



The Economy of Ghana Network (EGN)

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Impact of Oil Discovery on Migration, Housing and Living Conditions

INTRODUCTION

“As Ghana prepares to pump oil in the second half of 2010, hopes are rising, both among hard-pressed market traders at home and in the far-flung diaspora, where Ghanaians are quitting jobs in American banks to head back to an optimistic homeland. Oil was found off Ghana's coast in 2007 and, even without further discoveries, is now expected to earn an average of \$1.2 billion in annual state revenues for almost two decades. For a country with 23m people and a GDP of \$16 billion, it could be a big boost—or a crippling blight.

-The Economist, Dec 30th 2009

The expected economic impact of the 2007 discovery of oil deposits on the coast of Takoradi was well-received, and rightly so, as it expanded revenue options for fiscal and budget policy, increased potential employment avenues and boded well for infrastructural development. Overall, the Jubilee oil fields was viewed as a proverbial Golden Goose, just in time to raise GDP growth rates to the levels of other oil-producing countries. However, being late to the oil game, we have had the good fortune to observe the different experiences in oil-producing countries all over the world. Aside from the foreign revenue that any government hopes to raise with the sale of oil and oil products, there are other effects that come as by-products of this venture. Oil production impacts almost all facets of a country's existence, from government expenditure and infrastructural development to health, national safety and human rights.

Unfortunately, there are few studies investigating the question of the social repercussions of oil discovery in Ghana, especially when extensive research had been conducted into the expected monetary gains from the Jubilee Fields. The workshop on the Impact of the Oil Industry in Sekondi-Takoradi, hosted by the Economy of Ghana Network (EGN) of ISSER, on 19th October 2015, provided an opportunity to discuss the findings of an

investigative study on the perceived levels of migration and changes in socio-economic welfare. Specifically, the study looks at labour migration into the Sekondi-Takoradi region and its impact on the living standards, as defined by access to accommodation, cost of food and beverages and the cost of land.

The research took two key forms:

- **The Qualitative Phase** which involved interviewing private and state institutions such as SeaWorld, Jubilee Technical Training Centre and Management of Real Estate Agencies on capacity building and access to housing and land.
- **The Quantitative Phase** which involved 320 household-level interviews in parts of Kwesimintim and Efiekuma, Sofokrom, Anaji and Sekondi.

KEY ISSUES

▪ **Impact of Oil production**

First of all, the economy stands to benefit from oil production. When production commenced, the price of crude oil was high, at US\$ 91.80 per barrel, as of December 2010. Thus, there was expected revenue from the export of oil. The International Monetary Fund and the World Bank predicted total oil revenue of US\$ 9.9 billion and US\$ 9.5 billion respectively, between 2011 and 2018.¹ Additionally, linkages between the oil industry and other sectors of the economy, including energy supply, make it essential to the economy as a whole. Finally, the expansion of the sector is expected increase employment opportunities for the citizens of Ghana in both the oil industry and other complementary sectors. On the other hand, oil production, like many other mineral-centred activities, comes with its own negative effects on the environment (through oil spills and air pollution), health (when nearby inhabitants develop respiratory diseases, skin irritations and cancer) and the socio-economy (encourages migration).

▪ **Who are the inhabitants?**

The region appears to be a hub of in-migration, even without the attraction of the oil industry. More than half of the inhabitants were born outside of the region (52%). While majority of the individuals interviewed had lived in the area for more than five years and more than a quarter (28%) had moved there less than five years prior, at the time of the study. The more recent migrants are younger, with 48.3% aged less than 30 years, compared to 27.9% for those who had migrated earlier. Of the recent

¹ This prediction has changed drastically with falling global crude oil prices.

migrants, 85% believe that there has been an influx of people moving into the region since they had settled there. The sentiment is stronger with those who have lived there for five years or more, with 87.6% agreeing. Respondents observe a strong link between the rising population and the oil fields. They indicated that migrants moved in for employment with the oil companies (35% of respondents).

▪ **Great expectations**

There were high expectations for the improvement of social and economic welfare, as a result of the newly developed oil industry. Individually and at community-level, the respondents expected that production at the Jubilee fields would create employment, create business opportunities and enhance social well-being, among others. However, a small percentage of both recent and long-term migrants agree that these expectations had been met. Foreigners and highly qualified workers from outside the region were considered for jobs, instead of the inhabitants of the region, of whom more than 50% had a post-secondary diploma qualification or lower.

The influx of migrants, without a corresponding investment into social development, has led to a reduction in living standards. Of the sample, 53.6% identified a high cost of living (food and beverage prices) as the main way that oil has negatively affected their communities, followed by shortage of housing and high rent for accommodation, as well as land. Respondents observed that preferred sale of accommodation and land to foreigners is the cause of the increased prices (18.9%). Other social concerns cited by the respondents include the high rate of crime and a rise in prostitution, all cited examples of the negative effects of rapid in-migration.

CONCLUSION AND RECOMMENDATIONS

Following oil discovery at Cape Three Points in Takoradi, a lot of resources have been invested into capacity building for the oil industry, while key components of social welfare, such as access to land, housing and cost of food, have not received the same level of attention. Already, increased migration, as a result of the expanding oil industry, has put pressure on existing social amenities in the Sekondi-Takoradi area, worsening living conditions as perceived by long time inhabitants and recent migrants.

The following are recommended:

- All aspects of livelihood in the city should be a major focus of planning and policy formation in the twin city and Ghana as a whole. Development plans should involve the communities and take into account their needs, such as employment and housing.

- In order for locals to take advantage of job opportunities, further investment should be made to upgrade the education system in the region from the primary level, such that Ghanaians are hired, reducing dependence on foreign nationals. This will empower the indigenous people, improve their livelihoods, and reduce pressure on foreign exchange reserves that are paid to expatriates. Additionally, this will keep revenue within the region, thus fueling further development.
- Finally, efforts should be made to maintain or improve the diversity of the economy in Takoradi, by focusing on the development and protection of other sectors in the Takoradi area, not only oil and gas.

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