

GLOBALIZATION, EMPLOYMENT AND POVERTY IN GHANA

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OUTLINE

- Introduction
- Overview of Ghanaian economy
- Trade, FDI and employment
- Trade, FDI, poverty and income distribution
- Case study: FDI and poverty in the mining sector
- Summary and conclusions

INTRODUCTION

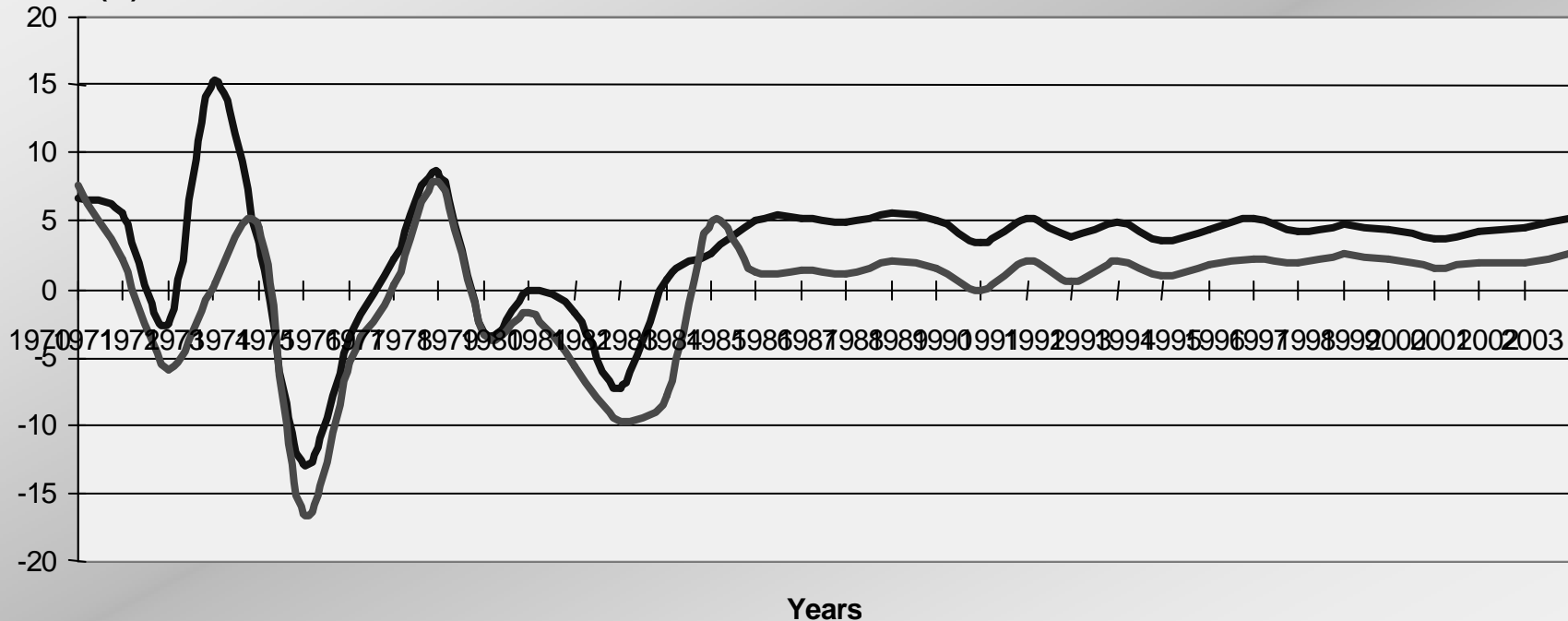
- Two decades of economic reforms have brought about greater interaction between the economy and the rest of the world.
- Consequently globalisation has become a major aspect of the economy and society, not only in terms of external trade, but also in terms of aid, FDI, technology transfer, etc.
- While globalisation generates positive benefits in parts of the economy, it is perceived to have worsened poverty and income distribution in other parts of Ghana.
- The preponderance of rural poverty compared to urban

OVERVIEW OF THE ECONOMY

- Since 1983, when economic reforms commenced, significant and steady growth has occurred.
- Aryeetey and Tarp (2000) have argued that growth in the 1980s was the result of large public investments financed from increased aid flows.
- In spite of sustained positive growth, there is no evidence of structural change in economy.
- Although agriculture is the largest sector, growth in that sector lagged behind the services sector for long periods.
- External trade performance has witnessed marginal transformations with a continued dominance of primary exports, although there is significant rise in non-traditional exports.

