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Incomes in Ghana

Policy Discussion Paper

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Background Information

Like the economies of most African countries, the Ghanaian economy is divided into formal and informal sectors. The formal sector employs about 14 percent of the labour force aged between 15 and 64 years. The informal sector (including agricultural/rural sector) is the source of livelihood for the remaining 86 percent of the working age population. Agriculture is the backbone of the Ghanaian economy. Its share of GDP averaged 40 percent between 1995 and 2003 and serves as the source of employment for 55 percent of the labour force. The shares of industry and service sectors in the GDP are 28 and 32 percent respectively. Ghana's major exports are cocoa, gold and timber.

In the early 1960s, Ghana's economy was among the strongest in the developing world. Its per capita GDP in 1960 estimated then at US\$1049 was higher than the per capita GDP in Korea. However, the healthy state of the Ghanaian economy could not be sustained. In the late 1960s the economy went into a very severe recession. The economic decline persisted throughout the 1970s to the early part of the 1980s. By 1983 the GDP had declined by 16 percent cumulatively representing an annual average decline of about 1.4 percent. Between 1971 and 1983, agricultural output declined by 11 percent, industrial production almost halved while cocoa production declined by 60 percent. To reverse the negative trend, the government of Ghana initiated an economic recovery programme in 1983 with the financial and technical support from the IMF and the World Bank. Since then the economy has been growing at an average annual rate of 4 percent.

Despite the impressive economic growth in the past two decades or so the per capita GDP for Ghana's 19 million people remains less than \$400. The household survey conducted in 1999 revealed that two out of every five Ghanaians lived below the official poverty line which was estimated at approximately US\$376 per annum (based on exchange rate in 1999)¹. In some administrative regions and districts, especially in the northern part of the country, the incidence of poverty was estimated to be as high as 80 percent. According to the survey an **individual** in the poorest 20 percent of the Ghanaian population earned the equivalent of US\$69 per annum while an average **household**² in the poorest 20 percent of the population earned US\$409 per annum. The national *average household* and *per capita* incomes were US\$947 and US\$220 respectively [see Tables 1, 2 and 3]. As shown in Table 1, in March 1999, the average daily household income was US\$2.59. With average household size of four persons per household, the average daily per capita income was 65 US cents. Only households in the top 20 percent of the income distribution and those in Accra earned a per capita income of a little over \$1.00 per day. Members of the households in the poorest quintile (households in the bottom 20 percent of the income distribution) earned an average daily income of 19 US cents [see Table A3 in Appendix]. The figures show that a household

¹ Using nutrition-based poverty lines, the poor in Ghana are classified under 'Extreme Poor' and 'Poor'. The "Extreme poor" in Ghana are those in households with annual expenditure per adult between ₵700 000 and ₵ 900 000 (Figures are in March 1999 prices when exchange rate was ₵ 2 394 to US\$1). In US Dollar terms, the national poverty lines for extreme poor and poor were estimated at US\$292.40 and US\$376 per annum. The poverty line refers to the income/expenditure level required to cater for their nutritional and other essential needs of the members of the household. In March 1999 the exchange rate was ₵2394 for US\$1.

² According to the Ghana Living Standard Survey (GLSS4, 1998/99), the average household size of the poorest quintile (bottom 20%) of the population was 6 as compared to national average household size of 4.

member in the three northern regions of the country earned less than half of the average income in the South [see Table 2]. Rural incomes remain incredibly low [see Table 3].

Table 1: Average Annual Household and Per capita Incomes(National)
1999

	Mean Annual Household Income	Mean Annual Per Capita Income	Mean Daily Household Income	Mean Daily Per Capita Income
US Dollars	\$947	\$220	\$2.59	\$0. 60

Source: Ghana Living Standard Survey (GLSS4).

Table 2: Household and Per Capita Incomes by Region (1999)

Region/Zone	Mean Annual Household Income (US\$)	Mean Annual Per Capita Income (US\$)
Western	1 116	237
Central	612	185
Gt. Accra	1402	389
Eastern	858	173
Volta	815	220
Ashanti	1 065	260
B.Ahafo	962	229
Northern	648	88
U.West	602	86
Upper East	604	130
Zone		
North*	618	101
South*	976	242

Source: Ghana Living Standard Survey Report, Table 9.18, p.102

*Figures are averages of the regions in the North and South where the North comprises the three savannah regions (U. East, U. West and Northern Regions) and the South comprises the seven remaining regions.

Table 3: Household and Per Capita Incomes by Locality (1999)

Locality	Mean Annual Household Income (US\$)	Mean Per Capita Income (US\$)
URBAN	1 128	289
<i>Accra (the capital city)</i>	<i>1 462</i>	<i>406</i>
<i>Other Urban</i>	<i>994</i>	<i>249</i>
RURAL	843	196
<i>Rural Coastal</i>	<i>675</i>	<i>165</i>
<i>Rural Forest</i>	<i>983</i>	<i>218</i>
<i>Rural Savanna</i>	<i>744</i>	<i>146</i>
GHANA	947	220.

Source: Ghana Living Standard Survey, GLSS 4.

Trade union concern about low incomes

Trade unions have always called attention of policy makers to the low income levels in Ghana and the implications of such low incomes for productivity, economic growth and poverty reduction. The unions maintain that the widespread and increasing incidence of poverty in Ghana especially in the 1990s can be attributed to the structural adjustment policies. In its policies adopted at the 6th Quadrennial Congress held in 2000, the Trades Union Congress strongly criticised the structural adjustment policies and called for more human-centred policies to reduce the mass poverty in the country. As mentioned earlier, Ghana has consistently recorded a 4 percent real GDP growth per annum for over a decade without any significant reduction in the incidence of poverty. In fact, three Regions (Central, North and Upper East) recorded increases in the incidence of poverty during the 1990s. The experience in Ghana has demonstrated that economic growth *per se*, though necessary, is not sufficient for poverty reduction.

In fulfilment of its pledge to ensure that incomes are equitably distributed, the Trades Union Congress (Ghana) has initiated discussions with the other social partners with the objective of convincing them to work together toward achieving this goal. The National Tripartite Committee, comprising representatives of government, labour and private sector employers, has agreed in principle to consider the formulation and adoption of a comprehensive national incomes policy that will ensure that incomes are fairly distributed across the socio-economic groups, gender, regions, and that all categories of workers receive fair reward for their labour. The purpose of this paper is to provide some background information on the levels and distribution of income in Ghana to serve as a guide to the stakeholders involved in the on-going income policy discussions.

The rest of the paper is organised as follows: First, we assess the trends, levels and the sources of income in Ghana in the 1990s. As part of this we analyse the levels of wages and their relative importance in household income. Second, we attempt to explain the low levels of real income during the 1990s. We emphasise the role of inflation, the rapid depreciation of the national currency (the cedi), inappropriate government wages and tax policies, and the growing inequality in the income distribution. We conclude with a call for the formulation of a

national incomes policy and suggest some critical issues that should be addressed in the policy.

Assessing Income Levels in Ghana

We can assess incomes in two ways – in absolute terms and in relative terms. In absolute terms, we can say incomes in Ghana are low because many households are not able to meet their basic needs with their incomes. An indication of low incomes in absolute terms is the high incidence of poverty mentioned above. The latest household survey (GLSS 4, 1999) revealed that as high as 59 percent of food crop farmers were below the national poverty line. Among export crop farmers the incidence of poverty was 39 percent. The lowest incidence of poverty was recorded among private formal sector employees (11.3 percent). Among informal sector and public sector workers almost 1 out of every 4 was found to be below the poverty line [see Table 4].

In *relative* terms, we can assess incomes in different ways. We can compare current incomes with real incomes in the past (a selected year or period) depending on availability of data or we can compare current incomes in Ghana with incomes in comparable African countries (countries at the same level of economic development e.g. Sub-Saharan countries). The key question we are trying to answer is: what has happened to real incomes in Ghana over time?

