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PENSION: IT'S YOUR RIGHT AND YOUR RESPONSIBILITY

Speech delivered by Brother Kofi Asamoah (Secretary General of TUC) at the 2013 National May Day Parade at Essipong Stadium, Sekondi Wednesday, May 1, 2013



Sister Chair, Your Excellency, President John Mahama, The Chief of Staff, Honourable Ministers of State, Nananom, Our Guests, Leaders of Organised Labour, Ladies and Gentlemen, Comrades, Members of the Media,

Once again we join workers all over the world to celebrate Workers' Day of Solidarity. This year's May Day is special for a number of reasons. First, we are holding the National Parade here, in Sekondi, the birthplace of the Trades Union Congress. It is here in Sekondi, at the offices of the Railway Workers' Union, that the TUC was founded in 1945 by gallant men whose objective was to protect the interests of the working people of Ghana.

At the time, there were 14 unions with 6,030 members. It is from this humble beginning that unionism has grown to what it is today. Our presence here today in Sekondi reminds us of the visionary

founding fathers of trade unionism in Ghana. We pay special tribute to these brave men who sacrificed their own comfort for the welfare of the workers throughout the post-independence period until now. They include Comrades C. W. Techie-Menson, Manfred Gaisie, Anthony Wood, I. K. Kumar, Turkson Ocran, Victor Narh, Yaro Deman, John Tettegah, J. C. Rudolf, Pobee Biney, H. P. Nyamitei and many others.

Another reason why this year's May Day is special is that, for the first time in the long history of May Day celebration in Ghana, we have a woman chairing the National May Day Parade. Sister Georgina Opoku Amankwaa was elected the first woman Chairperson of the

TUC at our last Congress which was held in Kumasi in August last year. She is the first woman to hold this position in the 68-year history of the TUC. On behalf the leadership of Organised Labour and all the working people of Ghana we congratulate our sister and indeed all women who have risen to leadership positions in their unions in spite of the enormous challenges they had to face.

Sister Chair, the third reason why this year's May Day is special is that it is the first time His Excellency President John Mahama is celebrating May Day with us in his capacity as the President of the Republic of Ghana. Your Excellency, you are welcome! We wish you God's guidance and wisdom to lead us away from the severe poverty that

Just about a hundred thousand or about six percent of the senior citizens are benefiting from SSNIT pension. A few others are on Cap 30 pension and university pension. The remaining 1.5 million do not have any form of pension.



has afflicted a large number of our compatriots in spite of the abundant natural resources in our nation.

The theme for this year's May Day celebration is - **PENSION: IT'S YOUR RIGHT AND YOUR RESPONSIBILITY**. Our aim is to draw attention to the importance of pensions.

Sister Chair, according to the 2010 Population and Housing Census, there are 1.6 million people in Ghana who are above the age of 60. They constitute 6.5 percent of the total Ghanaian population of 25 million. Out of this, just about a hundred thousand or about six percent of the senior citizens are benefiting from SSNIT pension. A few others are on Cap 30 pension and university pension.

The remaining 1.5 million do not have any form of pension. Most of them are surviving below the national poverty line of GH¢2 a day. Some have become destitute moving from office to office begging for money from their colleagues who are still in employment. Even those who are lucky to be on monthly pension - a very significant proportion of them - are earning less than GH¢100 a month, which is woefully inadequate for survival.

Your Excellency, these are men and women who have toiled for this country. They spent their youthful years either as farmers, health workers, masons, carpenters, traders, miners, construction workers, drivers, plumbers, teachers, public service workers or workers in the private

Mr. President, assuming we pay each of the 1.6 million old people GH¢100 per month, Ghana will spend GH¢160 million per month or GH¢1.9 billion per annum which is just 2.6 percent of our GDP which is projected to be GH¢73 billion in 2013.

sector to support the growth and development of this country. These are the true heroes. It is said that the country which does not honour its

heroes is not worth dying for. Our senior citizens deserve better. They should, at least, have the right to decent retirement and pension after a long period of toil and suffering. It is indeed a big shame to the nation to allow our senior citizens to be reduced to paupers. This is unacceptable, especially when viewed against the background of the enormous wealth we have in this country. There is no way we can justify a situation where our old people become destitute immediately after retirement. We have to do something about it now.

We challenge you, Your Excellency, and your Government to make social protection of our senior citizens one of your core priorities during your term in the highest office of the land. We believe Ghana has enough resources to take good care of all old people in Ghana.

We would like to propose a **Basic Income Grant** for all old people who are 60 years and above who are not on pension. We further propose that the Basic Income Grant should at least be equal to the inflation-adjusted nutrition-based National Poverty Line and should be increased on a regular basis in line with increases in cost of living. By so doing we can lift our fathers, mothers and grandparents out of poverty, disease, destitution and squalor.

We, as Organised Labour, stand ready to work with the ministry in charge of social protection towards the eradication of poverty among our senior citizens. Let no one say that it is not achievable. Studies have shown that Ghana, like many other developing countries, can provide adequate social protection for its vulnerable citizens with less than 3 percent of its Gross Domestic Product (GDP). Mr. President, assuming we pay each of the 1.6 million old people

GH¢100 per month, Ghana will spend GH¢160 million per month or GH¢1.9 billion per annum which is just 2.6 percent of our GDP which is projected to be GH¢73 billion in 2013. Mr. President, a Basic Income Grant for our senior citizens is achievable and they deserve it. We believe that what we need now is the political will and a visionary leadership. Your Excellency, we trust that you can deliver that leadership and we will support you.

Let me turn our attention from our senior citizens to the young people and all those who are still in employment, whether in the formal or informal sectors of the economy. You should remember that one day you will also retire. The only way you can have a decent living during retirement is to have decent pension. And you can have decent pension by making your pension your responsibility while you are in paid employment or self-employed. You must endeavour to save part of what you earn today, whether high or low, towards the future. Don't wait until it is too late. Join a pension scheme today for a bright future.

The new pension law, Act 766, has introduced a three-tier pension in Ghana. The first tier is the SSNIT scheme which is the basic pension for all those who are in employment. Every paid worker in Ghana must ensure that he/she is registered with SSNIT. Make it your responsibility to ensure that your employer pays your contribution to SSNIT every month. It is also our collective responsibility to ensure that SSNIT is managed efficiently and effectively so that it can be sustained. The second tier is the occupational pension scheme. Every paid worker must belong to a second tier scheme. All workers in the SSNIT scheme must, by law,

belong to a mandatory second tier scheme. Again, it is our collective responsibility to ensure that these occupational, privately-managed schemes are managed well, so that we can be sure of a decent lump-sum payment when we retire. We should bear in mind that SSNIT is no longer going to pay lump-sum under the new pension law. Then there is the third tier scheme. You can join a third tier pension scheme as an individual or as a group. This means, in addition to the SSNIT pension, you can earn more retirement income from the second and third tier pension schemes during retirement.

