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PRIVATE SECTOR DEVELOPMENT IN GHANA

Sustainable Employment Generation, Corporate Governance and the Informal/Formal Economy

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*Sustainable Employment Generation,
Corporate Governance and the
Informal/Formal Economy*

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Private Sector Development:
Promoting Good Corporate Governance for Increased and
Sustained Employment in the Formal and Informal Economy

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1. Headline Review of Employment Status in the Economy of Ghana: Analysis of the National Development Challenge (1)

Over the last decade, Ghana's real GDP has grown steadily at 4 per cent per annum on average. Sectoral growth rates in agriculture, industry and services have also remained reasonably positive. However, the macro-economic performance has not facilitated the needed structural transformation of the economy; consequently, the economy continues to depend on primary commodity exports. At about 36 per cent of GDP, the contribution of agriculture has changed little since 1961 when it reached 35 per cent. Primary commodities account for 61.2 per cent of exports on average compared to 11 per cent for manufactured goods (1997-2001). Ghana's external debt grew from 41.4 per cent of GDP to 132.2 per cent over the period 1983-2000, revealing significant levels of dependence on external financial flows.

The lack of structural transformation of the Ghanaian economy has constrained the development of new and better employment opportunities and a fuller utilization of the labour force. The majority of employment opportunities continue to consist of low-income agricultural and informal activities. Formal public and private sector jobs have declined. Persistent unemployment, underemployment and growth of precarious forms of employment remain central features of the economy.

The employment situation in the country and the incidence of poverty are well correlated. Income poverty results from unemployment, underemployment and very low incomes from low productivity jobs.

Public sector employment experienced a 62 per cent job loss, having declined from 4 million in 1984 to 1.4 million in 2000. During the period, the labour force increased from 5.6 million to 8.8 million, recording a growth rate of 3.3 per cent per annum and 57 per cent over 16 years (1984-2000).

Of the current population of about 21 million, about 8 million live in poverty of which over 5 million live in extreme poverty. 9 million Ghanaians or 45 per cent of the population live on less than \$1 per day; 15 million Ghanaians or 78.5 per cent of the population live on less than \$2 a day. In general, progress towards reduction in unemployment and poverty has been sluggish, given that the extreme poverty band declined from 37 per cent to 27 per cent between 1992 and 1999; over the same period, the poverty band (upper poverty line) declined from 52 per cent to 40 per cent.

2. The Private Sector in Ghana in its relationships with Employment Creation

2.1. Overview of the private sector in Ghana

A Private Sector Development Strategy (PSDS) document dated December

2003 was approved by Cabinet in January 2004 and launched by the President of the Republic of Ghana in July 2004.

The PSDS document defines Private Sector as a "*shorthand term for the system of the operation of markets; also used interchangeably with the term business sector; and often used in contrast to the set public sector*, meaning institutions, organizations and entities under the control and management of *Government*, central, regional, district or local.

The market system is the organizing principle of economic activity; markets are where and how private sector development takes place, ranging from international commodity markets to local open-air markets, to cyber markets, etc.

A more formal definition of markets is a system in which the allocation and exchange of resources is determined in a decentralized way by those who control the resources, based on price signals.

Most of the constraints hampering the efficient operations of markets in Ghana are caused by Government: due to either poor service delivery or to the imposition of undue costs on the private sector; weak, inefficient administration by the public service translates into lost time, wasted money, higher risk and inefficiency for individual businesses. (2)

Private sector operators and their enterprises also have characteristic weaknesses. (3)

Constraints to Private Sector development are regrouped into three distinct levels: international, national and enterprise or firm levels. Views were collected from senior politician's, members of parliament, national and

International academics, research institutions and think tanks, manufacturing, agro-processing and forestry firms, and operators of small and medium-sized businesses (2, 3) and summarized as follows:

International Level Constraints

- Terms of trade conditions
- Limited identification of key markets
- Inadequate export promotion

National Level Constraints

- Taxes, levies and fees; rates and administration
- Business practices
- Ineffective incentive systems
- Access to land; land title and land use
- Macroeconomic environment
- Infrastructure: energy shortages and power outages, high transport costs, water supply interruptions, telecommunication hassles
- Bureaucracy; complexity and non-transparency of regulations
- Unpredictability and uncertainty of laws and policies
- Business registration and approvals
- Corruption
- Access to credit
- Utility connections and services
- Customs administration
- Limited application of scientific technology to country's natural resources
- Public sector attitudes and performance
- Labor laws
- Lack of focus on priority areas of comparative advantage

