Scale, local content and the challenges of Ghanaians employment in the oil and gas industry

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ABSTRACT

Local content laws are essential for promoting positive synergies between extractive industries and broader economies. This paper is a critical evaluation of the employment effects of Ghana’s local content law. It draws on the relational geography concept of scale – a constructed arena of activities that are highly interrelated – to examine the dynamic roles and relations between actors and how that shapes employment opportunities and outcomes for Ghanaians in the oil and gas industry. The paper shows that Ghanaians dominate onshore administrative positions and low echelon (ratings)/low skill positions offshore. There is a significant salary disparity between Ghanaians and expatriates due to poor regulation by the petroleum commission, corruption and undercutting by local recruitment agencies. It is imperative that the petroleum commission stringently enforce the regulation on skill transfer, introduce guidelines on salary and conditions of service as well as effectively monitor and regulate the activities of local recruitment agencies to limit their ability to undercut Ghanaian workers.

1. Introduction

Natural resource extraction has the potential to promote the social and economic development of countries. In countries such as Norway, Malaysia, and Botswana, natural resource extraction played an important role in their socio-economic transformation (Larsen, 2006). Norway, for instance, had the lowest GDP per capita among its neighbors Sweden and Denmark until the 1970s when it overtook them after the start of oil production (Larsen, 2006).

However, in developing countries like Nigeria (Humphreys et al., 2007), Bolivia (Auyt, 1995), Sudan, Equatorial Guinea, Democratic Republic of Congo and Angola (Karl, 2007), in what has become known as the resource curse, the discourse has largely focused on how natural resource have had negative social, environmental, economic and political outcomes. Although the discourse on Africa’s extractive sector and development are changing (see Africa Progress Panel, 2013; Chuhan-Pole and Angwafo, 2011; Heilbrunn, 2014; Mahajan, 2011; Roxburgh, 2010), the role of extractive industries in Africa’s political economy is still contentious.

The discovery of commercial quantities of oil and gas off Ghana’s western coast in 2007 (Ablo, 2016, 2017; Ablo and Overà, 2015; McCaskie, 2008) has sparked the debate on the strategies that can promote the extractive Industries-led transformation of the country’s economy. This is particularly important because of the failure of Ghana’s long history of natural resource extraction with gold mining which dates as far back as the last quarter of the 19th century (Hilson, 2002) to engender any significant transformation of the country (Whitfield and Buur, 2014). Deploying the Actor-Network Theory (ANT) and Assemblages, Siakwah (2017) analysed the impacts of the oil and gas industry on agriculture. He argues that oil simply diversified Ghana’s dependence on natural resources and has failed to trigger any structural transformation of the economy particularly the agriculture sector.

For Panford (2017), the lapsed policy in Ghana context can limit the potential benefits that the country can derive from the oil and gas industry. Mohan and Asante (2015) show that transnational factors play critical roles in shaping elites’ coalition which has implications for governance of the oil and gas industry. Several scholars have argued that transparency and accountability, quality of institutions, and the enforcement of the rule of law and local participation can help minimize, if not eliminate, some of the problems associated with resource extraction (Darkwah, 2013; Kolstad and Wiig, 2009; Ovadia, 2016).

In 2013, Ghana enacted a local content policy (LCP) which requires the use of local personnel, goods, and services at each level of the oil and gas industry value chain. LCPs can generate linkages to develop local economies beyond the financial advantages from the resource
revenue (Ablo, 2016; Klueh et al., 2007; Ovadia, 2015; Ramdoo, 2015; Tordo et al., 2013).

The linkages between the extractive sector and national economies can take forward, backward, fiscal or consumption forms, and can stimulate the structural transformation of economies (Ablo, 2016; Bloch and Ovusu, 2012; Ovadia, 2015). Fiscal linkages in the form of tax receipts are crucial to the central government. In the first half of 2016, for instance, the government of Ghana received US$2.23 million in corporate income tax, US$31.85 million in royalties, US$82.55 million carried and participation interests, US$9.30 million in gas revenues and US$435, 094 in surface rental bringing a total revenue of US $126.41 million (PIAC, 2016). This, however, is a 55% reduction in revenue compared to the same period in 2015 when the government of Ghana received a total of US$274.47 million. Due to this instability associated with revenue flow from the oil and gas industry, over-reliance on fiscal linkages exerts significant budgetary constraints on African governments.

Forward linkages emerge from the processing of commodities for export. Currently, only gas from Ghana’s Jubilee field is processed for the domestic market (Ablo and Asamoah, 2018). With a low-level manufacturing sub-sector, forward linkages from the oil and gas sector are limited. The expenditure of profits and wages accruing from commodity production in the local or national economy constitutes the consumption linkages. Backward linkages, on the other hand, arise from activities established to supply inputs into the production of a commodity. The prominence of LCPs in the extractive industries is that their proper implementation can help countries avert the tendency for the oil and gas industry to operate as enclaves that are disconnected from national economies (Ackah-Baidoo, 2012; Ferguson, 2005, 2006). LCPs have become essential policy initiatives in addressing this enclavity of the extractive industries. This paper critically examines the employment effects of Ghana’s local content law. Studies on Ghana’s oil and gas sector have focused on training and youth employment (Darkwah, 2013), entrepreneurship and local participation (Ablo, 2016; Ovadia, 2016; Øverå, 2016) as well as the economic impacts of oil and gas industry (Obeng-Odum, 2014; Panford, 2017). This paper contributes to the literature by examining the extent to which various employment targets proposed in Ghana’s local content law are achieved. It draws on the relational geography concept of scale which describes the constructed arenas of activity that are interrelated (Swyngedouw, 2004) to argue that the extent of Ghanaians employment in the oil industry is a function of the cross-scalar interaction between multinational companies (MNCs), state institutions and Ghanaian companies.

