

# The youth unemployment and joblessness challenge in Ghana: Revisiting the issues

**A Background Paper for a National Youth Employment Dialogue**

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# The youth unemployment and joblessness challenge in Ghana: Revisiting the issues

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## 1. Introduction

Youth unemployment and joblessness together constitute a major socio-economic and political problem in Ghana and many other African countries. Ghana's growth performance has been quite impressive. Until 2014, when Ghana's growth fell below 4 per cent, the country's GDP growth had been remarkably high, ranging between 4.3 per cent and 14 per cent to give an annual average of 8.1 per cent over the period 2007-2013. However, this growth has not translated into the creation of sufficient jobs for the rapid expansion of the labour force. Indeed, employment growth over the years has not kept pace with the country's strong GDP growth in the, particularly in the formal sector. It is estimated that on average, economic growth of 1 per cent is accompanied by a 0.5 per cent growth in employment with most jobs created in the informal sector.<sup>1</sup> Employment creation has also not been sufficient to meet the rising number of labour market entrants. In 2014, about 207,492 jobs were created by non-household enterprises (see GSS, 2015), which fall short of an estimated 519,539 potential net labour market entrants in the same year. Thus about 312,000 people were left jobless. This figure includes the unemployed and those inactive outside the school system.

While the employment challenge affects the whole labour force, its impact is particularly severe on the youth whose rates of unemployment or engagement in vulnerable and informal employment tend to be higher.<sup>2</sup> Essentially, the challenge of youth employment and unemployment has been a key issue dominating the political discourse in presidential and parliamentary electoral campaigns since 1992, but a solution to the problem remains elusive. The African Center for Economic Transformation (ACET) in collaboration with the INCLUDE platform organised two national dialogues on youth employment in Ghana in 2016. The purpose was to engage the parties in

1: See Aryeetey and Baah-Boateng (2016).

2: Vulnerable employment is defined as the proportion of own account and contributing family work in total employment. It is a defined measure of people employed under relatively precarious circumstances indicated by their status in employment. We use the term "employment challenge" to refer to both unemployment in particular and joblessness in general as well as engagement in vulnerable employment.

a discussion before the December presidential and parliamentary elections, so that consensus could be reached on labour market challenges. Indeed, "job creation" became so much the focus during electioneering that the main opposition party, which went on to win the election, titled their Manifesto "Change: An agenda for jobs". The employment generation strategy outlined in the document was anchored on industrialisation linked to modernised agriculture with two key campaign issues – "one district, one factory" and "one village, one dam", alongside "planting for food and jobs" to show the party's commitment to promoting employment generation once in government.

This report was prepared as a background paper to guide the National Dialogue, held on 28 February 2018 at Fiesta Royale Hotel in Accra. The report captures the outcome of the two prior events held in 2016, and discusses government policy towards employment creation. The report gives stylized facts on youth unemployment challenges in the country, identifies the causes of youth unemployment challenges and reviews government policies to address the issues.

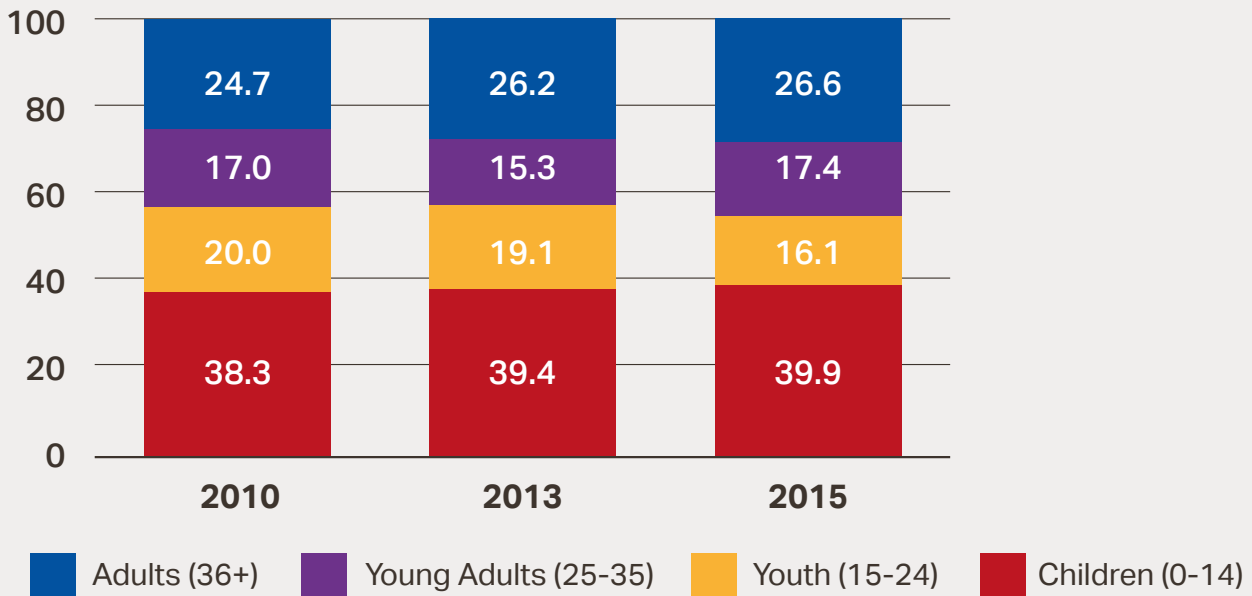
## 2. Stylized Facts about Youth Unemployment

