

Ghana: Growing amidst job creation & inequality challenges

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Outline

- Economic growth
- Employment & Unemployment
- Poverty and Inequality
- Employment response to economic growth
- Poverty response to employment & output
- The “Why” question
- Conclusion



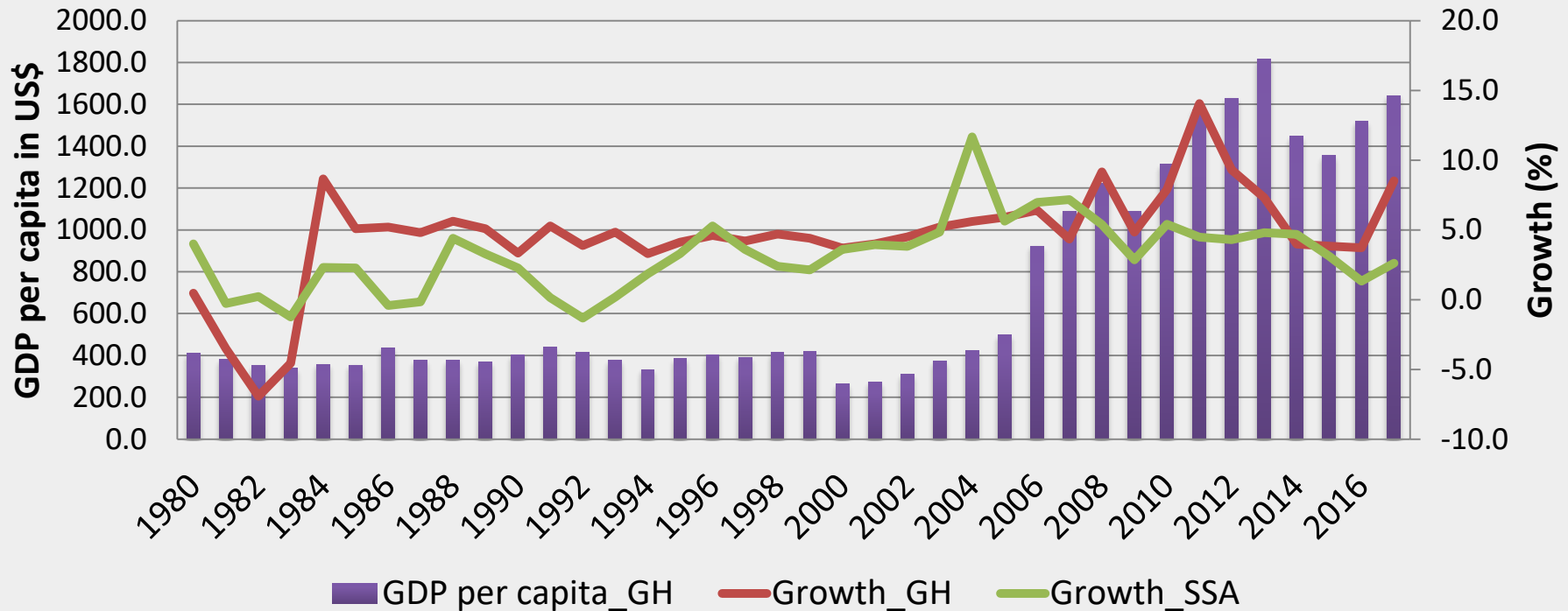
Introduction

- After recovering from economic recession in the late 1970s and early 1980s, Ghana has not looked back in terms of growth.
- Growth averaging 5.6% over (1984-2017) peaking at 14.0% in 2011 after oil recovery.
- Attained middle income status in 2007 after rebasing of national accounts in 2006.
- Confronted however with job creation and inequality challenges and gains in poverty reduction seems reversed



