ANALYSIS OF POVERTY TRENDS IN GHANA

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ABSTRACT: The definition of poverty differs across regions and localities in reference to traditions and what society perceived to be poor characterises a household. In the past, poverty was defined based on household indices such as income levels, consumption and expenditure patterns among others. However, in our efforts to estimate poverty level of households or communities, one has to take into consideration the multi-dimensional nature of poverty and factors that contribute to poverty including both human and social indices normally drafted into poverty reduction projects and strategies.

KEYWORDS: Analysis of poverty Trends in Ghana

INTRODUCTION

Poverty never results from the lack of one thing but from many interlocking factors that cluster in poor people’s experiences and definitions of poverty. According to the World Bank’s Operational Directive on poverty (O.D. 4.15), people are considered as poor if their standard of living falls below the poverty line, that is, the amount of income (or consumption) associated with a minimum acceptable level of nutrition and other necessities of everyday life (World Bank, 1992b: 5 note 8).

According to Ghana Living Standards Survey (GLSS), the poor is defined as those subsisting on a per capita income of less than two-thirds of the national average. The extreme poverty line is defined as income below one third of the mean income. Efforts to widen the scope of defining poverty have been necessitated by several empirical researches on poverty in the country. For example, in both rural and urban Ghana, men associate poverty with a lack of material assets, whereas for women, poverty is defined as food insecurity. Generational differences emerged as well. Younger men in Ghana consider the ability to generate an income as the most important asset, whereas older men cite as most important the status connected to a traditional agricultural lifestyle (Ghana 1995a).

Poor households normally find it difficult to finance wards’ education and normally lead to drop-out from school. According to Roithmayr( 2002), inability to pay school fees, the costs of uniform, shoes, transport, stationary, adds to the opportunity costs of what children might be contributing to their various households (Roithmayr, 2002). However, Fleisch and Woolman (2004) argued that fees do not feature as a primary reason for drop-out, contend that absolute or abject poverty inhibits educational access where the full range of costs associated with attendance, particularly of uniforms and transport, are taken into account. Also, poverty can lead to poor health of households and even death as households mostly find it difficult to settle costs drugs, hospital bills, maternal cost (i.e. ante-natal and post-natal services provided health institutions at a fee) among others other basic needs of households.

In view of this, Ghana launched her first policy framework on promoting pro-poor growth referred to in the literature as Ghana Poverty Reduction and Strategy (GPRS I) program
under the auspices of the National Development Planning Commission (NDPC) in 2003. GPRS I was a comprehensive policy document prepared as a pre-condition for Ghana to benefit from a significant measure of debt relief under the Highly Indebted Poor Country Initiative (HIPC). It was primarily aimed at positioning the country in an improved macroeconomic environment to address critical issues of poverty on an emergency basis. It also focused on that component of human development which targeted measures designed to improve access of Ghana’s population to basic needs and essential services, with programmes in basic education, safe water and improved health, environmental sanitation, modernized agriculture, private sector development, and good governance.

A general assessment of the overall policy environment which emerged from the implementation of GPRS I indicated a positive and significantly stabilized macroeconomic environment, with a potential for attaining higher rates of growth. Against this background, the GPRS II was adopted and implemented over the period 2006-2009 with a shift in focus and context to accelerated growth of the economy towards sustained poverty reduction and the attainment of middle income status within a measurable planning period. It focused on implementing growth-inducing policies and programmes which have the potential to transform the structure of the economy and maximize the benefits of shared accelerated growth. Consistent with its commitment to own the development process and provide a successor to the GPRS II, government initiated a process in 2009 to formulate a medium term national development policy framework. With the large fiscal imbalance experienced in 2008 and the difficult macroeconomic situation inherited, the goal of the medium-term national development policy framework also referred to as Ghana Shared Growth and Development Agenda (GSGDA), 2010-2013, is to achieve and sustain macroeconomic stability while placing the economy on a higher path of shared growth, and poverty reduction.

In this regard, expenditures have been prioritized in favour of policies, programmes and projects in Agriculture, Infrastructure (including energy, oil and gas), Water and sanitation, Health, and Education (including ICT, Science, Technology and Innovation). This process will enhance the creation of employment and income earning opportunities for rapid and sustained economic growth and poverty reduction.

The paper seeks to address the issues relating to household poverty in Ghana in terms of poverty incidence and trends, poverty levels based on employment and also the extent of household poverty in the various regions of the country and its implication using the recently published 2012-2013 Ghana Living Standard Survey by Ghana Statistical Service. The paper also attempted to examine the rural and urban dimensions of poverty in the country. The last session summarises and concludes the discussions, and the way forward.

