

# **ASSESSING THE STRENGTH AND WEAKNESS OF THE GHANAIAN CONSTRUCTION INDUSTRY**

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Ghana as a developing nation located in the sub-Saharan Africa is characterised by its favourable political atmosphere and stable economy to do business. The country needs infrastructure development in order to satisfy both the economic and social development requirements of its economy. The construction industry, however, is a vital sector of the economy that addresses the socio-economic development needs of every country. This paper, therefore, seeks to assess the strength and weakness of the industry. The study as solely qualitative supported by an extensive review of literature via a desk-top study was embarked which captured the use of existing journal publications, government white papers, and gazette among others. The study revealed that the construction industry in Ghana is an important sector which creates employment which tends to reduce poverty to a larger extent. Also, the collaboration of the construction industry with other sectors do as well increases the gross domestic product of the economy and brings about entire growth in the economy. Similarly, the study revealed that the industry is posed with constraints which are categorised as weakness. These include access to credit facilities, a long span of control, employee management and corruption among others. The study, therefore, recommends the establishment of a construction industry development board that in Ghana to supersede all the activities of the industry in order to promote, maintain a high standard construction industry to the Ghanaian economy and society.

*Keywords:* Employment, Developing-nation, Infrastructure, Productivity.

## **1 INTRODUCTION**

A developing nation like Ghana situated in the sub-Saharan part of Africa is characterised by its favourable political atmosphere and stable economy to do business. As a developing nation, infrastructure needs is imperative. As a result, the country needs infrastructure development in order to satisfy both the economic and social development requirements of its economy such as roads, houses, buildings to serve as schools, hospitals, factories and offices among others. According to Hillebrandt (2000), the construction industry of every country is a vital sector of the economy that addresses the socio-economic development needs of the country. Behm, (2008) also supported that construction is a large, dynamic, and complex industry sector that plays a significant role in the in most economies. The construction industry does not function in isolation rather; some sectors act as an auxiliary in enhancing the operations of the industry. Industries such as the automobile, pharmaceutical petrol chemical among others play crucial roles within the construction industry. The construction industry is not only a critical component of a nation's economy but also a fundamental factor in the quality of people's lives and the ability of the

government to achieve many of its policy aims (Bosher *et al.* 2007). Despite significant merits that are gained from the construction industry, in Ghana, the sector is posed with constraints that limit the sector from functioning entirely. In addition, these constraints further act as barriers to the growth of the construction sector in Ghanaian economy as a whole. Nevertheless, when the construction industry which has been argued as the growth indicator of an economy is not booming, it there will be a severe effect on the entire economy. It is therefore against this backdrop this study has been embarked to explore the strength and weakness of the Ghanaian construction industry.

## **2 METHODOLOGY**

This study was solely a qualitative approach. In order to achieve the aim of the study, an extensive review of the literature on Ghanaian construction sector between the periods of 2010 and 2015 was embarked via a desk-top study was embarked which captured the use of existing journal publications, government white papers, and gazette among others. The literature review also captured the construction industry of both developed and developing economies.