I would like to use this opportunity to bring to the notice of His Excellency and his Government, something which is going on concerning the registration of second-tier occupational schemes for public sector workers. Some public officials are using their position to frustrate the efforts of some unions and their members including teachers, educational and health sector workers from registering their second tier schemes. Unions in especially the educational, health and some other sectors have made every effort to register their second tier schemes in consultation with their various managements. The National Pension Regulatory Authority (NPROA) has already registered

Some public officials are using their positions to frustrate the efforts of some unions and their members including teachers and educational workers and health workers to register their second tier schemes

these schemes. But our understanding is that Government is in the process of registering some schemes for all public sector workers. We do not think schemes should be imposed on workers. We are appealing to you, Your Excellency, to help us deal with this issue once and for all. It has the potential of creating further disturbances on the labour scene.

Sister Chair, we cannot discuss pensions without mentioning wages because the low level of pensions is a reflection of the low pay in Ghana. It is regrettable to note that Ghana ranks among the lowest even on the poor African Continent, in terms of pay levels.



Our proposal is that all public office holders specified under both articles 71 and 190 of the 1992 Constitution must be placed on the same salary structure. This may sound radical and may even require a change in the Constitution.

We live in a country where some top officials managing some parastatal organizations are earning over GH¢20,000 per month while some Ghanaians are earning less than GH¢150 per month. Such high and growing inequality is a recipe for chaos in the future.

The single spine pay policy was designed to reduce inequality within and across public sector institutions, to enhance public sector pay as a means toward improved productivity and to bring public sector pay administration firmly under the control of government through the Fair Wages and Salaries Commission.

We have made some gains in the last three years in terms of salary increases for public sector workers. However, we feel very sad to note that public sector pay has now become the target of incessant attacks from some politicians who attribute everything that has gone wrong in Ghana to the Single Spine Pay Policy ranging from government's inability to pay road and building contractors to the high budget deficit.



While one segment of the public service (i.e., those employed in public institutions specified under article 190 of the 1992 Constitution) are being blamed for the budget deficit, those specified under Article 71, including Members of Parliament, the Judiciary, and the Executive Branch of Government have been paid hefty sums of money in the name of exgratia award and salary arrears, dating back to 2009. This is not fair.

No one can justify the situation where a group of people receives hundreds of thousands of cedis as compensation for only four years of public service as parliamentarians or working in the executive branch of government while others receive peanuts after more than 30 or 40 years of public service as civil servants, teachers, nurses or police officers. We must, together, tackle this injustice frontally.

Your Excellency, we have a proposal. Our proposal is that all public office holders specified under both articles 71 and 190 of the 1992 Constitution must be placed on the same salary structure. This may sound radical and may even require a change in the Constitution. But that is the only way forward. Mr. President,

we trust that our proposal will receive your utmost attention. We believe that public sector pay can improve further if we reduce corruption and introduce fairness in public sector pay administration. We also believe that the most effective way to improve pensions is to improve wages. Again, we would like to assure His Excellency, President Mahama, that all Organized Labour groups gathered here are ready to work with your Government towards a fairer pay and improved productivity in the public service.

We are part of the preparation towards the national forum on labour. Our expectation is that through the forum, we can form a strong social partnership along with private sector employers based on mutual respect and mutual trust so that, together, we can improve the implementation of the Single Spine Pay Policy and find a lasting solution to the turbulence on the labour scene and to improve productivity in both the private and public segments of the economy.

We should also use this forum to find a lasting solution to the high rate of joblessness among the youth. We also expect the forum to discuss and agree on how to



measure productivity and how to galvanize all workers in both the private and public sectors to increase productivity.

Sister Chair, before I conclude, I would like to revisit the number one challenge facing our country today - poverty. Official data show that Ghana has made progress since 1990 in terms of poverty reduction. But we still have a situation where over 7 million Ghanaians are living in severe poverty.

A recent report based on Multiple Indicator Cluster Survey (MICS) conducted in 2011, released by the Ghana statistical service shows that we have to do a lot more to conquer poverty, particularly in our rural communities.

For instance, 82 out of every one thousand children born in Ghana die before their fifth birthday; more than one out of every ten Ghanaian children are under-weight due mainly to poor nutrition; and more than one out of every five Ghanaian children are stunted. Ghana has done well in child immunization and primary school enrolment but we have a lot more to do for our children and their parents, particularly in the

areas of nutrition, water and sanitation, and housing.

My fellow workers, we have every reason to celebrate this day. We have contributed our quota to the growth of the economy. We hope that our Government and private sector employers will recognize our contribution and reward us accordingly instead of blaming us for everything that goes wrong in the country.

Finally, let me thank His Excellency and the Government of Ghana for their support for the May Day celebrations across the country. I would also like to thank the Regional Minister, the Deputy Minister, the Regional Coordinating Director and his hard working staff at the Western Regional Coordinating Council for their support and their cooperation.

We thank the Regional Director of the National Sports Council for hosting the National Parade. Our sincere gratitude is also reserved for the members of the National and Local May Day Planning Committees under the chairmanship of Brother Abu Kuntulo, the General Secretary of Health Services Workers' Union, for the excellent work. We thank all

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employers who have, in diverse ways, supported their employees to celebrate this year's May Day across the ten regions of our nation.

On behalf of the leadership and members of Organised Labour comprising of the TUC and its 18 affiliated National Unions and nine Associate Members, the Ghana Federation of Labour (GFL) and its affiliates, Ghana National Association of Teachers (GNAT), National Association of Graduate Teachers (NAGRAT), Civil and Local Government Staff Association of Ghana (CLOGSAG), Ghana Registered Nurses Association (GRNA), and Industrial and Commercial Workers' Union (ICU) we say Ayikoo to all the working people of Ghana.

May the Good Lord Bless Us All.
Long Live Organised Labour!

Long Live The Republic Of Ghana!

Thank you.

TUC Comments on the 2013 Budget Statement & Economic Policy of Government

Like many other Ghanaians, the TUC followed the presentation of the 2013 Budget Statement and Economic Policy by the Honourable Minister of Finance to Parliament on 5th March, 2013.

The TUC has taken note of the various policy measures outlined in the 2013 budget statement including the following:

- The upward adjustment of the income tax-free threshold, the changes in the income tax bands, and the various tax reliefs;
- The proposed increase in the number of Agricultural Mechanisation Service Centres (AMSECs) to cover 170 districts and the procurement and distribution of subsidised fertiliser to farmers as well as the construction of more fishing landing sites;
- The Youth in Agriculture Programme;
- The various initiatives to address the shortage of energy and power;
- The roads to be constructed;
- The housing scheme for public service workers;
- Initiatives to improve the quality of education.

These are important policy measures because of their implications for employment creation and for living standard of workers and their families. We urge efficient implementation of these initiatives to realise their intended objectives.

In this submission, as in our previous submissions, we focus, once again, on employment and related issues.



EMPLOYMENT

We are particularly concerned about employment creation because we believe that the creation of decent employment is the only effective way for reducing poverty and for maintaining social stability. Our concern for employment is what informs our position on the inflation-targeting policy that has been implemented in the past several years. During elections, including the election 2012, persons and parties seeking political offices tend to prioritize employment creation. Party manifestos, including that of the ruling NDC make employment creation as their main policy focus.

