

**EMPLOYMENT POLICIES FOR SUSTAINABLE DEVELOPMENT:
THE EXPERIENCE OF GHANA**

BY

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TABLE OF CONTENTS

TABLE OF CONTENTS.....	1
LIST OF ACRONYMS.....	2
INTRODUCTION.....	4
THE GHANAIAN LABOUR MARKET.....	5
EMPLOYMENT AND POVERTY IN GHANA.....	6
EMPLOYMENT TRENDS.....	6
UNEMPLOYMENT.....	8
ECONOMIC ACTIVITY OF THE POOR.....	10
EMPLOYMENT POLICIES IN GHANA.....	11
PRE-ADJUSTMENT/STABILISATION ERA.....	12
ADJUSTMENT/STABILISATION ERA.....	13
Employment Effect of Privatisation and Retrenchment.....	14
Some Policy Interventions.....	15
THE VISION 2020.....	15
EMPLOYMENT GENERATION AND THE GPRS.....	16
ECONOMIC OPPORTUNITIES FOR EMPLOYMENT GENERATION.....	21
AGRICULTURE.....	21
INDUSTRY.....	22
SERVICES.....	22
CONCLUSION.....	23
APPENDIX.....	25
REFERENCES.....	26

List of Tables

Table 1.....	7
Table 2.....	10

List of Figures

Figure 1.....	9
Figure 2.....	11

LIST OF ACRONYMS

AAGDS	Accelerated Agricultural Growth and Development Strategy
AEP	Alternative Employment Project
AGOA	African Growth and Opportunity Act
CWIQ	Core Welfare Indicators Questionnaire
ERP	Economic Recovery Programme
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEPC	Ghana Export Promotion Council
GIPC	Ghana Investment Promotion Centre
GLSS	Ghana Living Standard Survey
GoG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy paper
GSS	Ghana Statistical Services
HIPC	Highly Indebted Poor Countries' Initiative
ILO	International Labour Organisation
IMF	International Monetary Fund
ISI	Import Substitution Industrialisation
ISSER	Institute of Statistical Social and Economic Research
JSS	Junior Secondary School
LIFO	Last-In-First-Out
MFEP	Ministry of Finance and Economic Planning
NBFI	Non-Bank Financial Institutions
NBSSI	National Board for Small Scale Industries
NDPC	National Development Planning Commission
NGO	Non Governmental Organisations
NTE	Non-Traditional Export
OFY	Operation Feed Yourself
PAMSCAD	Programme of Action to Mitigate the Social Cost of Adjustment
PRP	Poverty Reduction Programme
PSI	President's Special Initiative
PSMRP	Public Sector Management Reform Programme

SAP	Structural Adjustment Programme
SOE	State-Owned Enterprises
SSS	Senior Secondary School

INTRODUCTION

The implementation of stabilisation and structural adjustment policies in many sub-Saharan African countries over the last two decades as a vehicle to enhancing economic growth and development has succeeded in providing a marginal solution to the problem of unemployment and poverty. The impact of these programs on unemployment and poverty in the short-run has been weak due to the partial and fragmented nature of the policies.

The birth of ERP/SAP in Ghana in 1983 was necessitated by the deep economic crisis experienced in the late 1970s and early 1980s. The economy recorded an annual average growth of -2.2% between 1975 and 1982, with average annual inflation of 64.9% and balance of payments deficit of \$6.8 million over the same period. These unimpressive developments emanated from poor domestic economic management and external factors. The internal economic management was characterised by large fiscal deficit financed inflationary and heavy government intervention through administrative control of prices, distribution and import controls and massive expansion of the public sector. The external factors include severe drought in early 1980s, decline in international commodity prices, repatriation of about one million Ghanaians from Nigeria, high interest rates on international financial markets and oil price hikes in the late 1970s and early 1980s. The combination of these factors culminated in negative growth (-7.2% in 1982), external trade and fiscal deficits as well as 3-digit inflation in 1983.

The IMF and World Bank sponsored ERP/SAP had two main thrusts: stabilisation policies intended to re-align domestic absorption with domestic supply to achieve a reduction in inflation and balance of payments deficits; and adjustment measures that sought to replace administrative controls with the system of market determination in order to shift resources to the productive sectors of the economy

The success of any adjustment program depends on a well functioning and flexible labour market in which labour allocation is done through the market mechanism and also creates sufficient incentives for human capital investment. The presence of wage rigidities or labour mobility raises basic questions in terms of the effectiveness of macroeconomic policy and the extent to which the supply response necessary for adjustment will be forthcoming. Critics of the orthodox programme argue that the economic reform measures have failed to create jobs for the increasing labour force and alleviate poverty because the measures focused mainly on promoting price stability rather than addressing the underlying weakness of the economy. However, proponents of adjustment policies maintain that sustained economic reforms resulted in improving macroeconomic performance.

Like many other reforming countries, the initial phase of Ghana's reform paid very little attention to the social dimensions of the programmes. The immediate implications of the reform measures for employment and poverty were not explicitly incorporated into the policy formulation and implementation. It was erroneously assumed that the removal of

price distortions to ensure efficient resource allocation would enhance productive employment and real income in the long run.

After two decades of economic reform in Ghana, the expected long-run benefit in terms of employment generation and poverty reduction are yet to be achieved. Unemployment is still on the increase with the rate standing at 10.1% as at 2000 and overall poverty incidence hovering around 40% in 1998. This has called for a review of the focus of adjustment in many African countries including Ghana.

The worsening human development conditions and the spread of poverty in reforming developing countries have necessitated global initiatives such as:

- The 20/20 Initiative which calls for the allocation of 20% of official development assistance and not less than 20% of national budget of developing countries to essential social services
- The 1995 World Summit for Social Development where developing countries made commitments to eradicate extreme poverty and substantially reduce aggregate poverty by 50% before the year 2015

One important initiative, which seeks to reverse the deteriorating employment and poverty situation as a result of the reform programmes is the Heavily Indebted Poor Countries' (HIPC) initiative. This initiative seeks to free national fiscal resources from debt servicing constraints to enable these countries improve human development through a comprehensive approach to poverty reduction. In fulfilment of the HIPC initiative, which Ghana has subscribed to since 2001, the government has put in place a medium term expenditure framework and poverty reduction strategies dubbed the Ghana Poverty Reduction Strategy Paper 2002-2004 (GPRS) for accelerated economic growth, employment creation and poverty reduction. The employment and poverty reduction implications of the GPRS need critical review to ascertain the employment outcome in a sustainable manner in the implementation process. This paper therefore focuses on issues relating to pro-poor employment policies within the context of the GPRS: economic opportunities, social mechanisms and human capital necessary to promote participation in sustainable development. The paper examines the employment policies pursued in Ghana in a historical perspective, relating the policies to production and national economic development.