Based on extensive fieldwork and review of various documents, the study found that Ghanaians dominate onshore administrative positions and low echelon (ratings) low skill positions offshore. There is a significant salary disparity between Ghanaians and expatriates, a situation more pronounced offshore. The low wages of Ghanaians in the oil and gas industry is an outcome of poor regulation by the Petroleum Commission, corruption and undercutting by local recruitment agencies. There are also low levels of training, capacity development, skill and knowledge transfer as well as career progress for Ghanaians in the oil industry. It is recommended that the Petroleum Commission stringently enforce the regulation on skill transfer and how long expatriates can work in Ghana, introduce guidelines on salary and conditions of service, effectively monitor and regulate the activities of local recruitment agencies to limit their ability to undercut Ghanaiian workers.

2. Oil and gas extraction and development: a scalar dilemma

Exploratory activities in sub-Saharan Africa (SSA) has increased substantially over the past few decades while the debate on the role of natural resource extraction in the African economy continues. The orthodox resource curse perspective (see Auty, 1995; Humphreys et al., 2007) which has dominated the discussion has been challenged and in recent times studies by Siakwah (2017), Obeng-Odum (2014) and Ovadia (2012) among others have shown the complexity pertaining to the role of natural resources in African economies.

This paper contributes to the debate, by drawing on the relational geography concept of the production of spatial scale (Herod, 2011) emphasises the interrelatedness of processes which must not be viewed in isolation. The scale can be viewed as the ‘constructed arenas of activity that are highly interrelated’ (Haarstad, 2014b). For analytical purposes, this paper makes a distinction between national, supra-national and local scales as constructed arenas within which actors are embedded. Scale is used as a heuristic to untangle how the relations between the government of Ghana, MNCs, and local businesses shape the pursuit of local participation and employment in the country’s oil and gas sector.

As interconnected arenas, scales are produced and constructed through socio-spatial processes (Haarstad, 2014a; Herod, 2011; Swyngedouw, 2004). In pursuing local content in the extractive sectors, governments aim to overcome the tendency of resource extraction to occur in enclaves that are disconnected from society (Ferguson, 2005), but must also maintain a favourable investment climate to attract foreign direct investments. The pursuit of local content from a scalar perspective is, therefore, a balancing act between regulating operations of MNCs, local and foreign service providers and contractors by creating the platform for local participation while maintaining an attractive investment climate.

As Haarstad (2014a) notes, the relational conception of scale rests on the assumption that scales exist in relation to other scales as well as the socio-political and spatial processes that change them. This is a move away from the conception of scales as naturally occurring units that can be viewed in isolation. Scalar perspectives are useful in highlighting how events and processes on one scale shape events and outcomes on another scale. To thoroughly explore the potential of Ghana’s local content law to foster internal and external linkages between the country’s oil and gas industry and the national economy, attention must be paid to how interests and events across scale shape the pursuit of local participation and employment. Swyngedouw (2004) observed that the success of social strategies, in this context the employment of Ghanaians in the oil and gas sector, relates to how geographical scale is considered and mobilised.

Attention to scalar complexities is important in understanding the employment effects of Ghana’s local content law for two main reasons. First, there is an inherent tension between local interest, national development agenda and the interest of MNCs which shapes how the local content and employment is pursued. As will be shown in this paper, the interest of political elites, bureaucrats, Ghanaian entrepreneurs and their dynamic relations with MNCs circumscribe the space for Ghanaians employment in the oil and gas industry. According to Swyngedouw (2004), scalar configurations, whether they are regulatory orders, networks or discourses are in a constant state of flux and conditioned by the socio-political dynamics. Secondly, opportunities and constraints to local employment in the oil and gas industry may originate in processes at another scale. Although the government of Ghana sets local content targets, the successful employment of Ghanaians in the oil and gas industry as later discussed is dependent on their abilities to meet the skill and expertise requirement in the oil industry, monitoring and enforcement of regulations by the Petroleum Commission (PC) of Ghana as well as the operational strategies deployed by Ghanaian recruitment agencies.

The dynamics of local content and employment in the oil and gas industry cannot, therefore, be understood without taking into consideration ‘how incentives and interests are shaped from above or below’ (Haarstad, 2014b, p. 981). Indeed, events and conditions at the supra-national scales do have the potential to circumscribe the opportunities for local content and employment in the oil and gas sector in Ghana. Similarly, the strategies and approaches adopted by MNCs in Ghana’s oil and gas sector are conditioned by events and processes at
the local scale. In a study of the resources and strategies deployed by Ghanaian entrepreneurs in the oil and gas industry, Ablo and Overå (2015) for instance show how local entrepreneurs circumvent laborious public institutional context and deal directly with MNCs to secure contracts in the petroleum sector a process described as ‘jumping scale’ (see Haarstad, 2009; Swyngedouw, 2004). Scale then emerges as an arena ‘where cooperation and competition find a fragile stand-off’ (Swyngedouw, 2004, p. 35). Thus, the opportunities for local content and the employment in the petroleum sector is conditioned and constrained by processes both at the national, local and the supra-national scale and the inherent power relations among actors across the scale. In the following section, the data collection method is discussed followed by an overview of Ghana’s oil and gas industry, local content law and employment.

