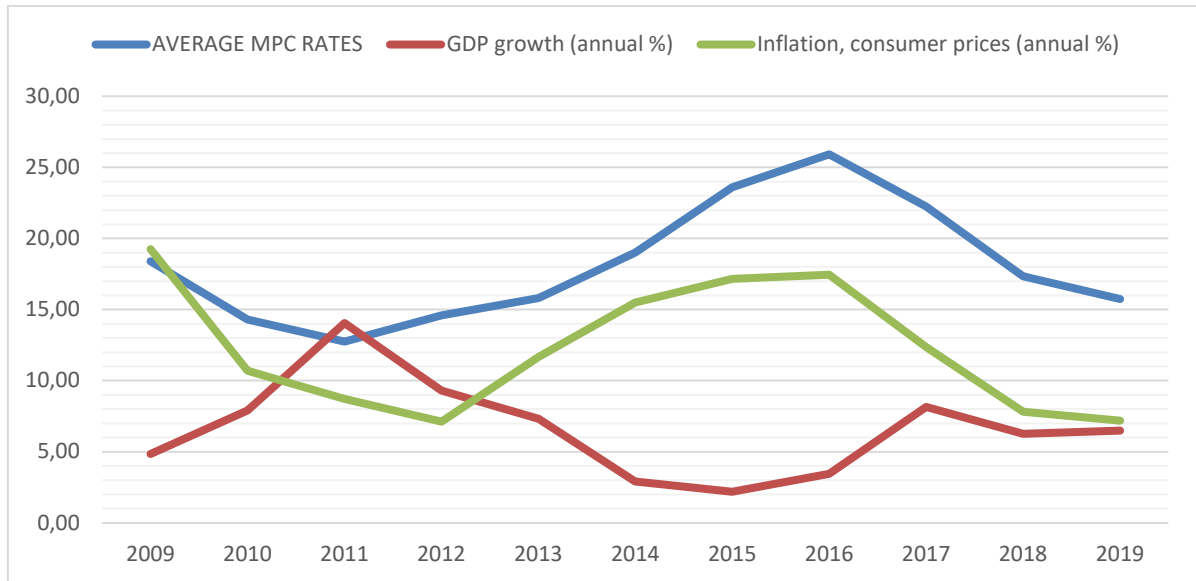
The drivers of economic growth in Ghana will be grouped into three categories, (Geiger, et al., 2019), being structural, stabilization, and external effects. Based on this, the stabilization effects will include variables like inflation, banking crises, and the real exchange rate, this will focus on those macroeconomic the notion of the influence of macroeconomic fluctuations on growth over a longer period. The structural variables will also include trade openness of the economy (trade to GDP ratio), infrastructure, human capital (using the level of educational attainment as a proxy), and government spending (consumption). Finally, the external variable will be the foreign direct investment.

To begin with the stabilization effects, due to the country's high dependence on importation of raw materials, capital goods, and consumer goods, the exchange rate (managed by the Bank of Ghana) is key to the growth of the economy and necessary for the price stability (Bhasin, 2004). Therefore, according to Adjei (2019), a stable exchange rate would have positive effects on household incomes and consumption decisions, government fiscal policies, monetary policies, and the trade balance of the country. Again, Alagidede and Ibrahim (2017) noted that the real exchange rate from its effects on the international competitiveness of an economy considers it of high importance to Ghana's outlook. This also impacts the inflation rate through the exchange rate and provides capacity for investment flows into the country. Studies on the impact of the exchange volatility and economic growth have revealed that there is a negative relationship between the two (Alagidede and Ibrahim, 2017; Adjei 2019). This explains that as the Ghana cedi depreciates, the economic performance of the country falls since the country relies heavily on importation to meet domestic needs. As the local currency depreciates, it increases the cost of living, inflation rate, and hinders consumption a hinge on production, consequently a fall in the GDP, production – poor local markets performance and

falling welfare conditions. The outcomes give a poor outlook of the country to potential investors. Mwinlaaru and Ofori (2017), in support of this, revealed that a 1 percent depreciation of the exchange rate leads to a 0.02 percent reduction in economic growth in the short run.

Still, the stabilization variables, concerning inflation, Barro (2013) stated that most businesses and households perform poorly during high and unpredictable inflation, so Kiful (2005) has noted that in Ghana here, inflation has been a persistent problem. Inflation for 2000 to 2005 and 2006 to 2010 is 21.10 percent and 13.63 percent respectively. Ahiakpor and Akapare (2014) revealed that in the short run as the economy grows, it lowers inflation, so the income levels of people increase following the increase in economic growth. Rational consumers will respond to this by increasing their spending which is an increase in demand against the existing level of supply, and this increases the price level, exerting upward pressure – inflation. Consequently, nominal GDP increases on account of the high price levels. Therefore, in the long run, there is a negative relationship between the GDP growth rate and inflation (Nketiah et al., 2020; Ahiakpor and Akapare, 2014). Nonetheless, in the middle term to long run, when the economy has adequate capacity to expand, supply will increase to meet the increase in demand, yet this hardly offsets the rise in general price level by same rates – affirms the sticky-downwards nature of prices. Contrarily to the theory where an increase in demand translates to economic growth through the rise in investment and infrastructure, the Ghanaian economy fewer experiences such. The economy raises meager returns through taxation from the informal sector despite its high informal sector participation in economic activities and the government's inability to tax the sector.

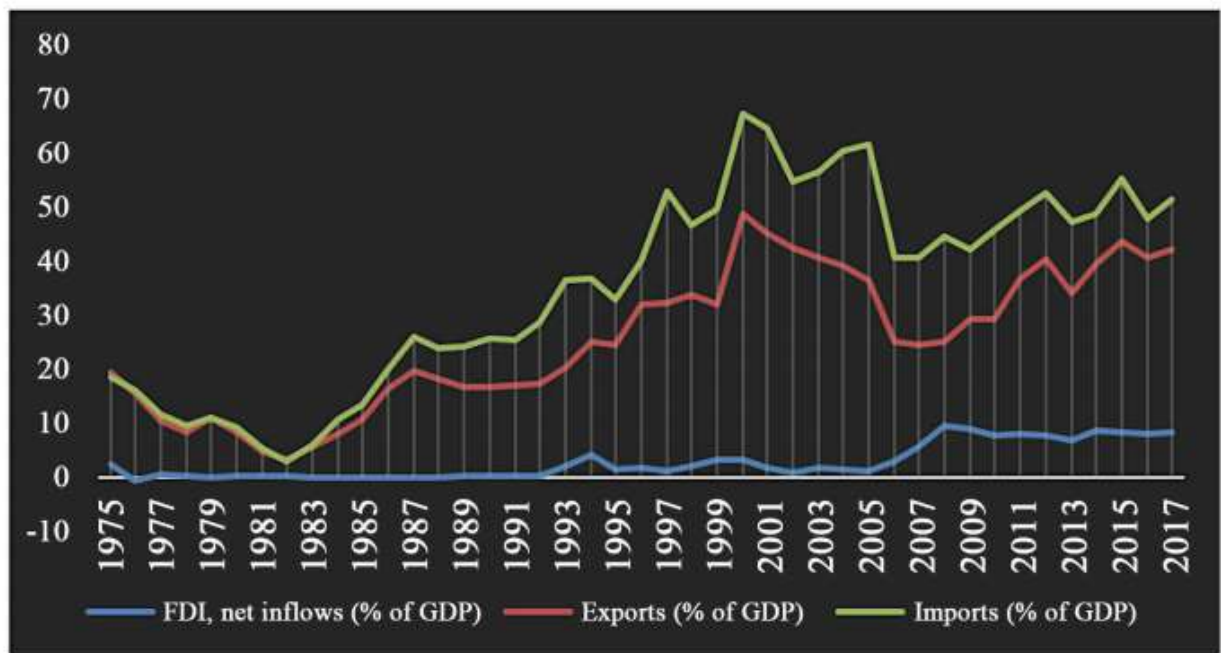
Figure 11: Monetary Policy, Inflation, and GDP growth.



Source: WDI and Bank of Ghana.

Trade Openness as a structural variable is another driver for sustainable development, especially in developing countries. Trade affects the state of an economy, likewise, economic growth affects trade performance. According to Nketiah et al., (2019, p.2), *“trade through especially exports and imports, enhances competition in the international markets and technology transfer and therefore promote economic growth”*. Trade openness is measured as the ratio of imports plus export to GDP. Trade openness as a driver facilitates the growth of an economy through the allocation of resources, a comparative advantage for multilateral or bilateral trades and so market for produce. According to Mwinlaaru and Ofori (2017), from the lag of trade openness, there is a positive impact where for every 1 percent increase in the Trade openness, the real GDP increased by 0.55 percent in the short run. In the long run also, as found by Khobai et al., (2018), similar to Nigeria, Ghana’s trade openness has a positive impact on its economic growth such that every 1 percent increase in trade openness results in a 0.18 percent rise in the nation’s economic growth. There, in both the short and long runs, trade openness has a positive impact on economic growth in Ghana [Sakyi, (2010); Mwinlaaru and Ofori (2017); Khobai et al., (2018), Sakyi et al., (2015)]. This is supported by the World Trade Statistical review (2019), which indicates that developing countries have been performing better in terms of trade outweighing that of the developed countries from 2008 to 2018 (Duodu & Baidoo, 2020), with Ghana being no exception.

Figure 12: Trend of FDI, export, and import as a percentage (%) of GDP.



Source: Nketiah et al., (2019). Foreign direct investment, trade openness and economic growth: Evidence from Ghana. (Available data ended at 2017)

Development in a country's infrastructure is also a key driver of economic growth and for poverty reduction (Union 2010; Bhattacharya et al., 2015). Meanwhile, Ghana's infrastructural development has not been commensurate to the demand for it, as the deficit in infrastructural demand and what is available thereof keeps rising (Owusu-Manu et al., 2019). Challenges leading to the infrastructure deficiency in Ghana arising from investment capacity challenges, implementation challenges, and revenue-mobilization challenges. Adjokatcher (2014) presented that Ghana needs an annual investment spending on infrastructure to clear the deficit there be. Key infrastructure in Ghana is electricity, transportation (road and railway), telecommunications, housing, and water and sanitation. In terms of the performance of infrastructure in Ghana, electricity, and water has seen significant growth within this decade growing from experiencing a growth of 1.3 percent in 2014 to 17.7 percent in 2015 to 19.4 in 2017, while the share of GDP rose from 1.1 percent in 2014 to 1.8 percent in 2017. Road network increased from 1,300km between 2004 and 2008 to 67,450km in 2010 and 71,063km in 2014. Finally, telecommunications subscriptions increased also from about 35 million in 2015 to about 38 million in 2017. These highly drive the economy such that a 1 percent rise in electricity, as investigated by Owusu-Manu et al., (2019), led to 2.97 percent growth in the short run coupled with 1.51 percent in the long run, hence has a positive impact on economic growth. Likewise, communication, is also positive, for a 1 percent increase in mobile communication, GDP grows by the same one percent in the short run and 0.54 in the long run.

This indicates that for good telecommunication conditions and good power supply, the GDP grows significantly since the majority of companies in the local industry rely on hydroelectric power to power plants for production.

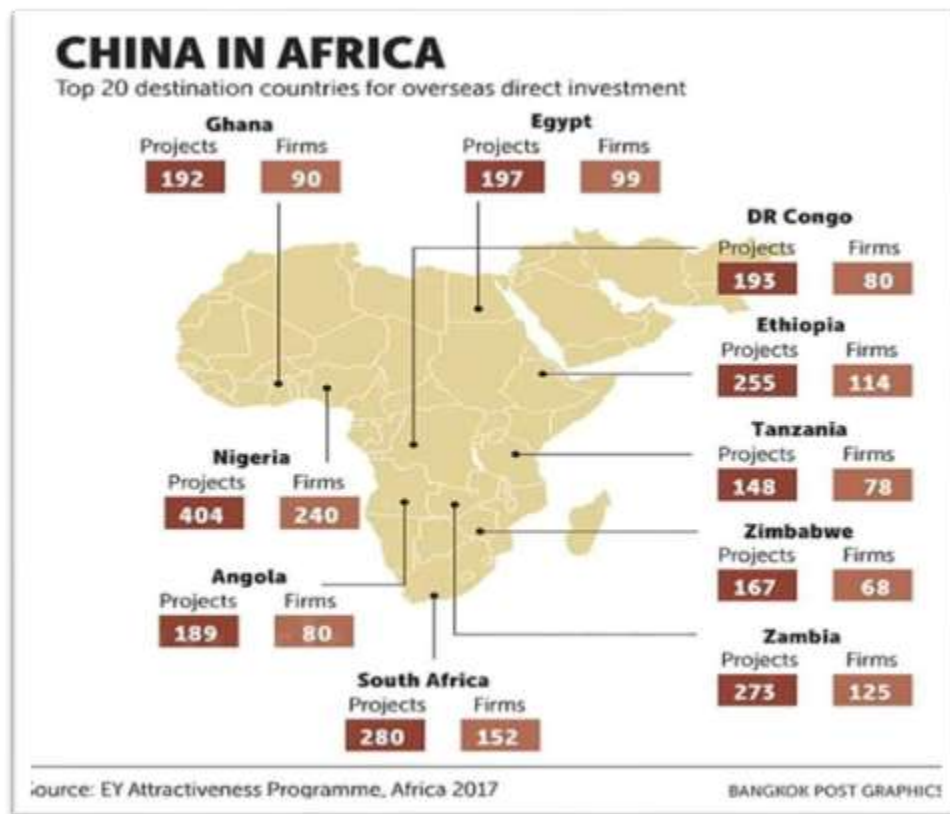
Finally, external factors like the FDI also have significant effects on the GDP and so the performance of the economy. Just as put forward by Nketiah et al., (2020), the FDI of a country is a key source of domestic investment for the promotion of capital formation in the host. In addition, the Investment Policy for Sustainable Development by the United States Conference on Trade and Development (2012) identified FDI as a driver of sustainable development. According to Boakye-Gyasi and Li, (2015, p.1), *“most developing countries especially African countries compete to attract foreign direct investment (FDI) into their economies with the desire of improving employment level and securing a sustainable development leading to economic growth”*. The growths in exportation from increased economies of scale and productivity with flexible foreign exchange make room for international interests in the country, hence for increases in a country's FDI for the provision of employment opportunities, technology transfer, and access to knowledge to help boost the host country. Beginning from the period of trade liberalization in Ghana in the 1990s, there has been rising FDI into the country, and this has been boosting the economy of Ghana, refer to Fig. 7 above. It can be observed that the performance of the FDI has been best within this decade 2009 to 2019 hovering around 8 percent throughout the decade. A major means by which Ghana attracts foreign direct investment is through its resources, like gold. Through government institutions like the Ghana Investment Promotion Centre, the country has put in place protectionism policies to sustain investments in the country. By the GIPC in 2017, the estimated value of registered projects amounted to US\$2954.61 million in the first quarter, the Netherlands being first, after then India and the UK, and China being fourth. Meanwhile, studies on the impact of FDI on the growth economy of Ghana proved to be negative in the short run (Frimpong and Oteng-Abayie (2006), Mwinlaaru and Ofori (2017)), this was associated with the dominance of FDI in the mining sector which does not generate direct growth impacts on the economy. However, others saw a positive impact on the growth of the economy, Alagidede, P. & Ibrahim, M. (2017) especially in the long run. Investment also had a positive relationship with growth rate, for every one percent increase in investment, real GDP increases by 0.19987 percent. Furthermore, Ghana has benefited greatly from investments from other bodies and nations, worthy of recognizing is China – Chinese investment in Ghana, in terms of job creation and GDP growth.

1.4 Chinese Investment in Ghana

According to Hogstrom & Noren (2021), during the last 20 years, there has been a rapid increase in Chinese foreign direct investment (FDI) in Africa. From the paper, it was discovered that the Chinese FDI does not follow the traditional assumptions of FDI. China's involvement in Africa has led to about one-third of its energy imports originating from Sub-Saharan Africa (SSA), and this has been the reason why a majority of Chinese investment focuses on the rich natural resources in the SSA region, examples are natural gas, coal, and oil. Due to this, by 2015 there were 2200 Chinese companies in the Sub-Saharan region, and most of these are privately owned (Hogstrom & Noren, 2021). Notably, according to Pigato & Tang (2015), small Chinese companies have also become a significant source of jobs and income in SSA. Meanwhile, Onjala (2016) finds that Chinese investors prefer countries with poor regulatory standards and are also indifferent to the quality of governance in the country of investment (Chen et al., 2018). As part of the factors that influence the Chinese investment in Africa, Braga et al. (2009), in their assessment of the determinants of Chinese direct investment in Africa compared with those of global FDI unveiled that macroeconomic stability (measured by low inflation rate) is positively correlated with Chinese and global FDI in Africa. However, Zhang, Alon & Chen (2014) found that neither Chinese FDI nor FDI net inflows have a significant effect on economic growth in the sub-Saharan region.

In Ghana, the influence on the economy from Chinese investment is significant. The EY attractiveness Program, Africa 2017 on China in Africa, as shown in the figure below, 192 projects have been undertaken in Ghana with 90 firms established by the Chinese investors in the country, and this forms part of the Top 20 destination countries for overseas direct investment by the country. Following the report by Ghana Investment Promotion Centre (GIPC), as of 2014, total Chinese projects in Ghana were 560, with 179 registered projects in manufacturing. And this indicates growth in its investment by 2017. The need to improve economies has seen Chinese investments as complementary since Chinese FDI can be and has been an important source for employment, economic growth, and transformation processes (Boakye-Gyasi & Li, 2015). According to Tang (2018), the Chinese investment in Africa has significantly changed its engagement mode with Africa, shifting from the trade of natural resources to invest in industries.

Figure 13: Chinese investments in Africa



Source: EY Attractiveness Programme, Africa 2017.

Therefore, as in the study especially on the Construction sub-sector of the Industrial sector of Ghana, by Boakye-Gyasi and Li (2015), saw that foreign direct investments from China flowing on employment through their direct engagement in building and construction been positive and significant. This means that Chinese FDI contributes to an efficient workforce which benefits an economy from high productivity and leads to growth in individual households. In terms of employment, Tang (2018) revealed that about 35 manufacturing companies surveyed had employed a total of 3,226 Ghanaian workers and 322 foreigners (the majority being Chinese). So, the key to the economy is the fact that the Chinese have created employment of about 10,048 Ghanaians from 2006 to 2010. By 2012, this reached 15,932 allocated to Ghanaian constitution 83.85 percent of employment created. Finally, in 2009 China became the main source of FDI to Ghana with about US\$ 552 million and trade volumes of US\$3.47 billion in 2011, worth 69% growth rate, very impressive, (Boakye-Gyasi & Li, 2015). It then increased to US\$5.12 billion in trade volumes at the end of 2012 with increases in total direct investments over US\$ 500 million.

1.5 Sectors of the Ghanaian Economy.

1.5.1 Introduction

This section of the chapter presents the nature of the sectors of the Ghanaian economy: the

agricultural sector, services sector, and the industrial sector. The performances of these sectors will be observed from 2009 to 2019, in terms of their growth rates, contributions to GDP, and the share of employment out of total employment in Ghana.

1.5.2 Agricultural sector

The Agricultural sector plays a crucial role in contributing to the socio-economic development in many countries, (Nyamekye et al., 2021). In Ghana, just as many countries, it is the major source of primary employment, livelihood, and food security for people of all categories, especially the rural dwellers of the economy. Ghana's agriculture has performed reasonably well by African standards since the 1980s in terms of its growth, labor productivity, farm incomes, and the decline in rural poverty (Diao et al 2019). The sector contributes significantly to the Ghanaian economy, and remains the largest of the sectors, in terms of employment, employing almost fifty percent of employed in Ghana, according to the Ghana Living Standards Survey 6&7 (GLSS 6&7). The Agricultural sector consists of four (4) subsectors, namely, "agriculture, hunting and livestock", "cocoa", "forestry and logging" and "fishing". It is estimated that 44.1 percent of Ghanaian households own or operate farmland. From the survey done in the GLSS 7 (2017), most of the population that owns farmlands are situated around the northern parts of Ghana. A population of 7.3 million households involving 5.3 million persons is engaged in farming. In terms of Gender demography in agriculture, and on average, the proportion of females who own and operate a farm is 46.4% for the entire country, higher for rural localities than for urban localities. This suggests that more men than women are in agriculture in Ghana. Unlike the rich counties, the livelihood of most Ghanaians is driven by farming either crop or animal farming.

