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TRADE UNIONS AND TRADE

The implications of the Africa Continental Free Trade Area (AfCFTA) agreement for the manufacturing sector in Ghana

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TRADES UNION CONGRESS (GHANA)
THE UNITED FAMILY OF WORKERS,BY HAND AND BY BRAIN ALL OVER GHANA

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List of Abbreviations

1D1F	One District One Factory
AFCFTA	Africa Continental Free Trade Area
AGI	Association of Ghana Industries
BECE	Basic Education Certificate Examination
COVID-19	Coronavirus Disease of 2019
GDP	Gross Domestic Product
GAWU	General Agricultural Workers' Union
GEA	Ghana Employers' Association
GLSS	Ghana Living Standard Survey
GSS	Ghana Statistical Service
ICU	Industrial and Commercial Workers' Union
ILO	International Labour Organization
kWh	kilowatt hour
LFS	Labour Force Survey
MELR	Ministry of Employment and Labour Relations
MSLC	Middle School Leaving Certificate Examination
OECD	Organization for Economic Co-Operation and Development
PEF	Private Enterprise Federation
PFJ	Planting for Food and Jobs
SHS	Senior High School
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering and Mathematics
TEN	Tweneboa, Enyenra, Ntomme
TUC	Trades Union Congress
TVET	Technical and Vocational Education and Training
TWN	Third World Network
UNCTAD	United Nations Conference on Trade and Development
UNIWA	Union of Informal Workers' Association
USD	United States Dollar

INTRODUCTION

The African Continental Free Trade Area (AfCFTA) has significant implications – opportunities and challenges – for socioeconomic development and employment in Ghana. On the one hand, the AfCFTA can deliver several positive economic and non-economic outcomes. Notably, the reduction of trade tariffs and the elimination of non-tariff barriers under the AfCFTA have the potential to bring about welfare gains (Abrego et al. 2020) by enabling increased access to cheaper goods among consumers on the continent, including Ghana. In addition, the AfCFTA can lower the production costs of entrepreneurs through improved access to cheaper intermediate inputs for production (Signé, 2018). This can promote manufacturing and, in particular, agro-processing in Ghana and also on the continent at large (Songwe, 2019).

The other opportunities of the AfCFTA relate to the creation of a bigger market for producers, which can unlock the manufacturing potential and facilitate industrialization in order to bring about sustainable development and job creation (ibid.). The expected expansion of national output – Gross Domestic Product – will boost Ghana's fiscal revenues as it offsets the decline in revenues from the reduction or even elimination of tariffs. Thus, Ghanaian consumers, businesses and entrepreneurs in the country and the government of Ghana stand to benefit from the creation of the AfCFTA.

Nonetheless, it is important to note that the AfCFTA can pose immense challenges to economic development and employment creation in Ghana. First, the positive outcomes of the AfCFTA are not going to come automatically, especially when Ghana has limited capacity in merchandise export, including manufactured goods. Data from the United Nations Conference on Trade and Development (UNCTAD) indicate that Ghana's share in global merchandise export was only 0.082 percent in 2019 (UNCTAD, 2021). This shows that the country is not in the best position to harness the market access that the AfCFTA provides. Furthermore, in the agro-processing and manufacturing sectors where majority of value addition can occur – among the small and medium scale operators – an ambitious and over-liberalised trade regime can lead to competition from large and efficient firms from other African countries, which may undermine the growth and employment creation of small and inefficient firms in the country (Gathii, 2016).

In addition, history teaches us that trade agreements and economic integration do not necessarily lead to fair and stable outcomes for everyone. This is because even in situations where jobs are not displaced, wages may decline in countries where imports exceed exports for small and medium scale operators in the agro-manufacturing sector (ibid.). It is also important to note that reduced trade can also occur with trade liberalisation. The period of trade liberalisation and indeed economic liberalization in Africa has coincided with a fall in the continent's share of world trade. The continent's share of global trade has fallen from about 6 percent in the mid-1980s to just 3 percent currently (Africa Union, 2020). This shows that the AfCFTA, like all trade agreements geared towards liberalisation, can negatively affect growth, employment creation and employment conditions in Ghana.

This study examined the implication of the AfCFTA for the manufacturing sector in Ghana. The study focused on the opportunities and challenges that the AfCFTA presents to the manufacturing sector. It also examines the implications of the AfCFTA for trade unions and the protection of workers' rights. The selection of the manufacturing sector was based on the fact that it draws a large swathe of workers and places them in productive and decent jobs (Signé, 2018). The sector is associated with increasing returns to scale. The manufacturing sector has backward and forward linkages to the agricultural and services sectors and can create both direct and indirect jobs along the value chain. Thus, the study of what the AfCFTA means for the manufacturing sector in Ghana would give useful insights into the potential impacts of the African Continental Free Trade Area on the economy and employment situation in the country.

Our analyses, including the views expressed by business associations and unions, indicate that the AfCFTA offers the greatest potential for Ghana to build a stronger manufacturing base and create decent employment. This potential is based on the larger market that beckons Ghana following the market access liberalisation under the AfCFTA. The removal of tariffs will inure to benefit Ghanaian producers as they get access to cheaper raw materials. The current industrial policy framework of government anchored under the one-district-one-factory initiative places Ghana in a firmer position to benefit from the AfCFTA. But there are also perils in the AfCFTA for Ghana. The country must address a number of internal constraints, including infrastructure and access to finance, in order for its businesses and citizens to benefit from the agreement. Without water-tight rules of origin, the AfCFTA could lead to an increase in trade, but that trade will be diverted to third party countries and regions. Ghana and much of the continent will lose out on the potential gains. The possible creation of low-skilled jobs and the absence of labour provisions could lead to the worsening of labour conditions under the AfCFTA. A stronger social framework including dialogue mechanisms that allow unions to be part of the AfCFTA process needs to happen without further delays.

RESEARCH METHODS AND STRUCTURE OF THE REPORT

Research Methods

The study draws on both primary and secondary data. Primary data was collected through interviews with key state and non-state stakeholders in the manufacturing and industrial sectors in Ghana. Specifically, key officials of the Ministry of Employment and Labour Relations (MELR), the Association of Ghana Industries (AGI), the Private Enterprise Federation (PEF), and the Ghana Employers' Association (GEA) participated in this study. Senior officers of the General Agricultural Workers' Union (GAWU), the Industrial and Commercial Workers' Union (ICU) of the Trades Union Congress (Ghana) also took part in this study. In addition, a trade expert at the Third World Network (Ghana) also participated in this study.

The secondary data used in this study came from two main sources. The first was data from the latest edition of Ghana Living Standards Survey (GLSS) conducted by the Ghana Statistical Service (GSS). The second set were microeconomic data from the Bank of Ghana, the World Bank, and the United Nations Conference on Trade and Development (UNCTAD).

Structure of the report

This introductory section is followed by a brief background analysis that highlights key features of the Ghanaian economy, with particular emphasis on the manufacturing sector. The paper then turns attention to the opportunities and the challenges that the AfCFTA presents to the manufacturing sector in Ghana in Section 4. Sections 5 and 6 of this paper provide an analysis of what the AfCFTA means for the rights of workers and trade unions in the country, respectively. The paper then concludes and offers some recommendations in Section 7.