### 2.1 Why the Youth Focus

In Ghana, the population aged 15-35 are referred to as youth, which is in line with the African Union definition of youth. The youth in Ghana account for about a third (33.5%) of the country's population with about two-fifths being children below 15 years (figure 1), who will form the youth population in the next decade. Until 2015, when the population of young adults aged 25-35 outstripped the category of youth aged 15-24, the majority of the youth were within the age range of 15-24 years. This group of young people constitutes mainly new entrants to the market from different levels of education, with limited or no work experience. This tends to impede their chances of securing productive and/or formal sector jobs.

The problem that young people face in securing adequately remunerated and productive jobs after leaving school tends to increase their vulnerability in society, making them susceptible to social vices

**Figure 1: Age distribution of the population 2000-2015 (%)**



*Source: Computed from 2010 Population Censuses, GLSS 6, and Labour Force Survey. GSS*

and potential sources of conflict and civil disorder. The high and increasing incidence of street hawking and the migration of Ghanaians across the Sahara Desert and the Mediterranean, notwithstanding the associated risks, are symptoms of the labour market challenges and also reflect a sense of hopelessness.

The youth represent a particular opportunity and at the same time a challenge for development and security. On the positive side, they constitute a potential resource for growth and development if they are gainfully and productively engaged. In contrast, they can also be a source of civil conflict and social tension if this untapped resource is poorly managed. Indeed, disaffected youth without education, jobs or the prospect of a meaningful future may fuel future instability, migration, radicalization and violent conflict. The growing concern about the youth unemployment challenge on national and global development agenda hinges largely on the fact that young people largely bear the brunt of labour market challenges in terms of high rates of unemployment and joblessness, as well as the poor quality of employment.

The youth face specific challenges in accessing labour market opportunities, which have the effect of lowering their chances of finding decent jobs. Indeed, the lack of experience of young people in the labour market poses specific barriers to securing productive and well paying jobs, exacerbating the problems associated with early unemployment.<sup>3</sup> Additionally,

young people also stand the highest chance of losing their jobs in times of economic downturn. Underutilization of youth skills does not only expose them to social exclusion but also has a triggering effect on intergenerational poverty. The challenge facing the youth in securing quality jobs after school increases their vulnerability in society and makes them susceptible to social vices and source of conflicts and civil disorders. They are more likely to accept recruitment into fighting forces when they face a high incidence of joblessness.

## 2.2 The Youth Unemployment Situation

Unemployment rates are generally higher among the youth than adults because they are more vulnerable in times of economic challenges than their older counterparts on account of labour market constraints such as lower levels of education and limited labour market experience. The youth also lack job search experience and are limited in terms of labour market information to facilitate their job search. In times of economic downturn, the layoff policy of firms, which often follows the principle of Last-In-First-Out, makes them more likely relative to older workers to lose their jobs. The youth unemployment rate is higher among youth aged 15-24 than young adults aged 25-35 years, confirming the general observation that the unemployment rate declines with age. As reported in **figure 2**, the rate is twice as high among youth (15-24) than young adults (25-35 years).

<sup>3</sup>: See also Clark and Summers (1982), Freeman and Wise (1982).

## 2.3 Youth in NEET

The adoption of the traditional concept of unemployment that emphasises the phenomenon of job seeking in the labour market of most developing countries has been seen as restrictive with the tendency to underestimate the true rate of unemployment. As already pointed out, there are a considerable number of discouraged workers who are excluded from the labour force, and for that matter the computation of unemployment, because of their failure to make efforts to seek jobs even though they are jobless and available for work.

The concept of NEET (Not in Employment Education and Training) attempts to capture discouraged workers and others who are considered inactive outside the school system, in order to better measure the extent of labour market challenge in developing countries. Indeed, this concept is considered as one of the key indicators of the decent work goal of the Sustainable Development Goals (SDG 8). Essentially, the NEET rate of youth is an alternative indicator to the youth unemployment rate, measuring the sum of young people not in employment, education or training as a proportion of the entire age category. A young person is considered NEET if he or she has left the school system and is not employed or in continuing education. NEET includes unemployed and discouraged young people as well as those who are considered to be out of the labour force or inactive.<sup>4</sup>

4: See OECD (2010).