In terms of crop farming, the top five most harvested crops in descending order are maize, cassava, plantain, cocoa, and peanut/groundnut. Of these, cocoa remains the major crop in terms of the value of sales of all the crops, fruits, and vegetables harvested in Ghana (GLSS 7, 2019). This is the same of the period of 2013/2014 from the GLSS 6, as such cocoa and maize are classified as the two major cash crops, both in terms of volume and value of sales. Animal farming is no exception as it also significantly contributes to the sector's total sales with cattle sales being the highest followed by goats. Amidst all these, the sector has not been able to exploit its potential adequately beyond cocoa, to reduce its dependence on the many food importations the country relies on, so it can improve its export earning outside the few, likes of cocoa.

According to Jewab & Darko Osei, (2012), the GDP and employment shares of agriculture

have remained almost unchanged between 1960 and 2006, except for the 1967-1984 period faced with a contraction in the Ghanaian economy and so the other sectors' performance was also decreasing. Exports of raw materials from the sector as a percentage of merchandise exports declined however from 8.44 percent in 1992 to 4.93 in 2008, experiencing its worst in 2006, a percentage of 2.76 percent. However, “Liberalization of the Ghanaian economy coupled with foreign direct investment, within a doctrine of modernization of agriculture under private systems, led to the rise of large-scale commercial farming” within the early 2000s, (Joseph et al, 2018). In addition, According to Diao & Takeshima (2020), up until the 1990s, agricultural mechanization in Ghana was slow and was well noticed in the early 2000s. But lately, the Labor Force Survey in 2015/2016 revealed that about one-third of crop farms use some form of a machine on their farms, a low level of mechanization, e.g., there are only 4.9 tractors per 100 sq. km of arable land in Ghana against 120.7 in Asia and 256.8 in the U.S. in 2000 (World Bank, 2010). As such, the high adoption of mechanized farming in Ghana has noticeably improved from 2006 to 2013, witnessing a growth rate of 17.5 percent in 2005/6 to 32.5 percent by 2012/2013 (GLSS 5 and 6). In recent times, the agriculture sector has had the government’s attention which resulted in good performance considering its flagship program “Planting for Food and Jobs”.

Table 2: Agricultural labor force population and growth rate.

<i>Year</i>	Millions				Annual growth rate %		
	<i>1999</i>	<i>2004</i>	<i>2009</i>	<i>2014</i>	<i>1999–2004</i>	<i>2004–9</i>	<i>2009–14</i>
<i>National population</i>	18.38	20.84	23.69	26.44	2.54	2.60	2.22
<i>National labor force</i>	8.07	9.20	10.75	12.43	2.66	3.16	2.95
<i>Agricultural labor force</i>	4.62	5.15	5.87	6.63	2.20	2.65	2.50

Source: GLSS

1.5.3 Industrial sector

The Industrial Sector is the smallest of the three sectors in terms of labor force employment and economic activity. This part of the paper analyzes the performance of the industrial sector as a whole and then its sub-sectors, in terms of their contributions to GDP and total employment in the Ghanaian economy. From November 2010 rebasing, the sector is characterized by five (5) sub-sectors, which are the Manufacturing; Mining and Quarrying; Construction; Electricity and Water; and the Water Supply, Sewage, and Waste Management.

Table 3: Industrial Sector and Its Sub-sectors Share of Employment.

Industry/subsectors	2000	2006	2013	2016
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Total Industry Employment	1,151,394	1,198,291	1,337,256	1,424,52
Share of industry in total employment	15.5	13.6	14.4	12.7
Subsector shares in total industry employment (%)				
Manufacturing	69.0	80.1	63.2	62.2
Mining and quarrying	9.0	5.2	11.1	14.9
Electricity and water	2.6	1.5	1.4	0.8
Construction	19.4	13.2	22.9	21.3
Water supply, sewerage, waste management	-	-	1.4	0.8
Total	100.0	100.0	100.0	100.0

Source: GLSS IV, V, VI & VII. (Available data from the GLSS ends on 2016/2017)

The sector has in recent times been performing so well in its third phase of protectionism policies of the sector. These are the Import Substitution Industrialization (ISI) from 1960–1983, Economic Recovery Program (ERP) from 1984–2000, and Private Sector-Led Accelerated Industrial Development Strategy (PSAD) being post-2001. The ISI was an *Inward Over-Protected Regime* where the Nkrumah-led government saw the ability of the nation to be able to produce what was imported from colonial masters and other countries. This meant the country will less rely on its colonial masters for goods. Its aim is at breaking the vicious cycle of poverty and to escape from dependence on exports of primary goods, (Killick, 2010). A notion for this is that the imported material or goods could be produced internally, he added. This was going to exploit the country's raw materials to meet the basic need of the population, generate jobs and promote modernization from within, Ackah et al (2014). The success of this policy was the rapid growth of the domestic manufacturing and expansion of local industries encouraging more of the intermediate and capital goods as its import structure. Industry share of GDP grew from 2 percent in 1957 to 9 percent by 1969, with manufacturing employment increasing by 90 percent between 1962 and 1970. This failed due to reasons that the “*strategy could not ensure that Ghana’s foreign exchange earnings kept pace with the need to import raw materials and spare parts for the domestic import-substituting industries. Second, the effective protection granted under the ISI strategy made the import-dependent industries inefficient at utilizing domestic resources*”, (Ackah et al., 2014, p.3).

Therefore, the *Outward Liberalized Industrialization Strategy* of the Economic Recovery Program (ERP) was introduced under the Structural Adjustment Program (SAP) instituted in April 1983. This was to address the issues the economy faced following the previous

administration. The general purpose was to “*arrest and reverse the decline in all sectors of the Ghanaian economy as well as rehabilitate the ruined productive and social infrastructure*” (Ackah et al., 2014, p.4). To meet the set goals, emphasis was placed on improving and promoting the indigenous private sector. During the first five (5) years of the ERP, the industrial sector expanded at a yearly average of 11.2 percent, this was achieved by the manufacturing sector growth, the largest of the industry. However, the sector’s growth began to decline as the momentum weakened though still positive due to the poor response of the private sector to the economic reforms put forward from both institutional and structural constraints.

Finally, the *Private Sector-Led Accelerated Industrialization strategy* was introduced and has stood since the year 2000 as a remedy for the challenges of the industrial sector. Per the poor response from the Private Sector to accelerate industry growth and hence economic growth, the new move was to pay much attention to private sector-driven industrialization. It focused on value-addition from the processing of raw materials, hence job-creating agro-based industrial growth. Growth in the industry began from 2.9 in 2001 to 4.7 in 2002 and further to 7.6 in 2005. In 2011, it experienced the highest growth among all the sectors of the economy from oil production, a growth of 41 percent, and since has seen a growth in its performance more than the agricultural sector. Over the past few years, with the introduction of the government’s “One District One Factory” initiative, especially for processing farm produce, e.g., “Ekumfi Pineapple Juice Factory”, the sector has been growing increasingly. Meanwhile, the construction sub-sector stands to be the best performing, taking over from the manufacturing sector (see Table 5).

Table 4: GDP growth figures by sectors (%) (2001-2018).

Year	Overall GDP	Agriculture	Industry	Service
2001	4.0	4.0	2.9	5.1
2002	4.5	4.4	4.7	4.7
2003	5.2	6.1	5.1	4.7

2004	5.6	7.5	5.1	4.7
2005	5.9	4.1	7.7	6.9
2006	6.4	4.5	7.2	6.1
2007	4.3	-1.7	6.1	7.7
2008	9.1	7.4	15.1	8.0
2009	4.8	7.2	4.5	5.6
2010	7.9	5.3	6.9	9.8
2011	14	0.8	41.6	9.4
2012	9.3	2.3	11	12.1
2013	7.3	5.7	6.6	10
2014	2.9	0.9	1.1	5.4
2015	2.2	2.3	1.1	3
2016	3.4	2.9	4.3	2.8
2017	8.1	6.1	15.7	3.3
2018	6.3	4.8	10.6	2.7

Source: World Bank Sub-Sahara Africa data & Ghana Statistical Service, 2020.

1.5.4 Services Sector

The services sector, which is currently the best performing sector of the Ghanaian economy in recent years has gone through several structural changes. Up until the 1970s, the sector was hindered in its expansion due to the economic crisis in 1967-1983. The services sector's contribution to GDP has increased from 30.7 percent in 1960 to 43.5 percent by 2010, (Jewab & Darko Osei, 2012). Over the same period, employment increased by 20 percentage points from 23.2% to 43.1% despite a fall in productivity. The services sector is characterized by five (5) subsectors, namely: “wholesale and retail trade, hotels and restaurants”, “transport, storage and communications”, “government services”, “finance, real estate, and business services” and “community, social and personal services”. Of all the five (5) sectors, the “wholesale and retail trade, hotels and restaurants” keeps increasing steadily over the years making it the highest contributor to GDP of all the subsectors in the services sector. A reason for this is that most of the labor force is in this sector, engaged in informal sector activities, even more, characterized by “manpower” instead of modern technology in production and marketing processes.

According to Jewab & Darko Osei, (2012), The Economic crisis in 1978-1986 had the trade sector shrink relatively less than the other sectors, and its contribution to GDP temporarily

increase. He added that it increased further during the early 1980s due to globalization and tourism. The number of tourists into Ghana increased from less than 100,000 to about 1 million in 2010. For this cause, the export of services increased 0.6 percent of GDP in 1985 to 10.3 percent in 2005. The sector keeps growing as compared to the agricultural sector.

The availability of employment opportunities in the sector has been the reason for its growth in employment share, especially the wholesale and retail subsector since that serves as a cushion for many of the laborers who hardly find jobs to do. Performance of the services sector has been growing mainly because of the poor creation of jobs in the country and so many of the citizenry are shielded there. It is now the highest contributor to GDP and has maintained that, holding a share of GDP from 51.1 percent in 2010 to 56.9 percent in 2016, (World Bank, 2018). Consequently, the pick-up of the services sector is due to improvements in information and communication (10.7 percent); health and social work (24 percent); education (14.4 percent), public administration (13 percent), and real estate (9.4percent) sub-sectors in 2016. In 2018, the robust services sector growth of 7.6 percent was from the expansion of the Real Estate as well as information and communication technology activities. During the same time, 2018/19, there was a financial sector clean-up aimed at resolving insolvent banks and reforming Special Deposit-taking Institutions, which resulted in an additional cost of 1.3% of GDP to the fiscal budget. Though this clean-up affected the livelihoods of many citizens, there was a growth of credit to the private sector of 18.3% in December 2019, up from 10.6% in December 2018, which led to increased investment and so high employment opportunities and a thriving economic activity.

Table 5: Distribution of Gross Domestic Product (at Basic Prices) by Economic Activity (percent)

		2013*	2014*	2015*	2016*	2017*	2018*
1.	AGRICULTURE	21.7	22.0	22.1	22.7	21.2	19.7
1.01	Crops	14.6	14.6	14.8	16.2	15.4	14.5
	o.w. Cocoa	1.7	2.3	2.2	1.9	1.8	1.6
1.02	Livestock	3.7	4.0	3.7	3.3	3.0	2.7
1.03	Forestry and Logging	1.8	2.1	2.1	1.8	1.7	1.5
1.04	Fishing	1.6	1.4	1.5	1.4	1.2	1.0
2.	INDUSTRY	36.9	38.1	34.6	30.6	32.7	34.0
2.01	Mining and Quarrying	13.6	15.4	10.4	8.5	10.9	13.6
	o.w. Oil***	5.8	6.4	2.8	0.5	3.5	3.8
2.02	Manufacturing	12.4	12.5	12.4	12.1	11.3	11.3
2.03	Electricity	1.1	1.0	1.8	1.8	1.8	1.5
2.04	Water and Sewerage	0.6	0.6	0.7	0.7	0.6	0.5
2.05	Construction	9.1	8.6	9.3	7.6	8.2	7.1
3.	SERVICES	41.4	39.8	43.2	46.7	46.0	46.3
3.01	Trade; Repair Of Vehicles, Household Goods	11.2	11.3	12.4	14.1	14.0	15.2
3.02	Hotels and Restaurants	3.9	3.2	3.5	3.7	3.9	3.8
3.03	Transport and Storage	6.0	5.5	6.0	6.6	7.2	7.5
3.04	Information and communication	1.6	2.0	2.2	2.2	2.1	2.4
3.05	Financial and Insurance Activities	5.1	5.1	5.8	6.8	5.0	4.2
3.06	Real Estate	1.0	0.9	1.3	1.7	2.3	2.2
3.07	Professional, Administrative & Support Service activities	1.4	1.5	1.6	1.6	1.5	1.5
3.08	Public Administration & Defence; Social Security	3.7	3.2	3.2	3.3	3.3	3.3
3.09	Education	4.0	3.7	3.8	3.5	3.4	3.2
3.10	Health And Social Work	2.2	2.2	2.1	2.0	2.1	2.1
3.11	Other Service Activities	1.4	1.2	1.3	1.3	1.2	1.0
4.	GROSS DOMESTIC PRODUCT at basic prices	100.0	100.0	100.0	100.0	100.0	100.0
	ow informal GDP at purchasers' value	29.2	28.1	28.6	30.0	28.6	27.0

*provisional

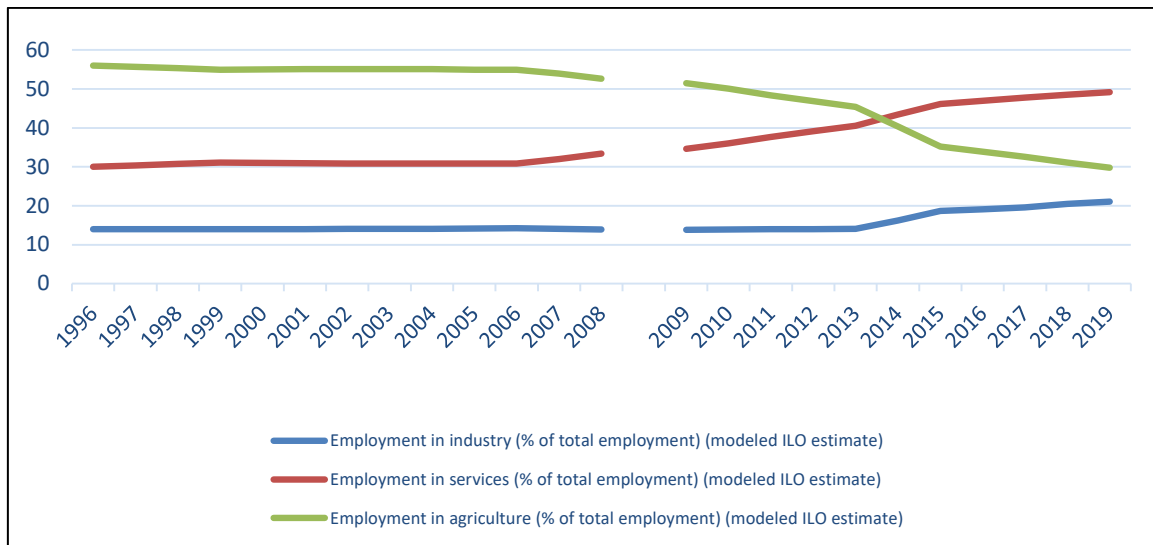
***Oil means Oil and Gas

Source: GSS: Statistics for Development and Progress Ghana Statistical Service (Rebased 2013-2018 Annual Gross Domestic Product).

1.5.5 Sectors Share of Total Employment

From the figure below, Employment in the services sector is the best performing, followed by the industry especially with the decade under review (2009–2019), with agriculture not thriving well in terms of employment. This affirms the effect of the poor performance of the agricultural sector in creating more employment opportunities for labor in the country.

Figure 14: Sectors share in employment % of total employment.



Source: World Development Indicators

The economy of Ghana has seen three phases of its development from the period of recovery after the global financial crisis to a period of sluggish growth and then finally rapid growth. Ghana's economic indicators have been following a similar trend – Trade, merchandise, exports, and the others as presented above. The economy is highly driven by trade, infrastructure, and net exports which have great impacts on the development of the economy. These drivers are categorized into three – stabilization, structural and external effects. Similarly, the economic indicators performed better within the period under review. Some of these are tax revenue, GDP growth, exports, trade merchandise, and direct investment. Whereas agriculture employs most of the Ghanaian labor force, the services sector is the highest contributor to Ghana's Gross Domestic Product. Meanwhile, the industrial sector is well-performing with an increasing share of total employment. Conclusively, both the services and industrial sectors and growth in labor force participation within the 2009 – 2019 period, were lower than the period before.

2 CHAPTER 2

2.0 SOCIAL DEMOGRAPHY OF GHANA

2.1 Introduction

In this chapter, the socio-demographic structure and characteristics of Ghana are addressed.

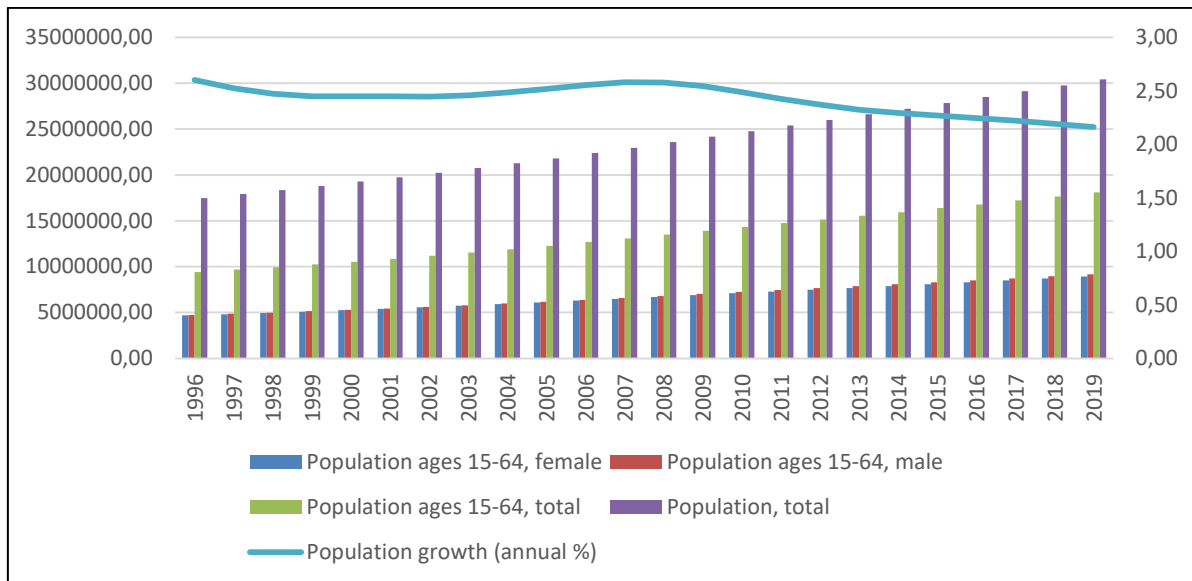
The characteristics that will be conferred are the population structure, by gender, age and sex, poverty, and inequality of Ghana. The second aspect will focus on the structure of the Ghanaian labor market. It will look at the various forms of work in Ghana, employment, and unemployment. The employment-to-poverty ratio and the Labor force participation rate are also discussed. These present a foundation for the nature of the labor market and its trend.

2.2 The Population Structure

Ghana's population has been growing steadily since 2001. Ghana's total population stands at 30.4 million in 2019. The high population growth rate of Ghana is due to the high fertility rate of 3.89 births per woman and the country's efforts to minimize mortality rates in the country. According to the World population review, Ghana's population growth is alarming to experts as the country is not in the best position (adequately equipped) to handle the dramatically increased demands for food, water, sanitation, education, and employment that is associated with rapid population growth. Despite the efforts of the government to slow down population growth in the country through the use of family planning methods, this is less adhered to, especially in the rural sectors of the country.

The population of the males 15-64 years has been higher than the females all through from 1996 to 2018, despite both were growing steadily over the period. Notwithstanding, this is the same for the entire population of Ghana where the male population is still greater, consider Figure 16. Meanwhile, the population growth rate has been lowering from 2009 onwards that is at an average growth rate of 2.5 percent the decade before 2009 as against 2.32 percent the decade afterward (2009 to 2019), however, this is lower than the 2.59 percent growth rate of the African continent over the same period.