THE ECONOMY OF GHANA AND THE MANUFACTURING SECTOR

The General Economy

Ghana achieved high economic growth rates in recent decades. In 2011, GDP growth was 14 percent (GSS 2012). Table 1 shows that before the outbreak of COVID-19, the country recorded an average GDP growth of 6.9 percent between 2017 and 2019. This impressive growth cannot be separated from the increased production of oil and gas at the two new oil fields in the country (TEN and Sankofa Gye Nyame oil fields). It is important to note that the main driver of growth in the country is mining and quarrying sub-sector, including oil and gas.

Table 1: Real GDP growth rate (%) by sector

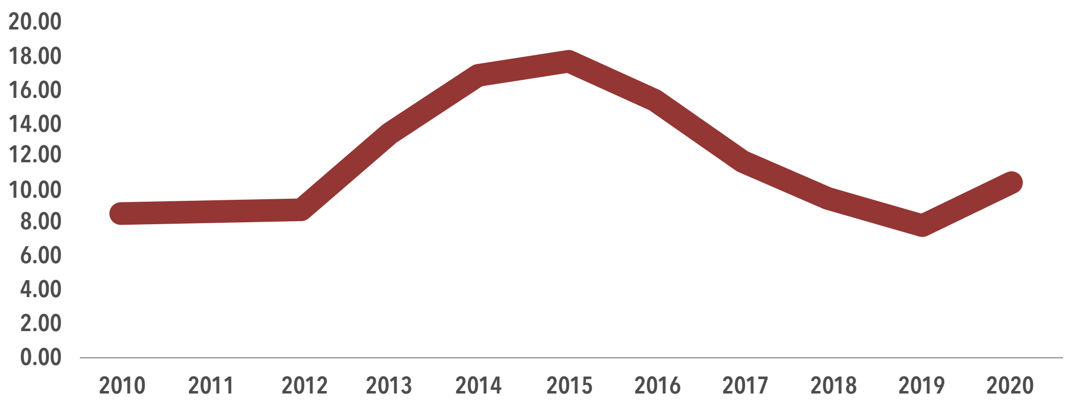
Sector	2014	2015	2016	2017	2018	2019	2020
Agriculture	0.9	2.1	2.7	6.2	4.9	4.7	7.4
Industry	1.1	1.2	4.3	15.6	10.5	6.4	-3.6
Mining and quarrying sub-sector	5.4	-8.3	0.2	30.8	23.3	12.6	-11.0
Manufacturing	-2.6	3.7	7.9	9.5	4.1	6.3	1.4
Service	5.2	2.9	2.8	3.4	2.8	7.6	1.5
Overall growth	2.9	2.1	3.4	8.1	6.2	6.5	0.4

Source: GSS, 2021

Inflation has been relatively stable in the last few years. Figure 1 illustrates that from a peak of 17.7 percent at the end of 2016, inflation declined to single digits at the end of 2019. Even though COVID-19 affected price levels as the costs of food and non-alcoholic beverages increased under the lockdown, price level has since declined after COVID-19 induced restrictions were eased in the third quarter of 2020. Inflation has further declined – the recent data from the GSS shows that inflation stood at 7.8 percent as of June 2021. The current low and stable inflation rates are conducive for private sector investment in the manufacturing and other sectors of the Ghanaian economy.

Figure 1: End of year inflation (%) for 2010-2020

Source: Bank of Ghana, 2021



Like the inflation rate, the Bank of Ghana policy rate has declined from a peak of about 26 percent in 2015 to 14.5 percent at the end of 2020 (see figure 2). The decline in the monetary policy rate has fed into the reduction of the lending rate of the commercial banks. The average lending rate of the commercial banks declined from 28.62 percent in 2015 to 21.98 percent at the end of 2020. The decline in inflation and lending rates is good for private sector investment. However, further reduction in the lending rate and a firm anchoring in inflation expectations can boost private investment for job creation.

Figure 2: Policy rates (%) of the Bank of Ghana and average lending rate of commercial banks

Source: Bank of Ghana (2021)

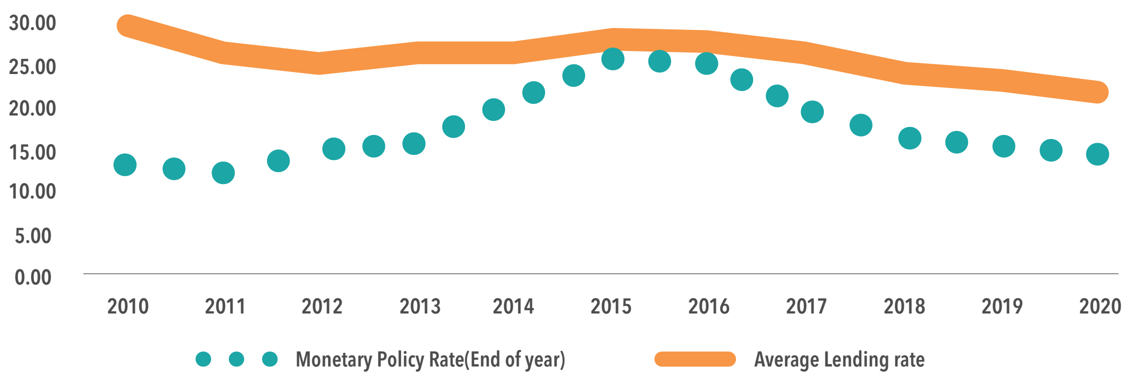


Figure 3: Private sector credit (GHS millions) and private sector growth rate (%)

Source: Bank of Ghana (2021)

