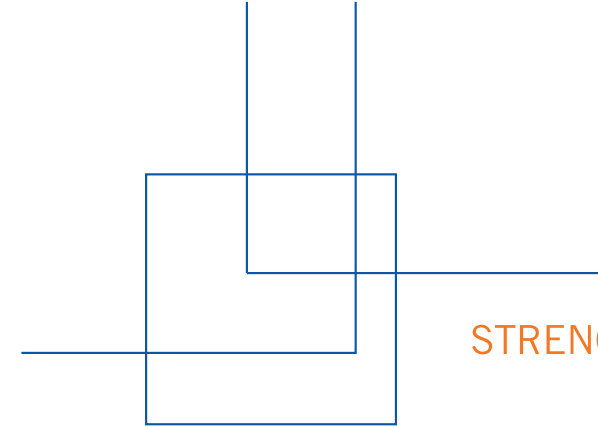




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The Impact of Trade on Employment in Ghana: A Review

William G. Brafu-Insaidoo

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International Labour Office
Development and Investment Branch
4 Route des Morillons
CH-1211 Geneva 22
Switzerland
Email: devinvest@ilo.org

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ISSN 2519-4941



This document has been produced
by the International Labour Office
with the financial assistance of the
European Union.

JUNE 2017

The Impact of Trade on Employment in Ghana: A Review

*Report of a review study for the NDPC and ILO under the project title:
“The Impact of Trade on Employment in Ghana: A Review”.*

Preface

Employment is a key driver for development as it constitutes a bridge between economic growth and poverty reduction. People and households get out of poverty most often by moving into more productive and decent jobs or improving existing jobs. Placing the aim of achieving full and productive employment at the heart of development policy is therefore critical for reducing and eventually eliminating poverty, reducing inequality and addressing informality. This is also now globally recognized with the adoption of Sustainable Development Goal (SDG) 8: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”

The European Commission (EC) and the International Labour Organization (ILO) both recognize that, in order to achieve SDG 8, it is critical that full and productive employment be at the heart of development policy. In the “New European Consensus on Development”, the EC emphasizes the importance of targeted policies in developing countries to promote the engagement of citizens - especially the youth, women and potential migrants - in social, civic and economic life and to ensure their full contribution to inclusive growth and sustainable development.

International trade has been advocated as a means of achieving sustainable development. Paragraph 79 of the Addis Ababa Action Agenda states that “with appropriate supporting policies, infrastructure and an educated work force, trade can also help to promote productive employment and decent work, women's empowerment and food security, as well as a reduction in inequality, and contribute to achieving the sustainable development goals”.

However, creating more and better-quality jobs through international trade requires a coherent policy framework aimed at generating and upgrading employment. This policy framework should be based on a clear and shared understanding of how trade policy and other policies complementary to trade (e.g., sectoral, skills, infrastructure, investment, exchange rate, etc.) are expected to affect employment.

In this regard, the EC and ILO have jointly initiated a project entitled “Strengthening the Impact on Employment of Sectoral and Trade Policies”. This innovative project includes developing methods and capacities to determine the effects of trade and complementary policies on employment. This project, being implemented in nine partner countries and working with national governments and social partners, aims to strengthen the capabilities of country partners to analyse, design and implement sectoral and trade policies and programmes for more and better jobs.

This working paper is one in a series of project publications that aim to capture the tools, methods and processes developed under this project as well as the findings from implementing these in the nine partner countries. By doing so, the experience and learning of the project can be disseminated to other countries and partners for their benefit, thus supporting the integration of global and national employment objectives into sectoral and trade policies and consequently supporting the elevation of the global employment agenda and achievement of SDG 8.

Contents

- 1.0 Introduction
- 2.0 Overview of Labour and Employment Policies in Ghana Since 2000
 - 2.1 Trends, Patterns and Sector Composition of Growth and Employment
 - 2.2 Decent Work
 - 2.3 Trends in Employment Levels By Sector
 - 2.4 Average Earnings by Sector
 - 2.5 The Contributions of Trade Unions in Ghana
- 3.0 Overview of International Trade Policy in Ghana Since 2000
 - 3.1 Relationship Between the International Trade Policy and The Overarching National Development Strategy
 - 3.2 Trade Policy Regimes and Employment Growth
 - 3.3 Foreign Direct Investment Policy and Employment Generation in Ghana
- 4.0 Wage and Employment Effects of Trade Policy in Ghana: An Empirical Literature Survey
- 5.0 Employment and Wage Effects of Key Bilateral Trade Agreements: Implications for The Ghanaian Economy
 - 5.1 European Union-Africa Economic Partnership Agreements
- 6.0 Do Labor Skills Matter for The Welfare Effect of Trade Liberalization?
- 7.0 Summary, Conclusions and Recommendations

1.0 Introduction

This research project has been commissioned by the International Labour Office (ILO) in collaboration with Ghana's Ministry of Employment and Labour Relations, the Ministry of Trade and Industry, other national project stakeholders, with the support of the European Union. The aim of the project is to reinforce the employment aspects of international trade policy and programmes with the ultimate goal of promoting employment generation and improvement in Ghana.

On a broader dimension, the project aims to develop knowledge on ways to reinforce the positive impact of sector and trade policies (and related activities such as labour standards, skills development and structural changes) on employment and to develop local capacity to ascertain, quantify and evaluate the employment effects of sectoral and trade policies.

The objective of the review study is to explore and evaluate available empirical studies on the employment and wage effects of Ghana's sectoral, trade and foreign direct investment policies. The review study also aims at drawing lessons and best practices from the empirical evidence and raising issues to be considered for public policy and future research.

Data for the review study include published reports on Ghana's labour and employment policies since 2000; the labour market and employment situation since 2000; sectoral composition of growth and employment; trends and structure of Ghana's international trade; Ghana's trade policies including key free trade arrangements; the relationship between the national trade policy and the overarching national development strategy; and employment outcomes of sector and trade policies.

The data or information for the study are obtained from Ghana's labour and employment policy documents since 2000, trade policy documents since 2000, all existing pertinent and applicable studies, research and policy papers. The approach to data/information collection include desktop (internet) search for all relevant documents, research reports and articles and policy papers. It also includes searching for relevant information from the official webpages and online databases of, and visits to, the Ghana Statistical Service, Ministry of Trade and Industry, and Ministry of Employment and Labour Relations, and exploring other relevant webpages and search engines. The search for relevant information / data also includes visits to the libraries of the relevant institutions, ministries, and agencies.

Specific documents reviewed include the Ghana Living Standards Survey Reports, Trade policy documents, Labour and Employment policy documents, development plans and strategies documents, and several relevant studies, research reports and applicable policy review documents.

The approach to study involves description of trends and developments in Ghana's Labour and Employment policies as well as trends and developments in Ghana's Trade Policies including the country's most important free trade arrangements, exploration and evaluation of all identified studies, research reports and policy papers on the employment effects of policies and developments in the international trade sector. Efforts have also been made to review studies that describe the employment generation capacity implications of economic growth outcomes (by economic sector or type of industry) of trade policy reforms in Ghana and examine the quantitative employment effects of sector and trade policies. In addition, the review aims to assess the relevance of existing evidence to policy decisions in the country and to identify knowledge gaps that would have to be filled by later studies.

Findings and recommendations from the review exercise are expected to inform and retool public policy in a manner that will influence and empower industries that are internationally competitive with an overarching objective of creating greater employment opportunities and upgrading of the quality of labour employed in the country. The exercise offers guidance on ways to address employment issues arising out of trade and sectoral policies, programmes and activities in key sectors of the economy.

2.0. Overview of labour and employment policies in Ghana since 2000

Successive governments in Ghana have pursued varying policies and programmes to increase the growth of the Ghanaian economy and to raise the standards of living of its citizens (ISSER, 2013). Policies related to employment are conscious actions by government to induce employment levels or to enhance access to employment. However, the Ghanaian economy has not had any comprehensive policy for the generation of jobs (Baah-Boateng, 2004). According to Amankrah (2012), the lack of coherent national employment policy and strategy to deal with the employment problem has remained a big challenge to the economy.

To address the employment challenges in the economy, various governments have implemented a number of developmental policies which were expected to transform the structure of the economy and alter the nature of employment and unemployment in the country. One of such development policies was the Vision 2020. The Vision 2020 was aimed at making Ghana a middle-income country in 25 years. The medium term employment objective was to increase productive employment opportunities, wages and salaries for the promotion of sustainable employment opportunities. The creation of employment was expected to be an integral part of the 5-year macroeconomic and production policy.