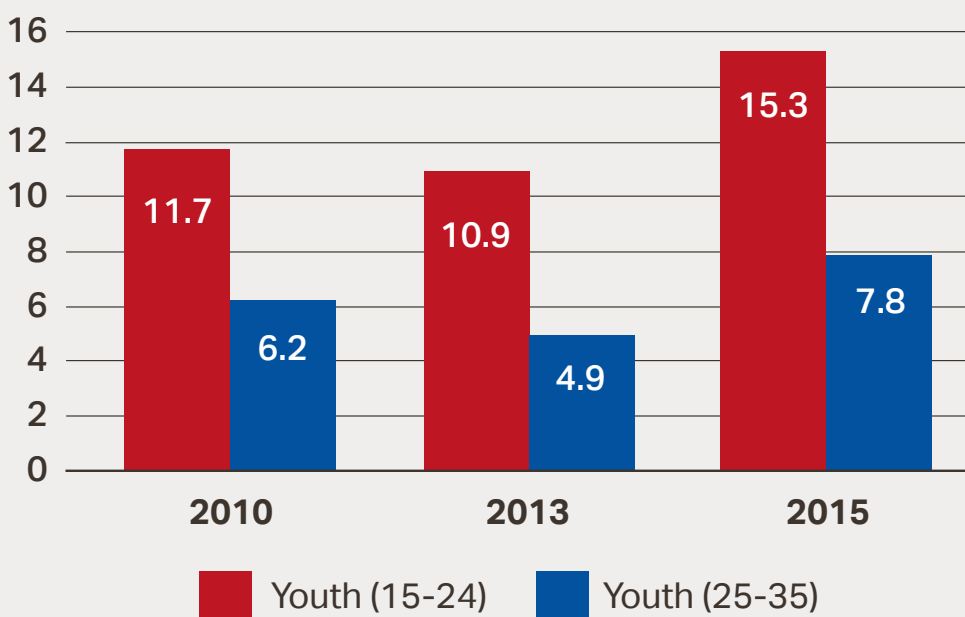
**Figure 3** provides evidence to indicate that about 27.1% of youth aged 15-24 years were in NEET in 2015, compared to 20.4% of younger adults aged 25-35 years. NEET or the joblessness rate declined among youth (15-24) between 2010 and 2013 but the reverse is the case among younger adults aged 25-35 years.

## 2.4 Education Dimension of Youth Unemployment

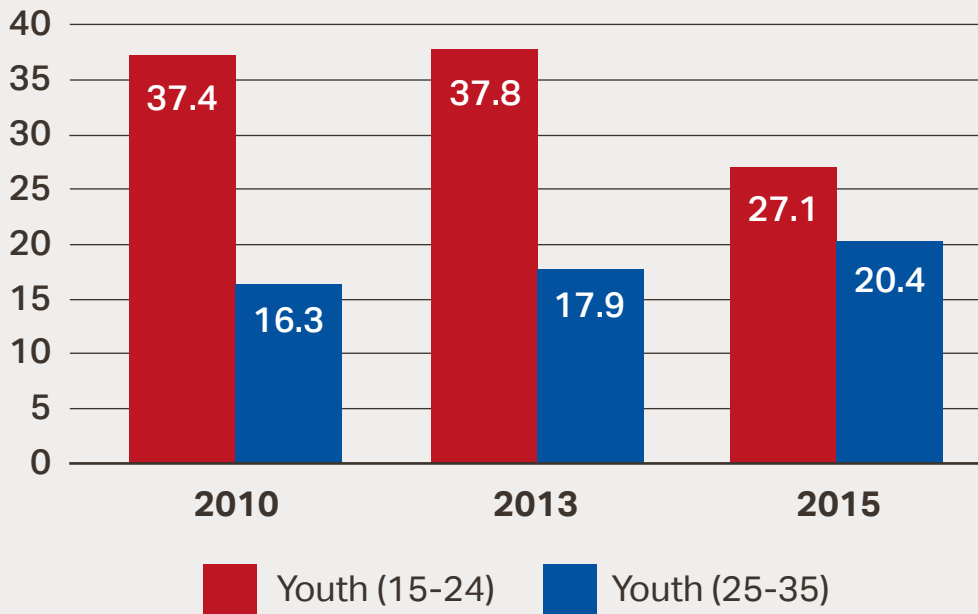
The relationship between education and the youth unemployment rate suggests a higher youth unemployment rate among the educated than the less educated. Figure 4 reports the unemployment rate by education for three different youth groups and suggests generally higher youth unemployment rates among the educated than the uneducated. The rates are highest among young people (aged 15-24 and 25-29 years) with bachelor's degrees or better and lowest among those with no formal education or at most basic education.