Enterprise Level Constraints

- Informal nature of businesses
- Limited managerial skills; limited training
- Lack of trust
- Access to finance
- Inadequate investments in productive enterprises

- Inadequate agricultural and industrial linkage, research and extension support
- Low labor productivity
- Lack of industrial raw materials
- Poor marketing

2.1.1 Ghanaian Private Sector, Characteristics: Employment trends and sectorial share in total employment

Table I presents the distribution of the economically active population by sector and establishes employment trends from 1984 through 2000. (4)

More than half of economically active Ghanaians are found in agriculture, however between 1984 and 2000 the agriculture sector's share of the total labor force declined by about 10 percentage points from 61.1 per cent to 50.7 per cent

Table 1. Distribution of economically active population by sector (%)

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

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

The services sector is the second largest source of employment; its share in total employment increased by 7 percentage points during the period (1984-2000) from 26.1 per cent to 33 per cent. The additional employment was mainly recorded in the trade and commerce sub-sector -

The industrial sector's share in total employment during the period increased only by three and a half (3 '12) per cent, from 12.8 in 1984 to 16.3 per cent in 2000.

2.1.1.1 Sectorial contribution to GDP

Between 1996 and 2003, the industrial sector's contribution to GOP was 25.1 per cent on the average, ranging from 24.9 to 25.5 per cent. (Table 2)

During the period, the agricultural sector's contribution to GOP averaged 36.1 per cent, ranging from 34.99 to 36.72 per cent.

The services sector's contribution to GOP ranged from 28.05 to 29.91 per cent for the same period 1996-2003, with an average of 29.3 per cent. (5)

2.1.1.2 Contribution to GDP by sector by unit of economically active population

Using figures for year 2000, 35.6 per cent of GOP was created by 50.7 per cent of the economically active population working in the agricultural sector. 29.7 per cent of GOP was created by 33.0 per cent of the active population working in the services sector. In the industrial sector, 25.5 per cent of GOP was created by 16.3 per cent of the economically active population working in the sector. The ratio Share of GOP per unit of economically active population translates to: Agriculture-0.70; Services-0.90; Industry-1.56.

The industrial sector therefore creates more wealth per person than the services sector and the agricultural sector in that descending order by a ratio

Industry: Services: Agriculture = 1.56: 0.90: 0.70.

Table 2. Sectorial contribution to GOP, 1996-2003 (%)*

	1996	1997	1998	1999	2000	2001	2002	2003
Share to GOP**								
Industry	24.90	25.40	25.10	25.20	25.50	24.90	24.93	24.90
Agriculture	36.54	36.58	36.72	36.60	35.60	34.99	35.84	36.13
Services	28.05	28.68	29.05	29.00	29.70	29.90	29.91	29.77

*At 1993 constant prices

**The Figures under this heading do not add up to 100% because indirect taxes are excluded

Source: Ghana Statistical Service

2.1.2 Enterprise Characteristics, By Size

Figure I summarizes Enterprise Characteristics by size into:

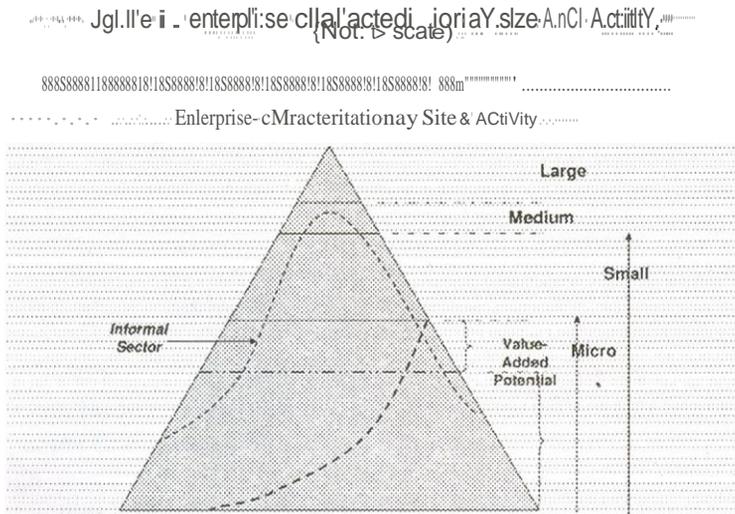
Small-scale businesses, where the number of employees is up to 29 workers including Micro-enterprises with 1-5 employees. The value of their fixed assets excluding land and buildings is less than US\$ 1 0,000.

Medium-scale businesses employ 30-99 workers; their fixed assets excluding land and buildings are worth not more than US\$1 00,000.