THE GHANAIAN LABOUR MARKET

The past two decades have witnessed some changes in the Ghanaian labour market due to globalisation and the withdrawal of the direct involvement of government in productive economic activities. The stabilisation and adjustment programmes initiated in 1983 contributed to a substantial decline in public sector employment in the late 1980s and early 1990s through public sector retrenchment and privatisation. The trade liberalization program coupled with the rapid depreciation of the cedi led to the collapse of many inefficient local enterprises particularly import dependent enterprises and subsequent loss of jobs of many people. This resulted in an increase in informal sector employment over

the period. The absorption of labour from the formal sector by the informal sector was possible because of the lower job requirements in the informal sector.

The labour market is dominated by agriculture and related activities employing a little over 50% of the Ghanaian workforce. The informal sector where majority of the workforce are self-employed is very pervasive partly as a result of the sluggish growth of the formal sector employment. The public sector continues employ the greater chunk of the formal sector workforce.

The government and labour unions together with employers play a significant role through the determination of minimum wage by the Tripartite Committee in shaping the structure of wages in the formal wing of the labour market. The market evidently appears to exhibit wage rigidities as a result of the strong influences of institutions in the market. It is estimated that over two-thirds of formal sector jobs are subject to collective bargaining agreement given credence to the high rate of unionisation within the formal sector. This confirms the degree of imperfection within the Ghanaian labour market. The relative wage rigidities and inefficient labour market information system as well as limited availability of educational and training facilities account for the low occupational mobility in Ghana. Public sector earnings are evidently lower than the private sector but there is a greater job security in the public sector than the private sector. Boateng (2000) observed that the earnings ratio between private sector and public sector employees has been declining 1.5 in 1988 to 1.1 in 1998.

The labour market has been characterised by increasing incidence of underemployment even though open unemployment particularly among university and polytechnic graduates is on the ascendancy in recent years. The participation rate of men in the labour market is higher than that among women due to the low educational attainment of women compared to that of men as well as greater domestic commitments. Therefore, average earnings among women are lower than men. The World Bank (1995) estimated that the participation rate among men in Ghana was 78% compared with 49% among women. This is because in Ghana women are predominantly engaged as unpaid agricultural labour or in the urban informal sector or service and commercial sectors of the economy.

EMPLOYMENT AND POVERTY IN GHANA

Discussions on employment and poverty trends in recent times are based on the 1984 and 2000 Population and Housing Census and Ghana Living Standard Survey (GLSS 1 - 4). However due to the incompatibility of the first two and the last two surveys, the discussion that follows is based on the two recent surveys in 1991/92 and 1998/99.

Employment Trends

Employment growth in Ghana appears to lag behind economic growth. While the economy recorded an annual average growth of 4.8% between 1984 and 2000, employment growth over the same period averaged 3.1%. Obviously, the slow growth of

the economy coupled with the low investment rate meant a relatively slower growth in overall labour demand. With 5.8% annual growth of the labour force coupled with the limited absorption capacity of the economy particularly in the 1990s it is not surprising that the economy has been recording an increasing unemployment rates since 1989. The agricultural sector remains the major employer even though its share has declined from 61% in 1984 to 51% in 2000 due to its sluggish growth performance over the period. Between 1984 and 2000, employment in the agricultural sector grew by 1.6% annually as against 5.5% in the service and 5.6% in the industrial sector particularly in the small-scale sub-sector. Over the same period the agricultural sector recorded average annual growth of 3% as against 6.5% and 6.2% in the service and the industrial sector respectively. Consequently, the share of employment in both the service and industrial sectors has risen appreciably as shown in table 1.

Table 1
Distribution of Economic Active Population by Industry (%)

Year	Agriculture	Industry	Service
1984	61.1	12.8	26.1
1992	62.2	10.0	27.8
1998	55.0	14.0	31.0
2000	50.7	16.3	33.0

Source: GLSS 3&4 and 2000 Population Census; GSS

Formal sector employment, which incidentally has been most remunerative, increased substantially between 1960 and 1984 owing to the faster employment growth in the formal sector than the growth of the labour force. However, employment performance of the formal sector took a nosedive declining averagely by 3.7% annually between 1985 and 1991. At the same time, labour force grew at an average of 3.2% per annum. This declining performance of the formal sector emanated from various sources including public sector retrenchment exercise, privatisation and liberalisation, withdrawal of subsidies to loss making public enterprises as well as the reduction in tariff protection of local industry.

Contraction of formal sector employment particularly in the public sector had the effect of shifting labour to the informal sector. The transfer of labour into the informal sector was made possible because of the lower job requirements in terms of capital and education, as well as the high degree of substitution between capital and labour in that sector and this adversely affected the average earnings of operators in the sector.

Formal sector employment seems to have picked up after 1992 with the declining share of informal sector. The overall public sector employment rose by 39.4% between 1992 and 2000 partly as a result of government's policy of meeting the education and health needs of the ever-increasing population with the establishment of many schools and health facilities. It is also argued in certain quarters that some of the retrenched workers found their way back into the public sector by getting appointment in different ministries,

departments or regions defeating the purpose of the exercise. The private formal sector continues to remain the most attractive sector and has therefore has experienced some marginal improvement in employment. This emanated from the Free Zones project, investment projects under GIPC and improved performance of some divested SOEs. The success story of some six divested SOEs has created about 3,053 new jobs since divestiture in the early 1990s although admittedly, some few divested enterprises have collapsed. The number of enterprises registered in the Free Zones enclave between 1996 and 2003 has generated direct employment for about 13,760 people while a total of 1,654 projects registered by GIPC between September 1994 and December 2003 have been projected to create employment for about 87,369 people.

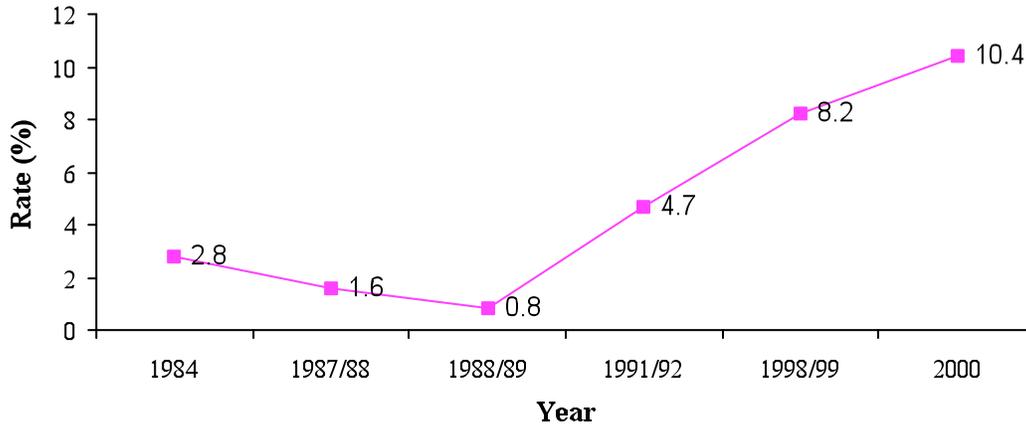
Unemployment

One fundamental feature of the Ghanaian labour market is the presence of about 230,000 new job seekers annually with the formal sector capable of absorbing just about 2% of these new entrants. The low absorption capacity of the economy as a consequence of sluggish growth rate over the years suggests a low absorption rate creating excess labour in the economy. The average growth rate of about 4.8% recorded since 1984 has not been sufficient to absorb the 5.8% annual growth of the labour force. The situation has been exacerbated by the declining formal sector employment due to privatisation and public sector retrenchment. The increasing globalisation with its attendant unfair trade practices and rapid depreciation of the cedi coupled with high lending rate has led to the collapse of many local enterprises and this has thrown out many people into a state of joblessness.

