

# Critical Overview of the (Urban) Informal Economy in Ghana

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## 1. Introduction

The Ghana Statistical Service estimates that 86.1% of all employment is to be found in the informal economy. 90.9% of women and 81% of men are working under circumstances which are to the largest extent not controlled, regulated or standardized by state institutions (GSS, p.79). The informal sector is widely seen as the growth engine for internally driven economic transformation. Considering that less than 14% of employment is generated in the formal and public sector, it is obvious that most of the jobs that will be needed to satisfy the labor market in the future have to be created inside the informal economy due to internal migration processes, most of them in urban areas. There is real progress but at a pace that can't keep up with the growing demand for real and fundamental changes in politics and economics.

Over the last 5 decades the informal economy underwent a vast variety of analysis and debates on the local as well as the international level. A great number of literature has been published and different approaches have tried to explain a phenomenon that, since its initial 'discovery' of the phenomenon by Keith Hart in Ghana and the ILO in Kenya in the 1970s, has kept scholars busy (Hart 1973, ILO 1972). Different institutions, national and international, are conducting ongoing research, casting light from different angles and perspectives and trying to explain the economic and social logic behind a way of working that is known in every country in the world but its implications for national development are strongest in the community of the developing and transitional countries. Even though there is an academic discourse about the question from which angle the informal economy should be dealt with. Its existence can't be denied and neither can't its importance for the future development of the African state. Therefore it is only logical, that the focus of the international development agenda has found its way to the informal economy. More than ever, the informal workers are in the spotlight of all major institutions involved in the field.

However, the approaches used are very diverse and there is a vast variety of definitions used for the analysis of the informal economy. Different institutions use different definitions that go along with their internal politics which in return influence their approach to the general field of informal economy and the needs of informal workers. Two contradicting definitions are listed below and give an idea of the ideological momentum of institutional analysis. The World Bank is describing the process of involvement in the informal economy as a deliberate choice to avoid taxes and gain from the financial benefits generated by doing so.

*The informal economy refers to activities and income that are partially or fully outside government regulation, taxation, and observation. The main attraction of the undeclared economy is financial. This type of activity allows employers, paid employees, and the self-employed to increase their take-home earnings or reduce their costs by evading taxation and social contributions. (World Bank 2014)*

However, describing the processes of employment in the informal economy as a rational-choice process is not going far enough in the analysis of this multi-faceted phenomenon. On the one hand it underestimates the importance of working institutions and their influence on pull factors that would influence the registration process in the informal economy. On the other hand there is an overemphasis on the responsibility of individual workers, putting them in the light of attention and not responsible state or economy representatives.

The ILOs perspective on the matter of informality is leaving room for an approach from both sides. They shed light upon the fact that informality is largely an issue of a wide variety of problems and structures and therefore shouldn't be blamed on single groups or their attitudes towards it.

*The term 'informal economy' refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs. (ILO 2002, p.2)*

Civil society actors<sup>1</sup> tend to use the ILO's definition since its focus is on the responsibility of state institutions and governance set-up as well as the vulnerability of workers. Economy representatives tend to go with the World Banks definition since it's emphasizing on an economic rational-choice decision process of groups.

Since modern data acquisition, the informal element of the economy was and is an important part of the Ghanaian economy. Its large share of national labor force and GDP should not be underestimated when it comes to the fulfillment of long term plans in rural or urban communities.

This paper should give a critical overview over the key-facts of informal employment in Ghana and its influence on social wellbeing. On the one hand, a historical overview of the development of the informal economy in Ghana is given as well as an answer to the question why the informal economy took the center stage of the development community in the last years. On the other hand, we will look at the economic and social structure of Ghana. Fundamental reasons for later explained outlook scenarios are highlighted and discussed in a local context. Push and pull factors of the informal economy are discussed and explained why, against all odds, the informal economy is stronger than ever. In a concluding chapter, possible outlook scenarios are created and necessary policy changes are highlighted.