Some of the specific strategies that were designed to enhance employment in the country included: the implementation of macroeconomic, production and labour policies that are consistent with employment promotion; implementation of labor-intensive public works programmes for disadvantaged groups; providing adequate opportunities and facilities for technical and vocational training and retraining including traditional apprenticeship; and strengthening the labour market information system (Baah-Boateng, 2004). All these strategies were geared towards enhancing employment in the industrial sector in order to reduce the share of the agricultural sector in the total working population which was the largest employer in the country at the time of implementation of the Vision 2020 in 1995.

However, there has been a change in the development strategy between 2003 and 2005 (Ghana Poverty Reduction Strategy (GPRS I)) with the ultimate goal of reducing poverty and creating decent jobs for the people. The objectives of this strategy was expected to be achieved by restoring macroeconomic stability and a clear policy direction on production and gainful employment; human resource development and basic services; special programmes for the poor and vulnerable especially women and good governance. The inability of the economy to achieve the needed transformation (the agricultural sector was still the largest contributor GDP) after the implementation of GPRS I necessitated the implementation of GPRS II. The GPRS II was expected to accelerate growth of the economy and further support wealth creation and poverty reduction.

Employment creation was a core objective of the policy framework of GPRS. Jobs were expected to be generated basically from economic growth through the adoption of labour intensive technology, agricultural modernization, agro-processing, manufacturing, services, and non-traditional export development among others. The GPRS adopted a holistic approach to job creation, as such the issue of employment became a cross cutting issue (Baah-Boateng, 2004). The implementation of GPRS II to some extent achieved its objective of reducing poverty, and to some extent changing the 'structure' of the economy from an agrarian led economy to a service led economy. However, the share of the working population employed in the agricultural sector continued to be the largest in the country.

In view of addressing the fierce and set-backs under the GPRS II, the Ghana Shared Growth and Development. Agenda (GSGDA) was set-up. Its core mandate was to increase employment creation and income generation to reduce poverty and shared growth. GSGDA's commencement in 2010 was

anchored on some specific laid down themes, some of which are: human development, employment and productivity, ensuring sustaining macroeconomic stability, enhanced competitiveness of Ghana's private sector, etc. In view of the employment and human development theme, GSGDA acknowledged that the 'acquisition and application of knowledge and skills in solving problems in society are essential aspects of the national development efforts aimed at achieving growth and social equity. In order to address the unemployment canker, employment issues are expected to be outlined into development process at all levels (Government of Ghana, 2010).

A major hindrance to the ability of the country to create avenues for employment has been because of the fact that employment creation is seen as just an aspect of the development process. Hence, once the country commits resources to growth and development, jobs would automatically be created. However, because the various development strategies have not been able to over the years result in increased productivity and full structural transformation of the economy, unemployment continues to be a major problem in the country. Thus for the country to be able to reduce the menace of unemployment, there is the need for employment policy that would influence the direction of growth and spearhead the structural transformation of the economy.

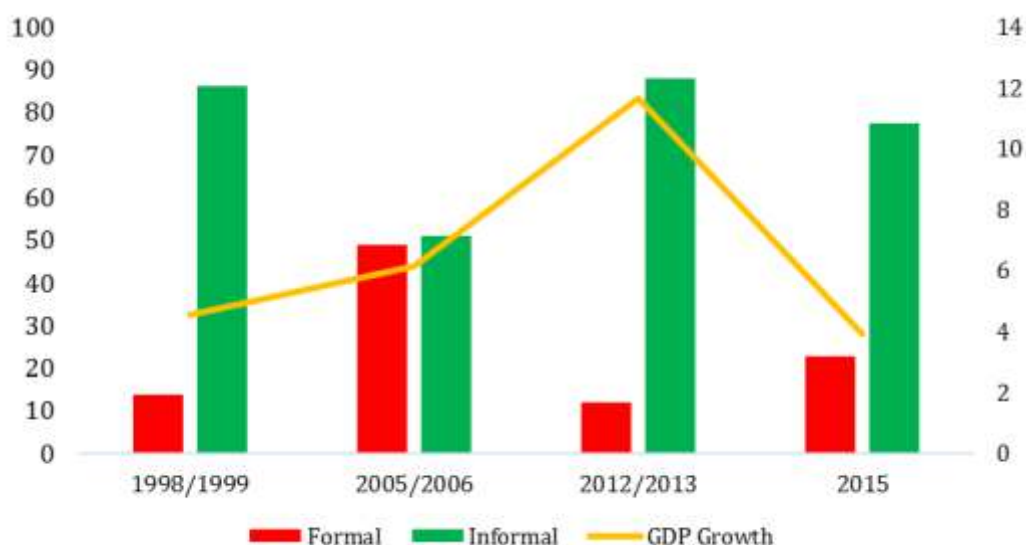
2.1 Trends, patterns and sector composition of growth and employment

The growth of the Ghanaian economy between 2000 and 2015 can be described as resilient, because it was able to withstand the recent global recession and financial crises. In fact, the lowest growth rate recorded by Ghana's economy since the 2000 has been 3.7 percent which was recorded some 17 years ago. Ghana achieved the status of the fastest growing economy in 2011 when it recorded a growth rate of 14.05 percent following the commencement of commercial production of crude oil. The resilience in the growth of the economy has largely contributed to consistent increase in the per capita income of the country from US\$340 in 2000 to US\$1170, and US\$1480 in 2008 and 2015 respectively. This played a key role in the ability of the country to reduce poverty from 31.9 percent in 2005/2006 to about 24.2 percent by the end of 2013.

Despite the fact that Ghana's growth record has over the years been very impressive, concerns have been raised over the inability of the strong growth performance to be translated into the creation of productive and decent jobs, improved distribution of income and ultimately improved livelihood.

Growth of the Ghanaian economy has over the years not been able to bring the needed transformation from a largely informal sector led economy to formal sector led economy. The informal sector continues to be the largest employer in Ghana's economy and high economic growth rates over the past 17 years has not been able to change this trend. The fourth round of the Ghana Living Standards Survey (GLSS IV) indicated that the informal sector employed about 86 percent of the working population with the formal sector employing just about 14 percent.

Figure 1.0: GDP Growth Rate and Employment by Formal/Informal Sectors



Source: Computed from GLSS 3,4,5 and 6

An increase in the average growth rate of the economy from 4.55 percent in 1998/1999 to about 6.15 percent between 2000 and 2006 was associated with reduction in employment levels in the informal sector from its 1998/1999 value to about 51.1 percent by the close of 2006. Thus there was substantial increase in the proportion of the working population (48.9 percent) employed in the formal sector of the economy. This was however not sustained with further growth of the Ghanaian economy by an average of 11.67 percent between 2006 and 2013. Employment in the formal sector fell from 48.9 percent in 2006 to about 11.9 percent which was even lower than the 1998/1999 figure. Despite a reduction in the growth rate of economy in 2015, employment in the formal sector increased slightly from 11.9 percent at the 2013 to about 22.7 percent.

The inability of the strong growth to result in the transformation of the economy from an informal employment led economy to formal employment led economy is probably due to the fact that these growth rates experienced over the years in itself do not generate employment which could contribute to increase in formal sector employment. For example, the huge growth rate experienced in 2011 was mainly due the commencement of commercial production of crude oil which is more capital intensive and as a result did not result in expansion in the formal sector employment levels. However, due the increase in income that came along with the production of oil, it resulted in the boom in informal sector activities in terms of the provision of low-value services and this contributed to increased employment in the informal sector.

The increase in informal sector employment in 2012/2013 could also be as result of the energy crisis the economy experienced between 2012 and 2015. This led to a number of people employed in the formal private sector to be laid off resulting in a number of them going back to the informal sector.

2.2 Decent work

The International Labour Organization defines decent work as productive work for women and men in conditions of freedom, equality, security and human dignity. It also involves opportunities for work that deliver a fair income; provide security in the workplace and social protection for workers and their families. It offers better prospects for personal development which also encourage social integration; give people the freedom to express their concerns, to organize and to participate in

decisions that affect their lives; and guarantee equal opportunities and treatment for all. This definition implies that there are no less than ten elements that constitute decent work. The Ghana Living Standards Survey 6 Report however presents data on some aspects of the key conditions.