The economy has consistently experienced increasing adult unemployment rate since 1988/89 from 0.8% to 10.1% in 2000. This was mainly due to the public sector retrenchment exercise, which contributed to about 89% of the loss of about 235,000 formal sector jobs between 1985 and 1990, and low level of direct productive investments, which has contributed to the slow growth of the economy. The redeployment exercise contributed to the loss of jobs for about 45,000 people most of whom were cleaners, drivers, cooks and messengers among others who lacked the skills that could make them readily employable in the private sector. The declining unemployment rate from 2.8% in 1984 to 0.8% in 1989 is a reflection of the remarkable growth experienced over the period in response to the ERP besides a possible limitation associated with the data. The Ghanaian economy recorded an impressive growth performance during the phase of the ERP/ SAP with an average annual growth rate of 5.7%. However, the growth performance of the economy deteriorated after 1989 due to the negative effects of the adjustment programme including persistent exchange rate depreciation, exposure of infant domestic enterprise to unfavourable external competition and rising interest rates as well as removal of agricultural subsidies. This to a large extent crippled many industrial enterprises and indigenous farmers, throwing many people out of jobs. The average annual growth rate of the economy plateaued at 4.4% after 1989. The unimpressive growth performance of the economy in the 1990s was partly translated into increasing adult unemployment rates as shown in figure 1. GoG (2002) observes that the basic factor affecting the capacity of the economy to generate jobs for the growing

number of people coming out of various institutions is the relative slowness of economic growth.

Figure 1: Unemployment Rates 1984 - 2000 (%)



Source: GLSS and Population Census (1984 & 2000); Ghana Statistical Service

The rate is higher among females than males. This is because, in many African countries including Ghana, women have twice the chance of being unemployed than men (ILO/JASPA 1989). The low educational attainment of women relative to men, and the public sector downsizing which affected women more than men because of the higher concentration of women at the lower echelon of jobs where the programme targeted have contributed to the relatively higher unemployment rate among women. There is a growing joblessness among university and polytechnic graduates in recent times. A study on Graduate Unemployment in Ghana in 1999 clearly revealed that about 68% of graduates interviewed were unemployed. The estimated annual turnover of over 30,000 of the universities and other tertiary institutions coupled with the limited absorption capacity of the economy and lack of required skills and competence of recent “tertiary educated” workforce owing to poor educational infrastructure give credence to the gloomy unemployment situation among tertiary graduates. Moreover, the failure of formal educational institutions to produce graduates with skills required by the labour market due partly to lack of effective linkages between educational institutions and industry has also contributed significantly to the increasing rate of unemployment among graduates in recent times.

There exists a substantial amount of underemployment in Ghana despite the growing open unemployment in the urban labour market. The overall adult underemployment rate in 1991/92 was 8% as against 13.9% in 1998/99. The rate is relatively low among women than men because of the high domestic commitments of women, which prevents them from accepting to work more hours.

Economic Activity of the Poor

Generally, incidence of poverty in Ghana differs significantly by type of employment implying that the degree of access to particular types of employment is an essential tool in the determination of the pattern of poverty in Ghana. Poverty in Ghana is fundamentally a rural phenomenon, majority of which are food crop and export farmers. The economy experienced a substantial decline in the overall poverty incidence in the 1990s. However, the declining trend indicates a varying degree with the largest occurring among export farmers while the incidence rather increased among non-working and others. Based on the upper poverty line of ¢900,000, 59.4% of food crop farmers in 1998/99 were poor (figure 2). This suggests that majority (58.1%) engage in food crop farming. The incidence of poverty is also high among export farmers although they experienced a rapid decline in incidence from 64% in 1991/92 to 39% in 1998/99. The decline in poverty incidence among export farmers is the consequence of substantial improvement in the producer price of cocoa and the general improvement in the production and marketing environment of non-traditional agricultural exports including fruit and horticultural exports by the Ghana Export Promotion Council (GEPC). The rate is also high among informal wage employees and non-farm self-employed as well.

Table 2
Contribution of Employment Type to Aggregate Poverty (%)
(Based on Upper Poverty Line of ¢900,000 per capita p. a.)

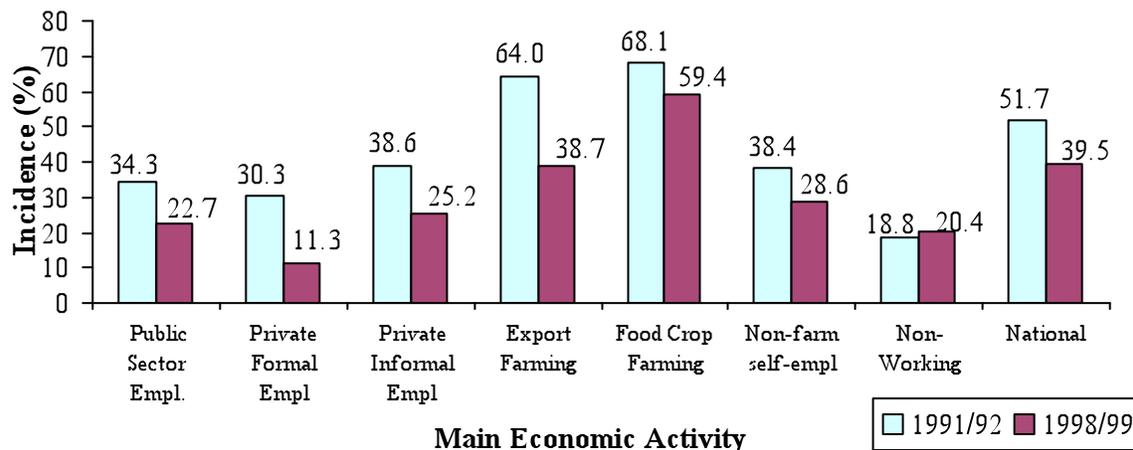
Type of Employment	1991/92	1998/99	% change
Public Wage Employment	9.1	6.2	- 2.9
Private Formal Wage Employment	2.3	1.4	- 0.9
Informal Wage Employment	2.3	1.9	- 0.4
Export Farmer	7.8	6.9	- 0.9
Food Crop Farmer	57.3	58.1	+ 0.8
Non-farm self-employed	20.5	24.5	+ 4.0
Others and Non-working	0.7	1.1	+ 0.4

