Working out of poverty in Ghana

the Ghana Decent Work Pilot Programme

National Ownership
Building Partnerships
Adding Value for People
WORKING OUT OF POVERTY IN GHANA
the Ghana Decent Work Pilot Programme

Contents

In a nutshell: the Ghana Decent Work
Pilot Programme .................................................. p. 2

Addressing a national development priority:
Decent Work and Poverty ........................................ p. 4

The missing link: Employment and labour issues
in the Ghana Poverty Reduction Strategy ..................... p. 5

Making the link: Integrating Decent Work
into the Ghana Poverty Reduction Strategy ................. p. 7

A nationally owned programme:
Participatory planning and implementation .................. p. 8

Think nationally, act locally:
District Assemblies and Local Economic Development ........ p. 10

Towards productive and decent work in micro-
and small enterprises:
A development strategy for the informal economy ........ p. 13

Working out of poverty:
Elements for integrated national policies
and programmes ...................................................... p. 15

Sustainability: Fostering partnerships ......................... p. 18
In a nutshell: the Ghana Decent Work Pilot Programme

Working out of poverty Four of every ten Ghanaians still live in poverty. Many of them work in agriculture, mostly as food crop farmers. Others are engaged in micro and small enterprises, or finding a survival income as daily casual labour. Today, two thirds of the working population outside agriculture is active in the informal economy. Many are persistently poor, particularly women. The Government of Ghana realizes that there are no alternatives to gainful employment for a livelihood. What people need to move out of poverty is a decent job.

National ownership The Government and the social partners have taken up the challenge. The blueprint for growth and prosperity is the Ghana Poverty Reduction Strategy (GPRS). The national partners have designed the Decent Work Pilot Programme through which the ILO helps them to strengthen the potential of the GPRS to generate more and better jobs.

Key policy areas selected by the national partners are: skills development, employment-intensive infrastructure, persons with disabilities, productivity improvement, wage and income distribution. The focus is on the potential of the informal economy. Informality is often an expression of weak or inappropriate governance as well as the result of market forces. In turn, informality keeps people poor. To break this cycle, Governments can improve laws and regulations, and increase access to productive resources and market opportunities for the poor. To make headway, the right policies and programmes need to be adopted and built into the Poverty Reduction Strategy.

Building partnerships Formulating, testing and implementing policies and programmes that will produce more and better jobs for poverty reduction requires a variety of partners. Local and national government need to work with the social partners and the private sector. The Pilot Programme is assisting in the creation of partnerships between public, private and social society institutions. These new partnerships also link local actors with national and international ones.
Adding-value to the poverty reduction strategy  The value-added by the Programme includes a novel approach that connects national policy targets to action at the local level. In the Central Region, two districts with a high poverty incidence are testing a local economic development strategy that creates and improves jobs for the poor. Committees for productive and gainful employment have been set up, bringing together local government, elected Assembly members and local business and social groups. They consult broadly about the economic potential and social needs of the people living in the districts. The Committees then work with local and national government and the private sector to take forward concrete proposals to access new markets, to expand businesses, involve local contractors in road construction, strengthen women entrepreneurship, upgrade skills in small enterprises, and to improve working conditions and productivity.

The goal  By the end of 2005, the lessons from the districts will be built into a revised Ghana Poverty Reduction Strategy. This will include a strategy for the informal economy, new approaches to vocational training and to job creation through procurement policies. Together with innovative ways and greater capacity to deliver development programmes at the local level, these policies for decent work will translate into real benefits, enabling many more people in Ghana to work themselves out of poverty.
Addressing a national development priority: 
Decent Work and Poverty

With more than 7 of the then 18 million Ghanaians, classified as poor, according to the latest Ghana Living Standards Survey (1998/99), poverty reduction is clearly the national development priority. Like in many African countries, poverty is concentrated in two groups. The most affected group is farmers, some 60 per cent of whom are below the poverty line. The second ‘hot spot’ is 25-30 per cent of the workers in the informal economy. While the share of farmers in the workforce is declining steadily and employment in the formal sector is stagnating, the number of those seeking to eke out a living in the informal economy is rising significantly.

