

UNIVERSITY OF CAPE COAST

DEPARTMENT OF ECONOMICS

**EARNINGS DIFFERENTIAL BETWEEN PUBLIC AND PRIVATE-
FORMAL SECTORS OF GHANA**

BY

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for award of Master of Philosophy Degree in Economics**

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DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature..... Date

MR. EMMANUEL KOFI OWUSU

Supervisors' Declaration

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

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ABSTRACT

The study recognises the fact that both public and private sectors in the formal economy need the relevant human resource to ensure growth and development of the economy of Ghana. Any significant disparities in earnings between these two sectors for workers of identical productivity-related characteristics have the potential effect of denying the low paying sector of the quality labour it would need.

Using data from the fourth Ghana Living Standard Survey, it was revealed that gross earnings differential existed and was in favour of public sector workers. The study therefore sought to investigate whether the disparities in earnings were “justified”, that is as a result of differences in productivity-related endowment or not, that is constituting “real” premiums.

Using Blinder-Oaxaca decomposition technique to decompose gross earnings differentials, results showed that there exist earnings differential in favour of public sector workers when productivity related endowments are controlled for. Premium was greatest in agriculture, about 60 percent and least in service, about 50 percent. Earnings were found to rise with an increase in educational level in both public and private-formal sectors.

The study suggests the need for strong worker unions in the private-formal sector to reinforce their bargaining power. There is the need for the expansion of higher educational facilities and institution of more scholarship schemes and educational grants to enhance affordability and increase higher educational enrolment.

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DEDICATION

To my parents, George and Mercy Owusu and sister, Evelyn.

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