TRENDS IN POVERTY INCIDENCE

Poverty Incidence in Ghana
Economic growth in Ghana since the 1990s have significantly led to marked reduction in national poverty levels as well as both urban and rural poverty reduction. According to Ghana Living Standard Survey (GLSS1) standard conducted for 1991/1992 period, standard poverty incidence at the national scale was 51.7 percent while extreme poverty was 36.5 percent. Due to growth expansion, the standard poverty incidence fell further by 12.2 percentage points to 39.5 percent and extreme poverty incidence also declined by 9.7 percentage points to 26.8
according the Ghana Living Standard Survey conducted for 1998/1999 period. Poverty incidence continued to fall as various household benefited from shared growth engendered by Government conscious effort to reduce the levels of income inequality. As a result, standard poverty levels went down again by 7.6 percentage points to 31.9 percent while extreme poverty incidence also dipped by 10.3 percentage points to 16.5 percent during the 2005/2006 Ghana Living Standard Survey round (see fig 1).

The most recent Ghana Living Standard Survey for 2012/2013 suggested that standard poverty incidence declined further by 7.7 percentage points to 24.2 percent whilst extreme poverty incidence reduced significantly by 8.1 percentage points to 8.4 percents. This indicates that the number of people who fall below the poverty line considered as poor declined from 7 million people during the 2005/2006 survey round to 6.4 million people during the 2012/2013 survey round, indicating that about 600 thousand people have moved out of poverty line and are no more considered as poor people between the two survey periods (see fig 2).
Also, the number of people considered as extremely poor dipped from 3.6 million people during the 2005/2006 survey round to 2.2 million people during the 2012/2013 survey round, suggesting that about 1.4 million people have moved out of extreme poor category between the two survey periods (see fig 2). The reduction in poverty incidence was against the backdrop of improved standard of living of households living across the various locations of the country.

**Contribution to Poverty by Locality (Regions)**

In terms of contributions to national poverty by the various regions of the country, the Greater Accra region’s contribution to national poverty declined by 2.1 percentage points to 3.8 percent during the 2012/2013 survey from 5.9 percent contribution in the 2005/2006 survey round (see Table 1). Also, the Ashanti region contributed 12.6 percent to national poverty during the 2005/2006 survey as against 12 percent the region contributed to national poverty in 2012/2013 survey. The three northern regions (i.e. Northern, Upper East and Upper West regions) jointly contributed 41.9 percent to national poverty during the 2005/2006 Ghana Living Standard Survey. The three northern regions are considered the poorest regions of the country where poverty is severe. The 2012/2013 Ghana Living Standard Survey also suggested that the three northern regions together contributed 36.6 percent percent to national poverty during the 2012/2013 Ghana Living Standard Survey round, down by 5.3 percentage points although poverty still remains high in these regions compared with the rest of the country.

**Table 1: Contributions to Poverty by Regions**

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<tr>
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<tbody>
<tr>
<td>Western</td>
<td>7.3</td>
<td>7.9</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>6.4</td>
<td>6.9</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Accra</td>
<td>5.9</td>
<td>3.8</td>
<td>-2.1</td>
<td></td>
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<tr>
<td>Volta</td>
<td>8.7</td>
<td>12.1</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>7.5</td>
<td>9.3</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Ashanti</td>
<td>12.6</td>
<td>12.0</td>
<td>-0.6</td>
<td></td>
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<tr>
<td>Bono Ahafo</td>
<td>9.8</td>
<td>11.4</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>21.0</td>
<td>20.8</td>
<td>-0.2</td>
<td></td>
</tr>
<tr>
<td>Upper East</td>
<td>10.9</td>
<td>7.4</td>
<td>-3.5</td>
<td></td>
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<tr>
<td>Upper West</td>
<td>10.0</td>
<td>8.4</td>
<td>-1.6</td>
<td></td>
</tr>
</tbody>
</table>

Source: GLSS Survey 2005/2006 and 2012/2013 and Author’s Computation

The Western region’s contribution to poverty picked up from its contribution of 7.3 percent to national poverty in 2005/2006 survey round to 7.9 percent during the 2012/2013 survey, up by 0.60 percentage point. Also, Central region contributed 6.4 percent to national poverty during the 2005/2006 survey as against, 6.9 percent contributed to national poverty during the 2012/2013 survey round, firmed up by 0.50 percentage point. The Volta region also contributed 8.7 percent to national poverty during the 2005/2006 survey compared with 12.1 percent the region contributed to national poverty in 2012/2013 survey, picking up by 3.4 percentage points. Similarly, Eastern region’s contribution to national poverty increased by 1.8 percentage points to 9.3 percent during the 2012/2013 survey round from 7.5 percent contributed during the 2005/2006 Ghana Living Standard Survey. Bono Ahafo region also contributed 11.4 percent to national poverty during the 2012/2013 survey round as against 9.8 percent contributed in the 2005/2006 survey, up by 1.6 percentage points.
Urban and Rural Poverty Incidence