According to the GLSS6 report, nearly six in every 10 employees (57.3%) do not have any formal contract of employment with their employers before starting work. Only about a third of workers are in organizations where trade unions exist. Further analysis indicates that these proportions are much higher for professional and technical and associate professional workers. The proportion of workers who have their taxes deducted at source to facilitate collection of income taxes constitute about a quarter (24.1%) of all the workers.

In addition, only 46% of employees are entitled to paid holidays and 47.8 percent to paid sick leave. The proportion of employees who will receive retirement pension and are entitled to any social security constitute 36 percent and 29 percent, respectively. Beside, In Ghana only a third of the workers enjoy free or subsidized medical care. The survey results show that a greater proportion of the working population suffers from decent work deficits and low-quality jobs implying the unsustainability of jobs in the country.

Also, the increased use of sophisticated technology will have implications for existing jobs as there would be major changes in the capabilities and skills needed in the labour market as this would shape the Future of Work.

Table 1: Employees with contracts, unions, tax deductions and Employee benefits, by sex (%)

Signed written contract with employer	Male	Female	Both sexes
Yes	43.7	40.2	42.7
No	56.3	59.8	57.3
Total	100.0	100.0	100.0
Trades Union available at work place			
Yes	37.1	33.1	35.9
No	62.6	66.9	64.1
Total	100.0	100.0	100.0
Tax deducted from pay			
Yes	26.5	21.3	24.1
No	73.5	78.7	75.9
Total	100.0	100.0	100.0
Paid Holidays			
Yes	46.0	44.1	45.5
No	54.0	55.9	54.5
Total	100.0	100.0	100.0
Entitled to paid sick leave			
Yes	48.6	46.1	47.8
No	51.4	53.9	52.2
Total	100.0	100.0	100.0
Receive any retirement pension			
Yes	37.1	33.3	36.0
No	62.9	66.7	64.0
Total	100.0	100.0	100.0
Entitled to any social security			
Yes	29.7	27.4	29.0
No	70.3	72.6	71.0
Total	100.0	100.0	100.0
Entitled to free or subsidized medical care			
Yes	35.2	28.6	33.3
No	64.8	71.6	66.7
Total	100.0	100.0	100.0

Source: Ghana Living Standards Survey 6 Report, Ghana Statistical Service.

The survey results show that a greater proportion of the working population experience decent work deficits and low-quality jobs. Most working people are in casual and irregular employment in the informal economy (GLSS 6 Report).

2.3 Trends in Employment Levels by Sector

Examining the sectoral trend in employment in Ghana seem to suggest that there is consistent shift from agricultural led employment economy to a service led employment economy. Despite the fact that the agricultural sector continues to be the largest employer in Ghana's economy, its share of the total working population has declined from 57.2 percent in 2005/2006 to about 44.7 percent by the end of 2013. On the other hand, employment in the services sector increased from 29.1 percent in 2005/2006 to about 40.9 percent at the end of 2013. The changes in the structure of employment in the economy seem to be associated with the contribution of the various sectors to GDP over the years. For example, the contribution of the service sector to GDP increased from 31.6 percent between 1998 and 1999 to about 39.6 percent and 47.8 percent in 2005/2006 and 2012/2013 respectively (see figure 2). This clearly indicates that the structure of Ghana's economy has shifted from an agrarian led economy to a service led economy.

In relation to the industrial sector employment in the country, the Ghanaian economy seems to have made very little progress in increasing employment levels in the industrial sector. The proportion of the working population employed by the industrial sector has since 1998/1999 hovered around 14 percent. This probably explains why the industrial sector continues to be the least contributor to Ghana's GDP and furthermore, this could be part of the reasons why the country has not experienced the needed structural transformation in the economy.

Aryeetey and Baah-Boateng (2015), have argued that shift in employment from the agricultural sector to the services sector may not necessarily be an indication of a structural and productive transformation of the economy. This is because, increase in employment in the service sector has largely occurred in the informal sector. This is indicated by the increase in informal sector employment between 2006 and 2013.

More so, a number of the jobs created in the service sector over the years have been mainly related to trading activities (see Table 1) which is not necessarily productive in nature. The manufacturing sector which has the capacity to spearhead the structural transformation of the economy has over the years seen consistent declines in its employment share out of the total working population. It has declined from 11.7 percent in 1999, to 10.9 and to 9.1 percent in 2006 and 2013 respectively (see Table 2). This is probably as a result of the energy crises, high interest rates and inability of domestic manufacturing firms to compete very well with the influx of imported goods. More so, most of the employment in the manufacturing sector tend to be on small scale basis.

Table 2: Employment by sector (% share of total employment)

	1998/1999	2005/2006	2012/2013
Agriculture	55	57.2	44.7
Mining/Quarrying	0.7	0.7	1.6
Manufacturing	11.7	10.9	9.1
Utilities	0.2	0.2	0.4
Construction	1.4	1.8	3.3
Trading ¹	18.3	15.2	19.5
Transportation/comm.	2.2	2.8	4.2
Financial Services	0.8	1.1	0.8
Community/Social Ser.	9.8	10	16.4

Source: Various rounds of Ghana Living Standards Survey (GLSS)

Figure 2: Employment by sector and sectoral contribution to GDP



Source: Computed from GLSS 4, 5 and 6

Thus for a country to achieve high growth rate and increased levels of employment, there is the need for expansion in manufacturing activities, which could serve as a springboard for the services and agricultural sectors of the economy and enhance general employment levels.

2.4 Average earnings by sector

It is important to state that the strong growth rates experienced by the Ghanaian economy over the years seem to have reflected in terms of earnings by the working population. Real earning per hour increased from GHc0.75 in 1999 to GHc1.34 and GHc1.41 in 2006 and 2013 respectively. This

represented 86 and 4.7 percentage increase respectively. Between 1999 and 2006 workers in all sectors of the economy saw a positive increase in their real income levels following increases in the growth of the Ghanaian economy.

On the other hand, expansion in economic growth did not lead to similar outcome in 2013. Basically, real earnings per hour declined in the agricultural, manufacturing, trading, and financial services sectors. The real earnings declined by 23.23 percent in the financial services sector, 14.16 percent in the trading sub-sector and by 24.55 percent in the manufacturing sector. The biggest loser was individuals employed in the agricultural sector. Real hourly earnings declined by over 60 percent. Thus workers became worse off in 2013 given the fact that the sectors that experienced declines together employed about 74 percent of the total working population (See table 2). It is important to however state that individuals working in the other sectors saw substantial increases in their real hourly earnings with the lowest been about 19.70 percent

Table 3: Hourly earnings (GHc per hour)

	1998/1999		2005/2006			2012/2013		
	E	RE	E	RE	%Δ	E	RE	%Δ
Agriculture	0.05	0.32	0.79	1.41	338.25	0.69	0.55	-60.95
Mining/Quarrying	0.15	0.93	0.80	1.43	54.09	2.56	2.04	42.17
Manufacturing	0.12	0.72	0.63	1.13	55.78	1.07	0.85	-24.55
Utilities	0.11	0.69	0.77	1.38	99.18	2.05	1.63	17.99
Construction	0.10	0.64	0.62	1.11	73.92	2.30	1.83	64.81
Trading	0.14	0.88	0.59	1.06	19.52	1.14	0.91	-14.16
Transportation/Comm.	0.12	0.74	0.49	0.88	18.00	1.86	1.48	68.64
Financial Services	0.15	0.91	1.36	2.44	167.3	2.35	1.87	-23.23
Community/Social Services	0.10	0.65	0.70	1.25	92.40	1.88	1.49	19.70
All	0.12	0.72	0.75	1.34	85.96	1.77	1.41	4.73

Note E= Nominal hourly earnings, RE= Real Hourly Earnings.

Source:

Economic growth over the years, has not generated the expected transformation of Ghana's economy. More so, livelihood of the working population has over the years seen limited improvements given the fact that majority of the working population have witnessed some substantial declines in their real hourly wage levels which could enhance their standard of living.

