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Neoliberalism and the Urban Economy in Ghana: Urban Employment, Inequality, and Poverty

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ABSTRACT Ghana is one of a few African countries where more people now reside in cities than in the countryside. What is not as well-known are the changes that have taken place in the economic base of Ghanaian cities. This paper tells that story. It focuses particularly on jobs, incomes, inequality, and poverty, and their characteristics in an era when neoliberal policies have been implemented. It draws on census reports, national surveys, and published reports in order to overcome the dearth of information about the urban and national economies. The paper shows that, on the one hand, the increasing prominence of the private sector in the urban economy has impacted positively on capital formation and job creation. On the other hand, urban and national inequality levels have dramatically increased. Whether these changes are favourable to the majority of urban citizens is contestable.

Ghana has frequently been celebrated as the best case of the rise of neoliberalism in Africa and is, accordingly, regarded as the World Bank's "star pupil" (Hutchful 1995) and "trail blaizer" in Africa (Bawumia 2010). Its civil service, which was also reformed along neoliberal lines, has been described as "the finest, most relevant and performance-oriented institution in Africa" (Nti 1978 cited in Ayee 2001: 2). A scrutiny of the four main development plans[1] that have shaped the direction of the country from the 1990s shows that since the structural adjustment experiment began in the 1980s, policy makers have continued to extol the virtues of a market-oriented approach to urban economic development, particularly job creation, poverty reduction, and equitable economic development (e.g., Government of Ghana 2003: 121).

With more than half of the population in Ghana now living in cities, it is important to ascertain the validity of such claims in relation to the urban population. The existing studies are inadequate for this purpose. Most of the

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evaluations of a market-oriented strategy for economic development are national rather than urban in character. The studies that look specifically at the urban economy mainly predate the rise of neoliberalism in the 1980s. Among them are the research of Hart (1973) on urban employment, especially the informal sector and its relationship with the formal sector, related research by Frank (1968) on urban unemployment in Africa (including Ghana), and another study on urban factory workers by Peil (1972). The more recent urban studies have looked at the urban informal economy (e.g., Barwa 1995), slums, the hostile relationship between city authorities and hawkers, and the relationship between slums and the informal economy (see, for example, Asiedu and Agyei-Mensah 2008; Kendie 1998; Owusu, Agyei-Mensah, and Lund 2008).

Even at the global level, the study of urbanisation, economic development, and neoliberalism is undeveloped. The extant literature seems to be stuck in the traditions pioneered by Lewis (1954, 1979), Todaro (1969; Harris and Todaro 1970; Todaro and Smith 2006), and Lipton (1977), which emphasise how, in the process of economic development, people in rural areas migrate to urban areas, why they do so, and whether this urbanisation-economic development process benefits both rural and urban citizens.

The work of Grant (2009) comes closest to a contemporary assessment of the urban economy in the neoliberal age. Grant analyses the transformation in the urban economy of Accra, Ghana's capital city. However, his primary focus is on the housing–economic development nexus. Grant's work includes a chapter on private sector and job creation, captioned "globalization from above" (18–41), which focuses only on the origin of private corporations, the nature of their investment, and how their activities contrast with domestic private corporations. There is not an explicit analysis of private sector activities on employment, poverty reduction, and inequality. In any case, as with many earlier writers, Grant uses Accra as his unit of analysis. A more urban-wide analysis of private sector participation on employment is, therefore, lacking. In fact, in proposing areas for future research in his book, Grant(153) calls for more research about the urban economy, particularly a broad study that not only looks at the informal economy but also the formal economy.

It is this gap that the present paper attempts to fill. It evaluates the extent to which neoliberalism has affected urban employment, poverty levels, and inequality. Although focused on Ghana, the analysis has implications for the rest of West Africa because of two important features of urbanism in Ghana. First, Ghana is one of only four countries in West Africa (and one of 21 in Africa) to have a predominantly urban population (Department of Economic and Social Affairs [DESA] 2009). Second, contrary to claims that urbanisation is "abnormal" to the extent that it is not positively correlated with economic development in Africa (e.g., Bryceson et al. 2009), Obeng-Odoom (2010) shows that Ghana is following a "normal" urbanisation-economic development path. Taking these reasons into account, lessons can be drawn from this study for the rest of West Africa or Africa as a whole.

Methodologically, the paper adopts a critical perspective on the neoclassical economic view that has provided theoretical justification for the shift in policy focus from a state-centred to a market-oriented paradigm of economic development. The principal concepts used in the paper are poverty, inequality, informality, formality, unemployment, and employment. The paper argues that, although urban unemployment and poverty levels have fallen since the advent of neoliberalism, most employment is in low-paid wage jobs, and income inequality is on the rise. The data set that is used for the analysis comes from statistical compendiums prepared, inter alia, by the Ghana Statistical Service, the Ghana Investment Promotion Centre, and the international development agencies.

The paper is divided into three sections. Following this introduction, the second section introduces the nature of the urban economy and describes the methods that are normally used for its study and which ones are more appropriate for the present study. The third section presents the context for neoliberal urban governance reforms, considers the policy changes that have marked the neoliberal era, and ascertains the effects of the reforms on urban employment, poverty, and inequality. The paper concludes with some recommendations for policy changes that could result in more equitable distributional outcomes.

The Urban Economy: Methodological Issues

The urban economy may be regarded most broadly as the whole gamut of institutions (e.g., businesses, government, and nongovernmental establishments, laws about urban land use, customs, and norms) that supplies goods and services and provides incomes. Orthodox economists tend to treat the "urban economy" more narrowly. Vogel (1998:116) observed that, within neoclassical urban economics, the urban economy usually evokes images of savings, investment, capital and technology, while the institutions that support these activities are ignored.

