



ALLIANCE FOR SOCIAL EQUITY & PUBLIC ACCOUNTABILITY

Promoting Transparency in Governance

ASEPA'S MINI REPORT ON GHANA'S CURRENT UNEMPLOYMENT SITUATION

INTRODUCTION

Unemployment in Ghana has always been a lingering problem at least since the beginning of the first Republic, when Governance of the Country was handed over to Ghanaians for the first time.

Other important areas of the economy such as *Education, healthcare, Civil Service* etc were all now at the disposal of Ghanaians and Government had a responsibility to train the requisite labour force to take up such roles.

At the time, a huge chunk of the population were farmers, only a few technocrats available in the major cities most of whom had migrated back to Ghana from abroad where they went to study. The urgent need for such professional labour force in the relevant areas had a huge impact in the programs the tertiary institutions in the Country were running, it also greatly affected the Government Policies in the training of such professionals; For example, the high demand for teachers and Nurses pushed Government to institute a student allowance policy to attract students into the teaching and Nursing fields.

At the time jobs were readily available and there was a high demand for trained professionals, Growth in the economy gradually led to urbanization and rural urban migration, coupled with absence of a deliberate policy to keep a huge chunk of the population in the agriculture sector led to a huge shift from Agriculture to services and with time, trained professionals in the services sub-sector began to exceed the jobs that were readily available in the sector.

In the absence of a deliberate Policy to transition these services trained Professionals into other relevant areas meant these trained professionals had to remain unemployed between 2-7 years before landing a job.

This report has been put together to carefully analyses Ghana's unemployment situation, causes and what should be done immediately to mitigate its effect on the Economy and the Citizenry.

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TYPES OF UNEMPLOYMENT IN GHANA

1. Frictional Unemployment

This is the type of unemployment that emanates from rural urban migration. Every year it is estimated that close to 200,000 young people migrate from the Northern and other parts of the Country down south in such of employment. Another form of Frictional Unemployment in Ghana is the thousands of graduates produced by our tertiary institutions every year unto the job market without any readily available job to absorb them.

2. Structural Unemployment

This is the type of unemployment that results from the huge disparity between the jobs available and the also skills industries require and the graduates Academia is actually producing or the people who actually on the job market looking for jobs. No doubt this is a major cause of unemployment in Ghana.