Given this trend and the long-standing experience of the ILO and its constituents in addressing the problems there, poverty reduction in the informal economy was chosen as the focus of the Ghana Decent Work Pilot Programme (GDWPP) initiated in early 2003.

**Share of employment in subsectors (%)**

<table>
<thead>
<tr>
<th>Share of employment in subsectors (%)</th>
<th>(Economically active population)</th>
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<tbody>
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<td>Export farming &amp; food crop farming</td>
<td>60</td>
</tr>
<tr>
<td>Private informal employment &amp; non-farm self-employment</td>
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</tr>
<tr>
<td>Public sector employment</td>
<td>40</td>
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<tr>
<td>Private formal employment</td>
<td>30</td>
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<tr>
<td>Non-working</td>
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“The informal economy is expanding rapidly, but many jobs have low productivity, generating low and unstable incomes.”
The missing link: Employment and labour issues in the Ghana Poverty Reduction Strategy

Poverty is a complex problem. Tackling it effectively requires a multi-facettet and coherent approach. Numerous policy domains and sectoral programmes have to be integrated around this goal. These range from a favourable and stable macro-economic framework, to education, health, infrastructure, development of enterprises and of key sectors of the economy. Access to employment and income generation opportunities, especially for low- and middle-income households is the link between economic growth and broad-based poverty reduction.

The key framework for policies and resource allocations is the Ghana Poverty Reduction Strategy (GPRS) adopted in 2002. The Strategy for the period 2003-2005 is intended to provide a blueprint for poverty reduction by fostering private sector-led growth. Access to productive and gainful employment and income generating opportunities is meant to translate economic growth into broad based wealth creation.

The GPRS addresses most of the development challenges the country faces: macroeconomic stability, industrial and rural development, human resources development, vulnerable groups, and governance. A closer examination of the Strategy nonetheless reveals a number of major gaps, which significantly limit the prospects for achieving its goal. These relate to employment, labour, income distribution and security, representation and voice as well as the respect of rights as a contributing factor to development. The gaps concern the design of the GPRS as well as the mechanisms for implementation.

The view of GDWPP partners:

Hon. J.H. Mensah, Senior Minister:

‘There are no alternatives to gainful employment for a livelihood. The difficulty has been to deliver on the promise of job creation. What we need are real jobs.’

(Accra, May 2004)
Missing links in the Ghana Poverty Reduction Strategy

In order to achieve its twin goals of wealth creation and poverty reduction, the GPRS needs to be enhanced by including:

- **Employment targeting** as an outcome indicator for macro-economic policies; as a specific goal in each of its sectoral components as well as in the articulation of the elements such as infrastructure, rural and industrial development, enterprise and export promotion into a coherent strategy.

- **Public procurement** procedures that generate employment spin-off in infrastructure development and promote acceptable working conditions through the use of labour-based methods respecting Ghanaian labour legislation and ILO core labour standards.

- **Productivity and income distribution** need to be addressed as low productivity and very low and unstable incomes are key constraints, particularly for micro- and small enterprises in the informal economy and for farmers.

- An **Informal economy strategy** that recognizes the specific constraints of micro- and small enterprises, which go beyond an enabling framework for enterprises in the formal private sector.

- A coherent set of measures to integrate Persons with disabilities into the economy and society as potential contributors to growth and production rather than welfare cases.

In addition to a more complete and coherent strategy, there is a need for:

- **Policy tools and instruments** that have been successfully tested in Ghana and that can be used to implement policies, which maximize access to gainful employment and income opportunities.

- **Capacity and institutional arrangements for decentralized poverty reduction**. The progress reports on the implementation of the GPRS point out these have been a major bottleneck and the main reason why relatively little headway has been made with turning districts into hubs for poverty reduction as intended in the Strategy.