We are particularly concerned about employment creation because we believe that the creation of decent employment is the only effective way for reducing poverty and for maintaining social stability.

However, as has always been the case in the last three decades, employment creation quickly disappears from the policy radar once political power is secured. Sadly, the 2013 budget failed to buck the trend; its policy focus has not been significantly different from the general policy framework of the previous budgets.

Like previous post-election year budgets, we are starting another round of austerity and fiscal consolidation with single digit inflation as the main policy objective. Unproductive spending which has become a feature of economic management every election year has led to what analysts have termed unsustainable deficit.

The policy focus has shifted to one of addressing the deficit leaving employment in the background. The average Ghanaian who had no hand in the creation of the huge budget deficit recorded in 2012 is being called upon, once again, to

tighten his/her belt. Those whose actions and inactions have created the mess are left off the hook.

It is generally agreed that the greatest challenge in Ghana now is the lack of employment opportunities, especially for young people. But the budget statement has very little to say about how government will create or help create employment on the scale required for a significant poverty reduction. The focus is stabilizing the economy and in particular the achievement of single digit inflation.

In the absence of clear initiatives, what the budget offers are palliatives that fail, as expected, to address the real issues relating to employment. We acknowledge the importance of offering entrepreneurial training to young Ghanaians to enable them start their own businesses. These are small steps in the right direction. However, the TUC is of the view that the scale of our employment challenge is such that these *ad hoc* programmes cannot sufficiently address it.

Our employment challenge requires a more comprehensive and coherent approach. It requires bold policies to change the unbridled policy of trade liberalization. Bold policies are required to intervene in the credit market to bring down the usurious interest rates being charged by the banks. The current trade policy and the regime of high interest rates have placed domestic firms in a very unfair competition with their foreign counterparts.

We have consistently expressed concern over the obsession with inflation-targeting framework and the pursuit of single digit inflation. We find it extremely difficult to see how the inflation-targeting policies will help Ghana to achieve

growth and employment levels that can significantly reduce poverty. Government officials would want us to believe that inflation hurts the poor more than the non-poor. But it is also true that delaying the payment of contractors who create jobs for the people, for example, just because government wants to achieve some inflation target may even harm workers and their families more.

Inflation-targeting will never lead to the levels of growth required to create sufficient decent employment for Ghanaians. Ghana will be better-off if our politicians will listen to the Ghanaian people and abandon the inflation-targeting policy and replace it with employment-targeting policies.

The TUC is by no means suggesting that high inflation is good for the economy. But we do not believe that restricting inflation to single-digit at this stage of our development has any benefits especially when such a policy unnecessarily restricts government expenditure on important social sectors and forces government to delay payment of contractors just because of some inflation target government wants to achieve.

Government spending is not necessarily bad. This is especially so given the acute challenges we face with infrastructure. The idea of holding down government spending emanate from the notion that government spending is frequently frivolous and

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unproductive. The real challenge that needs to be addressed is not spending but how to ensure that spending is done on productive projects.

Addressing the employment challenge will require some direct interventions on the part of government in providing jobs in important social sectors of the economy. Unfortunately, as part of the stabilization policies government has continued to place a freeze on employment in the public sector. It is obvious that we need more teachers and health workers in rural areas and more sanitation workers and police officers in urban centres. We cannot expect the private sector to provide employment in these important sectors. We expect government to create employment in these sectors.

The Ghana Youth Employment and Entrepreneurship Programme (formally National Youth Employment Programme) was introduced to provide job opportunities for the youth. It is time to review the programme. Our assessment of the NYEP in 2009 showed that the participants in the programme were paid below the

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national minimum wage; they had no access to social security; and their salaries/allowances could delay in some cases for over six months. We also found that the training component of the programme was so weak that participants in the programme could not exit smoothly into the regular labour market.

The programme has experienced significant expansion in the last four years. New modules have been introduced and the number of participants has been expanded significantly. However, recent media reports indicate that the management of the programme has not been the best. The programme continues to suffer the scourge of partisanship. Corruption or the perception of corruption is a growing problem. We welcome the idea of reviewing the existing modules. We urge government to undertake a comprehensive review of the entire the programme.

As part of the review of the programme, we propose that government should consider relocating the programme to the Ministry of Employment and Labour Relations (MELR) which we consider as the natural home of the programme. It is our view that GYEEDA is more about employment than it is about the youth. Besides, the Ministry of Employment and Labour Relations has the resources and the experience in employment policies and programming compared to the Ministry of Youth and Sports. We stand ready to support the Ministry to implement the programme in a more effective manner to the benefit of the youth in Ghana.

Many Ghanaians expect government to change its approach to economic management; to make employment the focus of economic policy. However, the past few years make us to believe that

government has neither the incentives nor the political will power to change course on economic policy. The TUC therefore, urges all civil society organizations to join us to put pressure on politicians to adopt policies that can create decent employment for Ghanaians. It is not normal for over two-thirds of our university graduates to be unemployed three years after graduation.

The TUC also urges government to do whatever it takes to bring interest rates down to reasonable levels. If indeed inflation is below 10 percent why should interest rates be above 20 percent? This, in our opinion, raises doubts about the validity of the inflation figures. Government's approach to interest rate is a good measure of its commitment to employment creation in the private sector.

In the same vein, we expect government to deal with the free trade policy. No country has ever developed with such unbridled trade policies. The champions of free trade were able to reach where they are today, thanks to the restrictions they placed on trade. The WTO rules allow some restrictions on imports. Why is

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government not applying these restrictions even though the WTO rules allow us to do so?

THE SINGLE SPINE PAY POLICY

One of the main objectives of the Single Spine Pay Policy (SSPP) was to attract and retain qualified staff into the public services. This was to be achieved through enhancement of public sector pay in relation to pay in the private sector. Nearly all public sector workers have now been migrated unto the Single Spine Salary Structure (SSSS). The policy is on course, thanks to the cooperation among the major social partners including government and Organised Labour.

A large majority of public sector workers have benefited from the SSPP, particularly in terms of pay

levels. It is also true that income gaps in the public service have reduced within and across public services, thanks to the SSSS. These are the benefits that we need to highlight and build upon.

As expected such benefits come with costs. Good policies do not come cheap. That is a lesson we should all learn. Individual level pay in the public sector is still below pay levels in comparable countries in Africa. Even so, we have made progress based on which we can design complementary policies and programmes to improve productivity and public service delivery.

The TUC urges government not to allow the IMF to disturb the SSPP implementation process. We believe strongly this pay policy will enable government to gain full



control over the administration of public sector pay once and for all.

We welcome the proposal to offer more public education on the SSPP. We also welcome the proposal to link public sector pay to productivity. The necessary mechanisms to ensure that these proposals are implemented should be put in place without further delay. In particular, we urge government to provide resources for productivity assessment in the public sector.