3. Data collection

The paper draws on several fieldworks conducted by the author in Accra, Tema, and Sekondi-Takoradi since May 2011 in addition to recent fieldworks between June and August 2017. This allowed for the tracking of the employment trend in the oil and gas industry and monitoring of the progress of Ghanaian employees in the oil and gas industry. More specifically, the extended fieldwork afforded me the opportunity to explore the extent to and ways by which various employment targets proposed in the local content law are achieved.

Data were collected through interviews, surveys, observations, and review of various documents and regulations. A total of 26 key informants were interviewed (see Table 1) including 14 officials of Ghanaian recruitment companies on the types of jobs, salaries and conditions of service of Ghanaian workers on oil rigs and Floating, Production, Storage and Offloading (FPSOs) vessels.

Other issues discussed are the recruitment process, training and capacity development of Ghanaians. Officials of the Petroleum Commission and the Ministry of Energy and Petroleum were also interviewed on the local content law, employment, enforcement of local content requirements and challenges to skill and knowledge transfer in the oil industry.

Officials of MNCs and other foreign service companies were interviewed on their approaches to meeting employment targets outlined in the LCP, capacity development, and skill transfer. The chairman of the Rig Workers Association (RWA) was also interviewed in-depth on the role of the association in negotiating salaries and conditions of service of Ghanaian rig workers, addressing grievances between Ghanaian workers and foreign contractors and local companies. Officials of the African Center for Energy Policy (ACEP), a Civil Society Organisation and an official of a welding institute in Takoradi, were also interviewed on local content, employment and other issues relating to the oil and gas industry in Ghana.

A total of 30 Ghanaian rig workers were surveyed. The survey focused on their salary, general conditions of service, their relationship with expats and other Ghanaians, training, capacity development and career progress. The survey was conducted only for offshore workers and those in other technical jobs because Ghanaians dominate onshore administrative positions while few Ghanaians work offshore. Additionally, oil rig work provides a unique window for examining the success of employment targets outlined in the local content law. Also, offshore employment provides the best opportunities for the transfer of critical technical expertise that are unique to the oil industry and that are not readily available in Ghana, when compared with onshore administrative expertise.

In-depth interviews were conducted for 16 informants out of the total 30 survey respondents. The 16 interviewees were selected because of their availability and willingness to be interviewed. The in-depth interviews focused on the experiences, expectations, and challenges faced by low echelon rig workers (also known as ratings) and officer rank (highly skilled) workers. The officers include a Dynamic Position Operator, an Assistant Driller, and a trainee Safety Officer. The ratings are three Derrickman, two Roustabout, two Roughneck, three Scaffolders and a Sample Catcher, a Painter and a Motorman. A major challenge faced was the unwillingness of several companies to disclose the contents of some of their contracts due to confidentiality and non-disclosure clauses embedded in some of these contracts. This made it difficult for accessing and exploring some other dynamics relating to the employment of Ghanaians in the oil and gas industry. In the next section, a contextual overview of Ghana’s oil and gas industry, local content and employment is presented.

4. Overview of Ghana’s oil and gas industry and the local content law

4.1. Ghana’s emergent oil and gas industry

Almost every African country today is prospecting for oil and particularly along the Gulf of Guinea (De Oliveira, 2007). Commercial oil and gas discoveries were made off Ghana’s western coast in 2007 in two deepwater blocks: West Cape Three Points and Deepswater Tano known as the Jubilee Field. Oil production commenced in December 2010, with an estimated output of 120,000 bopd at the peak of production.

Other discoveries were made in the Owo field by Tullow, Dzata field by Lukoil, Banda-1 by Kosmos and Akasa-1 by Anadarko (see Asfaw-Adyaye, 2012). The second major field Tweneboaa-Enyera-Ntome (TEN) has an estimated recoverable reserve of 245 million barrels (mmbls) of oil and about 365 billion cubic feet (bcf) of gas. The Sankofa Gye Nyame (Offshore Cape Three Points) – (OCTP) Development which holds an estimated 42 million barrels of oil with drilling operations at about 31.5% completion (PIAC, 2016). Production in Ghana’s Jubilee Field has been saddled with various technical challenges and currently stands at about 108,000 bopd. According to a recent report, Ghana’s crude oil production for the first half of 2016 fell by about 40% and stood at 11.4 million barrels (PIAC, 2016).

Some key legislation governing Ghana’s oil and gas industry include PNDC Law 84 (Petroleum Exploration and Production Law), and PNDC Law 64 (Ghana National Petroleum Corporation Law (GNPC)) established and mandates the GNPC (the national oil company). Petroleum Commission Act 821 also established the Petroleum Commission of Ghana to regulate the upstream oil and gas industry and to promote local participation in the industry with the Petroleum Revenue Management Act, 2011 (Act 815) providing a framework for mobilizing, allocating and managing the country’s petroleum revenue.

4.2. A review of the local content law and employment in the oil and gas industry

The success of local content policies (LCPs) in Norway, Malaysia, and Brazil have influenced the pursuit of LCPs in oil-producing African states (Ovadia, 2014). The use of LCPs to promote broad-based
economic development first emerged in the North Sea in the 1970s (Tordo et al., 2013) and today, over 90 per cent of countries extracting natural resources have some form of LCPs (Dobbs et al., 2013; Ramdoo, 2015).

In 2013, Ghana passed the Petroleum (Local Content and Local Participation) Regulations 2013, L. I. 2204 which defines local content as ‘the quantum or percentage of locally produced materials, personnel, financing, goods and services rendered in the petroleum industry value chain and which can be measured in monetary terms’ (Regulation 49 of L.I. 2204) (Ministry of Energy, 2013, p. 27). The framing of Ghana’s LCP is guided by a drive towards employment creation, technology transfer, local ownership and maximisation of local procurement.