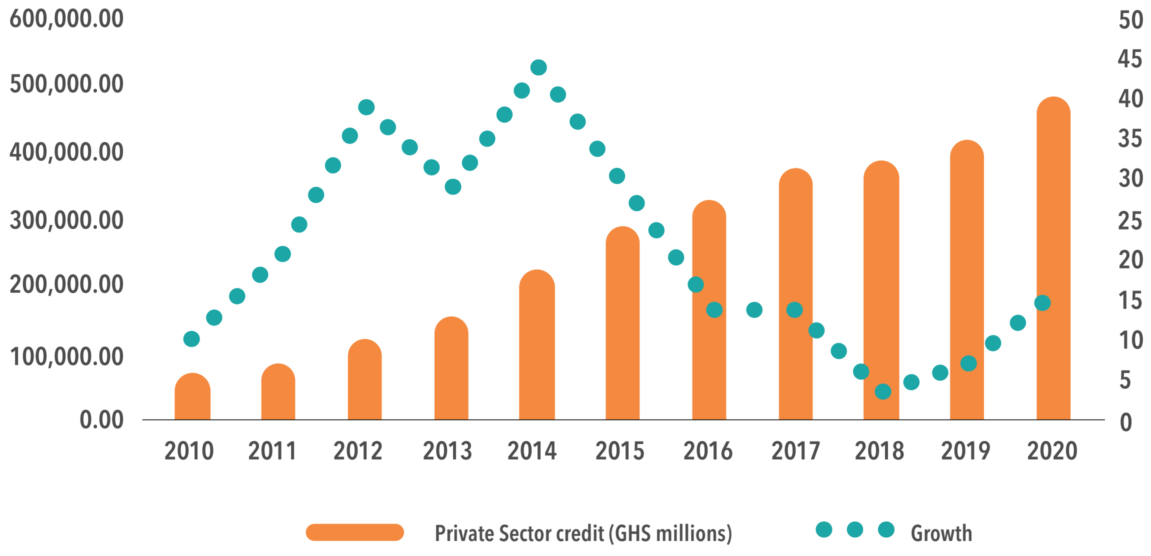


Figure 3 shows that private sector credit increased from GH₵72,804.84 million to GH₵489,265.78 million in the last decade – representing an average annual growth rate of 19 percent. Nonetheless, the growth of private sector credit declined between 2017 and 2018. This can be attributed to the financial sector clean-up by the Bank of Ghana in which several banks and non-bank financial institutions were liquidated by the central bank and the security and exchange commission. The clean-up of the financial sector was meant to strengthen the financial system and to boost long-term credit to the private sector. In a way, this exercise appeared to have worked, as, in 2019 and 2020, credit to the private sector grew by 7.3 and 15.9 percent, respectively.

The Manufacturing Sector

It is important to note that in line with the trend of overall economic growth in Ghana, the manufacturing sector also recorded impressive growth rates, peaking at 9.5 percent in 2017. In 2019, the manufacturing sector recorded a growth of 6.3 percent before declining to 1.4 percent in 2020. This was largely due to the impact of COVID-19 and its attendant restrictions on the sector. This shows that the health of the manufacturing sector relates to the general economic performance in the country.

Since 2017, the government of Ghana has sought to boost the manufacturing sector through initiatives such as the Planting for Food and Jobs (PFJ) and One District One Factory (1D1F) programmes. The PFJ seeks to ensure all-year-round farming to increase food production to provide raw materials to feed the agro-processing industries under the 1D1F programme. The 1D1F initiative is a private sector-led programme that aims to establish manufacturing industries in each district in Ghana. Under this programme, government assists individuals who have entrepreneurial skills with capital to set up factories. In addition, the government provides support and an enabling environment to help such factories to thrive. The support of the government to the private sector under the 1D1F includes import duty exemptions on capital goods and raw materials, financial credit, and interest subsidy (Budget Statement and Economic Policies of the government of Ghana, 2021).

At the end of 2020, about 232 projects under the 1D1F initiatives were at various stages of implementation, out of which 76 are in operation. Also, 107 projects were under construction, while 49 projects were ready to commence operation in 2021. According to government data, about 139,331 direct and indirect jobs have been created at the end of 2020. It is projected that 285,915 direct and indirect jobs will be created from the projects under construction in 2021 (ibid.). It is difficult to independently verify the claims about job creation under the 1D1F initiative. Ghana does not systematically collect employment data.

THE AFRICA CONTINENTAL FREE TRADE AGREEMENT – WHAT IS IT?

The continuing marginalisation of Africa in global trade is well documented. At the beginning of the 1980s, Africa accounted for roughly 6 percent of world trade. Today, Africa's share in world trade is under 3 percent (UNCTAD, 2015). Most importantly, Africa's trade with the rest of the world is dominated by the exports of primary commodities and the imports of manufactures. The challenges with this trade structure are seen in the cumulative loss of competitiveness and Terms of Trade (ToT). It is seen in the loss of productive capacity and the declining growth outside of the natural resource enclave.

The architecture of world trade, the so-called rule-based World Trade Organisation (WTO) and its conduct of global trade has contributed to the reduced share of Africa in world trade. However, this marginalisation and its impact are projected to accelerate further as the conduct of world trade shifts from the WTO to regional and bilateral trade agreements. The emergence of Mega Regional, Bilateral and Plurilateral trade agreements conducted outside of the WTO is fast eroding the existing preferences, including the Special and Differential Treatment (SDT) African countries enjoy under the WTO.

Table 2 shows the trend of intra-regional trade of selected economic regions in Asia, Europe and Africa. In general, intra-regional trade in Africa is low compared to other regions such as the OECD, the Euro Area and ASEAN. In 2010, the share of intra-regional trade in Africa was approximately 14 percent. This is well below the G-20, OECD, Euro Area and ASEAN countries. In 2017, the share of intra-regional trade in Africa increased to 16.7 percent but is still below what pertains to the other economic regions. The G-20, the OECD, Euro Area and ASEAN recorded intra-regional trade of 76 percent, 70 percent, 45 percent and 23 percent, respectively. (UNCTAD).

Table 2: Trend of intra-trade aggregate (%) in some selected economic regions in Asia, Europe and Africa (2010-2017)

Regional Economic Communities (RECs)	2010	2011	2012	2013	2014	2015	2016	2017
ASEAN (Association of Southeast Asian Nations)	24.29	24.54	25.21	25.47	25.11	23.93	23.37	23.18
CEFTA (Central European Free Trade Agreement)	21.24	19.55	17.58	15.92	15.35	14.87	14.43	14.29
Euro area	48.94	47.96	46.01	45.78	45.48	45.01	45.18	45.20
G20 (Group of Twenty)	76.93	76.27	75.39	74.44	75.16	75.14	76.11	76.01
OECD	71.37	70.88	69.59	69.10	70.32	71.14	71.74	70.90
Africa	13.88	13.37	13.46	14.51	15.47	17.81	17.60	16.65
Sub-Saharan Africa	17.78	15.79	16.64	17.55	18.05	20.56	20.52	19.25

Source: UNCTAD, 2018

In 2017, the share of intra-regional trade in Africa increased to

16.7 percent

Opportunities and Challenges of AfCFTA

The Opportunities

As mentioned earlier, the AfCFTA presents immense opportunities for the manufacturing sector in Ghana. The continental agreement has the potential to facilitate the movement of capital in ways that can bring about investments and create jobs in areas that have historically suffered from underinvestment. It is significant to note that trade unions in Ghana share in the optimism about the potential benefits of the AfCFTA. In a paper authored by the Director of Research and Policy of the Trades Union Congress (TUC),

"…the AfCFTA builds on Africa's immense potential to transform both the structure of outputs and trade … the AfCFTA represents by far the most ambitious attempt at the continental level to forge intra-African trade. It offers opportunity for Africa to circumvent the constraints it faces in the unbalanced rules of the WTO and the emerging Mega Regional Agreements" (Otoo, 2021).

Aside from the trade unions, state representatives who participated in this study also identified with the benefits of the AfCFTA to Ghana. In the words of an officer at the Ministry of Employment and Labour Relations (MELR), the

'AfCFTA is a welcoming opportunity because it presents a lot of benefits … because the AfCFTA agreement involves flexible mobility of labour and capital around the continent' (interview with an officer of MELR, 2021).