Large-scale businesses employ 100 workers or more and their assets excluding land and buildings are worth more than US\$ 1 00,000. (6, 7)

Using examples from the manufacturing sector, a sub-sector of industry, Table 3 presents year 2003 statistics on the different types of enterprises in Ghana by size.

Micro-enterprises constitute 55 per cent of all manufacturing businesses in Ghana and employ only 15 per cent of the persons engaged in the sector.



Small-scale enterprises, including micro-enterprises, comprise 96 per cent of all manufacturing businesses in Ghana and employ only 53 per cent of persons engaged in the sector.

Medium-scale enterprises constitute only 3 per cent of manufacturing businesses but employ 13 per cent of persons engaged in the sector.

Large-scale enterprises constitute only ONE per cent of manufacturing businesses in Ghana but employ 34 per cent of all persons engaged in the sector.

Table 3. Statistics of Manufacturing Enterprises in Ghana (2003)

Enterprise Classification	No. of Persons Engaged	No. of Enterprises	Persons Engaged Per Enterprise	% of Persons Engaged	% of Enterprises
Small (1-29) including Micro (1-4)	127,841	24,992	5	53	96
Medium (30-99)	32,726	687	48	13	3
Large (> 100)	18,033	252	72	34	1

2.1.3 Enterprise Characteristics: by ownership, by registration.

The annual number of registered businesses (8) recorded at the Registrar-General's Department over the decade 1993-2003 is presented in Table 4.

Table 4. Annual registered number of businesses, 1993-2003

Year	Limited Liability		Sole
	Companies	Partnerships	Proprietorships
1993	5,227	121	10,346
1994	6,091	173	12,303
1995	6,089	190	13,045
1996	6,323	221	13,986
1997	6,147	195	13,560
1998	5,106	202	12,243
1999	5,482	232	12,859
2000	5,576	225	15,146
2001	6,189	261	15,952
2002	4,134	204	10,884
2003	4,893	196	11,844

Source: Registrar General's Department

There are three types of businesses: sole proprietorships, partnerships and limited liability companies. Most businesses in Ghana are registered as sole proprietorships. In 2003 for example **II**, 844 such businesses were registered as against 4,893 limited liability companies and only 196 partnerships.

There are 29 companies listed on the Ghana Stock Exchange and a fewer number of public companies whose shares are traded over the counter; these businesses are all limited liability companies.

Ownership of companies is classified as

- **Ghanaian**, (a) private (b) State-owned Enterprise, operating under

Companies Code (Act 179)

-

Foreign

- **Joint** venture (Ghanaian &

Foreign)

**Table 5 ENTERPRISE CHARACTERISTICS:
Size, Ownership, Registration**

	SIZE		
	Small	Medium	Large
Ownership			
Ghanaian	+++++++	+	+
Foreign		+	+
Joint Venture (Ghanaian Freedom)		+	+
Registration			
Sole Proprietorship	+++++++		
Partnership	+		
Limited Liability Company		++	++

In Table 5, an attempt is made to map out the size of enterprise against other characteristics such as ownership and registration type to show the preponderance of small enterprises and sole proprietorships among Ghanaian enterprise sees.

2.2 Informal Sector

Forty per cent of Ghana's gross national income is attributable to informal sector activities, compared with 18 per cent in European OECD countries. (9) Most micro and small enterprises in Ghana therefore operate in the informal sector. (Figure 1)

Table 6: Establishments in manufacturing by size and region (2003)

Region	Establishment size**									Total
	1-4	5-9	10-19	20-29	30-49	50-99	100-199	200-499	500+	
western	973	678	180	30	16	18	9	8	8	1920
Central	1503	682	190	43	27	16	7	6	2	2485
Greater Accra	4029	1635	531	140	100	75	49	37	14	6610
Volta	599	435	161	38	33	26	10	3	3	1308
Eastern	1909	719	219	34	41	28	5	6	4	2965
Ashanti	3011	2355	721	152	71	45	25	25	7	6412
Bron_g Ahalo	1078	429	161	27	29	14	10	1	3	1752
Northern	487	433	132	50	71	53	5	1	-	1232
Upper East	379	335	89	21	8	6	1	-	-	839
Upper West	299	127	33	6	5	5	3	-	-	408
Total	14197	7828	2426	541	401	286	124	87	41	25931
Percent	55	30	9	2	2	1	0	0	0	100

Source: Ghana Statistical Service

Informal sector enterprises exhibit the following characteristics (10, 11):

- Largely non-entrepreneurial, subsistence activity, earning very low incomes
- Unregistered businesses
- Operators have low educational attainment, 87% primary or no formal education
- Unstructured, high-risk, chaotic, extra-legal, bottom of the pyramid

- Limited access to credit
- Low level of technology use, limited vertical integration
- Lack of institutional framework to overcome disadvantage of extreme small size.
- Over 80% of Ghana's workforce contained here .