Regarding local ownership in Ghana’s oil and gas sector, Regulation 4 (L.I. 2204) requires foreign companies to enter into joint ventures with local firms and mandates GNPC as a party to all upstream petroleum agreements in Ghana. The promotion of joint ventures between local and foreign companies aims to provide opportunities for technology transfer to Ghanaian companies as outlined in Regulation 24 and 25 (L.I. 2204).

To localize the oil and gas industry supply chain, Regulation 11 (L.I. 2204) requires that preference should be given to indigenous Ghanaian firms in the bidding process. According to Ovadia (2016), between US$584 and US$600 million worth of contracts have been awarded to Ghanaian firms. This figure, however, constitutes less than 5 per cent of the total value of contracts awarded in Ghana’s oil and gas sector. Ablo and Overa’s (2015) studies of local entrepreneurial activities in the oil industry also show that most of the local companies are not able to meet the various industry standards. This is due to the small scale at which over 70% of Ghanaian and African businesses operate (Abor and Quartey, 2010).

An essential component of Ghana’s LCP is to promote the employment of Ghanaians at each level of the oil and gas industry value chain. In this regard, Regulation 9 (L.I. 2204) stipulates that first consideration should be given to qualified Ghanaians with respect to employment. The minimum number of Ghanaians to be employed at each stage of a foreign company’s operation is outlined in the first schedule of L.I. 2204.

As can be seen in Table 2, the goal of the employment regulation is to ensure that 10 years after the commencement of the operation of any foreign company, Ghanaian employees will be in majority. It thus requires a concerted effort from various actors across scale to ensure training, capacity development, and knowledge transfer to ensure that Ghanaians obtain the requisite expertise to take up various job positions.

Foreign companies are therefore required to submit a research and development plan prior to the commencement of their operation (Regulation 20 and 21 of L.I. 2204). The significance of the employment component of Ghana’s LCP is further elaborated in the next section which presents an overview of (un)employment in the country.

5. (Un)employment in Ghana: a contextual overview

Unemployment is one of the fundamental developmental challenges facing Ghana and most countries globally. Unemployment is among the biggest threats to social stability in many countries. Importantly, a country’s prosperity depends on the number of people employed and their productivity (Elder and Smith, 2010). The rate of unemployment in most developing countries continue to increase in view of population growth and urbanization. The high rate of unemployment and limited economic opportunities especially among the youth can create a potentially explosive social problem in many African countries (Eguavoen, 2010) especially as large numbers of school leavers remain unemployed many years after graduation (Hove et al., 2013; Obeng-Odoom, 2011).

Historically, by the end of the 1980s, several African countries including Ghana implemented the International Monetary Fund (IMF) and World Bank-led market reforms with disastrous consequences including exacerbating unemployment (Gibbon, 2003; Konadu-Agyemang, 2000; Whitfield, 2005), underemployment, income inequality and an increased poverty levels (Ablo, 2012). Today, with an estimated population of about 27 million, the literacy rate among Ghanaians 11 years or older is about 63% (GSS, 2016). According to the Ghana Statistical Service’s 2015 labour force report, 67.6% of Ghana’s labour force (all persons 15 years or older) are employed, 9.1% are unemployed while the rest 23.3% are currently not in the labour force (GSS, 2016). The categories of people not in the labour force are usually those aged between 15 and 19 years who are likely to be in school and those over 65 years who are retired. More men (71.4%) are employed than women (64.7%), which follows the global pattern of the likelihood of men to be employed than women (Elder and Smith, 2010). Irrespective of sex, however, the report shows that the population in rural areas (70.4%) are more likely to be employed than those in urban areas (65.1%).

Defining unemployment as persons 15 years or older who within the period of the report do not have jobs and are available for jobs, the GSS report shows that unemployment in Ghana is 11.9% and the rate is higher among women (12.5%) than men (11.1%). Various factors including lower levels of education for females than males, discriminatory practices of employers which undermines the effort of women to obtain jobs as well as the difficulties women face in establishing their own enterprises account for the higher unemployment rate among women than men (Baaah-Boateng, 2012).

The private sector employs as much as 91.8% of the labour force in Ghana. Majority of those employed in the private sector operate their own enterprises or engaged independently in a profession or trade. Table 3 above shows the distribution of employment according to sectors.

From the table, more women are employed in most of the sectors than men except the public service and NGOs. The GSS (2016) report also shows no significant structural transformation of employment in the Ghanaian economy over the past decades. For instance, agriculture, forestry, and fisheries remain the sector that employs most. Wholesale and retail trade, as well as repair of motor vehicles and motorcycles, comes second with manufacturing as the third with regards to the proportion of employment.

Overall, 59.6% of the youth (persons aged 15–35 years) are employed, 12.1% are unemployed while the rest 28.3% are not in the labour force. There is not a significant difference between the number of female (12.0%) and males (12.3%) youth who are unemployed. Indeed,