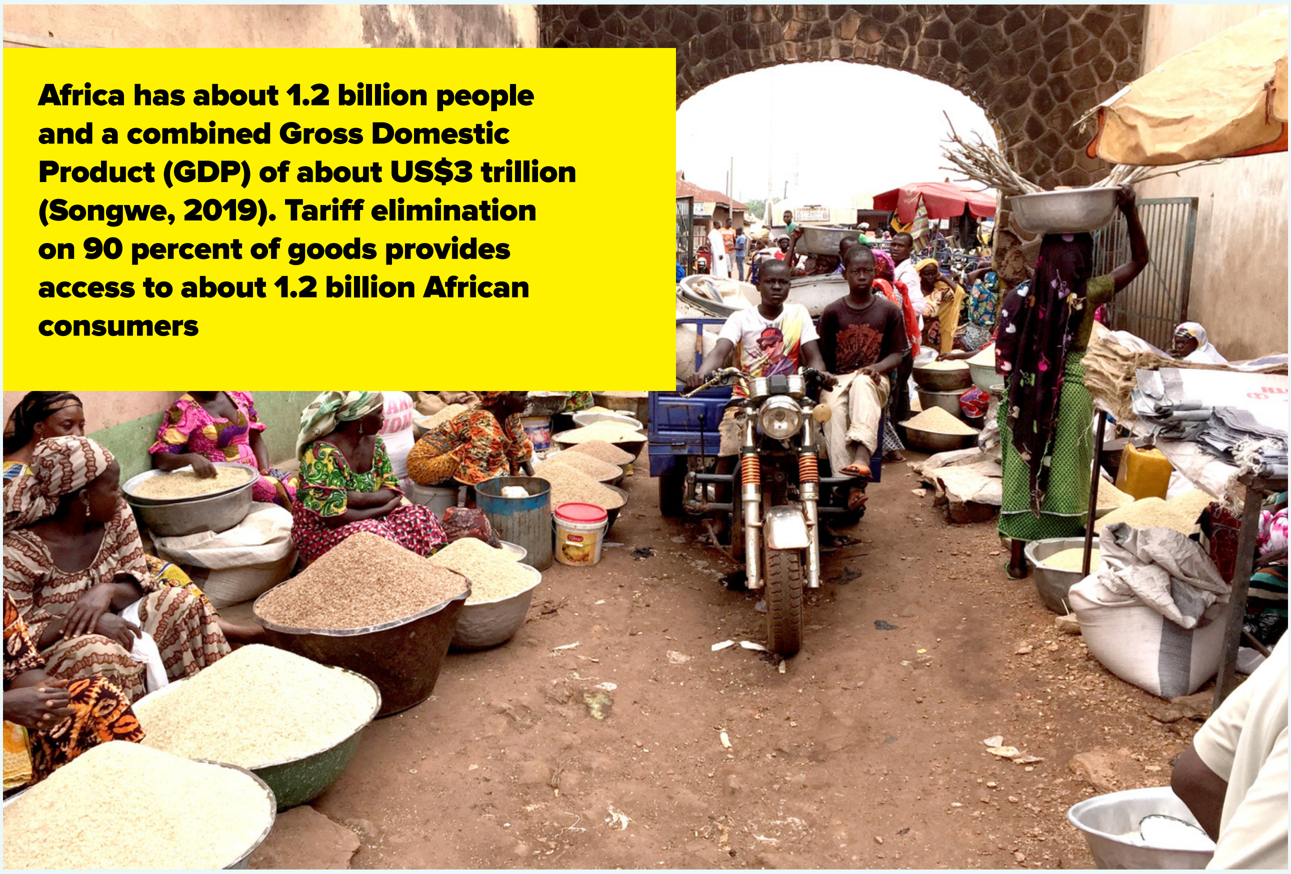
Government officials extol the AfCFTA for its potential to bring about increased movement of capital and reallocation of labour to areas in the continent where jobs are available. Such reallocation can bring about efficiency in both the capital and labour markets.

In addition to the above, the elimination of trade tariffs on almost 90 percent of the goods produced on the continent presents two other important opportunities. First, tariff reduction can help lower the cost of production for businesses and promote value addition for wealth creation. Businesses in Ghana can source raw materials at cheaper costs from within the continent. Notably, business associations in Ghana identify that the AfCFTA has the potential to boost the manufacturing sector by allowing access to cheap inputs from other parts of the continent for production. In the words of an officer of the Private Enterprise Federation (PEF),

'the AfCFTA presents the opportunity to add value to raw materials to be traded across the rest of the African countries' (interview with an officer of PEF, 2021).

Importantly, the increased value addition that relates to the AfCFTA has the potential to enhance economic activity and bring about job creation. An officer of the General Agricultural Workers Union (GAWU) mentioned that 'since production is the basis of job creation, we believe that the AfCFTA, if properly organized, will lead to increased production in the country and eventually increase employment' (interview with an officer of GAWU, 2021). Similarly, the union maintain that

"the AfCFTA is expected to transform Africa's growth from dependence on commodities to manufactures. Labour-intensive manufacturing and even intensive agriculture could produce more and better jobs for young people" (Otoo, 2021).



Africa has about 1.2 billion people and a combined Gross Domestic Product (GDP) of about US$3 trillion (Songwe, 2019). Tariff elimination on 90 percent of goods provides access to about 1.2 billion African consumers

Thus for trade unions in Ghana, the AfCFTA has the potential to provide more and better jobs – decent employment.

The above corroborates the literature on the potential positive impacts of the AfCFTA on production in the continent. Signé (2018) has posited that the AfCFTA can reduce the cost and improve the availability of intermediate inputs for production. Moreover, it has also been argued that the AfCFTA can promote export diversification and product sophistication on the continent (Songwe, 2019). Thus, the possibilities for value addition to primary products and product upscaling under the AfCFTA can support the manufacturing sector and create jobs along the value chain in Ghana and Africa as a whole.

The second opportunity that the AfCFTA presents to manufacturers in Ghana relates to access to a bigger market. Africa has about **1.2 billion** people and a combined Gross Domestic Product (GDP) of about **US$3 trillion** (Songwe, 2019). Tariff elimination on **90 percent** of goods provides access to about **1.2 billion** African consumers. A senior officer of the TWN maintained that

'in terms of the market access, there are huge tariff concessions in the custom union. Countries, therefore, have the opportunity to decide which products to be traded and under which tariff framework' (interview with an officer of TWN, 2021).

For producers in Ghana, the **1.2 billion** consumer market under AfCFTA presents enormous possibilities compared with the small consumer market of about **30.4 million** people in the country (World Bank, 2021). Hence, the huge market access potential of the AfCFTA has the potential to encourage producers in Ghana to expand and bring about upscaling in production and output. And this is where the employment potential also lies.

This study shows that business associations in Ghana are optimistic about the ability of manufacturers in the country to harness the market access that the AfCFTA presents. This confidence is borne out of Ghana's comparative advantage that some producers in the country enjoy. According to an officer of the AGI,

> **'in some areas and products such as garments and agro-processing, producers from Ghana have comparative advantage over other Africa countries we are competing within the AfCFTA' (interview with an officer of AGI, 2021).**

Although the business associations in this study were not specific with their comparative advantage – perhaps in an attempt not to divulge it to their competitors –, it can be argued that having the market access and comparative advantage present real possibilities for expansion by businesses and exporters in Ghana.

Ghana already has a relatively well-developed manufacturing sector compared to its immediate neighbours. The 1D1F launched in 2017 has attracted investments and built several hundreds of industries in agro-processing and other sectors, including steel and aluminium fabrication. These factories place the country in an advantageous position to benefit from the opportunities offered by the AfCFTA.