## **2. Informality in Ghana – Where From and Where To?**

The development of the informal economy in Ghana is the result of a gradual process that has increased the pace during the last decade. The dominant economic model after independence in 1957 and the establishment of the Republic in 1960 was a state led development. It was believed that the influence of the state will support economic development and social justice in a favorable way. However, the economic truth after the Nkrumah era was not in favor of the country. The external debt rose dramatically from £20 million in 1957 to £400 million in 1966. (Ministry of Education 1991: p. 267)

The idea to overcome the postcolonial struggle with a focus on public sector employment failed. The structures laid down in the first decade of independence influenced the economic development of the decades to come. The economic crisis of the global south hit Ghana in the early 70s and the negative effects were very harsh. Between 1970 and 1982 GDP per capita declined by almost 20% and across sector growth dropped depending on

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<sup>1</sup> Such as the 'Women in Informal Employment: Globalizing and Organizing' Network (WIEGO), or the Friedrich Ebert Stiftung (FES)

produce between 40% (cocoa) and 80% (rice) (Hutchful 2002). There was obviously a very distinct need to structural change.

After the economic downfall and the conviction of the government, that external intervention in local markets is inevitable, the IMF<sup>2</sup> imposed its Economic Recovery Program (ERP) on Ghana whose policy was to tackle the multiple dimensions of the economic crisis. The idea was that the externally developed policy plan for the Ghanaian state and economy would help reduce the inflation through the devaluation of the Cedi and foster internal economic growth through long term planning and private sector development. Part of the plan was to cut state spending and reduce public employment. Between 1960 and 1991 almost 150.000 public workers lost their jobs. Others were shifted into different jobs or pushed into early retirement (Gockel and Vormawor 2004: p.9). With the renunciation of the state centered economy, the private sector came into the focus. By encouraging private sector development, poverty reduction and internal growth where supposed to happen (Obeng-Odoom 2012: p.92).

Historically, it is not the informal economy that should be growing. The prediction of scholars as well as economic professionals in the 1980s and 1990s was that with the establishment of the ERP, the growth of the formal and the decline of the informal economy would be certain.

However, the opposite is the case. Total formal employment fell dramatically due to the negative influence of new established structures by the ERP. Gockel (1998: p.18) states, that between 1985 and 1991 almost 280,000 jobs were lost during a six year period, accounting for a decrease of almost 60%. The number of economically active persons grew as well due to the high population increment<sup>3</sup> reinforcing the pressure on the labor market. The lowest level of resistance came from the informal economy due to its under-organized character. According to data from the Ghana Statistics Service, the share of the informal economy of total labor force grew from 80% in 2000 to 86.1% in 2010, which makes it by far the largest employer in the country (GSS 2012: p.11). Representatives of the TUC speak of more than 90%.<sup>4</sup>

Not only is the informal economy absorbing labor force from the public sector when there are budgetary cuts like in the 1980s, but it also absorbs the majority of graduates from universities and high schools. (Enrollment in tertiary institutions was at 261,962 in 2011/2012; Ministry of Education 2013: p.78). The TUC<sup>5</sup> estimates that 250.000 graduates enter the labor market every year, out of which 5000 find employment in the formal economy. Due to the net hiring freeze in the public sector, the share of people seeking employment in the informal economy is a staggering 98% (TUC 2009: p. ix).

These developments are not unique to the Ghanaian economy but are to be witnessed all over the world, especially in Sub-Saharan Africa, Southeast Asia and South America. These developments are used as arguments in a global debate. They are part of a multi-dimensional matrix of reasons that culminate in the change of attention of national policy-

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<sup>2</sup> International Monetary Fund

<sup>3</sup> Between 2000 and 2010 the population grew by 24% (GSS 2012)

<sup>4</sup> Considering the general discussion about the reliability of data in the development discourse, it is important to note that due to structural underperformance and lack of funds as well as training, the statistical capabilities of states and civil society actors is very much limited. For further reading see: Jerven 2013

<sup>5</sup> Trades Union Congress Ghana

makers and international agents of development institutions. The increment of attention to worker's rights related issues and the establishment and support of structures and networks which promote and mediate issues related to them is part of an international agenda in the network between global development institutions and policy makers.