INVESTMENT POLICY

Accelerating growth and providing employment require scaling up investment in productive sectors of the economy. In the past, Ghana's investment policy appears to focus on attracting foreign investment. Even more disturbing is the attraction of foreign investment in areas – natural resource sectors – that do not create jobs.

Available data from the Ghana Investment Promotion Council (GIPC) show that in the last quarter

of 2012, 34 out of the 94 newly-registered projects were in the services sector and 20 projects were in the trade sector. Only 13 projects were registered in building/construction while 12 projects were registered in manufacturing. This has been the pattern of investment in the last few decades. And we need to change that. We need to direct investment into sectors and areas that serve our purposes – areas that help create jobs and add value to our natural resources.

Investment policy should also not neglect the importance of domestic investment. It is important that we support domestic investors and offer them the same incentives we offer foreign investors. Domestic investment comes from domestic savings. We have had a long history of encouraging domestic savings.

However, most Ghanaians are either not saving or saving in non-financial assets. Part of the problem is the ridiculously low

deposit rates given by the banks compared to the high lending rates. Most people invest their resources buying land or in real estate. The low deposit rate policy of the banks has therefore become an impediment in the way of savings mobilisation.

The TUC expects to engage government on these issues. In our proposals for the budget we called for genuine dialogue on economic policy. We make that call based on our conviction that

economic policy has not served the people of Ghana the way it should.

The people have been denied a say in the choice of economic policies. We need to change this. Ghanaians deserve to be given the right to determine the nature of economic policy. We can do this through dialogue and a commitment to ensuring that economic policy serves the needs of Ghanaians.

Investment policy should also not neglect the importance of domestic investment. It is important that we support domestic investors and offer them same incentives we offer foreign investors.

Trade Unions can MAKE A DIFFERENCE

By **Prince Asafu-Adjaye**, (*Researcher, Labour Research and Policy Institute*) and
Nina Ulbrich (*PhD Candidate, University of Kassel, Germany/Intern, Labour Research and Policy Institute*)

Trade unions have traditionally sought to protect and promote the economic and social interests of their members and the working class. Over the years, trade unions have achieved significant gains for their members and work working class through organizing, collective bargaining, collective action and alliance building with other social actors.

These achievements include social protection, improved wages and working conditions and promotion of social dialogue at both the national and enterprise levels. Some of the achievements of the working class struggles have become international standards of employment while others apply at the national or enterprise levels.

In Ghana, research has established the positive effects of trade unions on employment and working conditions (Otoo et al., 2008). Using the fifth round of the Ghana Living Standards Survey (GLSS5) data, Asafu-Adjaye (2011) observed a statistically significant positive effect of trade unions on earnings in Ghana.

On the other hand, decent work deficits in the Ghanaian labour market are largely attributable to the absence of trade unions in enterprises.



Prince Asafu-Adjaye



Nina Ulbrich

In 2008, as part of the Africa Labour Research Network's study on Chinese Investments in Africa, Baah et al. (2008) did a case study of Labour Relations at the Bui Dam Construction site.

The research identified significant decent work deficits such as abuse of workers' rights including the right to organize, low pay and employment insecurity among others. The decent work deficits observed at the Bui dam site in 2008 were partly attributed to the absence of a union.

The 2008 report generated a lot of media attention and discussions and prompted the formation in 2009, a union, affiliated to the Construction and Building Materials Workers' Union (CBMWU) of TUC at the Bui dam site.

This paper highlights the key findings of a follow-up research conducted at the Bui dam site in 2012.

The follow-up study evaluated the impact (if any) of the formation of a union on the working conditions of Ghanaian labour in particular and on the conduct of labour relations at the Bui dam site.

This article draws on secondary data collected by researchers at the Labour Research and Policy Institute to assess the progress (if

In Ghana, research has established the positive effects of trade unions on employment and working conditions

any) in employment and working conditions at the Bui Dam site since 2008. The information gathered from field work in 2008 was compared with the data collected in 2012.

The 2012 data were collected through interviews and focus group discussions with workers and local union officials at the dam site, officials of Sinohydro, the Industrial Relations Officer of CBMWU as well as officials of the Ministry of Trade and Industry.

Additional information was also obtained from the collective agreement between Sinohydro and the CBMWU, Sinohydro's Employee's Booklet and other documents and data obtained from the Bui Power Authority and the Ghana Investment Promotion Centre (GIPC), as well as media and academic reports.

The findings of the 2012 research were validated at the workshop

attended by officials and members of the local union at the Bui dam site, IRO and national officials of CBMWU and representative from Sinohydro. Other institutions which attended the validation workshop are the Economic and Commercial Counsellor's Office (Chinese Embassy in Accra), Bui Power Authority and the Ministry of Trade and Industry.

THE BUI DAM PROJECT

The Bui Dam Hydroelectric Power Project is the third hydro-power plant to be developed in Ghana. When completed, the Bui dam is expected to increase power supply in Ghana by 400 megawatts to meet the growing consumer and industrial demand.

The Bui project is the largest Chinese-funded construction project in Ghana. The total cost of the project is estimated at US\$622 million. The project is jointly funded by the Government of Ghana counterpart funding of US\$60

million and a concessional loan of US\$263.5 million as well as a buyers' credit of US\$298.5 million from the Chinese Exim-Bank. The loans are expected to be repaid in part by the supply of cocoa at the current market prices.

The Bui dam project is being executed by a Chinese state-owned construction firm - Sinohydro Corporation. The Bui Power Authority (BPA) was established in 2007 by Act 740 (Bui Power Authority Act) with the mandate to supervise the project. The BPA is expected to ensure that the construction of the dam is done in accordance with the contract document and that Sinohydro Corporation adheres to the laws of Ghana including environmental laws.

The construction of the Bui dam begun in 2008 and is expected to be completed in 2013. The construction of the dam was expected to generate a large number of jobs. As at January



As indicated earlier, in 2009, the workers' resolve to exercise their legal right to freedom of association led to the formation of union (at the Bui Dam site) affiliated to the CBMWU of TUC.

2013, a total of 1,836 workers were employed directly in the construction of the dam. The total workforce is made up of 91 percent Ghanaians, 6 percent Chinese and 3 percent Pakistanis.

UNIONIZATION AT THE BUI DAM SITE

Section 24 (3) of Ghana's Constitution provides that “every worker has a right to form or join a trade union of his choice for the promotion of his economic and social interests” In addition, section 80 (1) of the Labour Act (Act 651) also guarantees the right to form or join trade unions.

These legal provisions notwithstanding, in 2008 there was no union at the Bui dam site. This was due to anti-union strategies including open intimidation and victimization employed by Sinohydro officials.

As indicated earlier, in 2009, the workers' resolve to exercise their legal right to freedom of association led to the formation of union (at the Bui dame site) affiliated to the CBMWU of TUC. Compared with the situation which prevailed in 2008, the 2012 study shows

considerable improvement in the relations between the Ghanaian workers and their union on the one hand and the management of Sinohydro on the other hand.

Currently, Sinohydro has provided an office for the local union at the dam site. The chairman of the local union is relieved of his Sinohydro work schedule and this allows him to dedicate his time to only union work.