In some respects, the findings of this study cohere with the existing idea that the AfCFTA has the potential to unlock the manufacturing potential and facilitate industrialization in ways that promote sustainable development and create jobs (Signé, 2018). In 2014, the share of manufacturing in intra-regional export was 41.9 percent (Songwe, 2019). In 2015, African countries spent US$63 billion on food imports: the AfCFTA can help boost intra-regional trade in agricultural products between 20 and 30 percent, thereby promoting agro-processing (ibid.). Hence the AfCFTA present real opportunities for Ghana and other African countries to manufacture and industrialise.

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The Challenges

However, it is important to note that the possibility that entrepreneurs in Ghana can adequately harness the above-mentioned opportunities of the AfCFTA is not without significant challenges. These challenges manifest themselves in the capacities of the local manufacturing sector and the general business environment in the country. Trade unions in Ghana identify the persistence of

'low productive capacity, the similarities of the export basket of African countries (lack of complementarity), and the infrastructure constraints that inhibit movements of goods and persons in Africa [which] have contributed to the low level of intra-African trade' (Otoo, 2021).

These challenges constitute a potential major threat to meaningful implementation of the newly AfCFTA project. Despite this awareness, efforts towards addressing the challenge have been limited and uncoordinated. The unions in Ghana also harbour the concern that the competition that will result from the full implementation of the AfCFTA can displace some local producers and bring about loss of jobs. This anxiety is borne out of the scepticism about the abilities of domestic businesses to compete in the free trade area. A trade unionist who participated in this study broached that:

'the fear of the ICU is that by opening ourselves in the direction we have under the AfCFTA, our businesses will be killed by competition from other countries because we are not there yet … if we don't look at this fundamental issue and address [it], our infant industries are going to be strangulated because clearly, we don't have the machinery to get things done' (interview with ICU officer, 2021).

A specific example of the above is the concern over the survival of the textile sector in Ghana. Trade unions in the country are wary about the possibility of a capture of the textile market in the country, which is already reeling under the impact of the implementation of trade liberalisation since the 1980s. An officer of the ICU summed this up in the following words:

'the policy direction is so open that it is going to deepen the over liberalised trade policies which is already affecting us … in the past, we had about 150 textile companies, but now only about four are left. So, opening our markets to countries like Cote d'Ivoire which get most of their materials at a cheaper cost from France and other Francophone countries, our markets will be flooded with some of these goods which will eventually collapse the Ghanaian market' (interview with ICU officer, 2021).

These concerns cannot be separated from the historical impacts of trade liberalisation on the manufacturing sector in Ghana. The literature shows that the trade liberalisation policy in Ghana affected the growth and expansion of local industries and reduced formal job creation (Boakye, 2004). For instance, the rise of Chinese imports has squeezed out domestic manufacturers in the country and constrained their ability to create employment (Baah, et al., 2009). Gathii (2016) has posited that an over-liberalised trade regime can lead to competition from large and efficient firms from other African countries in ways that can undermine the growth and employment creation abilities of small and inefficient firms in the country.

The foregoing concerns relate to the many challenges that stand in the way of manufacturers in Ghana to harness the opportunities of the AfCFTA. The first of such obstacles is access to affordable credit. Access to credit remains an important element in business growth.

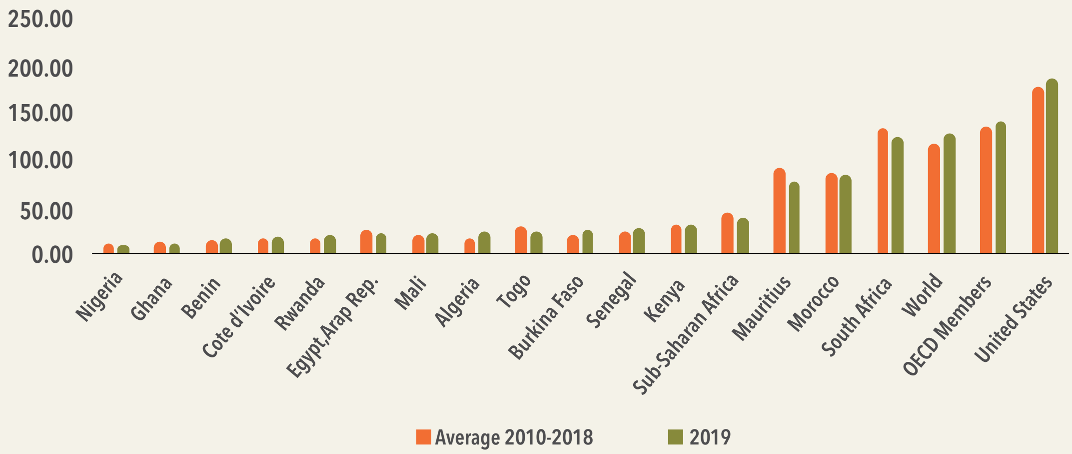
Yet, according to the Ghana Employers' Association (GEA),

'the economic environment does not provide the enabling environment for businesses to thrive because there is lack of funds or capital due to problems with credit acquisition and the cost involved' (interview with officer of GEA, 2021).

In January 2021, the policy rate of the Bank of Ghana was 14.5 percent – this was twice higher than the average policy rate on the continent (Konfidant, 2021). Figure 4 shows that in 2019, domestic credit to the private sector stood at 12 percent of GDP in Ghana. This was only higher than Nigeria and compared unfavourably with South Africa at 128 percent of GDP, Morocco at 87 percent of GDP, Mauritius at 80 percent of GDP, Kenya at 32 percent of GDP and the average for Sub-Saharan Africa (SSA) at 41 percent of GDP.

Figure 4: Domestic credit to the private sector as a percentage of GDP

Source: World Bank data, 2021



Not only is accessibility to credit a problem for the private sector in Ghana, but firms that are able to secure credit have to pay outrageous interest rates. The average lending rate of commercial banks was 20.9 percent as of May 2021. Such high lending rates adds to the costs of doing business and reduce the competitiveness of producers in Ghana. The lending rate charged on private sector credit compares unfavourably with Nigeria (15.4%), Tanzania (16.3%), Kenya (13%), Senegal (8.5%), South Africa (13%), and Botswana (6.5%). Yet, manufacturers in Ghana would have to produce and compete with their counterparts who are able to borrow at relatively cheaper costs. This can undermine their competitiveness in the African market.

Another factor that can prevent the manufacturing sector from accessing the opportunities of the AfCFTA is access to electricity for production. This manifests itself in both the cost of electricity and the reliability of electricity supply in the country.

Figure 5 shows that in December 2020, the cost of electricity in Ghana was 13.5 cents per kWh, and this compares unfavourably with the electricity costs in countries such as Libya (0.7 cents kWh), Angola (1.5 cents kWh), Lesotho (2.3 cents kWh), Ethiopia (2.3 cents kWh), Algeria (3.4 cents kWh), Zambia, (3.8 cents kWh), Malawi (6.2 cents kWh), and Egypt (7.3 kWh).

