

**ADDRESS BY THE MINISTER FOR EMPLOYMENT AND  
LABOUR RELATIONS (MELR) HON. IGNATIUS BAFFOUR  
AWUAH, (MP), AT THE ‘MEET-THE-PRESS’ SESSION ON  
THURSDAY, 15<sup>TH</sup> AUGUST, 2019 AT 10:00 AM PROMPT.**

Colleague Hon. Minister of Information

Hon. Deputy Ministers

Chief Directors, Directors and Heads of Departments and Agencies

Representatives of the Ghana Employers Association

Representatives of Organized Labour

Development Partners

Friends from the Media

Ladies and Gentlemen

I am happy to be here today to interact with you and to update you on happenings within the Sector over the last two and a half years. As the lead policy adviser to Government on Employment and Labour related issues, our core duty is to coordinate job creation interventions in all sectors of the economy. The Sector also ensures the promotion of peaceful industrial relations for national development.

Let me emphasize that, contrary to the widely perceived notion that the sector creates jobs, the sector rather largely **coordinates employment opportunities for decent work outcomes.**

We do this by developing policies, programmes, and strategies that facilitate job creation. We also enforce existing Labour laws and regulations. It is the vision of the Ministry to ensure decent work for all workers in Ghana and Ghanaian workers elsewhere.

**Mr. Chairman,**

Decent Work is the overarching standard that seeks to guarantee universally acceptable work and employment, the protection of the rights of workers ensuring social protection for workers, and their families as well as institutionalization of social dialogue.

**Mr. Chairman,**

As part of the coordination role, the Ministry undertakes several activities aimed at accelerating job creation, improving the quality of jobs, enhancing the employability of jobseekers, preventing child labour, administration of wages and salaries in the public services, and ensuring income security in retirement. These activities are carried out by the Ministry and its Departments and Agencies namely;

- The Labour Department,
- Department of Factories Inspectorate,

- National Labour Commission
- The Youth Employment Agency (YEA)
- The Co-operative Institutions
- The National Vocational Training Institute (NVTI),
- Integrated Community Centres For Employable Skills (ICCES)
- Opportunities Industrialisation Centres-Ghana (OICG)
- Management Development and Productivity Institute (MDPI)
- The Fair Wages and Salaries Commission (FWSC)
- National Pensions Regulatory Authority (NPRA)

## **Ladies and Gentlemen**

Through the visionary leadership of His Excellency the President, and ably supported by members of His Government utilising the combined efforts of the institutions listed above and the collaborations of all employment generating institutions, I can confidently say that unemployment is on the decline.

**Ladies and Gentlemen,**

May I at this juncture, share with you some information derived from the employment data of the 7th Round of the Ghana Living Standard Survey (GLSS 7) after further analysis of the metadata.

Ghana's working age population (i.e. 15+ years) is estimated at **17.56 million** comprising **46.8%** males and **53.2%** females.

A total of **11.06 million**, representing 63% of the working age population are in different types and forms of employment and **1.14 million people**, representing about 6% are working for own use or working voluntarily and therefore not considered to be in employment as per ILO definition of employment. The remaining **5.36 million people** are not working because of schooling, incapacitation, domestic activities or unemployment (seeking or discouragement) etc.

The services sector constitutes the major source of employment accounting for 49% (trade 19% and other services 30%) followed by agriculture with **38%** and industry **13%** (manufacturing 8% and other industry 5%).

Of the 11.06 million people in employment, about **29.2%** are in paid employment, **53.2%** in self-employment while **16.9%** are contributing family workers. The remaining **0.9%** constitutes other forms of employment such as domestic work.

Of the 29.2% in paid employment, 23.3% are paid employees, 5.3% are casual workers while the remaining 0.6% are paid apprentices.

The 53.2% in self-employment is made up of non-agriculture self-employed with employees 3.4%; agriculture self-employed without employees 0.7%; non-agriculture self employed without employees 26.4%; and agriculture self-employed without employees 22.7%.

Out of the 16.9% contributing family workers, 13.1% are in agriculture while the remaining 3.8% are in non-agricultural activities.

The informal economy continues to dominate the labour market such that **85%** of employment is in the informal sector with the formal sector accounting for the remaining **15%** of which **7%** are in the public sector and **8%** in private formal sector.

Out of the 5.36 million Ghanaians who did not do any work, about 4.34 million were not available for work due to schooling, training, incapacitation or domestic duties.

From the remaining 1.02 million who were available for work, about 422,000 made effort to look for work, yielding a strict unemployment rate of 3.7%.

When we account for about **417,500** people who were available for work but did not make any effort to look for one for various reasons such as “no jobs available”, “lost hope in finding jobs”, “lacks necessary training”, etc., we obtain a broader unemployment rate of 7.1%.

**Mr. Chairman,**

These figures largely reflect the numerous effect of the government flagship Policies, Programmes and Interventions conceptualised in the Coordinated Programme for Economic and Social Development Policies (2017-2024) and the National Medium-Term Development Framework (2018-2021) which put job creation at the centre of the National Development Agenda.