Table 4: Incidence of Poverty by Socio-Economic Groups (1999)

Group	Incidence of poverty (%)
Public Sector Employees	22.7
Private Formal Employees	11.3
Private Informal Employees	25.2
Export Crop Farmers	30.7
Food Crop Farmers	59.4
Non-farm Self-Employed	28.0
Non-Working	20.4
Ghana	39.5

Source: Ghana Poverty Reduction Strategy, p.11 Figure 3.2

Trends in Income in the 1990s

Comparing average annual *household* and *per capita* incomes in 1992 with incomes in 1999 we find a fall in real incomes (in terms of US Dollars³). In 1992 average annual

³ The Cedi/US Dollar exchange rates for March 1992 and March 1999 were ₵400 /\$1 and ₵2394/\$1 respectively. Comparing incomes in terms of US Dollars is not the ideal method but given that base year for the computation of inflation for 1992 was 1977 and that for 1999 was 1997, real incomes based on the average Consumer Price Index Numbers for the two years are not directly comparable. Since inflation in the US over the 1992-1999 period was stable around 2% per annum and the value of the US dollar remained quite stable during the period in terms of major world currencies), expressing incomes in terms of the US Dollar is a good proxy for measuring the dynamics in real incomes.

household and **per capita** incomes were ₵480 000 (\$1200) and ₵107 000 (\$267.50) respectively. In 1999, annual household and per capita incomes had fallen (in terms of US Dollars) to ₵2 267 000 (\$947) and ₵527 000 (\$220) respectively – representing a fall of 21 percent in *household* incomes and 18 percent in *per capita* incomes. In 1992, the average annual **household** and **per capita** expenditure were ₵748 000 ((\$1870) and ₵167 000 (\$417.50) respectively. This means average incomes in 1992 enabled households to meet 64 percent of their average expenditure. In monetary terms, average annual **household** incomes fell short of expenditure by \$670 while the difference between **per capita expenditure** and **per capita income** was \$150 per annum. The situation worsened during the period between 1992 and 1999. In 1999, the average annual **household** and **per capita** expenditure were ₵4 244 000 (\$1773) and ₵987 000 (\$412) respectively. In nominal terms the annual household income shortfall as compared to household expenditure (in US\$) increased from \$670 in 1992 to \$826 while difference between annual **per capita expenditure** and **per capita income** increased from \$150 to \$192. The implication is that households were able to meet only 53 percent of their expenditure with their incomes as compared to 64 percent in 1992 [see Table 5]. This analysis shows that the gap between incomes and expenditure widened in the 1990s⁴. It is worth noting that the means by which households fill the wide gap between their incomes and expenditure poses a challenge to government in its effort toward poverty reduction and the “zero tolerance for corruption” in Ghana.

Table 5: Comparing Household Expenditure and Incomes in 1992 and 1999

Year	Average Household Expenditure		Average Household Income		Household Income as Percentage of Household Expenditure (US\$)
	<i>Cedis</i>	<i>US\$</i>	<i>Cedis</i>	<i>US\$</i>	
1992	748 000	1870	480 000	1200	64%
1999	4244000	1773	2 267 000	947	53%

Source: GLSS 3 & 4.

Sources of Household Income

The Ghana Living Standard Survey (GLSS4, 1999) groups household income sources into six. They are:

- Wages (income from employment);
- Income from agriculture;
- Income from non-farm self-employment;
- Income from rent (actual and imputed);
- Income from net remittance; and
- Other Incomes.

⁴ Some analysts attribute the difference between incomes and expenditure to misreporting of incomes. It is argued that household members are more likely to report their expenditure more accurately than their incomes. This may be true only to some extent. However, measurement errors due to misreporting of incomes alone cannot explain the wide gap between household expenditure and incomes. Perhaps the living standard surveys should start probing further to find out how households are filling the gap between their expenditure and incomes.

Over a third (37 percent) of average household incomes in Ghana comes from agriculture. This makes agricultural income the most important among the six components of household income. It is followed by non-farm self-employment income (31 percent). Income from employment (wages) forms nearly a quarter (23 percent) of household incomes [Table 6]. It is important to note that **labour income** (defined here as incomes from wage employment, agriculture and non-farm self-employment) forms 91 percent of all household income. Income from rent, remittances and other sources form only 9 percent of household income in Ghana.

Table 6: Components of household incomes in Ghana (1992 and 1999)

Income Component	Percentage of Total Income 1992	Percentage of total income 1999
Wages (Income from employment)	16.9	22.8
Income from agriculture	39.8	37.0
Income from non-farm self-employment	35.0	31.3
Income from rent (actual and imputed)	1.2	2.0
Income from net remittance	4.6	4.8
Other income	2.5	2.2

Source: GLSS 3& 4 Report, 2000, Table 9.20 p.103.

Income sources differ in their relative importance by region and by degree of urbanisation. In urban areas income from employment (wages) forms almost a third (32.3 percent) of household income as compared to 13.7 percent of rural household incomes. For rural households, the most important source of income is agriculture (54 percent) while income from non-farm self-employment is the most important source of income for the households in the urban areas. In terms of quintiles, wages form 29 percent of income of household in the top 20 percent of the income distribution as compared to 6.3 percent of incomes of households in the lowest quintile (bottom 20 percent) of the income distribution. The surveys also revealed the regional differences of the relative importance of wages. For instance, while wages form 39 percent of household incomes in the Greater Accra Region, they constitute only 9.3 percent of household income in Brong-Ahafo Region. The South-North divide is also reflected in the relative importance of wages in household incomes. Only 14 percent of household income in the three regions in the north comes from wages compared to 20 percent of household incomes of Southerners [see Tables 7 and 8].

Table 7: Distribution of Household Income by component, locality and quintile (Percent) -1999

	Source/Components of Household Income						Total
	Wage Income	Household Agricultural Income	Non-farm self-employment Income	Rent Income	Remittances	Other Income	
Region							
North**	13.60	56.20	21.53	3.23	3.1	2.3	100
South*	19.95	37.82	30.13	1.83	8.3	1.9	100
Rural/Urban							
Urban	32.3	10.3	39.7	1.8	13.0	2.8	100
Rural	13.7	54.0	23.8	2.2	4.9	1.4	100
Quintile							
Lowest	6.3	59.7	20.4	4.1	7.6	1.9	100
Second	13.4	53.1	25.3	2.3	4.6	1.3	100
Third	14.5	49.4	26.9	2.2	5.4	1.5	100
Fourth	23.0	36.9	29.3	1.7	7.4	1.7	100
Highest	29.0	20.3	34.6	1.5	11.7	2.9	100
Total	21.9	35.5	30.0	1.9	8.5	2.1	100

Source: GLSS4, Table 9.21, p.104

**Figures are averages for the three Regions in the North

*Figures are averages for the seven Regions in the South

Table 8: Sources of Household Income by Region (Percent)-1999

Region	Wages (income from employment)	Agricultural income	Non-farm Self-Employment income	Income from rent	Remittances	Other income	Total
WESTERN	22.1	51.6	20.0	1.1	3.2	2.0	100
CENTRAL	13.7	41.1	34.3	1.8	7.6	1.5	100
G. ACCRA	38.9	7.8	38.9	1.8	10.1	2.3	100
EASTERN	14.9	50.7	21.9	3.1	6.8	2.6	100
VOLTA	18.0	34.8	34.3	1.7	9.6	1.6	100
ASHANTI	22.8	23.6	33.6	1.9	14.8	3.3	100
B. AHAFO	9.3	55.1	27.9	1.4	6.0	0.3	100
NORTHERN	11.4	58.6	23.2	3.0	3.0	0.8	100
U.WEST	16.5	46.4	26.4	4.0	1.8	4.8	100
U. EAST	12.9	63.6	15.0	2.7	4.4	1.3	100

Source: Ghana Living Standard Survey (GLSS4).

