



GHANA'S JOBS-FIRST CONVERSATION IS LONG OVERDUE

But The Bank Of Ghana Must Remain
Focused On Price Stability

Recent comments by the Chairman of the National Development Planning Commission (NDPC), Nii Moi Thompson, advocating a “jobs-first” policy approach have sparked an important national conversation about the future direction of Ghana’s economic policy framework.¹

This conversation is both timely and necessary.

For too long, discussions about macroeconomic performance in Ghana have centered almost exclusively on inflation, exchange rates, fiscal deficits, and GDP growth while paying insufficient attention to the structure and quality of employment in the economy. For the average Ghanaian household, however, the true measure of economic progress is not merely whether inflation has declined, or GDP has expanded, but whether meaningful and sustainable jobs are being created.

In this regard, the NDPC deserves commendation for placing the labour market at the center of the development conversation.

Ghana’s Labour Market Challenges Are Real

Ghana’s labour market faces deep structural weaknesses that cannot be ignored. However, one of the biggest challenges confronting policymakers is the lack of sufficiently reliable and timely labour market data to design effective employment policies. In many cases, policymakers simply do not have a complete picture of the true state of employment, underemployment, wages, productivity, and labour force dynamics in the economy.

This is why the NDPC’s effort to build labour economics capacity deserves commendation.

Beyond the data challenges, a significant share of employment in Ghana remains concentrated in the informal sector, where productivity is generally low, incomes are unstable, and workers often lack adequate social protection. The recent Productivity Statistics Report published by the Ghana Statistical Service estimates that while at least eight out of every ten employed persons in Ghana are engaged in the informal sector, the sector contributes only about 27 percent of GDP. Many young graduates continue to struggle to transition into productive employment, while underemployment remains widespread even among those considered statistically employed.

This has created a disconnect between economic growth and improvements in living standards. Ghana may record respectable GDP growth rates while many households continue to experience weak job opportunities and stagnant incomes. The implications are significant:

- lower household income growth,
- reduced domestic demand,
- rising inequality,

¹ For details on the NDPC Chairman’s remarks on the proposed jobs-first policy framework and labour economics capacity-building initiative, see the National Development Planning Commission (NDPC) statement

- declining confidence among the youth,
- and increasing pressure for migration.

A jobs-first policy framework therefore has the potential to improve both economic inclusion and long-term growth sustainability.

Why a Jobs-First Policy Could Benefit Ghana

A properly designed jobs-first policy framework could strengthen Ghana's economy through several important channels.

First, stronger employment growth increases household incomes and purchasing power, which supports domestic demand and private sector expansion. Second, policies focused on skills development, industrialization, and productivity improvements can enhance the quality and efficiency of the labour force. Third, a stronger labour market broadens the tax base, improves fiscal sustainability, and reduces pressure on government support programs.

Importantly, better labour market outcomes can also improve social stability and economic resilience, particularly among the youth.

However, for a jobs-first policy to succeed, it must be supported by reliable labour market data and targeted structural policies that improve productivity and private sector job creation rather than short-term politically motivated employment programs.

The Bank of Ghana's Mandate Should Remain Price Stability

While the NDPC's emphasis on employment deserves support, caution must be exercised regarding proposals to expand the mandate of the Bank of Ghana to include a formal dual mandate similar to that of the Federal Reserve System in the United States.

At first glance, a dual mandate of price stability and maximum employment sounds appealing. After all, who would oppose a central bank that seeks both low inflation and strong employment?

However, central banks are most effective when their mandates are clear, focused, and aligned with the policy tools at their disposal. Monetary policy tools are fundamentally fashioned to maintain price stability over the long run. Interest rate policy, liquidity management, and other monetary policy instruments are more effective at controlling inflation expectations and stabilizing the general price level than at generating sustained long-term employment growth.

The reality is that there are better policy tools for achieving employment objectives.

Fiscal policy, industrial policy, infrastructure development, education reform, agricultural modernization, institutional strengthening, and private sector development policies are all far more suited to driving long-term job creation than monetary policy.

Attempting to force monetary policy to simultaneously pursue aggressive employment targets risks weakening the credibility of the central bank's inflation-fighting mandate, particularly in an economy like Ghana where inflation expectations can become unanchored relatively quickly.

The US Dual Mandate Works Largely Because of “Divine Coincidence”

When discussions about a dual mandate arise in Ghana, proponents often point to the United States as an example of why central banks should simultaneously pursue both price stability and maximum employment. However, one important point that is frequently overlooked is that the US Federal Reserve's dual mandate has functioned relatively well largely because the US economy has often benefited from what economists describe as “divine coincidence” — situations where policies aimed at stabilizing inflation also support employment growth in the short run.

In many periods, this has allowed the Federal Reserve to tighten monetary policy to reduce inflation without causing severe disruptions to employment, making the dual mandate appear easier to manage in practice. However, when inflation and unemployment begin pulling in opposite directions, monetary policymaking becomes significantly more difficult even for the US Federal Reserve. This was particularly evident during the recent post-pandemic inflation episode, where the Federal Reserve had to aggressively raise interest rates to combat inflation despite concerns about slowing economic activity and weakening labour markets. Indeed, several Federal Reserve officials openly acknowledged the difficult trade-offs involved in balancing inflation control against labour market outcomes during that period.

If such tensions create challenges for the world's most sophisticated central bank operating within the deepest financial markets globally, then Ghana must be careful about importing institutional frameworks without fully accounting for local structural realities.

Ghana Needs Policy Coordination — Not Mandate Confusion

The solution is therefore not to dilute the mandate of the Bank of Ghana, but rather to improve coordination between institutions responsible for macroeconomic stability and those responsible for structural transformation and employment creation. The NDPC, Ministry of Finance, Ministry of Trade and Industry, Ministry of Education, and private sector stakeholders all have critical roles to play in building a jobs-centered development strategy.

Meanwhile, the Bank of Ghana must continue focusing primarily on maintaining price stability and anchoring inflation expectations — a responsibility that remains essential for protecting household purchasing power, supporting investment planning, and maintaining confidence in the economy.

A high-inflation environment ultimately hurts workers and businesses the most.

To be clear, there may be short-run trade-offs between price stability and employment growth.

Monetary policy tightening aimed at reducing inflation can temporarily slow economic activity and weaken labour market conditions. However, in the long run, such a trade-off is largely non-existent. Sustainable employment growth cannot occur in an environment of persistent macroeconomic instability, high inflation, and unanchored inflation expectations.

Indeed, price stability itself is one of the most important foundations for long-term job creation and private sector growth. Businesses are more likely to invest, expand production, and hire workers when inflation is stable, interest rates are predictable, and the macroeconomic environment is credible.

Ultimately, the NDPC deserves commendation for initiating this important national conversation. Ghana's long-term development strategy must place greater emphasis on employment creation, labour productivity, and structural transformation. However, reforms must also preserve the institutional credibility and price stability mandate of the Bank of Ghana.

As such, a broad stakeholder forum involving policymakers, economists, labour unions, businesses, academia, and financial institutions would be valuable in fully discussing the future direction of Ghana's macroeconomic framework and the appropriate mandate of the central bank.

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