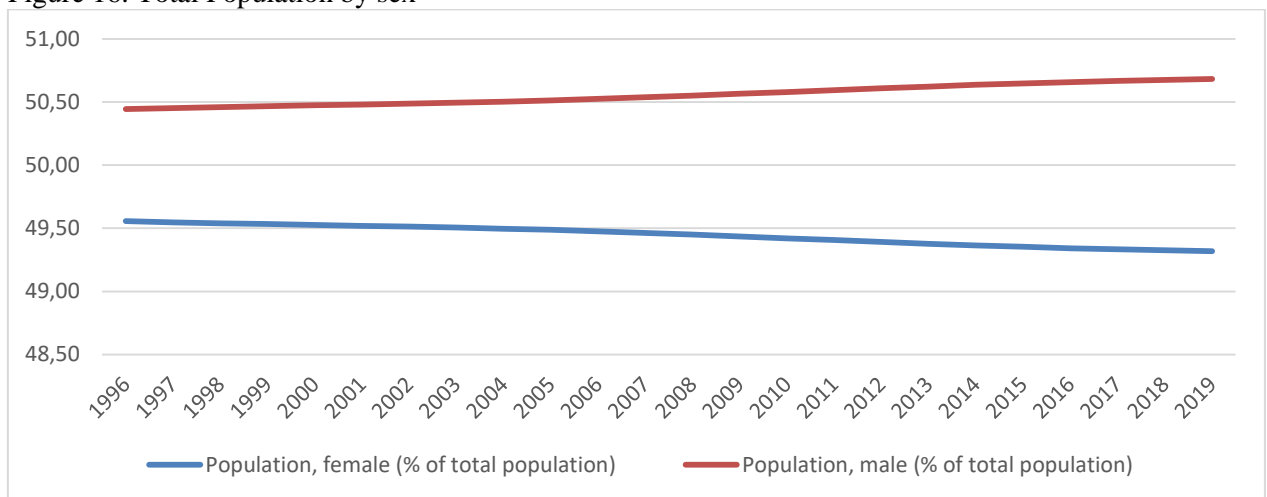
Figure 15: National Population Structure (total and 15-64 years)



Source: Author compilation from WDI DataBank.

The figure below indicates that of the country's total population, the male population has been greater than the female population according to the data from the World Development Indicators, DataBank. However, otherwise for Sub-Saharan Africa, where since 1960, female population out of total SSA population, has been higher than males.

Figure 16: Total Population by sex



Source: Author compilation from WDI DataBank.

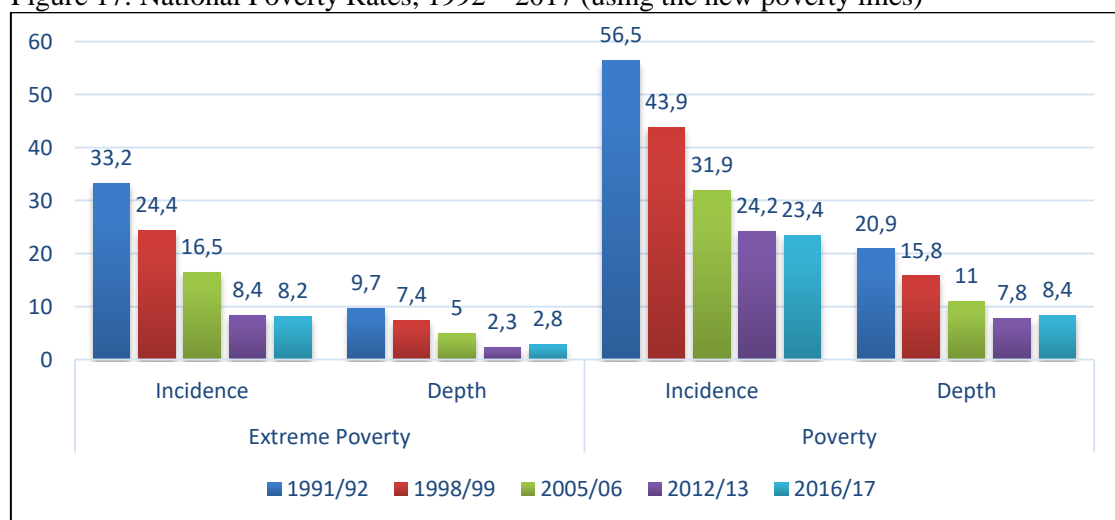
2.3 Poverty and Inequality in Ghana

Although Ghana is known for good governance, stability, and relatively well-developed institutions, it does not transcend fully into the living standards of the citizenry. The UNICEF Report (2015) on Ghana's Poverty and Inequality Analysis reveal that although Ghana has

attained Lower Middle-Income status, the gap between the poorest 10 percent and the richest 10 percent has increased since 2006. This notwithstanding, between 1992 and 2013, Ghana's poverty level has fallen by more than half, from 56.5% to 24.2%, thereby meeting the Millennium Development Goal 1 on "Halving Poverty". Despite the growing economic performance of the country, on which the country attained its Middle-Income status, the inequality gap keeps widening. Ghana's annual poverty rate reduction has slowed down from 1.8 percentage points annually in the 1990s to 1.1 percentage points from 2006. For household heads on a gender basis, female household heads have lower poverty rates of 19.1 percent in 2013, than the men heading households, at 25.9 percent. Similarly, urban poverty is lower than rural poverty in Ghana, such that in 2012, rural poverty was about 4 times urban poverty. This indicates better living standards in urban centers compared to rural areas, a reason for the high rural-urban migration in Ghana since urban poverty has reduced faster than rural poverty same for infrastructural development in both areas. Additionally, the northern parts of Ghana are characterized by the highest levels of poverty in the country.

Extreme poverty or lower poverty is associated with persons who live on monetary levels of GH¢792.05 per adult equivalent per year, whereas the upper poverty line is GH¢1,314 per adult equivalent per year, (GSS 2012/2013).

Figure 17: National Poverty Rates, 1992 – 2017 (using the new poverty lines)



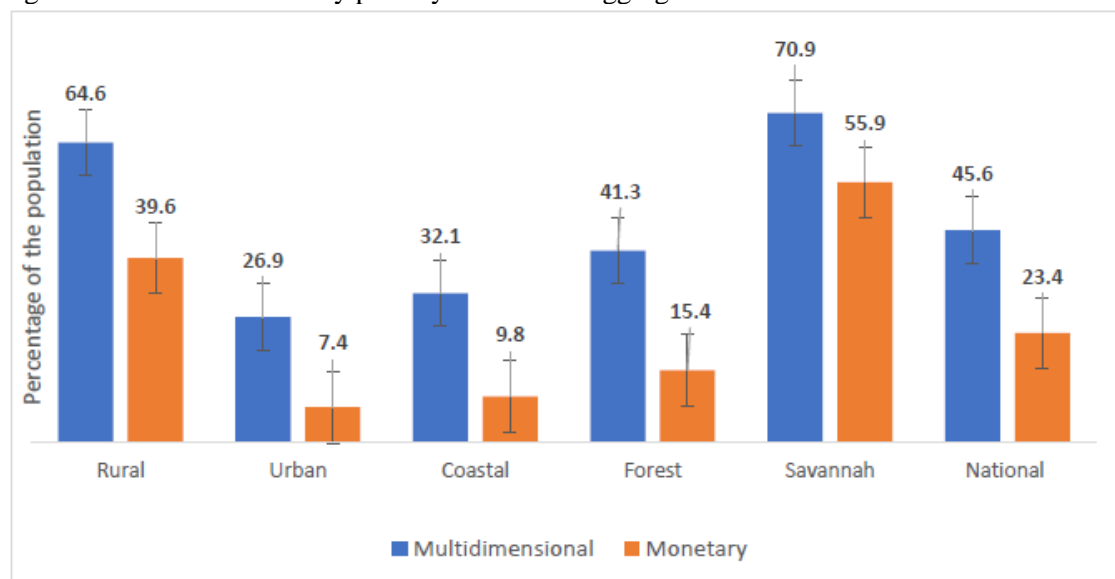
Source: Authors own compilation using the Ghana Poverty and Inequality Report (2016), and Poverty Trends Report (2018). (Available data ends on 2016/2017)

The multidimensional poverty report (2020) from the Ghana Statistical Service indicates that 46.5 percent of the population are multidimensionally poor, using indicators like health insurance coverage, under-nutrition, school lag, and households with members without

educational qualifications. From the report, Ghana is faced with 51.7 percent poverty intensity, which implies that the poor in the country experience on average more than half of weighted deprivations of the national cake. Key to these poor working conditions and unavailability of decent jobs with good incomes to meet the needs of these households, to make way for them to cater for their needs. This notwithstanding, the multidimensional poverty has fallen by nine percentage points, from 55 percent in 2011 to 46.5 percent by 2017, likewise, the intensity though not much from 54.2 percent to 51.7 percent.

Considering the conventional poverty measure in Ghana, which uses the monetary poverty of households, compared to the multidimensional poverty index of the country, it is found that the two intersect. That has features in common, poor income levels (monetary policy) have a high impact or relation with other characteristics of the multidimensional measures. The national incidence of multidimensional poverty of 45.6 percent is almost twice the national incidence of consumption expenditure poverty of 23.4 percent, according to the report. From figure 18 below, 19.3 percent of Ghanaians are poor using both indicators.

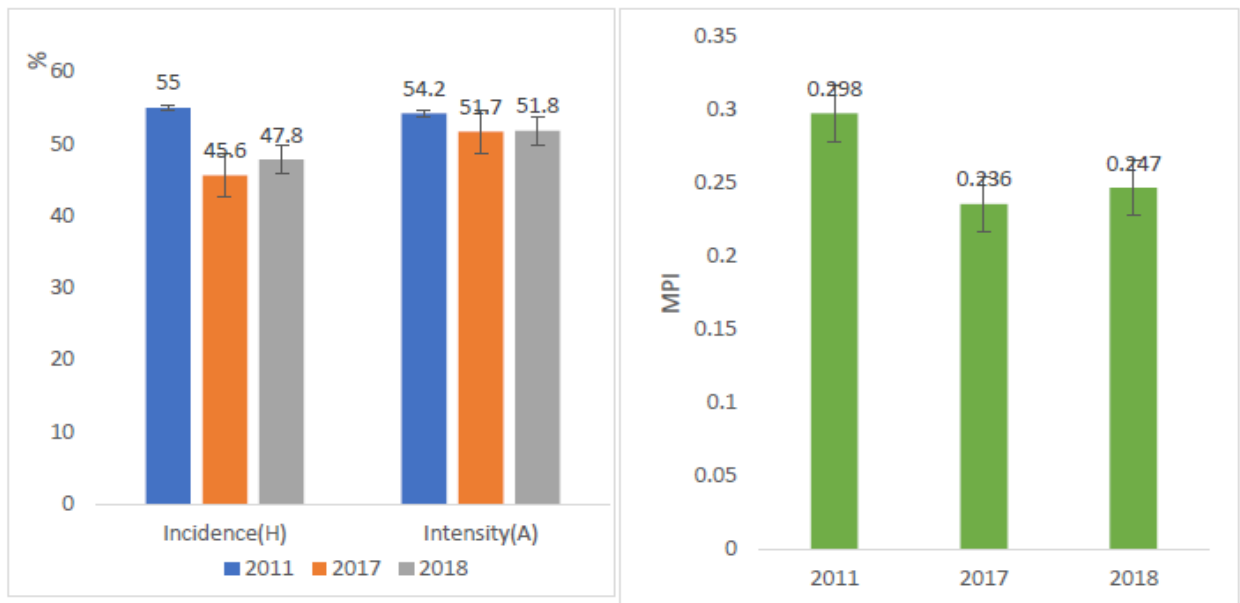
Figure 18: MPI and monetary poverty across area aggregates



Source: GSS – Multidimensional Poverty, Ghana.

The poverty is greater in the Savannah regions, the northern parts of Ghana, and also the rural areas, for both monetary policy and multidimensional poverty. Consequently, although the MPI reduced from 2011 to 2017 (reduction by 14 million people), it increased again in 2018, from 0.236 to 0.247, yet by a small margin of 0.011 not statistically significant.

Figure 19: Multidimensional Poverty in Ghana, 2011–2018.



GSS – Multidimensional Poverty, Ghana.

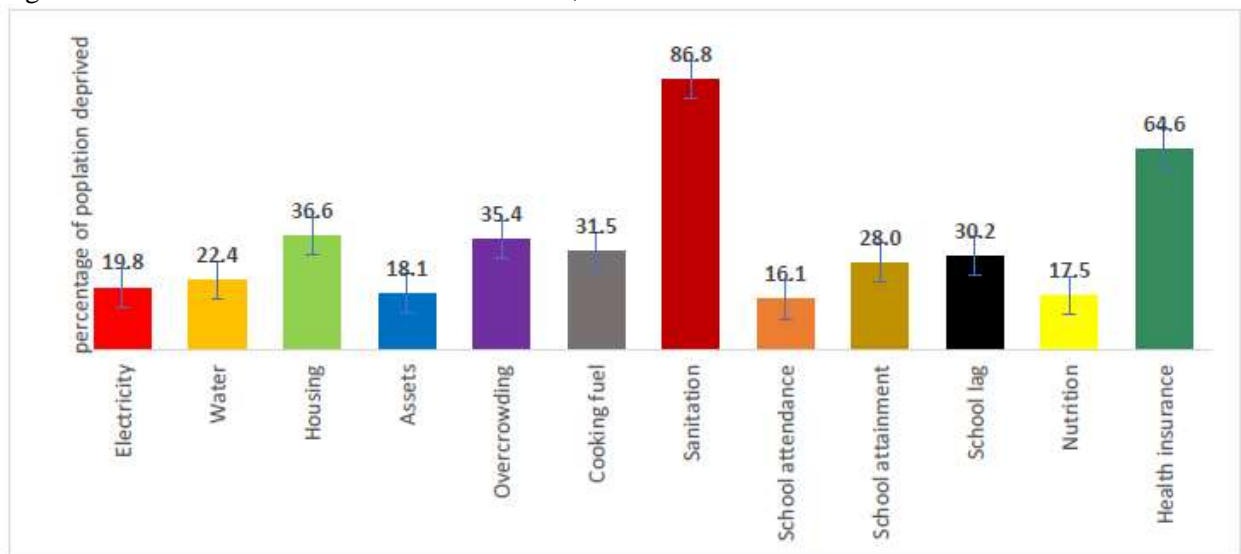
A Multidimensional Poverty Index (MPI) makes visible the joint distribution of deprivations, starting with a profile of each person's simultaneous challenges, to measure non-monetary poverty. (GSS, 2020). This helps to tailor the particular contexts and priorities of the country and reflect a national understanding of poverty. According to Amartya Sen (1983), poverty is not just relative, but also absolute, since to him, poverty is a failure to achieve certain minimum capabilities, and hence lack of capabilities is absolute. In this light, the need to identify the various priority loss of a population in a country is captured by the multidimensional poverty index. Ghana's MPI helps to monitor the key factors that jointly affected the multidimensionally poor in society which reflects national priority.

In Ghana, considering four dimensions of the MPI, first, Living Standards are the main indicator of poverty under the MPI. Living standards of the people are measured using the cooking fuel, Water, Assets, Housing, Overcrowding, Electricity, and Sanitation. Households that used solid fuel (charcoal or wood other than LPG) or did cooking in an enclosed place are referred to as poor. Those deprived of clean drinking water and source water from unclean wells, rivers/streams, unprotected springs, tanker supply/ vendor-provided, and the like, described the deprivation level. This transcends to those who traveled long distances for about 30 minutes or more to get access to water. Lack of assets like TV, radio set, telephone, refrigerator, or computer also fell in the deprived group. Again, those households with poor housing (inadequate flooring – with mud, or mud houses), overcrowded homes (more than three in a sleeping room), lack of electricity, and poor sanitation (no toilet facilities, shared

toilet outside the house) are all deprived.

The second dimension of poverty using Ghana's MPI is education. Children in a household within the ages of 4–15 years who is not schooling, any household member 2 or 3 years behind in school, and finally, if the household has no member who has an educational qualification are termed as deprived. The last dimension is on a health basis. A household is deprived of any child under 5 who is malnourished (stunted growth) and not covered by the national health insurance scheme.

Figure 20: National uncensored headcount ratios, 2017.

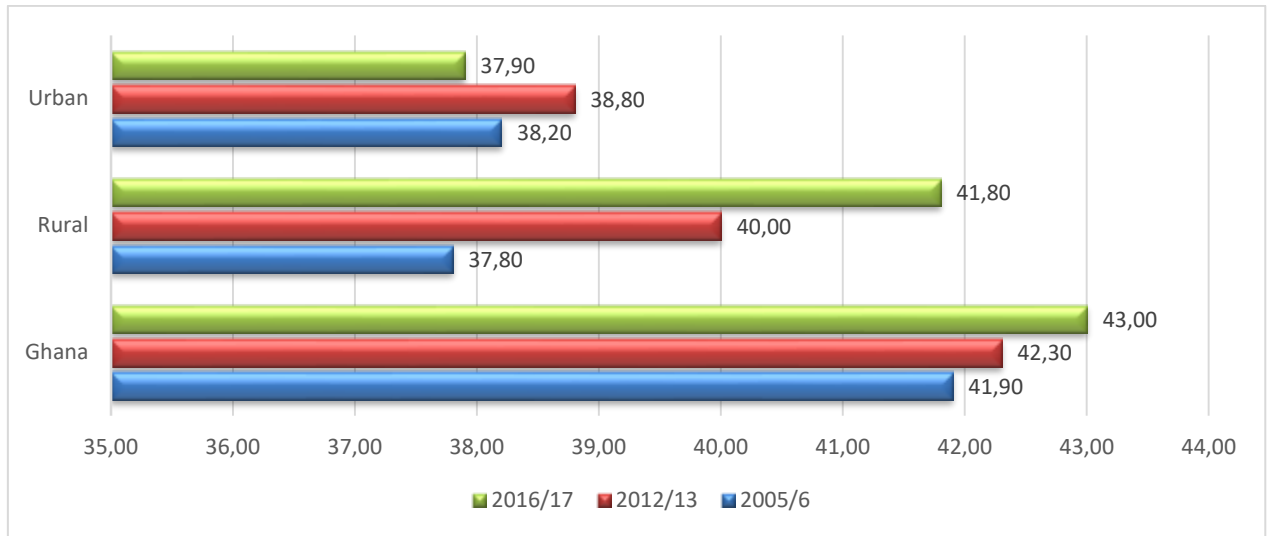


Source: GSS – Multidimensional Poverty, Ghana.

This shows the proportion of the total population who are deprived in Ghana per each indicator, irrespective of their poverty status from the monetary poverty using the GLSS VII report. Ghanaians are deprived highest in terms of their sanitation as 86.8 percent of Ghana lacked good sanitation. Second is health insurance with 64.6 percent of Ghanaians not having access to free health insurance or lacking health insurance cover.

As inequality increased, using the Gini coefficient, rose from 37 in 1992 to 42.3 in 2013 from the GSS, and then 43.0 in 2016/17. Rural inequality increased from 37.8 to 40.0, then to 41.8 in 2005/06, 2012/13, and 2016/17, respectively, while urban inequality increased from 38.3 percent to 38.8 percent between 2005/06 and 2012/13 and declined to 37.9 in 2016/17 (Poverty Trends Report, 2018). It was also higher in the Savannah regions, characterized as the Northern parts of Ghana.

Figure 21: Inequality by Locality: Gini coefficient, 2005/06 to 2016/17



Source: GSS – Multidimensional Poverty, Ghana. (Available data ends on 2016/2017)

2.4 Structure of Ghana's Labor Market

The key to improving the wellbeing of citizens of an economy depends on job creation and improving the quality of jobs. It is therefore needful to investigate the structure of the Ghanaian labor market, the country's economic activity. Following the 19th International Conference of Labor Statistics resolutions on the statistics for the nature of the labor market, some indicators have been included in the structure of the labor force or labor market (ILO, 2013). These include forms of work, potential labor force, and a composite measure of labor underutilization. Therefore, this provides a very detailed structure of the labor market. This chapter provides highlights of the employment and economic activity of the country for persons aged 15 years and older. The various forms of work and labor market structure are exposed in the chapter. Below is the standard labor force framework from the ILO.

Figure 22: Working-age population repartition



Source: GLSS VI

2.4.1 Forms of work

The forms of work according to the ICLS are presented. The ICLS Resolution presented two categories of the forms of work:

- For own final use under which is “Own-use production work, of goods and of services” defined as all those of working age who, during a short reference period performed under any activity to produce goods or provide services for their final use (ILO, 2013).
- For use by others: Employment (work for pay or profit), unpaid trainee work, volunteer work, and other activities.
 - Employment Work: defined as all those of working age who, during a short reference period, were engaged in any activity to produce goods or provide services for pay or profit.
 - Unpaid Trainee work: defined as all those of working age who, during a short reference period, performed any unpaid activity to produce goods or provide services for others, to acquire workplace experience or skills in a trade or profession.
 - Volunteer Work: defined as all those of working age who, during a short reference period, performed any unpaid, non-compulsory activity to produce goods or provide services for others.