There is a close relationship between the national economy and the urban economy (World Bank 2001, 2009). Being a subset of the national economy, the health of the urban economy is partly dependent on how well the national economy performs. Interest rates in the urban economy, for example, are usually no different from interest rates in the national economy. The urban economy also contributes to the national economy. For instance, the expenditure and revenues of urban governments contribute to national debt or surpluses.

Measuring the size of the urban economy can follow the convention of using either income or output. In the income approach, the size of the urban economy is deemed as the aggregate of all the income earned by people who live in the city. Estimating the size of the urban economy using the output approach requires first, summing up the total *number* of goods and services produced in the urban economy, assigning prices to them and summing up the aggregate values. If the urban economy were closed, it would be expected that the value of aggregate income and output would be similar, but this is seldom the case because urban-rural specialisation creates mutual interdependence, trade, and financial flows.

It is often argued (e.g., United Nations Human Settlement Programme [UN-HABITAT] 2001; World Bank 1991, 2009) that, although the relationship between the urban economy and macroeconomy is one of codependence, urban economies drive national economies. This notion applies in Africa even though some commentators have described its cities as “abnormal” in terms of failing to contribute to economic development (Fay and Opal 2000). Cairo, for example, contributes about half of the GDP of Egypt (UN-HABITAT 2001). It is not hard to understand why the contribution of the urban economy could be so significant. Cities benefit from several types of economies, namely internal (advantages of specialisation accruing to individual firms located in urban areas), localisation (advantages enjoyed by all firms in an industry), and urbanisation (urban-wide advantages to firms and people) (World Bank 2009: 126–132).

Analysing urban economic activities may entail using tools such as economic base and location quotient analyses, input–output analysis, and shift and share analysis (O’Sullivan 2003). These techniques help to organise information and highlight contrasts between urban economies or with the national or regional economy (e.g., Blien and Wolf 2002; Yao and Zhang 1999; Yasin et al. 2005). However, these tools are of less value for the purpose of ascertaining the effect of neoliberalism in one urban economy, which is the focus of this paper. Neoliberalism became popular in the 1980s, coinciding with the influence of public choice theory in giving legitimacy to privatisation and deregulation in public policy (Stilwell 2006:203) and the switch in the role of central banks from using interest rates to ensure full employment to a more narrow focus on managing interest rates to control inflation (Stanford 2008:46). The intellectual rationale for neoliberalism was supplied earlier by economists such as Friedrich Hayek, Milton Friedman, and others based at the University of Chicago (Jones 2010), and applied to the developing countries’ quest for economic development by economists such as Peter Bauer, Deepak Lal, and Jagdish Bhagwati (Todaro and Smith 2006:120).

The political precept of neoliberalism is that, while all essential collective decisions need to include the constitutional state, state intervention in the social and economic life should generally be minimal. Rather, the role of the state should be primarily to guarantee and ensure the freedom of individual economic agents. Economically, neoliberalism promotes the creation and widening of markets in all facets of human life (Jessop 2002:453). As a theory of economic development, the inference is that inequality can be good for growth and poverty reduction. Unemployment is seen to be the result of low worker productivity or individual laziness. And, to enable the labour market to function properly, structural rigidities such as trade union activities and pro-labour laws should be minimised. The emphasis of neoliberalism is on competition among firms and an emphasis on individual freedoms and choices. The grand claim is that a policy orientation that promotes competition, individual choice, open markets, and profit maximisation is good for job creation, equity, and poverty reduction (Dollar and Kraay 2002). In effect, uneven geographical development is regarded as conducive to the creation of well being for all (Harvey 2006: 25–26).

This is how neoliberalism is understood in principle. However, such claims cannot be taken on face value and must be empirically verified. In Ghana, successive governments have been pursuing a neoliberal agenda since 1983. For this purpose, a "before and after" analysis, more popular in the economic and financial appraisal of development projects, is the appropriate methodology. It entails establishing the conditions before and after the implementation of a policy. Then, a judgement can be made about to what extent the changes observed after a policy can be attributed to the implementation of that policy (see Belli et al. 2001; Ibem and Amole 2011; Potts 2002). This approach can also incorporate an objectives analysis. Using that method, the analyst ascertains the outcome of a project and compares it with its stated aims, for example, in this case, the present task of studying the effects of neoliberalism on employment, inequality, and poverty levels (Potts 2002).

The present study, using this methodology, focuses on the period between 1983 and 2010. It describes the rise of neoliberalism in terms of 1) the sale of state companies, 2) the increase in private sector investment over time, and 3) the contribution of the private sector to gross capital formation. It describes the structure of the urban economy in terms of location quotients. It assesses the impacts of structural economic changes in terms of measures of 1) job creation, employment and unemployment, and 2) poverty reduction, wages, and inequality. It defines urban society, following the official definition in the National Urban Policy of Ghana (Government of Ghana 2010), as comprising all settlements of at least 5,000 people. On this basis, an estimated 51.5 percent of the population in Ghana is urban.

Neoliberalism and the Urban Economy in Ghana

Economic historians (e.g., Killick and Moazzam 1992) normally describe the period from 1983 until the present as the neoliberal era in Ghana. To understand neoliberalism in Ghana, however, it is important to understand the broader historical context within which it developed.