The view of GDWPP partners:

Hon Yaw Barimah, Minister of Manpower Development and Employment:

“Employment creation needs mainstreaming and policy coordination”

(Accra, May 2004)
Making the link: Integrating Decent Work into the Ghana Poverty Reduction Strategy

The Ghana Decent Work Pilot Programme aims at strengthening the employment creation and income generation link on which the GPRS hinges by incorporating relevant components of the ILO’s decent work approach into the Ghana Poverty Reduction Strategy. This involves contributions to the design of the GPRS as well as assisting to develop and test the policy tools and procedures. It also includes establishing and strengthening the institutions needed for effective delivery.

The goal:

A contribution to broad-based poverty reduction through more and better jobs for men and women.

The way to achieve it:

The Ghana Poverty Reduction Strategy integrates policies, programmes and tested policy instruments for relevant aspects of decent work.

*With improved productivity, micro- and small enterprises can also provide decent incomes, wages and better working conditions.*
The GDWPP systematically and coherently applies a three-stage approach to assist ILO constituents and other national actors in the development of policies that work:

1. The starting point has been **capacity building of relevant institutions** and creating a functional link between national and local levels.

2. Enhanced technical and institutional capacity is then used to **develop and test approaches and policy tools** in a partnership between national institutions and two pilot districts.

3. The experience gained provides the basis for the **formulation of and advocacy for policy proposals** that have shown to be effective in Ghana.

**The approach:**

1. **Capacity Building**
2. **Testing of Approaches and Policy Tools**
3. **Policy Formulation and Advocacy**

**A nationally owned programme:**

**Participatory planning and implementation**

The impact and the sustainability of the Decent Work Pilot Programme will ultimately hinge on the commitment and ability of the actors in national and local government, in employers’ organizations, trade unions and in the informal economy to pursue a decent work approach to poverty reduction. They need to be willing and able to analyse, monitor, propose and contribute to implementation.
Accordingly, the Pilot Programme has been driven by the national ILO constituents and their partners from the start: They have set the priorities during planning workshops in late 2002, they monitor and direct progress through a Steering Committee and they are the prime actors in implementation. Building the capacity of national institutions in the relevant policy areas is a central goal of the Programme.

The national partners have identified

**Five areas for policy development:**

- More and better jobs in micro- and small enterprises: a strategy to address the problems of the informal economy
- Skills development for gainful employment
- Maximising the employment benefits of infrastructure development
- Integration of persons with disabilities into society
- Increasing productivity and fair distribution through a wages and incomes policy

**The view of GDWPP partners:**

Adu Amankwah, Secretary-General, TUC:

‘The concept of decent work captures the challenges faced by Ghana. For the trade unions raising productivity and incomes, particularly in the informal economy, are central goals. The GPRS does not address these concerns, except in very general terms.’

(Swedru, December 2003)
Think nationally, act locally:
District Assemblies and Local Economic Development

Taking decisions and engaging resources close to and with the participation of those who are expected to benefit improves both governance and the effectiveness of programmes. The Ghana Poverty Reduction Strategy recognizes that fact. The 110 districts of Ghana, their elected District Assemblies and the local government are supposed to play this role by drawing up district development plans and channelling national resources.

The districts have so far met with limited success because of a lack of clarity about their role, insufficient know-how concerning local economic development and the absence of suitable institutions bringing together assemblies, local authorities, the private sector and other members of the community.

Policy analysis - testing - formulation:
from national to local and back

In order to ensure that policy recommendations are relevant and feasible, the Pilot Programme has 2 components which complement each other:
• National policy analysis and formulation
• Local development and testing of policies and policy tools in 2 pilot districts
In order to establish such **institutions of dialogue and coordination**, to test a **local economic development** approach focusing on small enterprises and to develop suitable **capacity building** material, the Pilot Programme has selected two pilot districts in the Central Region. The Central Region has an incidence of poverty that is higher than the national average and has been worsening over the last decade. The pilot districts are:

- **Awutu-Efutu-Senya**, a coastal and predominantly urban district with a large and diverse informal economy (Capital Winneba); and
- **Ajamako-Enyan-Essiam**, which is land-locked and mostly rural with an informal economy focusing on agro-processing and services (Capital Ajumako).
Following awareness raising and training for officials, members of the assem-
bles and representatives of small businesses and the community, the two dis-
trict assemblies have established Sub-Committees for Productive and Gainful Employment. The Committees are rec-
ognized under the Law of Local Government in Ghana. In the pilot districts they
are composed of elected members of the assemblies and representatives of
small business and civil society, including vulnerable groups.

