

“I Am Not Doing Nothing”

Youth unemployment in urban Ghana and the influence of education on their employment opportunities

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Preface

In 2007 I visited Ghana for the first time. During the six months that I spend in Ghana, I saw different aspects which raised a lot of questions. My special attention was paid to the situation of youth. Anywhere I went, there was youth. Wandering through the streets of Osu, selling chewing gum, playing football at the beach day after day. What are they doing the whole day? Aren't they working or going to school? When I was living in Labadi and got closer with them, they became part of my daily living. I saw them suffering, feeling useless. When we talked about their future, they have big dreams, but in their eyes you can see the despair. They are stuck in their daily rhythm. This impression has never left my mind ever since. Hence, it was not hard to find a topic for this Bachelor thesis which is obligatory for the Bachelor International Development Studies.

Acknowledgement

This literature study about youth unemployment in urban Ghana is extended with a case study conducted in Labadi, Accra. I would like to express my gratitude to all who assist and helped me through this research in Labadi. First of all I would like to thank the youth who made it possible for me to do this research by responding on the questionnaires. I would like to thank Rev. Emmanuel Ansah who always showed great interest in my research and helped me with getting in touch with different people. I would like to thank Naa who had a critical view on my questionnaires. I would like to thank Oforiwaa who is a researcher herself with helping me to fulfil the questionnaires. I would like to thank Betty Zormelo for inviting me into her office and having time for an interview. I would like to thank Ophelia Osam for inviting me to Ashesi University. I would like to thank Pastor Jackson to take me along with him to Agbogbloshie in Accra. I would like to thank Karen, Ernest and Seth for helping me with the questionnaires. I would also like to thank CFCC for offering me a place to study and write my report in their library during my stay in Ghana. Finally I would like to thank my supervisor Rein Haagsma for assisting me through this research.

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1. Introduction¹

The Gold Coast, which is the former name of Ghana, was a British Colony until 6 March 1957 when it attained its independence. It became the Republic of Ghana in 1960. Ghana is located in West-Africa and surrounded by the neighbouring countries Côte d'Ivoire, Burkina-Faso and Togo.

In 2010 the Ghanaian population contained 24,4 million people. The literacy rate was 67 per cent in 2009. Life expectancy was estimated to be 63 years in 2009 (World bank, 2012). The mean household size consist of 4 individuals, with a disparity visible between urban (3,4) and rural (6,0) Ghana. Ghana has a young population where nearly 60 per cent is under the age of 24 (Brammah, 2006). Ghana has a lower middle income status. The current currency is the Ghanaian Cedi. GNI per Capita on average \$1.230 and the GDP in 2010 was \$31 billion (World bank, 2012). From 1990 to 2006 there was a pattern of poverty reduction visible of nearly 43 per cent, which implies that many poor are raised above the poverty line of living of \$1 a day (Rolleston, 2011).

According to Kwabia Boateng (2002) Ghana has a problem in attracting foreign direct investments. One of the causes is its poor human resource base, Ghana needs a skilled labour force to meet the demands of global competition. Meanwhile Ghana has a strong increase in school enrolment and suffers from high youth unemployment, in particular graduate youth. The skills that current graduates persist are not sufficient enough for the labour market. This causes a supply-demand gap. Many graduates who were enrolled in easily accessible courses like arts and humanities suffer from unemployment. There is an undersupply of graduates in areas like engineering, accounting, medicine, information technology, and management. The existence of this gap causes the problem of graduate unemployment but also undermines the efficiency of public investment in tertiary education.

Youth unemployment in general is a growing problem in Ghana, even more in urban areas. Unemployment has negative implications at national and individual level. It blocks economic development and depresses the individuals who suffer from unemployment.

The World Bank in the World Development Report of 1998/99 emphasized the issue of knowledge and information gaps as critical factors in the development of nations. The level and quality of skills that a country possesses are serious factors in determining a country's ability to take advantage of new opportunities in a world of increasing globalization and technical change. Education and training are the root and branch of global competition (ILO,2012).

¹ The general background is based on Boateng (2002) and Akyeampong (2010).

1.1 Research Aim

The aim of this research is to gain an insight into employment opportunities for youth living in urban Ghana. Labour market outcomes, from a theoretical perspective, are influenced positively with relevant skills and education. Quality and quantity of schooling determine an individual's impact on and entry to the labour market (Fasih, 2008). The research will look at the existence of youth unemployment and its causes, and focus on the impact of education on the probability of having a job. From a problem-solving perspective I will try to find solutions how to reduce the problem of youth unemployment.

1.2 Research Problem

To explore the above mentioned phenomenon I formulated the following research question.

What are employment opportunities for youth living in urban Ghana?