Economic Growth

Growth performance 1980-2017

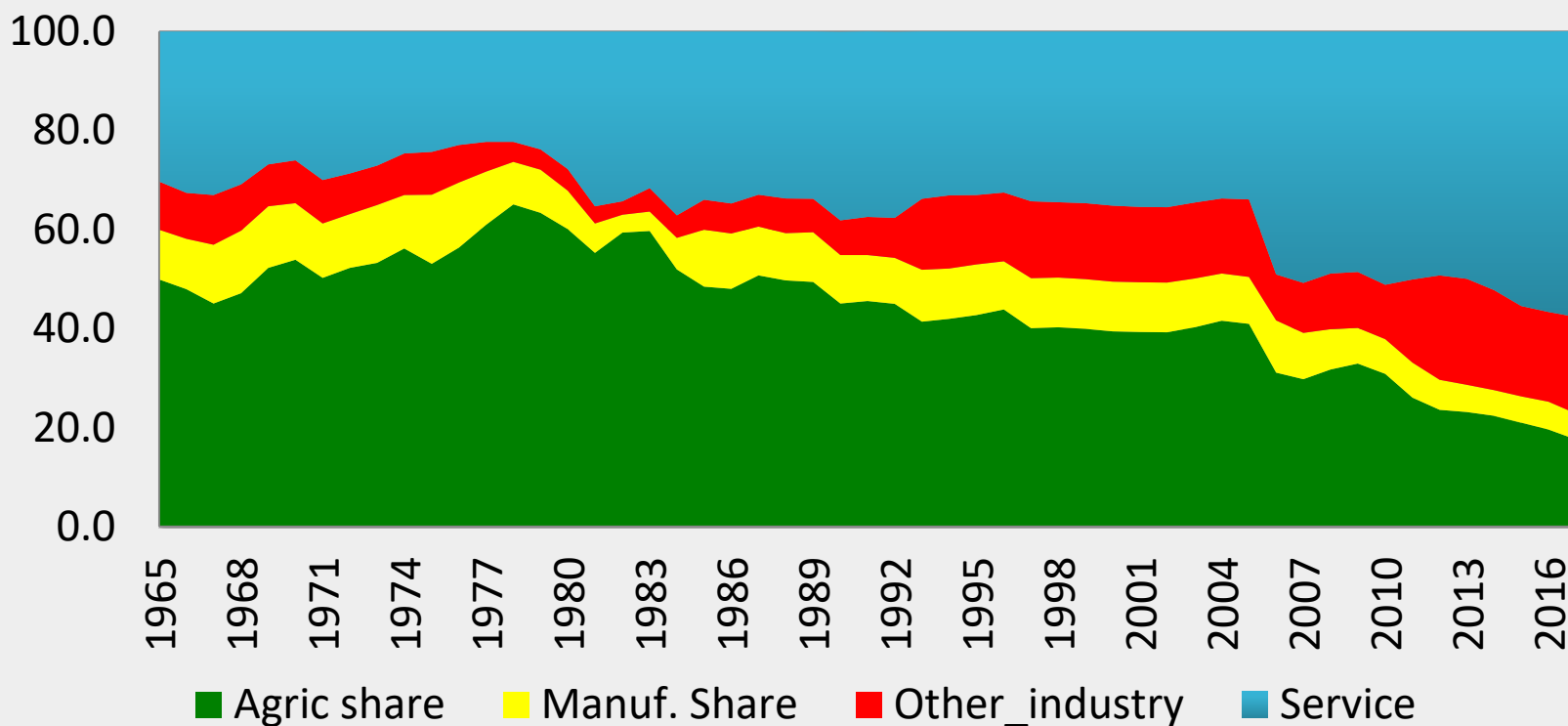


- Better growth performance compared to SSA average
- Attained Middle income status after rebasing in 2006



Economic Growth

Sectoral Composition of GDP 1965-2017 (%)



Employment & Unemployment

Economic Sector	1984	2000	2006	2010	2013	2015
Total Emplment (ml)	5.42	7.43	9.14	10.2	12.0	12.5
<i>Economic Sector</i>						
Agriculture	61.1	53.1	54.9	41.6	44.7	35.9
Industry	12.9	15.5	14.2	15.4	14.6	18.2
<i>o/w manufacturing</i>	10.9	10.7	11.7	10.7	9.1	13.5
Service	26.0	31.5	30.9	43.0	40.9	45.9
<i>Institutional Sector</i>						
Public	10.2	7.2	5.7	6.4	5.9	7.3
Private	6.0	8.9	7.0	7.4	6.1	6.0
Informal	83.8	83.9	87.3	86.2	88.0	86.7
<i>Type of Employment</i>						
Wage employment*	16.2	16.0	17.5	18.2	20.2	22.5
Self-employment	69.7	73.5	59.5	60.8	50.6	64.6
<i>Quality of employment</i>						
Productive empl'ment	20.9	21.2	22.0	23.1	26.3	25.3
Vulnerable empl'ment	77.4	74.9	75.4	67.5	68.7	68.7