## **3 REVIEW OF LITERATURE**

### **3.1 Characteristics of the Ghanaian Construction Industry**

The construction industry in Ghana has similar characteristics as those in other developing countries. The industry plays an essential role in the socio-economic development of a country. The activities of the industry have immense significance to the achievement of national social and economic development goals of providing infrastructure, sanctuary, and employment. The industry deals with all economic activities directed to the creation, renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature (Khan 2008). Besides, the construction industry generates substantial employment and provides a growth impetus to other sectors through backwards and forward linkages (Ganesan 2000). The industry is dominated by a huge number of small and medium-sized firms that operate mainly in the formal and informal sectors. These categories of firms are widely spread throughout all regional and district capitals of the nation. The construction industry in Ghana has longed depended on middle-aged craft people. As captured by the review of the literature the benefits that an economy gains from the activities of SMEs thus include recruiting large volumes of the population for employment amongst others. The sector is regulated by government ministries, Ministry of Roads and Highways (MRH) and Ministry of Water Resources Works and Housing (MWRWH) in the absence of the construction developed board (cidb) as practised in the advanced economies. According to Ofori (2008), there has been adhoc scheme to help the construction industry in Ghana to develop. Ribeiro and Fernandes (2010) acknowledged that construction industry is organisational complex and highly fragmented with a predominance of small and medium size firms. According to Egan (2002), the issues of organisational complexity and fragmentation of the construction industry are well captured in the Egan (1998), and Latham (1994) reports as the primary attributes of poor performance in the construction sector. In addition, Ofori and Toor (2012) argued that the construction industry is usually described as being one of the riskiest businesses such as lack of job continuity owing to the project-based nature of the industry. Further, Briscoe *et al.* (2001) emphasised that in the construction sector, the network of supply chain members can often be incredibly complex, particularly on larger projects where the number of separate supplying organisations will run into hundreds of folds.

The industry is also characterised as operating in an environment that is nomadic in nature and is affected by the adverse effect of the weather.

### **3.2 Strength of the Ghanaian Construction Industry**

The industry of every country constitutes a substantial part of the economy. Therefore, it is essential that vital construction activity cares for the healthy growth of the economy. Osei (2013) likewise remarked that construction sector of most economies holds immense potential for stimulating growth, boosting project exports and generating employment. Studies have proved that construction contributes between 5 and 10 percent of gross domestic product (GDP) in all countries, employs up to 10 percent of the working population, and is responsible for about half of the gross fixed capital formation (Ofori 2012). Similarly, the sector's activities and its output is an integral part of a country's national economy and industrial development. The sector is often seen as a driver of economic growth especially in developing countries such as Ghana. The industry can mobilise and effectively utilise local human and material resources in the development and maintenance of housing and infrastructure to promote local employment and improve economic efficiency (Anaman and Amponsah 2007). Ofori (2012) further stressed that investments estimated in housing alone account for 2 to 8 percent of GNP; between 10 and 30 percent of gross capital formation; between 20 and 50 percent of accumulated wealth; and between 10 and 40 percent of household expenditure in the Ghanaian economy. In addition to the sector producing structures that add to productivity and quality of life, it has the unique characteristics of being labour intensive. It is evident that construction industry is the pivotal element in infrastructure development. Good infrastructure such as roads construction helps to lower productivity cost hence contributing to economic growth. The industry adds value to the country's developmental agenda through successfully undertaken such projects. Also, the industry loses credibility, trust and reputation with the populace if projects do not address the needs and expectations of the people. Similarly, the sectors rural developmental projects which are usually embarked by indigenous small and medium-sized construction firms further trickle-down economic benefits to the country and the citizens.

### **3.3 Weaknesses of the Ghanaian Construction Industry**

Although the construction sector as emphasized in literature, plays a vital function among other sectors in terms of the socio-economic development of a nation, there are however challenges that the industry encounters and are considered as its weakness. Challenges in the Ghanaian construction industry as highlighted by Pearce (2003) stressed on the relevance of understanding the status of the construction sector. Ofori (2012) asserted that studies have shown that the construction industries of developing countries, including that in Ghana, face many problems. Ofori, (2012) further categorized the reasons for such challenges into three namely as a result of economic weaknesses of these countries, non-recognition of the construction industry by governments of these countries and finally the inherent underdevelopment of the construction industries in these countries. This becomes difficult for the sector to deal with their weaknesses and to request for assistance, or to contribute to the efforts by the central government in accomplishing its developmental mandate. The problems facing the industry in Ghana are similar to those industries in other developing countries. The industry is faced with the following constraints; considerable maintenance problems and backlog in the road network requiring attention; the need for effective reporting and management information systems; severe management gap owing to the drift of young engineers to other organizations. The industry is also burdened with problems such as low productivity, lengthy pre-contract award procedures,