These interventions include: Planting for Food and Jobs (PFJ), Rearing for Food and Jobs (RFJ), One District One Factory (1D1F), Revamping Vocational Skills Training and the Modules under Youth Employment Agency, the Youth in Entrepreneurship Development, Entrepreneurship Support and Start-up, Nation Builders Corps (NABCO) among others.

It is noite worthy that the Free SHS Policy has contributed significantly to the reduction of unemployment figures (emphasis is mine)

It is my pleasure to announce that, during the period under review, a total of **611,397** jobs were created in the formal sector. Out of this figure, the Ministries, Departments and Agencies (MDAs) accounted for **343,458** job, whilst, the formal Private Sector also created an **267,939** jobs.

In addition to these new jobs in the formal sector, the ever-famous Planting for Food and Jobs Programme created **1,593,000** jobs from 2017 to date. The figures from the respective institutions can be accessed from the Ministry's website: [www.melr.gov.gh](http://www.melr.gov.gh).

**Ladies and Gentlemen,**

In addition to the good news about the falling unemployment rate from **11.9% (GLSS 6, 2015)** to **7.1% (GLSS 7, 2019)**, you would all agree with me that there has been a relatively stable and peaceful industrial atmosphere since January 2017 and I must commend the gallant workers of Ghana, Employers and the leadership of respective Labour Unions for

their support, patience and tolerance in the handling of all labour disputes on the labour front.

This has been the results from our collective efforts as members of the tripartite body and in no way a credit to only one individual. The Media cannot also be forgotten. Indeed, you have played your role of reporting most accurately on labour issues and this has also contributed to this great success

**(Minster to show gratitude to media and example of mortuary staff and strike)**

**Ladies and Gentlemen,**

In as much as we consider all of our functions important and relevant for discussion at a forum such as this, I would like to focus today's discussions on Pensions and Pension related matters.

This is in line with the theme for 2019 May Day Celebrations - *“Sustainable Pensions for All: The Role of Social Partners”*, and also in response to H.E. the President’s directive to the Sector to resolve all pensions and pension related matters that were raised by Organised Labour in the 2019 May Day Address.

**Mr. Chairman,**

For effective and efficient management of pensions and to ensure retirement income security for all, Government in 2008 introduced the 3-tier pension scheme through the passage of Act 766 as amended to replace the then existing pensions law, PNDC Law 247.

Under Act 766 as amended, employers make direct contributions of 13% for and on behalf of their employees, and the employees contribute 5.5% making a total of 18.5% in contributions to the Scheme. The first and second Tiers are mandatory while the third is voluntary.

## **The 1<sup>st</sup> Tier (13.5%)**

The Tier 1, which is the mandatory basic national social security scheme is managed by Social Security and National Insurance Trust (SSNIT) and includes the payment of monthly pension, survivors benefit and invalidity pension to cover all employees who contribute in both the public and private sectors.

The **Tier 2** is also a mandatory occupational pension scheme privately managed and it is paid as a lump sum while Tier 3 is a voluntary provident

fund and personal pension scheme, which is privately managed and administered and also paid in lump sum. The Tier 3 pensions is available to the informal sector worker of the economy.

As at 31<sup>st</sup> December, 2018, the Active Worker Population recorded on the Tier 1 was 1,533,942. New members enrolled onto the SSNIT Scheme increased from 281,303 in 2017 to 611,397 as at May 2019, at an average growth rate of 46.8%.

As part of efforts to sanitize the operations of SSNIT, Government embarked on an exercise from February, this year, to identify and eliminate “ghost” pensioners from the SSNIT payroll. This led to the deletion of **6,311** “ghost” pensioners from the SSNIT payroll, saving the Trust over **GHS 43.8 million** as at the end of May, 2019.

**Mr. Chairman,**

Recognising the importance of pensions in addressing old age poverty and maximizing customer satisfaction, SSNIT undertook some urgent reforms to meet the demands of its clientele particularly pensioners. As a result, a new benchmark time for processing pension applications for payment has been instituted. Currently, the average processing time for pension

payment has reduced drastically from **30 days** to **17 days** and is paid mid-month ahead of workers salary.

## **The 2nd Tier**

This is 5% of the total contribution of 18.5% for the employee. Under the Tier 2, there were 1,427,137 contributors as at the end of 2018.

Ironically, the number of employees on the Tier 1 (1,533,942) are more than those on Tier 2, though both are mandatory. This possibly suggests non-payment by some employers.

It is for this reason and other pension related offences that the NPRA has secured prosecutorial powers from the Attorney General to prosecute offending employers. Currently, (as at June 2019) **13 defaulting employers** have been earmarked for prosecution. Dockets are being prepared to send them to court. I therefore want to use this opportunity to

appeal to all employers to pay the contributions of their employees timely to avoid prosecutions.