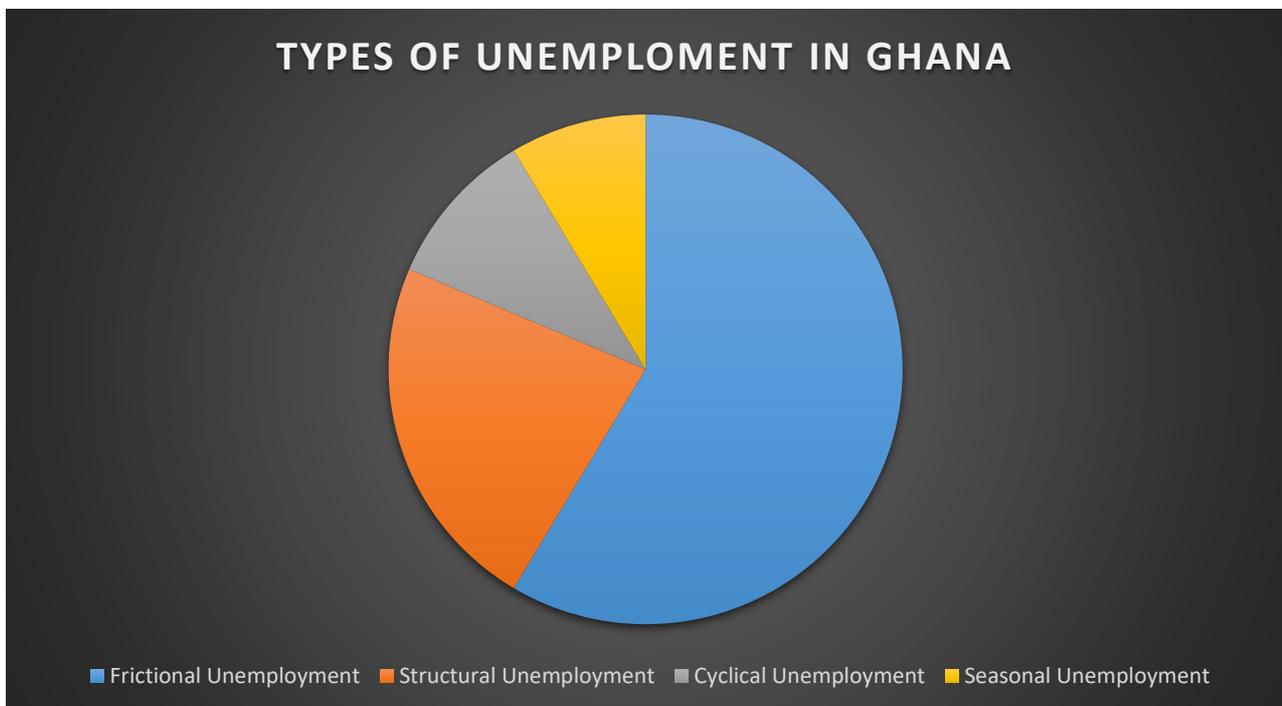
3. Cyclical Unemployment

This type of unemployment results from the diminishing demand of a particular product or services in the economy. For example when demand for bread in the economy falls, all bakers, flour producers, bread retailers are likely to lose their job. This type of unemployment is less prevalent in Ghana.

4. Seasonal Unemployment

Just like Cyclical Unemployment is the least causes of unemployment in Ghana.

The chart below shows the causes of unemployment in Ghana.



NB: Note this is just a pictorial illustration of our observation of the causes of unemployment in Ghana and not based on any official data.

OTHER CAUSES OF UNEMPLOYMENT IN GHANA.

1. High Taxes

High taxes in an economy such as ours greatly increases the cost of production for businesses thereby making them uncompetitive.

High taxes also decreases the disposable income of Citizens and ultimately reduces consumption.

This makes it difficult for businesses to expand and employ more people.

2. Difficulty in building up Capital

Capital is very difficult to build in our part of the world, this stifles innovation and entrepreneurship.

Up to 99% of graduates from our various Universities every year are offloaded unto the job market seeking employment due to lack of capital to start their own business.

Lower wages coupled with high income taxes makes it difficult to build up capital in Ghana to start a business.

3. Lack of Credit Facilities for Young People.

In other jurisdiction, Young people have access to credit cards, mostly funded by their parents or guardian.

Parents help their children to build up their credit ratings and by the time they finish college, they are able to access good credit facilities for their start-ups.

In Ghana, the main criteria to access credit is the ability to raise a Collateral, this means that young people at the beginning of their lives, with no assets can never be able to access any credit to start their own business, leaving them with no option that to hunt for non-existing jobs and adding up to the unemployment numbers in the Country.

4. High Interest Rates

High Interest rate is one of the significant causes of unemployment in Ghana.

In Ghana businesses can access credit between 25% and 40% depending on the facility and the institution providing it.

In Japan businesses can access credit as low 3%, in the U.S as low 5% in Europe as low as 5-10%.

This high interest rate in Ghana, stifles investment, affects the prices of goods and services, and impedes on growth making it difficult for businesses to expand and employ more people or for new businesses to spring up and employ people.

5. Non-Enforcement of Regulations

Lack of enforcement of laws on Employment, Trade and Finance also contributes significantly to unemployment situation in Ghana.

For example there are laws regulating foreigners' participation in our job market that remains largely un-enforced.

Our laws require foreign firms to have their senior management roles reserved for Ghanaians but we Foreigners occupying senior management positions in International firms based in Ghana. The rippling effect of this situation is the influx of expatriates in our job market, because foreigners heading these firms are more inclined to bring in foreign 'experts' than employ local people in various capacities.

Our local content laws in the various sectors such as the Oil sector largely remains un-enforced, with Ghanaians fronting for their foreign partners to influx local content arrangements that are supposed to create opportunities for locals.

The non- enforcement of Profit repatriation laws barring foreign firms from repatriating 100% of their profit is also a contributory factor to the unemployment situation in the Country.

SHORT TERM SOLUTIONS TO THE UNEMPLOYMENT SITUATION IN GHANA

Events at the YEA job fair last week, where thousands of graduates thronged the International Conference Center in a desperate manner stampeding on one another looking for jobs cannot and must not be taken lightly by Government.

Coupled with the huge scores of young people storming recruitment centers of the various security agencies calls for a swift action to resolve this crisis before the situation further degenerates into an escalated national security crisis.

We are therefore calling on Government to as a matter of urgency, implement the following recommendations as soon as possible to reduce the youth unemployment situation in the Country particularly graduate Unemployment.