The higher youth unemployment rate among the educated youth underscores the need to focus on addressing the phenomenon of unemployment among the educated youth. Limited formal sector jobs for graduates with no consideration for employment in the informal economy continues to be the major driving force for the high and increasing youth unemployment among university and other tertiary graduates in Ghana. With secondary school

**Figure 2: Youth unemployment rates (%)**



*Source: Computed from 2010 Population Census, GLSS 6 & Labour Force Survey. GSS*

**Figure 3: Youth “Not in Employment Education and Training (NEET)” (%)**

*Source: Computed from 2010 Population Census, GLSS 6 & Labour Force Survey. GSS*

education, these young people do not have the skills to enable them secure regular or formal sector jobs, which often require a minimum of a diploma or university degree in a context where a considerable number of degree holders are seeking jobs. On the other hand, educated youth do not find the informal economy attractive and, coupled with the difficulty in progressing to the next level on the educational ladder, become unemployed. Young people with no education recorded the lowest unemployment rate due to the fact that they have limited or no access to formal employment and no choice other than informal agriculture and non-technical jobs that do not require any education. A similar explanation can be advanced for the lower youth unemployment rate among the youth with basic or primary education.

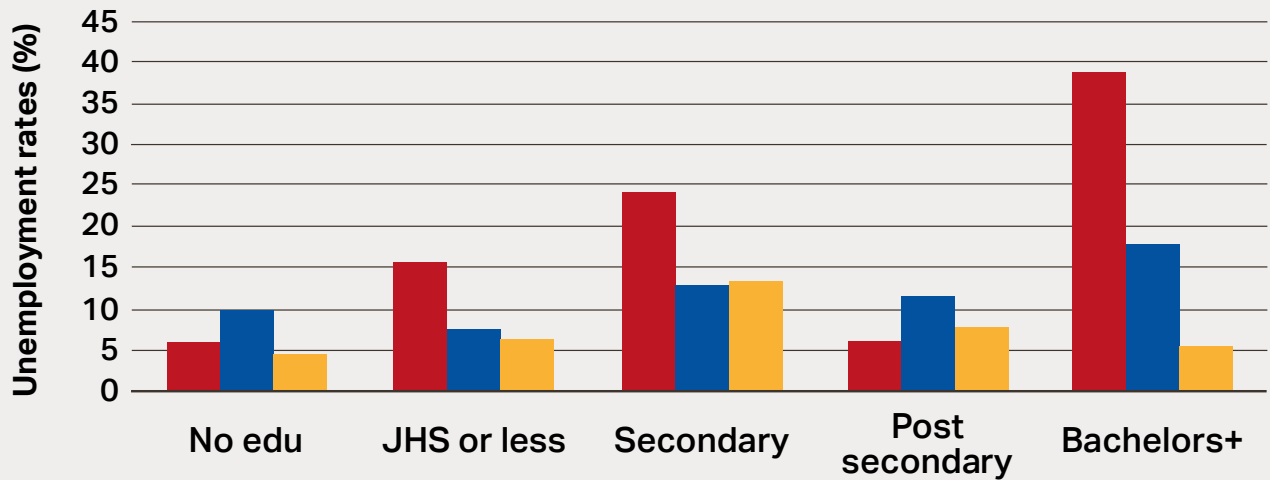
The course of study at the tertiary level has implications for youth unemployment. Higher unemployment rates are reported among educated young people who graduated in social science, agriculture and humanities and lower among those with degrees in education and science, technology, education and mathematics (STEM). **Figure 5** reports relatively low educated youth unemployment rates among those with skills in STEM, notably engineering, science, mathematics, computer science and health science. In contrast, those who graduate in social science, business, humanity and arts and general programmes do not find it easy to secure jobs after school, as reflected in their high unemployment rates.

Ready employment for trainees in education and health explains the lower unemployment rate among those who graduate in education and health sciences. The same cannot be said for agriculture and tertiary graduates who have to take their destiny into their own hands and search for jobs in the labour market.

## 2.5 Gender Dimension of Unemployment and NEET

Attention to the gender dimensions of employment, unemployment and other labour market issues is critical to the quest of ensuring equity and inclusiveness in Ghana's socioeconomic development. Young women in Ghana appear to be at the receiving end of labour market challenges. Unemployment rates and NEET are estimated to be higher among young females than young males. This is based on the female-male ratio of unemployment rates of more than unity. Thus, with the exception of 2015, when the youth unemployment rate among males overtook that of females, the rates have always been higher among females than males (**Table 1**). The female-male ratio of NEET of more than unity also suggests a higher rate of joblessness among young women than young men. A higher female-male ratio of NEET is reported among older youth than younger ones, suggesting greater gender differences of joblessness among older youth than their younger counterparts. Essentially, the greater presence of

