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An overview of employment generation in the sectors of GHANA'S economy: Foreign direct investment perspective

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Abstract

As foreign direct investment (FDI) contributes to economic growth and development of the host country, it also serves as a basis of employment creation in an economy. Over the past years, FDI has helped accumulate capital for developmental projects in most developing and least developed countries. This study provides an overview of job creation through FDI inflow within the Ghanaian economy by considering the number of jobs allocated to the various sectors. The study makes use of a descriptive statistical method that quantitatively supports data analysis. The results show that as the total FDI registered projects decrease, the number of expected jobs to be created also declines. The outcome also revealed that the service sector enjoys a higher percentage of the FDI registered project and the total number of employments generated within the selected period. The result further indicates that about 84% of the aggregate jobs created were for Ghanaians. The outcome also showed that the tourism and export trade sectors' performance towards job generation from FDI inflow is lower than other sectors of the economy. It is suggested that the government should continue to put in a great effort to make the country's business environment much friendly for investors.

Keywords: FDI, employment, sectors, Ghana, economic growth, trade inflow.

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1. Introduction

Ghana is a democratic country in Africa and is endowed with a large pool of surplus labour force. Ghana's labour market is twofold as it is characterised by both formal and informal employment with the majority of the labour force engaged in agriculture, particularly small-scale farming. Foreign direct investment (FDI) has become a mechanism used by many countries for economic transformation and development. Over the years, the government of Ghana has implemented some economic and investment policies to boost the advancement of its economy. With the enactment of the Economic Recovery Programme in 1983, the Ghanaian economy has experienced one among the foremost comprehensive programmes of structural adjustment in Africa (Addo, 2019). Major policy reforms and market incentives were developed and enforced at the start of the 1980s (Appiah-Adu, 1999). Africa's share of the total FDI inflow has increased during the period as a result of the numerous measures initiated to encourage inflows on the continent. The process of reducing the level of unemployment in an economy expands the income level of the nation and gradually a decline in the level of poverty. To decrease the limit of unemployment, some researchers have argued that the flow of goods and services (trade flows) could drive employment creation, especially in developing nations (Babasanya, 2018). Expansion in employment has a response on economic growth, such that a rise in labour income would increase local demand, which in turn would lead to sustainable Gross Domestic Product and decreasing risks excessive dependence on uncertain foreign markets (Wheeler & Moody, 1992). Although Ghana receives meaningful revenue from oil because of a weak connection between the oil sector and other sectors of the economy, unemployment is still a challenge. According to Zuzana and Lubomir (2014), to realise the openness of the economy, age, fertility, education, labour law, remuneration levels and changes in interest rate, productivity, terms of trade are factors needed to be understood by a country to accomplish employment existence. As FDI promotes employment creation, this paper seeks to focus on its contribution that FDI offers to the sectors categorised by the Ghana Investment Promotion Centre (GIPC).

2. Literature review

There have been many studies on FDI and its impact on Ghana's economy using different approaches and methods. However, there have been limited studies related to this study. Joshua and Simon's (2008) study investigates the effect of FDI on employment generation and wages in Ghana wherein a synchronic panel regression model is employed in estimating the result FDI has on employment and salary. The study outcomes showed that FDI encompasses a statistically significant and positive effect on Ghana's employment levels. However, findings had less result in wages. FDI significantly augments local effort by doing a lot of jobs within the country. The findings indicated that FDI flows affected employment quantitatively, however not essentially qualitatively.

Awunyo and Sackey's (2018) study sought to ascertain the connection between FDI and Ghana's agriculture sector and economical process with secondary information from the world development indicator. The descriptive statistics, unit test, Granger causality test and error correction techniques were employed to analyse the data embodied. The study accepted a neutrality hypothesis between FDI and the Ghanaian agriculture sector and its covariates: trade openness, capital and government expenditure. The outcome conjointly unconcealed a positive and vital process and FDI flow to the agriculture sector and trade volume severally.