Poverty incidence within the urban economy has continually declined as those living in these environments directly benefited from the economic growth that the country has experienced over past two decades. The number of individuals considered as poor living in the urban communities went down by 8.3 percentage points to 19.4 percent during the 1998/1999 survey from 27.7 percent in the 1991/1992 survey round whilst those considered extremely poor dipped by 3.5 to 11.6 percent during the 1998/1999 survey round from 15.1 percent in the 1991/1992 survey respectively (see Fig 3). Also, according to the Ghana Living Standard Survey 2005/2006, those considered to be poor who actually falls outside the poverty line declined further to 10.8 while the those considered as extremely poor went down significantly to 5.7 within the urban societies in Ghana.

On the other hand, poverty incidence in the rural economy has witnessed marked reduction as growth expansion affected every part of the economy. According to Ghana Living Standard Survey conducted in 2005/2006, the number of people considered as poor who are living within the rural economies of Ghana declined to 39.2 percent as against 34.6 percent during the 1998/1999 survey round and 47.2 percent in the 1991/1992 survey respectively (see Fig 4). The rural residents now have access to portable water, quality health facilities, good education and improvement in farm income, which have generally led to improvement in their welfares.
Poverty in the urban and rural areas of Ghana declined significantly according to the latest Ghana Living Standard Survey conducted during 2012/2013 period. Poverty in the urban economies reduced by 1.9 percent. Economic growth contributed 2.4 percent to the change in poverty incidence during the 2012/2013 survey round while redistribution contributed negative 0.5 percent (negative contribution due to income inequality). Similarly, poverty incidence in the rural economies of Ghana went down remarkably by 7.7 percent during the 2012/2013 survey driven mainly by economic growth and offset by income inequality (see Table 2). Growth contributed 8.8 percent to poverty reduction in the rural communities offset by 3 percent of redistribution of income (income inequality).

Table 2: Decomposition of Change (%) in Poverty headcount from 2005/2006 and 2012/2013

<table>
<thead>
<tr>
<th></th>
<th>Change</th>
<th>Growth</th>
<th>Redistribution of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>-1.9</td>
<td>-2.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Rural</td>
<td>-7.7</td>
<td>-8.8</td>
<td>1.1</td>
</tr>
<tr>
<td>National</td>
<td>-5.8</td>
<td>-8.8</td>
<td>3</td>
</tr>
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Trends in Inequality

The extent of inequality in the country has improved in seven out of the ten regions of the country except the Greater Accra, Ashanti and Central regions where inequality situation worsened probably due to increasing number of individuals migrating from the rural areas to the city centres to seek greener pastures and better welfare. Using the Gini coefficient as a measure of inequality, inequality picked-up in Greater Accra region from 0.37 in 2005/2006 survey to 0.419 in 2012/2013 survey. Also, inequality in Ashanti region worsened from 0.387 in 2005/2006 survey to 0.394 in 2012/2013 survey. Similarly, inequality in Central region also increased from 0.381 in 2005/2006 survey to 0.401 in 2012/2013 survey round (See Fig 5).
However, it must be noted that inequality improved in the three northern regions. In the Upper West region, inequality dipped from 0.485 in the 2005/2006 survey round to 0.426 in the 2012/2013 survey while in the Upper East inequality also went down to 0.402 in the 2012/2013 survey round from 0.404 in the 2005/2006 survey. In the Northern region, inequality declined from 0.423 in 2005/2006 survey round to 0.406 in 2012/2013 survey. Also, inequality in Bono Ahafo dipped to 0.369 in the 2012/2013 survey from 0.383 in the 2005/2006 survey round. Similarly, inequality in Volta region significantly reduced to 0.354 in 2012/2013 survey from 0.423 in 2005/2006 survey round. Eastern and Western regions also witnessed improved inequality as inequality in these regions declined from 0.376 and 0.385 in 2005/2006 survey to 0.394 and 0.372 in the 2012/2013 survey round respectively.