2.5 The contributions of Trade Unions in Ghana

The role of TUC in socio-economic development of a country especially in Ghana cannot be overemphasized. The Trades Union Congress (TUC) of Ghana was formally inaugurated in 1945 with the coming together of the then existing 14 unions registered under the Trades Union Ordinance of 1941 under a central coordinating body. The Trades Union Congress (TUC) of Ghana is the main umbrella organization for trade union activities in Ghana. Currently, it is made up of eighteen affiliated national unions. Each of the national unions is an autonomous body and pursues its own

activities but within the framework of its constitution and area of legally accepted jurisdiction. The main objectives of TUC are, among other things, “to unionize all workers in Ghana under a united trade union movement to secure social, political and economic justice and ensure that workers benefit through collective action” (GhanaTUC.org). It is also the TUC's objective to protect the vulnerable workers, promote gender equality and ensure that all workers are treated with respect, among others.

According to a Trade Union Congress (2012) report, the condition of service of most Ghanaian workers continues to be unwarranted. In addition, the report also noted that labour struggle continues to be high in the country due to low wages and government's liberalistic policies that seem to support foreign investors as against the natives. To address this issues, unions see themselves as a means to liberate themselves from poverty and social exclusion by using their representatives to demand their rights and improve their living and working conditions.

In another instance, Sagoe Samuel (nd), noted in his unpublished thesis on “*the role of trade union in improving workers wellbeing*” **that** various forms of abuses of rights of workers such as denial of bonuses, low wage, sexual harassment, long working hours, unfair dismissal, child labour and physical assault, among others, were found to be a common occurrence at work places especially in Ghana. To address these, TUC plays a very key role. One of these key roles played by TUC is to negotiate improved wages and working conditions and enforce wage restraint which is a constant element of public policy.

There is a preoccupation to make Ghana attractive for foreign investors for which reason an alliance between government and private business has been formed to address concerns of demands for wage increases by workers. TUC represents workers' interests and has secured a variety of benefits, such as higher wages for unionized employees, work-life balance characterized by reasonable work schedules, job security and protection from arbitrary action by employers. This creates a very conducive environment for work even in the private sector as there is a tripartite negotiation between employees, employers and government on setting an optimal minimum wage that is acceptable to all parties. This means that both employees and employers have a say in the decision of the minimum wage which many use as a proxy for indicating or assessing the business environment viability for investor decision making.

In terms of legislation, the unions play a critical role to ensure that any labour laws and regulations are sufficient and effective in ensuring decent working conditions. To do this, the unions initiate and push for regulations in areas that concern their members and push for the creations of laws and play an important role in disseminating the information to their members. In Ghana, some of the legislations that unions have push for include: The Maternity Leave, the Pension Act, Occupational Safety and Environment Act among others. In addition to this, the unions continue to monitor the status of implementation of employee welfare laws and regulations to ensure they are properly enforced.

In addition, the unions play a key role in development such as building better economies, communities and societies. Besides improving the condition of service of workers, the unions also contribute to building the national economy. For instance, in the face of dwindling formal sector employment opportunities, TUC mobilizes resources from its members to invest in productive enterprises as a means of creating employment as well as strengthening the financial base of the unions. In pursuit of this objective, TUC established a Labour Enterprise Trust (LET) which holds members' contributions and invest the money either by itself or in collaboration with others to create more job opportunities.

The Union, in their quest to ensure the maximum welfare of their members, continues to conduct checks of unfair labour practices against their members by employers. According to the Labour Act, it is against the law to discriminate against workers in terms of gender, race, and religion; those who

engaged in union activity and also victimize workers who file charges against employers at the National Labour Commission if employers violate any of these laws, unions in most cases, take up these cases on behalf of the employees and ensure that employers comply with the law and the rights of their members are fully protected.

Education is considered as key to national development. Based on this and the role of unions in national development, the union sees education as very vital in nation building because, through education, members are kept together and participate in the processes that are only possible with educated members. The educational programmes by the unions help to provide the society with better and responsible workers. These workers are more confident and make it difficult for employers to exploit them. According to Hock J (1992), in the long run, educated and better equipped employees will be an advantage in modernizing industry which requires independent work attitude and responsible behaviour.

3.0 Overview of International Trade Policy in Ghana Since 2000

Ghana has a liberalized and an open trade regime which has been in place since 1985 despite the frequent changes in tariff and other taxes affecting imports in recent years (since 2008). Following the trade reforms, most of direct restrictive measures on imports and exports have been removed although significant number of such measures remains applied to specific goods mainly on security, health, technical and environmental grounds. Such direct measures include temporary import bans and quotas on selected agricultural commodities and import prohibitions on certain items including rough diamonds, some selected second-hand or used items considered to have harmful health and environmental effects.

Ghana's international trade policy which was launched in 2005 was established within the framework of the country's long term goal of becoming a middle income country by the year 2012 and a leader in agro-industry in Africa. The various policy measures are designed based on the recognition that the private sector is the engine of economic growth and the provision of a trade enabling environment to spur private sector enterprises. Part of the main objectives of the 2005 trade policy was to encourage agricultural processing, diversify and strengthen the country's export base through value-addition and make the country more regionally and globally integrated (WTO, 2007).

As a member of the World Trade Organization (WTO), it extends the most-favoured nations (MTN) treatment to all its trading partners. Ghana is also involved in a number of trade agreements and arrangements. These include the ECOWAS Trade Liberalization Scheme (ETLS), the Economic Partnership Agreement (EPA) with the European Union, and the U.S.-initiated African Growth and Opportunities Act (AGOA).

Ghana is fully committed to principles and codes of the Multilateral Trading System even though it has not been able to take advantage of the market access opportunities provided by the System. Although Ghana has generally reduced tariffs on non-agricultural imports, one of the 2005 policy measures was to increase its tariff binding in order to protect its infant industries to facilitate rapid industrialization and diversify her industrial base. Agricultural tariffs have remained comparatively higher since 1995 although it has maintained a standard applied rate of 20% on all agricultural products.

Ghana's efforts at regional integration are basically manifested through her membership of the Economic Community for West African States (ECOWAS). Consistent with this effort have been the implementation of a trade liberalization scheme by member countries since 1990, and the harmonization of their trade regimes, especially the adoption of a common external tariff (CET) since 2016. Ghana is implementing the Community levy charge of 0.5% on all imports from outside the region whilst fully applying the ECOWAS Liberalization Scheme under which unprocessed goods

from the region can be imported to the country duty-free. The implementation of the CET is expected to be an effective instrument for harmonizing the import policies of member countries and facilitating the realization of a common market. Products originating from the region are in principle traded across borders duty-free and are not expected to face any quantitative restrictions. Nevertheless, the key challenge has been with both companies and each of their products is expected to be registered in order to meet the rules of origin specified under the scheme. The two-stage process of registration takes several weeks (16-24 weeks) and is considered to be cumbersome by many private sector operators and hence has led to the registration of fewer numbers of products. As a result of that, the share of intra-ECOWAS trade in Ghana's total trade has remained low (less than 5%).

Also, Ghana receives non-reciprocal preferential treatment from a number of member countries including the European Commission under the Cotonou Agreement. Approximately 97% of exports of the African, Caribbean and Pacific (ACP) countries which includes Ghana gained entrance to the EU market duty-free. This preferential treatment under the Cotonou regime expired in 2007. To be able to continue to gain this access, negotiations on a new regime of the Economic Partnership Agreement (EPA) with the European Union (EU) commenced in 2004. The finalization of the EPA with the European Union has however been slow. Every ECOWAS member country has signed the agreement with the exception of Nigeria and the Gambia who consider the agreement as a potential threat to their infant local industries. Alongside this, Ghana and Cote d'Ivoire have established interim bilateral agreements with the EU. The interim arrangement preserves the EPA principle of sustained duty-free access to the EU in return for a slow opening of the Ghanaian market. Under the new EPA regime, the West African region and other five ACP regions are also expected to open up their domestic markets to EU exports. This will be followed by EU-assisted measures to accelerate West Africa's integration initiatives, development of her local industries, productive capacity and competitiveness. There are three key notable features of the interim EPA. First, about 9.4% of all tariff lines for all agri-food products which were not free of customs duties under the Cotonou Agreement have since 2008 become duty free. Second, customs duties on products originating in the EU that are imported into Ghana are expected to be reduced or eliminated. The elimination or significant reduction of customs duties provided for in the agreement would pose a significant challenge in terms of competition faced by local producers which tend to have implications from output and employment in specific sectors of the economy. Ghana undertook to completely liberalize imports covering 15.4% of the total tariff lines by 2012. This is in addition to the 3.2% that are already duty-free on an MFN basis. By the end of the transition period (2012 to 2022), Ghana is expected to have liberalized about 80.9% of tariff lines on imports from the EU. Only about 19.1% of tariff lines would not be liberalized by Ghana under the EPA, in order to protect sensitive sectors and safeguard tax receipts. The items concerned in this case include cotton, pearls and precious stones, textiles, olive oil and table olives, meat, milk and milk products, coffee, cocoa, tobacco, fruits, cement, beauty and make-up products, rubber and automobiles. This brings to mind the question of whether Ghana has comparative advantages in these items. The decision could also have serious implications for employment. Currently, Ghana's trade with EU accounts for not less than 33% of her total imports and 27% of her total exports (WTO, 2007 & 2014).