In 1957, Ghana gained independence from British colonial rule, and in 1960 it obtained republican status. According to the first population census in the country conducted in 1960, there were about 2.5 million Ghanaians in the labour force out of about 6.7 million in the total population. The labour force participation rate for people aged 15 and 64 was 89 percent in the country as a whole and 86 percent in Accra, the capital city. Of those people employed, 62 percent were in agriculture, 20 percent in services and commerce, and 9 percent in manufacturing. Most people who were in the labour force were self-employed, engaged in small-scale activities such as farming, trading, carpentry, and craftsmanship (Peil 1972). There were several attempts by the postcolonial governments to improve employment in the Ghanaian economy and, although postcolonial governments such as the Progress Party (1969–1972) were seen to be more supportive of private sector-led economic development, it is generally agreed that most postcolonial governments in Ghana favoured a state-led process of economic development. The public sector was, therefore, positioned to be a major source of employment to Ghanaians (Bawumia 2010).

The Convention People's Party (CPP) (1957–1966), led by Nkrumah, was a case in point. The government inherited £200 million from Britain with which it expanded the public sector. Between 1957 and 1965, state-owned industries increased from 13 to 22, while 20 others were under construction (Ministry of Education 1991:263–266). Workers' brigades were established in all the 10 regions in Ghana to employ people, especially the urban youth, to work on development projects such as roads, water works, communal buildings, drainage schemes, rural electricity projects, and low-cost housing. Similarly, state farms were constructed to boost the production of food (Hodge 1964).

It is estimated that, between 1957 and 1963, the CPP created 100,000 jobs (Hodge 1964). A lot more jobs could have been created, but the regime faced problems of corruption and failed to efficiently manage state corporations. For instance, the wife of Krobo Edusei, a high profile minister in the government, is reported to have ordered a golden bed from a London store at the cost of £3,000. Meanwhile, ordinary people were being asked to tighten their belts, a euphemism for being thrifty because of harsh economic conditions. About 90 percent of the state corporations were operating at severe losses, and Ghana was almost bankrupt as its external debt increased from £20 million in 1957 to £400 million in 1966 (Ministry of Education 1991: 267).

The period between 1970 and 1982 was one of deepening recession in Ghana's economy. The GDP per capita declined by 19.7 percent, the index of manufacturing output dropped from 100 percent to 63.3 percent in 1981; maize production fell by 54 percent, rice production plummeted by 80 percent, yam production declined by 55 percent, and cassava production went down by 50 percent. The export of cocoa, Ghana's main cash crop, also fell, by nearly 40 percent (Hutchful 2002). There were large fiscal deficits. Between 1970 and 1983, net reserves as a percentage of GDP were zero or negative most of the time, and total external debt increased by nearly 400 percent. The gap between public expenditure and revenue kept widening: while revenue increased by only 56 percent, public expenditure rose by 615 percent. The result was that the inflation rate accelerated from under 1 percent in 1960 to over 100 percent in 1983. Year by year, real per capita GDP growth performance was mixed, with ups (such as 7.96 percent in 1978) and downs (as in −9.71 percent in 1982). However, during the period as a whole, the changes in real per capita GDP was negative (Bawumia 2004; Younger and Harrigan 2000).

Some (e.g., Hutchful 2002) argue that distorted internal policies such as promoting a huge public sector wage bill single handedly caused the economic difficulties, but it is more likely that the causes were multidimensional (Aryeetey and Harrigan 2000; Bawumia 2004). According to Bawumia (2004: 47), "by late 1983, a combination of severe Sahelian drought, sporadic bush fires, the flight of capital from the country convinced [the Government of Ghana] that the best solution to the desperate economic situation was to seek help." The International Monetary Fund (IMF) gave that help by prescribing the "Economic Recovery Programme"; Ghana's version of the Structural Adjustment Programmes that the Bretton Woods institutions had adopted as their pre-requisite for financial assistance to developing countries. This phase of Ghana's economic history marked the official birth of neoliberalism.

Although the neoliberal era spans the 1980s until the present date, the foundation for the implementation of austerity measures in Ghana was laid from 1983 to 1993. Three subperiods—1983–1986, 1987–1990, and 1991–1993—can usefully be distinguished. From 1983–1986, the declared aim of the programme was to enhance economic growth and reduce inflation in order to stabilise the macroeconomy. To achieve this aim, the cedi (¢), Ghana's local currency, was devalued. Also, there were revisions of import and export prices and monetary and fiscal policies in the form of credit ceilings, upward adjustment of interest rate, an overhaul of the tax structure, and retrenchments to correct the budget deficits (see Hutchful 2002 for a detailed account).

In the second subperiod, between 1987 and 1990, there was a further attempt to arrest the decline in growth and to obtain a feasible external payments position. The set GDP growth targets were 5 to 5.5 percent per annum. Other macroeconomic targets were a rise in the level of investment from around 10 percent of GDP in 1986 to 23 percent of GDP in 1989 and, around the same time, an increase in the national savings from 7 percent of GDP to 15 per cent (Aryeetey and Harrigan 2000).

In the third and final stage of the adjustment programme, policies were pursued to attain "accelerated growth" after stabilisation. The policy framework was laid down in the *Accelerated Growth Strategy* in which policy makers claimed to be pursuing sustainable development and poverty reduction by further promoting the private sector as the engine of growth. The policy makers believed that promoting the private sector would lead to pro-poor growth and greater access by the poor to social services. Pro-private sector policies were eventually incorporated into the *Ghana Vision 2020* (Aryeetey and Harrigan 2000; Hutchful 2002).