The other countries that had lower electricity rates than Ghana were South Africa (7.4 cents kWh), Rwanda (9.5 cents kWh), Nigeria (9.7 cents kWh), Tunisia (10.9 kWh), and Morocco (12.0 cents kWh). It has been estimated that the electricity cost in Ghana was 84 percent higher than the electricity cost in Egypt and 82 percent higher than the electricity cost in South Africa (see Figure 5).

In view of the above, it came as no surprise that business associations in Ghana decried the cost of electricity and its implications for the competitiveness of their members. In the words of a national officer of the AGI,

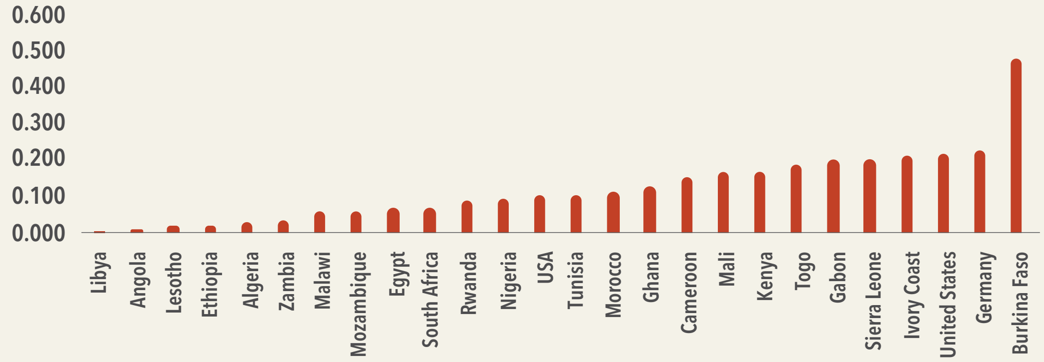
> **'the 15 to 17 cents per kilowatt-hour we pay for electricity is too much for Ghanaian businesses. Our competitors in most of the other nations under the AfCFTA, such as Ethiopia, pay less than 1 cent per kilowatts hour' (interview with national officer of AGI, 2021).**

Similarly, an officer of the PEF deplored that the

> **'cost of energy is [too high]. Adding value to our products requires reliable energy supply. But our energy comes at a higher cost compared to competing countries in the bloc' (interview with an officer of PEF, 2021).**

Figure 5:Electricity prices for business, December 2020 (kWh, US Dollar)

Source: GlobalPetrolPrices.com, July 2021



In addition to the above, another challenge that the study found to be in the way of Ghanaian producers to effectively harness the benefits of the AfCFTA is educational outcomes: low level of educational attainment and the limited availability of Science, Technology, Engineering and Mathematics skills (STEM) in the country. Over the years, Ghana has invested quite significantly in education. The International Labour Organisation (ILO) estimates that about 20 percent of government spending went to education in 2018 (ILO, 2019). Yet, educational attainment is low. Table 3 shows that almost one-fifth of the population aged 15 years and above has never been to school, and another 15.7 percent did not complete basic education. About 7 out of 10 of the population aged 15 years has neither been to school nor completed basic education.

Table 3: Educational attainment aged 15 years and above.

Highest educational attainment	GLSS 7 (2016/17)		
	Male (%)	Female (%)	All (%)
Never been to school	13.2	26.1	19.9
Less than MSLC/BECE	12.9	18.4	15.7
MSLC/BECE	40.7	36.4	38.5
Secondary education of higher	32.9	19.0	25.6

Source: Seventh round of the Ghana Living Standard Survey (GLSS7), 2017

Aside from the low educational attainment, STEM and technical and vocational qualifications are low in Ghana. In 2018, only about 7 percent of students enrolled in upper secondary schools were studying vocational programmes (ILO, 2019). Table 4 shows that only 15.24 percent of individuals aged 15 years and above with at least secondary school education have an educational qualification in engineering, manufacturing, construction, science, mathematics, and computing. Yet approximately 6 out of 10 of them have qualifications in general programme, humanities and arts, social science, business, and law.

Table 4: Main subject of educational qualification of the population with at least secondary education aged 15 years and above

Main subject area of educational qualification	Male (%)	Female (%)	Both sexes (%)
General Programme	11.5	13.01	24.50
Education	3.51	3.97	7.48
Humanities and Arts	8.10	7.49	15.59
Social science, business and law	9.79	10.49	20.28
Science, Mathematics and Computing	4.20	4.15	8.36
Engineering, manufacturing and construction	4.70	2.18	6.88
Agriculture & Veterinary	1.18	0.81	1.98
Health and Welfare	2.06	3.43	5.50
Other services	1.33	1.31	2.64
Other	3.35	3.44	6.79
Total	**49.73**	**50.27**	**100**

Source: TUC estimation based on the Labour Force Survey (LFS, 2015) Dataset

Given the above, it is not surprising that business associations and trade unions in Ghana share the view that the educational system in the country produces more graduates that are ill-suited to the needs of the manufacturing and industrial sectors. In the words of an officer of the GEA

' unlike the Asian countries like Japan, China, South Korea, among others which invested more in TVET [Technical and Vocational Education and Training], we are rather more focused on the mainstream education such as the SHS [Senior High School] and the universities leaving behind the TVETs' (interview with officer of GEA, 2021).

According to an officer of ICU,

'the disconnect between the tertiary institutions and our industries is huge. As [as result of this], the graduates being produced are not able to fit well in the industries' (interview with officer ICU, 2021).

Without a doubt, this situation has debilitating impacts on the production and competitiveness of local producers in Ghana.

In addition to the above challenges, the constraints that producers in Ghana face in cross border trading can limit the benefits of the AfCFTA. Ghana's rank on trading across borders is one of the lowest in the world. In Ghana, the time for border and documentary compliance (excluding tariff) in exporting and importing goods is high. Table 5 shows that it takes about 108 hours to go through border compliance for Ghana compared to 97.1 hours for the average SSA country.

Also, Ghana compares unfavourably with the average in SSA on the time to export in terms of documentary compliance. The table below indicates that it takes 89 hours in documentary compliance to export goods from Ghana compared to 71.9 hours for the average country in SSA. Also, the cost of importing goods in terms of documentary compliance is very high in Ghana (about 60 percent), higher than the average in SSA. Time efficiency of customs in Ghana is estimated at 197.3 hours. Even though this is below that of the average SSA country, it compares unfavourably with Kenya at 40 hours (Konfidant, 2021).