In addition to the EPA, Ghana was among the countries that received duty- and quota-free access to the U.S. market under the African Growth and Opportunity Act (AGOA) which was established in 2000. The market access under AGOA was granted until 2015. The range of products that qualified included a selected number of agricultural and textile products. Special provisions were also granted to allow Ghana to incorporate third-country fabrics in apparel exported to the U.S. There was also a provision related to handmade products and articles produced from ethnic fabrics. As at 2013, more than 60% of U.S. imports from Ghana entered the U.S. market MFN-duty-free whilst about 5% also

entered the market duty free under Generalized System of Preferences (GSP) tariff treatment (WTO, 2007 & 2014).

Ghana has continued to implement a liberalized trade regime with gradual reductions in tariffs on imports. As at 2007, the average applied most-favored nations (MFN) tariff had declined to 12.7% from 14.7% in 2000, but this has marginally increased to 12.8%. Between 2008 and 2013, the MFN tariff has been modified much more frequently. The applied MFN tariff rates on agricultural products are however in general higher (at an average of 15%) as compared to the average tariff rate on non-agricultural products (which is 12%). When the ISIC (Revision 2) definition is applied, agriculture is the most tariff-protected sector (15.1%). Manufacturing is the next most tariff-protected sector (12.7%) whilst mining and quarrying products are the least tariff-protected (11.2%). There is high effective protection to certain industries, namely food and beverages, textiles and apparel, chemicals and non-metallic products emanating from the application of high average tariffs on products from these subsectors. Products at the first stage of processing attract 14.3%; semi-finished goods attract 13.0% whilst finished products attract an average tariff of 12.3%. This tariff structure inhibits the competitiveness of certain exports from the country (WTO, 2007 & 2014).

Alongside tariffs, imports attract a destination inspection fee of 1%, an ECOWAS levy of 0.5% and an Export Development and Investment Fund of 0.5%. There are also other non-tariff measures (technical regulations) that are obligatory and in conformity with international standards. Export taxes are also imposed on cocoa and hydrocarbons whilst a number of programs and schemes including the duty-drawback scheme, an export credit scheme, the free zones, market access facilitation for export companies, technical advisory services on export product development and trade information services have been established to promote non-traditional exports. The aim for the several schemes in place is to diversify the export base.

3.1 Relationship between the International Trade Policy and the Overarching National Development Strategy

Ghana's first coherent and comprehensive trade policy was published in 2004. The document epitomizes a resolute determination to situate trade as one of the focal points of the country's development plans. It points to the need for a trade regime that promotes transparency and fairness and consequently improves production capacity for the domestic and export markets in addition to the need to ensure efficient customs clearance procedures.

Trade and industry has featured prominently in the Ghana Shared Growth and Development Agenda (GSGDA) I, 2010-2013 and GSGDA II, 2014-2017. Under the GSGDA, policies on international trade and regional integration form one of the key areas of focus of programs aimed at achieving macroeconomic stability. The principal objectives of the international trade policy under GSGDA has been to increase and diversify exports and markets, enhance export competitiveness, contribute to the speeding-up of regional economic integration and accumulate reserves to make the economy robust and resilient to external shocks. These goals have been consistent with the overarching long-term development strategic vision of becoming a middle-income country by 2015 and a leading agro-industrial hub in Africa.

3.2 Trade Policy Regimes and Employment Growth

Armah (1993) did a comparative study on the employment effects of alternative trade policy regimes in Ghana between 1963 and 1986. He did that by distinguishing four periods related to alternative trade policy regimes; namely, export orientation import substitution industrialization and an orientation towards the production of non-tradable goods. His classification was based on policies

that were actually carried out over the study period. Trade policy regime over the first period, 1963-1965, was Import Substitution Industrialization (ISI). During this period, government implemented characteristic import substitution policies aimed at protecting local industries. Policy measures over the period included foreign exchange restrictions, a prohibitive tariff structure with the highest average tariff rates charged on necessities and general consumer items (24% and 55% respectively) and luxury consumer goods (128%). The second period, 1966-1969, was characterized by the implementation of macroeconomic stabilization policy measures, currency devaluation and an attempt at liberalizing trade. Steps towards liberalizing trade included the introduction of the Open General Licensing system. The third period, 1972-1978, was the period of orientation toward non-tradable goods. This was a period in which the country resorted to the policy of self-reliance largely due to foreign exchange constraints which impacted adversely on domestic production and external trade. The fourth period, 1983-1986, was characterized by policies directed at exports promotion based on comparative advantage. Some of the key measures adopted were gradual devaluations of the domestic currency, import liberalization, overall market liberalization, and fiscal constraint.

Armah (1993)'s study showed that there was no consistency in the relationship between average annual employment growth rates and trade policy. For instance, the 1966-1969 export promotion period experienced the highest employment growth rates (17.6%), whilst the 1983-1986 export promotion period recorded the lowest employment growth rate. The second highest employment growth rate occurred during the period of import substitution industrialization. The study also suggested that employment growth in tradables was higher than in non-tradables sector. The analysis points to the fact that the existence of intervening variables made it difficult the establishment of a clear relationship between trade policies orientation and employment. However, a disaggregation of the data showed that employment growth rates in cocoa growing areas (average of 23.8%) exceeded the employment growth in non-cocoa growing areas (average of 19.4%). However, during the ISI period, average employment in the cocoa growing area declined by 1.3% whilst employment in the non-cocoa growing are increased by 0.31%.

Aryeetey (2007) suggested that trade liberalization has exposed delicate domestic enterprises to severe competition from growing imports resulting in an increase in employment share of wholesale and retail trade, but the collapse of some local firms and job losses in the import-competing production sector due to lack of capacity by some local firms to compete effectively. Stagnation in manufacturing employment has been partly attributed to the perceived over-liberalization of international trade in the country. According to ISSER (2004), manufacture's share of total employment increased only marginally from 11% in 1984 to 11.5% in 2000. In the case of exports, the report indicates that the dominance of primary commodities and limited share of manufactures in exports reflect a weak export base and hence the inability of the export sector to generate significant levels of employment.

3.3 Foreign Direct Investment Policy and Employment Generation in Ghana

The overarching objective of the Government of Ghana's investment policy is to promote sustainable growth and job creation. As a result, is resolved to improve the business environment through an established legal framework, a liberalized investment regime, a host of incentive package and a general improvement of the macroeconomic environment. It is required of every company interested in investing in the country to register with the Registrar General's Department, as stipulated in the Companies Code of 1963 or the Partnership Act of 1962. With exception of the minimum investment requirements, there are differences in procedures between foreign-owned or locally-owned businesses. Most of companies registered with the Registrar-General are micro, small or medium enterprises (WTO, 2014).

The Ghana Investment Promotion Centre (GIPC) Act of 1994 (Act 478) which contained provisions on foreign investment, has been replaced by the GIPC Act of 2013 (Act 865). The GIPC Act of 1994 was a more comprehensive investment code compared to the Investment Code of 1985 after a series of reforms. The reforms took the form of liberalization of foreign investment which included the removal of restrictions on investments such as the elimination of requirements for prior approval. A number of incentives and guarantees were also introduced. The GIPC Act of 2013 (Act 865) aimed at extending the coverage of the Act to all investments. Unlike the GIPC Act of 1994, the GIPC Act of 2013 espouses all sectors, including mining and petroleum enterprises. Even though the GIPC is responsible for the promotion and registration of investments under the Act, there could be an additional requirement for foreign investors to register with the Minerals Commission or the Ghana Free Zones Board. Also, the minimum capital investment requirements for foreign enterprises have been raised from US\$50,000 prior to the passage of the new Act to US\$500,000 for wholly foreign-owned companies and from US\$10,000 to US\$200,000 for joint-ventures. Foreign investors are still granted free transferability of profits and dividends. There are also guarantees against expropriation and several incentives intended to offer an attractive environment for investors. This includes direct and indirect tax holidays and concessions.

