TRADES UNION CONGRESS (GHANA)

PROPOSALS FOR THE 2019 BUDGET AND ECONOMIC POLICIES OF THE GOVERNMENT OF GHANA

SUBMITTED TO THE MINISTRY OF FINANCE

OCTOBER 2018
Introduction

The Minister for Finance is expected to present the 2019 Budget and Economic Policy of Government of Ghana to Parliament next month.

It is very important to note that the 2019 Budget will be the first to be presented by government after a three-year IMF-sponsored Extended Credit Facility (ECF) programme which is expected to come to an end in December, 2018.

This year, the economy is reported to be growing at a relatively higher rate compared to previous years and inflation is trending downwards. The budget deficit, as a ratio of GDP, is reported to have reduced significantly. These are important achievements in macroeconomic management.

However, we have witnessed a significant fall of the value of the Ghana Cedi this year and lending rates remain high. The depreciation of the cedi, the high cost of borrowing, and frequent increases in petroleum prices continue to impact negatively on the ability of businesses to create jobs. In fact, we have witnessed mass redundancies in the banking, mining, maritime, media and other sectors in the course of the year. There are reports of impending further mass redundancies in the beverage sector. These are clear indications that the economy of Ghana is still fragile in spite of the above-mentioned achievements.

These weaknesses in the economy have translated directly into high cost of living and, consequently, a decline in the standard of living across the country. Since nine out of every ten Ghanaians (90 percent) of the workforce are engaged in informal or precarious jobs with very low earnings, any shock in the economy, regardless of its magnitude (either minor or major), can have very significant adverse consequences for workers and their families, economically, socially, and psychologically. That explains why many Ghanaians are complaining bitterly about the harsh economic conditions.

Workers in both the formal and informal segments of the economy are complaining because their real earnings have been declining, especially in the last three years due to restrictions imposed on public
sector wage adjustments as part of the implementation of the IMF programme. Many workers have had to rely on loans to meet the basic needs of their households. That means very little money remains in their bank accounts as take-home-pay after loan deductions at the end of every month. Those without jobs, including thousands of workers who have been thrown out of their jobs recently, are even more vulnerable.

The 2019 Budget is, therefore, expected to tackle the persistent weaknesses in the economy as well as the numerous social and economic challenges that are making life unbearable for the majority of Ghanaians. We expect policies and programmes that will translate economic growth and macroeconomic stability into tangible improvements in the lives of individuals and their families in every corner of the country.

**Time for A New Social Partnership Approach to Economic Management**

As mentioned above, the 2019 Budget is quite special in the sense that it will be the first post-IMF Budget since the implementation of the Extended Credit Facility in 2015.

It is well known that the TUC has consistently and persistently opposed IMF programmes because we do not believe that IMF policies will help us to overcome the monumental development challenges facing our country and its people. We are, therefore, very happy to note that the ECF programme is coming to an end this year.

In the Mid-Year Fiscal Policy Review of the 2018 Budget Statement and Economic Policy presented to Parliament on Thursday, 19th July, 2018, the Minister for Finance announced that government is committed to working closely with local “development partners” including trade unions, private sector businesses, civil society organisations, think tanks, faith-based organisations, academia, and traditional leaders.

We are expecting the framework of the proposed development or social partnership to be announced in the 2019 Budget Statement. It is obvious that government alone lacks the capacity to deal with these
daunting social and economic challenges. That is why we need a true social partnership now. Through social dialogue, we can achieve the President’s vision of *Ghana Beyond Aid* and ensure that Ghana never returns to IMF for financial assistance.

**Employment Creation**

The Minister for Finance has rightly described the mass joblessness in Ghana as “the most critical problem of our time”. A growing economy should create employment. This has not been the case for the Ghanaian economy for several years. The relatively high GDP growth we have witnessed in the last two years has coincided with significant job losses in the private sector, as mentioned above.

The TUC recognizes government’s efforts to address the unemployment challenge through the expansion of the public sector workforce. In the 2018 Budget and Economic Policies, government introduced the Nation Builders Corp (NABCO) as a way of providing job opportunities to 100,000 unemployed graduates. We commend government for fulfilling its promise. We urge both government and NABCO beneficiaries to ensure that the programme addresses the real public service needs of Ghanaians.