- Other activities: are defined as all forms of work that fall outside the above explained.

Table 6: Structure of the forms of work.

<i>Intended destination of production</i>	<i>for own final use</i>		<i>for use by others</i>				
<i>Forms of work</i>	Own-use production work		Employment (work for pay or profit)	Unpaid trainee work	Other work activities	Volunteer work	
	of services	of goods				in market and non-market units	in households producing goods services
<i>Relation to 2008 SNA</i>	<i>Activities within the SNA production boundary</i>						
	<i>Activities inside the SNA General production boundary</i>						

Source: ILO, 2013.

In the table below, the forms of work identified in Ghana as of 2016 are presented, according to the Ghana Living Standards Survey, for persons aged 15 years and older. It shows the percentage of the population engaged in the forms of work highlighted above in terms of gender and type of locality.

Table 7: Population 15 years and older by sex, locality type, region, and forms of work performed

Sex/Locality/Region	Forms of work					Total
	Employment work	Own-use production work	Unpaid trainee work	Volunteer work	No activity	
Ghana	65.0	3.3	1.8	0.6	29.3	100.0
Sex						
Male	66.9	3.4	1.7	0.7	27.3	100.0
Female	63.3	3.1	1.9	0.5	31.1	100.0
Type of locality						
Urban	61.0	1.4	2.1	0.5	35.0	100.0
Rural	69.5	5.4	1.5	0.7	22.8	100.0

Source: GLSS VII

From the table above, 65 percent of the country's population are engaged in Employment work. This indicates that most of the labor force are working either for pay or for profit, as compared to 3.3 percent who are engaged in economic activities for their "own use". The country has 29.3 percent of the population not engaged in any economic activity. In terms of gender participation in the labor market, more men are employed than women, with 66.9

percent of men in employment working as against 63.3 percent of women. Again, more men than women are in both own use production work and volunteer work. However, more women were unpaid trainees – apprenticeship (1.9 percent) and did not engage in any activity (31.3 percent), higher than that of the men.

Comparing the economic activities in terms of localities, more rural dwellers, a percentage of 69.5 percent, were employed, greater than the urban dwellers which had 61 percent of its people employed. Owing to the subsistent farming which characterizes the rural sector, it supports the outcome that more rural dwellers were engaged in their use production work of 5.4 percent, as compared to 1.4 percent in the urban centers. On the flip side, 35 percent of urban dwellers did No activity during the period, against 22.8 percent in the rural parts of the country. A reason that can be associated with this is the high population of students in the urban centers, those in the universities or tertiary. Likewise, the unpaid trainees were higher for the urban centers.

2.4.2 Activity Status of Ghana

The activity status of Ghana has been grouped into two; the economically active category and the economically inactive (or economically not active). To be considered economically active, one must be either employed or unemployed, and the not active persons are those who did not work and were seeking work; that is, are not currently employed unemployed. Therefore, for all who are in school, or homemakers, retirees, disabled persons, and minors and aged (either too young or too old to work). The economically active category makes up the Labor force participation group and hence the labor force participation rate of the economy. This is the proportion of the country's working population that is either employed or unemployed.

The table below indicates that the activity rate in Ghana within this decade saw a decline in the activity rate within the country, from 2014 to 2017. This was the same for both males and females. Proportionally, more men are employed than women, with 78 percent of men against 73.1 percent of women in 2014.

Table 8: Activity status for 15 years and above

	Economically Active	Economically not active
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Years	Employed			Unemployed			Male	Female	Total
	Male	Female	Total	Male	Female	Total			
2014	78.4	73.1	75.5	1.6	1.8	1.7	20.1	25.1	22.8
2017	66.9	63.3	65.0	5.4	6.4	6.0	27.7	30.3	29.1

Source: GLSS VI & VII (Available data ends on 2016/2017)

This declined to 66.9 percent for men and 63.3 percent for women in 2017. From this, the activity rate of males fell by 11.5 percent points greater than 9.8 percent points for females in the labor market. Comparing both years, the unemployment rate was higher for females than for males. Meanwhile, it is worth noting that the unemployment level has risen highly from 1.7 percent to 6 percent. Similarly, for the inactivity rate (economically inactive), more women than men were economically inactive in the country.

2.4.3 Employment and Employment-to-Population ratio

Employment herein comprises of all persons of working age who during the reference period were in paid whether with a job (at work or not) or self-employed. The economically active population of Ghana stood at 17.26 million of the total population with 11.22 million employed persons which contribute 65 percent of the population employed (all within the ages 15+). Females employed (5.5 million) was higher than the men (5.4 million).

Wage employment in Ghana has increased in 2017 for both sexes and in either localities (both rural and urban) from 2013, this indicates an improvement in paid jobs for labor. However, self-employed with employees, contributing family workers, and unpaid apprentices fell from 2013 to 2017, according to the reports. The majority of employed, in both periods, are found in the self-employed without employees, 24.65 percent in 2017, category and this was higher than 2013 with 23.15 percent. A key feature of the employment status in Ghana is that most of the males are in rural self-employed agriculture without employees while most of the females are in self-employed non-agriculture without employees, these are consistent in both periods.

Table 9: Currently Employed population 15 years and older by type of work engaged in, type of locality, and sex (%)

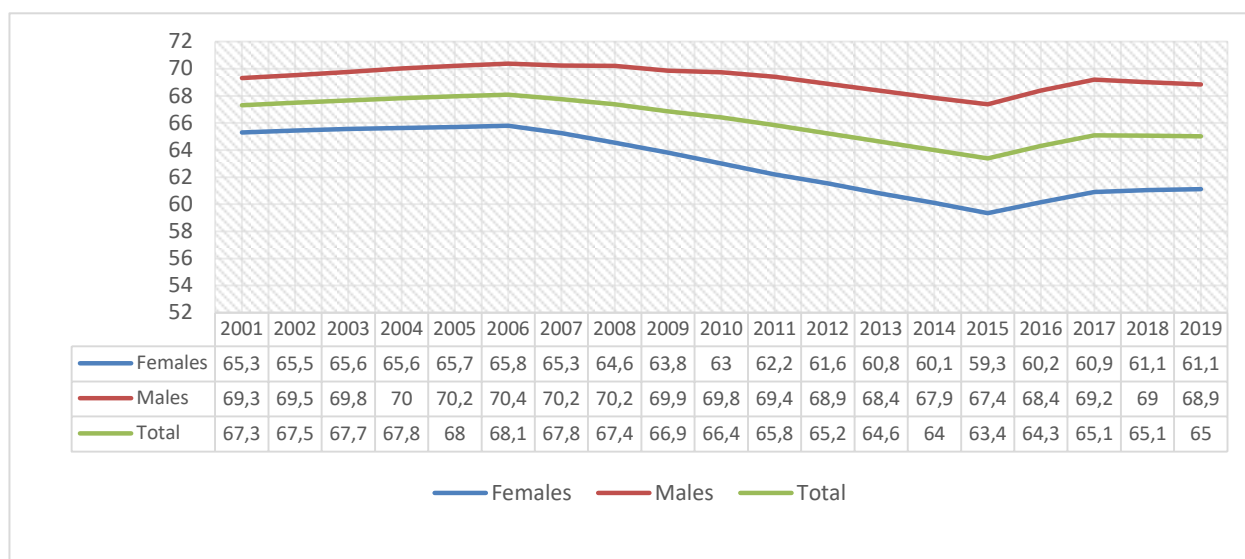
Type of Work	2012/2013	2016/2017
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	Urban		Rural		Urban		Rural	
	Male	Female	Male	Female	Male	Female	Male	Female
Wage Employment	47.5	19.1	12.9	4.5	48.0	21.7	17.9	7.5
Self-Employed with Employees								
Non-Agriculture	7.5	7.3	1.8	1.5	5.5	5.4	1.7	0.9
Agriculture	1.9	1.3	2.7	1.1	0.8	0.1	1.3	0.6
Self-Employed without employees								
Non-Agriculture	15.8	44.5	7.2	18.2	20.0	52.0	7.5	23.6
Agriculture	10.8	8.3	48.7	30.1	9.0	5.2	48.1	30.5
Contributing Family worker								
Non-Agriculture	3.2	6.0	1.4	3.1	3.0	7.0	1.3	3.4
Agriculture	6.1	7.9	21.5	38.5	2.9	4.0	15.8	30.1
Casual Worker	3.4	4.0	1.2	1.7	9.6	3.6	5.7	2.4
Unpaid Apprentice	3.1	1.4	2.5	1.1	0.7	0.8	0.4	0.8
Domestic Worker	0.4	0.3	0.1	0.2	0.1	0.2	0.2	0.2
Other	0.3	0.1	0.0	0.1	0.0	0.0	0.1	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors compilation from GLSS VI & VII. (Available data ends on 2016/2017)

The Employment-to-population ratio measures the ability of the economy to provide jobs for the growing population, GLSS VII. This measures the proportion of the Ghanaian population that is employed in the country. Although this is similar to the employment rate, it provides a more relevant indicator of the potential of the economy to create jobs. From the figure below, more men than women are employed, the employment to population ratio was higher for the men. This outcome supports the ILO (2010), that in most countries women are less likely than men to participate in the labor market; and this means they are less likely to be employed. The years before 2009 had higher employment to population ratio than the decade under consideration (2009 to 2019). For both sexes and the entire population, the least was recorded in 2015.

Figure 23: Employment to population ratio, 15+, by Sex (%)



Source: Author's compilation from WDI DataBank.

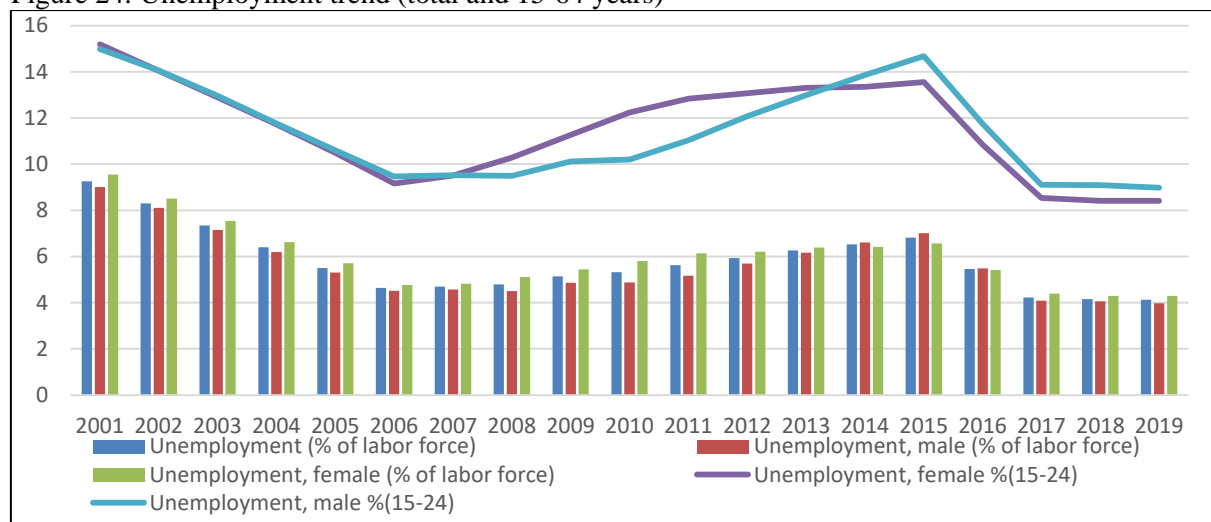
Employment in the country fell from 66.9 in 2009 percent (the highest in the decade) to 63.5 percent in 2015 (the lowest level in the decade) then increased to 65 percent in 2019, yet lower than the lowest rate over the period before. According to the GLSS VII report, the employment to population ratio is highest for those aged 35 to 39 years and lowest for the 15-19 age category. Also, employment-to-population is higher in the rural sector (69.5%) than urban sector (61%).

2.4.4 Unemployment and Underemployment in Ghana

According to the National Youth Policy, 2010, Ghana's population is characterized by youthful age, with 34.1 percent of the population being within the ages of 15-35 years constituting the youth. The GLSS VII report indicates that 18.3 percent of youths, aged 15-24 years were unemployed, and this was the greatest proportion of unemployment in the country, this holds for both sexes, males and females. In terms of locality, unemployment in the urban centers was greater than in rural areas. For those residing in the urban areas within 15-24 years, the unemployment rate was 27.5 percent, compared to 11.4 percent in the rural areas. Meanwhile, unemployment in the country is greater for females (9.2 percent) than for males (7.5 percent), (GLSS VII). The report indicated that the unemployment rate is highest among persons with WASSCE, O' level, and A' Level qualifications (21.5%) and those with Certificate, Diploma, and HND (15.9%). Whereas persons with no educational qualifications have the lowest unemployment rate in the labor market. The Institute of Social, Statistical, and Economic Research (ISSER) found that about 250,000 young people enter the labor

market every year, and the formal sector can only absorb 5,000 constituting 2 percent only. In effect, the informal sector becomes the cushion for the remaining 98 percent.

Figure 24: Unemployment trend (total and 15-64 years)



Source: Author's compilation from WDI DataBank.

According to Baah-Boateng (2011), in developing countries with high levels of informality, unemployment figures tend to be very low, and Ghana seems to be no exception. However, this does not imply a strong and effective labor force, rather possibilities of high-level underemployment and labor underutilization. Labor underutilization or underemployment is the situation, where, for reasons of survival, labor work for a few hours, earn lower incomes which is not commensurate to the attained qualifications, thereby underutilizing skills, and hence become less effective and less productive. Typical of the reasons why labor hinges on underemployment are the absence of unemployment relief programs (GSS) and insurance or benefits. This also explains labor market disequilibrium and mismatch between the demand and supply of labor due to insufficient labor market absorption.

Table 10: Time-related underemployment estimates of persons 15 years and older by sex and locality

Sex	Rural	Urban	Ghana
<i>Male</i>	584,229	392,394	976,623
<i>Female</i>	838,171	583,020	1,421,192
	1,422,400	975,414	2,397,815

Source: GLSS VII

From the table, about 2.4 million Ghanaians in the labor force are underemployed. Of these, 59 percents are females, and the same 59 percent dwell in rural areas.

2.4.5 Labor Force Participation Rate

The concept of the labor force, according to the ILO, is a broader measure than employment because it includes those persons of working age who are employed as well as those unemployed. A country's labor force level tells the degree of labor supply within its borders out of the population available for labor market activities, through market transactions in exchange for remuneration. Therefore, Labor Force Participation Rate calculates the proportion of the country's working-age that engages actively in the labor market, whether employed or unemployed, GLSS VII. The LFPR is a measure of the size labor supply in the labor market available for the production of goods and services for a particular period. LFPR is the total labor force expressed as a percentage of the working-age in the country, which is those 15 years and older, for Ghana. As a credit to the nation, at 67.81% in 2019 (WDI), its LFPR is higher than the African continent (63.1%) and the global average of 60.7% (ILO, Nov. 2019).

Table 11: Employment-to-population ratios and total employment, 2000–21

Region	Labour force participation rate (%)							Volume of Labour force participation (in million)						
	2000	2016	2017	2018	2019	2020	2021	2000	2016	2017	2018	2019	2020	2021
Africa	65.1	63.2	63.1	63.0	63.1	63.1	63.1	302.1	451.3	463.2	476.0	489.7	503.8	518.0
Central Africa	73.9	69.1	69.1	69.0	68.8	68.7	68.5	38.5	59.7	61.6	63.6	65.7	67.8	69.9
Eastern Africa	78.5	77.6	77.5	77.3	77.3	77.4	77.4	109.0	175.8	181.3	187.0	193.3	199.8	206.3
Northern Africa	47.1	46.5	45.8	45.7	45.7	45.7	45.6	51.2	71.5	71.7	73.0	74.3	75.7	77.0
Southern Africa	56.0	56.5	57.1	56.9	56.9	56.9	56.9	18.8	25.3	25.9	26.2	26.7	27.1	27.5
Western Africa	64.5	58.7	58.7	58.7	58.5	58.4	58.3	84.5	119.1	122.6	126.2	129.8	133.5	137.2
World	64.7	61.2	61.0	60.9	60.7	60.5	60.3	2 777.6	3 376.8	3 413.3	3 449.2	3 482.4	3 515.0	3 545.7

Source: Computed from ILOSTAT, ILO modelled estimates, November 2019.

With the Africa data, Eastern Africa for the past two decades has the highest labor force participation rate, where Northern Africa recorded the least over the same period, below 50 percent of the entire population. Compared to the World data set, Western Africa has thrived poor with the records, below it throughout the two decades, however, Ghana has outperformed.

Consider the table below from the GLSS VII (2017), the labor force participation rate is higher for rural dwellers (73.3%) than for the urban dwellers (68.9%) which together make a Labor Force Participation Rate of 70.9 percent in Ghana, 2017. The participation rate was higher for Ghanaians aged between 35-39 years (91.7%) and lower for those 15 to 19 years (35.4%). In addition, males participated in labor market activities more than females according to the report.

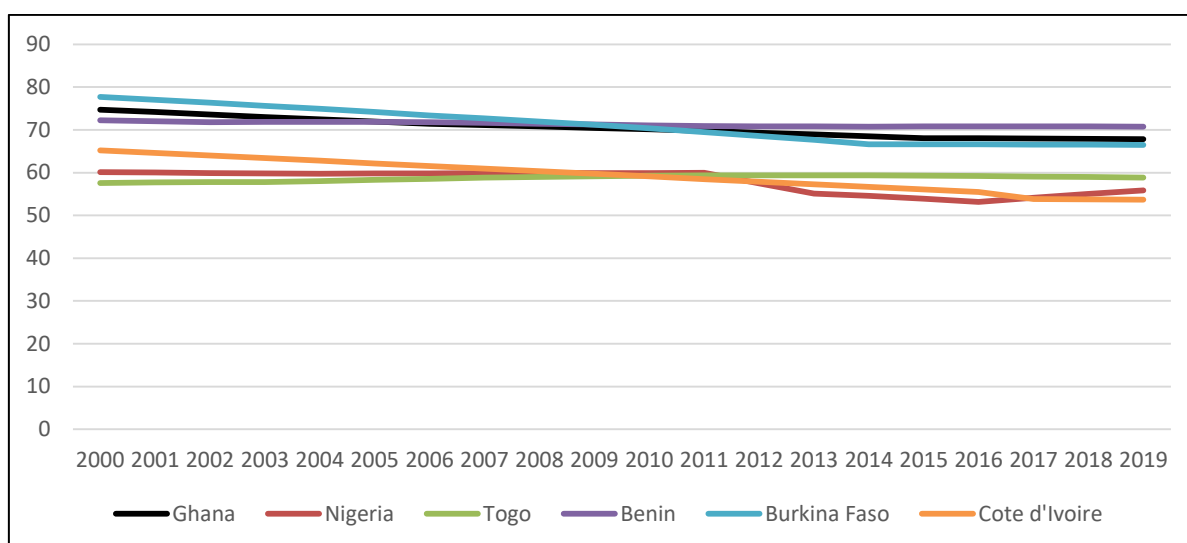
Table 12: Labor force participation rate of population 15+, by age group, locality, and sex (%)

Age	Ghana			Urban			Rural		
	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes
Total	72.3	69.7	70.9	70.8	67.2	68.9	74.0	72.7	73.3
15-19	35.7	35.1	35.4	24.1	27.1	25.6	46.0	44.2	45.2
20-24	60.2	60.4	60.3	57.3	57.0	57.2	63.5	64.8	64.2
25-29	81.4	79.6	80.4	80.0	77.3	78.5	83.1	82.6	82.8
30-34	92.4	84.2	87.9	92.6	82.9	87.4	92.1	85.9	88.7
35-39	94.7	89.1	91.7	95.4	87.9	91.5	93.8	90.6	92.0
40-44	93.2	89.7	91.3	92.8	90.8	91.7	93.7	88.4	90.8
45-49	91.8	88.4	90.0	91.1	87.9	89.4	92.7	88.9	90.7
50-54	91.3	86.0	88.3	94.4	85.9	89.5	88.0	86.1	87.0
55-59	87.9	84.5	86.1	88.8	82.4	85.5	86.9	86.8	86.8
60-64	79.3	67.6	73.0	74.5	59.9	66.3	83.0	75.0	78.9
65+	52.3	43.5	47.0	44.3	38.3	40.6	59.1	48.4	52.9

Source: GLSS VII

From the below, Ghana's LFPR is among the highest in the West African sub-region. Among the countries below, Ghana's LFPR is above its neighboring countries, and this has been the case since the year 2000, although below Benin from 2009 to 2019. This is also higher than the entire average for the sub-region. In the figure, Nigeria with the highest population in Africa has not performed well with their labor market absorption of its labor force, particularly in this decade.