The official view was that these policies had created the "right" framework for private sector development, an extension of markets and a retreat of the state from direct state provision. Between 1987 and 2000, over 300 state enterprises were sold (Adu-Amankwa 2007). In 2001, the government announced that "a clear aggressive program of divestiture reform will be pursued, which will limit the role of government in the economy [and] reinforce the private sector" (MOFEP 2001, section 326). Pursuant to achieving this goal, some measures were implemented to reduce the cost of private sector production such as a reduction in the corporate tax rate from 35 percent to 30 percent for companies listed on the stock market (MOFEP 2001). Also, in 2003, the government facilitated a loan facility of about 13 thousand euros from the African Development Foundation and a $17 million facility from SOFITEL BANK, USA. Around the same time, a ministry was created to promote private sector development, and within the ministry, the government established an Institutional and Legal Reform Division to reduce bottlenecks to private sector development (Government of Ghana 2005: 29).

The private sector responded favourably. Table 1 shows the nature of private sector investments from 2001 to 2008. Table 1 shows that, from 2001 to 2008, 2,781 private sector investment projects were registered with the Ghana Investment Promotion Centre. A significant share of these projects is in manufacturing (28 percent), services (26 percent), and general trade (17 percent). Relatively few

TABLE 1. PRIVATE SECTOR INVESTMENT IN GHANA, 2001–2008.

Sector	Total no. of projects	Share of total number of investment (%)	Total investment cost ($m)	Share of total cost (%)
Manufacturing	772	27.76	4,830.20	43.33
Service	729	26.21	2,255.25	20.21
Tourism	293	10.54	161.37	1.45
Building and construction	222	7.89	2,527.04	22.67
Export trade	121	4.35	71.23	0.64
Agriculture	161	5.79	185.65	1.67
General trade	483	17.37	1,118.02	10.03

Sources: Ghana Investment Promotion Centre (GIPC) (2007a,b,c,d, 2008a,b,c,d).

projects are in the construction and building sector (11 percent), although it is one of the most capital intensive, constituting about 23 percent of the total investment value over the period.

A large share of these investments is foreign owned, an indication of the internationalisation of the economy, which Jessop (2002) contends is one of the distinctive features of neoliberalism. Between January 2001 and March 2007, the foreign direct investment (FDI) component of the investments constituted 82.8 percent of the total, and the rest was partly a foreign-Ghanaian joint venture (GIPC 2007b:6). By the end of 2008, the FDI component had increased to 99.6 percent foreign owned (GIPC 2008d:3) and, by the second quarter of 2010, 94 percent of the investments were foreign owned (GIPC 2010b:3). The leading investor countries in terms of the number and value of registered projects have been India, China, Nigeria, the U.S., South Africa, the UK, Norway, the Netherlands, and Lebanon (GIPC 2007a,b,c,d, 2010a,b).

These transformations have contributed to changes in the structure of the urban economy. One quantitative measure of this structural economic change, in terms of employment, is as shown by the location quotients (LQs) in Table 2. The LQs show the size of the industries in the urban economy when compared with the national economy (i.e., urban share/national share of employment). If LQ = 0, the industry does not produce enough to serve the full requirements of the urban economy; if LQ = 1, the industry only serves the urban economy;[2] and if LQ > 1, the industry produces more than enough to serve the urban economy, suggesting that some of the produce can be exported. Apart from industries whose LQs are

TABLE 2. LOCATION QUOTIENT (LQ), 1999–2006.

Industry	1999	2006
Agriculture	0.38	0.34
Mining	1.43	1.29
Manufacturing	1.50	1.52
Utilities	2.50	2.50
Construction	1.57	1.94
Trading	1.79	1.96
Financial services	2.63	2.64
Transport and communication	2.32	2.04
Community/other services	1.79	2.11

Sources: Calculations based on Ghana Statistical Service 2000a,b, 2008.

greater than 1, all other industries may be regarded as nonbasic. Thus, basic industries are those ones which produce "extra" output for export. Another way to interpret basic industries is to see them as those industries which employ extra workers to produce for export (see Isserman 1977; O'Sullivan 2003: 133–135).

Table 2 shows LQs for only the years 1999 and 2006 because data set is not available for earlier years. The Ghana Statistical Service carried out a nationally representative survey in 1988, 1989, 1992, 1999, and 2006, but it only started disaggregating the employment data into locality (urban and rural) in 1999. So, the LQ by industry can be calculated for only those 2 years as shown above. Table 2 shows that the urban economy has featured relatively strong representation of all industry sectors except agriculture. This is a general feature of urban economies, of course. In the case of Ghanaian cities, the highest LQs have been in financial services and utilities, with transport and communication and community/other services, trading and construction also with strong representations, ahead of manufacturing. Over the period 1999 to 2006, there was an overall increase in specialisation in tertiary industries, while the share of employment in primary industry has declined, generally, indicating growing urban–rural differentiation in these sectors. The growth in LQs for services, particularly trading, community, and other services may be indicative of the tendency for neoliberalism to foster greater tertiarisation, construction, and trade (Booth et al. 2005; Dingle and O'Hanlon 2009; Green and Wilson 2000: 432).