Decai and Gyasi (2012) also researched on how the limited Chinese investments employment activities have contributed to the Ghanaian economy and subsequently determine the quality of goods and services provided to the various sectors. Using a descriptive statistical method aids in analysing the impact of FDI inflow in a quantitative way. Hence, the results indicated that about 80% or more of Chinese investment is mostly found in the manufacturing, building and construction and general trade sectors of Ghana's economy.

Yeboah and Lucy (2020) provided a general overview of the FDI inflow to Ghana which considered FDI component values, local currency components, the total number of registered projects and job creation. Employing a descriptive statistical approach that quantitatively promotes data analysis of research study showed that the total number of investment registered projects about 72.10% was wholly owned and Ghanaians enjoyed about 85% of the full employment created.

A literature review on the impact of FDI on economic growth and development on the Ghanaian economy by (Yu, Yeboah and Ohene (2018) adopted FDI as a contributing parameter to job creation and allocating registered projects to various sectors using a secondary source of data. The outcome revealed that the tourism sector's performance towards FDI attraction is lower. Hence, much attention is focused on the manufacturing, service, building and construction and general trading sectors. Okoro and Atan (2014) believed that sample challenges and measurement errors could bring about the complexity of FDI economic growth empirical analyses; the current study suggested that 99% of the mixed are attributable to poor statistics, data treatment and model specifications. Edward, Paul and Donatus (2019) disclosed that by providing additional capital to African nations, the FDI can directly create new employment opportunities and indirectly through increased linkages with domestic firms. Patrick, Emmanuel and Prudence (2013) indicated that employment and income-generating effects of the investment and immediate or long-term balance of payment implications are some of the benefits of FDI. Babasanya's (2018) research study concurred with similar studies of aforementioned previous research findings that FDI has a positive relationship with employment generation. The theory of FDI by Zuzana and Lubomir (2014) states the positive effect of FDI on employment. Therefore, investment creates new jobs and subsequently decreases unemployment. Mohd and Aditi's (2015) objective was trying to analyse the impact of FDI on employment generation in India. The study outcome showed that although the country's employment in the last two decades is quite palpable, FDI inflows may not be stated as a factor for this growth. Ronismita and Swapnamoyee's (2020) study showed that employment generation in India during the last two decades was quite detectable, but FDI inflows may not be regarded as a major factor for this growth rate.

The study aims to provide much information on employment generation from FDI within the various sectors of the Ghanaian economy. This is to build upon the research works carried out concerning this study. However, based on the many studies carried out over the years about FDI and employment, most of the researches only gave a general overview of jobs created. In this present study, the objective was to provide a breakdown of jobs created out of FDI in the sectors yearly.

2.1. Sectors categorised under the GIPC

The GIPC is a government agency re-established under the GIPC (1994) Act 478 to promote, coordinate and facilitate investment within the Ghanaian economy. The GIPC (1994) Act 478 has been substituted with the 2013 Act 865 through the amendment and restructuring of its fundamental rules and regulations. The core functions of the GIPC include the following:

Investment advisory services;

Joint venture search;

Identification of specific projects for investment promotion;

Grant of investment incentives and other support services;

Registration of technology transfer agreements;

Negotiation of bilateral investment treaties.

According to the GIPC, steady economic advancement is accompanied by a massive expansion in FDI inflow into Ghana, of which from 2006 to 2010 FDI inflow into Ghana increased at a compound yearly growth rate of 41%, which is from $636 million to $2.527 billion. More so, between 2011 and 2013, there was a massive rise in FDI flow from $2.527 billion to $6.821 billion reflecting 46%. There are numerous sectors within the Ghanaian economy. Regarding investment activities, the GIPC deals with eight major areas of the economy in term of FDI distribution and they include the following: agriculture, building and construction, export trade, general trading, liaison, manufacturing, service and tourism sectors. The various FDI and local investment projects recorded by the GIPC can be found in these sectors. Regarding GIPC presentation on '*investment opportunities and doing business in Ghana*' it was revealed that a total of 4211 registered projects were distributed among these sectors. Table 1 shows a detailed insight into the allocation of these projects.