Socio-Economic Importance of Wages in Ghana

How important are wages in Ghana? As mentioned in the preceding sections the 1992 and 1999 living standard surveys reported that income from employment (wages) ranked the third most important component of household incomes. Wages constituted 17 percent and 23 percent of annual household income in 1992 and 1999 respectively.

The 1992 and 1999 surveys also found that only 14 percent (about 1 million workers)⁵ were wage earners [see Table 9]. In terms of gender, wage is more important to men than to women. In 1992, 21 percent of men in the working age population were wage earners as compared to 8 percent of women. The percentage of male wage earners increased to 23 percent in 1999 while the percentage of female wage earners decreased to 6.2 percent⁶. Despite the apparently tiny proportion of the labour force in wage employment, wages have been and will continue to be important to government, employers and workers.

Table 9: Wage and Non-wage Employment by Sex

Type of work	Percentages of Working population (1992)			Percentage of Working Population (1999)		
	Male	Female	All	Male	Female	All
Formal Wage employment	20.7	7.5	13.6	23	6.2	13.8
Non-Formal Wage Employment	79.3	92.5	86.4	77	93.8	86.2
Total	100	100	100	100	100	100

Source: GLSS 3& 4.

Importance of wages to government

If wages constitute less than a quarter of average household income in Ghana and only a million workers (out of a population of 19 million) are wage earners, what makes wages so important in policy discussions? Firstly, wages form a very significant percentage of government recurrent expenditure [see Tables 10 and 11]. In 2001, for example, personal emoluments constituted almost half of total government discretionary expenditure and 31.3 percent of total expenditure or 8 percent of GDP. During the same period (2001), income taxes (P.A.Y.E) alone constituted a whopping 31.9 percent of total taxes on incomes and property as compared to 5.36 percent from self-employed. Clearly, issues about wages in the formal sector are very important because of their serious implications for government budget, macroeconomic stability and poverty reduction in Ghana.

⁵Wage earners are mainly workers in the public sector (civil servants, health, education, security, state-owned organisations and other government agencies) and in private formal sector in urban centres.

⁶ This may be due to the unequal impact of the retrenchment policies of the 1990s on men and women.

**Table 10: Share of Personal Emoluments in Government Discretionary Expenditure
(1999 -2001)**

Year	Percent Share of Personal Emoluments (%)	Share of PAYE in Income & Property Taxes (%)	Share of Taxes From Self-Employed In Income & Property taxes (%)
1999	42.0	33.81	6.63
2000	37.20	34.97	5.46
2001	48.92	31.90	5.36

Source: ISSER (2002) *The State of Ghanaian Economy in 2001*, Accra, p 35& 44, Tables 2.5 & 2.9

**Table 11: Share of Wages and Salaries in Government Total expenditure
And GDP**

	1999		2000		2001	
	%Total Expenditure	% of GDP	% of Total Expenditure	% of GDP	% of Total Expenditure	% of GDP
Wages and Salaries	21.5	5.6	18.9	5.2	31.3	8.0

Source: ISSER (2002) *The State of Ghanaian Economy in 2001*, Accra, p44, Table2.9

Importance of wages to employers

From the point of view of employers wage is important because it is seen as a cost to the firm. The implication is that there is an inverse relationship between labour cost and profits. Employers, therefore consider any increase in wages, not matched by equal increase in labour productivity, as a threat to the survival of the firm. This can have serious implications for investment and employment creation. High wages, not matched by high productivity, can be a deterrent to new investment and therefore economic growth of a country.

Importance of wages to workers

From the point of view of workers (particularly workers in the formal sector), wages are a very significant source of income to their households. The importance of wages to workers can be better appreciated if we take into account the traditional extended family system and the high dependency ratio that goes with it. The welfare of wage earners and their dependants depends to a very great extent on their wages. A low real wage has direct negative effects on households that depend heavily on wages and indirect effects on the community through the negative multiplier effects. The net effect may be higher incidence of poverty among individuals, households and communities that rely on wages as the main source of income.

Thus the most important dimension in wage discussions is its strong relationship with incidence of poverty in the country. ILO (1992) summarised the importance of wages to the social partners as follows:

For a worker, there is little of more fundamental importance than whether remuneration levels are sufficient to supply the family with a reasonable and fair standard of living. Wages, particularly relative wages, are also a key indicator of social status and esteem for most workers. For an employer, wages and total labour costs are often a significant variable in determining the viability of an enterprise and the employer's ability to accrue and appropriate rate of return on his or her investment. Moreover, it is only by remaining viable and profitable that employers can make a contribution to the public good through economic growth and the generation of employment opportunities. For governments, wage outcomes and the wage bargaining process play a prime role in determining critical economic variables, including inflation, employment, unemployment and economic growth rates to name just a few⁷

Low and Falling Real Earnings in Ghana

Wages in Ghana are currently among the lowest in Africa. Daily minimum wage has remained below US\$1.00 since early 1980s⁸. Monthly earnings from main jobs of employees averaged US\$56 between 1987 and 1999, according to Ghana Living Standard Surveys (GLSS) report. Average monthly earning for public sector employees over the same period was equivalent to US\$60 while that for private sector employees and manufacturing workers averaged US\$53 and \$74 respectively. A comparison of real earnings in Ghana with earnings in other Sub-Saharan countries reveals lower relative earnings in Ghana. As shown in Table 12(below), average monthly earnings in Ghana, measured in Purchasing Power Parity in US Dollars (US\$PPP) was US\$170 compared to \$467 in Cameroon, \$333 in Kenya, \$176 in Zambia and \$328 in Zimbabwe [see Table 12].

Analysis of the trend of real earnings in Ghana reveals a drastic fall since 1970s. Real earnings in 1990s were below those of 1980s and only a third of real earnings levels in the 1970s. With the exception of the short period between 1988 and 1992, when moderate increase in real wages were recorded in Ghana, the downward trend in earnings has persisted since the 1970s. The situation worsened during the structural adjustment period. Teal (1998) reported a 45 percent fall in real wages during the four-year period between 1992 and 1996.

⁷ ILO (1992) *Wages Policy: Wages and Non-wage Labour Costs and their relation to employment under conditions of structural adjustment*, Geneva, International Labour Office.

⁸ The daily minimum wage for 2003 exceeded US\$1 for the first time in many years. The current minimum wage (2004) is ₵11200 (US\$1.22). The exchange rate in 2004 is ₵9207 to US\$1 (May 2004).

Table 12: Average Monthly Earnings in US\$PPP (1992 to 1994)

Country/Level of Education	Ghana	Cameroon	Kenya	Zambia	Zimbabwe
University completed	573	1115	1261	694	1302
Secondary completed	211	522	384	239	402
Primary completed	155	326	276	104	267
Primary not completed	111	241	254	70	25
All	170	467	333	176	328

Source: Teal (1998), p.18 Table 16 quoted from Arne Bigesten et al (1998) "Rate of return on physical and human capital in Africa's manufacturing sector, Centre for the Study of African Economies (CSAE), University of Oxford, Working Paper, WPS/98.12.

Explaining Low Levels of Income in Ghana

Neoclassical economists would want us to believe that low incomes is a result of low levels of physical capital, human capital as well as low levels of technology and productivity in the country. Hall and Jones (1999) show that differences among countries, in terms of output per worker can be attributed to "differences in human capital, physical capital, and productivity" which together result in low GDP growth and low per capita income. Neoclassical economic theory will therefore attribute Ghana's low incomes to the low level of human capital as indicated by high level of adult illiteracy and lack of skills in the country⁹.

