

**CONSEQUENCES OF PERMANENT LAY-OFF FROM THE CIVIL SERVICE:  
RESULTS FROM A SURVEY OF RETRENCHED WORKERS IN GHANA**

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## ABBREVIATIONS

CPI	—	Consumer Price Index
GDP	—	Gross Domestic Product
GES	—	Ghana Education Service
GLSS	—	Ghana Living Standards Survey
LIFO	—	last-in-first-out
MMSW	—	Ministry of Mobilization of Social Welfare
PIB	—	Prices and Incomes Board
SOEs	—	state-owned enterprises

## INTRODUCTION

Ghana's economic problems and its response to those problems have resembled those of many other African countries in the past decade, but they have been experienced more intensely. Civil service reform is no exception. While it is difficult to establish precise numbers on the growth of public sector employment in Ghana, it is clear that by 1983, when the current round of economic reforms began, employment in the civil service and state-owned enterprises (SOEs) had grown dramatically. The 1984 population census indicates that 2.5 percent of the entire population of Ghana was employed in the civil service, one of the highest ratios in Africa.<sup>1</sup> Public enterprises and boards employed another 2.0 percent. Yet while the number of civil servants was expanding rapidly, the government's ability to pay them was declining. Government revenues fell from about 15 percent of GDP in the early 1970s to only 6 percent of GDP in 1982, forcing public sector wages to decline precipitously. De Merode (1992) reports that between 1975 and 1983, average civil service pay declined by 10 percent *per year* in real terms. In addition, the salary structure became so compressed that in 1983 the highest civil service salary was only 2.2 times the lowest. As in many other countries, moonlighting (and "daylighting") became necessary for survival. Moreover, many qualified employees left the civil service to pursue better options elsewhere, often abroad.

To rectify this situation it was clearly necessary that the government lay off a large number of employees (or, as the government prefers to say, "redeploy" them to the private sector), especially at the lower echelons of the civil service where overstaffing was most severe. Nevertheless, the government was loath to undertake such a program. Civil servants are concentrated in urban areas and thus were perceived to be able to mount forceful opposition to any attempt to lay them off. In addition, senior government officials feared that the economic and social consequences for laid off workers would represent too severe a burden for one sector of the population to bear.

Despite these reservations, the government did proceed with a redeployment program. The political fallout was subdued with little organized opposition to civil service layoffs. Less is known about the social consequences of the program. The purpose of this paper is to begin to fill that gap. During the eight months beginning in May 1991, the Cornell Food and Nutrition Policy Program (CFNPP) conducted a survey of redeployed civil servants to find out how

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<sup>1</sup> Lindauer et al. (1988) report ratios of civil servants to the population at large between 0.7 percent and 1.9 percent in Liberia, Malawi, Nigeria, Senegal, Sierra Leone, Sudan, and Zambia. De Merode (1992) reports ratios between 0.5 percent and 1.8 percent for several French-speaking African countries.

redeployment has affected their incomes, consumption, migration patterns, and so on. This paper is a first report on the findings of that survey.

## DESCRIPTION OF THE REDEPLOYMENT PROGRAM

As striking as the disintegration of the Ghanaian civil service is the reform program that the government initiated in 1986. The program has concentrated on reducing the number of public sector employees and, at the same time, improving their compensation, especially at the higher levels. Preliminary audits of the payrolls for the civil service and some SOEs disclosed about 10,000 "ghost workers" in the civil service and some 30,000 elsewhere, mostly at the Cocoa Marketing Board.<sup>2</sup> These names were removed from the payrolls in 1986, and the government moved to a system of payment through bank drafts rather than direct cash disbursement by payroll officers to reduce further payroll fraud. At the same time, the government began plans for a more careful census of public sector employment with the goal of eliminating redundant employees.

The redeployment program has proceeded aggressively in the civil service, including the Ghana Education Service (GES) and the District Assemblies. Between 1987 and 1990, 47,439 civil servants were redeployed, roughly 12,000 per year, or 4-5 percent of the total civil service roster per year. This stands in contrast to the experience in the SOEs, which have made very little progress on redeployment, apparently because collective bargaining agreements provide for end-of-service benefits so generous that the enterprises (and the government behind them) cannot afford to pay the stipulated severance pay.<sup>3</sup>

Operationally, the government established a Redeployment Management Committee, chaired by the Ministry of Mobilization and Social Welfare (MMSW, formerly the Ministry of Labor). This committee set down targets for the overall number of civil servants to be redeployed per year and guidelines for their selection. The criteria for selecting redeployees are, in order of priority:

- 1) employees with falsified qualifications or "... whose work and conduct have persistently been negative and who can be dispensed with;"
- 2) employees older than 60, the mandatory retirement age;
- 3) employees with physical infirmities that seriously handicap their performance;

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<sup>2</sup> A "ghost worker" is a fictitious name on the payroll whose salary is collected by someone else.

<sup>3</sup> Labor contracts in Ghana's SOEs stipulate up to 10 months base pay for each year of service for workers who are dismissed because they are redundant.

- 4) employees who volunteer to be redeployed, on the condition that their employment is not critical to the performance of their ministry or office;
- 5) employees who were most recently hired.

Except for a few ministries that the government explicitly exempted (the Ministry of Health and teaching staff in the Ghana Education Service), these rules were applied across the civil service. While the first criterion leaves open the possibility of using redeployment for personal or political ends, that does not appear to have happened to any significant extent. After a large number of nonteaching (and apparently nonworking) staff in the Ghana Education Service were released in 1987, redeployment appears to have followed the more objective criteria (2) through (5).

Except for civil servants over the mandatory retirement age and those with serious physical handicaps, each redeploy is entitled to a severance package equal to four months' pay plus two additional months' pay for each year of uninterrupted service. (Those older than 60 are entitled only to their regular pension benefits. We are not aware of any disability benefits in Ghana.) In addition, the government announced its intention to provide employment counseling, retraining, and courses in entrepreneurial development as well as land, tools, and inputs for potential farmers. In practice, these programs were slow to emerge. Before 1991 the vast majority of redeployees neither applied for nor received any benefits other than their severance pay. Nevertheless, a few programs were initiated as part of the Program of Action to Mitigate the Social Costs of Adjustment, most notably food-for-work schemes for redeployees that have returned to rural areas.

Table 1 sketches the pattern of redeployment in the civil service from 1987 to 1990. Two trends are noteworthy. First, after an initial flourish in 1987, forced retirements account for very few redeployments. This is probably because few employees older than 60 remained in the civil service after 1987. Second, after declining substantially in 1988 and 1989, redeployment from the GES again surged in 1990, probably because of uncontrolled new hiring in the GES in the late 1980s. Given the "last-in-first-out" (LIFO) rule for redeployment, it seems likely that many of the GES employees who were redeployed in 1990 were recently hired, a point corroborated by the relatively low severance compensation for GES employees in 1989 and 1990.