With the use of the following framework the research question will be answered. The framework consist of the next five sub-questions which are formulated to substantiate the research question;

- 1. What main economic concepts are relevant for understanding the context of employment opportunities for youth and its relationship with education?*
- 2. What does the current economic situation in Ghana look like?*
- 3. What is the effect of education on employment opportunities for youth?*
- 4. What is the extent and nature of youth unemployment?*
- 5. What is the effect of government policies for employment opportunities for youth?*

The sub-questions are structured over 5 chapters.

1.3 Methodology

The research consists of a literature study extended with field research conducted in Labadi, Accra, Ghana. The field research consists of questionnaires, interviews, informal conversations and observations.

The research population of this report are youth living in urban areas in Ghana. The age of the research population, from now called youth, is between 15-32 years old. The labour force participation in Ghana is measured from an age of 15 years. The importance of tertiary graduates who remain unemployed is the reason to extent the age category to 32 years. This explains why we used this broad definition, to incorporate both youth and young adults.

The research population of this report are youth living in urban areas in Ghana. There is a focus on urban areas due to the disparities visible between rural and urban Ghana. These disparities have different causes. Due to the growing problem of youth unemployment, mainly living in urban areas, and the visible pattern of youth migrating from rural areas to cities looking for work, explain why we focus on urban areas. However in rural areas there is a problem of under-employment visible, though we do not focus on rural areas the problem of unemployment should not be underestimated.

During the literature research the biggest challenge was to use and combine data from different resources. Some resources defined the concept youth unemployment differently than other sources, for example the inclusion of the phenomenon “searching for another job”. Some authors required this concept in their definition, others did not. Therefore it was important to be careful with numbers used to assure the validity of this research.

1.4 Structure and Content of the Report

This report is structured according to the framework given in paragraph 1.2. Chapter 2 is concerned with sub-question 1. The chapter discusses key aspects of important theories and definitions used during the report. The linkage between the concepts and the research is clarified. It starts with economic growth theory in relation to employment theory. Further concepts as human capital, signalling, shirking, job search, mismatch and unemployment are discussed. Chapter 3 provides some general background information about the economy of Ghana, which concerns sub-question 2. The aim of this chapter is to give an overview of the current situation of the labour market in Ghana. Chapter 4 focuses on education which elaborates sub-question 3. Current school enrolment rates and literacy of the population are discussed. During Chapter 4 an in-depth analysis of the returns to education is elaborated. Chapter 5 answers sub-question 4. The chapter sketches the occurrence of youth unemployment nowadays and explores its causes. Chapter 6 concerns policy aspects, challenges and future prospects which coincide with the last sub-question 5. The last chapter summarises the report and evaluates the main findings.

2. Theoretical Framework on Youth Unemployment²

This theoretical chapter gives an introduction into some key aspects of important theories and definitions used during this report, thus it responds to the first sub-question “*What main economic concepts are relevant for understanding the context of employment opportunities for youth and its relationship with education?*”. The concepts discussed in this chapter will be applied in the chapters following. The labour force, which consists of employed and unemployed, is described. Concepts as human capital, signalling, shirking, job search, mismatch and unemployment are all outcomes of an imperfect functioning economy. This research does not adopt any assumption of perfect information or perfect competition which are outcomes of a perfect working market which is not meeting any reality in the context of this research. It is important to keep in mind that in this chapter theories are used to simplify and understand reality, to search for relationships and explanations. However these theories have their shortcomings which we will demonstrate later on.

2.1 Economic Performance & Human Capital

The economic growth of a country can be seen as a measurement of the performance of that specific country. Economic growth and employment and unemployment rates often go hand in hand. These elements are key elements on the political agenda, not only for the functioning of the economy as a whole, but also for the wellbeing of individuals. In most industrialized countries, the unemployment rate is regarded as an important indicator of labour market performance. In low-income countries, however, the significance and meaning of the unemployment rate is much more limited. In the absence of unemployment insurance or other public relief schemes, relatively few people can survive lengthy unemployment without family support. The majority of the workers must engage in some form of economic activity, often in the informal economy and/or in self-employment (ILO, 2012).

Economic growth is needed to create more room for employment. The demand for labour depends on the extent and nature of the demand for the final product or service within a country. The production function consist of a combination between capital, labour and other inputs such as technology. This market structure influences the behaviour of firms and is therefore an important determinant for the demand of labour. A distinction could be made between long and short run labour demand, which is affected by the assumption whether capital and technology are fixed(short run) or variable (long run).