The management of Sinohydro finds the union (CBMWU) very useful in promoting industrial harmony. In an interview, a representative of Sinohydro asserted that:

Mr Quainoo [General Secretary of CBMWU] always keeps an eye on us. We have good relations with the workers through the union. It is better with the union, any problem, you can talk, negotiate and you can know the demand of the workers. This eases tension.

The workers on the other hand also had positive assessment of the union. The workers who participated in the study were upbeat about the union's ability to fight against unfair treatment, terminations and dismissals. This was captured by one of the workers as follows:

The union is playing their part, you see one of our colleagues was injured by his supervisor and they wanted to terminate his [worker's] appointment. The union fought for him. He was not compensated for the injury but at least his appointment was not terminated.

The above notwithstanding, the workers who participated in the study expressed the view that the local union could achieve more if adequate support was received from the national officers of the CBMWU and the TUC.

COLLECTIVE BARGAINING/ AGREEMENTS

The Right to Organise and Collective Bargaining Convention (C.98, 1949) of the International Labour Organisation (ILO) describes collective bargaining as a voluntary negotiation between employers or employers' organizations and workers organisation with a view to establish and regulate terms and conditions of employment by collective agreements.

Collective bargaining involves the determination of the substantive rules (compensation and benefits) and procedural rules (due processes and procedure for resolving disagreement) in an employment relationship (Coleman, 2006).

In Ghana, part XII of the Labour Act provides that:

“Subject to the provisions of this Act, a collective agreement relating to the terms and conditions of employment of workers, may be concluded between one or more trade unions on one hand and representatives of one or more employers or employer's organisations' on the other hand”.

The research in 2008 revealed that there had never been collective bargaining and neither was there a collective agreement to regulate the employment

As indicated earlier, in 2009, the workers' resolve to exercise their legal right to freedom of association led to the formation of union (at the Bui Dam site) affiliated to the CBMWU of TUC.

2013, a total of 1,836 workers were employed directly in the construction of the dam. The total workforce is made up of 91 percent Ghanaians, 6 percent Chinese and 3 percent Pakistanis.

UNIONIZATION AT THE BUI DAM SITE

Section 24 (3) of Ghana's Constitution provides that "every worker has a right to form or join a trade union of his choice for the promotion of his economic and social interests" In addition, section 80 (1) of the Labour Act (Act 651) also guarantees the right to form or join trade unions.

These legal provisions notwithstanding, in 2008 there was no union at the Bui dam site. This was due to anti-union strategies including open intimidation and victimization employed by Sinohydro officials.

As indicated earlier, in 2009, the workers' resolve to exercise their legal right to freedom of association led to the formation of union (at the Bui dame site) affiliated to the CBMWU of TUC. Compared with the situation which prevailed in 2008, the 2012 study shows

considerable improvement in the relations between the Ghanaian workers and their union on the one hand and the management of Sinohydro on the other hand.

Currently, Sinohydro has provided an office for the local union at the dam site. The chairman of the local union is relieved of his Sinohydro work schedule and this allows him to dedicate his time to only union work.

The management of Sinohydro finds the union (CBMWU) very useful in promoting industrial harmony. In an interview, a representative of Sinohydro asserted that:

Mr Quainoo [General Secretary of CBMWU] always keeps an eye on us. We have good relations with the workers through the union. It is better with the union, any problem, you can talk, negotiate and you can know the demand of the workers. This eases tension.

The workers on the other hand also had positive assessment of the union. The workers who participated in the study were upbeat about the union's ability to fight against unfair treatment, terminations and dismissals. This was captured by one of the workers as follows:

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standing, in 2008, job insecurity was one of the most important decent work deficits faced by Ghanaian artisans employed by Sinohydro at the Bui Dam site. Baah et al. (2008) reported that almost all the Ghanaian workers of Sinohydro at the Bui Dam project site were casual workers and none of them had written contract of employment. This was a breach on the legal provision which requires that

“The employment of a worker by an employer for a period of six months or more or for a number of working days equivalent to six months or more within a year shall be secured by a written contract of employment” (see Article 12 of Act 651).

In contrast with the situation in 2008, currently, all Ghanaian artisans of Sinohydro are on a one (1) year renewable fixed term contract. To further promote job security, local union officials at the Bui dam site are involved in discipline, dismissal and termination processes. The presence of employment contract and the involvement of the local union officials in discipline, dismissal and termination processes have significantly improved job security at the Bui dam site.

WORKING HOURS AND OVERTIME

Ghana's Labour Act provides for a maximum of forty hours of work a week. This translates into 8 hours of work per day. Any extra hours worked must be paid for as overtime. Contrary to the legal provision on hours of work, Baah et al. (2008) reported a *minimum* working hours of 9

hours per day for 7 days a week at the Bui dam site. The additional hours were often considered as compulsory overtime to meet the completion deadline. It was however, not clear to the workers how overtime was remunerated.

Currently, overtime work is pervasive at the Bui dam site and overtime pay forms a significant proportion of the income of the Ghanaian workers. Most of the artisans continue to work seven (7) days a week. However, the maximum hours of overtime work allowed at the Bui Dam site, is four (4) hours per day. In contrast with the situation in 2008, Sinohydro provides information which differentiates between standard and overtime payment.

Although in principle overtime work at the Bui dam site is voluntary, some participants raised concerns about induced or “compulsory overtime work” by some Chinese supervisors of Sinohydro. For most of the participants, job security and future opportunities to do overtime, especially on Saturdays and Sundays can be compromised by failure to adhere to overtime request by supervisors during the weekdays. One participant bemoaned that: `

When you decline to do overtime at your supervisor's request during the weekdays, he will not allow you to come and work on Saturdays and Sundays. You know Saturdays and Sundays pay higher rates.

In addition to “compulsory overtime” the participants of the study also expressed concern about the prevailing personal

income tax regime particularly tax on overtime pay.

WAGES

One of the key features of Ghana's labour market is low pay (Baah and Otoo, 2006). Wages in Ghana are low in both absolute and relative terms. Wages in Ghana are low when compared to wages in other countries in the West African sub-region that are at comparable levels of social and economic development (Otoo et al., 2009).

Consistent with the national situation, low pay was perhaps the biggest problem at the Bui dam site in 2008. The low pay situation was compounded by rising cost of living at the dam site.

Data collected in 2012 however, show significant improvement in wage levels at the Bui dam site. In 2008 the national minimum wage was the benchmark for pay at the Bui dam site but currently

Through the collective bargaining process, the union at the Bui dam site has secured a minimum of eighteen (18) working days of paid annual leave for the Ghanaian artisans.

the national minimum wage plays no such role. A local union official recounted that:

At the beginning [in 2008], they [the Chinese] just used the national minimum wage in determining our pay. But



currently we no longer use the national minimum wage in determining wages here.

Pay level has risen faster at the Bui dam site than the national minimum wage. The minimum pay at the dam site increased by 150 percent between 2008 (GH¢3.00 per day) and 2012 (GH¢7.50 per day).

