



# RETHINKING WAGE STRUCTURES.

Is Ghana Ready for an Hourly Pay System?



## POLICY ANALYSIS

### 1. INTRODUCTION

Ghana's labor market is at a critical juncture, shaped by rapid globalisation, technological transformation, and the growing influence of non-traditional employment models. Although the current wage system in Ghana has traditionally relied on monthly salaries, offering financial stability and predictability, it may no longer completely match the changing dynamics of the workforce. The rise of the gig economy, variable labour needs, and an ongoing cost-of-living crisis have spurred a resurgence of interest in different wage structures, especially the hourly wage model

An hourly wage system compensates employees according to the specific number of hours they work, creating a direct link between productivity and income. This approach, which dominates in many OECD countries such as the United States, Canada, and Germany, is often perceived as transparent and fair, especially in sectors where overtime and variable schedules are common. In contrast, the salary-centric compensation model, commonly used in Ghana, fosters a reliable monthly income that often depends on characteristics like educational qualifications, experience, tenure, and market dynamics, without considering the hours worked or individual productivity.

An increasing number of Ghanaians especially youth and low-income earners are drawn to hourly wages for their perceived fairness and potential for economic advancement. This view is exacerbated by the rising trend of emigration, as numerous individuals in the country pursue improved economic prospects overseas, frequently highlighting the transparency and adaptability of hourly wage structures as significant motivating factors. With Ghana's national minimum wage pegged to a daily rate (currently GH¢19.97) and failing to keep pace with the rising cost of living, the call to rethink wage structures has gained urgency. The shortcomings of the current model are pronounced in the informal sector, primarily composed of women, where income instability and insufficient compensation are prevalent.

This policy paper examines Ghana's readiness to transition toward an hourly pay system. It analyses the prospective benefits and challenges of this change, along with the state of readiness of the country's legal, administrative, and labour infrastructures. As discussions about wages intensify on both local and global scales, reassessing Ghana's wage structure is not only timely but essential.





## 2. UNDERSTANDING GHANA'S LABOUR MARKET DYNAMICS

The dynamics of Ghana's labour market are examined under three key themes: informal sector dominance, underemployment and irregular work patterns, and the rise of gig and part-time employment.

### 2.1 Informal sector dominance

Ghana's labour market comprises both formal and informal sectors. The formal sector includes public and private institutions governed by official regulations and labour standards. However, the informal sector remains the dominant force in employment, particularly in service-related activities. The Ghana Statistical Service (GSS), in its 2025 National Productivity, Employment and Growth Report, estimates that while the informal sector contributes only 27% to GDP, it employs nearly 80% of the national workforce. This imbalance underscores the low productivity and precarious nature of informal employment, which remains prevalent, especially in service-related activities.

Informal jobs typically fall outside the scope of labour laws, tax systems, and social protection. Workers in this sector, often self-employed or engaged by unregistered small enterprises include street vendors, artisans, home-based workers, and market traders. A Friedrich-Ebert-Stiftung report (2017) links high informality to limited access to quality education, low skill levels, and inadequate formal employment opportunities.

The informality of Ghana's economy has led to a widening gap between productivity and earnings. While formal sectors such as finance, insurance, and professional services have experienced notable wage growth, sectors heavily

reliant on informal labour like agriculture, trade, and repair services have seen little to no wage improvement, even amidst productivity gains.

### 2.2. Underemployment and irregular work patterns

The structural weakness of the labour market has fostered widespread underemployment and irregular work arrangements. Underemployment is particularly acute among the educated youth, many of whom are compelled to accept roles that underutilise their qualifications or offer insufficient working hours. It is increasingly common to find university and postgraduate degree holders working in low-wage or menial jobs such as pupil teachers in private basic schools.

Irregular work, typified by unstable income and inconsistent hours, is also pervasive. Informal workers often rely on seasonal or short-term engagements, with livelihoods vulnerable to fluctuations in weather or market demand. As a result, income security and long-term job stability remain out of reach for a significant portion of the workforce.

Although Ghana's official unemployment rate stood at 3.01% in 2024 (World Bank), this figure masks deeper labour market inefficiencies. As of April 2025, 4.2% of the workforce lacked access to regular full-time employment, indicating that many Ghanaians remain economically underutilised or disconnected from formal growth trajectories.

### 2.3 Rise of gig and part-time employment

In response to the formal sector's limited capacity to absorb the growing number of job seekers particularly high school and university graduates, gig and part-time work are emerging as alternative livelihood strategies.





These forms of employment, which offer flexibility but lack job security, are increasingly common in sectors such as graphic design, content creation, software development, journalism, and manual labour.

The gig economy has provided a temporary buffer for skilled individuals who would otherwise remain unemployed. However, it also signals a deeper issue: the persistent failure of the formal labour market to generate sufficient, high-quality jobs. While freelancing and short-term contracts help reduce unemployment in the short term, they are not a substitute for comprehensive, inclusive, and sustainable employment solutions.