Employment & Unemployment

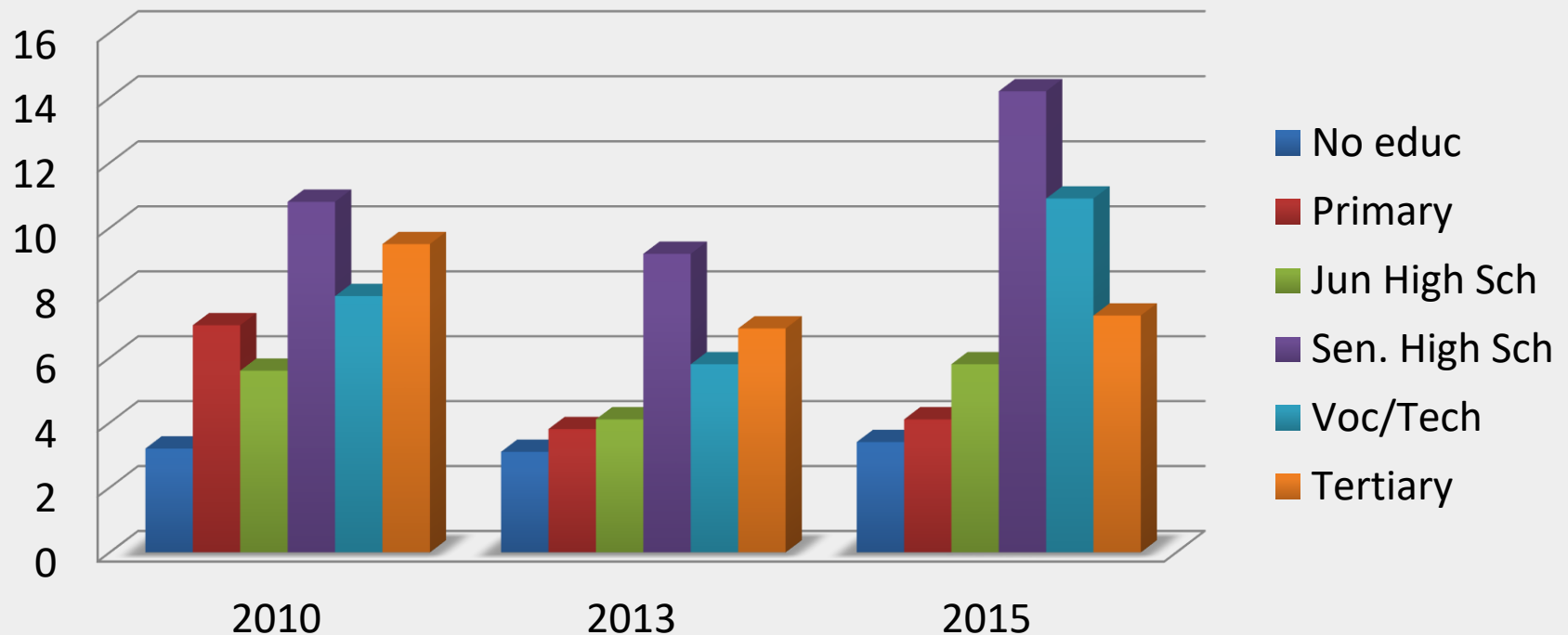


- Worsening unemployment situation over the last decade (a period of rapid growth)