For the same period, the National Daily Minimum Wage increased by 99.1 percent from GH¢2.25 to GH¢4.48. While the minimum

Worker attitude emerged as an important cause of non-compliance with health and safety provisions at the Bui dam site.

pay at Bui dam site in 2008 was 33.3 percent higher than the national minimum wage, the minimum at the Bui dam site in 2012 was 67.4 percent higher than the national minimum wage.

Workers interviewed were unanimous in their response that wages are paid regularly and on time. However, pay differential between the lowest earner and highest earner (Ghanaians) has remained at 133.3 percent since 2008.

As expected, pay differential exists between the Ghanaian workers and their counterparts from China and Pakistan at the Bui dam site. To some extent the pay differential can be explained by differences in skill levels and degrees of responsibility.

On the one hand, local union officials at the Bui dam site indicated that some Ghanaians and Pakistanis with comparable

skill levels and doing the same or similar work are paid differently.

On the other hand, Sinohydro officials explain these differentials by the differences in the experience levels of the Pakistanis compared to the Ghanaians, their long-term commitment to the corporation and the bonuses they (Pakistanis) receive for living abroad.

BENEFITS

In Ghana, non-wage benefits are essential components of the workers' rewards and compensation schemes. While some of these non-wage benefits are statutory (e.g., Social Security Contribution, paid sick and maternity leave, and paid annual leave), others (e.g., free/subsidised transport, free/subsidised housing, and interest free loans) have been achieved through collective bargaining. Benefits enjoyed by Ghanaian artisans of Sinohydro are highlighted below.

ANNUAL LEAVE

Ghana's labour law guarantees annual leave with full pay of not less than 15 working days in any calendar year of continuous service (see Section 20 (1) of Act 651). Through the collective bargaining process, the union at the Bui dame site has secured a minimum of eighteen (18) working days of paid annual leave for the Ghanaian artisans.

While in 2008 none of the workers at the Bui dam site had gone on leave because they were not aware of their right to paid annual leave, data collected in 2012 reveal that some of the workers had accessed their right to annual leave.

Findings from the 2012 survey however, revealed the pervasiveness of forfeiture of annual leave at the dam site. Forfeiture of annual leave is a breach of section 31 of Act 651. The following statement by a participant of the study explains forfeiture of annual leave:

The industrial relations experience between Sinohydro and the CBMWU provides useful lessons and opportunities. Trade unions and other social partners must therefore draw on such lessons in the struggle to improve employment and working conditions of Ghanaians employed by other Chinese enterprises, multi-nationals and other employers in Ghana.

For annual leave, we [workers] don't want to go for annual leave because you find that this work, if you go on annual leave, for two months you will not get proper pay. When you resume from leave, the first month you will get small pay, the following month you will get small pay except the third month. So we the workers we don't want to go on annual leave.

In addition, power asymmetry between workers and their immediate supervisors and concern for job security also explain induced forfeiture of annual leave. A participant bemoaned that:

Sometimes your supervisor will urge you not to go on leave. You know that if you don't agree and you go, when you come back, the relationship is spoilt and the least mistake you make, you are fired.

MATERNITY AND PATERNITY LEAVE

In Ghana, women are entitled to at least twelve (12) weeks of maternity leave (see section 57 of Act 651). The collective agreement signed between CBMWU and Sinohydro stipulates that:

"The company shall grant any female employee who prior to her confinement has twelve (12) months continuous service, twelve (12) weeks of maternity leave on full basic salary".

Also, although not statutory and not pervasive in Ghana, the CA provides that Ghanaian artisans of Sinohydro are entitled to five (5) working days of paternity leave. These provisions notwith-

standing, lack of information and concerns over job security affect accessing these benefits. Female participant bemoaned that;

One thing is that the collective agreement, we do not know the provisions in it; we don't know whether or not we are entitled to maternity leave. So once a woman gets pregnant she leaves the job.

MEDICAL CARE AND SICK LEAVE

Like in 2008, Sinohydro continues to operate a medical facility at the Bui dam site. However, unlike the situation in 2008 when workers were not entitled to paid sick leave whether or not the sickness has been certified by the resident Chinese doctor, currently, Ghanaian artisans having an excuse duty certified by the medical officers of the clinic located at the dam site or by other government-approved health facility are entitled to sick leave with full pay of eight (8) working days. In the words of a participant:

If you are sick, you have to go to the hospital for sick leave. If you do that you will be marked, you will be given your eight (8) hours basic pay.

Participants of the study exhibited knowledge of the procedure to access sick leave and mentioned that the local union officials assist them in procedure.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

Sinohydro has developed elaborate health and safety programme at the Bui dam site.

This includes; daily health and safety briefings, provision of personal protective equipment (PPE) required for routine work and visible health and safety information/signs and emergency/evacuation procedure. In addition, health and safety provisions are captured in the CA and the safety department works in collaboration with the union. Medical examination is a pre-requisite for employment and all the Ghanaian workers of Sinohydro are insured against industrial accident.

The above notwithstanding, the 2012 study revealed some breaches of health and safety provisions by some Chinese supervisors. This is most common when a worker requests for PPE for a non-routine work. In addition, worker attitude emerged as an important cause of non-compliance with health and safety provisions at the Bui dam site.

A typical example is the story of a deceased worker who failed to attend the regular morning health and safety briefings before work, failed to wear his provided rubber boots, walked barefooted in water and was electrocuted and died. The lack of designated smoking areas at the construction site constitutes a health hazard for non-smokers, the so-called second hand-smoke effect.

ACCOMMODATION AND RECREATIONAL FACILITIES

There are three (3) camps (accommodation and canteen facilities) at the Bui dam site for Sinohydro employees. These are the Chinese, the Pakistani and the Ghanaian camps. In 2008, Baah et al. reported poor ventilation and congestion (12 people per room) at the Ghanaian camp.

In contrast with the situation in 2008, currently, some improvement has been made at the Ghanaian camp. The number of persons per room at the Ghanaian camp has been reduced to a maximum of 6 persons. Sinohydro has developed a football field and a TV area with DSTV connection at the Ghanaian camp. In explaining improvements at the Ghanaian camp, a participant asserted that:

[In 2008] when you came here to do the research there were no ceiling fans in the rooms but now they have given us fans in the rooms.

The above notwithstanding, some challenges still exist at the Ghanaian camp. These include the sharing of bath/toilet facilities by both males and females. According to a local union officer:

“We have male and female toilet facilities. But because the females are few in number, we use the facilities together. You just have to ensure that the clothes hanged on the doors of the bathroom are for females or male. We use the facilities together.”

There is still some quality difference between the three camps at the Bui dam site. Access to air-conditioning, distance to toilet facilities varies among the three camps and can be ranked as follows: Chinese, Pakistani and Ghanaian camps.