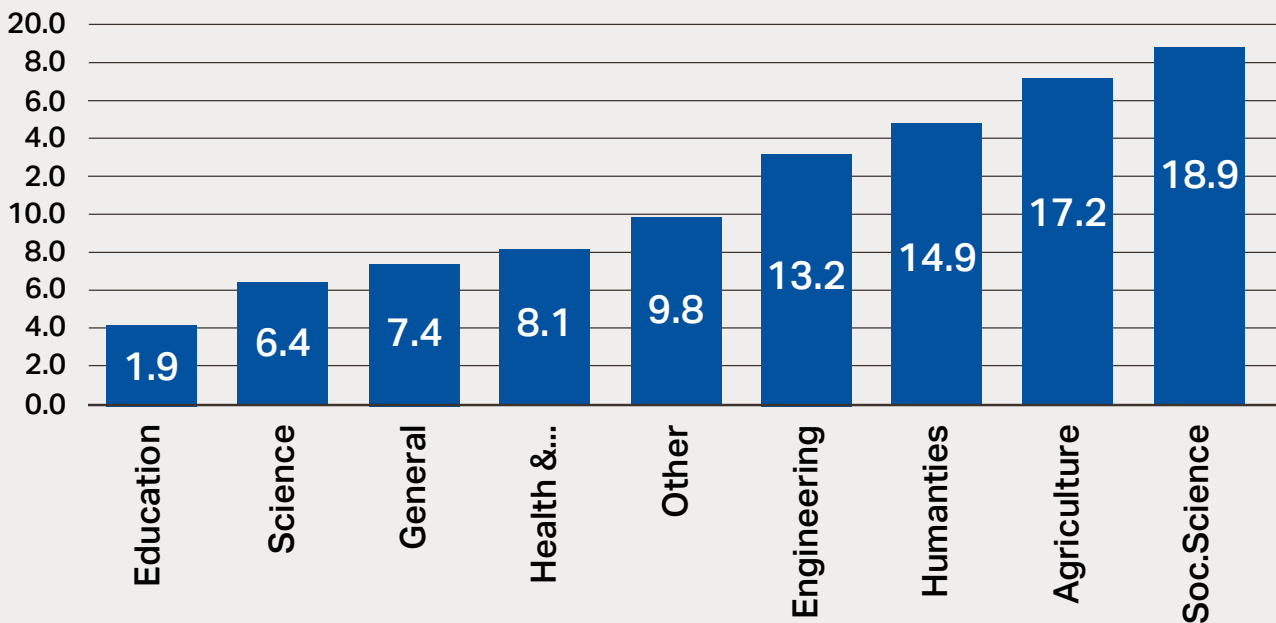
Figure 4: Unemployment rates by education and age in 2015



■ 15-24	5.8	15.6	24.1	6.1	38.7
■ 25-29	9.8	7.5	12.8	11.4	17.7
■ 30-35	4.4	6.3	13.3	7.7	5.3

Source: Computed from 2015 Labour Force Survey. GSS

Figure 5: Graduate youth unemployment rates by programme of study in 2015



Source: Computed from 2015 Labour Force Survey. GSS

**Table 1: Relative female-male ratio of youth unemployment rates and NEET, 2010-2015**

YEAR	UNEMPLOYMENT			NEET		
	15-24 age group	25-35 age group	15-35 age group	15-24 age group	25-35 age group	15-35 age group
2010	1.20	1.16	1.18	1.14	1.50	1.30
2013	1.15	1.52	1.15	1.27	1.85	1.48
2015	0.91	0.80	0.83	1.31	1.28	1.30

**Source:** Computed from Population Censuses, GLSS, CWIQ and Labour Force Survey. GSS

unemployed young females in the labour market relative to their male counterparts may suggest greater difficulties faced by these young females in securing employment.

### 3. What Brought About the Current Situation?

#### 3.1 "Jobless" Growth Argument

Generally the pattern and distribution of employment growth mirrors activities in the real sector of the economy since demand for labour is a derived demand. However, employment growth has not kept pace with the speed of economic growth over the last few decades. Between 2000 and 2013, total employment increased from about 7.43 million to 12.03 million, representing average employment growth of 3.77 per cent annually over a 13-year period, compared to real annual GDP growth of 6.1 per cent. The widening gap between national output and employment, as depicted in figure 6, is an indication of the slow growth of jobs relative to economic growth.

From the demand-side, the slow response of jobs to strong economic growth has been linked to the sources of economic growth over the years. The 17-year period from January 2000 to December 2016 has witnessed strong economic growth averaging 6.1 per cent, but this growth has generally emanated from sectors that do not generate sufficient jobs. Ghana's growth performance has been strong and robust over a period of more than two decades, accompanied by structural change away from the dominance of agriculture towards the dominance of services, with a dwindling manufacturing sector.<sup>5</sup> Manufacturing and

5: Aryeetey and Baah-Boateng (2015).

agriculture, known to have high labour absorption, are the sectors that have performed poorly in terms of growth. In contrast, the extractive sector (mining and oil) and financial intermediation, considered to have low labour absorption, have been the key drivers of growth culminating in low employment response to economic growth in the country. Thus, Ghana's economic growth has largely been driven by the low employment generating sectors of mining, oil extraction and finance as against slower growth in high labour absorption sectors, particularly manufacturing.