Table 4 shows the estimated correlation coefficient depicting the estimated relationship between FDI and employment generation in the exportables production and export trade sectors. The estimated values indicate that FDI is associated with a reduction in employment in the exportables sector but is linked to an increase in employment in the export trade sector though the associations are not significant.

	Expected employment
FDI in Exportables production	-0.07
FDI in Export Trade sector	0.12

Source: Calculated by Author using data from GIPC Annual Quarterly Investment Report, various issues

Another important law that has contributed significantly to the attraction of FDI inflows to Ghana, particularly the export sector is the Free Zones Act of 1995 which established the Ghana Free Zones Board in August 1995. Under this Act, enterprises operating within the free zones areas enjoy a number of privileges which include income tax exemption for the first 10 years, the permission granted for 100% foreign ownership, and indirect duties and levies exemptions. Table 5 shows an increase in employment generation in the Export Free Zones over time.

Table 5: Export Processing Zones

	1998	1999	2000	2001	2002	2003	2004	2005
Employment (No. of people employed)	485	1,555	1,372	850	1,714	4,612	9,857	6,227
Production (US\$ millions)	158.5	162.2	134.4	103.6	222.5	286.5	634.5	602.9

Source: Ghana Free Zone Board (2006), 2005 Annual Report

The contribution of the Minerals and Mining Law to the attraction of FDI inflows to the Mining sector cannot be overemphasized. The Minerals and Mining Law of 1986 has been revised into the Minerals and Mining Law of 2006 (Act 703). The law vests all minerals in the Government of Ghana

on behalf of the people of Ghana. Under the law, mining companies are expected to pay royalties and may also pay corporate taxes at the conventional rate. Another law, Small Scale Mining Law of 1989 offers legal acceptance to small-scale artisanal mining in the country. An additional law, Minerals Commission Law of 1986 established the Minerals Commission as an important institution responsible for offering a one stop investment centre for mining. A number of incentives are granted under these laws. These include tax breaks, unregulated repatriation of profits, reductions in corporate income tax and royalty rate and the scrapping of Mineral duty, import duty and foreign exchange tax. These incentives are perceived to have contributed significantly to the attraction of FDI inflows, especially in the gold mining sub-sector.

Employment Impact of FDI

Aryeetey et al. (2004) estimated the correlation coefficient to establish the relationship between FDI and total employment, first for the period covering 1980 to 1990, and second for the period covering 1991 to 2000. Due to the absence of consistent annual data on employment, they relied on the Ghana Living Standards Survey (GLSS) Rounds 3 and 4 reports for 1991/92 and 1998/99. The findings from their analysis indicate that there is very little linear relationship between the two variables for the 1980-1990 period, but a very significant negative association between them for the 1991-2000 period. There is a negative and significant relationship between formal employment and FDI, and between private sector formal employment and FDI for the 1991-2000 period. What this means is that, FDI has been associated with reductions in formal employment after 1990 in spite of the fact that the functioning of the GIPC has successfully led to job creation coming from foreign investment.

Contrary to findings from the study by Aryeetey et al (2004), Abor and Harvey (2008) depended on data, which focuses on manufacturing, from the World Bank's Regional Project on Enterprise Development dataset for the period 1992 to 2002 and found greater inflows of FDI (and higher percentage of foreign ownership) to generate higher levels of employment. They explain their findings by suggesting the possibility of FDI inflows affecting enterprises' production scale and in turn leading to an increase in demand for workers and as such a rise in employment. However, their regression analysis shows that even though FDI is associated with higher wages, the impact is not significant. Their finding could imply that foreign firms learn to alter their wages to make them consistent with conditions on the domestic labour market.

Evidence from the Ghana studies which includes Aryeetey et al. (2004) and Gorg and Strobl (2002) supports the expectation that foreign capital inflows serve to increase demand for skilled workers due to the inflow of foreign machinery. The outcome of their analysis also shows that firms with foreign ownership have higher prospects of upgrading the skills of their workers as well as improving labour productivity. Their findings are similar to the findings by Dee et al. (2011) in which liberalization of FDI in services increases demand for higher skilled labour.

FDI and employment in the mining sector

In a similar study that focuses on the mining sector, Awudi (2002) indicates that the massive inflow of FDI (over US\$2 billion constituting over 56% of total FDI) into the mining sector over the period 1992 to 2002, had not translated into any significant rise in employment in the sector. One key explanation to this is the replacement of the labour-intensive underground gold mines by the capital-intensive large-scale surface mining. The privatization of state mines contributed to massive retrenchment of more than 50% of the workforce in the formal mining sector during that period. Awudi (2002) indicates that the situation is compounded by the lack of any strong linkage between

the mineral sector and the rest of the domestic economy coupled with the consequent environmental damage from both large-scale and registered small-scale mining activities which tend to frustrate agricultural activities (which employs over 60% of national labour force).

4.0 Wage and Employment Effects of Trade Policy in Ghana: An Empirical Literature Survey

Ackah et al. (2012) used the Generalized Method of Moments estimation technique to analyze the impact of trade liberalization on employment and wages in the manufacturing sector of Ghana. Their study period was from 1993 to 2002 and used a combination of micro-level data on approximately 200 firms and worker characteristics in the manufacturing sector sourced from the World Bank Regional Project on Enterprise Development (RPED) database and data on tariffs obtained from the UN COMTRADE database.

In their specification for employment in the manufacturing sector, Ackah et al. (2012) included the simple unweighted sector-level average tariffs as a measure of trade policy as one of the key explanatory variables in the estimation equation. The results of their regression analysis indicated that trade protection (liberalization) has a significant positive (negative) effect on employment in the manufacturing sector of the country. Their findings meant that trade liberalization (in the form of tariff reductions) adversely affects employment in Ghana. This could suggest that trade liberalization brings about greater competition from imports which in turn induces greater efficiency and reduces labor demand. Their findings compare with the findings of similar studies by Kakarlapudi (2010) for India and Casacuberta et al. (2004) in which trade liberalization reduces employment and job creation in the manufacturing sector, but contrast with the findings by Ghose (2000) for a sample of 25 developing countries in which trade openness leads to employment opportunities of unskilled labour.

Ackah et al. (2012) also estimated a standard wage equation by including the average tariff measure (the trade policy variable) in one specification. The trade policy variable is interacted with the average level of education of workers in a second specification of the wage equation, whilst the same trade policy variable is interacted with an export dummy in a third specification. Their reason for doing so was to show the differential effects of trade liberalization on worker wage characterized by different levels of education and differences in the export orientation of firms. Their results show that trade liberalization (in the form of tariff reduction) reduces worker wage (real hourly wage of workers) in the manufacturing sector. What this meant was that trade liberalization tends to lower the wages of workers in previously protected manufacturing firms due to competition from imports. Again, their estimation results indicate that trade liberalization (that is tariff reduction) reduces the wage earnings of unskilled workers relative to earnings of skilled workers in the manufacturing sector. In other words, unskilled workers lose more (in terms of reduced wages) following trade liberalization. Conversely, sector-specific trade protectionism (higher sector-specific tariffs) improves the wages of unskilled workers in the manufacturing sector in Ghana. Furthermore, their analysis indicates that trade liberalization (reduced tariffs) tend to be associated with significantly higher wages to workers employed in exporting firms than to those in non-exporting firms (that is firms that sell only in the domestic market).

A more recent study by Abbey et al. (2017) on the employment generating effects of exporting by manufacturing firms in Ghana used firm level survey of micro, small and medium enterprises MSMEs covering the period between 2013 and 2015. They estimated a derived labour demand function that expresses the units of labour utilized for a given firm as a function of the export orientation of the firm. Their measures of exporting firm in the analysis were an export dummy and export intensity index. The use of either measure of exporting yielded the same results. They found that exporting increases employment in the manufacturing MSMEs. They also established in their analysis that exporting

firms tend to have lower share of skilled workers with employment than non-exporting firms. Additionally, their analysis show that increase in employment is related to reductions in productivity, and this relationship is more pronounced for exporting firms than non-exporting firms which means that productivity is higher for exporting firms. Furthermore, their study indicates that remuneration for labour is higher in exporting firms. A possible explanation for their findings is that exporting firms could be more technologically sophisticated compared to non-exporting firms and hence do not require more labour to remain productive.