Table 1. Total registered projects from September 1994 to March 2012

Sectors	Total no. of projects	Total estimated value of projects $USM
Agriculture	228	1,292.41
Building and construction	339	9,348.76
Export trade	202	67.51
General trading	670	1,391.77
Liaison	218	48.47
Manufacturing	972	8,509.48
Service	1,206	3,194.98
Tourism	376	186.40
Total	4,211	24,039.78

Source: GIPC.

2.2. Benefits of doing business in Ghana

As many nations aspire to attract a lion share of FDI inflow worldwide, various governments have made available investment incentives to entice investors. Ghana provides competitive investment incentives to investors. With the government motive of making Ghana a primary recipient of FDI in Africa and worldwide, the GIPC has been committed to portraying Ghana as an influential leader for doing business in Africa. According to the GIPC, one way to achieve these goals is through transparency advancement of investment policy by the publishing comprehensive list of investment incentives and rendering it accessible to investors by the Ghana government. Also, numerous affordable rates which include 25% corporate tax, 15% value-added tax, 5% mineral royalties, 8% rent tax, 3% NNIL, 8% companies in non-traditional export, 20% farming/lease companies loan income, 22% for hotels and 22% for companies on the stock exchange are available for the accomplishment of such pursuit. Furthermore, locational incentives (tax rebates) for manufacturing industries such as 25% for Accra and Tema, 18.75% for all other provincial capitals and 12.50% for industries located outside regional capitals are as well accessible. Tax holidays do exist from the start of the operation under the sectoral investment incentives policies. Table 2 shows sectoral tax incentives.

Table 2. Sectoral investment incentives (tax holidays)

Sector	Year	% chargeable on income
Real estate(certified low-cost housing)	5	1
Rural Banks	10	1
Cattle ranching	10	1
Tree cropping, (e.g. one coffee, oil palm, shea-butter and coconut)	10	1
Livestock excluding cattle and poultry	5	1
Fish farming, poultry and cash crops	5	1
Agro processing-converting fish, livestock into edible canned products	5	1
Waste processing(including plastic and polythene	7	1
Free zones enterprise/development	10	0

Source: GIPC.

However, according to the GIPC, industrial plant, machinery or equipment and parts are exempted from customs tariff beneath the HS codes chapters 82, 84, 85 and 98. Enterprises whose machinery or equipment are not zero-rated under the Customs, Excise and Preventive Service Management Act 1993 could submit an application for exemption from import duties and connected charges on the plants, machinery or equipment or parts of the plant, machinery or material to the centre.

2.3. Job creation

Employment is an agreement between two parties (employer and employee); it is often based on a contract. These contracts can be in the form of short and long term. In Ghana, most agreements between employers and employees are verbal. Job generation is through the various sectors of the Ghanaian economy. These jobs are produced for skilled and unskilled workforce. In most situations, the skilled labour force benefits significantly from the new turn out jobs compared to unskilled workers. Employment creation is that the method of providing recent posts particularly for laid-off people. According to the Ghana Statistical Service (2012/2013), Ghana's unemployment rate stood at 5.2% with 68.6% of the jobs assumed to be vulnerable based on the people's standards of living survey round six reports John (Krakah, John & Patrick, 2015). Generating jobs will either cause immediate short-run opportunities that yield a direct impact or develop additional enduring livelihood. Inferring to Krakah et al. (2015), a sum of 207,492 jobs were produced in 2014, of which the agriculture sector recorded the smallest amount (1,756) range of recent jobs, representing 1% of the total amount. Whereas nearly 9 out of 10(87%) new jobs formed were within the service sector, the manufacturing sector of the economy created 24,095(12%) of the new job in the same year. However, FDI supports employment in the host country, as most jobs are created through the number of registered projects in the economy's various sectors. The impact of employment generated by FDI is both direct and indirect. In countries wherever capital is comparatively scarce, labour seems teeming. Thus, the creation of job opportunities – either directly or indirectly – has been one among the foremost outstanding impacts of FDI (Selma, 2013). The quantitative outcome of FDI on employment worldwide has been determined to be modest and fairly most considerable in host developing countries than host developed nations, especially in the manufacturing zone (UNCTAD, 1999).