Figure 25: Labor force participation rate, total (% of total population ages 15+).



Source: Author's compilation from WDI DataBank.

2.4.6 Type of Employer, Private Sector, and Public Sector

Considering public sector and private sector employment, Ghana's public sector employment is not performing well with the labor force growth. According to Table 13, employment in the private sector is what sustains the labor force. The majority of the labor force is employed by the private sector; this could be private self-employed or employment with employees, especially for private institutions and companies.

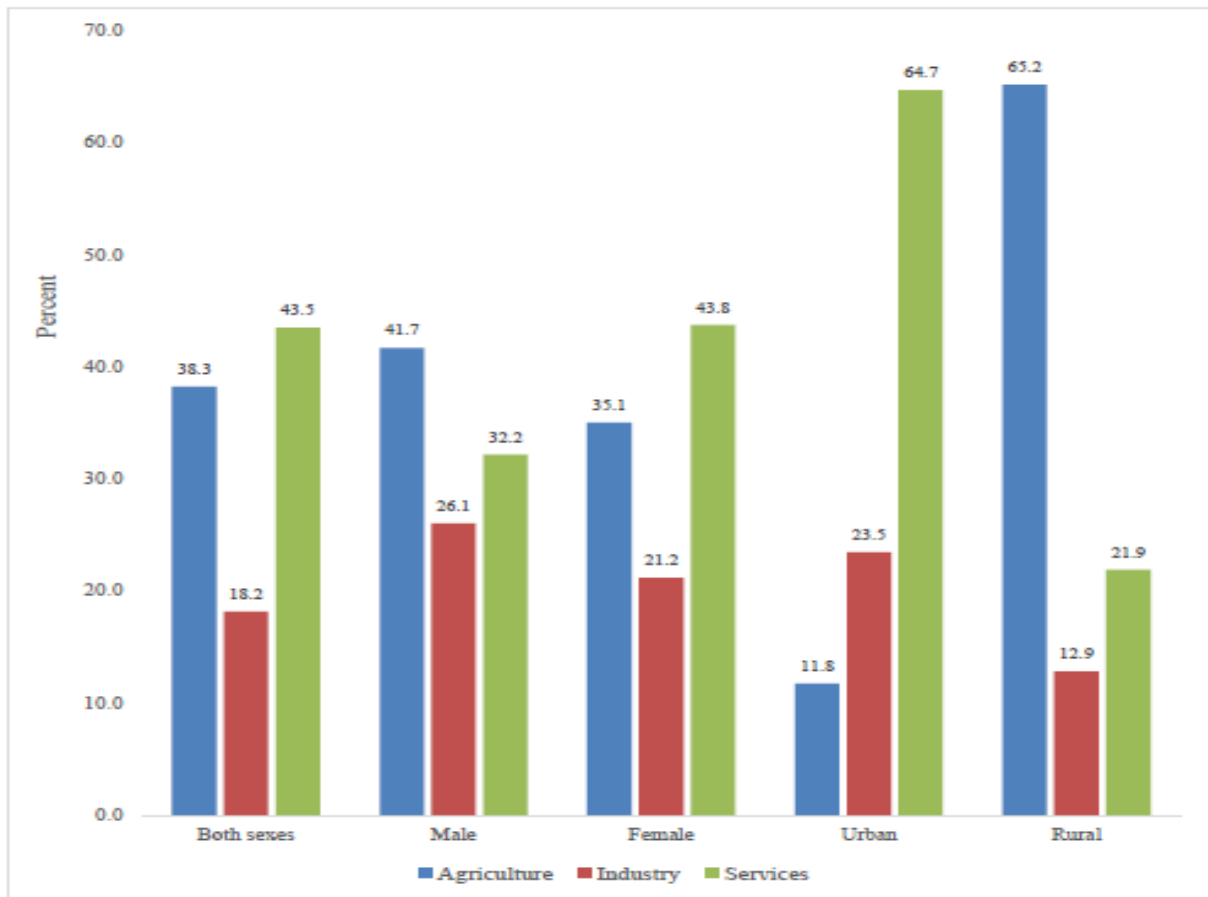
Table 13: Employed population by type of employer (percent).

Type of Employer	Year		
	2005/06	2012/13	2016/17
Public Sector	28.5	5.9	6.8
Private Sector	66.7	93.7	92.5

Source: GLSS V, VI & VII. (Available data ends on 2016/2017)

Therefore, be revealed that the private sector is the hub for job seekers, of all categories of qualifications, and this is characterized mainly by informal sector employment, underutilization of labor capacities.

Figure 26: Currently employed population 15 years and older by major industry group, sex, and locality



Source: GLSS VII

Meanwhile, in terms of industry employment in Ghana, looking at the type of product produced, and service rendered at the place of work, the services sector with 43.5 percent engaged the bulk of the employed population in the labor force. The agricultural sector (38.3%) followed this and then the industrial sector with the least engagement (18.2%).

3 CHAPTER 3

3.0 JOB CREATION AND THE INFORMAL SECTOR

3.1 Introduction

This chapter of the paper presents the situation of the labor market in response to the performance of the Ghanaian economy. The outcomes are related to economic literature and analysis of the trend relationship between the two, economic growth and labor market, especially how the former impacts the latter. Meanwhile, the Ghanaian situation regarding the relationship and or between the impact of economic growth and the labor market has not attracted much literature out there. However, this falls within the context of literature that is economic theories that surround and address the relationship between economic growth and labor market activities. Considering theories like that of Classical economists and the Keynesians, the condition of Ghana falls in place, especially in line with Okun's Law.

In the context of economic literature, labor market activities or performance and economic growth arise two interconnections: whether the performance of the labor market draws from that of the economy's growth or otherwise. This gives room for various theories that have been presented on this to be exposed. In brief, the Classical view of labor demand (from the available labor supply – labor market activities) and the response from the Keynesian economics as another school of thought are exposed.

The Classical theory, according to Froyen (2013) stands on the role of real as opposed to nominal factors in determining real output levels in an economy while giving no credit to money other than as a medium of exchange. A special feature of the classical model is that it leans on the fact that the economy is self-adjusting in nature, which identifies Government policies as unnecessary to ensure full employment and seen as harmful. The theory rather assumes flexible wages and prices as well as perfect information in the market for labor response. Output (Y) determination solely depends on capital (K) (constant in the short run) and labor (L); $Y = F(K, N)$ (Froyen, 2013, p.52). With the constant capital, employment is the only determinant of National output, where employment is determined in the labor market. The players of the labor market, demand by firms, and supply by households are crucial to the concept. As firms are taking the price level and money wage as given in the market, households also treat the money wage as constant, arriving at the market equilibrium point. Firms employ or hire labor to maximize their profit, so will employ at the profit-maximizing point where the Marginal product of labor (MPN) equals the Real Wage (W/P): $MPN = \frac{W}{P}$ (Froyen, 2013, p.56). This theory presents labor productivity of labor demand, employment is

created from how productive labor is in producing goods and services unto the market and hence economic growth in the economy. From the labor productivity, if the marginal product of labor is greater than the real wage, firms will respond by increasing employment to produce the needed goods and services in the market until an equilibrium is attained, and vice versa – when marginal product is lesser than the real wage, employment will fall by laying off workers to increase the marginal product, due to the effect of diminishing marginal returns. Therefore, economic growth, according to the Classical theory, is driven by the input, performances of labor, its activities, and productivity considering the favorability of work conditions, education, and training as well as population growth rates in the economy.

Meanwhile, due to the inability of the Classical theory and regime to remedy the massive unemployment and explain the cause of the Great Depression of the 1930s, the renowned Economist John Maynard Keynes developed Keynesian Economics both to explain and resolve it. Unlike the Classical Economists, Keynes believed that the lack of an explicit theory on the Aggregate demand for the output was the reason for the challenge to explain the massive unemployment in the 1930s. From that, Aggregate Demand is crucial in determining the output level that is to be produced in an economy as well as the employment in the economy. Hence, resorting to a stimulation of the Aggregate Demand, Fiscal Policies are considered mainly as a remedy (Froyen, 2013). Froyen (2013) explains that Keynes began with the equilibrium output level in an economy, stating that output equals Aggregate Demand or Desired Expenditure ($Y \equiv E$). Here, the Aggregate Demand is made up of three components: Household Consumption (C), Desired Business Investment (I), Government Spending (G), Exportation (E), and Importation (M) for an Open Economy. $Y \equiv E = C + I + G + (X - Z)$ (Froyen, 2013, p.104). That is for Keynes, Y (income or product) = Consumption (C) + Investment (I) + Government Spending (G) + Exportation (E) – Importation (Z).

To begin with, the effects of an increase in Government spending (fiscal policies) through the purchases of goods and services by the federal, state, or the Local Government are exclusive of the government transfer payment and interest payments on government debts. An increase in government spending means an increase in the aggregate demand for goods and services in the economy since government spending is a component of the Aggregate Demand Schedule. This leads to a fall in the Inventory stock of firms, requiring an increase in production to meet the demand on the market, and so will cause an increase in the demand for labor to produce the goods and services. Therefore, the state of the local government to expend will make room

for space to employ more labor for production thereby creating employment in the economy. This implies a strong federal will be able to create more employment than a weaker one, the effect of a growing economy. In a similar fashion, increases in investment from a lower interest rate create employment for labor in the economy. No investor invests in a poorly performing economy, one without the potential of helping the investor make a profit. So, a growing economy coupled with good developmental policies, exportation policies, good external public policies will attract investment and so create employment to provide the needed production level of goods and services in the economy. Meanwhile, the state should support the various sectors of the economy to develop through technology, reduced the cost of production (subsidies), and thereby attract FDI into the country. This is more evident in the case of Ghana, though a mixed economy, has a greater influence from the government in the performance of the labor market performance. Especially in the determination of daily wage rate, where the state tries to increase the wage rate, taxation, and create employment opportunities, as well as spearheading the economic performance through policy making. Commencing from the Import Substitution industrialization, which was a socialist regime, to mixed one under the Structural Adjustment Program and currently the Private Sector-Led industrialization, though government leads it. Under this regime, Ghana's government has been engaging the private sector through Public-Private Partnerships, aside from the private sector's given room to operate in the local economy even having an impact in the international market. Considering the increases in government spending and decisions for sustaining economic growth, the economy of Ghana is where it is today.

With recourse to the Okun's Law identified and interpreted in the 1960s, by the renowned economist Arthur Okun, there is a clear relationship between unemployment and GDP growth. The equation $u_t - u_{t-1} = -g_{yt}$, shows the relationship between unemployment and output growth rate. According to the law from the equation, the change in the unemployment rate should be equal to the negative growth rate of output. For instance, a 5 percent growth in output, should result in an unemployment rate decline by 5 percent. This was drawn from an actual relation between output growth and change in unemployment rate based on 30-year data on change in unemployment and output growth. The outcome revealed an output growth of 1 percent above normal leads only to a 0.4 percent reduction in unemployment, which was associated with two reasons; labor hoarding and the fact that not all newly created employment opportunities are filled by the unemployed labor. And this is exactly what is identified in the Ghanaian context.

Although macroeconomics trends and actions influence the labor market, the activities of the labor market also influence the performance of an economy, as such labor is seen as a key factor of production for every production process which is to take place. This presents causation from labor productivity to economic growth, however, just as presented in the theoretical scope above, increases in output from increased demand lead to an increase in labor demand to produce the output that will meet the market output requirement (prevent possible shortages). Some empirical evidence is provided for the outlook of some economies of countries, precisely Serbia and Ireland, to observe the relationship between economic growth and labor market activities.

In Serbia, there is a poor and powerless economy which has a private sector whose wages are significantly lower, and characterized by employee safety being at its worse, as well as a terrible pressure on the public sector employment, Tesic et al (2015). Serbian economic growth was responsively low. The country was seriously shaken by the global financial crisis in 2008. It highly experienced poor performance in its economic indicators, especially the GDP growth rate, such that it experienced a negative real growth rate of -3.1 in 2009 and a relatively poor over the subsequent years. The state of the economy is unable to employ and exploit the labor within the economy, talk less of equipping them to meet labor market demands. And so, they added that “in the present moment, there are no key assumptions for the establishment of market economy in the segment of the need to work and supply of labor”. Again, the losses of the public sector associated with high redundancies and over-indebtedness, yet high economic budget has also been a great burden, they said, and stone around the neck of the state budget and for economic growth. In essence, there is no room for employment in the sector since it is not forthcoming in contributing to economic growth per its state, and even talk of making room for new entrants into the labor market. Finally, “the economic crisis has brought Serbia a far greater drop in the number of employees with the drop in GDP, which led to serious social implications”. Many people are left jobless in the industrial centers, and so resort to meager agriculture since there are no opportunities in the industrial sector – one which is poorly performing so cannot employ.

Another country worth considering in this context is Ireland. In O’Connell (1999), the Ireland experience is exposed in three aspects: recovery, sluggish growth, and very rapid population growth periods. Recovering from the economic crisis, 1987-1990, the country experienced strong growth in investment and export, and so reduce public sector expenditure. Within this period, there resulted in an employment boom, increasing to 4 percent accompanied by a

noticeable fall in unemployment to 13 percent. During the sluggish growth era too, which was 1991-1993, although there was growth in economic performance, this was slow due to the international downturn in Britain and throughout Europe in 1992 and 1993. This led to high-interest rates and exchange rate crisis, curtailing investments paralleled with a declined in employment, and unemployment increased, reaching almost 17 percent in 1993. Finally, the period 1993-1998 recorded rapid economic growth for the Irish economy, an average of 8 percent over the period up to 1997. The growth rates caused an appreciable impact on the labor market conditions as total employment increased to about 25 percent growth rate, as unemployment fell sharply to 7.8 percent. The outcome of the Irish experience supports the economic growth impact on labor market analysis. Therefore, a positive relationship is identified between economic growth and the labor market conditions in Ireland. From these, there is the need to observe the trend for the Ghanaian economy, the impact of economic growth on Ghana's labor market.

The study of the impact of economic growth on the labor market concerning both formal and informal jobs and migration in Ghana including the capacity to create more employments, reducing the poverty, etc. is of relevance due to the scanty literature on the growth of the labor market in Ghana and this work seeks to add up to the existing research for academic purpose. This aspect of the research examines how the labor force participation rate, unemployment, migration, and job creation respond to economic growth in Ghana. Also, the performance of the formal and informal sectors is expounded in the light of the economy of Ghana.

3.2 Job Creation in Ghana

Job creation according to the Ghana Statistical Service, is the process of providing new jobs, especially for unemployed people. These jobs can either lead to immediate short-term opportunities that yield a quick impact or develop more enduring livelihoods, (GSS, 2015). Meanwhile, the high levels of unemployment have led to labor opting for employment opportunities below their acquired skills – underemployment – and therefore, job creation serves as a major remedy, especially those that employ the skills of the labor force. By this, job creation does not only remedy the issues of unemployment but also underemployment. Employment generation has two sides that work out to make available the jobs, these are the demand side and the supply side of the job creation process. Demand-side here refers to the capacity of the economy to create jobs for various skill categories in the country per the requirements there are. Contrariwise, the supply side is whether the diverse skills of the available pool of persons match with the type of skills that the economy requires.

The increasing demand for jobs by the youth due to unemployment coupled with underemployment for livelihood has over the years made political parties during campaigns promising jobs, since that is the major need of most youth especially. Since, one of the major concerns of governments in Africa in general and Ghana, in particular, is unemployment and underemployment (Boakye-Gyasi & Li, 2015). Meanwhile, according to the government, Ghana is facing many challenges in skill development and job creation (World Bank, 2009). Unemployment among the youth is key to the government and has been in its goal to create jobs always, to protect and keep the youth. Necessary to note is that these unemployment levels as well as underemployment is attributable to the rapid population growth of the youth, rapid urbanization rate, the quality of labor supply, as well as low labor absorption rate of the economy. In other cases, there is a skill and employment mismatch: attained education does not meet the employment opportunities in the economy. Noticeably, the link between economic growth and job creation depends on the extent to which growth generates employment, while the poverty-reducing effects of employment generation depend on the type of jobs that responded to growth: notably on the extent to which poor workers benefit from the new jobs (Honorati and Johansson de Silva, 2016)). Thus, the poverty-reducing effect of economic growth depends on the quantity and quality of jobs created from growth.

According to Frimpong (2013), micro-, small- and medium-sized enterprises (MSMEs) create about 50 percent of the jobs in many African Countries. The performance of these enterprises in the economy has contributed to about a third of Tanzania's GDP, while in South Africa, the majority of the employment, especially formal businesses are MSMEs and contributes significantly to the country's employment. To a large extent, a large number of people rely on the MMSEs for livelihood either directly or indirectly. And this is due to the low cost of capital required to set up such enterprises.

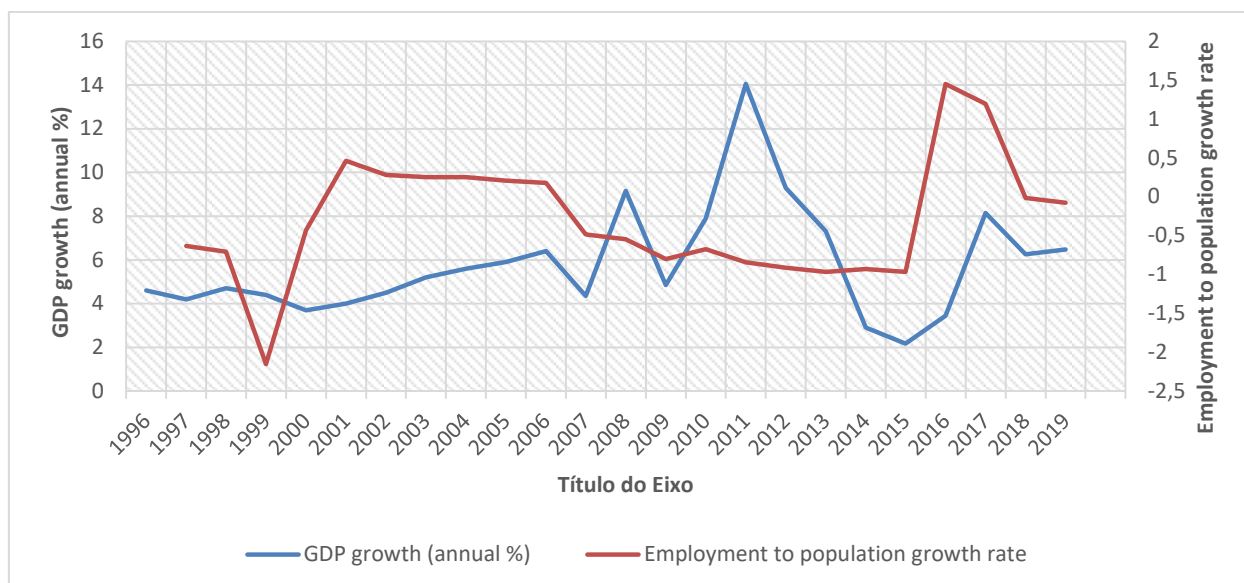
Ghana's economic growth performance has been remarkable among the Sub-Saharan countries, through which the country, according to Aryeetey & Baah-Boateng (2015), the country attained Middle-income status in 2007. Ghana, before reaching middle-income status, was among the strongest policy performers among low-income African countries (Bogetic et al., 2007). During that period, growth averaged 4.0 percent per year in the 1990s, increased to 5 percent between 2001 and 2005, and surpassed 6 percent in 2006-07. With a population growth rate of slightly less than 2.5%, this translates into a GDP per capita growth of up to 4% (World Bank, 2009). Growth within the period was largely by public investment into the economy and domestic consumption funded in part by foreign aid and remittances. This

increase and good economic growth performance led to a massive reduction in poverty, such that the share of the population in poverty reduced from 51.7 percent in 1991-02 to 39.5 percent in 1998-09, and 28.5 percent in 2005-06. The period saw absorption of labor (new entrants) into the labor market, and this can be observed from the decline in unemployment during the same period from 2.7 to 2.3 percent.