Employment & Unemployment

Unemployment rates by education

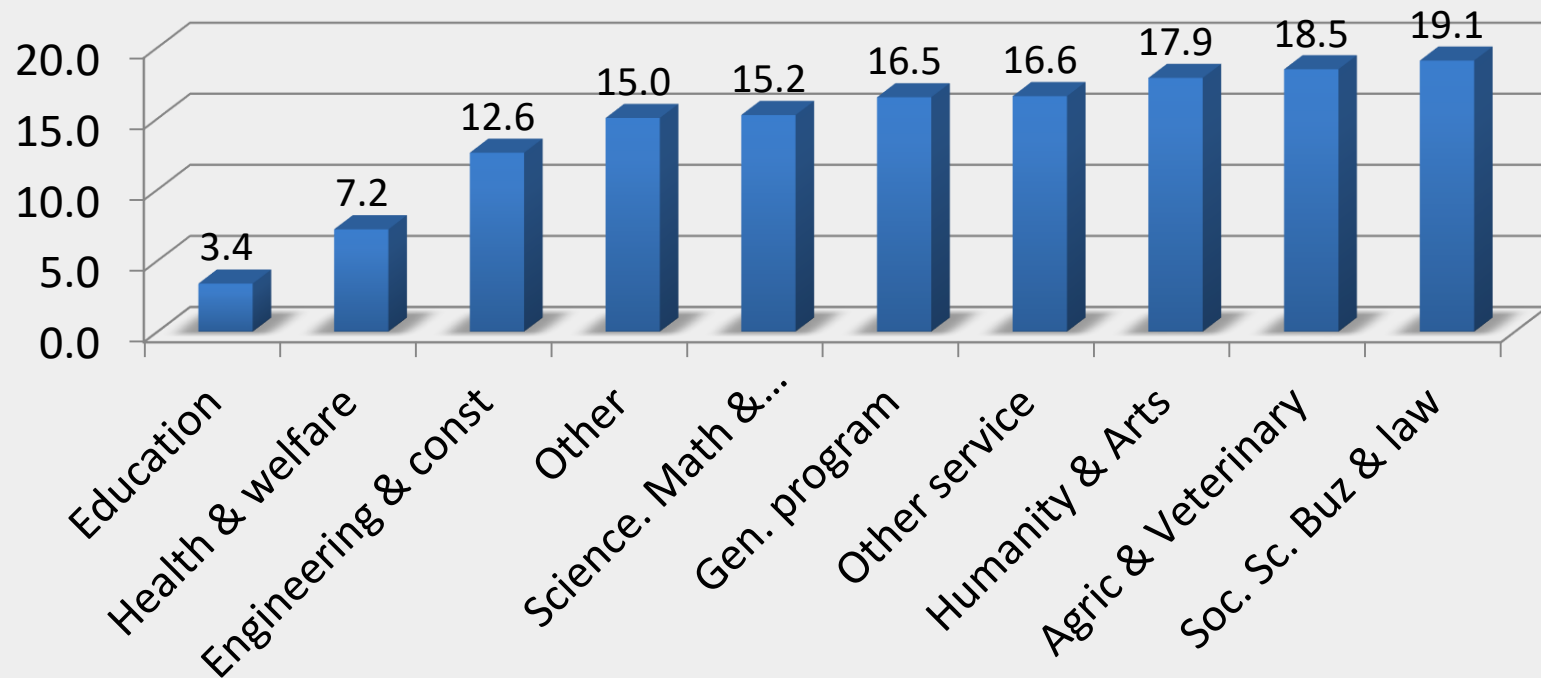


High unemployment rates among educated than less educated

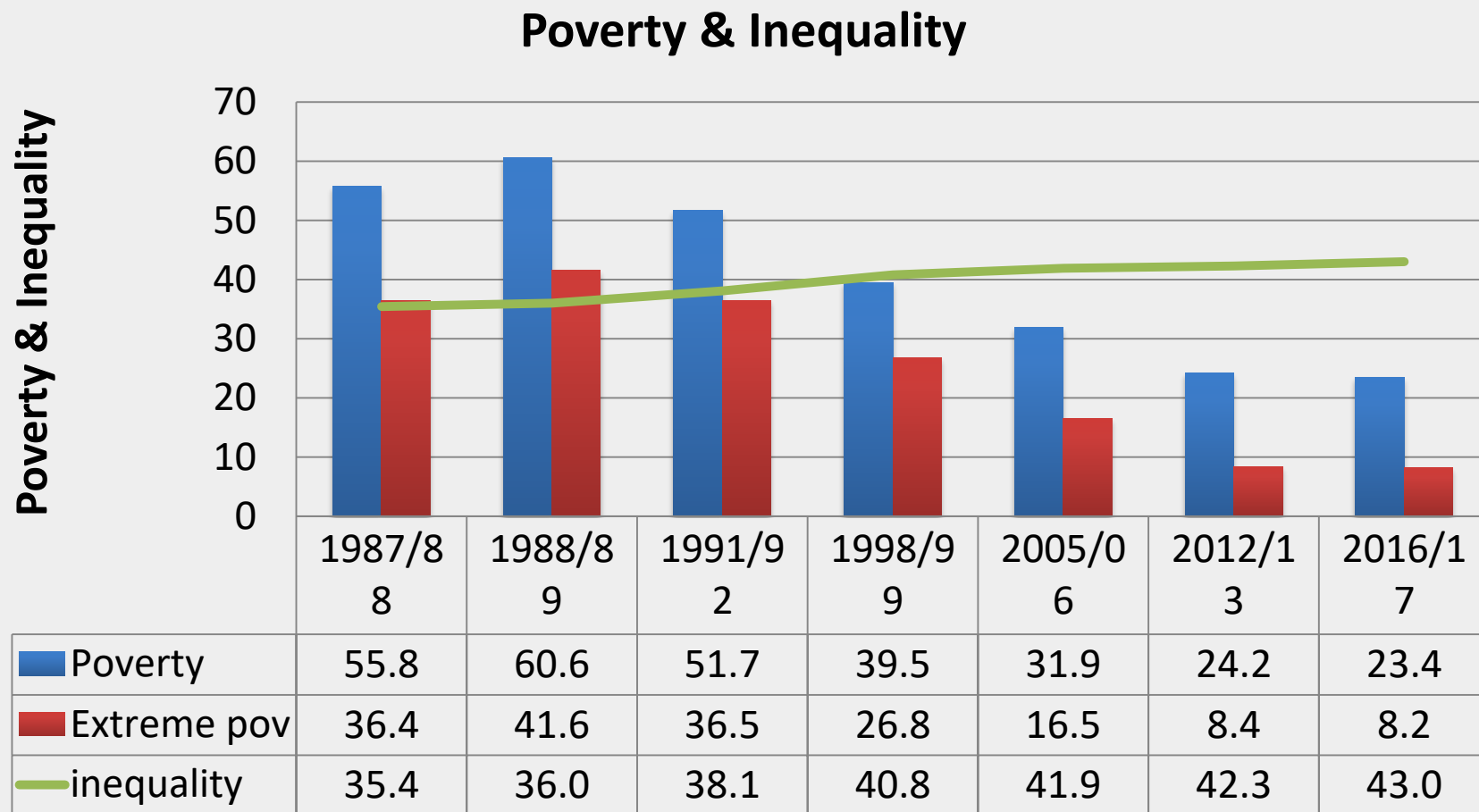


Employment & Unemployment

Educated youth (secondary+) unemployment rate by program of study:
2015



Poverty and Inequality



Poverty and Inequality

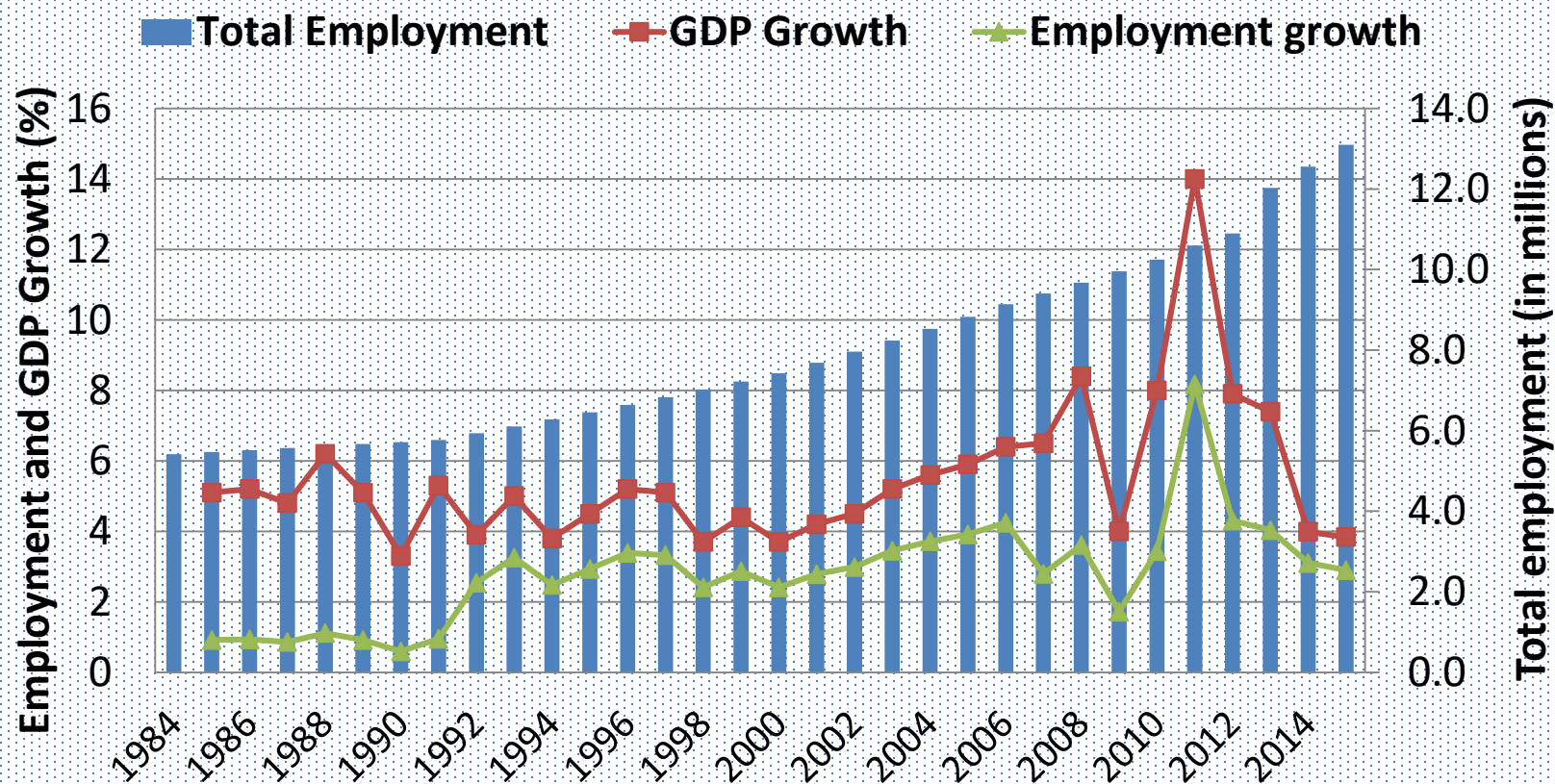
Year	Number of Poor	Number of Extreme Poor
1991/92	7.7 million	5.4 million
1998/99	7.1 million	4.9 million
2005/06	7.0 million	3.6 million
2012/13	6.4 million	2.2 million
2016/17	6.8 million	2.4 million

