TRADES UNION CONGRESS (GHANA)

PROPOSALS
FOR THE 2018 BUDGET AND ECONOMIC POLICIES OF
GOVERNMENT OF GHANA


**Introduction**

The Government of the New Patriotic Party (NPP) will present its second Budget Statement and Economic Policies to Parliament in a couple of days. As has been the practice, the TUC takes the opportunity to share its perspectives on the economy and make proposals for consideration of government.

In our submission for the 2017 Budget Statement, we pledged our support for policies that will return the economy to growth and reduce poverty in all parts of the country. We emphasized that economic growth can lead to poverty reduction only if it leads to creation of decent jobs.

In this submission, we continue to place emphasis on economic growth and employment generation. Other specific issues addressed include salaries, pensions and labour administration.

**Economic Growth and Job Creation**

In 2017, the focus of the budget and economic policy was primarily to stabilise the national economy. This has largely been successful even though some level of fragility remains. Inflation has come down from 15.4 percent in December, 2016 to 12.2 percent in September, 2017. The exchange rate of the Ghana Cedi has been quite stable in the last few months. The fiscal deficit is declining. The Treasury bill rates have decreased, even though commercial bank’s lending rates remain high.
In the first quarter, GDP growth was estimated at 6.6 percent. The second quarter growth is estimated at 9 percent compared to 1.1 percent growth recorded for the same period in 2016. These developments are very encouraging.

The greatest challenge now is how to create decent jobs for the millions who are desperately seeking jobs. We expect the 2018 budget statement to address this challenge in a more practical manner beyond the rhetoric. Stabilisation is necessary but not sufficient to deal with the employment challenge. There is the need to get the economy on a higher and sustained growth path that creates decent employment. A disaggregation of current growth figures shows that economic growth is driven, primarily, by oil and gas, and mining. These sectors cannot be relied upon to address the employment challenge.

The resources from our natural resources should be used to support other sectors that have the potential to create large numbers of decent jobs. In our previous submissions, we have expressed support for government initiatives such as the “one district one factory”, and “planting for food and jobs” among other initiatives intended to create employment. These initiatives will help grow agriculture and manufacturing.

However, the initiatives cannot be successful unless we make fundamental changes in our economic policies. Investors in these factories will first think of markets for their products. The domestic and the West African sub-regional markets will be their first consideration, given the difficulty of breaking into the
European and American markets. A review of our trade policy will go a long way to support the “one district one factory” and help create jobs. It is also important that Ghana works with other West African countries to secure the West African markets for our industrial ambitions. That is why Ghana should proceed with great caution in respect of the Economic Partnership Agreement (EPA). Any unilateral action will undermine our interest in the sub-regional market.

Other issues that need to be addressed in support of employment creation include lending rates. Commercial banks’ lending rates remain high even as government borrowings on the domestic money market decrease and Treasury bill rates come down. Clearly, the traditional mechanism is not working. We expect the budget statement to show clearly how government will bring down cost of borrowing. It will be extremely difficult to create decent jobs in large numbers if the cost of borrowing remains so high.

The TUC fully supports government efforts to directly provide jobs in the public sector, especially when the private sector is unable to absorb a significant proportion of school leavers. The recruitment of trained nurses and teachers into the health and education sectors is commendable. We need more teachers and nurses across the country. We also need sanitary officers and cleaners in all our cities and towns. This can be an avenue for creation of large numbers of decent jobs for the youth.
We expect government to use the 2018 budget to consolidate the gains in the last eleven months and to implement policies that will spur rapid economic growth and employment creation.

We also expect government to resource the Ghana Statistical Service to provide up-to-date and accurate information on employment. Real time statistics provide a better way to evaluate the impact of government policies and programmes on employment creation.

**Earnings**

Earnings remain too low in Ghana, even by sub-regional standards. The Single Spine Pay Policy (SSPP) boosted public service pay in the first three years of its implementation, albeit from a low base. In the last four years, however, the gains have been eroded, in real terms. At the same time complaints that the wage bill is absorbing more than half of the national revenue is getting louder. Reconciling the two positions is critical for industrial harmony, in the coming year and beyond.

Government has recently constituted a committee to review the Single Spine Pay Policy (SSPP), among other functions. The TUC welcomes the initiative because there are a number of outstanding issues with the SSPP that need further attention. For example, the pay point relativity has remained unchanged since 2010. There are still huge overlaps across pay levels on the Single Spine Salary Structure (SSSS) which is not consistent with the SSPP. The national minimum wage is still around US$2.00 per day, for eight hours of work. These levels of wages do not match the economic
realities in the country. We expect government to provide financial and material resources to the committee so that members of the committee can approach their work with utmost seriousness and provide a way out of the current situation.

**Labour Administration**

We have already drawn government’s attention to the weak labour administration institutions due, mainly, to lack of funds. The Ministry of Employment and Labour Relations (MELR) and its agencies are among the least resourced institutions in the government machinery.

The TUC is committed to deepening and strengthening social dialogue. We expect government to do its part by investing in the National Labour Commission, Labour Department, Fair Wages and Salaries Commission and Factories Inspection Department. A very significant proportion of labour disputes in the country can be avoided if these labour administration institutions were operating effectively. Failure to strengthen institutions for social dialogue may mean more frequent strikes and other industrial disturbances.

**Pensions**

For a very long time, Ghana has been grappling with low pensions. A very large proportion of pensioners subsist on a minimum pension of GH¢276. In addition, a very small section of the workforce has access to pensions despite the introduction of the third-tier pension intended to capture informal workers.
Low pension results from low earnings and poor management of pension funds. Enhancing salaries will, therefore, have substantial effect on pensions and welfare of pensioners.

There is also the need to ensure that pension funds are managed efficiently. Recent developments at the Social Security and National Insurance Trust (SSNIT) do not inspire confidence. Obviously, there is the need to reform SSNIT to rescue it from the undue influence of government and party politics. The reforms should be designed to ensure that SSNIT focuses its attention exclusively on improving benefits for pensioners. Our proposals for reforms of SSNIT will be submitted to government shortly.

On the second-tier pension, we urge government to settle its indebtedness to the public sector schemes without further delay. The non-payment of government contribution is jeopardizing the schemes and undermining the sound reasons that informed the implementation of the three-tier pension scheme. A continuous dialogue with the public sector unions should be a necessary part of any such arrangements.

**Privatization of Strategic National Assets**

The TUC holds the view that privatization of strategic national assets is never in the best interest of Ghana. The argument that private participation will help revive the fortunes of such companies is a denial of faith in the people of Ghana. The NPP was elected with so much promise of solving the country’s problems. It must not take the easiest route, especially when that route betrays national interests. Governments are not elected to do the easiest
things. Selling off state assets could be the easiest way around a problem. But a dispassionate analysis of the challenges facing these state-owned companies will show that most of the challenges emanate from impediments erected by governments. Electricity Company of Ghana (ECG), Volta River Authority (VRA) and Ghana Water Company Limited (GWCL) are very good examples. We believe that if governments stop their interference in these companies, they will perform satisfactorily.

**Conclusion**

Developments in the economy in the last eleven months indicate that we are on the right track. The 2018 budget and economic policy must consolidate these gains and propel the economy onto a rapid growth path that can create decent jobs in both public and private sectors. More workers are needed in education, health and sanitation sectors. In the private sector policy constraints on growth have to be addressed aggressively in this budget statement. Policies that raise costs of doing business and renders the domestic private sector uncompetitive, even on the home market, should be removed completely.

The employment challenge remains the greatest of all the policy challenges facing our country. We expect the 2018 budget to address this challenge in a very practical way.