2.3 Overview of manufacturing Sub-sector/ Economy-wide Employment Indications

Table 6 presents the number of manufacturing establishments in Ghana by region, indicating the size of enterprises by the number of persons engaged. Since the industrial sector creates more wealth than agriculture or services, regions with higher numbers of manufacturing establishments will have greater numbers of employed persons with improved income earnings; the incidence of poverty is expected to be generally lower in such regions. Earnings and quality of life of employed persons are expected to improve further in regions where greater numbers of larger industries are located .

At the national level, across sectors, only 15 per cent of the working population is employed by public or private sector organizations; about 68 per cent of the employed population is self-employed with no employees and only 5.2 per cent is self-employed with one or more employees. (23)

3. Overview of Current Initiatives for Private Sector Development and Employment

The Growth and Poverty Reduction Strategy (2006-2009) is the second phase (GPRS II) of the Ghana Poverty Reduction Strategy. (12) It is a coordinated programme of social and economic development that integrates all national policies, strategies and initiatives into one comprehensive development framework, especially the

- Ghana Trade Policy
- Private Sector Development Strategy
- Food and Agriculture Sector Development Policy

While operationalizing Ghana's international commitments under the

- United Nations Millennium Development Goals (MDG),
- New Partnership for Africa's Development (NEPAD), and
- On-going multilateral and bilateral programmes.

GPRS II emphasizes the acceleration of economic growth and poverty reduction through private sector-led wealth creation and employment generation. It focuses on macroeconomic fundamentals essential to changing the structure of the economy by developing the private sector, diversifying the export base, increasing agricultural productivity and raising rural incomes. It is envisaged that economic growth will come from emerging opportunities in an enlarged market access through international trade hence the elaboration of two parallel strategies (13) to add value to natural resources and enhance the competitiveness of local production through

- An export-led industrialization strategy, and
- A domestic market-led industrialization strategy based on import competition.

The policy thrust of GPRS II is to maximize output and employment in human-centered development predicated on

- Continued macroeconomic stability
- Accelerated private sector-led growth
- Vigorous human resource development, and
- Good governance and civic responsibility

3.1 Private Sector Competitiveness

Consistent with a strategy for private sector-led wealth creation and employment generation, constraints, which hamper private sector competitiveness and accelerated growth, were identified. The critical bottlenecks include:

- Poor regulatory environment
- Inadequate physical infrastructure
- Ineffective capacity of businesses
- Inefficient business support services
- Non-accrual of benefits of private sector development initiatives to micro-enterprises and informal sector

The focus of policy under GPRS II is to remove structural and institutional constraints through strategic interventions to significantly improve the business and investment climate. The following broad areas have been targeted through action lanes of the Ministry for Public Sector Reforms or under the Trade Sector Support Program or Private Sector Development Strategy:

- Encourage and facilitate efficient provision of public services
 - Install a change of mindset in the public sector supportive of the private sector
 - Improve Ghana's access to global and regional markets
 - Enhance the efficiency and accessibility of national markets
 - Strengthen the capacity and competencies of enterprises to operate effectively and efficiently
 - Enhance government capacity for private sector policy formulation, implementation, monitoring and evaluation
 - Facilitate removal of legal and institutional bottlenecks
 - Facilitate entrepreneurship and innovation and access to capital
- And above all ensure that private sector development programmes are complementary and cover a broad range of needs. (14)

3.2 Employment Generation

It is expected that removal of constraints in the operations of the productive sector will lead to expansion in production of goods and services which will require expansion in quality employment. Ghanaians will then be provided with opportunities to earn new and improved incomes as the benefits of shared growth accrue from accelerating economic development.