While the Controller and Accountant General's Office has automated controls to prevent rehiring of redeployed civil servants, controls on new hires have not been as tight as one would like. Thus, Gregory (1992) estimates that as much as 25 percent of staffing reductions from redeployment was offset by new hires in the early stages of the retrenchment program. Many of these new hires were skilled employees that the government in fact needed, but a significant proportion were hired into the same low-skill posts that the redeployees had vacated.



Table 1 — Summary of Civil Service Redeployments, 1987-1990

Year	Sector	Redeployed	Redeployees >=60	Total Severance	Severance/ Government Expenditures	Severance Per Worker
				Million Cedis	Percentage	US\$
1987	Civil service	4,574	657	492		430
	Education service	4,307	224	359		333
	Subtotal	8,881	881	851	0.8	383
1988	Civil service	11,310	330	1,967		556
	Education service	1,062	7	174		523
	Subtotal	12,372	337	2,141	1.5	553
1989	Civil service	12,127	30	3,403		821
	Education service	1,810	13	283		457
	Subtotal	13,937	43	3,686	1.9	661
1990	Civil service	5,891	14	1,879		925
	Education service	6,358	51	1,289		588
	Subtotal	12,249	65	3,169	1.2	750
<b>Total</b>		<b>47,439</b>	<b>1,326</b>	<b>9,846</b>		

Sources: Ministry of Mobilization and Social Welfare and authors' calculations.

Note: U.S. dollar figures are calculated using the end-of-period bureau exchange rate.

Nevertheless, the civil service has shrunk overall during the course of the redeployment program. The 1984 population census found 310,658 civil service employees. A 1986 census of the civil service found approximately 317,000 employees. By January of 1989, this number fell to 280,788, and the number of civil servants (exclusive of the GES) fell another 12,100 by January 1991. After eliminating about 10,000 ghost workers in 1986, the redeployment program between 1987 and 1990 has reduced overall staff levels by around 12 percent.

Most redeployees have come from the lower echelons of the civil service. Of the posts that the Ministry of Mobilization could classify, more than 80 percent of redeployees held unskilled jobs. This is consistent with formal staff appraisals, which show that overstaffing is most acute in unskilled posts while many skilled positions remain difficult to fill because of uncompetitive government salaries. Because most redeployees held low-paying jobs, the budgetary savings of the redeployment exercise are not great. De Merode (1992) estimates the budgetary savings in reduced compensation at 8.9 billion cedis in 1991, about 8 percent of the civil service wage bill for 1991, or 2.5 percent of total government expenditure. After netting out the costs of end-of-service benefits for redeployees, little has been left to augment the salaries of skilled and senior officers and, thus, "decompress" the civil service wage structure. But this situation will improve considerably in the coming years. As with any investment, the costs of redeployment (severance payments) are incurred in the early years of the program while the benefits (reduced wage bills) will accrue for many years into the future.

## THE CORNELL SURVEY

In 1990, the Ministry of Mobilization and Social Welfare (MMSW) agreed to give CFNPP a list of all civil servants redeployed between 1987 and 1990. However, due to data-entry difficulties, the population that we draw from is not complete.<sup>4</sup> Furthermore, for financial reasons, we limited our sample to redeployees in three regions that are easily accessible from the nation's capital

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<sup>4</sup> For part of 1989 and 1990, the data were available at the Prices and Incomes Board (PIB) in computer-readable files. For 1987 and 1988, they were recorded on a hard copy at MMSW. We arranged for the Ministry to enter those data on PCs. That process yielded a number of records significantly lower than the number of redeployees for those years, probably because hard copy records were misplaced or mistakenly not entered. For 1987, the MMSW reports that 5,577 civil servants were redeployed in the three regions where we sampled (Ghana Government 1990), while we have 3,965 records, or 71 percent of the total. For 1988, we have 87 percent of the Ministry's total. In addition to these shortfalls, we have no data for the first half of 1989 — the PIB data begin about August of 1989. Those data, however, are quite close to the number of redeployees reported for late 1989 and 1990. Ex post, our sample is fairly evenly distributed across the four years.

— Greater Accra, Ashanti, and Central regions.<sup>5</sup> Within these regions, we drew a random sample of 811 redeployees. Finally, the sample includes only civil servants (including the GES and the District Assemblies). We could not locate comparable records for employees redeployed from the SOEs. We conducted the survey from late May 1991 to February 1992. By the middle of January, we were finding only one or two additional redeployees per week per region, and therefore cut off our search at that time.

The MMSW recorded each redeployee's former place of employment, but no addresses. For that reason, we had to proceed by going to the former place of employment to inquire about the redeployee's address, relying on either personnel records or other employees' recollections. This process limited our ability to locate redeployees, although the difficulty reflects limitations of the records rather than characteristics of the workers. Table 2 shows that of the 811 names in our draw, we were able to locate 540, or 67 percent. Of those, we did not interview 24 people who were still at their post, usually because their redeployment paperwork had been delayed for one reason or another.<sup>6</sup> In addition, 6 people that we located refused to be interviewed. Thus, we actually interviewed a sample of 510 redeployees.

Of the several reasons shown in Table 2 for not locating redeployees, the 10 percent who migrated abroad or to a remote part of Ghana might present the most problems for generalizing from our sample. Since migration is an important economic decision, our results could suffer from the bias of excluding migrants. In tracing redeployees, however, we did try to reach those who had moved within or among the three regions that our sample covers (plus an additional region, the Eastern Region, if that was a destination).

## SURVEY RESULTS

In this section, we describe the redeployees in terms of general socio-economic characteristics, and we begin to address more specific questions about their fate since being redeployed. Throughout much of the discussion it is useful to compare our sample of redeployees to the population at large or to a random sample of civil servants. To do so, we use the Ghana Living Standards Survey (GLSS), an integrated household survey carried out in 1987/88 (Boateng et al. [1989] describe the survey). The GLSS surveyed 3,200 households drawn randomly from the entire country. Of those households, roughly half live in the three regions in which we have surveyed redeployees. Because of the marked

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<sup>5</sup> Ghana has ten regions. The three regions covered in the Cornell survey accounted for 54 percent of redeployees.

<sup>6</sup> Civil servants are allowed to continue working until they receive their severance pay.