Table 5: Trading across borders for Ghana, Sub-Saharan Africa, and OECD (High Income Country)

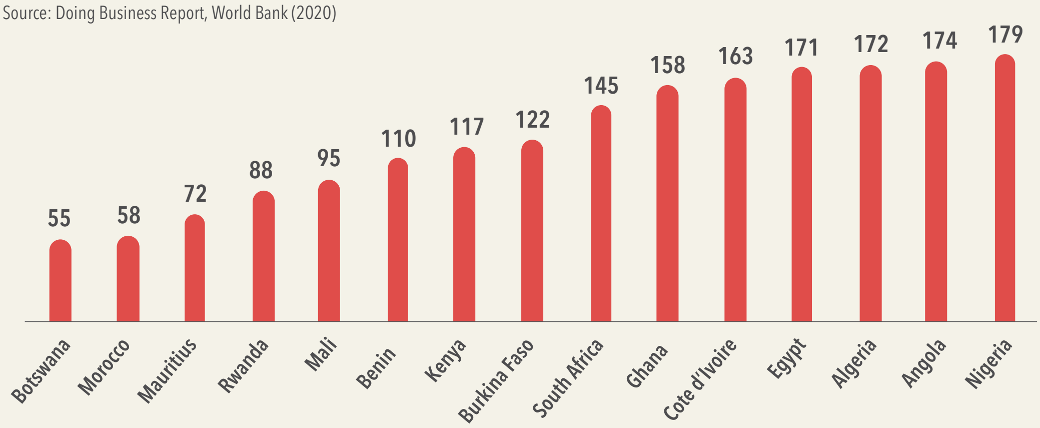
Sub-Indicators	Ghana	SSA	OECD (High Income)
Time to export: Border compliance (hours)	108	97.1	12.7
Cost to export: Border compliance (USD)	490	603.1	136.8
Time to export: Documentary compliance (hours)	89	71.9	2.3
Cost to export: Documentary compliance (USD)	155	172.5	33.4
Time to import: Border compliance (hours)	80	126.2	8.5
Cost to import: Border compliance (USD)	553	690.6	98.1
Time to import: Documentary compliance (hours)	36	96.1	3.4
Cost to import: Documentary compliance (USD)	474	287.2	23.5

Source: Doing Business Report, World Bank (2020)

Ghana ranks at the 158th position out of 190 countries on trading across borders (World Bank, 2020). Specifically, on time and cost of documentary and border compliance, Ghana ranks unfavourably with countries such as Botswana with a rank of 55 out of 190 countries, Morocco with a rank of 58 out of 190 countries. Rwanda, Mali, Benin, Kenya, Burkina Faso, and South Africa perform relatively well compared to Ghana. Improving Ghana's rank on trading across borders can help reduce the cost associated with border and documentary compliance and reduce the time for importing and exporting

Figure 6: Trading across borders rank for selected countries in Africa

Source: Doing Business Report, World Bank (2020)



There are also issues of trade capture by powerful firms in countries that are not party to the AfCFTA. Specific mention is made of the European Union and China, which appear best positioned to take advantage of the liberalisation of the internal African market. The EU already has an interim trade agreement with Ghana and several other African countries. Those agreements already allow for duty-free access to the Ghanaian and indeed a host of African country markets. This makes it possible for the EU, but also China, which also has deep penetration in Africa, to capture the privileges offered by the AfCFTA and divert trade away from countries like Ghana.

The only way to prevent this from happening is to put in place tighter rules of origin. Unfortunately, the rules of origin component of the AfCFTA are yet to be finalised at a time when trading has commenced under the agreement. Perhaps, the delayed work on the rules of origin affords the unions unique opportunities to participate in drawing up those rules.

The foregoing shows that despite the opportunities that the AfCFTA presents to the manufacturing sector, significant capacity challenges, human resource limitation, and doing business constraints are in the way of manufacturers in Ghana to harness such opportunities. In some ways, such constraints and their outcomes have implications for the rights of workers and their trade unions, to which the analysis now focuses.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EMPLOYMENT AND THE RIGHTS OF WORKERS UNDER AFCFTA

Job opportunities are expected to open under the AfCFTA as firms add value to natural resources and enjoy economies of scale because of increased production to benefit from new markets. In Ghana, the projections show that GDP growth will average 7.2 percent between 2017 and 2035, with the agro-processing and horticulture sector growth averaging 4.0 percent and manufacturing (excluding agro-processing) averaging 5.5 percent (Aryeetey et al., 2021). Such increases in output are expected to come with jobs. Annual growth in overall employment has been estimated at an average of 6.9 percent, with the growth in agro-processing and horticulture averaging 7.2 percent and manufacturing (excluding agro-processing) averaging 3.4 percent from 2017 to 2035 (ibid.). The share of employment in agro-processing and horticulture in total employment has been estimated at 6.2 percent and 7.2 percent in 2025 and 2035, respectively (ibid.) The estimates put the share of employment in manufacturing (excluding agro-processing) at 11.1 percent in 2025 and 9.3 percent in 2035, respectively (ibid.).

The upsurge in employment will lead to significant shifts in skills requirements. It has been estimated that the labour demand of the manufacturing and agro-processing sectors would shift from the current low skill labour to high skill labour. In 2017, the skills set demanded in the agro-processing and horticulture sector was estimated at 93 percent for low skilled, 6 percent for skilled, and 1 percent for highly skilled (Aryeetey et al., 2021). By 2035, the skillset demanded in the sector will shift towards skilled labour. Similarly, in the manufacturing sector, it has been estimated that the labour demand will shift towards skilled labour, with low skills declining from 84 percent to 56 percent between 2017 and 2035 (ibid.). In contrast, the demand for skilled labour is expected to increase from 14 percent to 40 percent, and that of high skilled labour would increase marginally from 3 percent to 4 percent within the same period (ibid.). In a way, such shifts are good for the promotion and protection of the rights of workers. This is because skilled and highly skilled workers are less likely to suffer abuse of their rights.

Nonetheless, the fact that low skilled workers would constitute more than half of workers in the agro-processing and manufacturing sectors is an issue of worry for both trade unions and public authorities in the country. The worry emanates from the quality or the decent work deficits that tend to be associated with low-skill jobs. Trade unions in Ghana have concerns that

'the AfCFTA could potentially reduce employment and wages, especially for low-skilled labour' (Otoo, 2021).

It is in this sense that an officer of the Ministry of Employment and Labour Relations intimated the necessity to

'ensure that the rights of workers are protected under the AfCFTA' (interview with an officer of MELR, 2021).

Hence, the changing pattern of production towards increased manufacturing and agro-processing that has been associated with the implementation of the AfCFTA may not completely remove labour exploitation. It may worsen labour rights, given that the negotiating team explicitly decided to omit labour provisions from the agreement. In essence, the fact that low skilled workers are more likely to suffer decent work deficit means that attention must be paid to potential abuses such as long hours of work and the prevention of workers from forming or joining trade unions.

The abuse of workers' rights that may accompany the AfCFTA is likely to be compounded by the significant weaknesses of the institutions for industrial relations in Ghana. Years of low investment in these institutions have made them ineffective and less able to perform their regulatory and enforcement mandates. According to an officer of the ICU,

'it is evident that these institutions [Labour Department, National Labour Commission, and the Department of Factories and Inspectorate] are underfunded and are not getting the adequate support they need to carry out their mandate' (interview with officer of ICU, 2021).

In the 2021 budget statement and economic policies of the government of Ghana, the allocation to the Ministry of Employment and Labour Relations was only about 0.8 percent of the allocation to the ministries under the social sector made up of the Ministry of Education, Ministry of Health and the Ministry of Employment and Labour Relations. The allocation to the MELR was just about 4.79 percent of the allocation to the ministries classified under the economic unit and only about 2.76 percent of the allocation for administrative purposes.

As a result of the above, the institutions for industrial relations in Ghana, particularly the Labour Department and the Department of Factories Inspectorate, are understaffed and face significant logistics deficits. The outcomes have been worsening working conditions and abuse of the rights of workers. According to a national officer of GAWU:

'It is the responsibility of the institutions to ensure that the regulations are enforced, but these institutions are weak in terms of resources to be able to ensure compliance. The labour institutions which are state-owned are poorly resourced. They have become weak in delivering their mandate. Some of the labour institutions even depend on the private institutions for their operation in terms of transportation and others. This undermines the work of the labour institutions in one way or the other' (interview with a national official of GAWU, 2021).