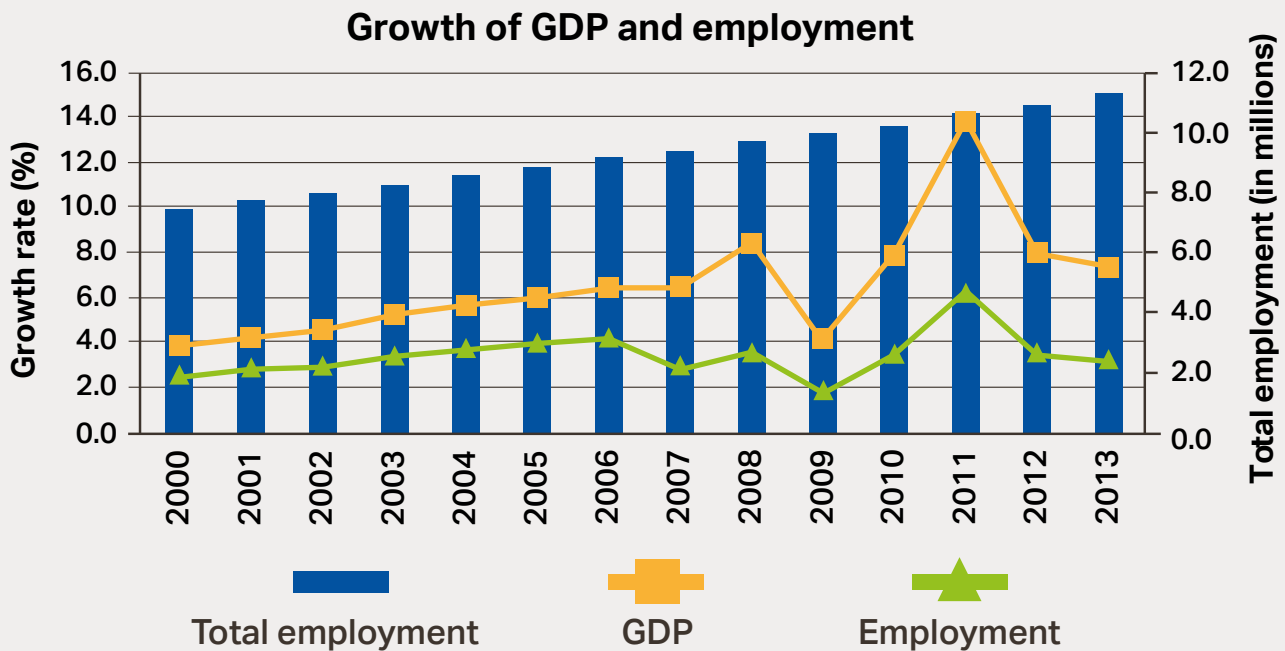
#### 3.2 Quantity and Quality of Labour Market Inflows

The availability of human resources in the right quantity and quality form the foundation of growth and development. Invariably, inflows of labour into the market relative to the ability of the economy to channel these inflows into the generation of quality jobs have implications for youth unemployment and joblessness. Essentially, most of these new labour market entrants are young people graduating at different levels of education and skills training. The skills set of net inflows into the labour market has implications for the potential status of the new entrants to the market as unemployed or employed in formal or informal settings. Educational output, which constitutes potential gross labour market entrants from secondary and tertiary educational institutions, has seen a rapid rise from 112,900 in 2011 to 324,100 in 2017 after a drop from 147,200 in 2009 to 137,800 in 2010 and 112,900 in 2011 (figure 7).<sup>6</sup> On average, gross inflows into the labour market from secondary

6: The drop in secondary school output in 2010 and 2011 was as a result of the introduction of a fourth year, which means that many of those expected to have graduated from SHS3 in 2010 proceeded to SHS4 and graduated in 2011. Many wrote exams in 2010 and didn't go to SHS4 and that accounted for the reduction in 2011. The subsequent reversal to 3 years doubled the output in 2012 and accounted for the shock to the system.



Figure 6: Employment and GDP growth trends 2000-2013



*Source:* Computed by the authors from National Accounts, 2000 and 2010, Population Censuses, and GLSS 3, 4, 5, and 6.

school level including Technical and Vocational Education and Training (TVET) account for 70 per cent with inflows from tertiary level accounting for the remaining 30 per cent.