Figure 1: Real GDP Growth and Real Per Capita GDP Growth, 1970-2003

Growth rate (%)



— Growth in Real GDP — Growth in Real per capita GDP

TRADE, FDI AND EMPLOYMENT

- External trade policy has evolved from a regime of controls to a liberal one with emphasis on export diversification.
- Several initiatives in place to boost growth in non-traditional exports – TIP, PEED, AGOA, EDIF, AND PSIs.
- A changed attitude towards private investment led to a revision of investment code and efforts to create an enabling environment for investments.

- Impact of initiatives on employment is muted.
- The mining, quarrying and financial services sub-sectors as well as the export processing zones have witnessed the most significant increases in employment.
- Using RPED data, studies suggest an increase in the use of imported capital in Ghanaian production and a consequent increase in demand for skilled labour with positive influences on worker productivity.
- Regression results showed that openness had marginal effects on employment after 1991.

Table 4. Formal Sector Employment by Industry and Activity ('000)

	1980	1985	1991
Agriculture, Hunting, Forestry and Fishing %	54.9 16.3	56.4 12.1	14.7 7.9
Industrial %	87.9 26.1	108.1 23.3	47.2 25.3
Manufacturing %	35.1 10.4	51.7 11.1	20.6 11.1
Mining and Quarrying %	23.8 7.1	25.2 5.4	17.1 9.2
Construction %	22.4 6.6	23.2 5.0	7.8 4.2
Electricity, Water and Gas %	6.6 1.9	8 1.7	1.7 0.9
Services %	194.4 57.7	299.8 64.6	124.4 66.8
Total	327.2	464.2	186.2

Table 9. Employment of Active Population Aged 15 and Above by Type of Industry (Thousands)

Sector	1991/1992		1998/1999	
	Percent	Absolute	Percent	Absolute
Agriculture	62.2	3744.4	55	5566.0
Mining/quarrying	0.5	30.1	0.7	70.8
Manufacturing	8.2	493.6	11.7	1184.0
Utilities	0.1	6.0	0.1	10.1
Construction	1.2	72.2	1.4	141.7
Trading	15.8	951.2	18.3	1852.0
Transportation/Communication	2.2	132.4	2.2	222.6
Financial Services	0.5	30.1	0.8	81.0
Community/Social Services	9.3	559.9	9.8	991.8

TRADE, FDI, POVERTY AND INCOME DISTRIBUTION

- The 1990s witnessed a decline in overall poverty from 51.7% in 1991/92 to 39.5 in 1998/99.
- However, wide disparities exist within and across regions – poverty is predominantly rural, with the northern sector being the most poor.
- Aryeetey and McKay (2004) indicate that the reduction in poverty implied a growth elasticity of poverty incidence of about 0.98.
- But the poorest of the poor have not participated in the growth and poverty reduction experienced over the period.
- Overall, there appears to be no consistent relationship between openness and poverty trends in Ghana.

FDI AND POVERTY IN THE MINING SECTOR: A CASE STUDY

- FDI has been directed mainly to the mining sector, hence the case study.
- In terms of employment, there have been substantial declines in spite of increased FDI and production.
- Although indirect employment increased initially, it has subsequently declined.
- Small informal mining activities however possess substantial capacity for employment generation given the necessary support.
- The inability of the formal sector to generate more employment reflects the lack of value addition within the sector.

- Although there have been substantial transfers of technology, there is no data on skills transfers.
- There is however, skills upgrading for senior staff as opposed to junior staff.
- The influx of expatriate staff is expected to result in minimal transfers of skills to workers at all levels.
- In real terms incomes within the sector have increased.
- But this has little bearing on incomes in the vicinity of the mines.
- Many communities are exposed to substantial negative externalities from these mining activities.
- Mining activities also negatively impact on the socio-

SUMMARY AND CONCLUSIONS

- After several years of stagnation, economic reforms engendered sustained economic performance and a growing importance of external sector.
- External trade composition has however not changed significantly.
- FDI has been substantial in mining, telecoms, etc.
- Greater openness has not led to widespread increases in employment.

- While the incidence of poverty has declined, it has not been uniform across the country.
- While no clear consensus exists on the effect of trade openness and increased FDI on poverty and income distribution, the data suggests that export crop farmers have benefited most compared to food crop farmers.
- The mining sector, with significant FDI has not generated substantial employment, but brought significantly higher incomes to the skilled force.