Some agents are pointing to the need of change of attitude and policies towards the informal economy since decades. Most renowned are representatives of unions on national level like the TUC, or on international level like the ILO. For a long time, their cautions have not been recognized, in fact, oftentimes have their perspectives and expertise been ignored.

The attention that the topic is receiving since a few years is due to the increased interconnectedness of global trends. Lack of opportunities and insecurity in one part can lead to great social dislocations. Following migration movements to more attractive regions are affecting societies in another part of the world. The solution of pressing problems in countries of origin of many migrants is therefore in the interest of the international community. Not out of altruism but out of a rational process of cost and investment calculation.

Countries like Ghana that lack economic diversity and are still, through their key industries, incorporated in global markets are endangered to be sucked away in the current of increased globalization and price fluctuation of their key assets.<sup>6</sup> To assume that the current employment situation and the unequal distribution between formal and informal jobs on the labor market is the product of a historically grown process, reaching all the way back to colonial imposed economic structures, is right. It is of the opinion of the author, that to rest upon these findings and engage in a self-occupying debate about who is to blame for the structural deficiency of today's economy, is not only wasted organizational energy, but also wrong led leadership that will create greater distances between workers and their stakeholders-to-be.

### **3. Economic State of Ghana**

For quite a while, Ghana has been the leading example for strong economic growth in a democratic environment. Not only had the mainstream media seemed to be fascinated by the rapid growth of the last years that has been a staggering 6% on average, but also the global investment economy had discovered Ghana as a market with great rates of capital return (African Economic Outlook 2014). However are not only the flows of foreign direct investments in the long run mitigating but also are structural problems such as the lack of trust in partners, widespread corruption and the slump of commodity prices such as cocoa and gold. The lack of coherent policies concerning the cocoa sector in Ghana and Ivory Coast led to severe smuggling between the two countries. Depending on the price level in each country, the flow goes from one in the other. In 2014 it is expected, that 100,000 tons of cocoa will be smuggled from Ghana into Ivory Coast, accounting for about 12% of total yield. Main reason is the weak Cedi that makes selling in Ivory Coast more profitable (The Africa Report 2014b). Another troubling circumstance for the cocoa sector is the lack of

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<sup>6</sup> Ghana is one of the largest producers of cocoa worldwide. Still the industry faces major obstacles on its inclusion on global markets. Not only is the production of cocoa more and more unattractive for younger farmers but also is the monopoly of the Cocobod and the devaluation of the Cedi a major problem for the industry. (The Africa Report 2014a)

attractiveness for young professionals to enter the cocoa growing business. In addition, many farmers are turning their backs on cocoa and there are reports from both Ghana and Ivory Coast that growing rubber has become the new commodity of interest. This would weaken the Ghanaian cocoa sector and with it the millions of people who grow and process it.

In addition, the production of agricultural goods is in an ongoing decline. Especially staple goods like yam, cassava, rice and corn are facing structural problems due to lack of investments and subsidies from state institutions but also climate change becomes more relevant in the last years.

Rural life is more and more considered to be something that should not be strived for by young ambitious people. With the rising unattractiveness of the rural areas, young people try to make it into the big urban areas of Tamale, Kumasi, Accra or Takoradi. Together with the urban bias that has been created in the 1980s and 1990s the cities have become a place of irrational longing for the rural youth.<sup>7</sup>

Large migration movements from the rural to the urban areas have led to a largely uncontrolled growth of cities. Besides insufficient urban infrastructure this leads to an increased pressure on the labor market. Not only are most of the migrants young, but also they are poor. Being unemployed is connected with too many secondary costs. The youth is pushing into the wage labor market increasing the downward spiral for informal wages and therefore their migration is harmful for the general work environment in the urban areas. The policies set up by the government to prevent negative effects such as the official minimum wage are not working properly. The TUC estimates that more than 40% of all workers earn less than 6 Cedi per day, making life in the cities a permanent struggle. The wage to living cost ratio is rising almost by the week and phenomena like a periodic homelessness are on the rise.