Towards this end, a broad employment policy under GPRS II will focus on (15):

- The adoption of a national policy for enhancing productivity, incomes and wages with equal opportunities for men and women in all sectors of the economy
- Ensuring the implementation of a coherent employment policy on the Youth, vulnerable and excluded
- Needs-oriented human resource development, including technical, vocational education and training
- The adoption of a comprehensive policy for monitoring and evaluation of employment information, and
- Improving existing policy on social protection and social dialogue at the workplace

Creating new jobs depends primarily on accelerating economic growth; but growth alone will not always translate into employment opportunities for all. An integrated employment strategy emphasizing entrepreneurship, employability, equal opportunity and employment creation as highlighted at the ILO/AU Summit on Employment and Poverty Alleviation (2004) in Burkina Faso will be found necessary. (16)

3.3 Corporate Governance

GPRS II has elaborated strategies for good Corporate Governance in Ghana to

- Ensure that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability

- Promote the adoption of codes of good business ethics in achieving the objectives of the organization
- Ensure that corporations treat all their stakeholders in a fair and just manner
- Provide opportunity for service recipients to hold corporations and directors to account

A country's system of corporate governance comprises a set of rules and behaviors, formal or informal, accepted practices and enforcement mechanisms, private and public, according to which companies are managed and controlled. A good corporate governance model will achieve its goal by setting a proper balance between entrepreneurship and control, as well as between performance and conformance. (17)

One of the greatest challenges facing private sector development in Ghana is how to transform local systems of economic and political governance, including corporate governance, from highly personalized, relationship-based structures, which create the large numbers of unincorporated individually owned businesses into effective rules-based systems, which foster the growth of larger businesses. (18)

Sound corporate governance can

- increase access to external financing by firms, which can lead to larger investments, higher growth, and creation of more jobs
- lower the cost of capital and raise the value of the firm, making investments more attractive, which in turn can lead to growth and more employment.

Good corporate governance

- produces better operational performance through better allocation of resources and better management, creating wealth more generally
- can reduce the risk of financial crises, which can have devastating economic and social costs
- can lead to better relationships with all stakeholders, and thus improve labor relations as well as the climate for improving social aspects such as environmental protection. (19)

The IFC (20) has assembled evidence from studies in several countries, which indicate that good governance helps obtain cheaper debt, and improves company operations, and that investors will pay for good governance. For example,

- In a 2002 McKinsey survey, institutional investors indicated that they would pay premiums averaging 30 per cent to own well-governed companies in Africa
- A study published in University of Texas Law School Working Paper No. 39, of August 2004 concluded that well-governed firms in Korea traded at a premium of 160 per cent to poorly governed firms
- An ABN/AMRO study showed that Brazil-based firms with the best corporate governance ratings garnered 2004 PIE ratios (Share Price/Earnings per Share) that were 20 per cent higher than firms with the worst governance ratings; firms with above-average corporate governance had ROEs (Return on Equity) that were 45 per cent higher and net margins that were 76 per cent higher than those with below-average governance practices.

4. Economic Sub-Sectors with High Potential for Growth and Employment Generation in Ghana.

GPRS II recognizes agro-industrial and its support sectors as a base for accelerated growth and employment generation but at the same time targets the following sub-sectors for development because of their potentials in employment and income generation:

- Exploration and exploitation of lesser developed minerals such as salt
- Value addition to traditional minerals
- Information and communication technologies
- Tourism, music and film industry
- Development and production of commodities under Special Initiatives for export, including garments and textiles. (26)

4.1 Agriculture

Increasing agricultural productivity in general is a goal that will impact economic growth rates and employment generation remarkably in Ghana. Modernized agriculture is therefore a long-term target for Ghana's development strategies acknowledged under GPRS I and II.

Agricultural production is modernized through applications of Science, Technology and Research, and in improving linkages with Industry. Industrial technology when applied to agriculture improves upon the tools, equipment, machinery and methods used in production to increase yield as in the use of tractors, irrigation. Industrial technology is also applied in adding value to agricultural produce as in controlled atmospheric storage and processing. Specific research techniques lead to the production of valuable materials for enhanced industrial performance as in tissue culture and other biotechnology applications. Management and organizational development techniques also assist in transforming traditional agricultural production units into modern enterprises (agribusiness).

Critical issues to be addressed to achieve a competitive private sector that supports accelerated growth based on agriculture, the strategies and required interventions have been elaborated in GPRS II. (21)

4.2 Industry

In the context of globalization and rapid technological changes, the path to competition for countries is either through lower wages and standards, and continuous depreciation of the national currency which Ghana witnessed for some two decades without real growth, or through innovation to improve processes and products in existing industries; to compete in higher value-added industry segments; and to venture into technologically more complex industries. Innovation demands upgrading technological, managerial and marketing capabilities; these efforts require investments, research and learning by doing.

Industries fall into the following technological classification; examples cited are not exhaustive:

- Resource-based industries: agricultural, fisheries and food Processing, wood, leather, refined petroleum, rubber products, minerals processing
- Low technology industries: textiles, garments, footwear, furniture, glassware, toys
- Medium technology industries: automotive, chemicals, metal products, machinery
 - High technology industries: electronics, ICT, pharmaceuticals, Biotechnology, precision instruments, aerospace, etc.