Source: Derived from the Ghana Statistical Service (2000); Poverty Trends in Ghana in the 1990s Table A1.4

Wage employees in public and private formal constitute the minority (6.2% and 1.4%) of the poor in 1998/99. The two economic activities also experienced a significant decline in poverty incidence between 1992/92 and 1998/99 from 34.3% to 22.7% for public and 30.3% to 11.3% for private formal. The low poverty incidence among wage workers is explained by the human capital endowment of wage employees, which provide them access to employment and higher income opportunities. Moreover, the implicit public policy of keeping the minimum wage above the poverty threshold has benefited the wage employees and kept most of them above the upper poverty line. On the contrary, farm and non-farm self-employed, which mostly operate in the informal sector, do not benefit from the minimum wage especially after 1991 when the government abandoned the legislative backing to the minimum wage agreed upon by the Tripartite Committee. This

has consequently exposed many vulnerable groups particularly in the private sector to low pay.

Fig. 2: Poverty Incidence by Main Economic Activity (%)
(Based on Upper Poverty Line of $\text{₵}900,000$ per capita p. a.)



Source: Derived from the Ghana Statistical Service (2000); Poverty Trends in Ghana in the 1990s Table A1.4

The concentration of the poor in the food crop and non-farm self-employment sectors as well as the marginal decline in poverty incidence among people in that sector compared with export farming sector is that while the export farmers have been benefiting from governmental support in terms of technical support and other export promotion packages, self-employed in both food and non-farm sector are the least beneficiaries of public investment and subsidies. Indeed the food sector was one of the hardly hit sectors when agricultural subsidies were removed as part of the ERP/SAP. Even though the informal sector is the major employer in the economy, low level of productivity in the sector on account of low educational background of operators makes the sector prone to high incidence of poverty compared with the formal sector of the economy.

EMPLOYMENT POLICIES IN GHANA

Employment policies are deliberate action by government to influence employment levels in general or to improve access to employment for particular demographic group within the population such as youth and women. Ironically, Ghana has never had any comprehensive employment policy apart from various schemes undertaken to improve labour absorption such as the National Service Scheme. Interestingly, development plans that have been initiated to enhance employment performance in the country rather regard employment as passive outcome of sectoral and macroeconomic policies. Since the outcome of the interaction between the supply of and the demand for labour is employment, effective employment policy would involve the adoption of strategies that

would promote labour demand and labour supply. Strategies for promoting labour demand would include measures to:

- enhance output growth
- improve labour productivity and absorption in the paid labour market
- promote self-employment and employment in the informal sector in general
- introduce special employment programmes for vulnerable and disadvantaged groups such as the youth, women and the physically challenged

Strategies for improving labour supply would include

- population control,
- human resource development, and
- removal of institutional rigidities in the labour market

Public policies on employment are influenced primarily by the failure of the labour market to achieve a reasonable employment growth due to the presence of certain distortions and rigidities in the market. The continuous implementation of market-oriented policies indicates that public sector cannot provide employment for the growing workforce. This calls for measures to facilitate the expansion of the private sector to absorb the increasing labour force through effective employment policies.

Pre-Adjustment/Stabilisation Era

Government policy prior to the introduction of ERP/SAP was characterised by direct state control over prices, exchange rates and foreign exchange allocation. Economic policy of Ghana after independence was dominated inter alia by the promotion of import-substitution industrialisation (ISI) aimed at greater employment and potential for self-sustained growth. One major policy thrust apart from ISI and administrative control policies was the large public sector investment undertaken in the 1960s for development in education, health, infrastructure and utilities for speedy economic take-off.

Employment impact of these policies was significant. There was a dramatic increase in urban formal employment particularly in the protected industries and in the public sector. Formal sector employment increased substantially over the periods 1960 – 1966 and 1972 – 1980 under Operation Feed Yourself (OFY) and Ghanaianisation programme where protectionism reached its highest point under various policy instruments. Between 1960 and 1980, formal sector employment increased from less than 4% to over 20% of the labour force as employment growth in the formal sector was faster than the growth of labour force (ISSER 1995). However, serious distortions in the pricing system with inflation mounting to 3-digits as a result of administrative controls over prices and exchange rates caused a drastic decline in real wage such that in 1983, the wage index was only 33% of what it was in 1977 or 67% of its level in 1960. The declining economic performance necessitated the introduction of the IMF and World Bank sponsored stabilisation and adjustment programme

Adjustment/Stabilisation Era

The ERP/SAP initiated in 1983 emphasized state disengagement from the control and management of directly productive activity, foreign exchange and the pricing of goods and services. The major policy measures and programmes undertaken under the reform involved trade and exchange rate liberalisation to open up the economy and improve the country's external competitiveness and strengthen the incentive for export. Monetary and financial policies under the reform involved the liberalisation of the financial system aimed at minimising rate of inflation and stabilising the exchange rate by reducing deficit financing and liberalising interest and exchange rates. The reform saw the complete abolishing of selective credit and the establishment of NBFIs with the view to introducing more competition and efficiency into the financial sector. Fiscal policy under the ERP/SAP was meant to achieve sustainable external balance and desired rate of inflation through prudent fiscal management to contain fiscal deficit. Revenue measures were undertaken through tax reforms with the view to improving tax administration and increasing revenues while major expenditure measures include wage restraint as a tool for reducing fiscal deficits and controlling inflation and redeployment and retrenchment exercise to curb excess wage bill in the public service. Other measures to reduce public expenditure were the removal of subsidies on agricultural inputs and health service delivery, as well as the divestiture of SOEs as a way of reducing the inefficiency and financial burden that SOEs place on public resources.

Structural adjustment policies were expected to lead to shifts in inter-sectoral employment as relative prices changed in the product market. However, from GLSS data, it is observed that no significant shifts in the distribution of the labour force occurred between agriculture, urban self-employment and the formal sector, after nearly 20 years of structural adjustment. While the agricultural sector remains the largest source of employment overall, the informal sector is still the dominant employer in the urban areas.