Even though there are vast quantities of foreign capital coming into the country to invest in the oil and gas sector, the majority of the people are not profiting from that boom. The industry itself is mostly depending on the usage of machines and these are operated by experts who are oftentimes brought in from the country of the investor.

In addition, the formal private sector has an almost marginal share of the economy and there are little to no incentives to formalize your business except for the fear of corrupt municipal workers and policemen that might extort too much 'local tax'. In fact, the Ghanaian economic truth is far from a dominant formal private sector. The lack of international integration and diversification and its strong dependency on extractive minerals and agriculture shows the great vulnerability to commodity, or currency price changes. The macro economic circumstances at the moment are not in favor of the Ghanaian economy. To a large extent this effects are caused by an interplay of international mechanisms, far from the reach of any Ghanaian policy, especially considering the limited possibilities of law makers and fiscal institutions. The structural incapability that the economy and state faces is pervasive and critical.

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<sup>7</sup> Urban Bias is described as a set of policies and developments during the urbanization of regions where administration as well as migrants overstated the progress and future success everybody would encounter, therefore creating an unproportional pull factor for rural-urban migration.

If the current depreciation of the Cedi is not reversed in the near future and the value stabilized, the social tensions in the urban areas will rise. Especially with young men seeing them betrayed from their positive future that was promised to them by politicians, foreign and domestic media and the stories from relatives and friends in the cities too ashamed to tell them about the hardship they are facing in their everyday life.

We have to acknowledge, that the urban areas will always be very attractive for those who don't live in them. Urbanization is a global trend that will increase over the next decades. All the more our attention has to lay on the employment situations in the urban areas. Their uncontrolled nature is not only in the long run endangering the very fundamental ideas of modern social-democratic state but also devalues the life of every single worker who has to face uncertainty with every step they take.

No one can be expected to plan their own life, to invest in the future of their children, if they do not know how to feed the family today, how to pay for medical treatment, how to pay the rent. Poverty shortens people's time horizon and deprives them of the capability of making genuinely free and autonomous decisions about their lives.

#### **4. The Informal Economy in Ghana**

To interpret the informal economy as a phenomenon created by modern capitalism and reinforced by structural adjustment is not far from the truth. But it is important to note, that what we describe today as informal has always been part of the traditional ways of production. In fact, the nation-building processes in the mid-20<sup>th</sup> century were so much influenced by the ideas of modernization and economic convergence that there was an almost absolute ignorance towards the local culture of economy. It is the understanding of local elites that their current economic state is inferior and therefore they have to adapt; paired with the ongoing influence of post-colonial institutions that try to keep their influence through policy setting means that the informal economy became labeled as something harmful to the state as a whole. Paul Kennedy comments, that

*In most of Black Sub-Saharan Africa[...] [capitalist development] has involved the transformation of relatively equalitarian tribal societies into modern nation-states characterised by increasing degrees of inequality through a gradual process of socio-economic differentiation. (1988, p.5)*

In fact, the interpretation of the informal economy as a 'dysfunction' is the denial that maybe the market is working exactly as it is supposed to be in the Ghanaian/African context (Roitman 1990, p. 675). However, modern globalization and the rapid change of work conditions in general have made life become a struggle for most of the workers. In addition, the general expectation in the state and the economy is high. Politicians of all parties who want to preserve or gain power use their influence and promise events and future developments that exceed the factual possibility by far. Best evidence is the promise of John Kufour that 'with oil as a shot in the arm, we're going to fly.' (BBC 2007) In 2013 the GDP share of crude oil production was at 6.1%. (GSS 2013, p.5) Meanwhile the Ghanaian economy faces major difficulties such as growing inflation (14.8%) and the devaluation of the Cedi (-26% to the Dollar in 2014 alone). Instead of the promised inclusive growth, Ghana as a whole is facing growing public debt (+18% since 2008) and open criticism from international finance institutions (The Africa Report 2014a).

The market integration that has been wanted for so long from most of the leading figures in politics and the economy is turning on Ghana. The macroeconomic environment seems to change into a disfavor for the Ghanaian economy as a whole.