2.4. Benefits of FDI

Developing nations, rising economies and countries in transition have come back to progressively check FDI as a supply of economic development and modernisation, income growth and advancement (OECD, 2002). Many countries have liberalized their FDI regimes and pursed other business environmental policies to absorb investment. The total gains of FDI for developing nation economies are well recorded. Given the acceptable host nation policies and a basic level of advancement, a preponderance of studies shows that FDI triggers technology spillovers, assists human capital formation, contributes to international trade integration and help produce a lot of competitive business setting and enhances enterprise development growth and employment (OECD, 2002).

2.5. Disadvantages of FDI

As FDI is perceived to positively impact the host country's economy, there are some adverse effects. There are two significant scopes of considerations concerning the harmful effects of FDI nation's balance of payment. First, set in opposition, the initial capital inflow that comes with FDI ought to be the subsequent outflow of foreign subsidiary earnings to the parent company. The second concern arises when an overseas subsidiary imports a considerable quantity of inputs from abroad, which ends in an exceedingly debit on the current account of the host nation's balance of payment (Selma, 2013). FDI may expand import power and increase the account deficit; a huge import content may lead to a low domestic value-added tax, leading to restrictions on local linkages (John, 2005). In brief, FDI could also adversely affect competition; that is where the host country infant companies could face stiff competition from foreign firms. International companies could take over the market at the expense of the domestic industries. FDI could also harm employment because not all the new jobs generated by FDI reflect net summation in work.

3. Research methodology and data source

This study aims to investigate and analyse FDI contribution to employment creation in the Ghanaian economy and the rate at which employment generation has become very significant for improving the standard of living of people and reducing poverty within the economy. A descriptive statistical method that supports the analysis of FDI impact in a quantitative way is employed to achieve the outlined objective of this study. The summation of the first to four quarters reports from the GIPC aided in achieving the total number of registered projects, full employment to be created, the total cost of FDI projects and the aggregate number of jobs for Ghanaians and non-Ghanaians. There are four quarterly reports issued by the GIPC for every fiscal investment year. In the literature review of this paper, it can be seen that there are limited studies conducted in this mode; therefore; the primary set of data focuses on employment creation in the sectors, the total number of registered projects, the total cost of the projects and the number of employments allocated to Ghanaians and non-Ghanaians in each of the sectors. However, the data period was considered from 2013 to 2018, whereas the 2013 Act 865 established the GIPC to promote, regulate and encourage investment activities equally utilised.

4. Results and discussion

4.1. Total FDI projects

FDI total project is the summation of wholly foreign-owned enterprises and joint ventures between Ghanaians and foreign partners. However, the total estimated amount of FDI project is of FDI component and local currency component. The FDI aggregate number of projects yearly is the summation of the first quarter to the fourth quarter investment reports. From 2013 to 2018, the GIPC recorded an estimated total cost of US$19,504.9 million out of 1,312 registered projects from FDI inflow into Ghana's economy. Table 3 shows a breakdown of FDI projects and expenses for each year.

Table 3. Breakdown of total registered projects and total cost from 2013 to 2018

Year	Number of projects	Estimated cost of project US$M
2013	418	3,226.3
2014	184	3,357
2015	170	3,192.3
2016	180	3,485.3
2017	192	3,255
2018	168	2,989
Total	1,312	19,504.9

Source: GIPC/UNCTAD.

Table 3 shows that FDI projects have declined over the past years. However, the FDI projects cost reached its maximum in 2016 with a relative decrease in the subsequent years. The number of FDI projects recorded its lowest and estimated value in 2018.

4.2. Total employments allocated to the sectors

Employments created out of the FDI registered projects are allocated to various sectors. These jobs are distributed among Ghanaians and non-Ghanaian for every quarter. However, these employments are expected to be generated in a period but not the actual jobs created. These employments created are mostly found in the service and manufacturing sector. Table 4 shows a breakdown of the total employment allocated to the sectors from 2013 to 2018.