TRADE UNIONISM UNDER AFCFTA

Trade unions have a big role to play in promoting good working conditions through organising, representation and social dialogue. As mentioned above, the AfCFTA has the potential to support manufacturing jobs. The estimated annual average employment growth of 6.9 percent in agro-processing and 3.4 percent in the manufacturing sector, excluding agro-processing (Aryeetey et al., 2021), offer the potential for organising and trade union membership growth.

However, trade union organising in the manufacturing sector is not going to be easy. Trade unions in this study are not oblivious of the fact that there is a real possibility for trade union density in the country to decline due to the impacts of the AfCFTA. According to a national officer of the GAWU, ' unless we [trade unions] strategize well, union coverage is likely to decline' (interview a national officer of GAWU, 2021). An officer of the ICU shared a similar view by stating that:

'the investors coming have not been told that workers in Ghana have the freedom to join any trade union of their choice … presently there are foreign investors in Ghana who prevent their employees from joining unions of their choice and even go to the extent of dismissing and laying off workers who go against their instruction' (interview with officer of ICU, 2021).

The above is likely to be exacerbated by the fact that the national effort towards promoting manufacturing and export under the AfCFTA focuses on the private sector – which is noted with significant organising difficulties. It is expected that most of the new jobs that are going to be created in the manufacturing sector are going to be private-sector jobs. A key informant in this study decried the fact that 'most of the jobs that will be created [under the AfCFTA] will be in the private sector, but the private firms are not accepting unionisation because they don't even look at the Labour Act and appreciate what it entails' (interview with officer of ICU, 2021). Historically, trade unions in Ghana have found it difficult to organise in the private sector to the extent that most of the current thriving trade unions are those that predominantly organise in the public sector. A trade unionist lamented that:

'sometimes it appears we [our government] sacrifice labour rights to these investors. For example, there is a whole enclave in Tema [the industrial hub of Ghana] where employers are preventing workers from joining unions, and the courts are also not helping because you run to court with these issues and the employers end up getting away with it' (interview with ICU officer, 2021).

The above has been brought about by the extreme lack of jobs, union bursting strategies of private-sector employers and the inability of institutions of industrial relations to adequately ensure compliance with the legal requirements on freedom of association and collective bargaining. The combination of these factors has strengthened the position of employers in the labour market in Ghana. According to an officer of the ICU:

'our government is not prepared enough to ensure that workers' rights are protected … [we have] situation where workers will be subjected to poor treatments because there are no jobs, just like former President [name deleted] said, there are no jobs so whatever you are offered, take it … because labour is in abundance and unemployment is on the rise they [employers] will always get their [workers'] replacement' (interview with ICU officer, 2021).

Another factor that can prevent trade unions in Ghana from increasing their membership relates to the cross-border movements of labour that may be associated with the AfCFTA. Trade union organising thrives when labour is stable. In this sense, the fact that the implementation of the AfCFTA may encourage labour movements can affect organising and trade union membership growth. In the words of an officer of the GAWU:

'AfCFTA will lead to upsurge in capitalism while our strategies for organizing will have a setback under AfCFTA. This is because jobs will be fluid, resulting from fluid capital. Free movement of labour from different countries to Ghana to work and vice versa and this will pose a challenge for trade unions in terms of coverage' (interview with official of GAWU, 2021).

Significantly, despite the many potential positive and negative impacts of the AfCFTA on trade unionism, trade unions in Ghana have not sufficiently participated in the national dialogue and activities under the AfCFTA. According to a trade unionist at the ICU, 'the disappointment of the ICU in government's approach towards the AfCFTA is that the engagement of sectorial players in the manufacturing industry to know their concerns and preparation for the pact has not been satisfactory' (interview with an official of ICU, 2021). Similarly, an officer of the GAWU intimated that 'we have [been involved the conversation on the AfCFTA] but not really much' (interview with official of GAWU, 2021). The TUC (Ghana) intimated that the 'effort towards addressing the [potential] challenges [of the AfCFTA] have been limited and uncoordinated. Political considerations have always preceded and dominated the economics of integration and trade in Africa' (TUC, 2021). Thus, trade unions in Ghana have not been adequately involved in AfCFTA processes in the country.

Arguably, this limited participation of trade unions in the discussion around the AfCFTA can compromise the protection and the promotion of the rights of workers and trade unions in the country. Therefore, trade unions in Ghana would need to be at the table where the discussions on the AfCFTA happen and confront the challenges to organising in order to take advantage of the possibility of increased employment to boost their membership.

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CONCLUSION

In this paper, we have seen that the AfCFTA presents opportunities for Ghanaian enterprises to take advantage of the bigger African market. Harnessing such opportunities means building manufacturing enterprises, creating jobs, boosting earnings, and improving the standard of living of Ghanaians. Nevertheless, business ownership and support (private or government) remains critical to the success of building manufacturing enterprises in Ghana. While the state has failed in previous programmes to directly build manufacturing capabilities and industries, the private sector in Ghana faces several challenges that have rendered it very weak and incapable of building resilient manufacturing industries. Therefore, the persistence of the conditions that have undermined the growth of local firms in Ghana would detract from the possibility that Ghana would get optimal benefits from the creation of the AfCFTA.

At the same time, there are real opportunities for the country to enhance its manufacturing capabilities. Ghana can leverage on the ongoing 1D1F initiative by the government of Ghana to shift the economy away from dependence on imports of finished goods and export of raw material to one that is focused on manufacturing, value addition, and export of processed goods. Thus, the 1D1F initiative offers an opportunity for the government of Ghana to work with the private sector to address the myriad of challenges that many prevent private sector manufacturers in Ghana from taking full advantage of the opportunities that the AfCFTA presents.

The government of Ghana will have to work with the Ghanaian private sector to address the existing internal constraints to manufacturing. These include ensuring access to reliable and cheap power, access to cheap credit and fixing the infrastructure bottlenecks that hamper the growth of the manufacturing sector. It will also mean addressing skills gaps through general education but also through specific initiatives about training and skills development. Ghana will also have to work with its peers to finalise a robust regime of rules of origin that ensures that countries that sign up to the AfCFTA are actually the ones that are benefiting from the agreement. The rules of origin must prevent trade capture by firms from elsewhere.

Attention should be paid to the fact that historically, industrialization has been associated with the exploitation of workers. The fact that the majority of the jobs that are going to be created in the manufacturing and agro-processing sectors are likely to be low skill ones meant that attention needs to be paid to labour rights issues. Effective industrial relations institutions and trade unions would be needed to safeguard the rights and interests of workers. Specifically, regional trade unions need to push for pro-worker policies under the AfCFTA. Furthermore, trade unions in Ghana should step up their efforts in organising to recruit new members – union power lies in numbers and solidarity. The trade unions should also lobby and advocate for investment in labour institutions. These strategies should contribute to the promotion and protection of the interests and rights of workers and trade unions under the AfCFTA.

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