To drill deeper into an analysis of the effects of neoliberalism on the urban economy, we need to look in more detail and over a longer time period, at the relative roles played by private and public sectors. Putting emphasis on the private sector as the engine of investment and employment growth is one of the hallmarks of neoliberalism. Indeed, on average, the contribution of the private sector to gross capital formation has been significantly higher than the public sector in Ghana since 1987. Out of a total gross capital formation[3] (as a share of real GDP growth) of 1.7 in 2009, the private sector contributed 1.1 or 64.7 percent[4] (African Development Bank and OECD Development Centre 2008). Thus, the private sector is the main driver of the process of expanding fixed capital in Ghana, at both the national and urban levels. It is more important to examine whether this leading role in investment is matched by the role of the private sector in creating employment, reducing poverty, and inequality.

Employment. Between 1985 and 1991, there was a decline in formal sector employment[5] at an average annual rate of 3.7 percent (Baah-Boateng 2004). The attrition is attributed to the sudden and progressive withdrawal of the state from direct employment. Between 1987 and 1999, privatisation generated substantial amount of revenue (in the form of proceeds from the sale of public companies), equivalent to 14 percent of Ghana's GDP, for the Government of Ghana (Appiah-Kubi 2001). The sale of over 300 state enterprises between 1987 and 2000 resulted in a reduction in formal sector employment from 18 percent of total employment in 1989 to 13 percent in 1999. Some 70,000 people lost their jobs in the formal economy (Adu-Amankwa 2007). Between 1960 and 1991, an estimated 147,000 people lost their jobs in the public sector (Gockel and Vormawor 2004:9). The rest were redeployed to other sectors of the public sector (Alderman, Canagarajah, and Younger 1995).

Table 3 shows the distribution of jobs in the national and urban economies. As of 2006/2008, about 31 percent of the employment in the urban economy was in the public sector, and only about 22 percent in the private formal sector. The rest of the employment was in the private informal sector. Contrary to claims that the private sector would expand to absorb those people who lost jobs in the public sector, there was only a slight rise in the share of private formal sector jobs while, in relative terms, there was a sharp rise in the share of private informal sector[6] in total employment. The informal sector has a longer history that goes back further than the 1980s, of course. Nevertheless, there is a consensus among several writers about cities in Ghana (e.g., Arthur 1991; Kendie 1998; Otiso and Owusu 2008; Owusu, Agyei-Mensah, and Lund 2008; UN-HABITAT 2009) that the growth of the informal sector has been more rapid in the last 20 years. These findings are consistent with the global study of slum conditions by the United

TABLE 3. DISTRIBUTION OF EMPLOYMENT BY TYPE OF EMPLOYER, 1987–2006/2008.

Type of employer	1987/1988	1999/2000	2006/2008
Public sector			
Urban	N/A	11.4	30.9
Ghana	9.0	6.2	28.5
Private sector (formal)			
Urban	N/A	14.5	21.5[a]
Ghana	7.3	7.5	20.4[a]
Private sector (informal)			
Urban	N/A	74.1[b]	47.7[b]
Ghana	82.2	86.3[b]	51.0

[a] Includes people employed in non-governmental organisations (NGOs), co-operatives, international organisations and diplomatic missions, and those employees who work for agri-business and other businesses.
[b] Includes people who are self-employed in the agricultural and non agricultural sector.
N/A denotes data not available.
Sources: Ghana Statistical Service (1995, 2008), Ghana Statistical Service, and World Bank (1988).

Nations Human Settlements Programme (UN-HABITAT 2003), which found that although informality has always been seen by urban planners as a problem, the phenomenon intensified in the 1990s.

The twenty-first century has shown a more buoyant economy in terms of job creation. Table 4 shows that, between 2001 and 2010, the private sector provided over 238,334 jobs, mostly in urban areas (GIPC 2007a,b,c,d, 2010a,b). Local Ghanaians take up most of these jobs. In the first half of 2010, for example, only 13.9 percent of the jobs created were for expatriates (GIPC 2010a:3). The data set does not allow for an analysis of which type of positions are held by Ghanaians vis-à-vis expatriates but, because a high share of the investments is foreign owned, it is reasonable to infer that proportionately more senior positions tend to be held by expatriates.

There are other notable characteristics of private sector job creation in Ghana over the past decade. The first is the imbalance in the regional and spatial distribution of projects that bring jobs. Unlike most of the public sector jobs which are spread all over the country, in the ministries, departments, and agencies,

TABLE 4. ESTIMATED NUMBER OF JOBS FROM PRIVATE SECTOR INVESTMENT, 2001–2010.

2001	6,330
2002	5,988
2003	7,730
2004	13,545
2005	10,836
2006	12,044
2007	25,367
2008	30,080
2009	22,486
2010	103,928

Sources: Ghana Investment Promotion Centre (2007a,b,c,d, 2008a,b,c,d, 2009a,b,c).

private sector projects are mainly concentrated in areas where greater scale economies can be obtained. As Table 5 shows, most of the private sector investment projects are located in the Greater Accra region where poverty is least endemic. Between 2001 and 2009, only one investment project was located in the upper west region, where poverty is most prevalent. This feature is what Harvey (2006: 98) calls "uneven geographical development" arising from capitalist agglomeration economies.

The second distinctive feature of private sector jobs is the weak position of workers in terms of bargaining for better conditions of work. According to the Ghana Statistical Service (2008), 6 in every 10 employees (57.3%) do not have any formal contract of employment with their employers before they start work, and about 67 percent of workers are in organisations with no trade unions. Similar characteristics may exist in the public sector, but they are more prevalent in the private sector (Akorsu and Cooke 2009). Thus, we see in neoliberalism a force of creative destruction, a situation in which one "positive"—private sector employment growth—tends to undermine another—employment conditions (Harvey 2007).