- The number of poor and extreme poor in Ghana has increased by 6.25% and 9.1% respectively



Employment response to Growth

Pattern of Employment and GDP Growth 1984-2015



Employment response to Growth

Arithmetic Elasticity

Year	Employment elasticity of Output
1991-99	0.760
1999-06	0.679
2006-13	0.505
2013-17	0.511
1991-13	0.598
1991-17	0.593

Linear Regression approach

Regression 1991-13: Dep. Var. – log of employment

Variable	Base	Base+ controls
log of Real GDP	0.632***	0.216***
log of Real MW)	---	-0.009
log of population	---	0.839***
Dummy for rebasing	-2.107***	-0.717***
Constant	-1.943**	-13.351***
R ²	0.9836	0.9965
F-stats	628.57***	1368.17***
LM test for autocorr. Chi2	11.81***	0.446
BP test for Hetero Chi2	3.64*	2.19
Omitted var. test	28.95***	1.71
N	23	23

*** $p\text{-value} < 0.01$

** $p\text{-value} < 0.05$

* $p\text{-value} < 0.10$



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Poverty response to Employment & Output

Year	Poverty elasticity of Employment	Poverty Elasticity of Productive Employment	Poverty Elasticity of Output
1991-1999	-0.361	-2.16	-0.243
1999-2006	-0.060	-4.62	-0.040
2006-2013	-0.326	-1.04	-0.165
2013-2017	1.550	-1.41	0.312
1991-2013	-0.252	-1.65	-0.150
1991-2017	-0.161	-1.72	-0.087



The Why Question

- **Demand side issues** – Growth driven by
 - low labour absorption sectors like extractives (mining and oil), **finance**; while
 - Employment intensive sectors – agriculture, manufacturing and tourism shrink.