Ghana relies heavily on Foreign Direct Investment (FDI) for significant changes in the industrial sector and a lot of attention is paid to foreign investment campaigns at the highest levels of government. Nevertheless, the records reveal sluggish inflows of FDI with dire implications for employment creation particularly in industry. In fact, between 2000 and 2002, foreign investment inflows to Ghana declined from \$1;32.06 million through \$97.3 million in 2001 to \$65.13 million respectively. FDI inflows recorded for the period 2002 to 2004 were \$65.13 million for 2002, \$88.06 million for 2003 and \$143.73 million for 2004 of which the manufacturing sub-sector of industry received only 24.93 per cent in 2002, 18.54 per cent in 2003 and 15.17 percent in 2004. (32, 33)

In 2003, the Ghana Investment Promotion Centre (GIPC) registered 64 wholly new foreign-owned enterprises and 88 joint-venture businesses between Ghanaian and foreign partners. These investments were expected to create 7,237 new jobs for Ghanaians and 493 equivalent jobs for non--Ghanaians. The Ghana Free Zones Board (GFZB) also registered 35 firms in 2003 expecting to create 7,500 new jobs in that year. (22)

Shifting the balance from the age-old promotion of FDI enclaves to models linking FDI to in-country business alliances, forging relationships with local suppliers of materials, components and value-added services, through sub-contracting, partnership exchanges and other arrangements will lead to significant value retention in country which will have a phenomenal impact on employment generation country-wide. An example is the post-Kaiser revival of VALCO with ALCOA that plans to source bauxite locally for its processing plant in Tema in developing an integrated aluminum industry in the country. Wasted opportunities have been recorded in several sub-sectors such as in fisheries (tuna products export), wood, metal and mineral processing and similar investments, which deserve attention and rectification. The potential of a world-class competitive salt and allied chemical industry is yet to be realized.

In-country business alliances are a private sector undertaking, but it requires public sector interest, support and encouragement. It can be approached from the angle of corporate social responsibility under good corporate governance and negotiated at the inception and registration of FDI projects. It can be extended to include entrepreneurial and innovation partnerships between smaller local enterprises, universities and research institutions and the larger strategic investments. (3)

4.3 Services

The services sector is the second largest source of employment after agriculture, employing 33 per cent of the economically active population in year 2000. (23)

The services sector is also the second largest contributor to GDP at about 30 per cent of total contribution at 1993 constant prices (29.7% in 2000, 29.9% in 2001, 30% in 2002 and 29.8% in 2003). The Share of the Services Sector in Total GDP in Purchaser's Value was (32.7% in 2000, 33.0% in 2001, 31.0% in 2002, 29.8% in 2003 and 24.3% provisional estimates in 2004) an average of 30.2 per cent over the five-year period 2000-2004. Sectorial growth, which was 5.4% in 2000 and 5.1% in 2001, seemed to have stagnated in 2002, 2003 and 2004 at about 4.7 per cent. (24, 25)

Immense opportunities for economic growth and employment generation exist in the services sector. Some of these have been captured in GPRS II (26) and The Ghana ICT for Accelerated Development (ICT4AD) Policy, 2003.

The services sector in Ghana comprises six main branches:

- Transport, storage and communications
- Wholesale and retail trade, restaurants and hotels
- Finance, insurance, real estate and business services
- Government services
- Community, social and personal services, and
- Producers of private not-for-profit services

A strategic redefinition of the services sector to target Trade in Services will uncover new directions for economic growth and employment generation.

A traded service is any service sold to a foreign national regardless of location. The General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO) defined international trade in services, or services export, under four modes of supply: (1) cross-border, where services are sold in country to a buyer abroad (the service crosses the border); (2) services are sold to foreigners in country; (3) national companies established abroad selling services in foreign markets; (4) services sold or delivered abroad through the presence of the service provider temporarily in a foreign market. (27)

From a trade promotion perspective, services exports fall into five general categories that benefit from slightly different promotional approaches:

- Infrastructure services, including architecture, engineering, construction, transportation, distribution and financial services.
- Information Technology (IT) and related services, including computer consultancy, software development, data processing, data management and call centers.
- Business services (non-IT specific), such as research and Development, equipment leasing or maintenance, market research, management consulting, translation, investigation and security.
- Professional services, including licensed professions such as accounting, law, medicine, dentistry
- Quality-of-life services, such as education and training, health related services, entertainment, culture, recreation and sports.