<table>
<thead>
<tr>
<th>Employment sector</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Service</td>
<td>56,092</td>
<td>68,725</td>
<td>124,817</td>
</tr>
<tr>
<td>Public Service</td>
<td>316,300</td>
<td>249,535</td>
<td>565,835</td>
</tr>
<tr>
<td>Parastatals</td>
<td>4252</td>
<td>5652</td>
<td>9874</td>
</tr>
<tr>
<td>NGOs (Local &amp; International)</td>
<td>20,187</td>
<td>13,883</td>
<td>34,070</td>
</tr>
<tr>
<td>Inter-organizational/Diplomatic Mission</td>
<td>4606</td>
<td>4911</td>
<td>9517</td>
</tr>
<tr>
<td>Private Sector</td>
<td>3,873,792</td>
<td>4,633,696</td>
<td>8,507,488</td>
</tr>
<tr>
<td>Others</td>
<td>9105</td>
<td>10,231</td>
<td>19,336</td>
</tr>
<tr>
<td>Total</td>
<td>4,284,334</td>
<td>4,986,603</td>
<td>9,270,937</td>
</tr>
</tbody>
</table>
youth unemployment is a major challenge facing Ghana. In the case of those who have completed tertiary institutions, the frustration of not securing a job and the difficulty of starting a business led to the formation of the Unemployed Graduate Association of Ghana (UGAG). This group was subsequently rebranded as the Association of Graduates in Skills Development-Ghana. The production of oil and gas since 2010 is expected to provide opportunities for Ghanaian's employment at each level of the industry value chain and contribute to a reduction in unemployment in the country. In the next section, findings of the study on Ghanaian employment are presented.

6. Local content and employment in the oil and gas industry

Currently, no official statistics exist on the number of Ghanaians employed, the categories of people employed, the segments of the oil and gas industry value chain that employs most Ghanaians and the conditions of service as well as salaries of Ghanaians. Officials of the PC estimate that over seven thousand (7000) Ghanaians are employed in the oil and gas industry between 2014 and 2016. Between 60% and 70% of these people are employed onshore in non-technical positions such as administrators, accountants, human resource managers, IT specialists, procurement managers, and other support services. The rest of the people constituting up to about 30% are employed in core technical areas mostly offshore either on oil rigs or the FPSO.

6.1. The experiences of Ghanaian onshore workers

Although Ghanaians dominate employment in onshore administrative positions, the study found that several senior management positions are held by expatriates. In one of the MNCs which operates an oil field, it was found that while Ghanaians dominate entry-level positions, the number reduces when it comes to mid to senior management positions. For instance, only five Ghanaians are employed in middle-level management position including two in Health, Safety, and Environment (HSE); one each in Well Operations, General Services and Local Content and Sustainability positions.

According to an official of the company, Ghanaian the workers have now formed a union and are demanding a clear succession plan where Ghanaians could assume job positions currently held by expatriates. According to the interviewee, the company has no salary structure and personnel development plan for Ghanaians although the latter is a requirement in the LCP. There is a significant wage disparity between Ghanaians and expatriates and as an informant, notes 'The expats take up to 400% more than their Ghanaian counterparts.' For instance, a Ghanaian at coordinator level gets about US$ 1400 a month, an expatriate at the same level earns US$4000 (185.7% more). She disputes the view that expatriates have more working experience than Ghanaians that is why such wage gap exists.

The interviewee has over 13 years working experience with international agencies but has not had any significant career progress four years after joining the MNC. Currently, is a unit leader and performs senior management roles but is paid as a coordinator. According to her, she consistently pushed for promotion to and full recognition as a senior manager. However, she is told over the past year to wait and she consistently pushed for promotion to and full recognition as a senior management role but is paid as a coordinator. According to her, she is told over the past year to wait and she consistently pushed for promotion to and full recognition as a senior management role but is paid as a coordinator. In her view, this is unfair given the fact that the expatriate is in a completely different department from the one she currently leads. She recounts four occasions when highly qualified and experienced Ghanaians exited the company because they were poorly paid in comparison to the expatriates. This case was confirmed by a director of another MNC where two of those workers are currently employed. An experienced Ghanaian in charge of an MNC's aviation had to quit the job because a less qualified expatriate with limited experience was recruited from the home country of the MNC as a superior to the Ghanaian. She questions why the PC and the Ghana Immigration Service will approve the work permit of an expatriate for a job that a qualified Ghanaian is doing and has been doing over the past years. Currently, all work permits for expatriates in the oil industry requires approval from the PC before being granted by the Ghana Immigration Service. The rationale is to ensure that only expatriates with skills and expertise that are lacking in Ghana are granted work permits although this is not implemented.

According to a procurement and contract manager, the general unemployment and low wages in Ghana create the environment for foreign companies to pay Ghanaians relatively lower wages in the oil and gas industry. Having been part of the company’s recruitment team over the past two years, the informant notes that when Ghanaian job seekers are asked to quote their expected salary, ‘they [job seekers] quote low salaries even though they are highly qualified. This is because of unemployment and people’s desperation for jobs. Most graduates with master degree quote between US$350 and US$450 as their expected monthly salary. If they complain about the poor salary after starting work, they can easily lose the job and there are job seekers ready to take up the job for same salary or even less.’ Research fellows at the African Center for Energy Policy (ACEP) note that state regulatory institutions are failing to protect the interest of Ghanaians. They contend that personal interest of those in authority is potentially compromising the pursuit of local content in the oil and gas sector.

6.2. Offshore employment opportunities and outcomes for Ghanaians

Offshore job opportunities can be placed into two broad categories, officer level, and ratings/low echelon jobs. Officer level positions are highly skilled positions while the ratings are low skills and entry-level positions. Generally, offshore work is seasonal while the number and categories of people recruited are dependent on the number of rigs operational in Ghana’s continental shelf in addition to FPSOs. The activity type and stage of operation of an offshore field also determine the number of people needed. A scaffolder, for instance, is only needed when there are scaffolding jobs that must be done. This is also the case even for jobs on the FPSO which is a relatively permanent infrastructure until a field is decommissioned. Most of the oil rigs operating in Ghana are semi-sub or drill ships so jobs like DPO – responsible for the stability of the rig, is available if a rig is operational in Ghana's territorial waters.