Table 2 — Information on Survey Responses

	Row Total	Response	Deceased	Abroad	Unreachable in Ghana	Cannot Trace	Unknown	Still at Post	Refusal
Number	811	510	27	18	68	90	68	24	6
Proportion	—	0.629	0.033	0.022	0.084	0.111	0.084	0.030	0.007

Source: CFNPP redeployee survey.

Notes: "Unreachable in Ghana" are redeployees which we know to have moved within the country, but to a destination too remote for us to reach economically.

"Cannot Trace" applies to civil servants with a staff record or known to someone at their former employer, but with insufficient information to find an address for them.

"Unknown" applies to civil servants who were unknown and unrecorded at their former place of employment and might include "ghost workers."

regional differences in many socioeconomic characteristics, we compare our sample to the GLSS households from our three regions rather than the entire country.

Many of the issues that we raise concern African policymakers and the donor community. For example, while it was generally agreed that the Ghanaian civil service was badly overstaffed, government officials argued that laid-off civil servants would not be able to find work in the cities, since formal sector employment opportunities were quite rare in the wake of the Economic Recovery Program. At the same time, they argued that civil servants who had lived in a city for some time would be unlikely to return to a rural area and/or work as a farmer. Thus, a policy of massive layoffs risked leaving many former civil servants without work and destitute. To evaluate this risk, we examine the types of work that redeployees are doing, if they are working at all, and we compare their incomes to the general population surveyed in the GLSS. We also consider the number of redeployees who might be considered "poor." Finally, we examine redeployees' decision to migrate and the types of work that recent migrants do.

Another set of concerns, both for policymakers and donors, is that the administrators of a redeployment program will discriminate against certain groups of the population for political or social reasons. Kingsbury (1992) reports that such a program in Senegal suffered from political manipulation. Donors and independent analysts have also expressed the concern that a disproportionate number of women will lose their jobs in a redeployment program: attitudes are such that some decisionmakers might favor laying off a woman because she is viewed as providing a "second" income for her family while the husband is seen as the "breadwinner." While we have not collected information on redeployees' ethnic group or political affiliations, informal reports suggest that the Ghanaian government carried out the program in a balanced, unbiased manner. We do have information on the gender composition of redeployees, which we will compare to civil servants interviewed in the GLSS.

The last issue that we discuss is the effectiveness of government programs to assist redeployees. Even though the government hoped to implement a variety of programs for redeployees, they have either not materialized or were slow to get going. For example, despite the government's intention to provide transitional employment opportunities and to help redeployees make a start in new small-scale enterprises (including agriculture), only 8.4 percent of our respondents had participated in a food-for-work program since redeployment, and a mere 1.4 percent had received any tools. A government report (Government of Ghana 1990) claims that as of mid-1990, only 4 percent of redeployees had participated in any retraining program. Thus, it appears that at least until recent years, organized attempts to assist redeployees have had little impact.<sup>7</sup> The one important exception to this is the severance package that redeployees receive. While small in the initial years of the program, the amount of money

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<sup>7</sup> Kingsbury (1992) finds that the same is true of redeployment programs in Senegal and Mali.

that redeployees received has grown into a considerable amount.<sup>8</sup> We look at this amount and the way that the redeployees spent it — either on daily consumption of basic needs or investments that might help to improve their incomes after redeployment.

## **SOCIOECONOMIC CHARACTERISTICS OF REDEPLOYEES**

The age and gender composition of redeployees' families are quite similar to those of the households in the GLSS. For redeployees themselves, however, our sample has significantly more people in the 46-60 and over-60 age groups than the civil servants in the GLSS, and many fewer in the 17-25 group. The large number of 17-25 year-olds in the GLSS sample is probably because it includes military personnel in the civil service employment category.<sup>9</sup>

Given the provision for forced retirement, the larger number of people older than 60, is not surprising, although one might think that the LIFO criterion should have protected people on the 46-60 age group. Yet this pattern is similar for voluntary and involuntary redeployees alike. Nor can the difference be explained by work experience; 46-60 year-olds have an average of eight more years of experience in the civil service than 25-45 year-olds. It appears, then, that criteria other than LIFO were applied in a significant number of cases.

Women constitute a significantly larger percentage of redeployees (35 percent) than they do of civil servants in general (21 percent), which is consistent with one of the reservations that some analysts have had about retrenchment programs. The higher proportion of female redeployees in Ghana probably does not represent explicit discrimination, however. Women are more vulnerable to the LIFO rule (which is widely perceived as fair in layoff decisions) because widespread hiring of women in the civil service is a relatively recent phenomenon. Table 3 shows that, among involuntary redeployees, females served fewer years than males, contrary to what one would expect to see if women were being unfairly discriminated against. In addition, the marital status of the women in our sample is quite close to that of the female civil

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<sup>8</sup> This is due to general increases in real civil service salaries and, more importantly, the incorporation of all allowances into the base salary. (Base salary is the basis for calculating severance pay.)

<sup>9</sup> It is also true that the youngest redeploy is 22. We chose the 17-25 age group following the categories of Beaudry and Sowa (1990) in order to compare our results to theirs. Nevertheless, this choice implies that our lowest age group will always be underrepresented.

**Table 3 — Length of Service by Voluntary Redeployment and Gender**

<b>Redeployed</b>	<b>Gender</b>	<b>N</b>	<b>Average Years in Civil Service</b>
Voluntarily	Male	116	17.4
	Female	58	14.4
Involuntarily	Male	217	13.2
	Female	119	10.6

servants in the GLSS: 92 percent of female redeployees are or have been married,<sup>10</sup> and the corresponding figure for female GLSS civil servants is 93 percent. This also runs counter to what we would see if married women faced discrimination because they provide only a "second income" to their household. Thus, there does not seem to have been any effort to redeploy married women more than other civil servants.

Turning to education, the highest completed level of schooling for redeployees is significantly lower than that for civil servants in the GLSS. Thirty-eight percent of redeployees completed only primary school or less (including Koranic education as primary), while only 26 percent of the civil servants in the GLSS were at the primary level or lower. On the other hand, redeployees are significantly better educated than the population as a whole in the three regions where we sampled; fully 68 percent of that group had not completed more than primary school. Very few civil servants with secondary and postsecondary education have been redeployed, as one would expect from the structure of the program. Both male and female redeployees have significantly lower probabilities of having completed secondary education than the general pool of government workers in the GLSS.