We are also aware that government has either engaged or in the process of engaging 24,000 health workers, 9000 teachers, 4000 police officers and about 3000 officers in other security agencies. In addition, government has launched a Labour Market Information System (LMIS) as a way of getting timely and accurate data on employment and unemployment to inform decisions and policies relating to employment. These are important achievements.

It is time for the private sector to be supported to complement all these initiatives to create more jobs. A strong private sector offers the most sustainable solution to the unemployment challenge. There are too many constraints that are preventing the private sector to expand to absorb the rising number of job seekers.

We acknowledge the various financial support programmes that government is implementing to support the growth of the private sector within the framework of the 1D1F initiative. The domestic
private sector is clearly in need of financial support given the prevailing high lending rates.

We urge government to complement the financial support with policy support. The most significant of this policy support is in the area of trade policy. The national trade policy is too liberal for our level of development. Our trade policy facilitates the creation of jobs in foreign countries. There is urgent need to reform our trade policy to align it with our employment objectives. The trade policy must support domestic manufacturing and discourage imports of non-essential products particularly those that can be manufactured here. We must make use of existing safeguards in the international trading system to support and protect domestic manufacturers from unsustainable competition. Government must strengthen the national standards and regulatory agencies to enforce our standards particularly in respect of imported items to curb illicit trade.

Government must work with the various associations within the proposed social partnership arrangement to rollout a programme that encompasses financial, policy, and regulatory supports.

The private sector has always complained about frustrations at the ports of entry and procedures for registration and licensing. We expect the Minister for Finance to announce bold initiatives in the 2019 Budget Statement to streamline the operations of its frontline agencies that often frustrate operations of domestic enterprises whether in the acquisition of permits or requests to have water and electricity connected to their premises.

**The Rising Cost of Living**

The official figures point to an expanding economy and a declining inflation. In the first quarter of 2018, the economy was reported to have grown by 8.1 percent, compared to 6.7 for the same period in 2017. The year-on-year inflation declined from 12.3 percent in August 2017 to 9.9 percent in August 2018.

In spite of the growth record and declining rates of inflation, the cost of living remains high and the situation is getting worse for many workers and their families. Excessive importation of most of our basic
needs, 35 percent tax on personal incomes of GH¢10,000 and above, the massive job losses in some key sectors of the economy, including mining, banking and maritime sectors, the frequent upward adjustment of petroleum prices, restrictions imposed by the IMF programme on public sector pay adjustments in particular and public expenditure in general, are all feeding into the harsh socio-economic conditions we are currently experiencing in all parts of Ghana.

We expect the 2019 Budget to come up with very pragmatic measures to deal with the rising cost of living. The budget must spell out policies and programmes to translate the macroeconomic gains into a very significant reduction in the cost of living. Government must use the 2019 Budget to show how it is going to steer the economy away from taxation to production. We expect government to announce initiatives to plug the leakages in the tax system. We do not expect government to introduce new taxes. Rather, the tax exemption system must be overhauled to eliminate exemptions for some multinational companies including those that are exploiting our natural resources.

**Earnings**

As mentioned above, the cost of living situation is worsening due, mainly, to the low earnings in both the public and private sectors of the economy. In the public sector, earnings have deteriorated in real terms as wage increases have continued to lag behind inflation rates. Similarly, the minimum wage has been fixed at approximately US$2.00 a day in the last ten years. We cannot sustain growth with declining real purchasing power. One of the ways to address this challenge is to eliminate the distortions and inequities in pay across public sector institutions which the Single Spine Pay Policy has failed to address. Additionally, we expect bold measures to adequately protect all vulnerable workers by enforcing the national daily minimum wage.

**Pensions**

One of the objectives of the three-tier pension scheme which was introduced in 2010 was to improve pension coverage especially for informal economy workers. Eight years after the introduction of the new scheme we have not seen any credible government policy or
measures towards achieving this objective. Over 10 million Ghanaians will not have access to pension when they attain the retirement age of 60 years.

We are appealing to government to initiate some policies in the 2019 Budget toward improving coverage of pension among informal economy workers. We would also like to draw government’s attention to the need for full implementation of all aspects of the Pensions Act, 2008 (Act 766). In particular the unification of pensions deserves more and attention in order to eliminate unfairness in pension/retirement benefits.