**Multi-Dimensional Indicators of Poverty**

**Poverty Incidence by Employment Status**

Households with Ownership of Durable Goods

One of the indicators of improved welfare of households is the ownership of durable goods. Poor households tend to have less income and hence their ability to purchase durable goods is always hampered. Households in possession of durable goods improved across all of the regions of the country (See Fig 7). Households with durable goods picked-up significantly in the three northern regions. Household with durable goods in the Upper West region improved from 4 percent in 2005/2006 survey to 15 percent in 2012/2013 survey round. Also, Households with durable goods went up to 12 percent in Upper East region during the 2012/2013 Ghana Living Standard Survey from 3 percent in the 2005/2006 survey.

Similarly, households with durables living in Greater Accra and Ashanti regions witnessed marked improvement from 45 percent and 27 percent in 2005/2006 survey to 62 percent and 45 percent during the latest survey of 2012/2013 respectively. Households with durable goods living in Western region also grew to 38 percent in 2012/2013 survey from 19 percent in 2005/2006 survey. Households with durable goods living in Bono Ahafo, Volta, Eastern and Central regions also picked-up tremendously from 18 percent, 17 percent, 15 percent and 17 percent in 2005/2006 survey to 27 percent, 19 percent, 28 percent and 27 percent in 2012/2013 survey round respectively. This important development was mainly due to pro-poor economic policies adopted and implemented by the managers of the economy over the past decade.

Households with Ownership of Television Sets

Households in possession of Television set picked-up in all of the localities of the country (See Fig 8). Households with Television sets improved in the three northern regions. Household with Television sets in the Upper West region went up from 6 percent in 2005/2006 survey to 30 percent in 2012/2013 survey. Households with Television sets increased to 27 percent in Upper East region during the 2012/2013 Ghana Living Standard Survey from 8 percent in the 2005/2006 survey.
Households with Television sets living in Greater Accra and Ashanti regions recorded improved from 63 percent and 39 percent in 2005/2006 survey to 84 percent and 66 percent during the current survey of 2012/2013 respectively. Households with Television sets living in Western region also grew to 62 percent in 2012/2013 survey from 27 percent in 2005/2006 survey. Households with Television sets living in Bono Ahafo, Volta, Eastern and Central regions also improved to 47 percent, 41 percent, 48 percent and 61 percent in 2012/2013 survey from 22 percent, 19 percent, 25 percent and 25 percent in 2005/2006 survey respectively.

Households with Ownership of Mobile Phones
On the other hand, households’ now using mobile phones has improved significantly in all the regions of the country from an average of 24.6 percent in 2005/2006 survey to an average of 49 percent in 2012/2013 survey round. Households with mobile phones living in Greater Accra and Ashanti regions picked-up to 89 percent and 83 percent in 2012/2013 survey from 44 percent and 27 percent during the current survey of 2005/2006 respectively (See Fig 9). Households with mobile phones living in Western region also improved from 16 percent in 2005/2006 survey to 82 percent in 2012/2013 survey. Households with mobile phones living in Bono Ahafo, Volta, Eastern and Central regions also went up from 13 percent, 8 percent, 12 percent and 25 percent in 2005/2006 survey to 79 percent, 80 percent, 77 percent and 77 percent in 2012/2013 survey respectively.

**Households with Access to Portable Water**

Households with access to portable water have improved remarkably across the breadth and length of the country (See Fig 7). Households with access to portable water grew in Northern and Upper East regions while it dipped in Upper West region. Household with access to portable water in the Upper West region declined from 98 percent in 2005/2006 survey to 98 percent in 2012/2013 survey round. On the other hand, households with access to portable water went up to 86 percent in Upper East region during the 2012/2013 Ghana Living Standard Survey from 78 percent in the 2005/2006 survey while households access to portable water living in the Northern region improved from 60 percent in 2005/2006 survey to 78 percent in 2012/2013 survey round(See Fig 10).
Households with access to portable water living in Greater Accra and Ashanti regions also improved to 98 percent and 94 percent in 2012/2013 survey from 90 percent and 87 percent during the current survey of 2005/2006 respectively. Households with access to portable water living in Western region also went up from 77 percent in 2005/2006 survey to 85 percent in 2012/2013 survey. Households with access to portable water living in Bono Ahafo, Volta, Eastern and Central regions also improved from 80 percent, 58 percent, 70 percent and 78 percent in 2005/2006 survey to 87 percent, 68 percent, 81 percent and 86 percent in 2012/2013 survey respectively.

**Households with Access to Toilet Facilities**

Households with access to toilet facilities living in Greater Accra and Ashanti regions also went up to 83 percent and 73 percent in 2012/2013 survey from 81 percent and 60 percent during the current survey of 2005/2006 respectively. Households with access to toilet facilities living in Western region also improved from 41 percent in 2005/2006 survey to 68 percent in 2012/2013 survey. Households with access to toilet facilities living in Bono Ahafo, Volta, Eastern and Central regions also picked-up from 38 percent, 32 percent, 38 percent and 43 percent in 2005/2006 survey to 56 percent, 50 percent, 54 percent and 60 percent in 2012/2013 survey respectively (See Fig 11).