Building local capacity for the promotion
of employment and income generation

Capacity building has been an essential element in the establishment of the
Sub-committees. The members and local authorities received training in:
• the Local Economic Development approach,
• the relevance of decent work for poverty reduction,
• the characteristics of the informal economy and options for
improvement,
• generic skills such as planning, programming and organization,
• tender procedures, for public procurement,
• the role and functioning of small business associations.

Capacity building has initially drawn on ILO material and courses, but taken
care to foster local competence in this task by involving the Institute of
Local Government Studies, which trains all local officials in Ghana and
business development service providers such as FIT-Ghana.

The Sub-Committees serve as institutions of social dialogue and a public / pri-
ivate interface at the local level. Their role is to identify local development poten-
tial, draw up a strategy for realizing this potential for inclusion into the District
Development Plans and mobilize local and national resources in support of the
plans.

Both districts have created data-bases of all small businesses. They have iden-
tified promising sectors of small enterprise development, initiated training of en-
trepreneurs and associations and are preparing feasibility studies. They are
drawing up plans to support small businesses, including joint access to health
insurance and programmes to step up productivity and upgrade working condi-
tions by low-cost improvements in the working environment and in human re-
source management. They have accessed national development resources from
the Department of Feeder Roads for two roads to be built using labour-based
methods and local workers as well as through the Skills Training and
Employment Placement programme of the Ministry of Manpower Development
and Employment.
Towards productive and decent work in micro- and small enterprises: A development strategy for the informal economy

A large and rapidly growing number of poor are engaged in survivalist informal activities. Self-employed women are one of the most affected segments of the population. For many, the informal economy has turned into a poverty trap: very low productivity results in very low and instable incomes.

The Ghana Poverty Reduction Strategy has so far failed to adequately diagnose the dynamics of the informal economy and devise a meaningful strategy for poverty reduction for what is in effect the overwhelming majority of private businesses. There is now growing recognition that the mushrooming of informal activity is in many cases acceptance of employment of last resort rather than a sign of ‘flexibility’ of private sector entrepreneurs.

Micro- and small enterprises have been absorbing much of the otherwise unemployed workforce. They have the potential to create large numbers of jobs with reasonable levels of productivity and income and with acceptable working conditions. Whether this outcome is reached depends critically on the numerous national and local policies, regulations and programmes that affect firms in the informal economy.


The Pilot Programme is thus part of the follow up to the Resolution by the ILO.
The Pilot Programme is assisting ILO constituents to formulate and test a strategy that addresses the specific needs and constraints of micro- and small enterprises and operators in the informal economy. These include the ‘enabling environment’ for all private enterprise, but go beyond it. They also vary for men and for women. To survive, grow and offer reasonable and stable incomes and working conditions, the owners and workers in micro- and small enterprises need:

- **Access to essential resources**, in particular technical and entrepreneurial skills, technology and credit. In all these areas offer and delivery mechanisms need to be adapted to the conditions of micro- and small enterprises.

- **Access to services** such as market information and business training and counselling, but also to social security, most critically to health insurance.

The Pilot Programme is assisting ILO constituents to formulate and test a strategy that addresses the specific needs and constraints of micro- and small enterprises and operators in the informal economy. These include the ‘enabling environment’ for all private enterprise, but go beyond it. They also vary for men and for women. To survive, grow and offer reasonable and stable incomes and working conditions, the owners and workers in micro- and small enterprises need:

- **Organization of small businesses** allowing them to represent their interests collectively, to cooperate and to reduce overheads by sharing resources and services.