CONCLUSION

Compared with the situation in 2008, the 2012 research shows that the formation of a union at the Bui dam site which was a key recommendation of the previous study has made important

difference in the working and living conditions of the Ghanaian workers employed by Sinohydro. The formation of the union has significantly improved the relations between the Chinese and the Ghanaians working on the project. This has enhanced the industrial relations atmosphere and considerably reduced tension. A collective agreement has been negotiated and employment security of the Ghanaian workers has improved.

Wages have increased significantly and the Ghanaian workers now have access to important benefits. The state of their accommodation has improved. Sinohydro Corporation recognizes the importance of having the union.

With the Bui dam construction expected to be completed in 2013, the industrial relations experience between Sinohydro and the CBMWU provides useful lessons and opportunities. Trade unions and other social partners must therefore draw on such lessons in the struggle to improve employment and working conditions of Ghanaians employed by other Chinese enterprises, multinationals and other employers in Ghana.

Although not all the problems of the Ghanaian workers have been solved as a number of challenges remain, including some non-compliance with the provisions of the collective agreement and other breaches of Ghana's Labour Act, compared with the situation in 2008, the CBMWU has achieved remarkable feat for their members at the Bui dam site. Consequently, this paper concludes that unions do and can make a difference in the working and living conditions of workers.

The REAL TARGETING Approach to Central Banking

By Richard Acheampong (Researcher, Labour Research and Policy Institute)

INTRODUCTION AND SITUATION ANALYSIS

Despite alarming levels of unemployment and under-employment in the developing world, many central banks no longer consider employment creation as part of their mandate. Rather, monetary policy is limited to restraining inflation to low single digit. This more limited policy reflects the growth of “inflation targeting”, a monetary strategy first used by New Zealand in 1990, which entails having the central bank pre-announce a rate of inflation to be met for the year and centering policy on achieving this goal.

Yet limiting monetary policy solely to price stabilization cannot guarantee that economic growth will improve since low inflation does not necessarily lead to high and stable economic growth. Furthermore, a high rate of economic growth does not necessarily lead to a high rate of employment growth. For this reason, the UN World Summit in 2005 and the **United Nations Economic and Social Council (ECOSOC)** Ministerial Declaration of 2006 stressed the need to place productive employment and decent work into economic policy making, recognizing that employment can no longer be considered a derivative of economic policies.

Thus, it is ironic that employment creation has

dropped off the agenda of most central banks just as the problems of global unemployment, under-employment and poverty are taking center stage as critical world issues (Heintz, 2006a). The ILO estimates that in 2006, approximately 195.2 million people were jobless, the highest level ever recorded (ILO, 2007).

The employment to population ratio has fallen in the last decade, from 62.6% to 61.4 per cent in 2006 (ILO, 2007). And as the quantity of jobs relative to need has fallen, there is also a significant global problem with respect to the quality of jobs.

The ILO estimates that 17.6% of the developing world's workers earn less than \$1 a day and 1.37 billion in 2006 (or 47.4% of the

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The Author

developing world's workers) earn less than \$2 a day (ILO, 2007). To reach the Millennium Development Goal of halving the share of working poor by 2015, sustained, robust economic growth will be required.

Yet, as the IMF suggests, for the past decade or more, the so-called “global best practice” approach to central banking has not focused on economic growth or employment generation; instead, it pursues formal or informal “inflation-targeting”, in which keeping a low rate of inflation has been proposed as the dominant and often exclusive target of monetary policy.

In this *inflation-focused monetary policy*, other important goals, such as rapid economic growth and employment creation, are seen

as inappropriate direct targets of central bank policy; rather they are viewed as hoped for, even presumed, by-products of an inflation-focused approach to monetary policy (IMF, 2006).

Thus, according to this orthodox approach to monetary policy, the focus of policy is on “stabilization”, rather than “growth” or “development”, with an implicit assumption that once “stabilization” is achieved, economic growth, employment creation, and poverty reduction will follow.

After several decades of experience with this inflation-focused approach, the policy record has been disappointing. To be sure, in a number of countries, inflation has come down. Yet, it is questionable to what extent the drop in inflation is due to changes in domestic monetary policy, rather than the overall global fall in inflation (Ball & Sheridan, 2003; Roger & Stone, 2005). But even if domestic monetary policy *has* reduced inflation, the hoped for gains in employment have generally not materialized; and, for many countries following this orthodox approach, economic growth has not significantly increased.

The key point, then, is this: despite what the orthodox approach maintains, employment generation and economic growth, are not automatic by-products of “stabilization-focused” central bank policy.

Indeed, this approach can be shown in many cases to have undermined robust employment

generation. Governments who have confined their attention to reducing inflation can “crow” about their success, but the unemployment and poverty that surround them are testament to a rather different verdict.

Worse still, despite a disappointing record, this almost single-minded focus on inflation is gaining a more secure foothold in monetary policy circles and the circles are



widening to include an increasing number of developing countries.

According to a report by the International Monetary Fund (IMF, 2006), an increasing number of central banks in emerging markets are planning to adopt inflation targeting as their operating framework. An IMF staff survey of 88 non-industrial countries found that more than half expressed a desire to move to explicit or implicit quantitative inflation targets (IMF, 2006).

More alarmingly, nearly three-quarters of these countries expressed an interest in moving

to “full-fledged” inflation targeting by 2010. To support and encourage this movement, the IMF is providing technical assistance to many of these countries and is willing to provide more. Thus, despite little evidence concerning the success of inflation targeting in its promotion of economic growth, employment creation and poverty reduction, and mixed evidence at best that it actually reduces inflation itself,

a substantial momentum is building in poor countries for full fledged inflation targeting. Promotion efforts by the IMF and western trained economists are at least partly responsible for this increasing popularity.

The purpose of this exposé is to contribute to the discussion on how best to place employment at the centre of economic and social policies. This paper argues that monetary policy should be expanded to consider employment creation along with inflation control, in countries where unemployment and underemployment are a cause for concern. Central banks were important agents of economic

development in the 1950s, 1960s and 1970s, in both developed and developing countries, and we can learn from that experience. In the post-Second World War period, development was seen as a crucial part of the central bank's tasks.

IMPACT OF INFLATION TARGETING ON ECONOMIC GROWTH & EMPLOYMENT GENERATION

Most policy makes have failed to look at the impact of inflation targeting on economic growth or employment generation. This is not surprising, given the neo-liberal view that the key role for monetary policy is to keep inflation in the low single digits, and the faith that if they do, growth will take care of itself.

A recent study by IMF economists, using a complex econometric model and policy simulations, report that inflation targeting economies experience reductions in the *volatility* in inflation, without experiencing increased *volatility* in real variables such as real GDP.

According to these estimates, inflation targeting central banks do enhance economic “stability” relative to other monetary rules, such as pegged exchange rates and monetary rules (IMF, 2006).

While intriguing, these results are only as strong as the simulation model on which they are based, only as relevant as the questions they pose, and only as broad as the alternatives they explore. On all these scores, these IMF results are problematic.

First, they do not simulate the impact of inflation targeting relative to other possible policy regimes, such as the employment targeting regime. Second, the model is based on estimates of potential output that are themselves affected by monetary policy (Tobin, 1980; Michel, 2007). Hence, if monetary policy slows economic growth, it also lowers the rate of growth of potential output and, therefore reduces the gap between the two, thereby *appearing to stabilize the economy*. But in fact, it does so at the expense of slowing growth or even generating stagnation.