## **VOLUNTEERS**

Civil servants whose continued presence was not considered crucial to the functioning of their ministry or agency were allowed to volunteer to be redeployed, with the same severance benefits of involuntary redeployees. In general, the socioeconomic characteristics of volunteers, including gender, education, type of work, and postredemption spells without work, are quite similar to those who did not volunteer for redeployment. Civil servants in the 46-60 age group were somewhat more likely to volunteer (44 percent of volunteers came from this age group compared with 35 percent of nonvolunteers). This is probably because end-of-service benefits from the redeployment program are tied to years of experience, thus, more experienced workers receive higher benefits. As long as the redeployment program is viewed as temporary, older workers have a stronger incentive to volunteer; each civil servant has a limited period of time in which to volunteer. Employees nearing the age of 60 know that they will be forced into retirement without the redeployment benefits, so they have a particularly strong incentive to elect redeployment.

Table 4 shows the median severance pay for redeployees who volunteered for redeployment and those who did not by the year of redeployment. As one would

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<sup>10</sup> This figure does not correspond exactly to the concept we would like, since women who are divorced, separated, or widowed don't live with a "breadwinner." Unfortunately, our survey does not explicitly ask respondents their marital status, although we do ask the relationship of each person in the household to the redeploy. We have assumed that a woman who either lives with her husband or her children is married, while one who does not is "single." For consistency, we compare married, divorced, separated, and widowed respondents in the GLSS to our respondents.



**Table 4 — Redeployee Severance Pay, By Voluntary Redeployment and Year of Redeployment**

<b>Redeployed</b>	<b>Number of Redeployees</b>	<b>Median Severance Pay</b>
		<u>Thousands of 1985 Cedis</u>
Voluntarily	169	72.6
Involuntarily	316	47.8
<b>Total</b>	<b>485</b>	—
<b>Year of Redeployment</b>		
1987	111	42.6
1988	74	50.3
1989	111	62.6
1990	148	65.5
1991	41	71.2
<b>Total</b>	<b>485</b>	—

expect, volunteers received considerably higher severance benefits than nonvolunteers. Civil service salaries have been rising in recent years, and it appears that a rush of volunteers came immediately after each pay raise.<sup>11</sup> Civil servants' responses to increased termination benefits suggest that government could base its redeployment program entirely on volunteers if it were willing to pay high enough termination benefits. In future work, we intend to pursue the question of how much the government would have to pay in order to "buy out" enough volunteers.

#### **LABOR FORCE PARTICIPATION: SPELLS WITHOUT WORK AND TYPES OF WORK DONE AFTER REDEPLOYMENT**

Table 5 compares redeployees' labor force participation at the time of our survey with that of GLSS respondents living in our three regions and over the age of 16. Statistically, we cannot reject the hypothesis that participation rates are identical for the two groups. In addition, redeployees' post government service labor force participation is quite close to the entire population of the Living Standards Survey (Beaudry and Sowa 1990) as well as rates found in earlier studies (Ewusi 1978). While our study does not enable us to easily distinguish the unemployed from people who are not in the labor force,<sup>12</sup> the proportion of people who are neither working nor studying is quite close to GLSS results, suggesting that unemployment rates among redeployees may also be similar to those of the population in general.

In addition to their current labor force status, one also might be concerned about any unemployment spells that the redeployees suffered immediately after redeployment. Contrary to some policymakers' fears, most redeployees have found new jobs, and their spells without work after redeployment were reasonably short. Table 6 shows that 63 percent of the 510 redeployees had *no* spell without work after redeployment, a figure exactly equal to the proportion of GLSS respondents who had no spell without work in the year before they were surveyed. Fifty percent of redeployees simply continued to work at other jobs they had been working while they were in the civil service. In addition, some redeployees knew about their eventual redeployment well before the fact and so could look for another job before leaving government service.

We now address the length of redeployees' spells without work. To make our data set and the GLSS comparable with respect to information on spells without work, we truncate the redeployees' spells at one year, as was done with the GLSS

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<sup>11</sup> Recall that the amount of severance pay is based on a civil servant's ending salary. As a result, each pay raise increases the end-of-service benefit, almost proportionally. Also note that pay raises generally come at the same time for all civil servants, which accounts for the surge in volunteers.

<sup>12</sup> Traditionally, people who are not working but are actively looking for work are considered to be "unemployed," while those that are not looking for work are "out of the labor force."

**Table 5 — Labor Force Participation Status of Redeployees and GLSS Respondents in Three Regions**

	Working	Unemployed	Other Inactive	Student	Total
<b>GLSS</b>					
Males	1,100	46	75	99	1,320
Row %	83	3	6	8	
Females	1,287	45	174	54	1,560
Row %	83	3	11	3	
<b>Total</b>	<b>2,387</b>	<b>91</b>	<b>249</b>	<b>153</b>	<b>2,880</b>
Percentages	83	3	9	5	
<b>REDEPLOYEES</b>					
Males	289	34		10	333
Row %	87	10		3	
Females	134	24		19	177
Row %	76	14		11	
<b>Total</b>	<b>423</b>	<b>58</b>		<b>29</b>	<b>510</b>
Percentages	83	11		6	

**Note:** Because the redeployee survey does not distinguish between "inactive" and "unemployed" people, we have grouped everyone who is not working under "unemployed," which clearly exaggerates the unemployment rate for redeployees.

Table 6 — Spells Without Work in the Past Year or Since Redeployment, by Gender

	GLSS 3 REGIONS (Past Year)						REPLOYEES (Since Redeployment)					
	Males	% of Total	Females	% of Total	Total	% of Total	Males	% of Total	Females	% of Total	Total	Column %
Sample size	1,320		1,560		2,880		333		177		510	
Row %	46		54				65		35			
Continuously employed	903	68	916	59	1,819	63	236	71	87	49	323	63
Row %	50		50				73		27			
Without work <sup>a</sup>	417	32	644	41	1,061	37	97	29	90	51	187	37
Row %	39		61				52		48			

<sup>a</sup> Without work at least for a week in the past year or since redeployment.

respondents. We also base our calculations only on those respondents who had a non-zero spell, to avoid pulling the averages down close to zero. Even though female redeployees are more likely to have had a spell without work (Table 6), there is no significant difference between the average length of those spells. The 29 percent of males who had a spell without work waited 22 weeks on average between jobs. For the 51 percent of women who had non-zero spells, the average length was 24 weeks. In addition, there is no significant difference between the average spells of workers from the GLSS and those of the redeployees, either for men or women. In general, it does not appear that either the incidence or the duration of redeployees' spells without work were any worse than in the population at large.

For the redeployees themselves, it is interesting to note that the civil servants who were laid-off had longer spells without work than volunteers: 26 weeks on average as opposed to 17. In addition, while the average spell of redeployees who migrated after redeployment is not very different from nonmigrants, 75 percent of migrants had no spell without work compared with only 60 percent of the nonmigrants, which suggests that migration does help reduce the occurrence of unemployment in the wake of redeployment.