Table 4. Sectoral breakdown of employment created from 2013 to 2018

Sector	2013	2014	2015	2016	2017	2018
Agriculture	8,982	442	211	248	40	946
Building and construction	5,836	284	2517	1,443	1,154	259
Export trade	320	175	104	27	469	217
General trading	4,284	1478	2,119	644	1105	1,687
Liaison	669	320	244	262	910	2,086
Manufacturing	3.883	7312	4,880	6074	5676	4,859
Service	64,262	2,739	3,290	2,636	3479	7,870
Tourism	958	366	1,583	85	0	0
Total	89,194	13,116	14,948	11,419	12,833	17,924

Source: Authors' calculations based on the data from the GIPC.

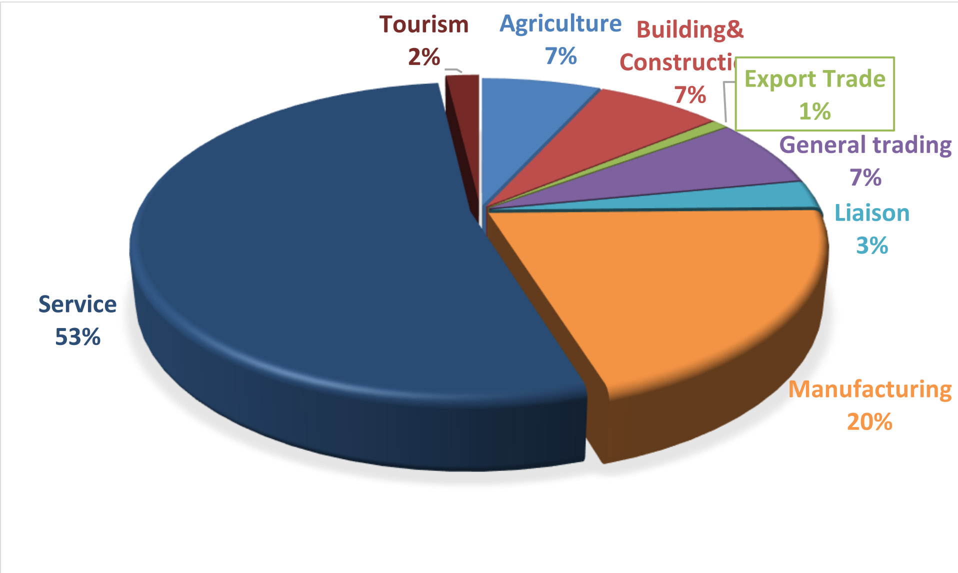

Figure 1. Sectoral share of the total FDI employment created. Source: Authors' calculations based on the data from the GIPC

Table 4 and Figure 1 show that the service sector, manufacturing sector and building and construction sector benefited greatly from the total employment created out of FDI projects from 2013 to 2018. However, the export trade sector recorded the lowest number of jobs generated as a result of less number of FDI-registered projects allocated to the sector.

However, the sectoral breakdown of employment in Table 5 for the sectors during 2017 was from the first quarter to the third quarter. In the fourth quarter of 2017, there was no employment indication for Ghanaian and non-Ghanaian, but overall jobs were created for the period. From the first to the third quarter of 2017, there was no employment record generated in the agriculture sector. However, in the fourth quarter, there were 40 jobs created in the agriculture sector, 125 jobs in the building and construction sector, 13 jobs in export trade sector, 194 jobs in general trading sector, 132 jobs in liaison sector, 2,709 jobs in the manufacturing sector and 1,376 jobs in the service sector, with no indication on the number of employments to Ghanaians and non-Ghanaians.

The total number of jobs for Ghanaians was 11,830 and 6,094 for non-Ghanaians. On the other hand, there was no employment description for Ghanaians and expatriates in the various sectors.

However, out of the 17,924 jobs created in 2018, the agriculture sector recorded 946, building and construction recorded 259, export trade recorded 217, general trading recorded 1,687, liaison recorded 2,086, manufacturing recorded 4,859 and the service sector recorded 7,078. There was employment created in the tourism sector in 2017 and 2018.