A review of the crew list of one of the rigs shows the dominance of expatriates in highly skilled positions. The Offshore Installation Managers (OIM) are a Canadian and British, Stability Section Leaders are a Malaysian and American while the Dynamic Position Operators (DPO) are a Ghanaian, American, Dutch, Polish, Latvian and two British. The Safety Officers are two America, a British and a Ghanaian. Other positions such as Deck Pusher, Subsea Engineer among others are all occupied by expatriates.

6.3. Training, capacity building and the challenge of skill transfer

Training, capacity building, and skill transfer are essential to local participation in the oil and gas industry. Training, skill enhancement and transfer of know-how are key to increasing not just the participation of Ghanaians but also their ability to climb the career ladder offshore. Currently, the government of Ghana has no clearly outlined skill enhancement program for Ghanaians. According to an official at the PC, they are currently in touch with a private technical institute in Takoradi to facilitate the training of the youth to make them employable in the oil industry. The CEO of the training institute, however, is of the view that the government has no commitment to the training program. He had sent a proposal to the PC and followed up several times to volunteer his time to train the youth. However, there has not been any real commitment from the government to enhance the capacity of the youth. Indeed, this comes at the back of the collapse of the Enterprise Development Center (EDC) which was established by the government of Ghana with funding from the Jubilee Partners to enhance the capacity of SMEs to take advantage of opportunities in the oil and gas industry
(see Ablo, 2015 for detailed discussion of the EDC).

All the MNCs and other foreign service companies in this study offer training programs for Ghanaian rig workers. These training programs are aimed at putting the workers on a track to progress on the job. The training, however, is not translating into career advancement for Ghanaian rig workers. This informant attributes to the reluctance of expatriate supervisors and team leaders to offer opportunities to Ghanaian trainees to gain critical practical experiences needed because as one informant puts it ‘they don’t want us to take over their job’. The Human Resource Manager of a local company agreed that there are several instances where expatriates intentionally give bad reviews to Ghanaian trainees. He notes that ‘it is not easy for you to train someone to replace you’. It is widely acknowledged that the expatriates are facing job insecurity since training Ghanaians will ultimately lead to them losing their jobs as they will be replaced by Ghanaians.

Thus, once a Ghanaian has the skill and expertise to do a job according to the local content law, they must be given the job. The implication is that most of the trainers on the rigs are not willing to provide the practical exposure and hands-on training for Ghanaian trainees as these trainees are threats to the continued working of the expatriate in the country. The tactics deployed by the expat is to give bad reviews to Ghanaian trainees. Rig workers recount several cases of verbal abuse by expatriates especially Ghanaian trainees. But according to a female Dynamic Position Operator (DPO), the insults are more common if the trainee is a rating on a track to officer level position. The verbal abuse is however not common among officer level trainees rather ‘bad reviews is what we [officers] get’. This ultimately leads to the Ghanaians either losing their job or being transferred to a different department as a trainee or in some instances, being demoted to a lower job position. This was confirmed by both officials of PC, local companies and officials of some foreign companies. Below is a case of how activities of expat team leaders affect career development of Ghanaian rig workers.

**Case 1. From HSE trainee to the kitchen, obstacles to skill transfer**

Kwame1 was recruited to the rig as a roustabout – an entry-level position that can be categorised as unskilled or semiskilled manual labour. His main responsibilities include but not limited to keeping the deck clean and clear of safety hazards, moving equipment around the rig, connecting section of pipe for the well, rig and sling loads being moved by the crane. Due to his hard work, Kwame was recommended by his team leader for training as a safety officer. He takes theoretical lessons at the end of his 28 days shift when he is onshore and undergoes practical training during his shift offshore. As a trainee HSE officer, Kwame worked in the marine, drilling, and technical departments to have a broad overview of operations on the rig and understand the HSE issues for these departments. However, towards the end of the training, the expat HSE officer who was supervising Kwame’s training started giving him bad reviews. Eventually, based on the recommendation of the expat, it was decided that Kwame is laid off. After various negotiations with the Ghanaian recruitment company, Kwame was not sacked but re-assigned to work in the kitchen which is a demotion given that he has risen from a roustabout, worked in all the department before he qualified as a trainee HSE officer.

The crew manager of the Ghanaian company that recruited Kwame acknowledged the difficulties Ghanaians face but note that it is very little they can do to help. According to him, it is only the PC that can send supervisors onboard offshore facilities and they are the only institutions that can intervene. This is especially so as local companies can easily lose the contract with little to no legal ramifications for the foreign company. The crew manager suggests that Ghanaian rig workers including Kwame except they are placed in life threatening situations offshore, ‘must develop a tough skin’. He contends that it is a natural response for the expatriate to try and protect his work. In his words ‘our guys need to be patient. They must resist the push from the expats’. He gave an instance where ‘a Polish crane operator was rude to the Ghanaian trainee...but the guy [Ghanaian trainee] endured and is now the crane operator’. In a context where the PC has failed to protect the interest of Ghanaians, it is up to the workers to protect their own interest by being patient. This is particularly so as the Rig Workers Association is considered by many interviewees as an unhelpful organization. It is alleged that the leaders of the association are ‘sellouts’, as they are easily bribed by the ‘big men’. There is little trust in the union to protect workers’ interest. The chairman, however, refuted these allegations but acknowledged resistance from expatriates.

### 6.4. The dilemma of protecting Ghanaian employment in the oil industry

Beyond asking the workers to endure, officials of local companies note that the fear of losing their contracts limits the extent to which they can pursue unfair and sometimes illegal labour practices in the oil industry. The Human Resource Manager of a local recruitment company recounted a case when a Ghanaian worker was unfairly treated. She reported the case to the PC for redress. According to her the PC official in charge of the case was reluctant in pursuing it. She decided to directly engage the foreign company in addressing the dispute. She, however, discovered that the PC official’s son works with the foreign company. She believes this was the reason why the official was not interested in the case. After realizing the situation, she backed off because in her view ‘if I continue to follow this case, we can lose our contract’.