### 3. CURRENT WAGE STRUCTURES IN GHANA

Ghana's wage system is primarily built around a monthly salary model within the formal and informal sectors, covering both public and private institutions. Payments are processed through banking channels and include statutory deductions for taxes, pensions (only in the formal sector), and other contributions, ensuring compliance and predictability.

Wages in the formal sector are benchmarked to the national daily minimum wage, which currently stands at GHS 19.97. Monthly salaries are typically derived by multiplying this rate by the number of working days. However, weak enforcement means many workers especially in the informal sector still earn below this threshold.

To standardise public sector pay, the Single Spine Salary Structure (SSSS) was introduced in 2010. While it has improved internal equity, challenges around wage adequacy and disparities across sectors persist. Outside the formal sector, pay structures vary. Sales and marketing roles often use commission-based systems, while most informal workers who make up nearly 80% of the labour force receive task-based or daily wages.

These are often unregulated, exposing workers to income volatility and limiting financial security.

Ghana's wage landscape remains fragmented, with rising disparities between fixed monthly earners and those at or below the minimum wage. This growing inequality discourages labour force participation among low-paid workers and hinders productivity and inclusive growth. Inadequate wage levels and enforcement continue to act as barriers to a more equitable and efficient labour market.

#### 3.1. Benefits of the monthly wage system

##### 3.1.1. Predictable and stable income for workers

A monthly wage system ensures that employees receive income at regular intervals and in consistent amounts. This predictability and stability enable workers to plan their finances more effectively, meet essential living expenses such as food, rent, and education, and avoid reliance on informal borrowing. In the context of developing economies like Ghana's, such financial certainty plays a critical role in enhancing household resilience and promoting overall economic well-being.

##### 3.1.2. Enhanced access to benefits

Monthly salaried workers are more likely to receive employment benefits such as healthcare, pension contributions, paid leave, and job security, factors that improve overall worker welfare.

##### 3.1.3. Formalisation of employment

The monthly wage system supports formal employment structures, which can increase tax revenue, improve labour statistics, and strengthen economic planning.





## 3.2. Limitations of the monthly wage system

### 3.2.1. Reduced productivity incentives

Since employees are guaranteed a fixed income, there may be less motivation to maximise productivity or performance, especially in the absence of performance-based incentives.

### 3.2.2. Risk of diminished returns for employers

Employers might experience lower returns on investment if productivity does not match wage expenditure, particularly in sectors with tight profit margins.

### 3.2.3. Inflexibility in workforce management

The fixed nature of monthly wages can make it harder for businesses to adapt to fluctuations in demand, especially in sectors with seasonal or irregular labour needs.

## 4. THE CASE FOR IMPLEMENTING AN HOURLY WAGE SYSTEM

Introducing an hourly minimum wage in Ghana offers a strategic tool for addressing labour market inefficiencies, improving productivity, and reducing poverty among vulnerable workers. Unlike the traditional monthly wage model, an hourly system better accommodates part-time and irregular employment.

However, its success depends on setting a realistic rate that reflects inflation and living costs low enough to avoid job losses, yet high enough to protect workers from exploitation. An hourly wage must be part of broader labour reforms to ensure fairness and sustainability across the workforce.

## 4.1. Benefits of the hourly wage system

### 4.1.1. Flexibility

Hourly-waged positions often offer greater flexibility compared to salaried roles. Workers mostly have the flexibility to choose their work hours or adjust their schedules to accommodate personal commitments, such as education, childcare, or caregiving responsibilities. This flexibility can lead to improved work-life balance and increased job satisfaction.

### 4.1.2. Increased income potential, such as overtime

In many countries, hourly employees are eligible for overtime pay, which is typically higher than their regular hourly wage for hours worked beyond the standard full-time. This provision allows employees to increase their earnings during busy periods or when they choose to work additional hours.

### 4.1.3. Fair compensation

This kind of wage structure ensures that workers are compensated for the exact amount of time they work. This means that if an employee works six hours, they are paid for six hours, providing a transparent and equitable compensation structure, which can potentially promote economic growth and reduce financial instability.

### 4.1.4. Ease of tracking earnings

With an hourly pay structure, employees can easily track their earnings by multiplying their hourly rate by the number of hours worked. This straightforward calculation aids in budgeting and financial planning, providing clarity and predictability in income.





## 4.2. Challenges associated with the hourly wage system

### 4.2.1. Income instability

Workers' earnings can fluctuate significantly based on the number of hours worked, leading to financial uncertainty.

### 4.2.2. Lack of guaranteed income

Unlike salaried positions, hourly workers may not have a stable, predictable income, especially during periods of low demand.

### 4.2.3. Risk of exploitation

Without effective enforcement of minimum wage standards, the system may fail to protect low-skilled workers from underpayment or unfair labour practices.