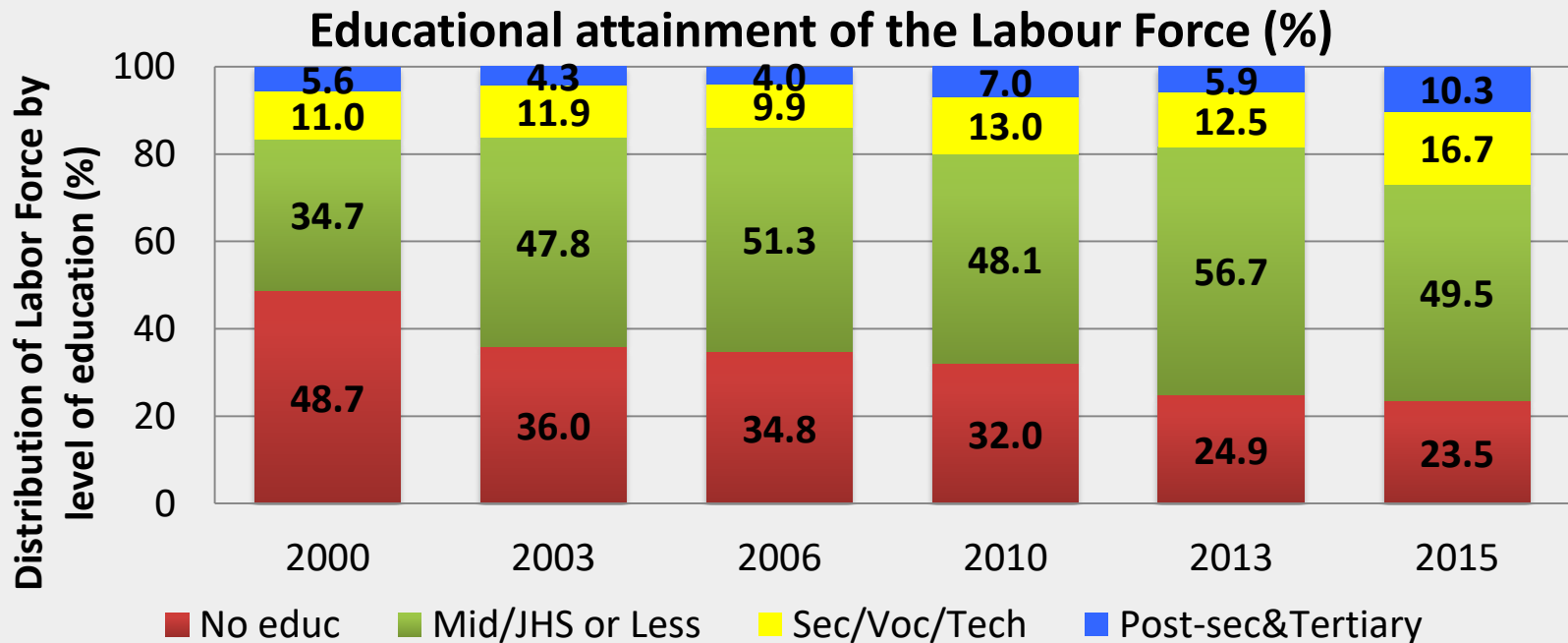
The Why Question

Sector		2007-10	2011-14	2015-17	2007-17
Agriculture	Growth <i>Share</i>	4.6 30.4	3.4 23.0	4.7 19.2	4.2
Manufacturing	Growth <i>Share</i>	2.2 7.7	4.4 5.7	2.9 4.6	3.2
Extractives	Growth <i>Share</i>	8.7 2.4	59.4 8.8	11.0 5.1	27.8
Finance	Growth <i>Share</i>	13.8 4.2	17.3 6.0	2.5 9.0	12.0



The Why Question

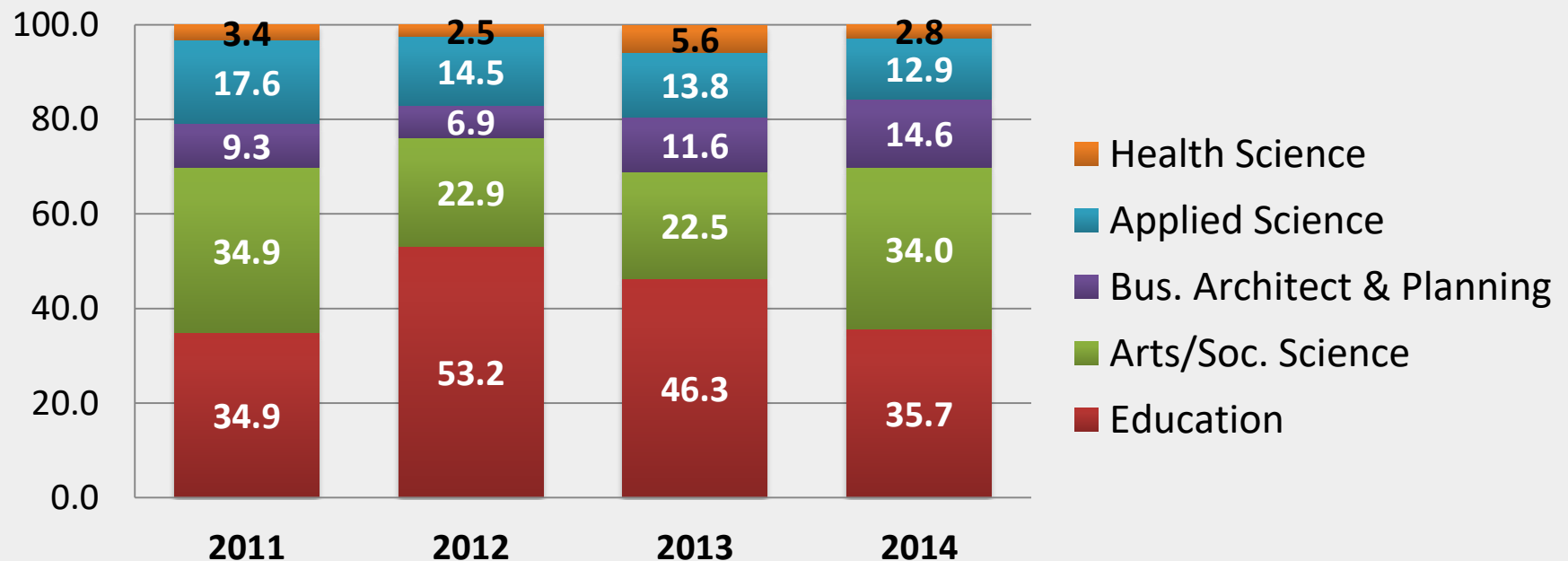
- Low quality of labour and slow pace of improvement feeding into high informality
- Only 10% of 16 million labour force have tertiary education