Aryeetey & Baah-Boateng (2015) presented that the pattern and distribution of employment growth mirror the activities of the real sector of the economy since demand for labor is a derived demand. The implication is that the rate of demand for labor follows from the demand for output in the economy – labor demand is dependent on the consumption demand for firms' production of their goods and services. On the contrary, employment growth in Ghana has not been consistent with economic growth, hence employment to economic growth inelasticity is observed. Estimates by Baah-Boateng (2013) are an employment elasticity of national output of 0.47 between 1984 and 2010. Therefore, for every 1 percent economic growth, it is accompanied by a 0.47 percent job growth (only 0.47 percent jobs are created from 1 percent growth of the economy). In addition, on average, Ghana has experienced a GDP annual growth rate of 5.81 percent from 1996 to 2019 (5.13% from 1996-2008 and 6.62% from 2009-2019), on the other hand, the employment to population growth rate on average is -0.298% from 1997 to 2019 (-0.25% from 1997-2008 and -0.32% from 2009-2019). These provided adequate evidence that the consistent with other countries like Serbia and Ireland, the growth of the economy, does not translate well into employment creation in Ghana. Honorati and Johansson de Silva, (2016), presented that job creation growth in the country averaged 3.2 percent between 1991 and 2005 from the GLSS 5, and reached 4.0 percent from 2005 to 2012. He also succumbed to the estimates of Baah-Boateng, (2013) that the economic growth rate in Ghana does not pull employment.

From the figure below, the employment to the population growth rate of Ghana from 1996 to 2019 is shown in orange. The highest ever was in 2016, when the country recorded employment to population growth rate of 1.45, indicating a poor employment growth rate in the country. In the same year, the GDP growth rate was 3.45 percent. This supports the inelastic responsiveness of employment to output growth.

Figure 27: GDP growth rate against Employment-Population Growth rate



Source: World Development Indicators, 2021.

Analyzing the outcomes from the figure above, Ghana's economic growth and employment growth rate do not have an observable trend over the years identified. During the period of the Global financial crisis in 2007/08, the economy grew from 4.35 percent to 9.15 percent in 2007 and 2008 respectively, however, the employment growth rate fell over the same period from -0.48 percent to -0.55 percent. On the flip side, when the country was experiencing a high growth rate, from 2009 to 2013, with as high as 14.05 percent in 2011, the employment rate was falling, not matching up the growth in the economy. Meanwhile, for the last few years (2015 – 2019) there is a clear positive relationship between the two variables. As the economy grew, employment did the same, and when it fell, employment fell as well.

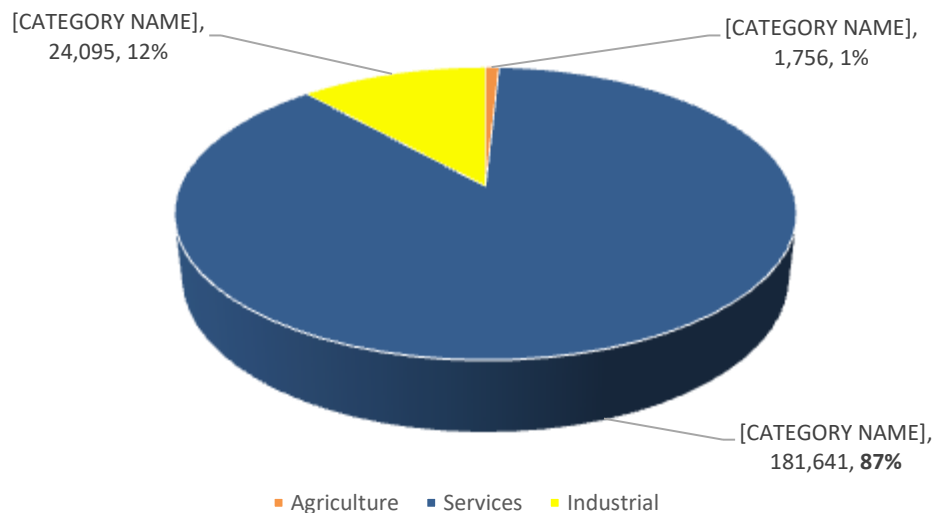
3.2.1 Job creation, evidence from 2014

According to the Ghana Statistical Service, GSS, in their Job Creation Report 2015, **207,492** jobs were created in Ghana. It was underscored that the agricultural sector had the least which is 1 percent, the services sector created 87 percent and the industrial sector created 12 percent of the new jobs in 2014. Concerning this, in the National Employment Report, 2015, from the Ghana Living Standards Survey 6 (GLSS6), conducted by the GSS in 2012/2013, the unemployment rate stood at 5.2 percent for Ghanaians aged 15 years and older. With 12.30 million of the population according to the GLSS6, 15 years and older being economically active represents out of 15.95 million. As such, the 5.2% unemployed account for about **829,400** of the unemployed labor force. This, therefore, implies that the **207,492** jobs created could take care of only 25.02 percent of the activity population. So, the question arises *“Where lies the fate of the remaining 74.98 percent who are unemployed? How will they cope*

with the situation?” yet a significant number of them are youths and graduates. In consequence, there has been a growth in employment by 1.72 percent, as against the GDP growth rate of 2.90 percent in 2014.

In 2014, evidence is provided for the job creation performance of Ghana. The pie chart below, according to the Labor Force Report of the Ghana Statistical Service, shows the number of jobs created in the year 2014, among the major sectors of the economy. It can be observed that the services sector created the most jobs in Ghana (of its subsectors, wholesale and retail was the greatest), even though the Agricultural sector is the largest sector in terms of population as well as the one with the greatest employment prospects. Thus, for every 10 persons that were employed or engaged in 2014, about nine were in the services sector. This indicates the performance of the economy in terms of job creation priority during that period. Additionally, the industrial sector's employment creation is worthy of acknowledgment, a proportion of 12 percent of the entire jobs created.

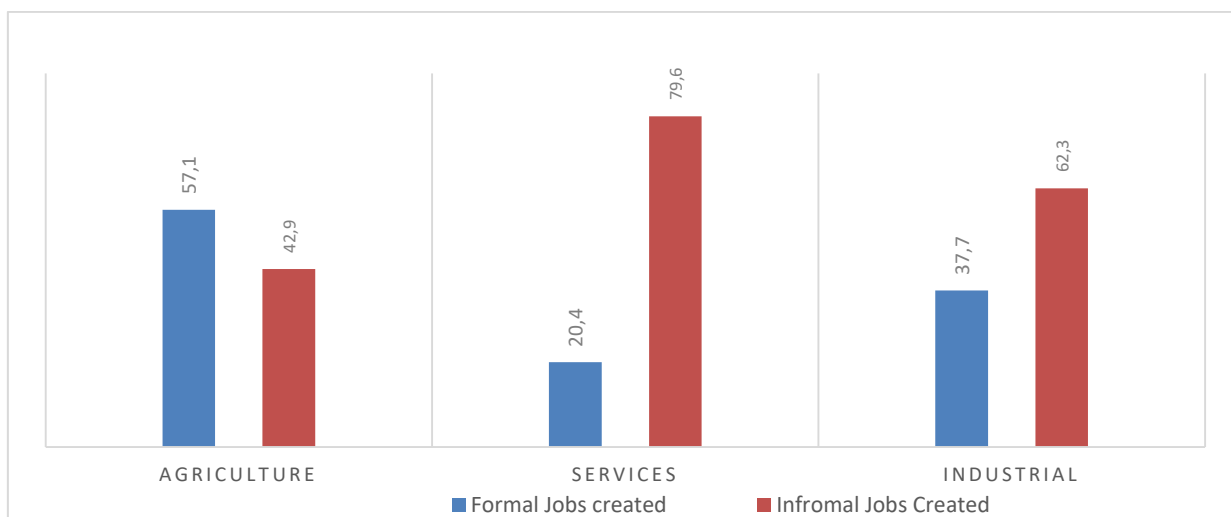
Figure 28: Distribution of Job Creation in 2014.



Source: Labor Force Report, 2015 (GSS)

Additionally, the informal sector created the most jobs within the year in Ghana. Again, the services sector created the highest of informal sector job creation followed by the industrial sector and then the agricultural sector. However, the Agricultural sector significantly created formal sector jobs coming after the formal sector job creation in the Industrial sector.

Figure 29: Jobs created in the Formal and Informal Sectors in 2014.



Source: Labor Force Report, 2015 (GSS).

3.2.2 Activity trends in Ghana, evidence from the GLSS.

Ghana's activity trends present an interesting trend, for persons 15 years and older. In Ghana, a person is considered economically active if he/she was employed or unemployed, otherwise not economically active – not in the labor force. The table below shows the activity rates in Ghana from the GLSS V, VI & VII. The performance of employment as against unemployment is not a steady one, within the period under review unemployment increased, from 2013 to 2016, consequently decreasing employability.

Table 14: Economic activity and inactivity trends in Ghana.

Population	Year		
	2006	2013	2016
Employed	65.07	75.5	65.0
Unemployed	3.6	1.7	6.0
Economically Inactive	31.33	22.8	29
Total	100.00	100.00	100.00

Source: GLSS V, VI, VII.

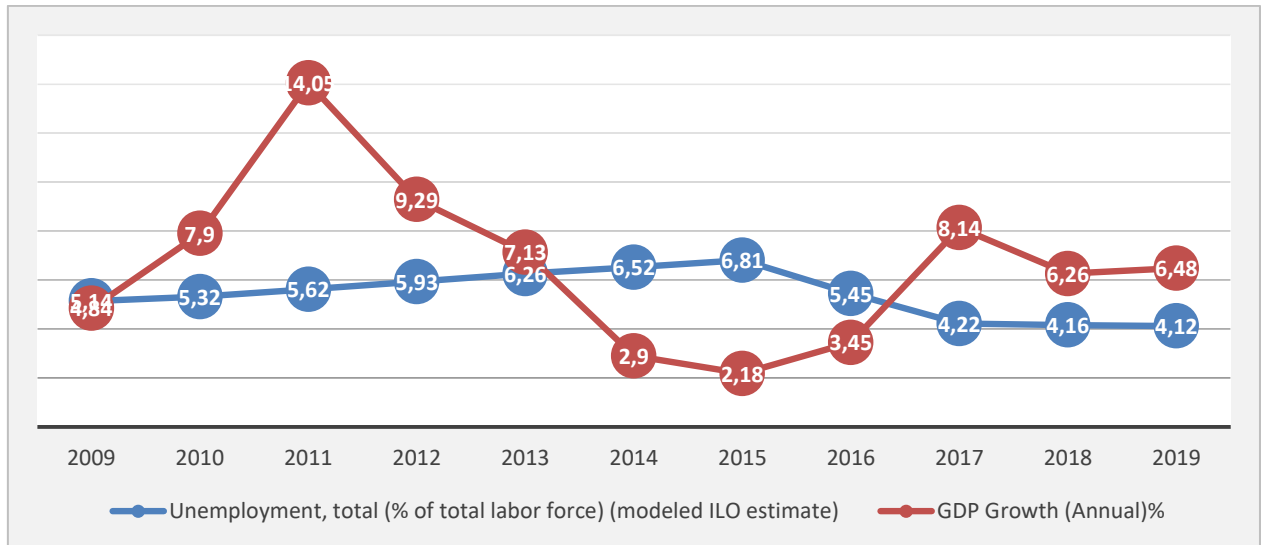
Data and records on Ghana's unemployment present relatively low rates, and this is mainly because most of the labor force is trapped in the informal sector, cushioning them to be able to meet their transactional demands for money. As such, the informal sector then becomes what is sometimes called the "lifesaving sector" and other times "cushion" for desperate job seekers for survival since the formal sector is unable to provide salaried employment even if it is an underutilization of their capacities and skills attained (Ninsin 1991). This is therefore an adequate reason for the continuous expansion of the informal sector for employment. According to the GLSS 6, due to the vast gap between the available job opportunities and

growing jobs in the formal sector as with the growing working population, in 2012/2013, 88 percent of the working population were pushed into the informal sector. Adding to the situation in Ghana is the report from the Institute of Statistical, Social and Economic Research (ISSER) of the University of Ghana, only 5000 out of the 250,000 graduates who enter the Ghanaian labor market can secure jobs in the formal sector. This leaves the remaining 98 percent being pushed into the ever-welcoming informal sector for survival and livelihood.

3.2.3 GDP Growth Rate and Unemployment Rates in Ghana

According to the ILO, unemployed is a “person aged 15 or over: without a job during a given week, actively having sought employment at some time during the last four weeks or having already found a job that starts within the next three months”. The unemployed are part of the Labor force – which is the sum of both employed (people actively engaged in some work at a wage rate) and the unemployed, and this makes up the labor market. Just as presented and so the Okun’s Law, there is a relationship between the Growth rate and the Unemployment rate in a country. And according to Okun’s Law, this relationship is said to be negative, between the two. This part of the paper presents the relationship between the trend of unemployment and the GDP growth rate from 2009 to 2019. Figure 30 presents the graph of the unemployment rates and GDP growth rate.

Figure 30: GDP Growth Rate and Unemployment rate.



Source: World Development Indicators

It can be observed from the figure above the trend relation between GDP growth rate and the unemployment rate for Ghana from 2009 to 2019. Already, from the GDP trend analysis, we saw three stages recovery stage after the period of the financial crisis (2009–2013), the sluggish growth period (2014–2016), and recovery with rapid growth (2016–2019). Comparing this the performance of the unemployment rate in the country there exist an inverse relationship between the two.

The period from 2009 to 2013 saw a fairly stable unemployment rate as the GDP growth rate was increasing. Then, when the GDP growth began to fall, rates of unemployment responded by higher levels of increases. From the figure above, the highest levels of unemployment were recorded within the period of sluggish economic growth of the economy. And these were the periods where the country was facing poor economic growth performance, and thus, the high levels of unemployment. Finally, when the GDP growth rate, which means an increase in production levels in the country, unemployment also declined greatly in response to the growing economic growth. This, therefore, affirms the Okun's Law analysis of the inverse relationship between the two macroeconomic variables.

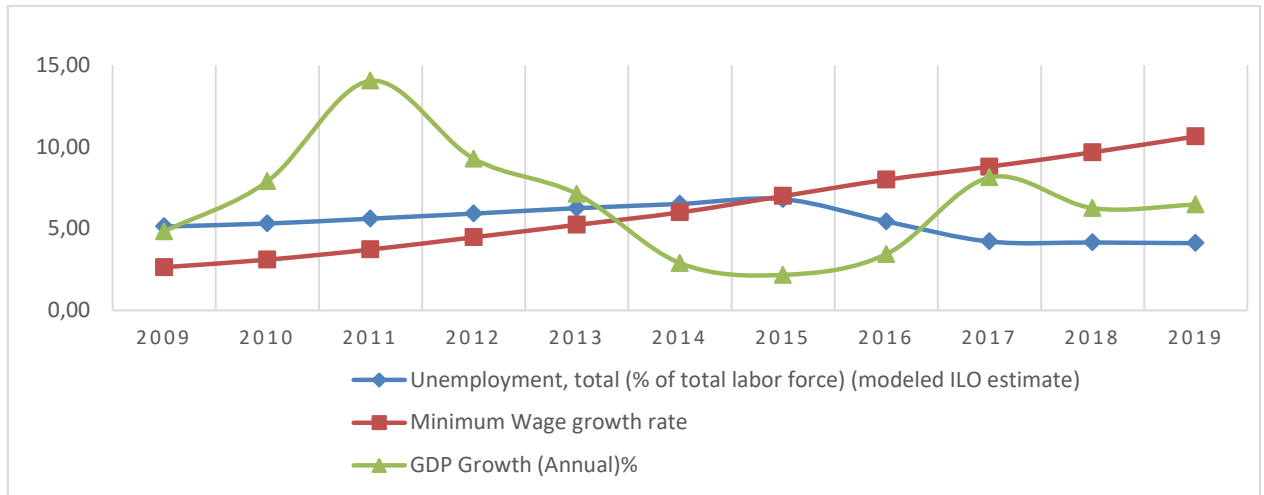
3.2.4 Minimum Wages and Labor Market Outcomes

The minimum wage which is the lowest remuneration that employers can pay their workers (labor), reveals a trend of impact on the labor market activities. Briefly, the introduction of Minimum Wages into labor markets or economies is to as much as possible avoid exploitation of the labor force by employers, thereby strengthening the bargaining power of the labor force. And so, upon the issuance of a new minimum wage, all employers are entrusted to

comply accordingly. This will mean an increase in the labor price on the labor market. Meanwhile, an increase in wages implies an increase in the cost of production, which is associated with a decline in employment, a higher natural rate of unemployment, drawing from the Aggregate Demand and Aggregate Supply analysis of price, wages, and unemployment. Key to the setting of minimum wages is the reduction of poverty, however in the Ghanaian context, the impact of the minimum wages on poverty, and that is unemployment reduction and improvement in livelihoods, do not reflect the expected outcomes. According to the Ghana Statistical Service, GSS, the impact of the minimum wage on poverty is hindered by three factors. First is the evidence that minimum wage is not enforced across the broad spectrum of the economy (GSS, 2014). Second, is that large swathes of workers are self-employed, such that in 2015, close to two-thirds of all workers were self-employed (GSS, 2017). Third, the minimum wage is focused on addressing the wage of the individual worker and his needs neglecting that of his family, and so the vicious cycle of poverty remains. To add up, in several cases, it has been argued that an increased and binding minimum wage leads to unemployment. This is usually among young workers and low-skilled and unskilled labor. According to Otoo (2018), if the minimum wage is set too high, relative to the average wage, the minimum wage can destroy employment for a certain category of workers. It has been documented that a 10% increase in the minimum wage reduces teenage employment by between 1% and 4% (OECD, 1998), so in a youthful economy like Ghana, it can be very serious.

From the figure below, initially, there is no clear relationship between the growth rate of the minimum wage and the GDP growth rate, but for the unemployment levels. Regarding the Minimum wage and the unemployment rate, two stages can be identified from 2009 to 2015 and the period afterward, being after 2016 to 2019.

Figure 31: Unemployment, Minimum wage, and GDP growth rate.



Source: WDI

In the initial stages of the relationship between the two variables, which is characterized by the growth recovery of the GDP, we observe that both the minimum wage and the unemployment rate are rising, however, the unemployment rate was higher. The period afterward saw the unemployment rate declining as the minimum wage was increased. Another conclusion that can be drawn is that the minimum wage growth has been well-performing considering that during the period of sluggish growth, the minimum wage was still rising. Therefore, it can be settled that the wage conditions of labor are well-performing, aimed at improving the standards of living of the labor force.

3.2.5 Rural-Urban Migration and its impact on Labor Market outcomes

The labor force of the country is either found in the rural under-developed parts of the country- characterized by lower standards of living with higher poverty levels, or the urban relatively developed, or developing parts of the country, with improved standards of living. As such, there is accounted high levels of rural-urban migration, labor moving from the rural areas or regions (predominantly the northern parts of the country) to the urban regions, (also the southern part) due to several reasons, however mainly for the better standards of living and work. The migration phenomenon is as old as humanity. It is a socio-economic phenomenon that is the result of complex mechanisms involving social, psychological, economic, political, and institutional determinants (GSS, 2013). Ghana in 1960 had roughly 23 percent of the population classified as urban, 32 percent in 1984, then to a proportion was over 43 percent in 2000. Migration from rural areas accounted for much of this growth, especially in the 1960s, mainly due to the growth of industrial activities in the urban centers (GSS, 2014). In the Ghana Urbanization Review by the World Bank Group (2014), “Ghana took 14 years to years (1995–2009) to transition from 40 percent urban to 50 percent urban.”

Despite the interest of many in migrating from the rural areas to the urban areas, over the years, there has been a falling trend-line in the population of migrants, (see Table 15).

Table 15: Rural-Urban Migration (2006 to 2016)

	Year					
	2006		2013		2016	
Sex	Male	Female	Male	Female	Male	Female
Urban (%)	53.5	53.2	52.9	53.9	41	46.7
Rural (%)	48.1	53.4	41.7	47.2	33.5	40.8
	50.6	53.3	47.3	50.6	37.3	43.8
Total (%)	51.9		48.9		40.6	

Source: GLSS V, VI & VII. (Available data ends on 2016/2017)

From the table above, it can be deduced that rural-urban migration has been decreasing throughout. It was higher the period before the decade and has been falling afterward from 51.9 percent to 40.6 percent. The fall in urbanization has been great within this decade being studied.