Another challenge to promoting and protecting Ghanaians employment in the oil industry is the short duration within which several of the oil rigs are operating in Ghana. This limits the extent to which various skill enhancement programs can lead to Ghanaians working in high-level positions. Several of the oil rigs operate from a few months to three years and move to other countries. The situation has worsened in the past few years because of low oil prices and the maritime dispute between Ghana and Cote d’Ivoire which has stalled exploratory activities off Ghana’s coast. The short operational periods of the oil rigs mean that they leave Ghana before the time frame given in the LCP for Ghanaians to move up the employment ladder. When a new rig comes or a new contract is signed at the end of a contract the lasted less than the five years outlined in the LCP these companies cannot be prosecuted for failing to meet their local content targets. Additionally, except for the few highly skilled Ghanaian rig workers, the ratings often start from entry-level positions when they move to a new rig. Thus, a roughneck who has progressed to a trainee safety officer position on one rig could start as a roughneck or roustabout when they move to a new rig. This situation is a major challenge towards achieving employment targets outlined in the LCP.

### 6.5. Same job, same risks, different salaries

#### 6.5.1. Exploitation by local recruitment agencies: the view from a rig operator

A major issue of contention in the oil and gas industry is the wage disparity between Ghanaians and expatriates with similar qualification and experience. This wage disparity is due to the exploitative activities of local recruitment companies which drives down the wages of Ghanaian workers. It is noteworthy that all Ghanaian offshore workers are currently recruited by local recruitment companies. These local companies undercut the salaries of Ghanaian rig workers and pay significantly lower than the amount they charged foreign companies.

The Human Resource Manager of a rig contractor is of the view that ‘the issues of poor salaries cannot be blamed on the foreign companies but the exploitation by local recruitment companies’. In her view, the contracts they sign with Ghanaian businesses is such that, mostly, rig workers are paid average market rate. She notes that the only salary difference that

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1 All informant names are pseudonyms.
should exist between Ghanaians and expatriates doing similar work on
the rig is some allowances that expatriates receive but are not paid to
Ghanaians.

In her view, rather than being unemployed Ghanaian rig workers
accept whatever amounts they are paid although they know they are
being cheated by the local recruitment companies. According to her
‘whatever amount they [rig workers] get offshore is more than they can
earn anywhere else’. She contends that they (rig operator) have a salary
structure that ensures that offshore workers are entitled to similar basic
salary irrespective of their geographic location. The only difference that
exists is in the allowances that are paid. She concludes that the ac-

divities of local recruitment agencies are principal in the low salaries of
Ghanaian rig workers compared to expatriates.

Apart from salaries, the contracts between local recruitment com-
panies and rig operators include training costs, certification, and in-
surance for the workers. The insurance package that local recruitment
agencies secure for Ghanaian rig workers, for example, is lower than the
insurance for expatriate rig workers. According to the Human Resource
Manager of the foreign company, there was an instance when an ex-
patrate was injured and received substantial compensation from the
insurance. However, when a Ghanaian working on the same rig was
injured, the compensation he received was meagre compared to what
the expatriate received. According to her, ‘the guy [Ghanaian rig
worker] felt he was cheated since he received a very low compensation
compared to what the expatriate received.’

The worker subsequently contacted the rig operator for extra compen-
sation similar to the amount the expatriate received. The rig op-
erator did not pay him since the local agency that recruited him
charged for insurance at a rate similar to those of the expatriates.
According to her the rig operator cannot intervein to ensure that
Ghanaians are properly paid, because in her words ‘that, it is the re-

ponsibility of the state and organized labour’. In cases where such activ-

cies could adversely impact their operations, the company intervenes

6.5.2. Local company’s perspective on the low wages of Ghanaian workers

Local recruitment company officials contend that the low salaries of
Ghanaian rig workers are because of the unhealthy competition in the
oil and gas industry. There are too many local recruitment companies
struggling for the meagre contracts that are available. As the CEO of a
local engineering company notes, ‘over 90% of fabrication is done outside
and only 10% done in Ghana’. This creates the situation where local
businesses ‘bid down’ the value in their attempt to secure contracts even
if they make marginal profits. To make up for the lost provide due to the
low contract values, these local companies cut the salaries of Ghanaian
rig workers. Ultimately, as a Logistics and Crew Manager puts it ‘salaries
are not imposed on the workers’. Rig workers according to this official,
have the right to accept or reject the job offer.

Explaining why Ghanaians are paid lower salaries in comparison to
expatriates local companies allude to several factors including the value
of the contract, the experience of the rig worker and the duration of the
contracts. They note that experienced offshore workers are paid higher
than inexperienced workers even for the same job. Additionally, long-
term contracts attract lower daily wage because of the relative stability
that comes with it. A three-year contract on a rig or an FPSO will pay
lower daily rate than a three-month contract.

Additionally, local recruitment companies claim that they cater for
the cost of workers certification including HSE training, Helicopter
Underwater Escape Training (HUET) and Basic Offshore Safety
Induction and Emergency Training (BOSIET). These are expensive

certifications, a cost they claim is borne by local companies and thus,
affords how much the workers are paid. This claim is however disputed by
an official of a foreign company who argues that all those certifi-
cation costs are factored into the contract sum. Indeed, this position is
supported by an official of a state institution who notes that all costs
including training and capacity building as well as certification of
workers are included in the operational cost of an oil well. The local
companies can therefore not claim that as a cost they incur as a busi-
ness.