For the 83 percent of redeployees who are working, Table 7 shows that redeployees are more likely than the GLSS respondents to be self-employed, with correspondingly lower likelihoods of either farming or working for wages. This probably reflects the state of a postadjustment labor market in which few formal sector jobs are being created.<sup>13</sup> But it also suggests that, although the formal sector is not hiring new workers, many redeployees are able to find gainful self-employment.

## INCOMES

Given that incomes are typically shared within a household, it is preferable to examine household incomes rather than the incomes of redeployees alone when evaluating the welfare of redeployees. Table 8 shows monthly household incomes for our sample of redeployees and households in the Living Standards Survey.<sup>14</sup>

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<sup>13</sup> This is obviously true of the civil service and, to a lesser extent, the parastatal enterprises. We have the impression that it is also true of larger private firms, some of which are being forced to retrench in the face of renewed competition from imports. Note also that many of the redeployees who migrated beyond our reach in Ghana (and are therefore excluded from our sample) went to regions where farming is the overwhelmingly dominant occupation, so our data on the proportion of redeployees who are farming are probably too low. On the other hand, the 18 redeployees who went abroad are almost certainly not farming.

<sup>14</sup> Since the Living Standards Survey took place between October 1987 and April 1988, we have "inflated" the GLSS figures to prices consistent with the timing of our survey. We did this by first deseasonalizing the national CPI series,  
(continued...)

**Table 7 — Type of Work for Redeployees and GLSS Respondents in Three Regions**

	Farming	Self-Employed	Wage Work	Unknown Work	Total
<b>GLSS</b>					
Males	455	145	496	4	1,100
Row %	41	13	45	0	83
Females	629	515	139	4	1,287
Row %	49	40	11	0	83
<b>Total</b>	<b>1,084</b>	<b>660</b>	<b>635</b>	<b>8</b>	<b>2,387</b>
Percentages	45	28	27	0	83
<b>REDEPLOYEES</b>					
Males	125	87	77		289
Row %	43	30	27		87
Females	42	80	12		134
Row %	31	60	9		76
<b>Total</b>	<b>167</b>	<b>167</b>	<b>89</b>		<b>423</b>
Percentages	39	39	21		83

**Table 8 — Incomes of Redeployees and GLSS Respondents in Three Regions (1991 Cedis Per Month)**

	GLSS		Redeployees	
	Median	Number of Households	Median	Number of Households
Household expenditure	46,443	1,346	—	—
Household expenditure per capita	13,087	—	—	—
Household income per capita	5,344	—	4,247	—
Household income of which:	19,524	1,346	20,000	510
Wages	6,951	429	16,433	207
Agriculture	14,474	672	5,333	227
Self-Employment	12,616	733	12,000	363
Other	1,185	771	7,340	82
Note: Remittances	2,370	472	4,000	127

**Sources:** GLSS and authors' calculations.

**Notes:** The medians are the middle value of only the households that have some of the particular type of income reported. Remittances are not included in household income.

"Other" income comprises rent, pensions, lottery winnings, and other unearned income. Gifts from family members are included in remittances.

Overall, the median income of redeployees' households is about equal to that of the population at large, although it is less than the median household expenditure for the GLSS.<sup>15</sup> What's more, because redeployee households are somewhat larger, their median per capita income is 21 percent lower than those of the households in the GLSS. While precise comparisons are not possible because of differences in the two surveys, it would appear that the incomes of redeployees' households are somewhat lower than those of the general population in the three regions we sampled.

In addition to comparing redeployees' households with those of the population at large, we can also compare the earnings (wages and self-employment income, including agriculture) of redeployees from both the time of their redeployment and the present. For all redeployees, average earnings fell by 28 percent from the month before they were redeployed to the present, but this includes several redeployees who now earn nothing. If we exclude all redeployees who currently earn nothing because they are unemployed or have withdrawn from the labor force, then average earnings still fell by 20 percent. To some extent, these earnings reductions are offset by the severance package. If we add the interest income from investing the redeployees' severance pay at a 10 percent real rate of return to earnings,<sup>16</sup> then the average loss of earnings plus interest is 16 percent of preredeployment earnings for all redeployees (including those with no earnings).

This decline is cause for concern about the poverty implications of the redeployment program. Indeed, a more careful look at the distribution of redeployee households' incomes suggests that a nontrivial proportion of these families are living in poverty. Poverty lines are usually defined in terms of expenditures or consumption rather than incomes. Since our survey does not collect this information and because defining poverty lines based on income is likely to exaggerate the extent of poverty, we chose to report a slightly different statistic. First, we calculated the income deciles from the GLSS

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<sup>14</sup>(...continued)

then using the ratio of the midpoint of the GLSS, January 1988, over the midpoint of our sample, September 1991, to inflate the GLSS data.

<sup>15</sup> There is a significant discrepancy between incomes and expenditures in the GLSS. If we assume that our survey has a similar degree of income under-reporting, then the appropriate comparison is with incomes in the Living Standards Survey. However, the discrepancy in the Living Standards Survey is unusually large, roughly 60 percent of reported income, so we might expect a better comparison to be somewhere between the GLSS income and expenditure figures. We report both, as lower and upper bounds.

<sup>16</sup> Because any capital income earned from productive assets that redeployees purchased with their severance pay is likely to be already included in their earnings, we calculated the 10 percent return based on total severance pay minus severance pay that redeployees used to purchase productive assets. This avoids double-counting that capital income.



households in our three regions. We then calculated the number of redeployees' households that fall in each of these deciles. If redeployee households had exactly the same income distribution as the GLSS households, there would be 10 percent in each decile. But Table 9 shows that this is not the case.<sup>17</sup> A disproportionate number of redeployee households are in the lower income deciles, suggesting that the proportion of these households that fall below the poverty line is probably higher than that for families in the Living Standards Survey.<sup>18</sup>

Which redeployees are likely to be poor? While there is no statistically significant relationship between either the redeployees age or gender and their household income, there is a strong relationship between their type of work and their income bracket. Table 10 shows income quintiles for redeployee households by the redeployees' type of work. Not surprisingly, given the results of Table 8, redeployees who are farming are by far the most likely to be in the lower quintiles than those in other types of work (including those not working): 70 percent fall in the lowest two quintiles, while only 3 percent are in the highest.