### 4.2.4. Limited security

Hourly employment often lacks job benefits such as pensions and paid leave, and long-term job security, making it less stable than salaried positions.

### 4.2.5. Overreliance on variable work hours

Workers may be compelled to work excessive hours, including overtime, to earn a livable wage.

## 5. KEY DIFFERENCES BETWEEN MONTHLY AND HOURLY WAGES

Understanding the differences between monthly and hourly wage structures is essential for assessing the suitability of an hourly pay system in Ghana. While both models aim to compensate workers for their labour, they operate under distinct frameworks that influence job security, income stability, and access to benefits.

The key differences are outlined below:

### 5.1. Payment structure

Hourly wages fluctuate based on the number of hours worked, while monthly salaries are fixed and consistent regardless of hours worked.

### 5.2. Overtime eligibility

Hourly workers are typically entitled to overtime pay for hours worked beyond the standard threshold, whereas salaried employees receive a fixed amount regardless of additional hours worked.

### 5.3. Employment benefits

Salaried workers often receive comprehensive benefits such as healthcare, social security, retirement plans, and paid leave. In contrast, hourly workers usually do not have access to these benefits, unless explicitly provided by the employer.

## 6. ANTICIPATED IMPLEMENTATION RISKS OF AN HOURLY WAGE SYSTEM

### 6.1. Short-term unemployment risks

Due to limitations on formal sector employment under Ghana's IMF-supported programme, the informal sector will bear the brunt of labour absorption. However, compliance with an hourly wage system may pressure small and medium enterprises (SMEs) to cut costs, potentially leading to short-term job losses.





## 6.2. Displacement of inexperienced workers

The persistent education-to-industry gap means many graduates lack practical skills. In a cost-conscious informal sector, employers may prefer experienced workers, further marginalising inexperienced job seekers.

## 6.3. Need for inclusive labour market reforms

To mitigate these risks, hourly wage implementation must be accompanied by broader interventions such as skills training, education reform, and SME support to ensure the system promotes inclusion rather than exclusion.

# 7. RECOMMENDATIONS FOR IMPLEMENTING AN HOURLY WAGE SYSTEM IN GHANA

Given the highly informal nature of Ghana's labour market alongside recent advances in digital integration, such as linking the Ghana Card with SSNIT, bank accounts, and mobile money wallets, there is a unique opportunity to improve transparency and traceability across both formal and informal employment. To ensure the successful implementation of an hourly wage system, the following policy recommendations are proposed:

### 7.1. Legal reform of the Labour Act

Amend the Ghana Labour Act (2003) to explicitly define hourly wages, standard working hours, overtime rates, and penalties for non-compliance.

- Ensure that wage-setting reflects actual hours worked, with legal backing to enforce fair compensation practices.

### 7.2. Phased, sector-specific rollout (Iterative approach)

- Introduce the hourly wage system in phases, beginning with sectors aligned with the government's 24-hour economy initiative.
- Prioritise vulnerable segments of the informal sector, especially workers in the agriculture value chain, and the service sector.
- The hourly minimum wage should be set carefully to avoid destroying economic growth, efficiency, and employment prospects.

### 7.3. Public awareness and education campaigns

- Raise awareness among stakeholders regarding their rights and duties under the updated hourly wage system to safeguard against exploitation, particularly in the informal sector.

### 7.4. Strengthening labour enforcement mechanisms

- Partner with the Trade Union Congress (TUC) for joint monitoring and compliance enforcement.
- Develop anonymous reporting systems (e.g., hotline or mobile app) for wage violations.
- Strengthen the Ghana National Tripartite Committee to support alignment of labour policies with fair wage structures, decent jobs, and social justice goals.





## 8. CONCLUSION

Ghana's evolving labour market demands a rethinking of its wage structures to ensure fairness, inclusivity, and economic resilience. While the traditional monthly wage model has offered income predictability and administrative simplicity, it falls short in addressing the realities of unemployment, underemployment, informal work, and income inequality, particularly for youth and low-income workers.

An hourly wage system presents a compelling alternative that aligns compensation with productivity, fosters flexibility, and empowers vulnerable segments of the workforce.

However, the transition to such a system must be approached with caution and strategic planning. The potential risks of income instability, worker exploitation, and short-term job displacement highlight the need for comprehensive labour reforms, robust enforcement mechanisms, and targeted support for small enterprises and informal workers.

With the right legal, institutional, and technological infrastructure in place, Ghana can adopt a hybrid wage system that blends the strengths of both monthly and hourly compensation models.

A phased, sector-specific rollout anchored in inclusive policies and stakeholder education will be critical for success.

Ultimately, embracing an hourly wage system could serve as a transformative step toward a more equitable, dynamic, and responsive labour market in Ghana.

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## About CERPA

The Centre for Economic Research and Policy Analysis (CERPA) is a leading think tank dedicated to providing independent, data-driven economic research and policy recommendations to foster sustainable economic growth in Ghana and beyond.

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