It cannot be denied that human capital is one of the most important determinants of income levels within and across countries. However, we need to find an answer to a very important "second order" question: Why do some countries (particularly African countries) invest far less than other countries in physical and human capital? In their attempt to provide an answer to these "deeper questions", Hall and Jones (1999) hypothesised that "differences in capital accumulation, productivity, and therefore output [earnings] per worker are fundamentally related to differences in social infrastructure across countries". By "social infrastructure", Hall and Jones mean "the institutions and government policies that provide the incentives for individuals and firms in an economy". Lack or absence of social infrastructure is indicated by factors such as corrupt government officials, severe impediments to trade, poor contract enforcement, and government interference in production. They argue further that "social infrastructure favourable to high levels of output per worker provides an environment that supports productive activities and encourages capital accumulation, skill acquisition, invention, and technology transfer" and that "such a social infrastructure get the *prices* right so that *individuals* capture the *social returns* to their actions as *private returns*". Therefore, a country's long term economic performance (high output per worker, productivity and earnings) depends, to a great extent, on the level of social infrastructure including institutions and government policies that "make up the economic

⁹ Fifty percent of all adults in Ghana can neither read nor write. Adult illiteracy among the female population is 65 percent. The highest illiteracy rate is found among the population in rural savannah (in the northern part of the country) where 85 percent of adults are illiterate [see Table A4 in Appendix].

environment within which individuals and firms make investments, create and transfer ideas, and produce goods and services". In a ranking of 127 countries by Hall and Jones (1999), Ghana placed among the countries with the lowest productivity and output [earnings] per worker. The low level of output per worker, low productivity and low earnings in Ghana can therefore be explained, in part, by Ghana's acute social infrastructural shortfall. But what are the specific causes of low incomes and the abject poverty in Ghana? We explore this in the following sections.

Some specific causes of the low and falling real incomes in Ghana

There is no doubt that education (human capital) and social infrastructure (as defined by Hall and Jones (1999), contribute in no small measure to the improvement of incomes in the long term. Their impact on investment and growth in the long term cannot be discounted. However, in the case of Ghana, especially since the introduction of structural adjustment policies in the early 1980s, four specific explanatory factors can be identified as the main causes of low and falling real incomes in the country. These are:

- High inflation levels (due to excessive money supply);
- Excessive depreciation in the value of the cedi(due to the flexible exchange rate policy);
- Government wages policy (wage freeze and inappropriate public sector wages policy); and
- Inappropriate tax policies (including agricultural tax policies).

High Inflation

Inflation reduces the purchasing power of workers. The higher the level of inflation in the country the less the amount of goods and services a worker can obtain from his or her earnings even if nominal earnings remain constant. It is generally agreed that excessive money supply was the single most important cause of the high inflation in Ghana during the 1980s and 1990s. The Provisional National Defence Council (PNDC) Government never met its own money supply targets announced in its annual budgets. For example, money supply growth *targets* for 1996 and 1997 were 25 percent and 8 percent respectively but the money supply growth during the period averaged over 40 percent. This was attributed to the fiscal indiscipline on the part of the government. Thus monetary factors played a very important role in the failure to control inflation in Ghana during the 1980s and 1990s.

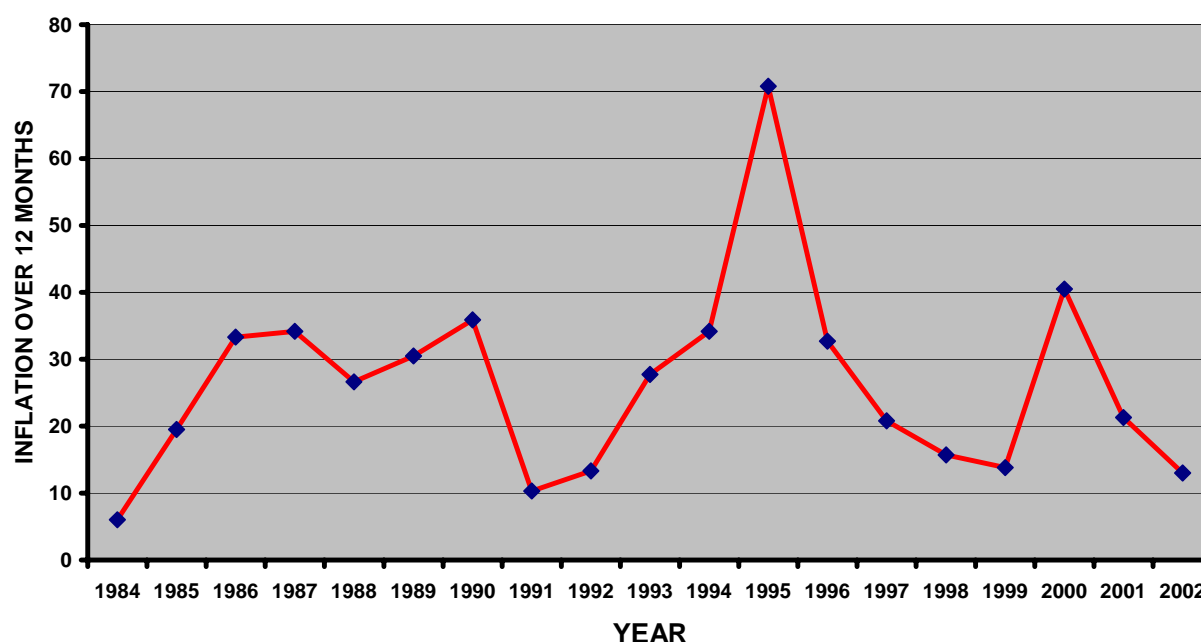
A more important non-monetary source of high inflation in Ghana is the poor performance of the agricultural sector. Between 1990 and 1994 food crop/livestock sub-sector grew by only 1.1 percent while the agricultural sector as a whole grew by 2.1 percent compared to the annual population growth rate of 2.6 percent. Between 1995 and 1999 agriculture grew by 4.4 percent. But it dropped again to 1.1 percent between 1999 and 2000. This resulted in high food prices across all regions in the country. The expenditure on food alone accounts for over half (52%) of the average household expenditure in Ghana¹⁰. Therefore, any increase in

¹⁰ The weight for food and beverages subgroup in the Consumer Price Index Numbers is 51.9 percent as compared to Alcohol and Tobacco (3.55%), Clothing and Footwear (9.58%), Housing and Utilities (9.24%),

food prices (no matter how small the increase) can have very significant impact on inflation due to the disproportionate (but appropriate) weight attached to the food sub-group in the Consumer Price Index (CPI). This brings to mind the intermittent petroleum price hikes and their effects on food prices. Such price hikes translate directly into higher inflation via the transport and utilities subgroups in the CPI and indirectly into higher food prices which then fuel inflation¹¹. Any attempt to reduce inflation will fail unless food security is achieved through sustainable growth in the food crop sector in particular and agricultural sector as a whole.