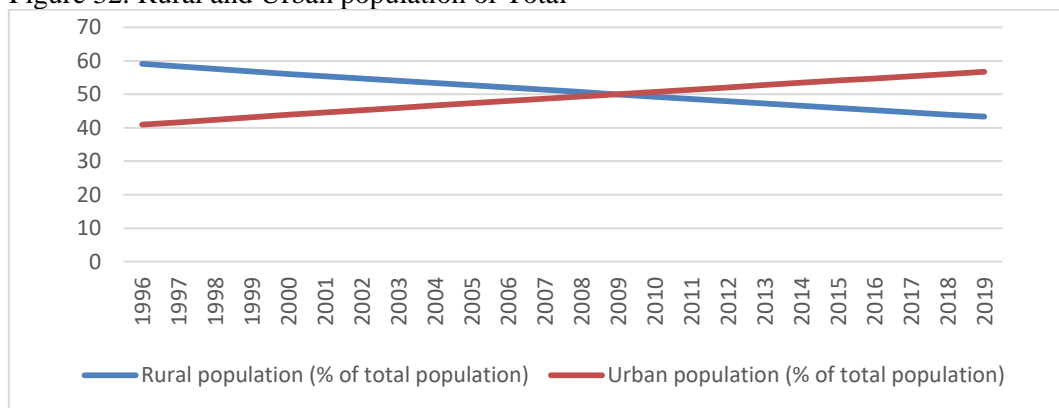
Migration is a major factor that affects the size of the labor force as well as its distribution by skill, education, industry, and occupation, (GSS, 2014). The migration within the period got a lot of the skilled labor, with adequate education to move to the national and regional capitals, while the less educated remained in the rural centers engaged in mining and farming, an example is cocoa farming. On the other hand, international migration from Ghana takes a lot of the students and professionals abroad, a loss to the Ghanaian labor force. This has been the reason for the brain drain faced by the country as labor seeks to benefit from the standards of living in these countries and the availability of high-paying jobs.

According to Awumbila et al (2014), recent evidence indicates that the increasing levels of poverty in urban areas in Ghana are partly attributed to the net migration of poor people to cities. This causes rapid urbanization as compared to the rate of development in the urban centers, and so the pressure on public facilities, leading to policy prescriptions largely occupied with attempts to curb rural-urban migration. The outcome of the high levels of rural-urban migration is a reason for the high informality in the country, and so Pickbourn (2018), adds that the majority are women, who through the informal sector, have access to an independent source of income. She presents this as a way of achieving Sustainable Development Goal 5 (SDG5) – Promoting Gender Equality and Women’s Empowerment.

These women are cushioned by the informal sector as it provides a rapid means of employment (mainly self-employment).

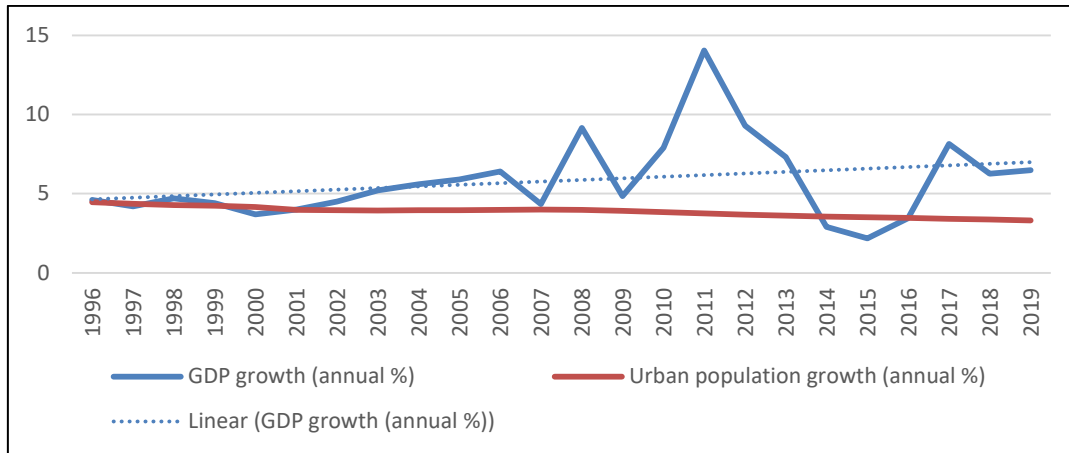
The impact on the labor force from a growing economy due to migration presents a negative relationship with population growth. For example, the demographic transition theory has established that urban social organization induces changes in reproductive attitudes and behavior. In effect, Twumasi Ankrah (1995) stated that “generally, it has been shown that urban living tends to suppress fertility, one of the areas of major concern in African economic development planning”. As the desire to earn a living is the need that becomes the daily thoughts and drive of the highly populated urban dwellers. Such are preoccupied and are highly engaged in market activities, their employment shield and so the reason for the increasing demand for informality in the economy, a remedying the unemployment or underemployment in the labor market. The economy then will be though experiencing increasing growth in GDP, yet below potential, due to underutilized labor force capacities and skills, from the high informality.

Figure 32: Rural and Urban population of Total



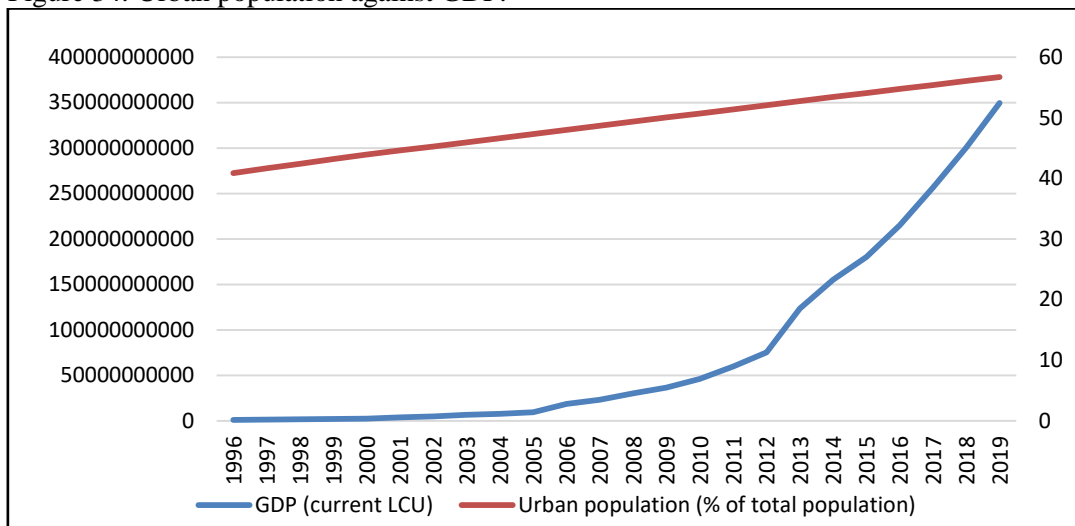
Source: WDI

Figure 33: Urban population growth rate against Population GDP growth rate Population.



Source: WDI

Figure 34: Urban population against GDP.



Source: WDI

Figure 27 above shows that the urban population percentage of the total population keeps increasing, with that of the rural population falling throughout, due to the rising rural-urban migration. The country's labor keeps moving to the urban centers in search of greener pastures, and to benefit from the social amenities the rural dwellers are usually deprived of. Figure 29 above shows clearly that the growing urban population is consistent with the growing GDP. The trendline of the GDP growth rate depicts a growing trend, however, the growth rate of the urban population has also a falling trend. Since the search for high standards of living is the major reason for the rural-urban migration, it can be concluded that as economic activities keep increasing, labor will continue to migrate from the rural centers to benefit from these in the urban centers, Figure 28.

Emphatically, according to figure 28, although the growth rate in the urban centers is

declining, there is a rising GDP growth rate and increasing GDP in the country and this can be said that the majority of the GDP comes from the activities of the urban centers (though adequate data is not available to support this claim), since the rural centers are characterized mainly by the agricultural sector whose performance has been very poor. Therefore, it can be concluded that a large proportion of the GDP is from the urban centers and so the rapid rural-urban population. Besides this, it has been established that the highest contributing sector to GDP is the services sector which is predominant in the urban centers.

Increasing economic activities in the urban centers, which leads to improvement in living standards, attract rural dwellers, in turn, causes increasing population growth rates in the urban regions of the country. The growing share of the capital's population (Accra – capital of Ghana) has a migration background - and indeed youths perceive Accra to be the epicenter of economic opportunities and with exciting modern lifestyles. While many youths move to the cities in search of employment, rural to urban migration does not only respond to economic push and pull factors to improve one's livelihood: the lifestyle of the capital is also crucial to youths' successful social status. Furthermore, moving to the capital is generally not a strategic choice for youths to exit agribusiness". Finally, migrants see the urban centers as a place for improving livelihood opportunities as well as social status – hence the urban centers are known to be the hub of better economic activities.

3.3 THE FORMAL AND INFORMAL SECTORS IN GHANA

The informal sector is defined “as referring to all economic activities by workers and economic units that are – in law or practice- not covered or insufficiently covered by formal arrangements”. (OECD/ILO, 2019, p.16). However, it must be noted that the informal sector does not include illegal business or activities. In Ghana, the informal sector has been a major hub of economic activities even though a significant activity of the informal sector is not calculated in the national income accounts of the country. Economic activity is considered informal in Ghana if the said activity is not registered at the Registrar General's Department and properly keeps an account of its records (GLSS, 2015). On the other hand, the formal economic activities in Ghana are duly registered with and keep accounting records.

3.3.1 Nature of the informal sector in Ghana.

The informal sector in Ghana traces its roots to the period before colonization and was prevalent in areas such as transport, agriculture among others. Yet, over the years as the economy expanded, though the formal sector has expanded since independence, the informal sector remains vibrant in the provision of goods and services as well as employment. The

sector consists of two main types: the urban informal sector and the rural informal sector (Adu-Amankwah, 1999). The rural informal sector is made up of agricultural activities, and rural agro-processing activities like the processing of cassava into gari, palm oil processing among others. On the other, the urban informal sector comprises small-scale self-employed persons providing services, working in the construction industry, or the manufacturing subsector. Primarily, the nature of production in the informal sector is small-scale or subsistence and thus employs only a few people who are mostly family members. In addition, the nature of employment in the informal sector is characterized by poor working conditions, underemployment, poor remuneration, insecurity of job, unskilled labor, inadequate use of technology which makes them resort to the use of traditional tools, higher levels of poverty as compared to workers in the formal sector (Osei-Boateng & Ampratwum, 2011). However, even though the informal sector is made up of a myriad of small-scale businesses across the country, some of these businesses have been able to form unions and associations to advance their interest and wellbeing. Notable among these unions include Ghana Private Road Transport Union (GPRTU); Ghana National Tailors and Dressmakers Association; Hairdressers Association of Ghana; Secondhand Car Dealers Association among others (Aryee, 2007).

The informal sector which was first discovered by Hart (1973) in Ghana is said to arise due to three main challenges in the economy such as the burden from taxes; a poor regulatory regime; and poor government services in the establishments of business (De Soto, 1989).

3.3.2 Reasons for the Existence of the Informal Sector in Ghana

The formation of informal businesses in Ghana just like in many other developing countries is due to the problems associated with employment in the formal sector. This stems from the fact that the Ghanaian formal sector is unable to employ a large number of the working population due to constraints on government revenue arising from an already bloated public sector wage bill and a growing formal private sector (Koto, 2015). In addition, the high level of illiteracy from the period of independence meant that individuals had to find alternative means of livelihood. Thus, individuals with very low education status use the alternative of the informal sector to create jobs for themselves (Gyeke-Darko, 2015). Consequently, the formation of some of these enterprises was to serve as a source of income or employment for these families (Berger and Buvinic, 1989). Over time, the higher levels of youth unemployment in the country have also contributed to this phenomenon. This is because the informal sector has been seen as an opportunity for least educated people to escape from unemployment in the

country, especially for women who constitute the higher number of these people. These are backed by data from the table below that indicates that the highest percentage of workers in the informal sector had no formal education at all representing about 47.4 percent of informal sector workers in 1998/1999. Also, about 46.1 percent of workers in the informal sector had only basic education within the same period. This, therefore, implies that over 93 percent of workers in the informal sector had a maximum of basic education. On the other hand, only 12.8 percent of workers in the formal sector within the same year had no formal education whilst 44.4 percent of them had basic education. This makes about 57.2 percent of the workers in the formal sector who had a maximum of basic education whilst the remaining 43.8 percent had either second cycle or tertiary education. The table below depicts the educational status of workers in both the formal and the informal sectors in Ghana.

Table 16: Formal and Informal Sectors Workers' Educational Profile in 1998/1999

Level of Education	Formal	Informal
No Education	12.8	47.4
Basic Education	44.4	46.1
Secondary/Technical/Vocational	18.6	5.2
Tertiary	24.2	1.4

Source: Ghana Standard Living Survey 1998/1999. In Gyeke-Darko A., et al (2015).

Also, the informal sector in Ghana serves as a tax haven for businesses thereby contributing to its continued existence despite the expansion of the formal sector. Due to the relatively small tax net in Ghana, businesses that are registered and regulated and hence pay taxes tend to be burdened by excessive taxes (Tedds, 2010). And since many of these businesses are usually small-scale and characterized by low incomes, owners of these businesses seek ways to evade taxes. This is further worsened by the fact that the payment of taxes in Ghana is considered tedious and bureaucratic. According to an Afrobarometer report of 2021, Ghanaians are willing to pay taxes, unfortunately, many of them either are not conversant with the process of tax filing, or they find the entire process very stressful. Consequently, by operating in the shadow of the economy, they can retain their entire profits by paying taxes. For instance, according to the Chief Executive Officer of the Ghana Revenue Authority (GRA), only about 2 percent of the people employed in the informal sector taxes (Pulse, 2019). This implies that the informal sector serves as a tax haven for many people in the country.

In addition, the level of bureaucracy involved in the registration of businesses in Ghana serves

as a hindrance in the formalization of the businesses in the country. Businesses have to go through strenuously long procedures which culminate into longer days coupled with the payments of huge amounts to register their businesses. This is evident in the fact that according to the World Bank's ease of doing business it takes about 8 procedures and about 13 days with a cost of about 12.3 percent of Ghana's per capita income to register a new business in Ghana, whilst it takes about one procedure and half a day with no cost to register a business in New Zealand (World Bank, 2020). In some cases, public officials demand bribes to register businesses among others. These factors deter entrepreneurs from registering their businesses. Yet, due to the poor regulatory regime in Ghana, since independence, there have not been many efforts from authorities to enforce the registration of businesses in the country to formalize the economy (Oxford Business Group, 2017).

Another reason for the robustness and the sustenance of the informal sector is the fact that many people who may even be employed in the formal sector see it as an opportunity to make extra income and yet avoid the payment of taxes (Gyeke-Darko et al, 2015). Besides, others see it as a flexible system of employment in which they could easily combine with other jobs or with the responsibilities of childcare (Renooy, 1990).

3.3.3 Informal Sector before 2009 and after 2009.

The nature of the informal sector in Ghana has been relatively stable in terms of its characteristics like the type of employees, contributions to total employment, contributions to government revenue, and the nature of businesses even though it changes slightly from time to time.

3.3.3.1 *Contributions of the Informal Sector to the Ghanaian Economy.*

3.3.3.1.1 *Employment:*

The informal sector has been the highest employer of Ghanaians since independence. The sector employs about 80 percent of the Ghanaian working population (Osei-Boateng & Ampratwum, 2011). Over the years, the sector has been the hub for low-skilled persons and least educated persons in the country, especially women. Juxtaposing the rate of employment in the informal sector against the formal sector, it is evident that, the main source of employment of the majority of the working population in Ghana has consistently been around 80percent for a long time. Even though the percentage has seen a reduction in recent years, the sector remains the highest employer of Ghanaians. For instance, in the table below, considering the years 2000, 2005, and 2008, the sector's employment as a percentage of total employment in Ghana stood at an average of about 84 percent and an average of about 78 percent of the years 2010, 2012 and 2014. This implies that there has been a reduction in the

employment of the informal sector. These could be explained by the introduction of the various employment programs by the government such as the national employment program which saw a significant increase in the employment of community police, nurses among others. In addition, the energy sector crises from 2013 to 2016 affected many of these informal sector businesses which led to the collapse of many of these businesses and created high unemployment within the sector. This is evident in the table provided below.

Table 17: Percentage of Employment in Formal and Informal Sectors before 2009 and After 2009.

Before 2009			After 2009		
Year	Formal	Informal	Year	Formal	Informal
2008	20	80	2014	41.9	59.1
2005	12.7	87.3	2012	11.9	88.1
2000	16.1	83.9	2010	13.8	86.2

Source: GSS (2014), Baah-Boateng (2013), World Development Indicators of the World Bank. In Gyeke-Darko A., et al (2015). Any information from 2011 to 2019? (Available data ends on 2014)

3.3.3.1.2 Gross Domestic Product (GDP)

Even though the informal sector is the biggest employer in the Ghanaian economy, its contributions to GDP are far lower than the contributions of the formal sector. For instance, according to estimates from Ocran (2018), the informal sector's contribution was just 14 percent in 1960 but rose over time to about 30 percent in 2004 and dropped slightly to 28 percent in 2007. Following the beginning of the Twenty-First Century, the contributions of the informal sector were relatively stable from 2000 to 2007. These conflicting results in the employment rate and the contributions to GDP may be partly explained by the difficulty in valuing and calculating production in the informal economy. Consequently, most of the output in the informal sector is not included in the calculations of the total GDP.

Table 18: Informal Sector Contributions to GDP from 2000 to 2007.

Year	Contributions to GDP (%)
2000	29
2001	29
2002	30
2003	30
2004	30

Source: ISSER (2014 & 2015). In Danquah & Osei-Assibey (2016). (Available data ends on 2014)

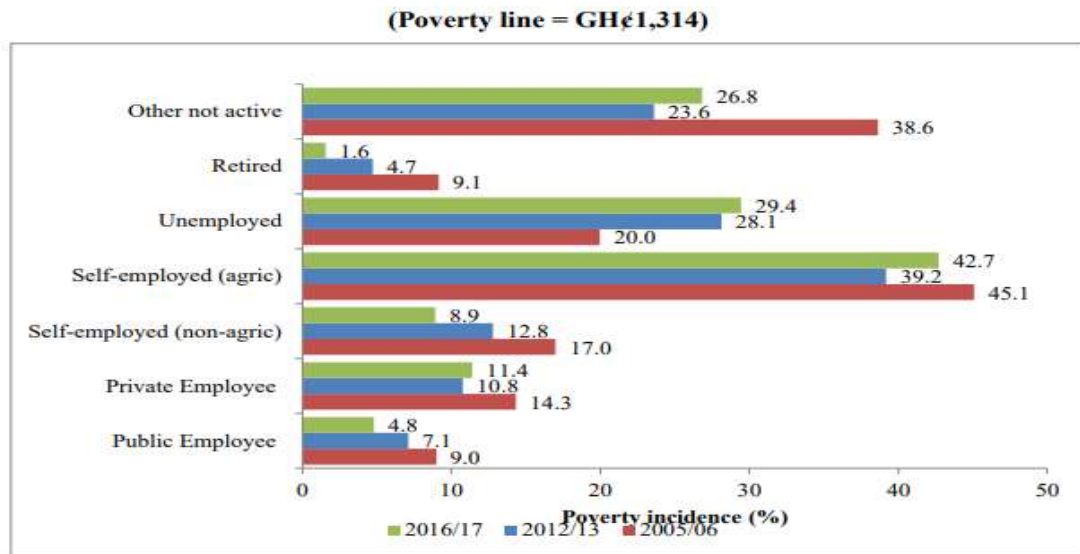
These reductions occur even though, the sector's total share of employment has remained relatively stable around 80 percent. The factors accounting for the low contributions of the informal sector to the revenue mobilization of government are the issues of poor data on self-employed persons in the country and their earnings, lack of information on the tax filing processes by many self-employed persons, lack of commitment on the part of government and revenue officials and the unwillingness of many workers of the informal sector to voluntarily pay their taxes due to perception of corruption among revenue officials and government appointees (Afrobarometer, 2021).

3.3.4 Challenges of the Informal Sector in Ghana.

The informal sector in Ghana is faced with many challenges due to the nature of the sector and the type of workers within the sector. Some of these include.