1. Government must as matter of urgency call for a National Forum of all Entrepreneurs and job owners in the private sector to discuss how to absorb at least 25% of the current number of unemployed youth in the Country in exchange for tax cuts.
Private Organizations should be provided tax cuts between 20-80% depending on how many people they can employ in the 6months.
Tax experts will definitely advise against this due to the impact the tax cut will have on Government revenue. What Government can do is to strictly enforce the 10% income tax law for the new recruits and depending on the number of people who would be employed Government can recoup a huge chunk of the tax cuts through Income tax, this if done properly will reduce the impact these tax cuts may have on Government revenue.
2. Government must free up the Public sector by forcing all personnel in the Civil Service above the retirement age to proceed on compulsory retirement immediately, those who have been given one year or two years contracts must be terminated immediately.
It is estimated that close to 40% of persons in the Civil Service now are close to or above the retirement age.
This Compulsory retirement we believe can free up the entire Public Service by about 25-30% giving way to employ a significant number of the unemployed graduates.
Mind you, the salaries of senior civil servants can employ up to four fresh graduates depending on the grade and position of the senior servant.

LONG TERM RECOMMENDATIONS TO END UNEMPLOYMENT IN GHANA.

Unemployment affects several Countries and it is important to admit that it cannot be removed totally, however there are deliberate policies that can reduce it to the barest minimum.

We have therefore put together some key medium to long term recommendations which we believe could help reduce unemployment in Ghana.

1. Re-focus on Agriculture

There must be a deliberate effort by Government to get at least 40% of its University graduates every year into Agriculture.

Ghana's vast arable land and rainforests are a huge asset that must be harnessed to create jobs for its young people.

Out of the over 200,000 young people who enters the labor market or work force every year less than 5% actually go into Agriculture even with that a huge chunk of this 5% actually goes into agri-business leaving very few young people going into active farming or agriculture.

This situation is very worrying and if care is not taken, Ghana would lose a number of its farmers in the next 20-30 years with very little or almost no one to replace them. There could also be a situation where its best practices, seedlings and years of knowledge may go extinct because there would be no one to pass on such important knowledge to.

This will further worsen our situation by skyrocketing our food imports, putting great pressure on our currency.

2. Government must invest in building a credit infrastructure for young people.

Suh a credit infrastructure must take the form of a system where soft credits can be allocated to young people to develop mini start-ups whilst in school and the records of such credit score based on how effective the students were able to manage their soft loans can be developed into a credit rating database and shared with commercial banks and this can be used by the banks to provide further credit facilities for students who want to build start-ups after school. Other policies geared at increasing graduates' chances of getting capital for their start-ups must also be considered.

The Free zones Board, The Ghana Investment Promotion Center, the Venture Capital Trust fund must all have a targeted Policy to assist graduates to go into entrepreneurship right after school.

The target should be at least 20% of your graduates every year must be able to start-up their own business and Government must be able to fund it or facilitate the private investors to fund such start-ups

If 20% of your graduates every year are starting their own business, assuming 80% of the start-ups survives and grows into an SME employing 10 people each, in 5 years you would have created jobs for over 30,000 people.-think about it!

And the cycle continues.... In 10 years you would have reduced your unemployment burden by over 90%.

3. **Government must ensure a total reduction of the lending rate in Ghana.**
Cost of capital is a great disincentive for start-ups, apart from the access to capital which is a major problem, the cost of capital is also huge problem in Ghana.
Even though the current policy rate released by the Bank of Ghana is at 13.5%, Banks in Ghana are still lending as high as 37% citing several risk factors as the basis for this high interest rate.
This is makes capital very expensive in Ghana, Government must invest in proper data infrastructure, housing and personal identification infrastructure etc to reduce the lending risks for banks.

4. **Urgent Fiscal Reforms**

Government needs to implement urgent fiscal reforms that stimulate growth instead of the current one that is stifling growth in the economy.

Government must link its fiscal policies to the growth rates it stimulates and the number of jobs it is able to create directly and indirectly.

5. **Enforcement of Laws.**

Government must strictly enforce its labor laws, especially the ones barring foreigners from participating in certain aspect of the job market.

New regulations also needed to bar the importation of menial labor such as painting, construction, plumbing, electrician etc.

ASEPA will release a full report focusing the Unemployment records from 1970-2021, conduct a comprehensive trend analysis on Ghana's unemployment situation and measure its socio-economic impact since the situation became more prevalent more than a decade ago.