Corruption is also a major factor accounting for the low wages of
Ghanaians. Officials of three leading local recruitment companies note
that they pay bribes to state officials to secure contracts. This lowers
their profit margins hence they cannot afford to pay Ghanaian workers
high salaries. While none of these interviewees was ready to name state
officials accused of corruption, they all gave instances where they had
to pay a bribe to secure contracts. According to the CEO of a local
company, ‘you have to be corrupt to succeed in this industry’. Some of the
allegations were that, before a contract is finalised, local companies
must pay some percentage to the contract sum to government officials
before approval is given. It was also alleged that some state officials are
shareholders of the local recruitment. All these alleged corrupt practices
negatively affect local employment in the oil industry.

6.5.3. Salary disparity: a regulatory failure?

The PC is the main regulator of the upstream oil and gas industry and
it is expected that they initiate measures to ensure parity in re-

umeration for Ghanaians in the oil and gas sector. Indeed, Ghanaian
rig workers, officials of local companies, MNCs and rig operators note
that the PC is the only institution that can put in place structures to
ensure some parity in the wages whether offshore or onshore. Officials
of the PC, on the other hand, were of the view that, the issues of salaries
are outside their jurisdiction. Arguing from neoclassical economic
perspectives, PC officials contend that firms in the oil and gas industry
are operating in a free market economy where market conditions de-
termine the salaries people get. The commission they argued can make
suggestions but cannot impose or force employers how much they can
pay employees and that workers are free to accept or reject their con-
ditions of service.

When asked why the foreign companies could not employ Ghanaian
rig workers directly as is the case for the onshore administrative posi-
tion, the official notes ‘that is how it is done everywhere’. The argument
made by the interviewee is that the activities of recruitment agencies is
not new in Ghana or not unique to the oil and gas industry. He further
notes that foreign companies cannot directly access the Ghanaian la-
bour market until they arrive in the country. This assertion, however,
raises several questions which were not adequately answered. The first
is why will the commission not operate a database of skilled and qua-
lified job seekers that the MNCs and other service providers can access
whether they are in Ghana or not? Secondly, why will the commission
not ensure that for instance six months after recruitment by local
companies, foreign companies can take over the employment of the
Ghanaian workers directly? These are relevant questions in view of the
exploitation by the local recruitment companies. The inability of the
commission to actively regulate the activities of local recruitment
companies has been attributed to corruption. Several interviewees in-
cluding state officials, Ghanaian rig workers and officials of foreign
companies claim that influential politicians and bureaucrats are part
owners of some of these recruitment companies. These local companies
then provide avenues for elites to capture resource rent.

7. Scale, local content and the challenge of Ghanaians employment

Local content and local participation in the oil and gas sector is a

critical step towards the promotion of inter-sectoral linkages between
the extractive sector and national economies (Able, 2016, 2017; Bloch
and Owusu, 2012; Ovadia, 2015). LCPs are essential for countries to
limit the potential of the extractive sector to operate as an enclave
(Ferguson, 2005). This paper draws on the concept of scale (Haarstad,
2007, 2014a; Herod, 2011) which describe a constructed arena of ac-
tivity that is highly interrelated to discuss the employment outcome of
Ghana’s oil and gas industry.
The lack of an employment in the oil industry. Clearly, interests across national, local and the country is a major drawback to achieving increased Ghanaian employment. The continues alleged malpractices as well as continue working in Ghana thereby limiting the scale create the environment for expatriates to perpetuate these alleged the job and proposed local content targets are achieved.

7.1. Training, capacity building, and skill transfer: a scalar complexity

To promote Ghanaians employment in the oil and gas industry, the LCP requires training, capacity building, and skill transfer. Knowledge transfer is essential for the benefits from the extractive sector to transcend the period of production. Diffusion of core technical skills could be deployed in other sectors of the Ghanaian economy. But as shown in the paper scalar complexities (Herod, 2011; Swyngedouw, 2004) are central to understanding the extent to which the employment targets can be achieved. Regarding training and capacity building for Ghanaians to boost their employment, there is an inherent tension between actors across scale (Haarstad, 2007; Herod, 2011; Swyngedouw, 2004). The success of LCPs in the extractive sector is an outcome of the extent to which the events and activities of actors, institutions, and interests that can be local, supra-national and national (Haarstad, 2007; Herod, 2011; Swyngedouw, 2004). The poor salaries of Ghanaian workers, the slow pace of knowledge transfer and the limited level of Ghanaians employment offshore is a result of poor regulation by the PC, resistance from expatriate workers as well as activities of local recruitment companies.

8. Conclusion

Drawing on the concept of scale, the paper shows that achieving significant levels of local participation depends on the ability of state institutions to enforce various regulatory requirements, the activities of local and foreign companies. The extent to which LCPs promote broad-based socio-economic development in African countries can therefore not be understood without taking into consideration how cross-scalar processes and interest shape these outcomes. For effective and sustained employment of Ghanaians, it is recommended that the Petroleum Commission stringently enforce the regulation on skill transfer and the duration of stay of expatriates working in Ghana’s oil and gas industry. Additionally, there is the need for government to introduce and enforce regulations on salaries and conditions of service to bridge the wage disparity between Ghanaians and expatriates. This can be achieved through inter-agency collaboration between the PC, Ministry of Energy and the Labour Commission to ensure effective enforcement, monitoring, and evaluation of key stakeholders. Local recruitment agencies should be regulated properly to minimize their ability to exploit Ghanaian oil rig workers.

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