In our previous submissions, we urged government to initiate reforms in the first tier (i.e., the SSNIT scheme) to ensure efficiency in the management of the fund. In 2017 the Chairman of the Board of Trustees of SSNIT commissioned a review of operations of SSNIT and promised the nation that the report of a review would be made public. We expect government to publish results of all investigations into the affairs of SSNIT without further delay.

The National Pension Regulatory Authority (NPRA) must pay attention to its supervisory duties to ensure that the second-tier schemes are properly managed because in 2020 a large majority of retirees will rely on the second-tier schemes for their lump-sum benefits.

**Labour Administration**

The industrial relations atmosphere has been peaceful in the last couple of months due to the constant dialogue among social partners at the national, industry and enterprise levels. We need to sustain the peaceful industrial relations atmosphere. It is expected that the social partnership arrangement discussed earlier in this and in our previous submissions will go a very long way to improve social dialogue and to sustain the peaceful labour relations atmosphere.

However, we should always bear in mind that there is always potential for industrial conflict. Therefore, government needs to invest in our labour administration institutions that play crucial roles in social
dialogue and industrial conflict resolution. The Ministry of Employment and Labour Relations, National Labour Commission, Fair Wages and Salaries Commission, Labour Department and Factories Inspectorate have very special roles in labour administration. But these institutions have suffered severe resource constraints for far too long. It is time to strengthen them financially to perform their expected roles effectively.

**Housing**

Some housing initiatives were announced in the 2018 Budget and Economic Policy and in the Mid-Year Policy Review of the 2018 Budget and Economic Policy.

They included:

- Establishment of national mortgage and housing finance scheme to provide cheaper local currency mortgages and residential housing finance across the country to promote social equity;
- Learning from the Singaporean model of social housing finance;
- Establishment of a National Housing and Mortgage Fund that will work with banks to provide cheaper local currency mortgages and construction finance;
- Initiate a legislative process towards the establishment of the Ghana Housing Authority to spearhead the implementation of the National Housing Policy, especially with respect to affordable housing and serve as the regulatory body for the housing industry to ensure conformity with housing standards;
- Rolling out of a rent-a-bed scheme for socially marginalized manual workers, mostly female porters in urban centres; and
- Accelerated affordable housing scheme through the development of 600 acres of serviced plots near Dawa in the Greater Accra Region in partnership with real estate developers on a pilot basis to be replicated in all regions.

We expect the Minister for Finance to announce concrete plans for the implementation of these initiatives in the 2019 Budget Statement.
Sanitation

The sanitation situation remains very poor even after a whole ministry has been established to deal with it. It is estimated that just about 15% of urban residents and only 6 percent of rural residents have access to sanitation facilities. These percentages are lower compared to other African countries. Ghana’s sanitation situation is ranked “very high degree of risk”, according to Index Mundi Ghana Demographics Profile for 2018. A high proportion of households are without toilet facilities. It is shameful to note that a significant number of Ghanaians still practice open defecation because of lack of sanitation facilities. The rapid urbanization is worsening the sanitation situation especially in cities and towns with high populations.

Government has taken the first and a very important step by establishing a ministry responsible for sanitation. What needs to be done is to resource the ministry to do its job. At the same time the various local authorities must provide the necessary facilities (e.g., mobile toilets) in public places. We should be able to effectively enforce the relevant laws and by-laws that prevent open defecation including urinating in public. We should work very hard to eradicate these shameful practices as soon as possible.

Healthcare

Ghana has recorded some significant improvements in our health status in the last decade or so. A clear indication of that improvement is the average life expectancy which now stands at 67 years (69.6 years for female and 64.5 years for male). There has also been a significant improvement in health infrastructure and the number of health personnel. Ghana has also done quite well in HIV prevention and management. Since 2010 we have not recorded a single case of Guinea worm in the country. These are remarkable achievements.