Households with access to access to toilet facilities have picked-up in part of the country (See Fig 11). Households with access to access to toilet facilities improved in the northern regions.
Households with access to portable water in the Upper West region went up from 8 percent in 2005/2006 survey to 21 percent in 2012/2013 survey round. On the other hand, households with access to toilet facilities improved to 14 percent in Upper East region during the 2012/2013 Ghana Living Standard Survey from 11 percent in the 2005/2006 survey while households access to toilet facilities living in the Northern region went up from 21 percent in 2005/2006 survey to 36 percent in 2012/2013 survey round.

### 3.7 Households with Access to Electricity

Households with access to electricity have improved throughout the country (See Fig 12). Households with access to electricity improved in the northern regions. Household with access to electricity in the Upper West region increased from 11 percent in 2005/2006 survey to 43 percent in 2012/2013 survey round. Also, households with access to electricity went to 33 percent in Upper East region during the 2012/2013 Ghana Living Standard Survey from 12 percent in the 2005/2006 survey while households access to electricity living in the Northern region picked up from 27 percent in 2005/2006 survey to 48 percent in 2012/2013 survey round.

Households with access to electricity living in Greater Accra and Ashanti regions also picked up to 91 percent and 82 percent in 2012/2013 survey from 82 percent and 61 percent during the current survey of 2005/2006 respectively. Households with access to electricity living in Western region also went up from 53 percent in 2005/2006 survey to 72 percent in 2012/2013 survey. Households with access to electricity living in Bono Ahafo, Volta, Eastern and Central regions also picked-up to 63 percent, 61 percent, 63 percent and 67 percent in 2012/2013 survey from 48 percent, 31 percent, 38 percent and 67 percent in 2005/2006 survey respectively (See Fig 12).

### Some International Comparism: Ghana versus Selected Peer Countries

#### 5.1 Health Expenditure as a percentage of GDP

Lack of health infrastructure makes it difficult for households’ to have access to proper medical services. The poor normally turn to self medication since they find it difficult to pay for their
health expenditures even if the services are available. As Government provide health infrastructure (facilities), the poor are then able to access subsidized health services. The percentage of total health expenditure as a percentage of GDP can then be used to assess Government’s commitment in providing relatively subsidized health services. Provisional data from World Bank database for 2011 (See Table 3 below) suggests that Ghana’s total health expenditure as a percentage of GDP was 4.8 percent which compares favourably with 4.5 percent in Kenya; Angola (3.5%); Congo (2.5); Uganda (4.6%); Ethiopia (4.7%) but compares unfavourably with Nigeria with 7.3 percent; Mozambique (6.6%); Coted’Ivoire (6.8%); Senegal (9.5%); Lesotho (12.8%). Botswana (5.1%); and South Africa (8.5%).

5.2 Life Expectancy
Available data indicates that Life expectancy for Ghana was 54.5 years for males and 56.1 years for females which Ghana’s life expectancy compares favourably with that of Nigeria with 50.8 years for females and 50 years for males; Angola (54 years for females and 49.7 males) and Zambia with 48.7 years for females and 46.8 males. However, Ghana’s expectancy remains low as compared to life expectancy of 60 years for males and 70 years for females in Uruguay; Argentina (68.7 years for females and 63.5 years for males); Botswana (61.3 years for female and 57.1 years for males); Mauritius (66.8 years for females and 61.2 years for males) according to statistics from World Bank database (See Table 3 below).

**Table 3: Poverty Related Health Indicators**
CONCLUSION AND THE WAY FORWARD

The analysis of poverty incidence in Ghana suggested that Ghana has made several progress in the area of poverty reduction as Ghana has achieved many of the Millennium Challenge Goals (MDGs). Poverty in Ghana has trended downwards for a decade now as evidence from Ghana Living Standard Surveys conducted since 1987 to the latest GLSS6 conducted for the period 2012/2013. National poverty incidence reduced from 51.7 percent in 1991/1992 survey (GLSS3) to 24.2 in 2012/2013 survey (GLSS6) with extreme poverty also declining significantly from 36.5 percent during 1991/1992 survey (GLSS3) to only 8.4 percent in 2012/2013 survey (GLSS6). Poverty at all levels has gone down in the country according to the various living standard surveys. It is expected that if Government continues to pursue its current poverty related policies aimed at achieving the MDGs, then poverty levels in Ghana will even trend down further in the coming years.
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