Finally, private sector job growth has relatively more focus on small firms (those firms which employ fewer than 11 people). Between 1991/1992 and 2005/2006, the share of employment in small-wage firms increased from 1.4 to 3.8 percent (Nsowah-Nuamah, Teal, and Awoonor-Williams 2010: 12–15). This

TABLE 5. DISTRIBUTION OF PRIVATE SECTOR PROJECTS BY REGION, PERCENT URBAN, AND POVERTY INCIDENCE, 2001–2009.

Region	Total number of projects	Percent urban	Poverty incidence (%)
Greater accra	1,470	87.7	12
Ashanti	80	51.3	20
Western	60	36.3	18
Eastern	46	34.6	15
Central	42	37.5	20
Volta	27	27.0	70
Brong ahafo	21	37.4	29
Northern	15	26.6	52
Upper east	5	15.7	70
Upper west	1	17.5	88

Sources: Ghana Investment Promotion Centre (2007a,b,c,d, 2008a,b,c,d, 2009a,b,c).

TABLE 6. UNEMPLOYMENT RATE IN GHANA, 1987–2000.

Year	1987/88	1992/5	1999/2000	2006/8
Urban	—	11.3	12.0	6.3
Accra	—	11.2	16.6	8.9
Ghana	1.5	4.7	8.2	3.6

Sources: Ghana Statistical Service (1995, 2000, 2008); Ghana Statistical Service and World Bank (1988).

too changes the characteristics of employment. To the extent that bigger institutions make higher profits and, in turn, commonly pay their workers more wages, this feature of private sector employment in Ghana signals deep troubles, including perpetuating a cycle of low incomes.

Unemployment, 1987–2010. What has been the impact of these trends on the unemployment rate[7] in Ghana? Contrary to the theory that austerity measures lead to higher employment, Table 6 shows that the unemployment rate in Ghana rose from under 2 percent in 1987/1988 to over 8 percent in 2000. The rate of unemployment in urban areas was about one half that in Ghana as a whole and about twice the national rate in big cities like Accra. It is reasonable, therefore, to contend that the Economic Recovery Programme in Ghana worsened the problems of unemployment and underemployment (or low-wage employment).

Table 6 shows that between 2000 and 2006/2008, both national and urban unemployment rates fell: from 8.2 in Ghana as a whole to 3.6 in urban areas, and from 12 to 3.6 percent between 2000 and 2006/2008. It is, however, doubtful that the fall in the unemployment rate is solely attributable to the growth of private sector jobs. Table 3 shows the distribution of employment between the public and the private sector after the millennium. It shows that, while employment in both the private formal and public sectors has risen since the turn of the millennium, the public sector growth has been more substantial. Between 1999/2000 and 2006/2008, formal private sector employment in urban areas rose from 14.5 percent to 21.5 percent, while the share of the public sector in urban employment increased from 11 to 31 percent. On the other hand, the share of the population in the informal sector of the economy has fallen from over 70 percent to about 48 percent in cities. On the basis of this evidence, it can be concluded that both the public and private formal sectors have absorbed a share of workers in the informal sector of the economy.

Wage incomes. Assessing the impact of neoliberalism requires analysis of trends in poverty and inequality as well as employment and unemployment. This assessment requires attention to wage levels and their relation to living standards.

The wave of neoliberalism in the 1980s led to a reduction in the public sector budget for recurrent expenditure such as salaries. One claim of advocates of the neoliberal reforms was that the civil service bill was too large, so it needed to be reduced by retrenchment in order to increase the salary levels of those workers who were retained. Substantial retrenchment was undertaken. However, in practice, by the close of 1989, the salaries of workers who were retained were less than 50 percent of the pre-adjustment levels (Ayee 2001:13–14). In the private sector, the Prices and Incomes Board, the government institution mandated to regulate wages, did not accept any wage and salary increases in excess of 25 percent (Herbst 1993).

Then, after 1993 when the adjustment programme was officially over, the Government of Ghana increased wages substantially. Table 7 shows the change in average hourly earnings in different industries in Ghana between 1992/1995 and 2006/2008. Over the period 1992 to 2000, there were large increases in wages, as high as ten-fold in the transport and communication industry but from a very low base. By 1999, the national mean annual household income was $947, while the corresponding amount in urban areas was $1,128. The national per capita income was $220, but in urban areas it was $289 (Trades Union Congress of

TABLE 7. AVERAGE HOURLY EARNINGS[a] IN GHANA BY INDUSTRY, 1992–2008.

Industry	1992/1995	1999/2000	2006/2008
Agriculture	0.01	0.05	0.41
Mining	0.02	0.12	0.80
Manufacturing	0.02	0.12	0.63
Utilities	0.01	0.11	0.77
Construction	0.02	0.10	0.62
Trading	0.02	0.14	0.59
Transport/communication	0.01	0.12	0.49
Financial services	0.03	0.15	1.54
Community/social services	0.05	0.10	0.57

[a] Figures are in the New Ghana Cedis (1,000,000 old Ghana cedis = 100 New Ghana Cedis [GH¢]; 1 GH¢ is approximately 0.7 USD).
Sources: Ghana Statistical Service (1995, 2000a, 2008).

Ghana 2004). Notwithstanding the major wage increases shown in Table 7, relative to other African countries, which were at similar levels of economic development, wages in Ghana have been comparatively low. From 1992 to 1994, the average monthly earnings in Ghana, adjusted for purchasing power parity, was $170 compared with $467 in Cameroun, $333 in Kenya, $176 in Zambia, and $328 in Zimbabwe (Trades Union Congress of Ghana 2004).