  The Pilot Programme is working with the Trade Union Congress and the Ghana Employers’ Association on the delivery of services to small businesses in the informal economy through associations.

  It is also developing tools and capacity to strengthen small business associations.

- **Local partnerships and support through district development plans and programmes**. District assemblies can provide significant support to small enterprise development through by-laws, infrastructure development, investment and access to national development resources. This kind of private-public partnership requires mechanisms for consultation and implementation, which the Pilot Programme is helping to establish.

- **Impact assessment tools**, which allow gauging the effect of the strategy and of programmes at national and local level. The Pilot Programme is collaborating with the University of Cape Coast to develop a district-level impact assessment methodology and will work with the Bank of Ghana and the Ghana Statistical Service on an ‘informal economy barometer’ and the collection of information through periodic surveys.

- **Innovative forms of outreach to micro- and small enterprises through local radio campaigns** which reach and influence the behaviour of large numbers of persons at relatively low cost. See: http://www.ilo.org/dyn/empent/docs/F1606979783/WP65-2004.pdf
Working out of poverty: Elements for integrated national policies and programmes

1: Skills development

The ultimate goal of the Pilot Programme is to enable ILO constituents to contribute to the formulation and implementation of effective poverty reduction policies and programmes. Hands-on capacity building linked to their current work priorities is therefore essential.

The Ministry of Manpower Development and Employment is responsible for the development of vocational skills and facilitating access to employment opportunities, in particular for unemployed youth. An important tool for the Ministry is the Skills Training and Employment Placement (STEP) programme, which is funded under the Ghana Poverty Reduction Strategy.

The Pilot Programme is assisting the Ministry by strengthening its capacity in project formulation, management, monitoring and evaluation. For the forthcoming revision of the GPRS, it is working with the Ministry to draw lessons from the
experience and to further develop the STEP approach so it can extend its coverage and become a bridge from often rudimentary school education to gainful employment in small enterprises through suitable guidance, vocational and entrepreneurship training, access to business development services and credit. The STEP programme needs to:

- be demand-driven, offer short courses imparting readily employable skills,
- cater for young men and women,
- devise ways to include persons with limited literacy and numeracy,
- increase coverage by redefining the roles of traditional apprenticeships with master-craftsmen and -women and of formal training institutions respectively.

New elements of the approach and modalities for delivering training and entrepreneurship promotion packages are developed with the Ministry and tested in the pilot districts.

The view of programme partners:

Hon. Dr. Angela Lamensdorf Offori-Atta, Dep Minister of Manpower Development and Employment:

“This course [organized under the GDWPP for staff of the Ministry] really gives us skills we can apply in our work. It has also convinced me that we need to work with the districts to implement our vocational training programme.”

(9th, August 2003)
(2): Integration of persons with disabilities

The Department of Social Welfare of the Ministry has drawn up a strategy for the inclusion of persons with disabilities into the economy and into society with the help of the Pilot Programme. Persons with disabilities form a major group among the poor. Designed in cooperation with the Ghana Federation of the Disabled, the new strategy advocates a departure from the welfare and charity approach. Many persons with disabilities can and want to contribute to production and economic activity. Their inclusion does not only respect the rights of persons with disabilities. It is also economically and socially more effective. The Department is currently working to incorporate this approach into the GPRS revision.