Why are agricultural incomes so low among redeployees? Examining the agricultural data more carefully, we find that both small plots and poor yields are to blame. While 44 percent of farmers in general have plots larger than 10 acres, only 3 percent of redeployees do. More than half of redeployees are working plots smaller than two acres compared to only 22 percent of farmers in the GLSS. In addition, yields per acre for redeployees are far below average. Table 11 shows yields per acre for several crops in our sample, along with reference yields that we obtained from the Ministry of Agriculture. To some extent, these differences may be attributable to relatively poor rains in 1990, the year for which many of our households are reporting agricultural information. The dramatic differences in pepper yields are probably due in part to dry versus wet weights. Nevertheless, these differences are remarkable.

We can think of three possible interpretations for these results. First, many redeployees are new to farming and may not be very good at it. Second, our sample of redeployees may include a larger than usual number of part-time farmers — people who farm small plots as a second job in their spare time. These

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<sup>17</sup> A  $\chi^2$  test rejects the null hypothesis that each decile contains 10 percent of the redeployee households. Note that because our concern here is poverty rather than earnings, we include remittances in both the GLSS and redeploy income data in this table. In addition, to account for the substantial severance pay that some redeployees have recently received, we added 0.1/12 of the amount of the redeployees' severance pay reported as held in liquid assets. This assumes a 10 percent real rate of return per year, divided by 12 to get an implied monthly income.

<sup>18</sup> Using data on household *expenditures*, Boateng et al. (1989) find that 35 percent of GLSS households are "poor" and 7 percent are "extremely poor," where "poor" is defined as any household falling below 2/3 of mean household expenditures and "extremely poor" is defined as those falling below 1/3.

**Table 9** — Distribution of Redeployees' Household Income over GLSS Income Deciles

GLSS Income Decile (Three Regions)	Redeployee Households in Each Decile	
	Frequency	Percentage
1	58	11.4
2	77	15.1
3	73	14.3
4	59	11.6
5	54	10.6
6	44	8.6
7	37	7.3
8	40	7.8
9	38	7.5
10	30	5.9

Table 10 — Number of Redeployee Households in GLSS Income Quintiles, by Redeployees' Main Employment

Quintile	No Work		Farming		Self- Employed		Wage Work		All Redeployees	
	Count	Column %	Count	Column %	Count	Column %	Count	Column %	Count	Column %
Lowest Row %	19	32	66	38	33	19	17	17	135	26
	14		49		24		13			
Second Row %	11	19	56	32	44	25	21	21	132	26
	8		42		33		16			
Third Row %	8	14	30	17	33	19	27	27	98	19
	8		31		34		28			
Fourth Row %	9	15	17	10	31	18	20	20	77	15
	12		22		40		26			
Highest Row %	12	20	6	3	34	19	16	16	68	13
	18		9		50		24			
<b>Total</b>	<b>59</b>		<b>175</b>		<b>175</b>		<b>101</b>		<b>510</b>	
<b>Row %</b>	<b>12</b>		<b>34</b>		<b>34</b>		<b>20</b>			

**Table 11** — Yields for Redeployees and Average Yields for Ghana

Crop	Yield		
	Redeployees	Redeployees (Main Work = Farming)	Ghana Average
	Kilos per Acre		
Maize	278	305	510
Cassava	436	409	3,239
Cocoyam	291	305	2,347
Pepper	45	51	1,158
Tomato	636	320	1,905

**Sources:** Ghana Government (1991) and authors' calculations.

**Note:** Average yield figures are national totals for 1989.

"weekend farmers" would lower the average farm income for all families reporting any farm income. Finally, redeployees may put less effort and resources into farming because they view it as a temporary occupation — a fallback option that they do to survive while they look for a better job elsewhere. This would discourage them from making longer term investments (e.g., land clearing and improvement) in farming, which would be an especially important consideration if, as recent returnees to their village, redeployees received marginal or unimproved land to work.<sup>19</sup>

If the first hypothesis were true, we would expect to see differences in the farming income of redeployees who began farming after redeployment and those who were farming before redeployment and continue to do so afterwards.<sup>20</sup> Our data, however, offer little support for this idea. The average household agricultural incomes for new and continuing farmers are virtually identical. To examine the second hypothesis, we compared total household incomes for households whose main work (that which occupied the majority of the household's time in the past month) was farming, self-employment, and wage work. Under this hypothesis, the abundance of part-time farmers would pull the average household agricultural income down, but overall household incomes of households whose main occupation is farming should be similar to those of other households. This, too, is inconsistent with our data. Even though farming households do have higher *agricultural* income than households whose main work is either self-employment or wage work, their *total* incomes are much lower. Moreover, households whose main work is farming still have a considerably lower median agricultural income than those in the GLSS sample. It is difficult to cite evidence supporting or contradicting the third hypothesis, but it is the story most consistent with our conversations with redeployees and other observers in Ghana.

Beyond agricultural incomes, it is interesting to note the contrasts in the incomes of wage workers, farmers, and the self-employed. Fifty-one percent of redeployee households' income comes from self-employment, mostly because a large number of redeployees and their families are involved in self-employed

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<sup>19</sup> We have also considered the possibility of nonsample error in our data. Household surveys generally find that respondents under-report their incomes. As mentioned, the GLSS has household incomes equal to only 60 percent of household expenditures. In that survey, however, the main source of under-reporting appears to be self-employed income, not agriculture (see Sarris 1991). Moreover, our survey asks for production data as well as sales and prices. For the most part, the ratio of reported sales receipts to reported quantities sold is close to market prices in our survey. Thus, to under-report sales, a farmer would first have to under-report production before we asked about sales. It seems more likely that intentional under-reporting would occur on the sales question, in which case yield data would be accurate but the ratio of sales to quantity would be lower than market prices.

<sup>20</sup> One hundred sixty-eight redeployees (33 percent) reported that they farmed as a second job while they were employed in the civil service and continued to farm until the survey date.

activities. Thirty percent of redeployee households' income comes from wages. Given that only 21 percent of redeployees have wage or salaried work, the results in Table 8 suggest that many redeployees have family members working in relatively high-paying wage jobs. Indeed, 41 percent of redeployee households have wage income. Finally, we note that redeployees' households are receiving larger remittances than the GLSS households. If we accept the notion that remittances are part of an informal insurance network among relatives, the larger remittances to redeployees' households would suggest that their extended family views them as having fallen on hard times and thus meriting larger "insurance payments" in the form of remittances to redeployees.

## MIGRATION

Ghanaians are a very mobile population. Seventy-one percent of the GLSS respondents older than 16 indicated that they had lived in at least two different places for a period of more than three months. Twenty-six percent had moved at least three times. In net terms, this migration is generally toward the cities, but there are significant gross flows in the opposite direction.