The Why Question

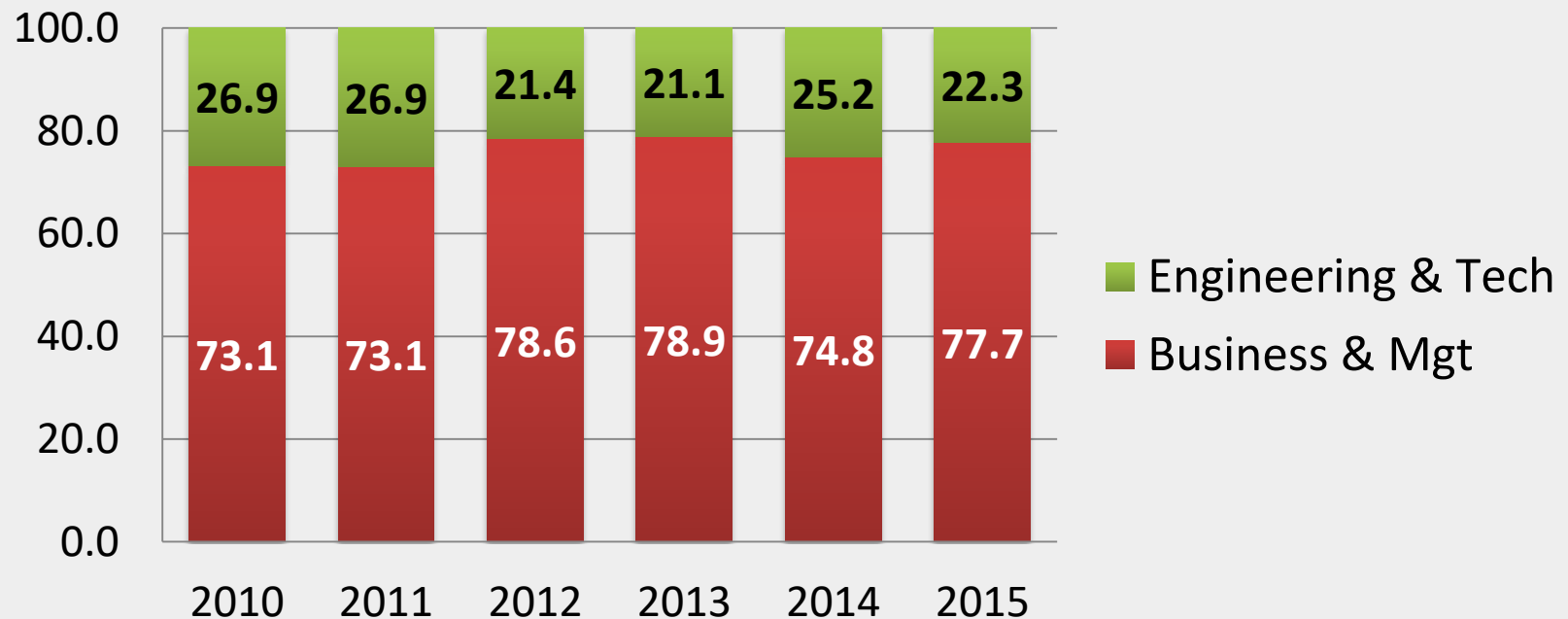
- **Skills mismatch concerns** – Excess supply of Arts/social science/business against STEM

Graduate output from Public universities by major program



The Why Question

Graduate Output of Polytechnic by major programs 2010-2015



Conclusion

- Strong growth driven by natural resource exploitation without value addition has adverse implication for jobs and inequality
- Structural change from agriculture to service with the missing middle constraints generation of productive employment amidst income inequality.
- Linking agriculture to light manufacturing could reverse rising joblessness in a strong growth economy



Thank You



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