However, health indicators still show that Ghana has underperformed in health delivery, given the resources available. There is still a huge regional disparity in the distribution of health personnel in favour of urban areas. About half of all doctors are in Accra. There are 11 times more doctors per capita in Accra compared to Upper West Region.
It is against this background that we propose the following measures:

1). *Revamp the National Health Insurance Scheme*

Currently, Ghana spends just about GH¢120 (or US$25) per member of the NHIS per annum. We should be able to increase this to about GH¢500 (approximately US$ 100). We should also be able to increase the NHIS coverage from about 36 percent of the population (in 2017) to 100 percent in the medium term. The high administrative expenditure and corruption in the NHIS should be addressed.

2). *Increase Health Personnel Numbers*

We still have a lot to do in terms of doctor/patient and nurse/patient ratios. That is why TUC fully supports the re-introduction of the nursing trainee allowances. It will attract brilliant SHS graduates into nursing and provide a further boost to the number of nurses and midwives in our healthcare system.

Given the resources available to us, Ghana should be capable of meeting the WHO standard of one doctor to 5000 people and one nurse to 500 people. If we are able to attain these health personnel standards and improve ambulance service in all districts, all other health indicators such as maternal and child morbidity and mortality are likely to improve very significantly.

3). *Pay Attention to Mental Healthcare*

Ghana has performed, particularly, poorly in mental healthcare. Mental health institutions and their patients have been left to their fate over a long period. The results are obvious on the streets of Accra and in other cities in the country. The lack of finance for mental healthcare should be addressed.

Our studies have revealed that there are some ongoing initiatives that should be supported financially.

- The introduction of two new cadres of mental health professionals, i.e., Clinical Psychiatric Officers (CPOs) and Physician Assistants with further training in psychiatry that
enables them to work as assistant psychiatrists. Only 32 of these professionals are being trained at Kintampo College of Health and Well-being. It is expected that the number can increase to 80 or even beyond, if the college receives the financial and infrastructural support it needs.

- In the last four years Community Mental Health Officers have been trained to work as field officers with community psychiatric nurses. They help in early identification of cases, monitor medications, and supervise patients to comply with medications. So far 350 officers have been trained nationwide. We need more of such community mental health officers.

- All the three psychiatric hospitals are located in the southern part of the country leaving out the northern part. In the short to medium term government should be able to provide at least one psychiatric hospital for the northern part of the country.

4). Tackle Perennial Health Challenges

Ghana has done quite well in malaria control in recent years. The malaria under-five case fatality rate (an important indicator of malaria case management in health facilities) dropped by 71 percent from 0.69 in 2013 to 0.20 in 2017, according to the Ministry of Health’s Holistic Assessment of Health Sector Programme of Work Report, 2017. This is a significant achievement. But Ghana should be able to eradicate malaria totally.

HIV/AIDS-related morbidity and mortality have been largely controlled. There is high level of awareness about HIV and its effects on health and wellbeing among the population. The current HIV prevalence rate among persons between 15 to 49 years is 2.0 percent (men 1.1 percent and women 2.8 percent). New infections have reduced drastically and access to treatment has improved significantly. Ghana is, therefore, capable of totally eradicating HIV.

There is evidence that TB burden in Ghana is high. In 2017, the TB surveillance system detected 54 new TB cases per 100,000 population with twice as many males as females. The TB Treatment Success Rate
(TBTSR) was 87 percent in 2013. We should pay more attention to treatment in order to achieve 100 percent success rate.

Other areas that need further attention include cholera, drug abuse especially among young people, as well as non-communicable diseases such as cancer, chronic respiratory diseases, cardiovascular diseases, obesity, stroke, and diabetes.

Malnutrition among children and women of child bearing age, as well as immunization of children need more attention.

**Conclusion**

We believe strongly that Ghana is capable of managing its own affairs without IMF programmes. We also believe strongly that we can achieve President Akufo-Addo’s vision of *Ghana Beyond Aid*. We expect the 2019 Budget Statement to lay a very strong foundation for this vision. We also expect concrete measures that will shift the economy away from taxes to production and reduce cost of living.

We believe that our proposals in this submission will help reduce the widening inequality in Ghana to ensure a stable and peaceful society. In particular, our proposal for a new social partnership approach to economic management will enable us consolidate the gains we have achieved so far and develop the sense of collective social responsibility towards the prudent management of the economy of Ghana to address the daunting challenges of unemployment and the rising cost of living.