Among redeployees, 19 percent have moved since their redeployment. While this is a much smaller proportion than for the GLSS sample, that sample refers to the respondent's entire lifetime while our survey asks only about migration since redeployment. Checking the GLSS responses for the date of the most recent change in residence, we find that 22 percent of the sample had migrated within four years of the GLSS survey date (roughly the lag between the start of the redeployment program and our survey), a figure which is quite close to our migration numbers. Our survey, however, does not include 86 redeployees who migrated beyond our reach. So it appears that redeployees are about twice as likely to have migrated as the population at large.

The difference between the migration pattern in the Living Standards Survey and the redeployees is striking: while the net flow in the GLSS is from rural to urban areas, 82 percent of redeployees who changed residence since redeployment moved to a rural area from an urban.<sup>21</sup> Thus, redeployment seems to have caused a significant amount of "reverse" migration to rural areas. There are two possible explanations for this, with quite different implications for any evaluation of the social and economic impact of the redeployment program and the government's reform program in general. On the one hand, one could argue that widespread price liberalization has shifted the internal terms of trade in favor of agriculture so that migrants now have a greater incentive to move into farming than into other occupations. In this view, the reverse migration is a positive consequence of the general program of policy reforms in Ghana. On the other hand, traditional land tenure practices allow farming to serve as a fallback occupation for those who cannot find work elsewhere. In most of Ghana, people

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<sup>21</sup> We consider an urban area to be any regional or district capital. While some district capitals are not very large, results for a more precise breakdown of urban, semiurban, and rural areas are quite similar to those we present here.

have a right to use land in the village of their birth (or nearby), even if they have been away for some time. Thus, it is always possible to farm when all else fails. In this view, redeploy farming represents underemployment, and the reverse migration is a sign of people entering a low productivity occupation that serves either as a last resort job or a way of marking time until a better opportunity comes along.

The household income data for migrants and nonmigrants presented in Table 12 favor the second hypothesis. As we discussed earlier, agricultural incomes are very low in this sample, so those who are farming are likely to be poor. The vast majority of redeployees' migration is toward rural areas, and most of those migrants are farming. Not surprisingly, the household incomes of urban-to-rural migrants are only about two-thirds of those of redeployees who stayed in urban areas. While it is always possible that other factors explain this income difference, statistical tests show no relation between the migration categories in Table 12 and variables (such as age, gender, and education level) that might predict a redeployees' income.

At the same time, a significant number of migrants to rural areas are not, in fact, farming. Twenty-nine percent of urban-to-rural migrants mainly work outside of agriculture. Among this group, the median income for households whose redeploy is self-employed is 60 percent higher than the median for those that are farming, although they still do not reach the levels of households that remained in urban areas. Nevertheless, it appears that the focus of concerns about low incomes among redeployees should be on farmers rather than migrants.

#### **ALLOCATION OF SEVERANCE PAY**

Ninety-five percent of redeployees received severance pay for being redeployed.<sup>22</sup> Economic theory suggests that people receiving a one-time payment will save most of it, unless their income is so low that they must spend their assets (the severance pay in this case) to survive. Table 13 shows the pattern of savings and expenditures out of the redeployees' severance pay. At the time of the survey, which could be from one month up to four years after redeployment, total savings out of severance pay were more than half the total amount received. The accumulation of net financial assets is rather small, 21 percent of total severance pay, and one-third of that (8 percent) was allocated to canceling debts. This, however, is not too surprising given the poor state of Ghana's banking system and the riskiness of holding cash.

On the other hand, expenditures on categories that are traditionally considered to be investment — land, housing, business equipment, and education — are relatively high, amounting to 34 percent of total severance pay. The largest category of this is for nonfarm equipment, the basis for much of the

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<sup>22</sup> Most of those that did not receive severance pay were either older than 60 or discharged for medical reasons or misconduct. A few were redeployed so recently that they had not yet received their check.

**Table 12** — Average Household Income per Capita by Change in Residence (1991 cedis)

<b>Change in Residence</b>	<b>Income per Capita</b>	<b>Number of Households</b>
	<u>Cedis per Month</u>	
Never moved		
Urban	6,161	350
Rural	3,460	61
Urban to:		
Urban	6,636	17
Rural	4,286	79
Rural to:		
Urban	1,547	1
Rural	1,615	2



**Table 13 — Allocation of Severance Pay, by Expenditure and Savings Type (Nominal Cedis)**

<b>Use of Severance Pay</b>	<b>Mean</b>	<b>Percentage of Total</b>
<b>Liquid assets</b>	28,030	13
of which:		
Bank savings account	27,261	
Bank checking account	465	
Savings with Susu	0	
Foreign exchange	0	
Savings in cash	304	
<b>Repayment of debts</b>	18,065	8
<b>Real estate</b>	25,820	12
of which:		
Urban land purchase	2,655	
Farm land purchase	2,381	
Construction	20,784	
<b>Business equipment</b>	41,570	19
of which:		
Tractor, car, motorcycle	8,258	
Farm equipment	9,105	
Nonfarm equipment	24,207	
<b>Education</b>	7,490	3
<b>Subtotal: Financial and real savings</b>	<b>120,975</b>	<b>56</b>
<b>Consumer durables</b>	17,321	8
of which:		
TV, furniture, radio, etc.	5,365	
Clothing	11,956	
<b>Consumer nondurables</b>	77,332	36
of which:		
Daily food and transport	47,648	
Medical expenses	8,288	
Gifts to relatives	15,251	
Other	6,145	
<b>Total: Severance pay</b>	<b>215,628</b>	<b>100</b>

self-employed income observed in the sample. If we also include consumer durables and medical expenses as "investment" (in the sense that they provide a flow of services over time or develop human capital), then redeployees saved 68 percent of their severance pay in the broadest sense. This is comparatively large, especially considering that the drawdown of the lump-sum severance payment has occurred over several years for many of the households in our sample.

Examining the breakdown of severance pay allocations by socioeconomic characteristics of the redeployees yields some insights and some surprises. There is no significant difference in the proportion that different age groups save out of their severance, even though the life-cycle hypothesis would predict that the middle-aged would save more.<sup>23</sup> There are, however, differences in the patterns of saving, with older redeployees investing mostly in real estate and liquid assets, while the younger groups allocate a larger proportion (18-23 percent) of their severance to equipment for their businesses.

Women saved a significantly larger proportion of their severance pay compared with men — 62 percent versus 51 percent — despite the smaller amounts that women generally received. Most of the difference is accounted for by greater liquid assets, although women also purchased more business equipment than men.