However, some changes in labour demand occurred in favour of skilled professional and management personnel in the services sector due to economic reform and global technological change. Given the declining role of the public sector in employment generation due to fiscal limitations, and in the absorption capacity of the manufacturing sector on account of the removal of tariff protection and high cost of capital, the service sector has become the centre of employment. Educational deepening has increased, due to the existence of labour surplus. Evidence from a survey of advertised vacancies indicates that the proportion of high-skill jobs in the total number of jobs advertised increased from 58.4% in the pre-ERP/SAP years to 70.8%, representing an increase of 24.8% in the relative demand for high skills.¹

Administrative records from the GIPC indicate that over 87,000 jobs were created by the inflow of FDI between 1994/95 and 2003. Furthermore, it is estimated that government and donor support for the NTE sector led to an increase of 45,000 full-time jobs in that

¹ High-skill jobs are defined as jobs belonging to the middle to upper class of jobs generally referred to as professional, semi-professional or management, which usually require post-secondary education, and some specific skills or a reasonable number of years of experience. (See Boateng, 1998).

sector between 1993 and 1999 (The World Bank 2001), while in the Export Processing Zones about 13,760 people were employed in 2003.

Based on a sample of 92 private sector enterprises, Boateng (2000) has observed that on average employment levels declined during the period of structural adjustment. Between 1990 and 1995 the average employment level in Ghanaian enterprises declined by 9.4%. However the impact of the shrinkage in employment differed among the various occupational groups. Between 1980 and 1995 average employment in top occupations (professionals, semi-professionals and management) almost doubled, and between 1990 and 1995 it increased by about a third. In contrast employment of sales, service and clerical workers fell by 2.5% in 1980-95, even though it improved by 15.2% in 1990-95.

Employment Effect of Privatisation and Retrenchment

The main issue about retrenchment has been the long-term impact on the displaced workers who are unable to find immediate employment due to limited labour market endowments. The exercise, which started in 1987 contributed to about 89% of the loss of about 235,000 formal sector jobs between 1985 and 1990. Most of the people affected by the exercise were young workers, cleaners, labourers, messengers, drivers, sweepers and other grades in the lowest echelons in the public service due to the principle of LIFO² that was applied in the exercise. Most of these people lack the requisite skills to get alternative employment in the labour market. While only 15% of redeployee households were in the lowest three deciles of the income per capita scale before redeployment, 32% were in this bracket after redeployment. Thus, the likelihood of those households being poor after redeployment more than doubled. The percentage of redeployee households in the highest three deciles also fell from 30% to 23% after redeployment (Younger, 1996). Under the current Public Sector Management Reform Programme (PSMRP) about 20,000 workers are expected to be outplaced between 2001 and the year 2010, at an average of 2000 per annum.

Generally, privatisation of public enterprises resulted in the reduction of the workforce of many enterprises except in a few enterprises. For example, at Golden Tulip employment rose from 116 to 347 and at Tema Steel Works, employment increased from 130 to 584; at GAFCO from 494 to 1570; at Coca-Cola Bottling Company from 372 to 636; at Ghana Rubber Estates from 3085 to 3833; and the West Africa Mills from 170 to 450. It is observed that in most of the enterprises where employment went up a major internal factor was the cordial industrial relations environment prior to and immediately after the divestiture. There was improvement in real wages of the workers; however, this was matched by an increase in workload and responsibilities.

² LIFO means Last-In-First-Out

Some Policy Intervention

The recognition of the negative impact of the stabilisation and adjustment policies informed the government decision to initiate measures to address the situation. Notable amongst these measures were:

- The agricultural sector programme, which focussed on national food security, and employment and income generation in the rural areas through increased agricultural research and extension, smallholder credits and the provision of other services. Major programmes and projects included the Medium Term Agricultural Development programme; the Village Infrastructure programme aimed at reducing poverty through small investments and grants targeted at small resource-poor communities; and the Accelerated Agricultural Growth and Development Strategy (AAGDS), which is to focus on issues of market access and support services within the agricultural sector.
- Alternative Employment Programme (AEP) aimed at placing the outplaced public servants who would be affected by the PSMRP. About 20,000 public servants are expected to lose their jobs by the end of the PSMRP exercise in 2011.
- Direct Employment Creation as a direct intervention measure to address the minimal impact of growth on poverty and employment. PAMSCAD was therefore initiated in 1988/89 to establish community projects and generate employment for rural households in the northern regions, low-income unemployment and under-employed urban households, and retrenched workers, and to provide small enterprise credit for women and small-scale miners, among others.
- Poverty Reduction Programmes through the National Poverty Reduction Programme (PRP) and the Social Investment Fund, developed in 1995, aimed at reducing poverty incidence, strengthen the capability of the poor and vulnerable to earn income, and reduce gender and regional disparities in wellbeing.

The Vision 2020

The fundamental objectives of the Vision 2020 were to reduce poverty, increase employment opportunities and average incomes, and reduce inequalities in order to improve the general welfare and the material well-being of all Ghanaians. This was then envisaged to result in the achievement of Ghana's vision of attaining a middle-income status by the year 2020. The medium term employment objectives were to increase productive employment opportunities and employment wages and salaries policies for the promotion of sustainable employment opportunities. In order to reduce the high level of unemployment and underemployment, employment promotion considerations were to be built into all macroeconomic and production policies for the five-year plan period of 1996-2000 as well as reviewing the legal and regulatory framework to enhance employment creation particularly in the informal sector. Training including apprenticeship schemes was expected to be an important aspect of the employment strategy. Among the specific strategies designed to achieve the goals set for employment creation include:

- implementation of macroeconomic, production and labour policies that are consistent with employment promotion;
- implement labour-intensive public works programmes for disadvantaged groups where necessary;
- provide adequate opportunities and facilities for technical and vocational training and retraining including traditional apprenticeship; and
- strengthening the labour market information system.

The implementation of strategies in the Vision 2020 seemed to have been partial with particular focus on macroeconomic stability but limited attention to the growth of the real sector. Implementation of the policies that appeared to have some bearing on employment generation was skill development. However, serious attention was not paid to how the trainees would have placement in the labour market. This is because training policy was not demand driven suggesting that the supply of labour did not take into account the capacity of the economy and the changing demand pattern in the economy. Graduates from formal training institutions basically targeted the formal sector as the main source of employment opportunities and considered the informal sector as the last resort. The limited capacity of the formal sector and the unwillingness of formal sector trainees to go into self-employment or informal sector due to numerous problems of the sector is an indication of the unattractiveness of the informal sector. The result is the rising unemployment hovering around 10.4% in 2000. Employment was not given particular focus as job creation was treated as sectoral and macroeconomic policy outcome. The vision failed to set employment target and how the target would be achieved were missing. Moreover, educational policy was not in line with the national vision as formal education was not practically oriented. This is confirmed by the continuous patronage of the informal apprenticeship by JSS and SSS leavers.