### **Payment of Temporary Pension Fund Account (TPFA)**

Government through this Ministry and the Ministry of Finance established a Ministerial Technical Committee (MTC) to ensure the successful

transfer of the Tier 2 contributions which had been held in a Temporary Pensions Fund Account (TPFA) at the Bank of Ghana pending the establishment of the various public and private sector occupational pension schemes.

**Mr. Chairman,**

I am happy to inform you that the outcome of the Committee's work culminated in the seamless transfer of an amount of GH¢ 3.1 billion into

the custodian accounts of the various public sector registered pension schemes. The schemes include:

- Ghana Education Service Occupational Pension Scheme
- Health Sector Occupational Pension Scheme
- Judicial Service Occupational Pension Scheme
- Hedge Master Trust Occupational Pension Scheme and
- Public Sector Workers Employees' Pension Scheme

I therefore seize this opportunity to convey our heartfelt gratitude to H. E. the President of the Republic, Nana Addo Dankwa Akufo-Addo who lived

up to the promise of his government to ensure these transfers and to all stakeholders, especially members of the FORUM who worked closely with the Ministries of Employment and Finance in the transfer processes.

I also wish to firmly assure you that efforts are being expedited to bring all matters arising out of the TPFA transfers including Data Reconciliation of beneficiaries and the issue of Past Credit to a logical conclusion. In line with H.E. the President's directive on May Day this year, serious attention

has since been given to these matters to facilitate the smooth and efficient payment of Tier 2 pension benefits from 2020.

### **Expanding pension coverage to the informal economy**

As a result of many more efforts deliberately put in place by the Authority, there has been an increase in the membership and contributions of the personal pension scheme. As at the first quarter of 2019, the total

membership of personal pension scheme was **158,577** with a total Asset under Management of **GHS 88,646,234.58 (US\$17,729,246.92)**.

These notwithstanding and considering the fact that the informal economy employs about 85% of the entire workforce of the country, there is a lot more of the informal sector workers within the Ghanaian population uncovered and all efforts should be on deck to extent coverage to this important segment of the economy.

In view of this, expanding pension coverage to the informal economy remains a top priority for the Ministry in the short to medium-term. Thus, as a Sector, we have recognized the formalisation of the informal economy as a critical step for the expansion of pensions.

To this end, a roadmap on transitioning the informal economy into formal economy has been developed in collaboration with sister Ministries, Departments and Agencies (MDAs).

Additionally, the following specific strategies have been implemented to facilitate enrolment of workers in the informal economy.

- I. Various private sector schemes have been registered to provide support services for informal economy pensions coverage.
- II. In connection with expanding pensions coverage, the NPRA has begun decentralizing its operations to reach out to more workers. So far, the Authority has four regional offices in the country.

These are: Kumasi, Tamale, Takoradi and Sunyani. More regional and district offices are expected to be opened over the medium-term to improve pension administration at all levels.

That notwithstanding, stakeholder discussions are still ongoing to establish specific pension schemes for various economic units within the informal economy ranging from farmers, fishermen, market women and

traders, drivers, artisans (carpenters, masons, welders, tailors, hairdressers, etc.) to spare parts dealers.

## **Major Challenges within the Pension Front**

Even though the pension industry is beginning to experience some tremendous improvements, there are some key challenges impeding progress in the pension sector:

- Under-declaration of basic salaries of employees by some employers in order to pay low contributions for employees. This ultimately affects their pensions because pensions are a direct reflection of the salaries on which contributions were paid.
- Deliberate attempts by some employers not to enroll employees on the Three-Tier Pension Scheme particularly Tier 2.

- Nonpayment and untimely payment of workers' contributions by employers leading to rising employer indebtedness and loss of investment returns respectively.

**Major Interventions to the Pensions Industry by His Excellency, the President has been:**

- i. The transfer of **GHS 3.01 billion** held in TPFA to the various Occupational Pension Schemes.
- ii. Resolution of all matters relating Past Credit.
- iii. Development of comprehensive data to accompany the transfer of TPFA amounts.
- iv. Boldness to start payment of benefits under the new current pensions law Act 766 by January 2020.

These were achieved with active collaboration of our Social Partners that is Organised Labour and Employers.

**Ladies and Gentlemen,**

Let me reiterate that the total assets under pensions managed by all the three tier operators sums up to **GHS 22,256,080,576** as of December 2018.

**Sustaining the Pensions Regime**

In order to grow and sustain pensions and to enforce Act 766 as amended, the NPRA must necessarily be strengthened and supported to deliver as expected of a credible Regulator of the industry.

To ensure this, Government is collaborating with the World Bank to undertake some reforms towards sustainability of pensions. Other Development Partners, particularly the Swiss Government through SECO are also in collaboration with NPRA to build its capacity to effectively regulate the world of Pensions in Ghana.

**Distinguished Media, Ladies and Gentlemen,**

I would like to draw the curtain on today's Meet-the-press encounter and to assure you that I will avail myself in the next few months to share with you new developments in the sector.

THANK YOU