Table 14 shows the most striking differences in savings behavior: self-employed redeployees saved 65 percent of their severance pay, significantly more than redeployees with other occupations. Farmers have the next highest savings rate, 59 percent. Most of the difference between the self-employed's saving and other redeployees is in the purchase of equipment for businesses, which is sensible. The lower savings out of severance for wage workers and those who are not working are also consistent with other information from our survey. Wage workers have high average incomes (Table 8) and probably the steadiest source of income, leaving them with a lower precautionary motive for savings. In addition, redeployees who currently have wage jobs had longer spells without work after redeployment, and probably lived on their severance while they searched for work. Redeployees who are not working obviously need to consume their severance pay, since they are without income. In addition, many are older and likely to be out of the labor force, with a correspondingly lower incentive to invest in physical assets. Note, however, that those who are not working generally hold larger liquid assets than other redeployees.

Finally, the pattern of savings behavior over the course of the redeployment program is interesting. Civil servants who were redeployed in 1987 saved only 35 percent of their severance, but the rate rose to 49 percent in 1988 and 1989,

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<sup>23</sup> For the purposes of this discussion, "saving" consists of accumulating liquid assets in bank accounts or cash; paying off debts; purchasing land, housing, or business equipment; and paying for education.

**Table 14** — Allocation of Severance Pay, by Redeployee's Main Work (Percentage of Total Severance Pay)

Use of Severance Pay	No Work	Farming	Percentage			Training/ Student
			Self- Employed	Wage Work		
Liquid assets	19	12	12	12	12	
Repayment of debts	10	8	9	8	7	
Real estate	3	18	13	5	16	
Business equipment	13	17	28	10	16	
Education	3	4	2	5	3	
<b>Subtotal: Financial and real savings</b>	<b>47</b>	<b>59</b>	<b>65</b>	<b>40</b>	<b>54</b>	
Consumer durables	5	9	6	11	16	
Consumer nondurables	48	32	29	50	30	
<b>Total: Severance per redeployee (in nominal cedis)</b>	<b>258,048</b>	<b>207,465</b>	<b>235,070</b>	<b>197,418</b>	<b>121,713</b>	

and 63 percent in 1990.<sup>24</sup> We have already noted that severance pay per redeploy increased over time (Table 4), and the larger amounts may have allowed redeployees to save more. At the same time, there is general agreement in Ghana that early redeployees did not really understand what was happening to them and may not have believed that their layoff was permanent. Beginning in 1988, the government made an effort to explain the program more clearly to redeployees, both individually and through the media. If this helped to convince redeployees that they would not regain their government post, it may have induced them to save a larger amount of their severance pay.

### CONCLUSIONS

While recognizing the serious consequences of overstaffing in the civil service, the government of Ghana expressed two main reservations over redeploying a sizable number of government employees: redeployed workers would present political problems, and they would add significantly to the ranks of the unemployed. The first concern has proved unfounded. The CFNPP survey results provide evidence that the latter fear was also exaggerated. The majority of redeployed workers had no spell without work after leaving government service, in part because they continued occupations undertaken side by side with government service. What's more, despite the skeptics' ex ante assessment that redeployed civil servants would not return to their villages, a significant number of redeployees chose to migrate from urban to rural areas, and most of them are now farming. This is the good news regarding civil servants' employment response to redeployment.

The bad news is that redeployees' household income is somewhat lower than the general population with a significant proportion probably poor by any standard definition. In particular, households whose redeploy is engaged in agriculture often have very low incomes. While it is difficult to pinpoint the reasons for this, it is plausible that redeployed civil servants view farming either as a last resort employment option or as a way to mark time until other, more remunerative opportunities arise. In either case, if the government wants to mitigate the impact of redeployment on those who are hardest hit, it should look to support those who are farming.

Even though we are concerned about the low incomes of redeployees engaged in agriculture, it is important to remember that they are a minority of redeployees and that others are generally doing about as well as other households in Ghana. Nonfarm income is higher for former government workers than for the general population, reflecting, in part, their higher than average education. It is particularly interesting to note that the self-employed redeployees are

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<sup>24</sup> The rate for 1991 is even higher, 68 percent, but that is probably because recent redeployees simply have not decided what to do with their severance yet, as evidenced by the fact 36 percent of their severance remains in liquid assets.

earning average incomes even though few received any training or assistance (except for their severance pay). When the redeployment program began, much was made of the need to provide credit, "entrepreneurial training," and so on to help redeployees start productive small-scale enterprises. In the end, these programs either did not develop or came on the scene too late to benefit the redeployees that we interviewed. Training and credit programs for redeployees have not done well in other countries (see Kingsbury 1992), and Ghana's self-employed redeployees seem to have managed well enough without them.

One aspect of the redeployment program that has promoted a significant amount of investment, albeit unintentionally, is the severance package. Redeployed workers have devoted a significant share of their severance pay to savings (broadly defined) and much of that has gone to physical investments for self-employed enterprises. It is interesting to note that while the government was able to get donors to finance certain other aspects of the redeployment program that were supposed to promote investment, no donor would finance severance pay. Yet most of the donor-financed programs have been very slow to produce any results. Given that effective means of promoting private sector small-scale investment is often sought and rarely found, severance packages are worth considering as an investment promotion policy. This is in addition to evaluating severance payments in terms of how effectively they reduce the wage obligations of the central government and/or how effectively they ease the burden of redeployment for affected civil servants.

The redeployment program in Ghana is widely viewed as a success in a field where other governments have failed, mostly because it did succeed in reducing the size of the civil service and it did not generate strong political opposition. The one lingering question has been the impact of the program on the redeployees themselves. This paper begins to address that question, finding that the answer is mixed. Redeployees did find gainful employment soon after they left the civil service, sometimes migrating to a rural area to find it. Another positive result is that many redeployees saved or invested a significant proportion of their severance pay. Finally, with the exception of the earliest redeployees (who generally received the smallest severance pay), we have not noticed much bitterness or resentment amongst the redeployees that we interviewed.

At the same time, however, redeployees' incomes are somewhat low relative to the population at large, and a non-trivial proportion are probably poor by any definition. While the government has planned a variety of programs to aid this group, difficulties with both financing and administration slowed or prevented their realization. Given that, and noting the generally positive effects of the severance package, the most straightforward policy option would be to increase the severance package, perhaps with some provision to cap the total payments to avoid paying very high amounts to a few civil servants with high base pay and/or long experience. Going beyond this straightforward and administratively costless change presents a host of problems that the Ghanaian government and its donors have not always handled well. Nevertheless, from a social welfare perspective, it seems clear that any further policy aimed at benefiting redeployees should focus on the problems of those who are farming. While we still do not know

enough about the problems and interests of this group, it is clearly the poorest among the redeployees and as such, merits whatever extra attention the government wishes to give its former employees.

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