FIGURE 1

INFLATION IN GHANA (1984-2002)



Rapid Depreciation of the Cedi

Depreciation of the cedi has also caused significant reduction in the real value of earnings especially during the structural adjustment period when flexible exchange rate and trade liberalisation policies were vigorously pursued. The Cedi has depreciated from ₵2.75 per US\$1 in 1983 to almost ₵9000 per US\$1 in 2003 [see Figure 3 below]. The impact of depreciation of the cedi is positively related to the elasticity of demand for imported goods –

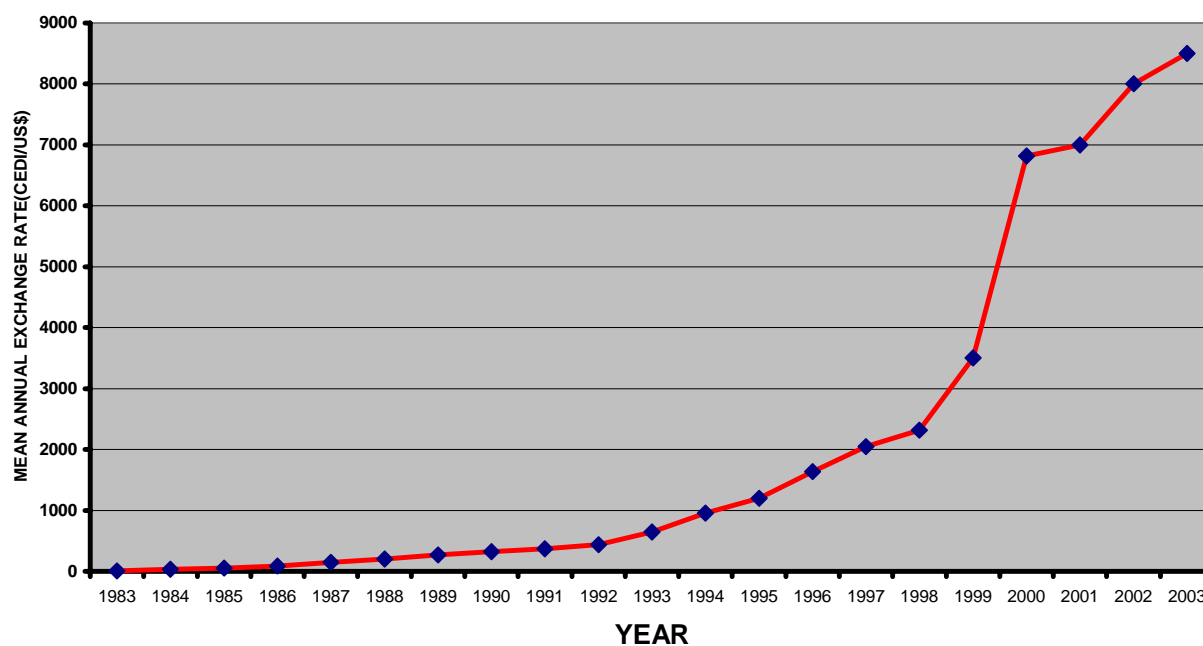
Household Goods, operations and services(7.3%), Medical Care and Communications(6.47%), Recreation, entertainment, Education and cultural services (4.9%) and Miscellaneous goods and services (2.81%).

¹¹ One cannot argue strongly against fuel price increases given the experience we have had in Ghana in recent past. However, it is expected that these increases will be moderate and government will be a bit strategic in its approach with regard to the timing of fuel price increases. Food prices are usually at their peak between January and April every year. It is therefore expected that government will spread the increases over two or more quarters with the highest increase around June/July when food prices are relatively low?

the higher the demand for imported goods, the higher the negative impact of depreciation on earnings. Since the entire population depends on imported essential commodities such as medicine and food, the huge depreciation of the currency over the past 20 years has contributed very significantly to the poor living standards and increased incidence of poverty in the country. Some flexibility in the exchange rate is desirable given the positive impact it can have on exports but in the case of Ghana, it is clear that the exchange rate has been excessively flexible and this has led to a transfer of welfare from Ghana to our trading partners. This analysis point to the fact that a flexible but managed exchange rate system is needed in Ghana especially when the negative welfare effects of the flexible exchange rate regime have outstripped the expected positive trade effects.

FIGURE 2:

TRENDS IN CEDI / US DOLLAR EXCHANGE RATE



Inappropriate Government wages policy

Perhaps the most important cause of the drastic reduction in average real earnings particularly for low skilled workers in Ghana is government’s wage policies. Following the advice of the IMF and World Bank, government agreed to freeze wages and maintain them at incredibly low levels as a means of reducing budget deficit and attracting investors into the country. According to a World Bank report *“Ghana’s low wages and competitive unit labour costs provide an additional advantage for the development of labour-intensive manufacturing industries”*¹². Government was, therefore, advised by the international financial institutions not

¹² World Bank (2001) “Ghana International Competitiveness: Opportunities and Challenges Facing Non-Traditional Exports”, Report No.22421-GH.

to allow public sector wages to exceed 5 percent of GDP. Since public sector is still the largest employer in the formal sector, such a policy has had significant rippling effects on earnings in the entire labour market hence the low nominal wages across all sectors.

In 1998 Government restructured the public sector salaries based on recommendations of Price Waterhouse Associates – a multinational consultancy services company. As part of the restructuring, public sector jobs were reclassified based on four main factors, namely: level of technical knowledge demanded by the job, complexities of problems to be solved in the job, responsibilities and physical demands (strength required) in the job. Employees were then grouped into the following categories:

- Operational (Levels 1-7)
- Supervisory (Levels 8-13)
- Management (Levels 14 -16)
- Senior Management (Levels 17-22).

The stated objective for the salary restructuring exercise was to ensure “equal pay for work of equal worth”. However, it became clear at the implementation stage that the principal aim of the wage policy, the so-called Ghana Universal Salary Structure (GUSS), was to attract and maintain local professionals in the public sector. It was deliberate policy to decompress public sector pay structure in favour of highly skilled professionals (Senior Management Class) at the expense of the majority of medium and low skilled workers (Operational Class). The evidence of this policy is found in the infamous Price water House Report that recommended a wage decompression from a highest/lowest public service salary ratio of 13:1 to almost 29:1. Decompression of salaries in the public sector has had a considerable negative impact on the distribution of earnings among public sector workers and has significantly affected the distribution of income in general.

From the foregoing, it can be concluded that government policy during the structural adjustment did not only succeed in reducing nominal and real levels of earnings but succeeded in changing the distribution of earnings in favour of the high skilled professionals at the expense of low skilled workers. Since low-skilled workers form the bulk of the workforce in the country, the net effect has been a drastic reduction in average earnings¹³.

Clearly, this policy which formed part of World Bank/IMF - sponsored programmes, is in conflict with the principles and aims of poverty reduction measures. Sawyerr (2001) rightly attributed the recent “low and declining real incomes and increasing hardship” to the two decades of structural adjustment in Ghana. A more recent comprehensive study by Vreeland (2002), based on data from 110 countries (including Ghana) from 1961 to 1993, confirmed

¹³ Neoclassical economics sees this as a natural sequence in the economic development process. They argue that increase in the capital stock reduces the demand for low skill labour since capital is almost a perfect substitute to low skilled labour. However, capital complement high skilled labour, therefore, increases in capital stock cause the demand for skilled labour to increase. In neoclassical economics, wages are directly proportional to the level of marginal productivity of labour. Therefore if capital substitutes unskilled labour and drives the demand for unskilled labour to almost zero, and in contrast, capital complements high skilled labour and increases its marginal productivity logically, wages of skilled labour should increase while wages of unskilled labour should fall. Note that this is only true if labour is seen as an ordinary commodity which should be subjected to the ruthless laws and blind forces of demand and supply.

the negative effect of IMF programmes on income distribution and supported the view that the single most consistent effect of the IMF policies is the redistribution of income away from workers. Vreeland (2002) pointed out that “when countries enter IMF programmes, labour share plummets and as the implementation of the programmes continues labour’s share in national income seems to trend downwards and “when countries emerge from IMF programmes, labour share trends upward - and appears to take about 10 years to catch up with countries that never participate in IMF programmes”.

In contrast to the negative effects of IMF programmes on workers, Vreeland found that even if a country experiences economic decline as a result of IMF policies, capital owners gain at the expense of labour. In the words of Vreeland (2002, p132), “the growth rate need not be positive for the owners of capital to be better-off,…” He cites examples from Congo where IMF programmes resulted in an economic decline of 3 percent and a reduction of labour share of manufacturing income from about 49 percent in 1985 to 40.3 percent a year after but income of capital increased by about 10 percent. Similar results were found in Uruguay and Ecuador where consistently capital gained at the expense of labour after the countries opted to participate in various IMF programmes.