corruption, and delays resulting in time and cost overruns and unsatisfactory quality of work (Ahiaga-Dagbui *et al.* 2011). Corruption has often been touted as a problem in developing countries regarding bribing government officials to win projects (Olken 2009, Olken 2007). The industry is faced with an inconsistent electrical grid, overburdened public water distribution system, poor public sanitation, overcrowded living conditions, and failing infrastructure make both the industry's future success and present state trying to sustain. If not addressed soon would further cause problems resulting in an urban slump which will have long-term detrimental impacts on Ghana's future (Osei 2013). Currency instability is another finance function, which has serious implications for several of the previously explored problem areas. In view of the large proportion of projects and programs which originate from external donors, any changes in exchange rates and prices of goods and services in the course of project implementation may necessitate an upward revision of some project cost elements. Worker training programs within the industry are facing a severe decline in the apprentice system.

#### **4 FINDINGS AND DISCUSSION**

Ghanaian context which has similar characteristics as construction industry in other developing economies. The findings also buttressed that the construction sector generates substantial employment and provides a growth impetus to other sectors through backwards and forward linkages as emphasised in the study of Ganesan, 2000. Further small and medium-size firms dominate the industry and operate mainly in either the formal and informal sectors. These SME firms are however spread throughout all the locality of the nation. The Ghana construction industry is acknowledged as an organisational complexity and highly fragmented. Also, the strength of the sector which was captured in the study includes the sector performing as a driver of economic growth particularly with its impacts on the provision of housing and other infrastructure which promotes local employment and improves economic efficiency as confirmed by (Anaman and Amponsah 2007). The results showed that the construction industry adds value to the country's developmental agenda through successfully undertaken such projects. Undoubtedly, the industry loses credibility, trust and reputation with society if executed projects do not address the needs and expectations of stakeholders. Similarly, once the sector embarks on developmental projects, jobs are created and hence there is the minimization of poverty and a direct improvement of the entire GDP of the nation. The study in addition also established some direct and related weaknesses of the industry which has an apparent effect on the sector. The industry is held back with problems such as low productivity, prolonged pre-contract award procedures, corruption, and delays resulting in time and cost overruns and inadequate quality of work as emphasised in the study by (Ahiaga-Dagbui *et al.* 2011). Further, corruption has often been touted as a problem in developing countries regarding bribing government officials to win projects (Olken 2009, Olken 2007). Additionally, the construction industry is also faced with the weakness of currency instability which has serious implications on the cost of estimated imported materials and the overall project budget. More so, the Ghanaian construction industry is characterised by the following weakness including limited access to financial credit challenges in labour management, poor health and safety practices and large span of control in communication among others.

#### **5 CONCLUSION**

The import of this study is to explore better and understand the strength and weakness of the Ghanaian of the construction industry. In order to discover the strength and weakness, a holistic overview of the construction industry in Ghana was mapped. This was done in terms of its merits

to the economy by providing socio-economic development, provision of employment and job creation as well a reduction of poverty among the populace. Also, conclusions drawn from the literature indicates that construction sector in Ghana contributes between 5 and 10 percent of gross domestic product (GDP) in all and employs up to 10 percent of the working population (Ofori 2012). Further, the conclusion from the study indicates the construction industry is seen as a driver of economic growth. This is done by the construction sector mobilizing local labour and materials for the use of industry. More so, the study ascertained that the sector is healthy with the provision of good infrastructure such as roads construction helps to lower productivity cost hence contributing to economic growth. As well, the construction industry brings about economic stability, brings about Employment and job creation, and brings about a reduction in poverty, Increase in Gross domestic product. Although the construction industry as emphasised in Literature, plays a vital function among other sectors in terms of the socio-economic development of a nation, there are however challenges that the industry encounters and are considered as its weakness. Constraints which are classified as weakness includes limited access to financial credit challenges in labour management, poor health and safety practices and large span of control in communication among others. Though the Ghanaian construction industry is performing and not fully meeting the economic development of the populace, there is still the need for improvement. The study, therefore, concludes that there is the need for the establishment of the construction industry development board in Ghana to supersede all the activities of the industry in order to promote, maintain a high standard construction industry to the Ghanaian economy and society.

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