A survey of service exporters in over 50 developing countries revealed that the majority are small firms with fewer than ten employees; in fact, 40 per cent of them had fewer than five employees. (28)

However, Information Technology/Business Process Outsourcing (IT/BPO) firms are the fastest employment generators in Ghana today. Affiliated Computer Services (ACS) established in the country in November 2000 with 85 workers, employed 1,400 persons early 2004 with an end of year

2004 projection of 2000 persons. There are currently 10 US IT/BPO firms in Ghana. (29)

National advantages being exploited here derive from geographic location which confers a four to five hour working time advantage to companies located in Ghana, and a common language, English.

Geographic location can also be exploited to full advantage in exporting transport and logistics services to shaolin land-locked countries in the West Africa region, using the ports of Tema and Takoradi and well developed road and water transport corridors to ship transit cargo. Similar prospects exist for passengers and cargo by air transport.

Common language advantage can also be more fully exploited in training **health care** providers for the U.S. and U. K. markets in response to demand and opportunities.

Tourism is one economic sub-sector with a recognized high potential for growth and employment generation in Ghana. Gross foreign exchange earnings from tourism rose by 8.2 per cent from 2003 figures raking in US\$

649.4 million In 2004. Tourism contributes 3.7 per cent to GDP with a 3.4 points multiplier effect on income. Direct employment from tourism increased from 26,000 to 33,094 in 2002, with indirect and induced employment rising from 64,000 to 82,129 over the same period, recording an employment multiplier effect of 3.5. (30)

Tourism is also a service export, mostly dependent on private sector initiatives, with the majority of operators being small and medium-sized enterprises. A value-based approach, promoting the concept of destination clusters, combining and coordinating the provision of:

- Resort/hotel supplies and related services
- Transport and logistics services
- Catering and agribusiness services
- Giftware and cultural services
- Professional services
- Attractions, entertainment/music

will create value, contribute to value-addition and improve levels of value retention in the country, which meet the national development objectives of employment creation and concomitant poverty reduction in defined economic zones around tourism sites. (31)

5. CONCLUSIONS

5.1 Critical Issues from Consultative Workshops on Employment Summit

Participants at the First Consultative Workshop "highlighted microeconomic rigidities, "corporatisation" or incorporation and formalization of informal sector operations; incorporating informal employment creation in local government planning and programs; strengthening operational linkages between informal and semi-formal micro-finance institutions and the formal network of rural and community banks," among their recommendations. They also observed that it could be "misleading to suggest that governments were, on the whole, desirous of promoting informal activities and that suggesting that activities in the informal sector should be promoted through official policies might not appeal to the objectives of decent employment". (32)

At the Second Consultative Workshop, participants emphasised the-following as issues, among others, that hold prospects for the creation of jobs: promoting good corporate governance, competition laws, consistency in public interventions, minimizing corruption; implementation of labour laws; incentive structure to motivate workers; improving the Ghanaian work ethic; judicious use of bargaining power by labour unions; identification and focus on core competencies, competitive advantage, market niche. (34)

The Third Consultative Workshop deliberated on human resource development and employment market information development and use. (35)

5.2 Ghanaian Private Sector- Informal versus Formal Sector Employment: Definitions and Trends

A convenient definition of formal sector employment is labour that has a legally enforceable contract and is a contributor to the Social Security and National Insurance Trust. (36) Informal sector employment is the residual obtained when formal sector employment is deducted from total employment. (Table 7)

From these definitions, and from available statistics, formal employment contracted from 333,000 in 1960 to 186,000 in 1991 in spite of the increase in the population of the labour force from 2.7 million in 1960 to 5.7 million in 1991. And in spite of the increase in the population of the labour force (economically active population) from 7,754,295 in 1997 to 8,774,557 in 2001, formal sector employment declined as a percentage of total labour force from 10.7 per cent in 1997 to 9.1 per cent in 2001.

Table 7. EMPLOYMENT: formal vs. informal sector estimates

Year	Economically Active Poo.	Formal	Informal
1960	2,700,000	333,000	
1991	5,700,000	186,000	
1997	7 754 295	829 710	
2001	8,774,557	794,220	7,980,337*
		<u>Public</u>	<u>Private**</u>
		675,087	119,133

*Informal sector employment constitutes over 90 per cent of active labour force.