These findings suggest, as concluded by Vreeland (2002, p.131), that “governments under IMF economic reform programmes structure these reforms such that labour is hit harder than the owners of capital” and that “capital would do worse if the government did not enter into IMF programme, and labour would do better”. Various studies have shown that even among capital owners the large, well-established multinationals are favoured over small and medium-sized local firms.

Inappropriate Government tax policy

Personal Income Taxes

Income tax policy remains one important means by which poverty can be reduced. Lower personal income tax increases disposable income and therefore standard of living of workers. Additionally, personal income tax policies can serve as an effective tool for redistribution of income in favour of the poor and destitute in society. In Ghana, Pay As You Earn (PAYE), which is essentially taxes on incomes of formal sector employees (who form only 14 percent of the labour force), constitutes over 30 percent of total government tax revenue from incomes and property. In 1999 and 2000, it constituted 33.8 and 34.9 percent of total tax revenue from incomes and property respectively as compared to 6.63 percent and 5.46 percent from self-employed who form 86 percent of the total working age population. The issue here is not whether workers should be taxed or not. Rather the question we are asking is: how equitable is the income tax policy and to what extent is income tax policy in particular and taxes in general being used to address inequality in income distribution within the context of poverty reduction strategy?

Personal income tax policies in Ghana reveal serious policy incoherence and inconsistencies with regard to poverty reduction. For example in the 2001 budget statement, the NPP Government increased personal tax relief by only 33 percent from ₵900 000 to ₵1 200 000. At the same time marginal income tax rates for employees and self-employed in the top income group was reduced from 35 percent to 30 percent while the rate for the middle income groups

was reduced from 25 percent to 20 percent. In addition to the reduction in the marginal rates, the starting point of the top income tax bracket increased from ₵17.4 million to ₵48 million. Corporate tax was reduced from 35 percent to 30 percent for companies listed on the Ghana Stock Exchange and to 32.5 percent for unlisted companies. This tax policy was clearly in favour of the non-poor in the Ghanaian society. It is worth pointing out that minimum wage earners (whose total annual incomes are below the poverty line) are made to pay income tax in addition to VAT while corporate tax is significantly reduced in favour of capital owners. Income tax payers are yet to benefit from the meagre tax relieves that were announced in that budget. To worsen the case, government imposed a 12.5 percent VAT on the c.i.f value of pharmaceutical imports which were previously exempted in order to “create a uniform playing field for local industries whose products attracted VAT”. Why didn’t government remove the taxes on locally manufactured pharmaceuticals to create the uniform playing field given the mass poverty in the country?

Agriculture Tax Policy

As mentioned in the preceding sections, agriculture remains the most important sector in the Ghanaian economy. Cocoa alone accounts for 45 percent of Ghana’s total export earnings¹⁴ and remains a very important source of income for the rural people in the southern part of Ghana. According to the Ghana Poverty Reduction Strategy (2002 -2204), incidence of poverty among export crop farmers (who are mainly cocoa farmers) was 37 percent. What factors explain such a high incidence of poverty among export farmers? It is true that in recent years, international market price for cocoa has been falling and there is little doubt that this has had a very negative effect on the purchasing price of cocoa from farmers. However, the most important factor that has caused the low prices for cocoa, and hence the low income levels among cocoa farmers, is the government’s tax policy. Until recently, cocoa farmers were receiving less than 50 percent of the f.o.b. value for cocoa. In October 2001, the producer price of cocoa was ₵4 384 000 per tonne (about US\$626 at a rate of ₵7000/US\$1). This represented 67 percent of the f.o.b. price of cocoa. Despite recent increases in cocoa prices on the international market, government’s target is to increase the administered producer price of cocoa to 70 percent of the f.o.b price by 2004/2005. With such a high incidence of poverty in the cocoa sector one wonders why government continues to deprive these poor farmers the full benefits from their sweat and toil. It is important to bear in mind that, in the short to medium term, tax policy is one most effective non-inflationary tool government can use, first, to increase disposable income and, to ensure equitable distribution of income.

Income Inequality as a key contributory factor to higher incidence of Poverty in Ghana

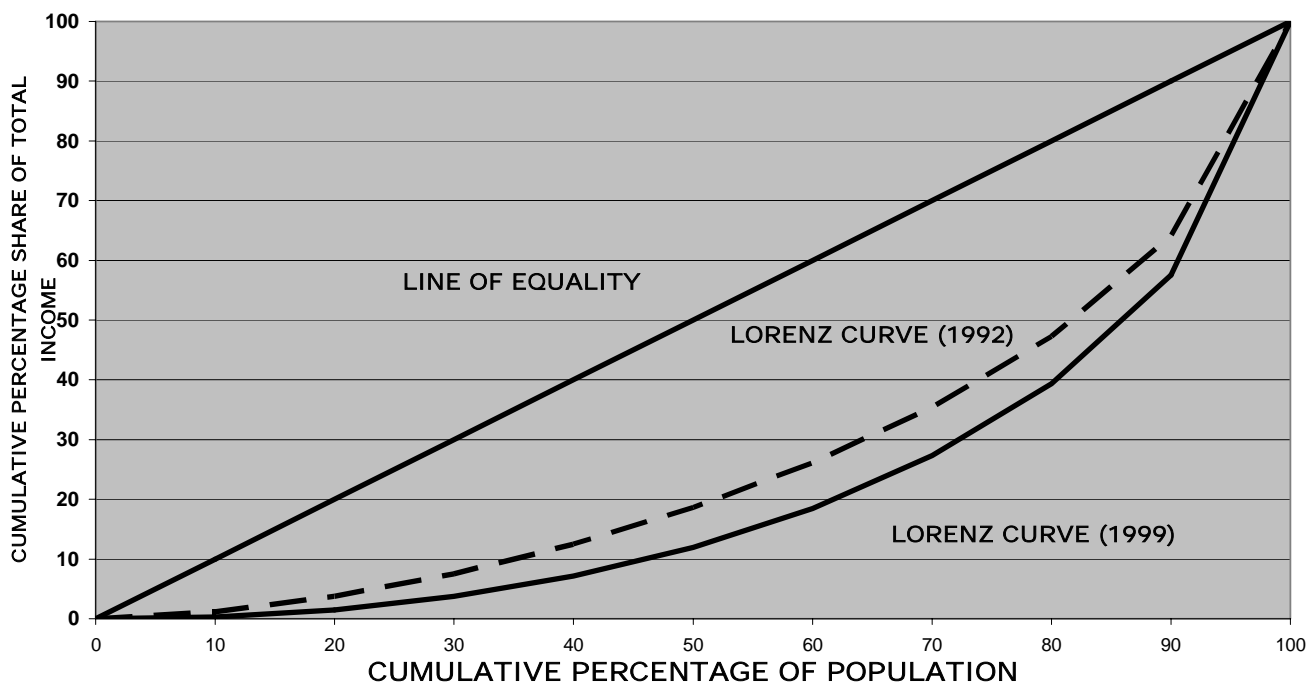
The household surveys in Ghana have provided an evidence of highly unequal distribution of incomes across occupations, skill/education levels, sectors, gender and geographical locations. Average earning in the formal sector is far higher than the average in the informal sector. Those in the urban centres earn far higher incomes than their counterparts in rural areas. Similar relationships exist between the earnings of high skilled and low skilled workers as well as private and public sector workers. There is a significant difference between earnings in the southern part of Ghana and the northern part and among regions. An equally

¹⁴ Ghana ranks third in cocoa production and contributed between 10 and 15 percent of world output of cocoa in the 1990s.

important revelation was the fact that inequality is still increasing. Income inequality, measured by the Gini Coefficient increased from 0.48 in 1992 to 0.60 in 1999¹⁵. This is shown by the Lorenz curves in Figure 3 (below). Further details are presented in Table 13 and 14.