EMPLOYMENT GENERATION AND THE GPRS

As part of the HIPC initiative, the Ghana Government has put in place a policy document dubbed Ghana Poverty Reduction Strategy paper (GPRS) with the participation of civil society, donors and international organisations. The document provides the framework for concessional assistance from the World Bank and the IMF and outlines the anti-poverty strategies for the medium to long term. The broad policy objective of the GPRS is to achieve a reduction in poverty through accelerated economic growth and employment creation. The short-term target is to reduce the national poverty incidence from 39% to 32% in 2004 and within the context of the GPRS over a three year period, this target would be achieved by adopting strategies to improve the real GDP growth to 5% and per capita growth from 1.4% in 2001 to 2.4% in 2004. The long-term objective of the government is to increase growth to an average of 8% by the year 2010 in order for real poverty reduction to take place. The broad pillars outlined in the GPRS include macroeconomic stability, production and employment, human resource development and basic services, private sector development and special programmes for the vulnerable and the excluded.

The national employment policy agenda under the GPRS considers employment as the core objective of the policy framework for poverty reduction. Employment strategies in the GPRS emphasises the adoption of a holistic approach and treats employment as a cross cutting issue. Employment generation is to emanate basically from economic growth through the adoption of labour intensive technology, agricultural modernization, agro-processing, manufacturing, services, and non-traditional export development among others. Special emphasis has been placed on micro and small-scale enterprises and employment opportunities for women. Strategies adopted to meet the objectives include, improvement in macroeconomic stability, modernising agriculture and enhance skill and entrepreneurial development for the youth. Strategy on production and employment would seek to provide sufficient incentives to stimulate private sector entrepreneurial development.

Analysts have questioned employment consideration in the formulation and implementation of the GPRS as passive outcome of sectoral and macroeconomic policies thereby undermining the poverty impact of the framework. Employment strategies are not fully integrated into the sectoral policies. The treatment of employment as the core objective of the GPRS is based on the assumption that growth translates into poverty reduction only through employment creation. This is in line with the belief that economic growth would be translated into high labour absorption rate. However, strategies for translating economic growth into higher labour demand and hence poverty reduction is not well developed in the GPRS. While the link between economic growth and employment depends on the extent to which growth generates employment, the link between employment creation and poverty reduction is a function of the extent to which poor workers can benefit from employment opportunities. For growth to have significantly positive impact on employment generation the growth should emanate from labour intensive sectors or labour intensive techniques should be prevalent in the growing sectors. Economic growth cannot ensure job creation if the growth emanates from sectors that adopt capital-intensive method of production such as mining. Thus, the assumption that new employment would be created once economic growth has been achieved is invalid. As a result of this erroneous assumption, limited attention was paid to examining the employment opportunities of various strategies during implementation.

In spite of the fact that the GPRS document highlighted some measures to enhance labour demand, it failed to demonstrate explicitly how employment would be created. No specific employment target to be achieved within the plan period by each sector was given. It failed to clearly show the employment generation through agricultural development, manufacturing, services, and non-traditional export development among others. This underscores the usefulness of quality and sufficient employment data in the formulation and implementation of employment policies. Annual series of employment and poverty data is not available. Issues on employment and poverty has been analysed based on GLSS, population census and CWIQ. However, these data sources are not coherent since the purpose of which the data were collected is different making comparison very difficult. Currently figures on employment and poverty after 2000 are not available thereby making the analysis of the employment outcome of the GPRS difficult.

In the area of modernising agriculture, serious commitment in terms of implementation has not been made to increase and improve irrigation facilities boost agricultural production. On the supply side of the labour market, measures to minimise institutional rigidities in the market were not highlighted. Nonetheless, the coming into effect of the Labour Act of 2003 (Act 651) would help reduce the inherent rigidities in the labour market since the act introduces some flexibility into the industrial relations system particularly in the area of union formation and collective agreements among others.

In human resource development, strategies were not based on demand driven approach. Thus, technical and vocational education and training did not basically look at the relevance of the training in economy. The formal educational system in Ghana is fundamentally flawed since it is basically supply driven. The increasing unemployment and underemployment among tertiary graduates in Ghana has been blamed on the limited relevance of the skills and training to the economy. A survey conducted on unemployed graduates in 1999 revealed that 31.5% of the unemployed graduates pursued courses in social science and/or arts at the university while those who pursued specialised courses like Business Studies, Engineering, and Economics constituted less than 1% of the respondents (Appendix). Supply driven approach to training tends to create a situation where many people would acquire training but would not be readily employable. With demand driven approach, skills acquired at training tends to meet the requirements of the labour market thereby making trainees readily employable. It must be conceded that demand driven approach to skill acquisition that fails to ensure that the trainees are able to adapt easily to changes in the demand pattern of the labour market is counter productive to long-term employment objective. Thus, while emphasising training that is relevant to the needs of the economy, efforts must be made to ensure that the trainees acquire skills that would make them easily adaptable to changing demand pattern in the economy.

The implementation of the GPRS over the past two years seems to have concentrated on achieving macroeconomic stability with little focus on addressing the problem of increasing unemployment and under-employment. This is based on the belief that macroeconomic stability would reduce the risk associated with long-term investment in agriculture and industry. Macroeconomic instability in the form of high inflation and its attendant high lending rates tend to crowd out private sector investments and reduce the rate of employment growth. Instability in foreign exchange has the tendency of impacting negatively on foreign direct investment with the introduction of greater risk in the returns to such investments. However, macroeconomic stability is not an end in itself in terms of its implication for employment and poverty reduction. The tendency of showing more commitment in ensuring macroeconomic stability might unintentionally lead to possible neglect of the real sector. Macroeconomic stability does not automatically create employment but rather facilitates growth. The economy over the past two years has enjoyed a considerable degree of stability in exchange rate and domestic inflationary rates but this does not seem to have boosted investment and growth in agriculture and industry sufficient enough to absorb the increasing workforce. In spite of a considerable stability in the exchange rate market the flow of foreign direct investments is still low.

Theoretically and empirically, macroeconomic policies toward employment generation are considered as short-term measures.

In the area of private sector development, the strategy is to strengthen the sector to ensure that it is capable of playing its assigned role as the engine of growth and poverty reduction. However, the sector is still struggling to overcome the numerous constraints hindering its growth and development. Some marginal gains have been made with regard to macroeconomic stability³, but this has not effectively been translated into lower lending rate although bank rate has been reduced consistently in response to the declining inflationary rate. Power supply remains unreliable while telecommunication network is no better to facilitate the operations of private enterprises. High bureaucracy at the ministries has not been addressed while land acquisition continues to hamper prospective investment. The government's commitment to good governance appears to have boosted investors' confidence in the economy but the existence of these constraints continues to impede private investment. Thus, the constraints outlined have not been adequately addressed to make the private sector play its role effectively as the engine of growth and poverty reduction.

The issue of tying fiscal and monetary policies to IMF conditionalities leave little room for employment as a key macroeconomic output for the economy. This is because these rigid conditionalities do not consider employment as the prime focus of policy outcome. For instance, all reform countries have withdrawn subsidies on agriculture as part of the conditions of IMF and World Bank stabilisation and adjustment programmes with the view to reducing fiscal deficits of these countries. This policy has been the bane of stagnation of the agricultural sector of reform countries including Ghana particularly the food crop sub-sectors worsening the poverty situation of food crop farmers. Poverty reduction therefore will remain elusive if strategies adopted to improve the growth of agricultural sector ignore the reintroduction of agricultural subsidies.