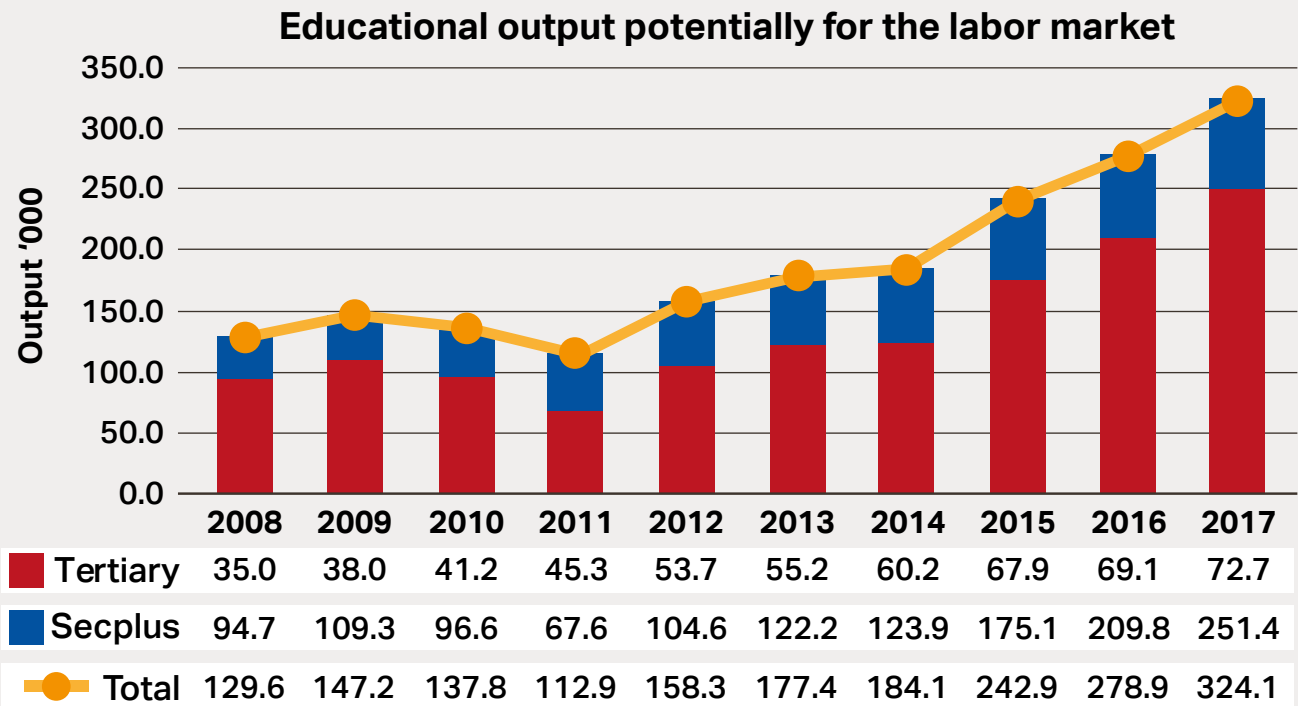
While the rapid increase of gross inflows into the labour market poses a challenge in terms of the country's ability to create quality jobs to meet the potential rise in the demand for jobs, the success of these new entrants securing jobs depends on the skills acquired in school. Evidence suggests that most of these new labour market entrants enter the market with skills that are in excess of what the job market requires. Very few graduates enter the labour market with skills and knowledge in science, technology, engineering and mathematics (STEM) that are in relatively high demand in the labour market.

Available data suggest that the country continues to churn out more graduates in humanities as against STEM subjects, which are important for the country's economic transformation. Many have linked the high rate of joblessness among secondary and tertiary graduates to the large number of graduates produced in arts, social science and business in excess of what the economy needs. Between 2011 and 2014, the share of graduate output in health science from public universities dropped from 3.4% to 2.8% (Figure 8). Similarly, graduate output in applied sciences (including engineering, technology and mathematics) declined from 17.6% to 12.9% indicating a general

decline in the share of graduate output in STEM and health science from 21% to 15.7% in four years. At the same time, public university graduate output in business, architectural, planning, arts and social science, as well as education, increased from 79% to 84.3%. The situation is not different in the polytechnics, which have now been converted into technical universities. About three-quarters of graduate output from polytechnic and technical universities are in the humanities with the remaining quarter trained in science.

While most of the newly established universities train students largely in the humanities, which the labour market does not need in such large quantities, existing science and technology universities are shifting from their core mandate to train more students in humanities. There is also an issue of cost of STEM training such that the cost of training one medical doctor is about seven times the cost of training a student in arts or social sciences. Many science laboratories in universities and polytechnics are not in the best of shape due to dwindling government subventions. Additionally, in an effort to increase tertiary enrolment, public and some private universities have adopted distance education systems and have established campuses across the country to extend tertiary education to more qualified young people. The problem, however, is that this initiative only covers training in humanities (arts