Figure 3:

COMPARING INCOME DISTRIBUTION OF 1992 AND 1999



As shown in Table 13 (below), in 1992, the lowest 10 percent of income earners had a share of 1.2 percent of total income while the top 10 percent had a share of 36 percent. In 1999 the share of the bottom 10 percent of income earners had reduced to only 0.3 percent of total income while the share of the top 10 percent had increased from 36 percent to 43percent. In 1992, the bottom 50 percent of income earners had a share of 19 percent of total income compared to 12 percent in 1999 – a reduction of 7 percentage points over a period of eight years. The bottom 90 percent of income earners had a share of 58 percent of total income in 1999 compared to 64 percent in 1992. This analysis shows that income earners at the lower end of the income distribution are being pushed further down as indicated by the movement of the Lorenz curve further away from the line of equality(Figure 3 above).

Again, in 1992 the mean per capita income of the highest 10 percent (highest decile) of incomes was ₵386 000 while the mean income for the lowest 10 percent was ₵13000. The mean income ratio between the highest and the lowest deciles was 30:1. Between 1992 and

¹⁵ This places Ghana among the countries with the highest income inequality in the world.

1999 the mean income of the richest 10 percent (highest decile) increased by 600 percent (from ¢386 000 to ¢2 702 000) while that of the poorest 10 percent (lowest decile) increased by only 38 percent (from ¢13000 to ¢18000). This represents an income ratio of 150:1 between the highest 10 percent and the lowest 10 percent of income earners. The urban-rural income differential was also evident in the survey. In 1992 the annual average per capita income for the urban areas was ¢121 000 as compared to ¢100 000 for rural areas – indicating a ratio of 1.2:1. In 1999, whereas the average annual per capita income of urban areas increased (in nominal terms) to ¢692 000 (an increase of 420 percent) the corresponding figure for the rural areas was ¢469 000 (an increase of 369 percent). The difference in incomes in the North and South was also clear in both surveys. In 1992 the average annual *household* income for the South was ¢483 000 while the figure for the North was ¢450 000 – representing a ratio of almost 1:1. Average annual *per capita* incomes in the South and North were ¢113 000 and ¢77 000 respectively – representing a ratio of 1.5:1. In 1999 whereas the mean *household* and *per capita* incomes for the South were ¢2 335 000 and ¢79000 respectively, the corresponding figures for the North were ¢1 480 000 and ¢246 000 respectively. The figures imply South-North household income ratio of 1.6:1 and per capita income ratio of 2.4:1. Again the changes in income distribution between 1992 and 1999 favoured households and individuals in the South.

Such extreme income inequalities can have very negative effects on economic growth and living standards. In a study by Fielding (2000), he concluded that “inequality reduces the average material well-being of a country. Although neoclassical economic theory sees income inequality as a normal feature of economic development, Fielding (2000) emphasized that “effective development policy in any country requires an understanding both of the impact of inequality on income and of income on inequality” and that “...these relationships are particularly relevant to the causes of low income in Africa”. Income redistribution measures should, therefore, form part of any policy aimed at reducing poverty.

Table 13: Deciles and Mean Annual Per Capita Income 1992 & 1999

Deciles	Mean annual income cedis	Mean annual income (us\$)	Mean annual income (cedis)	Mean annual income (us\$)	Percentage change in mean annual income (in terms of us\$), 1992 - 1999
	1992		1999		
1 st (Lowest 10%)	13 000	33	18 000	8	- 76
2 nd	28 000	70	81 000	34	- 51
3 rd	40 000	100	146 000	61	- 39
4 th	53 000	133	225 000	94	- 29
5 th	66 000	165	314 000	131	- 20
6 th	80 000	200	426 000	178	- 11
7 th	99 000	248	572 000	239	- 4
8 th	128 000	320	786 000	328	3
9 th	179 000	448	1 182 000	494	10
10 (Highest 10%)	386 000	965	2 702 000	1129	17

Source: GLSS4

Note: Cedi/US Dollar exchange rate for March 1992 was C400=\$1 while the exchange rate for March 1999 was C 2394 =\$1. March 1992 and March 1999 are reference points of the incomes reported in this reported.

Table 14: Cumulative Distribution of Population by Deciles of Incomes

Deciles	Share of total income (percent)	Cumulative share of total income (percent)	Share of total income (percent)	Cumulative share of total income (percent)
	1992		1999	
1 st (lowest 10%)	1.2	1.2	0.3	0.3
2 nd	2.6	3.8	1.2	1.5
3 rd	3.8	7.5	2.3	3.8
4 th	4.9	12.5	3.4	7.2
5 th	6.1	18.6	4.8	12.0
6 th	7.5	26.1	6.5	18.5
7 th	9.3	35.4	8.8	27.3
8 th	12.0	47.3	12.1	39.4
9 th	16.7	64.0	18.5	57.5
10 th (highest 10%)	36.0	100	42.5	100

Source: GLSS 3& 4

The Need for a National Income Policy

In the preceding sections, an attempt was made to demonstrate that economic growth alone cannot lead to equitable distribution of incomes. What we need to do is to have a national income policy that will contain specific measures to ensure that economic growth (no matter how little it is) benefits all sections of society including formal and informal sector workers, farmers as well as the self-employed. Without such a policy, growth will continue to improve

the lives of the privileged sections of the population who have higher education and skills, urban dwellers, people in the South and capital owners. We do not believe that the market can allocate benefits from growth in a socially desirable way. As stated in the TUC policy document, we are not only interested in increased output but “we are equally concerned about the process of achieving the increased output and the proportion of the population who have the opportunity to better their own lives and the lives of other people in the process of contributing to the increased output”. The TUC therefore calls for the formulation of a national incomes policy as part of the poverty reduction strategy. We propose the following for the consideration of the social partners in the on-going income policy discussions.

1. Stabilising Real Income Levels

Reducing inflation

It is true that inflation is the “Public Enemy No.1” in terms of its negative effects on real incomes and should be controlled by any means. However, the control of inflation requires a great care in order not to inflict unnecessary pain on the poor and the vulnerable sections of the society. Since control of inflation in the neo-liberal framework means a drastic reduction or removal of financial support for the provision of social services such as water, education and health (that hurt the poor more than the non-poor), inflation targeting should be used whereby policies are adopted to achieve reduction of inflation in phases over a period. The classical text book/World Bank/IMF recommendations should not be followed blindly because the social cost of a drastic reduction of inflation over a very short period (as recommended by IMF/World Bank) can outweigh the economic benefits. We should also note that in the long term our ability to reduce inflation in Ghana will depend to a great extent on our ability to reduce and stabilise food prices.

Managing exchange rates

The flexible exchange rate should be properly managed to prevent the free-fall of the cedi. In a country like Ghana where a significant percentage of essential commodities like pharmaceuticals and food are imported, exchange rates should be managed properly to protect households from price hikes that result from rapid depreciation of the cedi.

Wage Indexation to Inflation

There should be measures to index wages and salaries (either fully or partially) to inflation. Quarterly adjustment of wages and salaries to inflation (Cost of Living Allowance) will be the most effective method of protecting workers’ incomes in the short term. To ensure that household food consumption remains stable it is recommended that food inflation should be used as basis for the indexation of wages and salaries.

2. Addressing the unequal distribution of incomes

Inequality should be tackled at two fronts - intra and inter group inequalities. With regard to intra-group inequalities, we need to focus on inequalities at the enterprise level - between managers and workers or between high skills and low skills. Collective bargaining is the most effective instrument for the reduction of intra-group income inequality. Therefore, our strategy should be to extend trade union coverage to all sectors (both formal and informal) and to strengthen our capacity to negotiate wages and other non-wage benefits for our

members. We may have to compare the effectiveness of different bargaining strategies including enterprise level, sector level or national level negotiations.