5.0 Employment and Wage Effects of Key Bilateral Trade Agreements: Implications for the Ghanaian Economy

5.1 European Union (EU) – Africa Economic Partnership Agreements (EPA)

An investigation was carried out by the European Commission's Directorate-General for Trade in a 2016 Report to examine the economic impact of the EPA between the EU and West Africa using a dynamic general equilibrium model. They assessed only the impact of tariff reductions which is the only aspect of the agreement that can be easily quantified. Some of the key findings from their analysis was that the agreement has the tendency to increase remuneration of labour in all countries (howbeit marginally, up to 0.9 % in Cote d'Ivoire) and to improve household welfare. In Ghana, workers' remuneration is expected to marginally increase by 0.6% by 2035. The findings of the study in the report can be compared to a similar study by the Directorate on assessing the economic impact of the EPA between the EU and Southern African Development Cooperation member countries in which the trade aspect of the agreement is likely to improve remuneration for labour and poverty status. However, the exclusion of the not-easy-to-be quantified non-tariff provisions of the agreement implies an under-estimation of the long-term impact of the agreement.

Karingi et al. (2005) carried out a similar study on the economic and welfare impacts of the trade liberalization aspects of the EPAs between the EU and Africa. They applied the general equilibrium and partial equilibrium methodologies to examine the potential implications of the EPAs on sub-Saharan Africa. A major limitation of the applied general equilibrium methodology (namely, Global Trade Analysis Project (GTAP) model) was that it only allowed for an analysis of the EPAs at the continental level whilst the use of the partial equilibrium (WITS/SMART model) methodology ignores the likely sectoral and regional feedbacks from changes to the trade policy instruments. Findings from their use of the general equilibrium analysis indicate that full reciprocity leads to loss of welfare and a marginal decrease in the incomes of the sub-Saharan Africa (SSA) countries at least in the short-run period whilst the EPA measures without immediate reciprocity leads to improved welfare. Their sectoral analysis suggest that the EPA measures marginally increases activities in agro-processing (which is a labour-intensive activity) but reduces activities in textiles, clothing and other low-technology industries (which are also labour-intensive) and in medium technology and heavy industries (mostly capital-intensive activities). They also found EPAs to lead to a likely contraction in demand for unskilled labour in the manufacturing industries but a likely increased demand in the use of unskilled workers in sectors such as cotton, other crops, energy, natural resources and agro-processing. The sector that is likely to experience the highest rate of increase in demand for unskilled labour in SSA is the other crops sectors (that is agriculture excluding vegetables, cotton and livestock). In agriculture (which is a labour-intensive sector), except cotton, and in the labour-intensive manufacturing sub-sector (namely agro-processing, textiles and clothing), the EU-SSA-Free Trade Areas (FTA) are likely to increase demand for both skilled and unskilled labour. But then again the FTA is likely to reduce demand for both skilled and unskilled labour in the capital-intensive

manufacturing sub-sector (particularly heavy industries) and the extraction of other natural resources (including mining) and energy (including oil and gas).

Karingi et al. (2005) find that under full reciprocity, there is a likely increase in the returns to labour in the textiles and clothing industries and other industrial sectors relative to the returns to labour in the primary sectors. They also find that deeper regional integration without immediate reciprocity and the FTA have the tendency of reducing real returns to unskilled labour and increasing real returns to skilled labour in SSA. The abundance of unskilled labour in the SSA region coupled with decrease in real returns could imply that the abundance of unskilled labour is not matched with a proportionate rise in nominal wage.

6.0 Do Labor Skills Matter for The Welfare Effect of Trade Liberalization?

In a study on the welfare gains of trade liberalization, Ackah et al (2007) matches the Most Favoured Nation (MFN) tariff data for 1993 and 2000 at the two-digit ISIC level to household survey data on consumption expenditure per adult equivalent for 1991/92 and 1998/99 in an analysis which indicates that reduction in industry tariff tends to be associated with lower welfare earned by households employed in the industry. But the reduction in welfare is more pronounced for low skilled labour households. They used the MFN tariff data to calculate the average industry-level tariffs as a measure of trade policy and utilized consumption expenditure per adult equivalent (obtained from the Ghana Living Standards Surveys 3 and 4 Reports) as a measure of household welfare. They estimated a pseudo-panel from the data and estimated the model using three different econometric specifications for household welfare, namely the random- cum fixed-effects specification with the inclusion of the tariff measure as explanatory variable, the dynamic specification with the inclusion of the tariff measure as explanatory variable and a second dynamic specification which includes an interaction of the tariff measure with a dummy for level of skills (proxied by level of educational attainment). They categorize the level of skill of the household into three; namely unskilled labour which refers to households whose head has at least primary education, semi-skilled labour which refers to households whose head has secondary education and skilled labour which refers to households whose head has tertiary level education.

The results from their estimation of the static model indicate that lower tariffs (and hence liberal trade regime) tends to be associated with lower levels of consumption per adult (lower welfare) of the households. The findings from their estimation of the dynamic version of the model also show that trade liberalization (protection) tends to reduce (increase) household welfare. Their regression analysis of the second dynamic specification in which tariff is interacted with the skill dummy reveal that in as much as increase in tariff enhances household welfare, the impact is more apparent and evident for low skilled households. Trade protection (liberalization) disproportionately improves (lowers) the welfare of unskilled households relative to skilled households. A major inference from their analysis is that households with higher education or skill in less trade-protected industries have higher welfare than unskilled households in the same category of industries. As such, the welfare benefits of trade liberalization accrue more to skilled households than to unskilled households.

In addition to estimating the dynamic specification to obtain results of the short run effect of trade protection, Ackah (2007) also estimated the long run effect on household of trade protection by dividing the estimated tariff coefficient by one minus the estimated coefficient on the lagged dependent variable. The results of his analysis showed no significant long run effect of tariff reduction on household welfare. The implication of his analysis is that, in the long run, it is highly impossible for any household, no matter the level of skill, to benefit from trade protection. In that case, trade

liberalization has the capacity to enhance household welfare in the long run. This means that canvassing for trade protection is only reasonable if the period being considered is the short run period.

7.0 Summary, Conclusions and Recommendations

7.1 Summary and Conclusions

We provide a summary of the findings from a survey of existing studies on the impact of trade policy on employment and wages. A summary of findings and deductions that can be made from the studies that discussed the relationship between trade policy and employment growth are as follows:

First, Armah (1993)'s study showed that there was no consistent relationship between average annual employment growth rates and trade policy orientation or export promotion. The study reveals that the existence of intervening programs such as policies directed at eradicating or reducing redundancies in the public sector made it difficult to establish any clear relationship between trade policies orientation and employment over the period studied. At a much more disaggregated level, his analysis suggests that an open trade policy has led to employment generation in the cocoa growing areas relative to employment in non-cocoa growing areas. It may therefore be inferred from his analysis that there are employment creation benefits from open trade policy in coco growing areas. On the contrary, a key deduction from Aryeetey (2007) and ISSER (2004) is that import liberalization has generally led to job-losses in the import-competing production sector due to lack of capacity by some local firms to compete effectively. In the case of the manufacturing sub-sector, there have been some increases in manufacturing's share of total employment but the increase has been marginal. Additionally, the export sector has been unable to generate significant levels of employment due to the dominance of primary commodities and limited share of manufactures in exports which reflect a weak export base. Hence, the findings by Aryeetey (2007) and ISSER (2004) suggest that an open trade policy has not had the desired impact on employment generation in the country.