**Private sector employment increased as a result of private sector or State-Owned Enterprises.

Formal Private Sector share of total employment (%):

1987/88- 7.4
1988/89 - 7.9
1991/92- 6.4
1998/99 - 6.7
2001 - 9.05

Public sector employment understandably contracted as a result of economic reforms and the pursuit of right-sizing policies of government that targeted the public sector. But in parallel, private sector formal employment also fell from 149,000 in 1960 to 31,000 in 1991. However, by 2000, private sector formal employment had grown to about 15 per cent of the total formal sector employment of 794,220 not as a result of net gains in the growth and expansion of the formal private sector itself but on account of the divestiture and privatization of state-owned enterprises. As a percentage of total labour force, formal private sector employment varied from 7.4 per cent in 1987/88 through 7.9 per cent in 1988/89 and 6.4 per cent in 1991/92 to 6.7 percent in 1998/99 showing on the average a significant decline over time.

The Ghanaian **Private Sector**, which is the business sector outside government, is then composed of only **15 per cent of formal sector** employees added to **90 per cent of the total labour force** that is constituted preponderantly by the **informal sector**. (36)

With those features and employment record, it is an enormous challenge for the Ghanaian **Private Sector to engineer an Increased and Sustained Employment in the Formal and Informal Economy by, or while, Promoting Good Corporate Governance. The challenges relate to identified micro-economic rigidities in the labour market, which have arisen from attitudes, practices, ethics, and developments, which have become an embodiment of Ghana's industrial relations.** The Labour Act,

2003, Act 651 came into force on May **its**, 2004. Its judicious implementation should introduce the needed flexible practices into industrial relations in Ghana, help restore labour productivity and promote Ghana as a competitive investment destination.

5.3 Mainstreaming Corporate Governance

Ghana undertook a country self-assessment in Corporate Governance in 2004 as a component of the African Peer Review Mechanism (APRM) under NEPAD. The President of Ghana would defend Ghana's report on December 15, 2005 before his peers at the African Union, offering the President the opportunity to present the outcome of the report's findings including recommendations and suggestions and outline modalities for the implementation of a plan of action. (37) The APRM is linked to GPRS II, the country's medium-term development framework, its expenditure framework (MTEF) and annual budgets.

Ghana is a member of the Pan-African Consultative Forum on Corporate Governance (PACFCG) whose objectives include the mainstreaming of good corporate governance in the private and public sectors as a priority measure; identifying and agreeing on priorities, key issues and challenges that need to be addressed to facilitate relevant and appropriate implementation of corporate governance standards and practices; and connecting with wider policy issues relating to corporate social responsibility, the MDGs, NEPAD,

Competitiveness, anti-corruption measures and others. PACFCG promotes good corporate governance through the banking system. , (38)

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The National APRM Secretariat, the Ghana Association of Bankers and the Private Enterprise Foundation through its member associations and affiliates, are promoting good corporate governance in the Private Sector in Ghana.

5.3 Incorporation and Formalization of Informal Sector Operations and Employment

The informal economy in Ghana and elsewhere in Africa is a reflection of the failure of mainstream policy over the years to respond to the social and economic development aspirations of the majority of the people. In the absence of sufficient well-paid jobs in the formal sector, constituted by employment in government or modern industry and commerce, the bulk of the working population has not depended on government to survive and develop. Indeed, they have used their own resources, their family labour and informal credit channels to create a livelihood and, for some, become more productive.

Ghana's resource endowments make agriculture and the informal economy the best targets for short-term interventions in large-scale employment generating schemes. However, current practices and records in these sectors do not make them attractive offers because of their low and irregular incomes and generally considered high-risk operations. (39)

The formalization of informal sector operations, (39, 40) especially those of enterprises that respond to growth-enhancing incentives, is the main challenge confronting government and the path for the structural transformation of the economy to progressively reduce the predominance of the informal economy's share of total employment. Promoting resource pooling in Enterprise Networks, clusters, cooperatives, etc. Are ways to catalyze the process of formalization? Individually, small and micro-enterprises may not be adequately understood in isolation from the specific environment in which they operate. Individually, they may not be efficient, but through collaboration, integration and resource pooling in a functional

Network, their individual flexible specializations could be harnessed to achieve higher levels of collective efficiency.

Education and training is the most strategic course of action to assist informal sector operators. Basic education that confers life-long functional literacy and numeracy skills, generates adequate self-confidence and empowerment in beneficiaries to enable them navigate the tortuous and uncertain business landscape. But education and training are not self-serving ventures or ends in themselves; they must be supported by discipline, rule of law and interventions targeting

- Provision of credit
- Business advisory and Extension services
- Technology enhancement
- Provision of planned and serviced parcels of land, or Workshop space and training in
- Business skills, including planning
- Marketing skills
- Entrepreneurship development

Within a congenial and motional legal and regulatory framework, in a stable macro-economic environment. (IO, 41, 42)

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