Table 5. Sectoral breakdown of employment for Ghanaians and Expatriate from 2013 to 2018

Sectors	**2013**		**2014**		**2015**		**2016**		**2017**		**2018**	
	Ghanaians	**Expatriates**	**Ghanaians**	**expatriates**	**Ghanaians**	**Expatriates**	**Ghanaians**	**Expatriates**	**Ghanaians**	**Expatriates**	**Ghanaians**	**Expatriates**
Agriculture	8,710	272	381	61	186	25	225	23	0	0	–	–
Building and construction	4,959	877	260	24	2,365	152	1,322	121	937	92	–	–
Export trade	284	36	138	37	93	11	20	7	432	24	–	–
General trading	3,783	501	1,286	192	1,992	127	545	99	807	104	–	–
Liaison	306	363	221	99	193	51	189	73	594	184	–	–
Manufacturing	3,612	271	6,571	741	4,389	491	5,480	594	2,561	406	–	–
Service	53,589	10,673	2,455	284	2,791	499	2,300	336	1,942	161	–	–
Tourism	866	92	352	14	1,525	58	75	10	0	0	0	0
Total	76,109	13,085	11,664	1,452	13,534	1,414	10,156	1,263	7,273	971	11,830	6,094

Source: Authors' calculations based on the data from the GIPC

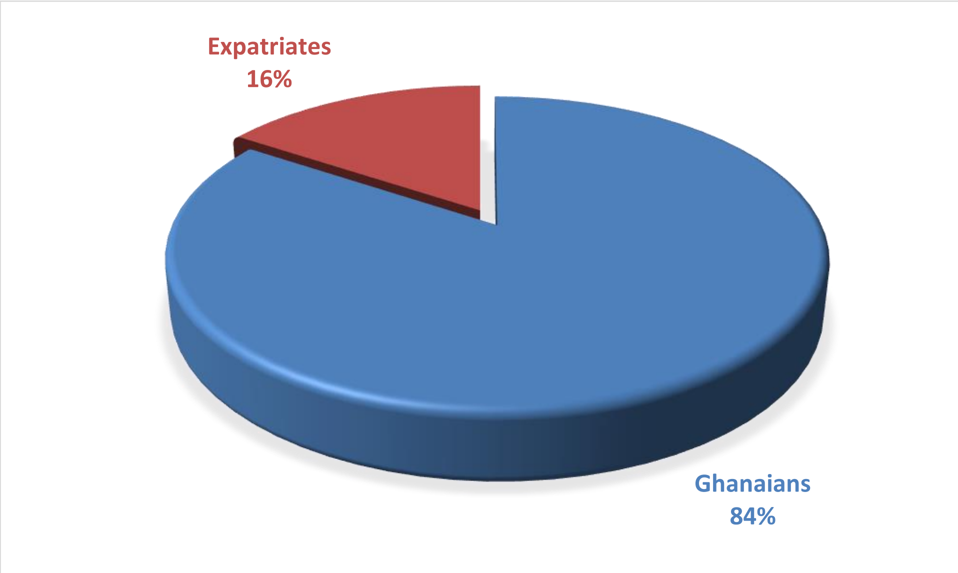

Figure 2. Percentage share of employment distributed among Ghanaians and expatriates.
Source: Authors' calculations based on the data from the GIPC

5. Summary of findings and conclusion

Despite the investment incentives made available by the Ghana government, the FDI inflow to the country has been declining over the past years. The number of FDI registered projects started reducing from 2014 to 2018, although FDI inflow values are very significant in the Ghanaian economy. The study outcome shows that about 53% of the total employment created was in the service sector and 20.5% in the manufacturing sector. However, the export trade sector performs abysmally by recording approximately 1% of the aggregate number of jobs generated from 2013 to 2018. On the other hand, of the total amount created in the 6 years, about 84% was allocated to Ghanaians and 16% for expatriates. The government should put in much effort to improve its investment environment to attract a high share of the world's FDI inflows. A significant percentage of FDI inflow directly affects the number of FDI projects, thereby increasing the expected jobs. However, this may not be sufficient to capture the number of jobs under review and lost within the selected timeframe. The study's purpose may not be applicable in other countries since the ultimate target was towards Ghana.

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