Several factors account for the relatively low wages in Ghana. First is the long-term effect of keeping wages low. Second is nonunionisation, especially in the private sector, and a weakened trades union (Due, for example, to declining membership, past political pressure on union leaders and hence weak bargaining power). Third is that private sector jobs are concentrated in small firms where wages are relatively low, $65 per month for men contrasted with $123 in the civil service (Nsowah-Nuamah, Teal, and Awoonor-Williams 2010:12–15).

After the turn of the millennium, the government raised the average basic hourly earnings in the country. The official minimum wage was fixed at $1.04 in 2003, making it the first time in the history of the country for the minimum wage to exceed $1 (Aryeetey and Baah-Boateng 2007:5). The current daily minimum wage is $2.2 (GH¢ 3.11).[8] However, market forces have created widening disparities in basic hourly earnings over the 1992 to 2008 period (Table 7). From a relative equality of low-wage poverty in the earlier years, sectoral inequalities have widened: wages in the financial services sector in particular have leapt ahead.

TABLE 8. PROPORTION OF PEOPLE OFFICIALLY CLASSIFIED AS POOR IN GHANA, 1991–2005/6.

Location	1991/92	1998/99	2005/06
Urban	27.7	19.4	10.8
Ghana	51.7	39.5	28.5

Source: Ghana Statistical Service (2007).

Poverty and inequality. The increase in wage levels coupled with an increase in the value of the cedi and a drop in inflation (see Bawumia 2010 for details), has contributed to falling levels of poverty[9] as shown in Table 8. Between 1991/1992 and 2005/2006, the share of the urban population classified as poor dropped from nearly 28 percent to just under 11 percent.

In 1991/1992, 7,931,000 people were officially classified as poor in Ghana, but this number fell to 6,178,000 by 2005/2006 (GSS 2007:7). This decline in poverty makes the statistical service hopeful that Ghana may actually become one of a few African countries to achieve the Millennium Development Goal of halving poverty by 2015 (GSS 2007: 7).

Nevertheless, the distribution of income between the rich and the poor has been widening. Prior to the implementation of the neoliberal agenda, the ratio of the salary of a senior to that of a junior civil servant was less than 2:1 but, by 1991, the ratio had increased to 10:1, slightly short of 13:1, which was the ratio recommended by the government's overseas consultants on the reforms in the civil service, who claimed, in line with the neoliberal theory, that inequality is an incentive for hard work and creative ideas (Ayee 2001:13). Between 1986 and 1991, salaries for senior civil servants rose about 33 percent, but medium salaried workers got only a 4 percent raise, while minimum waged workers experienced an average decline of 15 percent of their salaries (Kraus 1991:32). Between 1992 and 1999, the mean income of the richest 10 percent of workers increased by 600 percent, while the mean income of the poorest 10 percent increased by only 38 percent, suggesting that the ratio of the average income of the workers in the top decile to the average income of workers in the bottom decile was 150:1 (Trades Union Congress of Ghana 2004: 19–20).

In 1987, the extent of income inequality, as measured by the Gini coefficient, in Ghana was 0.38. It has consistently increased since then: to 0.42 in 1998 and 0.55 in 2007. Also, whereas the richest 10 percent of the population controlled

29.5 percent of income in Ghana in 1998, the share of income of the richest 10 percent has increased to 32.8 percent by 2007 (UNDP 2009; Vanderpuye-Orgle 2002). This trend, perhaps, shows that Arthur Lewis was wrong in predicting a "natural" disappearance of inequality with a fall in unemployment (Cypher and Dietz 2004: 148).

This evidence on economic inequality is troubling. Contrary to the neoliberal claim that inequality is necessary for economic growth, inequality can have adverse growth effects (Birdsall, Ross, and Sabot 1994). International evidence shows that inequality reduces reported levels of human happiness (Stilwell and Jordan 2007). Fosu (2009), focusing on inequality and poverty reduction in sub-Saharan Africa, showed that inequality slows down poverty reduction. In the case of Accra, inequality levels have been so high—among other things because of in-migration of poorer people from other urban and rural areas—that the share of the population under the poverty line increased from 4.4 percent to 10.6 percent between 1998/1999 and 2005/2006 (Ghana Statistical Service 2007:8–9), although overall urban poverty declined (see Table 8).

Conclusion

Ghana is an interesting case study in the experience of how neoliberal policies have impacted urban economic conditions. However, the evidence is mixed. Unemployment has decreased, consistent with the general political economic expectation that increasing private sector investment and capital accumulation would lead to job creation. The reduction in the overall level of urban poverty—halving between 1991 and 2006—is also indicative of significant economic benefits. However, claiming that these achievements are only driven by private sector growth, as a neoliberal view would emphasise, is not supported by the evidence. The state has expanded to play a role in direct employment (as shown in the rise in the size of the public sector share in urban employment) and through directly increasing wages. Therefore, the achievements in job creation and poverty reduction cannot be attributed solely to the neoliberal policies.

Moreover, major problems remain. That about 11 percent of the urban population continues to live in poverty indicates a continuing challenge to draw all of the society into the process of economic development. Similarly, the share of workers in the urban informal economy (48 percent) remains high, indicating continuing problems of marginalisation and economic insecurity for about half of the urban population. Both look more worrying when we consider the fact that the poverty benchmark in Ghana is pegged at a mere $1 a day, while new figures available to the World Bank show that a $1.25 benchmark is more realistic.[10]

The trend towards rising inequality is a major issue because it is anathema for economic development and poverty reduction. As admitted by the Ghana Statistical Service (2007:17), "the decline in poverty [was] offset by increasing inequality." There is a spatial dimension to this too: a crucial obstacle to more balanced economic development is the regional imbalance in private sector investment coupled with the weak position of workers in private sector employment.