One area that appears to have been given considerable attention in the implementation of the GPRS is skills and entrepreneurial development as well as infrastructural development. In the 2002 and 2003 budget statement, the promotion of community based vocational and technical skill training was the major focus in employment and poverty reduction strategies. However, no serious effort has been made to ensure the placement of the graduates in the labour market or to encourage them to go into self-employment. Vocational and technical education and training policies in the GPRS is basically supply driven. As a result most of the vocational and technical education graduates end up on the street selling various kinds of goods. Thus, the emphasis on supply of labour, which is not matched with a similar emphasis on labour demand, is counterproductive. Improving the quality of labour supply will not necessarily improve employment outcomes if the corresponding increase in the demand for labour fails to materialise. Strong commitment to infrastructural development in the implementation of the GPRS is highly commendable. However, a lot more attention is required in the area of feeder roads construction to ensure smooth transportation of foodstuffs from the farms to the market centres thereby reducing the high incidence of post harvest losses.

³ Macroeconomic stability in terms of declining rate of inflation exchange rate stability

One fundamental problem in the implementation of the GPRS is lack of effective coordination. The task of coordination is spread across several ministries and government agencies. While the NDPC is charged with the development, implementation and monitoring of the GPRS, the MFEP develops the national budget and plans the implementation at the national level. This creates problem in the implementation and monitoring as an accident is bound to occur if two people are driving one car at the same time. Moreover, lack of capacity and resources at the district level imposes greater constraint on the district assemblies thereby undermining the decentralisation of the implementation of the GPRS.

In the review of the GPRS, it will be appropriate to take steps to address the issues raised. Poverty Reduction measures outlined in the GPRS will remain a mirage if pragmatic steps are not taken to fully integrate employment policies into sectoral policies in the GPRS. Employment target for each sector or policy needs to be set so that objective assessment of the employment outcome of various strategies could be made. Emphasis should be placed on the development of the informal sector through entrepreneurial development, provision of affordable credit, strengthening formal-informal linkage and traditional apprenticeship system based on the needs of the economy. The adoption of employment intensive growth will ensure a reduction in unemployment. Essentially, the educational policy of the nation should be made an integral part of the national policy framework to ensure that products of the educational system are readily absorbed and capable of adapting to changing needs of the economy.

One pillar of the GPRS that has seen considerable commitment on the part of the government is good governance. However, good governance should not be limited only to public sector but would be extended to private sector in the form of good corporate governance to enhance private sector development.

Measures to improve labour market information and keep track with regular set of employment indicators overtime need to be incorporated into the policy document. The Ministry of Manpower Development and Employment should be equipped to effectively coordinate the collection of employment indicators. Furthermore, there is the need to establish a monitoring and coordinating entity for effective implementation and coordination of the programme at the national level. Some additional budgetary support could be provided for the Employment Ministry to build capacity to be able to take charge of the coordination of employment policies within the GPRS. Budgetary support should also be provided to build up capacities of the District Assemblies to ensure effective implementation of the GPRS at the district level.

Land reforms need to be vigorously pursued to ensure that land owners who lack the necessary resources to put the land to productive use will be willing and ready to lease it out for productive activity especially agriculture. To maximise the returns on land, tax policies could be initiated on those who acquire land but fail over a long time to put it to productive use.

ECONOMIC OPPORTUNITIES FOR EMPLOYMENT GENERATION

An enormous potential for employment creation and poverty reduction exists in all sectors of the economy particularly agriculture and micro and small enterprise in the manufacturing sector. However, strategies to be adopted in exploiting these opportunities have not been explicit. While in agriculture, cocoa, shea-butter and food crop sub sectors possess enormous potentials, agro processing, handicrafts including woodworks and textiles, as well as export-processing zone are some of the areas in the industrial sector where enormous potential exists for employment creation and poverty reduction. In the services sector, tourism and trade sectors particularly, external trade have the potential of creating jobs towards poverty reduction.

Agriculture

Undoubtedly, the agricultural sector holds the best opportunity for employment generation in the economy on the basis of its 50% share in total employment. However, majority of the poor operate in this sector as food crop and cash crop farmers as well as fishmongers. Agricultural products that have huge potentials for employment creation include cocoa, cassava, oil palm, cotton, sheanut, maize, fish and dawadawa. The processing of these products would provide ready market for these products and also afford farmers the opportunity to expand their farms. Ghana has competitive advantage in these areas especially oil palm, cassava and cocoa⁴, which is an indication of its employment potential. These products were recognized by the GPRS as products with huge potentials but with the exception of cassava and cocoa, little effort has been made to exploit the opportunities, which other products possess for job creation and poverty reduction.

The agricultural sector recorded an impressive growth of 6.1% in 2003 on the wheels of remarkable performance of the cocoa sub-sector due to the mass spraying exercise and other external factors. The significant reduction in poverty incidence in the 1990s occurred among export farmers, majority of which are cocoa growers. The conscious effort by the government to revamp the sector by increasing the producer price of cocoa and mass spraying has paid off. The PSI on cassava has so far generated over 10,000 jobs due to the special attention given to cassava processing. Similar assistance to other food crop farmers would ensure food security, job creation and poverty reduction. The sector holds the opportunity for employment creation and poverty reduction through the extension of government support in the form of credit, subsidies, extension services, infrastructure and entrepreneurial training. Moreover, identification of ready markets and provision of guaranteed price as is done in the PSI on selected agricultural produce like cassava, would create employment opportunities and reduce poverty in several communities. Thus the replication of the PSI nationwide would provide enormous opportunities for employment creation and incomes for majority of the rural workforce.

⁴ Ghana is currently the second largest producer of cocoa but the best in the world in terms of quality.

Industry

The industrial sector is the least employer and contributor to GDP behind agriculture and service. Nonetheless, the sector still possesses enormous potentials for employment generation particularly in the micro and small scale-manufacturing sub-sector (e.g. handicraft, agro-processing among others). Ghana currently processes few of her agricultural products. Only 18% of cocoa produced is processed domestically while cassava processing occurs within the PSI. The processing of agricultural products would not only add value to the products, but would also offer ready market for these products and create jobs in the economy. Incidentally, the small-scale industrial sector employs the chunk of the industrial workforce. Therefore, the provision of adequate support for small and micro firms in the form of credit, training, identification of markets, and processing equipment to micro and small scale producers would be a major breakthrough. Moreover, the establishment of small enterprise zones in profitable locations and the strengthening of agencies and departments responsible for cluster and enterprise development would ensure growth and expansion of micro and small enterprises for employment creation and poverty reduction.