Those who are most affected by these changes are the workers who work in unsafe employment conditions and their families. The dwindling value of the Cedi puts pressure on markets that rely on the import of internationally traded goods. The fact that these goods are traded in US Dollars diminishes the profit in these businesses. Due to the lack of employment contracts the workforce becomes a flexible mass that can easily be hired or fired.

When fired, the workers find themselves under pressure to provide for themselves and their families in a more and more hostile environment. This struggle can be seen every day on the streets of the big cities of Accra, Kumasi, Takoradi or Tamale. Countless chop bars, shoe sellers, car shops, coconut cutters, fruit vendors and an army of women and men in the streets retailing whatever will give them the slightest profit.

All of them find themselves inside the informal economy and all of them face more or less the same work environment. Farrell et al. (2000) and Ofori (2009, p. 36-37) state that the structure of the informal economy, comprises of the following elements:

**1. Absence of official protection and recognition**

Unregistered economic activities, non-taxation, and incapability of public workers to fulfill their duty lead to a lack of recognition by state agents.

**2. Predominance of self-employed workers**

Assistance of family members and low investment processes in production and sales as well as absolute reliance on her/his own physical health is widespread.

**3. Non coverage of minimum wage and social security**

Despite voluntary programs in social security such as the SSNIT, most workers work for less than 6 Cedi/day official minimum wage and are not able to invest in their pension, or save for investment.

**4. Absence of trade union organization**

Underrepresentation increases workers vulnerability and decreases trust in their own capabilities. Lack of voice advocacy as well as the absence of mediators between state and informal economy is harmful to workers as well as to the economy as a whole.

**5. Low income and wages**

No bargaining power and high dependency on daily business as well as small profit margin. Close to no possibilities for money-saving or investments such as new materials, tools or education and training.

**6. Little or no job security**

High flexibility goes hand in hand with high insecurity and low voice advocacy. Hire and fire policy inside the informal economy strengthens the dependency structure between employers and employees. Lack of standardized training makes workers vulnerable to injuries, the lack of proper health care and medical long term costs are a burden.

In addition, workers in the informal economy are mostly unskilled. Their level of training depends on their ability to get formal or informal education and/or to pay for a good apprenticeship. This, in combination with point 2 and 5, creates an environment of very low standards of production as well as an underperforming



output. Therefore unit labor costs are very high in comparison with the price they are able to get on the market. This lack of competitiveness adds to the vulnerability of local workers in markets that are internationally integrated.

Applying the above structure on the case of Ghana we find that the economy is facing a major crisis. Government institutions and their representatives are stuck for answers. It seems that the major concern of today as well as the past years is and has always been larger companies who focus on export, rather than the myriad of informal workers who are the real backbone of the Ghanaian economy.

The voices on the streets are getting louder and more people agree that their life is becoming tougher (AFROBAROMETER 2014, p.5). There is a dangerous element to the latest economic developments and that is the fact that, the informal economy, those who work harder than ever, those who risk their health and everything they own to provide for those they are responsible for, has a limit.

The idea that an economic model, where the struggle of the majority of people is the gain of a small and pompous elite can be in any sense sustainable is far from the truth. The steps taken by the state to improve the economic conditions are taken on the macro level. The idea to change the future of the Ghanaian economy from the structural level as a top down approach to very persistent problems is doomed to fail. The range of policies is defined by the willingness of institutions to carry them out. With municipal workers threatening street vendors and police officers openly taking bribes for the smallest service delivered, decisions on the policy level become paper tigers in the best case. Another problem is that a large amount of the political elite has no interest in developing the private sector. Their own economic involvement is a key problem in redesigning the economy. The status quo is beneficial to most of them because they are involved in key industries as well as the import business. Politicians who intend to reform certain areas of the economy face heavy resistance from said politicians because of their willingness to change that status quo.

According to the African Development Bank, 9 out of 10 people in the informal economy are women or youth (ADB 2013). In any case, these two groups have to fight against their underrepresentation. Their involvement in the informal economy doubles their struggle against hardship and poverty. With relatively high school enrollment rates and nearly 70.000 tertiary graduates each year but only 13.5% of employment in the formal private and public sector, the pressure on the informal economy is constantly rising. Estimates of the TUC see a staggering 9 million youngsters enter the labor market in the next 10 years.