With regard to inter–group income inequality (e.g. rural/urban, south/north, male/female income gaps) we may have to take more radical measures to ensure a fair distribution of income at the national level. The following are some recommended measures:

- Creating the incentives for equitable distribution of new investments (provision of economic infrastructure in rural areas and in the north – good roads, electricity, etc.);
- Provision of Social Services in deprived areas (health, education, water, sanitation, etc.);
- Employment creation (through public works) for the poor;
- Higher producer prices for cocoa and other cash crops;
- Equitable tax policies;
- Reasonable minimum wage (in the short term) and introduction of living wage in the medium term;
- Differentiated minimum wage for rural and urban areas ;

3. Improving real incomes

- Need for reintroduction of allowances that were scrapped before the consolidation of wages and salaries in the early 1990s (transport, leave, lunch and rent allowances);
- Improvement in pensions:
 - partial or full indexation of pensions to inflation;
 - supplementary/occupational pension (enterprise level);
 - More efficient management of provident funds/End of Service Benefit; and
 - Extension of pension coverage;
- Productivity campaigns to create awareness in both private and public sectors;
- Income support for destitute households.

Conclusions

It has been amply demonstrated that low and falling incomes as well as the growing inequality in incomes, particularly during 1980s and 1990s, can be attributed to government policies (fiscal, monetary and wage policies). Therefore, to address the problem of low income levels and the unequal income distribution in Ghana we need to reverse the effects of such policies. In the long term we need a higher economic growth to improve incomes and to achieve a significant poverty reduction. However, we hold a strong view that economic growth *per se* will not automatically improve incomes for all groups in the society hence our call for a comprehensive incomes policy that will ensure that economic growth, no matter how small it is, will benefit all the socio-economic groups in the Ghanaian society.

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APPENDIX

Table A1 : Minimum Wage, Inflation and Exchange Rate in Ghana (1983-2002)

Year	Daily Minimum Wage (in cedis)	Annual Minimum Wage (in Cedis)*	Nominal Exchange Rate+	Annual Minimum Wage in US Dollars **
1983	25.00	8100	3.45	2347.82
1984	35.00	11340	35.34	320.88
1985	70.00	22680	54.05	419.61
1986	90.00	29160	89.29	326.58
1987	112.00	36288	147.06	246.76
1988	146.25	47385	202.34	234.18
1989	170.00	55080	270.01	203.99
1990	218.00	70632	326.28	216.48
1991	460.00	149040	367.73	405.30
1992	460.00	149040	437.09	340.98
1993	460.00	149040	648.98	229.65
1994	790.00	255960	956.73	267.54
1995	1200.00	388800	1200.40	324.00
1996	1700.00	550800	1637.24	336.42
1997	2000.00	648000	2050.28	316.05
1998	2000.00	648000	2314.15	280.02
1999	2900.00	939600	3500.69	268.40
2000	4200.00	1360 800	6820.00	200.00
2001	5500	1 782 000	7000	254.57
2002	7150	2 316 600	8000	303.75
2003	9200	2 980 800	8500***	350.68

Sources: * *Trades Union Congress (Ghana)*; ++ *Consumer Price Index Numbers*; + *Bank of Ghana*, ** Figures are Annual Minimum Wage divided by Nominal Exchange rate for the year

***Figure is the buying rate on March 9, 2003 (source www.Ghana.Com)

Figure A.1

TRENDS IN ANNUAL MINIMUM WAGE (EXPRESSED IN US DOLLARS)

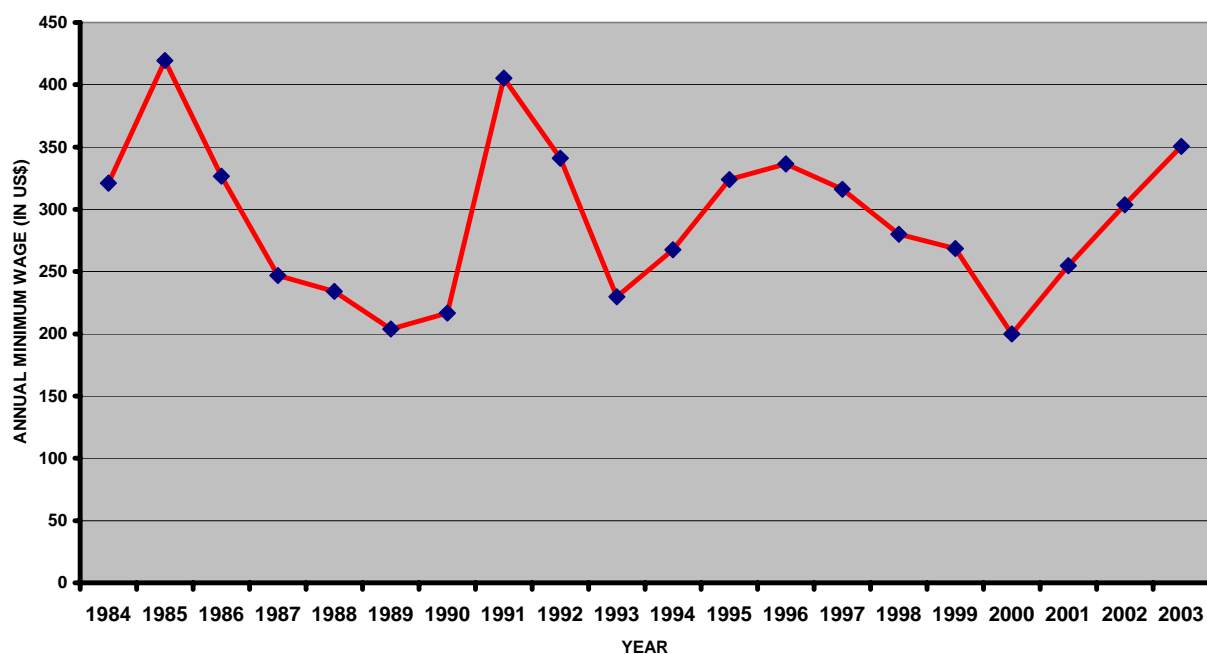


Table A2: Mean (Annual) Household and Per Capita Income by Quintile

Quintile	Mean Annual Household Income (March, 1999 Cedis)	Mean Annual Household Income (US\$)	Mean annual Per Capita Income (Cedis)	Mean annual per capita income (US\$)
Lowest	979 000	409	166 000	69
Second	1 770 000	739	328 000	137
Third	2 009 000	839	419 000	175
Fourth	2 673 000	1117	652 000	272
Fifth	3 025 000	1264	1080 000	451
All	2 267 000	947	527 000	220

Note: Figures are for March, 1999. Source: Ghana Living Standard Survey GLSS 4

Table A3: Mean (Daily)* Household and Per Capita Income by Quintile

Quintile	Mean Daily Household income (cedis)	Mean Daily Household Income (US\$)	Mean Daily Per Capita Income (Cedis)	Mean Daily per Capita Income
Lowest	2 682	1.12	455	0.19
Second	4849	2.02	899	0.38
Third	5504	2.29	1148	0.48
Fourth	7323	3.06	1786	0.75
Fifth	8288	3.46	2959	1.24
All	6211	2.59	1444	0.60

Note: Figures are for March, 1999

*Daily incomes are calculated by dividing the annual income by 365.

Source: Ghana Living Standard Survey GLSS 4 (1999)

Table A4 : Adult Illiteracy in Ghana by sex and locality

Sex	Locality	Illiteracy (% of population)
MALE	Accra	16
	Other Urban	25
	Rural Forest	32
	Rural Coastal	38
	Rural Savanna	65
	All	36
FEMALE	Accra	34
	Other Urban	50
	Rural Forest	64
	Rural Coastal	73
	Rural Savanna	85
	All	63
ALL	Accra	25
	Other Urban	39
	Rural Forest	49
	Rural Coastal	58
	Rural Savanna	75
	All	50

Source: Ghana Living Standard Survey, GLSS 4 (1998/99), P.12 Table2.7