Higher level of Poverty: In Ghana, the level of poverty among workers in the informal sector is higher than among workers in the formal sector. This is partly due to the excessive competition in the sector arising from the uniformity of goods and services, and also because, many of the workers in the informal sector are uneducated and unskilled (Ofori, 2009) as indicated in table 1 above. Consequently, many of them are casual workers and are usually paid below the minimum wage. Due to ignorance on the part of many of these workers coupled with the issues of excess supply of informal sector workers since many of them do not have skills, they are usually left with no option but to accept whatever amount is given to them by their employer (Osei-Boateng & Ampratwum, 2011). Besides, the sector is characterized by instability of income. For instance, in the diagram below, it is evident that poverty is highest in Ghana among the self-employed people in the agricultural sector consistently from 2005 to 2017.

Figure 35: Poverty incidence by employment status of a household, 2012/13–2016/17



Source: GLSS 7 (2005-2017).

Yet, the agricultural sector is the second-highest employer in the country after the services sector. However, in rural areas, about 65 percent of the working population is in the agricultural sector (GSS, 2019).

Poor Access to Capital and Credit: One of the main challenges of the informal sector is the inaccessibility of informal sector entrepreneurs to gain access to capital to expand their businesses. This problem arises from the lack of collateral for guaranteeing their loan facility. Besides, many of these informal sector businesses do not practice good records keeping and so are usually unable to provide proper documentation of their businesses to enable them to access credit or capital. Consequently, these businesses continue to operate at the small-scale level by making use of traditional methods and machines in the production processes thereby perpetuating the existence of the sector in the economy.

Poor Working Conditions: The informal sector in Ghana is characterized by very poor working conditions ranging from poor employer-worker relations resulting from non-formalization of the employment contracts, no social security benefits, little to no non-wage benefits, poor working environment, and no vacations or formalized breaks (Osei-Boateng, 2010). These conditions expose workers to various forms of work hazards. Unfortunately, many of these workers either are not aware of their rights as workers as enshrined in Act 651 (2003) of the Constitution of Ghana or are just unable or unwilling to report such cases due to fear of losing their jobs or inability to afford legal processes due to poverty.

With analysis of the Minimum wage rate and its relationship with the labor force. The

minimum wage which is the lowest remuneration that employers can pay their workers (labor), reveals a trend of impact on the labor market activities. Briefly, the introduction of Minimum Wages into labor markets or economies is to as much as possible avoid exploitation of the labor force by employers, thereby strengthening the bargaining power of the labor force. And so, upon the issuance of a new minimum wage, all employers are entrusted to comply accordingly. This will mean an increase in the labor price on the labor market. Meanwhile, an increase in wages implies an increase in the cost of production, which is associated with a decline in employment, a higher natural rate of unemployment, drawing from the Aggregate Demand and Aggregate Supply analysis of price, wages, and unemployment. Key to the setting of minimum wages is the reduction of poverty, however in the Ghanaian context, the impact of the minimum wages on poverty that is unemployment reduction and improvement in livelihoods, does not reflect the expected outcomes. According to the Ghana Statistical Service, GSS, the impact of the minimum wage on poverty is hindered by three factors. First is the evidence that minimum wage is not enforced across the broad spectrum of the economy (GSS, 2014). Second, is that large swathes of workers are self-employed, such that in 2015, close to two-thirds of all workers were self-employed (GSS, 2017). Third, the minimum wage is focused on addressing the wage of the individual worker and his needs neglecting that of his family, and so the vicious cycle of poverty remains. To add up, in several cases, it has been argued that an increased and binding minimum wage leads to unemployment. This is usually among young workers and low-skilled and unskilled labor. According to Otoo (2018), if the minimum wage is set too high, relative to the average wage, the minimum wage can destroy employment for a certain category of workers. It has been documented that a 10% increase in the minimum wage reduces teenage employment by between 1% and 4% (OECD, 1998), so in a youthful economy like Ghana, it can be very serious.

3.3.5 Policy Interventions in the Informal Sector

Through the various unions of the informal sector, they can secure credit from financial institutions or the government for their members. This idea has made it possible for some of these informal sector workers to expand their businesses to employ more people. The idea is that, as a group, financial institutions are usually more likely to provide these informal sector workers with loans since it becomes easier to recover the loan through the union than through individuals. Aside from that, through these unions, they can garner a voice in promoting their interest and welfare through bargaining with the government (Adu-Amankwah, 1999).

Consequently, the government sometimes serves as the guarantor for these unions to access loans for their businesses.

Also, various governments over the years have sought to equip some of these unskilled workers with skills through programs like national apprenticeship programs, youth empowerment through the Youth Employment Agency (YEA) among others. Through these programs, the government has in the past paid for the training of these workers and has provided them with tools to enable them to work successfully.

Finally, to widen the tax net in the country, the government of Ghana has implemented policies over the past few years to extend the payment of taxes to the informal sector. One of these policies is the tax identification number (TIN) which is being implemented to make tax collection and its payment easier and for the verification of the payments of taxes.

3.4 EMPLOYMENT PROGRAMS UNDERTAKEN BY THE GOVERNMENT

Beyond the interest in revenue generation, the Ghana government has rolled out several employment policies to support social labor by guaranteeing jobs or equal participation for all citizens in the labor market in all sectors of the economy. Government policies aimed at employment in the economy equally influence the level of its spending. Since the issues of unemployment are key to the government, various programs and policies are implemented to provide employment as well as improve labor skills and capacities necessary for employment, bridging the gap between employers' expectations, needs, and labor abilities. Employment policies are a conscious move for influencing employment levels and to reinforce access to employment for a particular demographic group within the population like youth and female population. However, Ghana as a country has not had any comprehensive employment policy aside from various schemes undertaken to enhance labor absorption like service Schemes. Some programs undertaken within this period are the Vision 2020, the establishment of the Youth Employment Agency (YEA), Planting for Food and Jobs, and the Nation Builders Corps.

3.4.1 The Vision 2020 Agenda

In 1995, the National Democratic Congress government led by Ft. Lt. Jerry John Rawlings launched a vision 2020 document that was put together by the National Development Planning Commission (NDPC) as Ghana's blueprint for sustainable development. The long-term vision of the document was that "by the year 2020, Ghana would have achieved a balanced economy and middle-income country status and standard of living, with a level of development close to the present level of development in Singapore".

The underlying principle of the Vision 2020 was to decrease poverty and economic inequalities, increase employment opportunities and average incomes, to enhance the quality of life of all Ghanaians. This agenda was then realized to have contributed to the attainment of Ghana's vision of attaining middle-income status by the year 2020.

The 25-year development plan was intended to achieve a robust, diversified, and commercially based agricultural sector and a market-oriented industrial sector, both of which would invariably promote a sound sustainable environment as well as the generation of employment opportunities, including self-employment. This socio-economic transformation was to involve not only changes in the economic space but also reforms in legal and administrative systems so that they were fully supportive of private sector development, and the promotion of foreign direct investments. The objectives of the vision 2020 agenda were to increase employment opportunities and wages/ salaries policies for the promotion of sustainable employment opportunities. The program was intended to reduce the high level of unemployment, through the creation of employment promotion considerations which were to be built into all macroeconomic and production policies. Important aspects of the employment strategy included training and apprenticeship schemes.

Ghana has failed to achieve the objective of vision 2020 comparing Ghana's today with the economy of Singapore in 1995. In 1995, Singapore had a GDP of 87.89 billion dollars. Currently, Ghana's GDP is around 65.56 billion dollars and GDP per capita is projected to trend around 2,100 US dollars. The unemployment rate in Singapore in 1995 was 3.3% and in 2019 Ghana had an unemployment rate of 6.78%. Ghana's economy in 2020 cannot be compared with the economy of Singapore in 1995 in terms of infrastructure, the standard of living, and quality of life.

Even though Ghana has failed to achieve the target of the vision 2020, the economy is one of the fastest-growing economies in West Africa. Ghana has gained major strides in the achievement of growth. There has been significant progress in poverty reduction. Ghana was the first country in Sub-Saharan Africa to achieve the Millennium Development Goal I, which is to halve extreme poverty. According to IMF, GDP per capita has increased from 517.8 US dollars in 1995 to over 2000 dollars in 2019.

The implementation of strategies in the Vision 2020 were biased towards macroeconomic stability but provided limited attention to the growth of the real sector. Implementation of policies geared towards employment creation was skill development. Nevertheless, serious attention was not directed towards how the trainees would have real jobs in the labor market.

The training policy was not a demand-driven approach which meant that the supply of labor did not take into account the capacity and changing demand pattern of the economy. Graduates from formal training institutions particularly institutions of higher education targeted the formal sector as the main source of employment and considered the informal sector as the very last resort. The limited capacity of Ghana's formal sector and the unwillingness of graduates to go into self-employment due to numerous problems of the informal sector is an indication of the unattractiveness of the informal sector and a major pitfall to the implementation of the Vision 2020 Agenda. The result is the rising unemployment hovering around 10.4% in 2000 and 5.3 to 6.8 between 2009 and 2019. The vision 2020 Agenda did not provide a critical focus on employment as job creation was sectorial and macroeconomic policy outcome. (Baah Boateng, 2004:15). Finally, the inability for the country to reach the vision 2020 target because of its traditional inclination, such that the citizenry always looks to and depends on the government as the major employer. The intensity of this prevents even the urge to engage in entrepreneurship, and there is not much education on entrepreneurship.

3.4.2 The Youth Employment Agency (YEA)

The Youth Employment Agency was formed in 2015 under the Youth Employment Act 2015 (Act 887), with aim of empowering the youth between the ages of 15-35 years, (for the active labor force category), through development training. This is to cause the youth to contribute meaningfully to the socio-economic and sustainable development of the nation. Several projects have been implemented under the program for job creation and capacity building for the Ghanaian youth, through internship modules to transit from a situation of unemployment to employment. Under this agency, some successes have been realized. The YEA has been able to provide a job center for the youth, where potential job seekers can gain adequate information on job opportunities in the country, at its job center subsidiary, an online platform. Precisely, the agency has been able to bridge the gap between job seekers and employers.

The Artisan Directory under the projects' division seeks to be a platform that will train craftsmen and women (sculptors, carpenters, masons, tilers, hairdressers, shoemakers, fashion designers, plumbers, metal workers, mechanics, etc) to market their trade. Core to its activities, the YEA will provide youth with technical and vocational capacities for sustainable livelihood. It seeks to recruit 5000 beneficiaries for the training and capacity development. Its flagship programs sort to employ 3000 youth in the region by securing 10,000 acres of

farmland for maize farming, which was to be rolled out in 2019. With about 103 dug ponds for 300 youths in the Volta Region.

Despite the feasibility of the agency helping to resolve unemployment issues, the goal of this Agency has not been realized since most of its pieces of training were deprived of the coordination and comprehensive exit strategy necessary for the sustained occupation of the youth. According to Tetteh (2016), knowledge about it has not been widespread to the youths across the country for them to take advantage of it. He also adds that the 10 percent allocation from the District Assembly Common Fund to support the program has not been adhered to, depriving the Agency of the funding needed to execute the program. Therefore, it has not been as effective as possible as expected of it.

3.4.3 Planting for Food and Jobs

For reasons of the country being agriculturally endowed, to exploit it, the government in 2017 introduced a flagship program called the Planting for Food and Jobs (PFJ), to revamp the agricultural sector. The main aim of the program is to address the declining growth of agriculture in Ghana. The policy focused on increasing food production and ensuring food security in the country as well as reducing the food import bills to the barest minimum, especially rice, Tanko et al., 2019. The project consists of five significant pillars; supply of improved seeds to farmers at subsidized prices (50% subsidy), supply of fertilizer at subsidized prices (50% price cut out), free extension services to farmers, marketing opportunities for produce after harvest, and E-Agriculture (a technological platform to monitor and track activities and progress of farmers through a database system) (PFJ, 2017). For the program to ensure self-sufficiency and for surplus export, it was supported by the Youth in Agriculture program.

In executing the project, 4,400 metric tonnes of certified improved seeds and 296,000 metric tonnes of fertilizers to 202,000 selected farmers. From these, the PFJ 2017, produced 485,000 metric tonnes of maize, 179,000 metric tonnes of rice, 33,400 metric tonnes of sorghum, 9,750 metric tonnes of soya, and 42,200 metric tonnes of selected vegetables. A sum of GH¢ 1.2 billion was generated at the farm gate for beneficiaries. According to the Minister of finance, in the PFJ 2017, a total of 746,601 and 794,944 jobs were created in 2017 and 2018 respectively. Of these, about 94 percent of them were linked to farm level employment, 4 percent value addition and post-harvest service provision, and the remaining 2 percent to extension delivery and ICT. The job creation results in total are 1,540,945 within two years of its commencement, and this has associated with it various doubts from other economic

research bodies, who claim the figures are alarming, The African Center for Entrepreneurship and Youth Empowerment (ACEYE), as reported by the ABC News on November 28, 2019. This claim is also supported by the fact that the figures out there do not reveal as indicated, especially the agriculture employment rates which have been declining from 2009 all through to 2019. From the PFJ 2017, there has been a sprout in the participation of the youth in farming and has secured them employment.

3.4.4 Nation Builders Corps (NABCO)

An economic policy that stands out in terms of impact on social labor is the government-led Nation Builders Corps (NABCO) project for unemployed university graduates. NABCO or National Builders Corps, which was launched in 2018, offers training to those unemployed graduates working towards employment in both the public and private sectors. The program offers its trainees skills, expert knowledge, competencies, and the capacities to either start their own business or gain career placements in fields like health and education, politics, agriculture, and science and technology. The government's ultimate economic and labor interests include guaranteed employment for all citizens, economic welfare, and revenue generation. So, by the introduction of this program, unemployed graduates can secure employment, mostly formal jobs, concerning their attained qualifications. It employed for these graduates to reduce the influx of unemployment and its burden on the government.

The project has a substantial number of youth trainees who are earning entry-level salaries able to, at the minimum, help them address some health emergencies, afford housing, and settle debts. Participants are also contributing to social welfare as the services they provide include community campaigns against communicable diseases, awareness of environmental preservation, and support for building projects. NABCO trainees also increase their social status or standing in the labor market as they become attractive to prospective employers on account of the specialized knowledge and skills the program affords them. In October 2018, the president commissioned 100,000 beneficiaries of the NABCO program, like those employed under the program. This implies the creation of employment for some 100,000 Ghanaian graduates, who would have been unemployed in the absence of the program.

Despite the positive impact of the implementation of the NABCO policy on social labor, immerging challenges or problems must be addressed for better outcomes. The first paramount concern or problem with the NABCO policy is delays in trainee allowances or remuneration which undercuts the government's pledge to stimulate economic growth with a wage economy. It is important to mention that a thriving economy also depends on consumer

confidence and spending. Trainees who wait a long time for wages, and so end up incurring debts will not have the means to contribute to economic growth.

It is however worth noting that the NABCO program only allows three years of active employment to beneficiaries. Individuals who, after the three years of temporal employment are unable to either use the attained skills to establish themselves, or secure job opportunities (permanent employment after they participate in the NABCO) might end up unemployed. Nonetheless, the program has been a cushion for many graduates and youth as it has provided and keeps providing temporal employment for its beneficiaries.

4 CHAPTER 4

4.0 CONCLUSION

This paper sort to observe the impact of economic growth on Ghana's labor market for the period 2009 to 2019. To arrive at the objectives of this paper the overview of the economy of Ghana was first investigated to present the nature of the Ghanaian economy. Meanwhile, this was in the light of Sub-Saharan Africa, through history to the current age to well situate the outlook of Ghana's economy. In addition, the economic growth indicators of Ghana over the decade under review. Indicators such as GDP Growth Rate, Trade, inflation, Merchandise Trade Balance, Exports, Foreign Direct Investment, and the GDP per capita for Ghana. Other indicators in and the performance of the nation in them. Finally, it was observed that the trend growth of Ghana's GDP, and for the period 2009 to 2019 it undergoes three (3) stages: Recovery, Sluggish Growth, and Rapid Growth.

The Drivers of economic growth of Ghana relies on diverse variables ranging from investment in physical capital, trade openness, inflation rates, and foreign direct investment with the Chinese investment being very key in this regard. These were grouped into the stabilization, structural and external effects. Furthermore, the performance of the sectors of the economy, agriculture, industry, and services. Employment by the agricultural sector has been declining against the other two sectors. With the services being the highest employing sector following from the high level of informality in the economy, especially with its Wholesale and Trade subsector.

Looking into the social demography of Ghana, the population stood at 30.4 million in 2019 has grown steadily since 2001 in light of age ranges and gender. From this, the female population growth rate was below that of the males over the period under review. On the flip side, the country was challenged with poverty and inequality issues, such that the UNICEF Report (2015) on Ghana's Poverty and Inequality Analysis reveal that although Ghana has attained Lower Middle-Income status, the gap between the poorest 10 percent and the richest 10 percent has increased since 2006, despite the drastic fall in poverty from 56.5 percent to 24.2 percent.

Moreover, the labor market has been well-performing though not responsive to the growth of the economy. The employment rate in 2016 stood at 65 percent according to the Ghana Living Standards Survey VII, either for pay or profit, with more men than women being employed. In total, the activity has fallen within the period, from 77.2 percent in 2014 to 71 percent in 2017. This was associated with an increase in schooling for the youthful age as well as a

discouraged worker among others. However, the employment to population ratio kept declining from 2006 through 2009 down from 69.9 percent in 2009 to the lowest point of 67.4 percent in 2015, and has been rising since though not as much as before. Unemployment in the country is greater for females (9.2 percent) than for males (7.5 percent), (GLSS VII) and this is the same for underemployment in the country. As a credit to the country, at 67.81% in 2019 (WDI), Ghana's labor force participation rate is higher than the African continent (63.1%) and the global average of 60.7% (ILO, Nov. 2019). In addition to that, employment in the private sector is greater than the public sector in Ghana being 92.5 percent against 6.8 percent respectively by 2016.

To the main course of this paper, job creation is the process of providing new jobs either for the unemployed or underemployed in Ghana, according to the GSS. Hence there is the need to look at the extent to which growth generates employment while reducing the rates of unemployment and so poverty and its effects in Ghana. Having that micro-, small- and medium-sized enterprises (MSMEs) create about 50 percent of the jobs in many African Countries, this saves the majority of the active populace. First and foremost, Ghana, upon attaining middle-income status, within the same period had poverty reduced more than half. Nonetheless, employment growth has been inconsistent with economic growth. Therefore, the employment elasticity of national output of 0.47 percent between 1984 and 2010, implies that for every 1 percent increase in economic growth, employment grows by less than half of it been 0.47 percent. In response to this, economic growth averaged 6.62 percent for the decade under review (2009 to 2019) whereas employment growth is -0.32 percent over the same span.

According to evidence from the Job Creation Report, 2015, of the GSS, 207,492 jobs were created in Ghana. From this, the services sectors saw the highest while the agricultural sector was the least. This number of jobs only catered for 25.02 percent of the total population of unemployed persons in 2014. Surprisingly, more formal than informal jobs were created in the Agricultural Sector in the year 2014. In recent years, the unemployment rates have been higher than before, from 2016 to 2019. And juxtaposing this to the GDP Growth Rates shows a negative relationship. The poor economic growth in the rural centers has contributed to the high level of urbanization in the country, as rural dwellers migrate in search of job opportunities and better standards of living. Also, over the years, the private sector has overtaken the public sector in terms of employment.

The informal sector remains vibrant in the provision of goods and services as well as

employment. The sector has employed the majority of the labor force of the country for reasons of inadequate formal jobs, low educational qualification, ease in creating informal jobs, the bureaucracy involved in registering jobs to make them formal, and what have you. Therefore, the sector contributes to the growth of the economy through employment creation, GDP. Despite these, the sector is constituted with a high level of poverty for its labor force, poor access to capital and credit, poor working conditions with wages usually below the required minimum wage.

To address the issues of unemployment in Ghana, the government undertook programs to create employment opportunities and bridge the gap between the formal sector jobs and informal jobs, as well as employers and potential employees. Some of these are the Vision 2020 Agenda, the establishment of the Youth Employment Agency, Planting for Food and Jobs as well as the Nation Builders Corps.

Against the challenges faced in meeting the objectives of these programs, if well managed, monitored, and evaluated in response to the lapses, would be of great help to the nation in terms of employment. Also, labor organizations should see to the improved welfare of the labor force to create room for increased participation. Finally, the government should leverage these sectors with the potential to create a greater number of jobs, agriculture, and industry, revamp them and invest in them. Such investment can be through Public-Private Partnerships or the government's establishments. Thereby, redressing the high of unemployment since it is highly responsive to the growth performance of the economy.

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