(3): Infrastructure development and employment promotion

Infrastructure development is widely recognized as an indispensable element of poverty reduction strategies. The GPRS mobilizes very substantial resources, in particular for roads. Many of the construction and maintenance works can be carried out cost-effectively and to high quality standards using labour-based methods. The use of local labour and materials injects significant cash into local economies. Studies suggest that the more than US$ 70 million/year that will be invested in feeder roads projects alone in Ghana could translate into more than 17,000 direct employments if labour-based methods are used. Works can also offer decent working conditions in line with national labour legislation. The employment and income generation potential of infrastructure is not fully used in Ghana because of tendering and contracting procedures that de facto exclude many labour-based firms. The Ministries of Manpower Development and of Roads and Transport have enlisted the support of the Pilot Programme to draw up a policy brief to be submitted to the Cabinet of Ministers to enhance the employment and poverty reduction benefits of infrastructure projects.
(4): Productivity, wages and income

Increasing productivity and distributing the benefits widely through wages and work-related income is a key factor in effective poverty reduction. The Ghana Employers’ Association and the Trade Union Congress have been focussing on options for productivity improvements at the firm and sectoral level and on an appropriate wages and incomes policy. Concerning these and other issues, the social partners intend to play a more active role in the revision of the GPRS than during its original formulation.

In addition to policy formulation and advocacy, both social partners are seeking to extend their role in organization and representation of entrepreneurs and workers in the informal economy. With the support of the Pilot Programme they are expanding their capacity to provide relevant services to the informal economy.

Sustainability: Fostering partnerships

Working out of poverty is a complex task that requires commitment and contributions from many stakeholders. The Pilot Programme therefore fosters partnerships and alliances not only among the tripartite ILO constituents, Ministry of Manpower Development and Employment, Ghana Employers’ Association and Trade Union Congress, but also with other important stakeholders.

These include national actors such as the National Development Planning Commission and the Ministries of Local Government and Rural Development, Trade and Industry, Finance and Planning, Roads and Transport as well as the Central Bank and the District Assemblies as the vital link to the local level. It also seeks to engage with international development partners including UNDP, the World Bank and bilateral donors.
National support institutions play a vital role in providing technical support and expanding national capacity to operationalise decent work for poverty reduction. They include: the Institute of Local Government Studies, Business Development Service providers and specialized consultants such as EMPRETEC, FIT and ISODEC, civil society organizations like the Ghana Federation of the Disabled, as well as research institutions including ISSER (Institute of Statistical, Social and Economic Research) and Cape Coast University.

Finally, the Pilot Programme has fostered a new kind of partnership between ILO field offices, technical units at Headquarters and the ILO’s International Training Centre in Turin, integrating the four dimensions of decent work: rights, employment, social protection, social dialogue and representation.

International development partners include UNDP Ghana, DFID UK and the Government of the Netherlands, which has provided much of the funding for the Ghana Decent Work Pilot Programme.

The process has facilitated the creation of new partnerships and networks and enhanced social dialogue in national policy formulation.

The view of programme partners:

Ms Rose Karikari Anang, Chief Executive, Ghana Employers’ Association:

‘The tripartite structure of the Programme has enabled us, the ILO constituents, collectively to influence national policy-making’.

(Geneva, November 2003)

The goal

By the end of 2005, the lessons from the Districts will be built into a revised Ghana Poverty Reduction Strategy. This will include a strategy for the informal economy, new approaches to vocational training and to job creation through procurement policies. Together with innovative ways and greater capacity to deliver development programmes at the local level, these policies for decent work will translate into real benefits, enabling many more people in Ghana to work themselves out of poverty.
Decent Work Pilot Programme: an ILO initiative to operationalize decent work in member countries

The Decent Work Pilot Programme was initiated by Juan Somavia, the Director General of the ILO, in October 2000 to pioneer ways in which the concept of decent work can be effectively promoted and applied in ILO member countries. The Pilot Programme aims at strengthening national capacity to integrate decent work into national policies. In addition to Ghana, seven countries are currently participating in the Programme: Bahrain, Bangladesh, Denmark, Kazakhstan, Morocco, Panama and the Philippines. The lessons of the Pilot Programme countries are being used to introduce Decent Work Country Programmes in most ILO member states in the coming years.
For further information, please visit the following websites or contact our offices:

Websites:
• Decent Work Pilot Programme:
  http://www.ilo.org/public/english/bureau/dwpp
• Working out of poverty:
• The ILO and Poverty Reduction Strategy Papers:

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