Not only is it questionable where the masses of graduates are expected to find a job in the future but also how the already existing job structures are supposed to withstand the inevitable wage pressure that they are facing. In addition, the quality of employment has to be at least somewhere close to the qualification of the graduates. Reports of overqualified personnel, where graduate students work in retail jobs, are not satisfying in an economic sustainable vision for the Ghanaian economy.

The fact is that the average national income dramatically grew over the last years. But so did the unequal distribution and the unequal access to finance instruments. Wages in general and in the urban areas in particular are melting away under the pressure of rising living costs and the devaluation of the Cedi. The growing demand for work in the cities linked with the lack of labor regulations led to a business environment that is largely self-reliant. Against

all odds, the informal structures of the developing economies did not disappear. It was a popular misconception that the economy would 'formalize' as soon as the markets are liberalized and state influence is cut back; That the 'real functioning of the markets' would lead to a state of the economy that is considered as 'normal', with a growing formal economy as a main employer, creating incentives to formalize and driving change, and a small informal sector in mostly illegal niches (Heinz & Pollin, p. 6). The cut back of the state happened, the progressive entrepreneurial environment never came into existence, and the informal economy never formalized but grew stronger over the years. Right now, the working masses in the urban areas are slowly but steadily reaching a point of over-saturation. For long, the informal economy has absorbed the incoming labor migrants and annual graduates from public and private universities and high schools. But with less than 14% of employment coming from the private formal and public sector, most of the labor force has to be employed inside the informal part of the economy. The dramatic decrease of purchasing power and the uncontrolled rise of living costs make it more and more unbearable for the largest part of the urban population. It is of the opinion of the author, that it is just a question of time until we will face major protest in Ghana that will lead to severe consequences for society and politics if certain steps are not taken and the stance of major policy makers is not reviewed and changed.

## **5. Policy Recommendation to Address the Informal Economy**

The existence of the informal economy can't be denied. Its importance for employment, generation of income and the growth of the Ghanaian GDP are obvious. Nevertheless, since decades the informal economy struggles in the shadows of legality. The fact that there is a wide variety of policies needed to address the needs of the informal economy and to tackle the insecurity for workers and their families.

It is of the opinion of the author, that the lack of policies concerning the informal economy speaks volume about the capacity or willingness of policy makers and should be changed to create an economic and socially enabling environment for affected workers and families. The politics of indifference are to be stopped and the informal economy should be embraced as a vital part of the economy. Since policies lacking problems surrounding the informal economy are addressing at least 86.5% of the Ghanaian workforce, it is of highest importance, that these policies are established and monitored with a great sense for their range of effects on living conditions. Opposition is to be expected on both ends of the political spectrum since truly reforming policies change existing ways of doing business and living.

First, the biggest concern of the informal economy is security in all its facets. Pervasive corruption and therefore unmonitored behavior of state representatives puts traders and workers in a psychologically as well as existentially difficult position. State institutions should be considered as positive and enabling structures. Therefore workers should be able to address their discontent or concerns with officials in an active and public way. Corruption is a cancerous disease in society that needs to be fought with much effort.

Second, the state institutions concerned with policy making or interaction with the informal economy should adopt a general behavioral maxim of positive noninterference. That is to abstain from criminalizing practices in policy making and on the ground. Respect for the individual and property rights of workers will help to create an enabling environment and

reduce the fear for eviction, mistreatment or expropriation. Therefore, the probability of long term investments have to be increased that will lead to more equal growth.

Third, it is of highest importance to create modes of communication between state representatives and informal economy representatives. To a certain degree this communication can be established through existing labor representatives of the TUC and the GFL. In addition, the state should help to create an organized environment for democratic elected representatives of the informal economy who are able to address concerns from the workers and ensure a mutual exchange of information. Counseling state representatives about the importance of the informal economy for the overall economic situation of Ghana will ensure a sensitive stance in future decision making processes.