When IMF economists compared developing country inflation targeters with a comparison group (leaving China out of the comparison group), one finds that the rate of economic growth for inflation targeters is no greater than the developing country comparison group and by some measures, it is lower.

This highlights the third key point: even if it could be shown that inflation targeting does a good job at stabilization, it is crucial to remember that the stabilization role of monetary policy is only one of the tasks facing central banks; the other

task is to contribute directly to economic growth, employment creation and poverty reduction, and the IMF study fails to look at the impact of inflation targeting on the rate of growth of employment, or on the quality of employment. These are the issues at stake here.

To the extent that economists have looked at GDP growth, they have assessed the volatility of growth, rather than its level. However, if one does look at the data on economic growth, it appears that inflation targeting in developing countries does *not* have a positive impact on growth.

When IMF economists compared developing country inflation targeters with a comparison group (leaving China out of the comparison group), one finds that the rate of economic growth for inflation targeters is no greater than the developing country comparison group (IMF, 2005b), and by some measures, it is lower. Including China and some of the other rapidly growing Asian countries, many of whom do not target inflation, would presumably make this comparison even clearer.

Inflation targeting, even if it does have a modest impact on reducing inflation and inflation expectations, does not seem to be associated with improved real performance of inflation targeting economies. Moreover, there may be some significant costs to these policies, including an over-valued exchange rate, excessive costs on subsectors of the population such as the poor

targeting. An important example of real targeting, developed in more detail below, is employment targeting.

HOW WOULD AN EMPLOYMENT TARGETING FRAMEWORK OPERATE?

The central bank, in conjunction with the government, would estimate a feasible target range for employment growth, taking into account the rates that are consistent with moderate inflation. Based on the estimate of the relationship between the central bank's policy instrument and employment growth, the central bank will try to achieve its target. However, it is important to note that many of the problems that arise will be similar to those that arise with inflation targeting.

For example, what are the best instruments to use? What is the best way to measure employment growth? What should be done about uncertainty and imperfect information? These are difficult issues. But there is no reason to believe that these issues will be any easier - or harder to deal with - than in the inflation targeting case.

INDIRECT ADVANTAGES OF EMPLOYMENT TARGETING

There are several extremely important indirect advantages of the employment targeting framework which themselves will contribute in a crucial way to the framework's success. These indirect advantages broadly include:

1. The accumulation of new knowledge about the connections between monetary policy and employment, and the

generation and implementation of new ideas about how to generate more employment and economic growth. Both of these positive outcomes will stem from focusing the attention of the central bank, with its enormous human and financial resources, on the key issue of employment growth.

2. Making employment or employment growth a target of monetary policy will induce a profound shift in the attitude and the activities of the central bank. It will begin to assign its economists to study the relationships between monetary policy and employment growth; it will study what monetary policy instruments are best used to achieve employment growth; it will organize conferences on employment growth and monetary policy. It will give promotions and more resources to members of its staff that make breakthroughs in the understanding of these connections. It will lead the central bank to link up with others outside the bank that have knowledge and experience with respect to employment generation and its relationship to financial variables.
3. The creation of an employment targeting framework will not only

lead the central bank to generate more knowledge about the relationship between monetary policy and employment growth. It will lead the bank to design new programs to help it reach its targets. To be sure, lowering interest rate could have an important impact on investment and expansion behavior by many firms; large and small. But the central bank will also find that, in order to contribute to more employment generation subject to an inflation constraint, it

The central bank would estimate a feasible target range for employment growth, taking into account the rates that are consistent with moderate inflation. Based on the estimate of the relationship between the central bank's policy instrument and employment growth, the central bank will try to achieve its target.

will need additional instruments of monetary policy.

OBJECTIONS TO EMPLOYMENT TARGETING FRAMEWORK

The major objection to employment targeting from mainstream economists is also

the least valid. They claim that only nominal variables can be affected by monetary policy, at least in the long run. But, as discussed earlier, there is plenty of evidence that central bank policy can have significant impacts on employment and other real variables, such as investment (eg. Ball, 1999).

Many economists also argue that the association between central bank policy and employment growth is simply too loose to base policy on. But Bernanke et al, and other advocates of targeting have admitted that the connection between central bank policy and inflation is just as loose and variable (Bernanke, et. al. 1999). There is simply no macro-economic variable worthy of interest, including inflation that is perfectly controlled by the central bank.

CONCLUSION

The current day orthodoxy of central banking, namely, that the top priority goal for central banks is to keep inflation in the low single digits, is in general neither optimal nor desirable. This orthodoxy is based on several false premises: *first*, that moderate rates of inflation have high costs;

second, that in this low inflation environment, economies will naturally perform best, and in particular, will generate high levels of economic growth and employment generation; and *third*, that there are no viable alternatives to this “inflation-focused” monetary policy. In fact, moderate rates of inflation have very low or no costs; countries where central banks have adopted formal or informal inflation targeting have not

performed better in terms of economic growth or employment generation and even the impacts of these regimes on inflation itself is a matter of dispute. There are viable alternatives to inflation targeting, historically, presently, and looking forward.

Historically, countries both in the currently developed and developing worlds had central banks with multiple goals and tools, and pursued broad developmental as well as stabilization goals. Currently, very successful economies such as Argentina, China and India have central banks that are using a broad array of tools to manage their economies for developmental purposes.

The current day orthodoxy of central banking, namely, that the top priority goal for central banks is to keep inflation in the low single digits, is in general neither optimal nor desirable. This orthodoxy is based on several false premises.

And looking forward, the Political Economy Research institute (PERI)/Bilkent University project on alternatives to inflation targeting and PERI's UNDP work on South Africa have developed an array of “real targeting” approaches to central banking which we believe are viable alternatives to inflation targeting

and, in particular, do a better job than does inflation targeting of balancing the developmental and stabilization functions of central banks.

Moreover, inflation-focused monetary policy has an insidious impact on central banks and, indeed, on the whole macro-economic policy apparatus. It creates in central banks a *culture* of single-minded inflation focus, or even inflation obsession. Hundreds of thousands and even millions of dollars are spent on studying every aspect of inflation and few aspects of unemployment; thousands of hours of the time of highly skilled economists are spent pouring over complex models designed to show how to get inflation down to single digit but not how to create a single decent high-paying job.

In short, more than anything else, the cost of inflation-focused monetary regimes is to divert the attention of some of the most highly trained and skilled economists and policy makers in developing countries away from the tasks that previous generations of central bankers took for granted as being their main job: to help their countries develop, to create jobs, and to foster socially productive economic growth.

It is time to return to an earlier generation of central banking where central banks were seen as agents of economic development, including as agents of employment creation. But, it is always crucial to keep in mind this modern lesson: central banks must balance their developmental goals with the crucial task of macroeconomic stabilization. Otherwise both stabilization and development will be lost.