Secondly, Ackah et al. (2012)'s study corroborates the analysis by ISSER (2004) that trade liberalization has not helped to generate employment in the manufacturing sub-sector. By focusing their study on manufacturing employment and wages, they conclude that trade liberalization in the form of tariff reductions has adversely affected employment in manufacturing. Additionally, worker wage in manufacturing has generally reduced as a result of trade liberalization and that unskilled workers are the worst affected. However, workers in exporting firms earn higher wages than those in non-exporting firms. Their findings support an earlier work by Ackah (2007) which concludes that tariff reduction widens the welfare gap between skilled and unskilled households. Ackah (2007) had deduced from his findings that tariff reductions make unskilled households disproportionately worse-off. However, the adverse consequences of trade liberalization can be considered as only short run adjustment costs. In the long run period, there is no significant tariff effect on household welfare. The explanation provided for this is that there could be some potential gains from trade liberalization in the long run period to atone for and offset the short run welfare loss. The evidence could also be supported by the assertion of the Ghana Living Standards Survey 6 Report that “a greater percentage of the working population experience decent works deficits and poor-quality jobs despite the possible increase in employment generation in the long run in the country.

Additionally, Abbey et al. (2017) confirms the findings by Ackah et al. (2012) that there are significant employment benefits from exporting by manufacturing firms. Abbey et al. (2017) conclude in their study that exporting increases employment generation, particularly for unskilled workers, in manufacturing MSMEs in Ghana. Worker remuneration is also higher for exporting firms in country.

Karinig et al. (2005) and a 2016 Report by the European Commission's Directorate-General for Trade which studied the likely employment and wage benefits of the EPAs also offer a number of conclusions. The first conclusion is that the primary sector (in particular, agriculture) is likely to benefit mostly from the FTA and deeper intra-African integration and experience some output losses under the EPAs with full reciprocity. Secondly, manufacturing stands to gain from deeper intra-African integration but likely to incur output losses from EPAs with full reciprocity. Thirdly, unskilled labour employment is likely to increase in most primary sector activities (except vegetables and livestock), energy, other natural resources and agro-processing sub-sectors, but could possibly decline in most manufacturing sector activities. Fourthly, in a situation where the EPAs aim for World Trade Organization (WTO) compliance that is based on free trade between the EU and SSA, there is likely to be an increase in both skilled and unskilled labour employment in agriculture (except cotton production) and light manufacturing (which is labour intensive) but a possible decline in skilled and unskilled labour employment in the energy and other natural resources sub-sectors, and heavy (and capital-intensive) industries. Additionally, real returns to unskilled labour are likely to decline whilst real returns to skilled labour could possibly increase under deeper intra-African trade and EU-SSA FTA.

The empirical evidence by Aryeetey et al. (2004) at the macro level indicates that, in general, FDI (and for that matter foreign ownership) has not been employment-friendly for the period between 1992 and 2002. However, the evidence provided by Abor and Harvey (2008) at the micro level, using data on manufacturing firms suggests that FDI in manufacturing has contributed positively to employment generation. However, its impact in terms of increasing wages has not been significant. Gorg and Strobl (2002) indicate that FDI has mostly led to a rise the demand for skilled workers. On the contrary, Awudi (2002) finds that FDI in mining has not been employment-friendly due to the associated capital-intensive technology applied in the sub-sector.

7.2 Recommendations and Identifiable Issues for Further Research

Due to the large number of workers in the informal sector of the economy, the issue of decent work need to be urgently addressed as the GLSS 6 Report indicates that a large number of employees are not in decent jobs based on the ILO definition. To promote decent work in the country, The Ministry of Employment and Labour Relation in collaboration with all stakeholders should develop decent work programmes to educate workers on social protection laws and also ensure effective enforcement of labour laws in order to protect workers from indecent employment.

One of the implications of the findings of the surveyed literature is that even though export promotion has comparatively higher employment generation capacity due to the significance of labor-intensive exports as a source of employment, broader economic costs associated with limited exports diversification and low value additions to exports make it difficult to rely on export promotion drive as a long term strategy for employment generation in the tradables sector. The recommendation is that further research needs to be done to assess the employment benefits of an export promotion drive that favors primary export production compared to the widespread economic costs of such a program. This is an important issue that has not been addressed in the identified literature.

It should also be noted that Ghana has pursued deeper trade reforms cast in the form of import liberalization and export promotion drive for three decades which suggests that further studies must be carried out to unearth the full impact of the trade reforms on employment in the country.

Another recommendation that can be made for public policy is that some form of protection may be required for import competing manufacturing enterprises in Ghana. This could take the form of the imposition of special import tax on manufactures that have competing domestic substitutes.

Public policy must also focus on providing incentives for firms to export because of it is an important means of generating jobs by manufacturing firms in Ghana (Abbey et al., 2017). Accompanying measures to ease constraints on the business environment must also be considered to help attract more firms into exporting.

A further suggestion that can be made is the need to reconsider Ghana's position and participation in some of the trade agreements, such as the EPA which seeks to liberalize about 80.9% of tariff lines on imports from the EU since the dismantling of tariffs could adversely affect employment and output in the manufacturing sector of the country. It can also be inferred from the reviewed literature that the development and employment of skilled labour is important for minimizing the adverse consequences of trade liberalization for employment in the manufacturing sector. As suggested by Ackah et al. (2012), the evidence of wage-reducing effect of tariff reductions may point towards the fact that economic rents from tariff reductions are not passed on for workers' benefits. Additionally, the evidence of relatively higher wages earned by workers in low-tariff export oriented manufacturing firms compared to wages earned by workers in low-tariff non-exporting firms following liberalization suggests that manufacturing firms must be encouraged to be export-oriented in addition to serving the domestic market.

As suggested by Karingi et al. (2005), Africa (and for that matter Ghana), stands to gain if ample lead-time is given for SSA countries to develop the needed competitiveness through the support of the EPAs with initial focus on deepening intra-African trade. In this way, massive job creation for both skilled and unskilled labour would be assured in agriculture and the labour-intensive light manufacturing sub-sectors. This effort would have to be complemented by substantial developmental programmes such as programmes and projects directed at modernizing agriculture as a measure to maximize the likely employment benefits from the EPAs with full reciprocity. This recommendation stems from the findings that unskilled labour employment is likely to increase in agriculture and agro-processing, except for vegetables and livestock. Additionally, since skilled labour is likely to benefit the most under EPAs with full reciprocity, in terms of labour employment demand and real returns, one of the significant complementing development programmes should be the development of skilled labour that would also help to increase supply and diversified capacities. Unrestricted market access for African exports into the EU market, in addition to the consolidation of intra-African trade should be the starting point, whilst more time should be given beyond the stipulated lead-time for introducing reciprocity.

In terms of the household welfare impact of trade policy in Ghana, the suggestion from the literature is that the ability of households to gain from trade liberalization greatly depends on human capital (skill). Trade liberalization makes returns to skill more pronounced and increases its effect on household welfare. The meaning of this is that the positive welfare impact of trade liberalization can be enhanced if poor unskilled households get educated and trained beyond the basic level of education to improve their skill. The empirical evidence also points to the fact that there is complementarity between human capital and trade liberalization with human capital being one of the important transmission mechanisms through which trade liberalization enhances household welfare. Public policy therefore would be to minimize the short run costs and maximize the long run benefits of trade liberalization through effective interventionist programs.

Additionally, FDI policy should focus on encouraging foreign direct investment into sectors with the highest capacity to generate employment, such as the manufacturing sub-sector which also has strong backward and forward linkages with the rest of the national economy. Furthermore, the development of local skilled manpower would enable the country to maximize gains from FDI.

One of the issues that can be raised from surveying the literature is that it remains to be investigated whether there are any long term benefits from trade liberalization, in terms of the employment and wage effects. We infer from surveying the literature that trade liberalization has

short term adverse effects on employment and wages, and that part of the short term costs of trade liberalization are reductions in employment and wages. As such, an investigation would be required to unearth the long term impact of trade liberalization on employment and wages in Ghana. Another inference that can be made from a review of empirical studies is that there has been an increase in employment in export-oriented firms facing low tariffs, which suggests that increasing exports during trade liberalization can lead to an increase in employment generation. However, no empirical studies have yet been identified that directly tests the employment effect of Export Promotion measures in Ghana. Thirdly, the period after 2000 has not yet been covered in studies that relied on the Ghana Living Standards Survey to estimate the relationship between Trade and Employment. Two more rounds of GLSS reports have been produced to cover the periods 2005/06 and 2012/13. Frequent changes have been made to tariffs in the country since 2000, and hence it will be necessary to investigate to ascertain what impact this could have on employment in Ghana.

One key limitation of the surveyed literature is that data on decent jobs is not at the disaggregated level to permit for studies on how trade policy and actual outcomes from trade affect decent jobs in the country.

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