**Figure 7: Total potential inflows from education and training into the labour market**



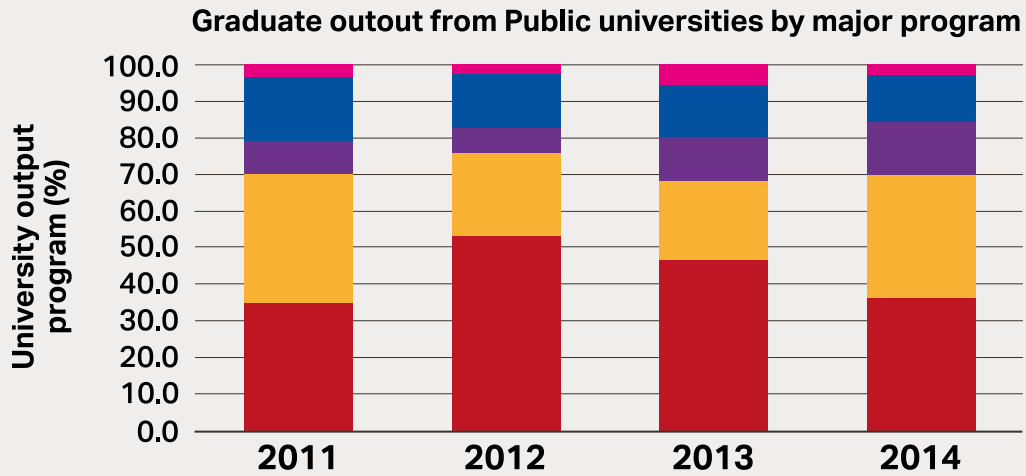
*Source: Computed from Graduate Output, NCTE and EMIS Data*

and social sciences, business and education) where cost is minimal, and this explains the rising share of graduates in the humanities and in education. To address this imbalance requires strong government intervention in terms of capital investment in the establishment of modern-equipped laboratories and relevant teaching materials to promote and improve quality training in STEM.

Besides the limited number of STEM training facilities, the quality of training is an issue at all levels of education in the country, in terms of the relevance of the curriculum, teaching techniques and quality of teachers. The emphasis on paper qualifications (i.e. education certificates) over performance in the assessment of employees' promotion in many establishments has resulted in high demand for higher degrees in Ghana. The teaching approach also emphasizes end-of-period examination with little or no exposure to solving puzzles from case studies. At the tertiary level, there seems to be a disconnect between training and practice, absence of a problem-solving and case studies approach to teaching and training, and lack of emphasis on soft skills such as communication skills, listening skills, teamwork and integrity building.

There is a widely held view that government's commitment to promoting TVET in the country is very low, and this is evident in the low levels of funding of TVET. In 2012, the total estimate spent on TVET accounted for only 2.9% of the total education budget, compared to 22.8% for primary, 17.0% for Junior High School (JHS), and 18.5% for Senior High School (SHS). In addition, there are negative perceptions about TVET in Ghana, to the extent that many people see it as a dumping ground for those unable to advance through the grammar education system, from JHS to SHS through to university. A significant proportion of current TVET trainees, particularly in the informal sector (primarily apprenticeships), are therefore labelled as school dropouts, which impacts on their self-esteem and external perceptions of trainees' abilities.

**Figure 8: Graduate output from Public universities by major program**



<span style="color: #e91e63;">■</span> Health Science	3.4	2.5	5.6	2.8
<span style="color: #1e8449;">■</span> Applied Science	17.6	14.5	13.8	12.9
<span style="color: #9c27b0;">■</span> Bus. Architect & Planning	9.3	6.9	11.6	14.6
<span style="color: #ffc107;">■</span> Arts / Soc.Science	34.9	22.9	22.5	34.0
<span style="color: #d32f2f;">■</span> Education	34.9	53.2	46.3	35.7

Source: Computed from Graduate Output, NCTE

## 4. What has been done so far?

Since 2002, government has initiated direct job creation interventions to address youth unemployment challenges. Notable among them are:

- Skills Training and Employment Placement (STEP) programme (2002-2004) initiated in response to the revelation of the existence of about one million unemployed people, based on a registration exercise of the unemployed in 2001.
- National Youth Employment Programme (NYEP), now Youth Employment Agency (YEA), initiated in 2006 to provide opportunities for young people regardless of their level of education to work temporarily and acquire skills to facilitate their transition into permanent work.
- Youth Enterprise Support (YES), now National Entrepreneurship and Innovation Plan (NEIP), launched in 2014 to give young Ghanaians an opportunity to display their talents and entrepreneurial skills, as well as challenge them to start new businesses and employ other youth.

The New Patriotic Party took the reigns of government in January 2017 after winning the 2016 presidential election with a promise to address job creation challenges and thus solve the youth unemployment problem. Some key policy statements related to job creation were made following the inauguration of the new government, most of which were outlined in the party's manifesto. These are:

- One District One Factory – an industrialisation drive to create productive employment for the youth.
- Planting for Food and Jobs – a job creation initiative through agriculture transformation.
- One Village, One Dam – to ensure year-round agricultural activity and sustainable job creation in agriculture particularly in the northern part of the country;
- Nation Builders Corps – to create employment for 100,000 graduates in 2018.

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