Fourth, the improvement of the access to state services such as social security, health care and education for young and old is to be considered as a multiplier for internal growth. A healthy and conscious person who does not has to worry about where the money for food or rent or school fees comes from can make plans for the future of her or his family as well as business.

Fifth, access to credit and finance schemes is crucial for equal, sustainable growth strategies. Participation of the urban and rural poor in modern banking systems and credit taking enables them to engage in long term investments and business planning.

## **6. Critical Outlook scenarios**

It is obvious, that the Ghanaian government needs to address a series of problems that are hampering internal and regional growth. It is of the opinion of the author, that the informal economy is a key issue that, if treated with an positive approach of non-interference, can become a multiplying factor for long lasting and widespread growth in various areas and affecting the vast majority of today's society.

The way policy makers will approach the informal economy will determine the future of the Ghanaian economy and shouldn't be treated indifferent. The ultimate goal is to sustain peace and democratic development in the region.

Considering the possible variety of policy approaches and changes in day to day politics there are also a variety of possible outlooks that may apply fully or partially to near future developments in Ghana.

### **6.1. Positive Development**

The government revisits its stand on labor laws and gives counsel to police forces as well as municipal workers on the importance of the informal economy. This gives more confidence to workers and their relatives. The general doing business environment is strengthened and drives internal growth. In addition the work security allows businesses to focus on higher quality products rather than planning in short time manner. The state establishes incentives in the formal economy that automatically draws informal sector businesses beyond a certain size to formalize and grow, therefore increasing the tax revenue of the state and the employment rate. A long term outlook here would be the internalization of production circles as well as the increment of regional trade.

## **6.2. Stagnating Development**

In this scenario, the informal economy still faces the politics of negative indifference. The status quo is considered as helpful for certain elitist people in the economic-political nexus. The majority of the people face ongoing struggles in day to day situations. The employment situation is a major obstacle for graduates of all levels of the education system. Due to a very indulgent spirit most people come by. Because of internal migration the pressure on urban areas is constantly growing. New migrants increase the competition for labor and therefore the wages go down in an environment of growing commodity and utility prices. Nonetheless the average person lives from hand to mouth and won't make big steps in terms of investments or business expansion.

## **6.3. Critical Negative Development**

The cities work as melting pots of internal migration. In their lack of economic perspectives they create a perfect breeding ground for social unrest. Especially young men are to be considered as a critical mass in a possible series of violent protest. Facing struggles in everyday life situations especially with corrupt officials highlights their powerlessness. The economic situation is unclear and therefore the employment situation is mediocre at best. More people are out of work and the general situation is disabling them of making independent life decisions. Most likely the diffuse conflict is channeled by a charismatic non-parliamentary leader into a civil movement and the political system as it is will be challenged at the expense of democratic freedom and countrywide stability. Investors will be driven out of the country due to their reluctance to invest in a market with shrinking margins and increasing difficulties.

## **7. Concluding Remarks**

We have to realize that the informal economy was, is and will be an integral part of the economy in Ghana. Facing this fact leads to an inevitable truth: The truth, that state institutions involved in economic policy making have to take the needs, challenges and potentials of informal workers into consideration. The future development of the Ghanaian economy is relying on changes in the political attitude towards the informal economy. What the country needs is more than just bold progressive politicians but an economic master plan for the following decades because substantial change does not happen over a matter of years. The informal economy may not be well organized at the moment but nevertheless it is the single most important player in the economy due to its share in employment. For the sake of sustainable national development: Worker's rights and needs can't be ignored.

Fact is that the informal economy is larger than ever and the latest developments are raising concerns beyond pure economic matters. Growing tensions between fractions of workers or between workers and state representatives on a day to day basis are creating a work environment that is hostile to sustainable change in a social as well as in an economic way.

Ghana as a whole has reached a bifurcation regarding its future development. Within the next years, the economic course has to be set. Considering the growing involvement in international markets and therefore the growing vulnerability of workers, the situation demands a strong state and a progressive attitude towards economic integration as a whole. With the right policy setting and an improvement of attitudes of workers towards

state institutions and state representatives towards informal workers, the framework can be set for inclusive sustainable growth.

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