These findings from Ghana need to be carefully considered by other West African countries that have yet to witness a comparable urban transformation. Two main urban policy implications deserve particular attention. First, following the classical economic reading of capital accumulation as a significant driver of job creation, there is the need to create the conditions conducive to new investment and expansion of existing investments to boost capital accumulation. Second, following a more political economic perspective on the experience of capital accumulation, there needs to be a leading role for the state with private sector support. The Ghanaian case has shown that, even though neoliberal theory advocates a market economy, in practice the state is intricately involved in economic development. That is, the neoliberal emphasis on markets and the private sector does not necessarily flow through into policy practice and outcomes. Indeed, "actually existing neoliberalism" can differ substantially from the normative theory which emphasises a laissez-faire ideal (see Cahill 2010). A state-driven accumulation process need not entail expansion of an inefficient public sector. The kind of state intervention which is likely to be effective is one that supports the interest of workers, such as implementing more regionally balanced investment and tax policies that seek to reduce income inequality. The state can also tackle inequality by raising minimum wages, although this policy needs to go hand-in-hand with other policies to improve the productivity of labour in order to reduce potential cost push inflation. Whether a more actively interventionist state can implement these policies or whether it is incapable of doing so because of its capture by a privileged class that benefits from cheap labour raises different sets of questions which need to be the focus of further political economic analysis.

NOTES

1. Vision 2020 (Government of Ghana 1995), the national policy document that guided the country from the late 1990s to the millennium; The Interim Ghana Poverty Reduction Strategy (Government of Ghana 2000), which gave a vision from 2000 to 2002; The Ghana Poverty Reduction Strategy I (Government of Ghana 2003), which was the national vision for 2003 to 2005. The Ghana Poverty Reduction Strategy II (Government of Ghana 2005), which was the national vision for 2006 to 2009
2. This could also mean that the industry exports some of its production from the urban economy, but this is exactly marched by imports.

3. The contribution to the total fixed assets in the country.
4. That is, $(1.1/1.7) \times 100$
5. The Core Welfare Indicators Questionnaire, which the Ghana Statistical Service uses for its surveys, notes that "Public" means "government owned," "formal sector" means "privately owned and registered," and the informal sector is defined as "privately owned and not registered" (GSS 1996:5).
6. The term informal sector was first used by Hart (1973) to describe the activities of Frafra people in Accra, the capital city of Ghana. Since that study, however, several researchers (e.g., Potts 2007; Sandbrook and Arn 1977; Trager 1987) have looked at its character. They claim that work in the informal sector of the economy is usually labour intensive, uses simple technology and operates on a small scale. It includes self-employed nonwage labour and wage labour employed below the minimum wage with little or no benefit from the protections and social security in the formal sector. The informal sector of the economy cuts across different occupations, but, in all cases, the working conditions of labour are harsh.
7. According to the Ghana Statistical Service (1996: 5), "unemployed people" are adults who do not have regular employment, but who were available for work in the past 4 weeks before the national survey. "Unpaid family workers/homemakers" are people within households who are not paid any wage or salary for work such as cleaning and cooking. Some examples of people in this category are housewives, unpaid domestic servants, and older children at home. The unemployment rate, on the other hand, is "the proportion of the usually economically active population who are unemployed" (3)
8. The difference between rural and urban wages is slight. The figures available from the Trades Union Congress of Ghana (2004) show that in 1999, the ration of annual average per capita incomes in urban and rural areas was 1.5:1. Why does Ghana have this low disparity between rural and urban incomes? An illuminating study by Harttgen and Klasen (2009) has shown that in Ghana, there is little "urban bias," probably because all such biases in wages and pricing were removed during the period when structural adjustment policies were implemented (Bawumia 1992). More substantively, there is a beneficial relationship between the two: urban and rural areas benefit from each other for example, through resource transfers as in remittances sent by friends and family members in urban areas. Also, there is knowledge transfer from urban to rural areas. On the other hand, urban areas benefit from food and other raw materials grown in rural areas (Harttgen and Klasen 2009). This trend in Ghana accords better with Sir Lewis' view on urbanisation than Lipton's.
9. Following the definition used by the Ghana Statistical Service, poverty is defined as the *incidence* of poverty or the share of the population defined nationally as poor. "Poor people" in Ghana are those individuals whose annual income falls within the 2,884,700–3,708,900 old Ghana cedis brackets (Cedi (¢) is the national currency of Ghana. "Old," as a descriptor, is used because the Bank of Ghana has recently redenominated the currency). In this paper "new Ghana cedis" is written as GH¢. The people who fall below the lower limit are classified as *extremely poor.* That is, those people who would not be able to afford to satisfy their basic calorie needs, even if they spent all their income on food. On the other hand, *poor* people are those people whose income fall below the upper limit, and earn $1 a day (Ghana Statistical Service 2007:6–7). The concept of poverty used in this paper is headcount poverty. That is, how many people earn below a benchmark. All references to "poverty" in this paper connote "absolute" rather than "relative" poverty.

10. There is no study in Ghana that looks at the implications of shifting the poverty line on urban poverty. However, at the national level, Gary (2009) claims that, if the poverty line were shifted higher to $2, it is 80 percent rather than 29 percent (using the $1 benchmark) of the national population who would be regarded as living under the poverty line.

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