Apparently, the mining and construction sub-sectors have been carrying the growth of the industrial sector on its shoulders. However, while the construction sector has the potential of creating employment in the short run through labour intensive based road projects, the capital intensity of mining activity implies limited absorption capacity of the sector. To ensure sustainable employment creation for poverty reduction in the long run therefore, pragmatic steps should be taken to develop small scale manufacturing sub-sector with special emphasis on agro-processing, handicrafts and textile production. The establishment of textile and handicraft village would be the starting point for the development of the sector for job creation and poverty reduction.

Services Sector

The response of the services sector to ERP/SAP was relatively rapid particularly in the trade and commerce sub-sector. As a result of the priority given to many of the sub-sectors of the services sector by the government and private sector, it is expected that the services sector would continue to emerge as the new growth sector in the Ghanaian economy. Obviously, the services sector's contribution to real GDP since 1996 has increased from 28% to 30.1% in 2002. The tourism sub-sector for instance is expected to continue to grow and increase its contribution to real GDP, given that in recent times the government has intensified its efforts to encourage private sector participation in the industry. There are particularly good opportunities for employment generation in the Hotel and Restaurants services sub-sector on account of the growth of the tourism industry. There had been an increase of 94% in hotel beds between 1989 and 1999 and this gives a strong indication of the rate at which the Hotel industry in Ghana is expanding. This will definitely call for more professionals in the industry to provide quality services and this is a good opportunity for employment generation. Meanwhile, Ghana is yet to take advantage of the booming ICT sub-sector for employment generation

and poverty reduction. This calls for the urgent need to extend telecommunication facilities to the rural areas to open up the area for investment.

The export market is one critical area that presents a particularly good opportunity for economic growth and prosperity whilst at the same time providing good opportunities for job creation. However like many other African countries, Ghana is vulnerable because of its dependence on primary production, and resource-based sectors and its narrow export base. There is therefore the urgent need to diversify production and the export base through harnessing of the economy's natural resource base and value adding in agro-processing.

Currently Ghana has a small export base of US\$1.6 billion relative to its huge potential export base. One way in which Ghana has tried to make use of its huge potential export base has been the diversification from the traditional exports to non-traditional export. In Ghana, the range of products designated as non-traditional exports is large. These include exports of all other agricultural products other than cocoa, timber products other than logs and lumber, locally manufactured products including handicrafts and salt and processed gold. Diversification of export towards non-traditional products could open avenues for employment growth and poverty reduction.

The African Growth and Opportunity Act (AGOA) also offers a great opportunity for Ghana to take advantage and expand the textile industry especially tie-and-dye batik and kente weaving industry. The AGOA was enacted in 2000 to provide beneficiary countries in sub-Saharan Africa with liberal and generous access (i.e. in the form of duty-free and quota-free market access) to the U.S \$10,000 billion U.S market. Ever since it was enacted in 2000, AGOA has helped to transform the economic landscape of sub-Saharan Africa by stimulating new trading opportunities for African businesses, and entrepreneurs, creating new jobs and bringing hundreds of millions of dollars in much needed investment in Africa. Quite clearly AGOA presents an enormous opportunity for employment generation in Ghana if the country is able to fully take advantage of the enormous potential that the new Africa Growth and Opportunity Act (AGOA) offers. This is so because it is estimated that a total amount of US\$3.4 billion in export revenue will be generated over a four-year period with about 70,000 jobs created. With the attainment of the AGOA visa status, Ghana now has duty and quota free "*unfettered*" access to the United States Market. This privilege covers textiles and apparel as well as 6,400 other products.

CONCLUSION

The employment consideration in the implementation of the GPRS has been observed to be weak even though it is identified as the core objective of the poverty reduction strategy framework. The implementation of the GPRS has been less than effective. Lack of clearly defined employment indicators and targets makes it difficult to monitor effectively the effect of the GPRS on employment and poverty reduction. In an attempt to review the GPRS, several problems that have been raised about the formulation and

implementation of the document need to be seriously considered. This will make it possible for the Ghana to reap the full employment benefit of the national poverty reduction framework. It is recommended that in an attempt to review the GPRS some of these broad employment policies could be considered.

- Improving employment data collection and analysis, and establishing a sound labour market information system to enhance labour mobility, minimise mismatch and search cost associated with unemployment, and facilitate policy design. This will make it possible to set specific employment target for policies and programmes outlined in the policy framework;
- Thorough examination of labour absorption of various sectors of the economy to identify employment creation potentials;
- Reforming the labour market institutions with the aim of achieving greater flexibility in the labour market to enhance labour mobility and absorption;
- Developing social and economic infrastructure particularly, road, electricity and communication network;
- Enhancing informal and agricultural sector activities through the provision of effective entrepreneurial training based on demand driven, improvement in rural infrastructure, and reforming local government regulations that adversely affect the operations of informal enterprises;
- Re-orienting formal education by emphasising practical training and also encouraging the trainees to take active interest in informal employment;
- Design and implement appropriate programmes to increase the level of confidence and credibility of the government among private investors and employers.

Appendix

Distribution of Unemployed Interviewed by Courses pursued at the Tertiary Level

Courses Pursued	Total Number	Male	Female	% of Total
Social Science	124	111	13	20.0
Accountancy	86	80	6	13.9
Marketing/Purchasing/Supply	74	63	11	11.9
Arts	43	40	3	6.9
Electrical/Electronic	35	35	0	5.6
Engineering	33	32	1	5.3
Building Technology	30	26	4	4.3
Science	27	27	0	4.8
Mechanical Engineering	17	15	2	2.7
Mathematics/Statistics	15	14	1	2.4
Agriculture	13	13	0	2.1
Mine Engineering/Survey	12	11	1	1.9
Administration	10	6	4	1.6
Secretaryship	8	8	0	1.3
Agriculture Engineering	8	7	1	1.3
Chemical Engineering	7	7	0	1.1
Estate Management	6	5	1	1.0
Art	6	6	0	1.0
Agriculture Economics	6	6	0	1.0
Geodetic Engineering	5	5	0	0.8
Automotive Engineering	5	5	0	0.8
Motor Vehicle Technician	5	5	0	0.8
Development Studies	5	5	0	0.8
Communications	4	2	2	0.6
Social Work	4	4	0	0.6
Hotel Management	4	2	2	0.6
Business Studies	3	3	0	0.5
Marine Engineering	4	3	1	0.6
Biochemistry	3	3	0	0.5
Carpentry and Joinery	2	2	0	0.3
Architecture	2	2	0	0.3
Civil Engineering	2	2	0	0.3
Law	2	0	2	0.3
Fashion Design	1	1	1	0.2
Computer Science	3	3	0	0.5
Economics	6	6	0	1.0
Others (Education, Commerce etc)	620			

Source: Table 6a: Report on Graduate Unemployment in Ghana by Ministry of Employment & Social Welfare

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