The human capital perspective considers the productivity of human beings. Human capital is the improvement in labour created by education and knowledge embodied in the workforce (Mankiw and Taylor, 2008). This productivity is influenced and changed by investments in education, skills, and knowledge. Human capital analysis starts with the assumption that individuals decide on their education, training, medical care, and other important investments by weighing the benefits and costs. Benefits include for example improvement in earnings and type of work, whereas costs mainly

² This chapter is based on Bosworth *et al*, (1996), Checchi, (2006) and sheets of the course “Institutional Economics” provided by Liesbeth Dries (2011), Wageningen University.

depend on the forgone value of the time and money spent on these investments. The accumulating evidence on the economic benefits of schooling and training promoted the importance of human capital in policy discussions (Becker, 1993).

Signalling is coming from the theory of asymmetric information, which is the opponent of perfect information. Signalling is about the working potential of an individual. With a certificate an individual can show its working ability and potential. A certificate gives (easier) access to better jobs due to its recognition of the educational background of the individual. With a certificate or curriculum vitae an employer can estimate the working potential and skills an individual possess. Though it is a hard task, especially in a country as Ghana where the quality of schools differ enormously between different schools.

The shirking model is known as an efficiency wage model. It is a model which assumes utility maximising workers who are risk neutral. Neutrality implies that a worker is indifferent in taking risk. Whether a worker will shirk or not depends on its wage and the probability of finding another job when he or she shirks. At a certain wage, workers will not shirk because the benefits are higher than the risk to get caught and fired. Though if the received wage is very low, workers are more likely to shirk. In a country where there is a high unemployment, shirking is less likely because the benefit of getting caught and the probability of finding a better job is very low. Especially if it affects the poor it is a heavy burden. This could be an explanation why the efficiency wages in Ghana are relatively low (Greven, 2012).

However, it is important to note, when the focus is on a country like Ghana, that when wages or income are very low, an increase in real wage may induce a rise in the intensity of effort, simply because it enables workers to afford a better diet and improved medical care, which allow them to work harder, for that reason employers might increase the efficiency wages above the reservation wage, which results in unemployment.

2.2 Labour Force

The population of a country can be classified into age categories, which can be divided into a so called "population of working age". Often in theory the age 15-64 is held as a standard. This population of working age can be split up into two categories. Those who are part of the labour force and those who are not in the labour force. Participation in the labour force consist of the willingness of an individual to supply labour at the going wage. This willingness should be greater than zero to face participation. Willingness is influenced by the utility maximization of an individual which consists of both returns to labour and leisure. Most labour supply theories look at the concept of decision making attempting to choose between hours of work and leisure time to optimize personal utility. In this report the concept of preferences and decision making are influenced by the view that there is an existence of disparity between different ages. While we focus in the latter on youth, it is important to denote that if youth lives with their family they are less dependent on working for their food, because this is provided by their family. The incentive to work is lower than for youth who rely on their own income.

The labour force consists of those who are employed and unemployed. This concept brings confusion when used in practice. Later on it will become clear where its practical difficulties are

related to³. Depending on its definition labour supply can be a synonym for labour force. Labour supply consists of those who are employed and those who are unemployed. There is a distinction between long and short run labour supply. In the long run, labour supply consists of the number of persons who are available to supply labour which is influenced by the size and structure of the population. Size and structure are related to the age of the population⁴ and amount of education, training and experience held by the population (human capital). For the short run, labour supply is given which means it depends on the number of hours supplied by each person. Other aspects of the short run are intensity and effort of each worked hour (which again is influenced by human capital).

In the short run there are problems which occur due to information asymmetry and lack of information. These problems have different forms and implications. In general all job search theories include some form of rational optimizing behaviour with respect to imperfect information. It takes time and effort to obtain information about job opportunities. There are different motivations for job search. An individual might be looking for work because at the current situation he/she is unemployed. Another possibility is that an individual is searching for another job while he/she is currently employed but for any reason (for example low wage, unsatisfactory feelings about the job, contract ending).

Accepting the first job offer while searching is unlikely to be the worker's optimal solution. The individual is likely to investigate in a range of opportunities. This process involves costs; direct costs like travelling and indirect costs like foregone earnings. On the other hand, these costs may develop into a better job later on. An important aspect in job search theory is the concept of reservation price. The reservation price is the lowest wage an individual is considering to find acceptable. This reservation price is considered to change over the search time.

The reservation wage varies enormously between individuals. Those who need some money to buy food to survive will have a very low reservation wage while those who are supported by their family have a higher reservation wage. Human capital influences reservation wages as well, individuals who are well educated are likely to have a higher reservation wage than those who are not well educated.

2.3 Return to Education

Evidence suggests that there is a positive correlation between education and earnings at individual level (Checchi, 2006). Yet, the existence of a causal relationship between the two is not widely accepted. There are additional factors which should be taken into consideration because they might influence the outcomes. Factors as parental education, social networks, behavioural characters, peer effects (building network during schooling) and discrimination are few examples to mention.

The state may oblige their citizens to attend basic education in order to acquire basic capabilities so as to improve the organisation of social life. However, people might choose to attend school beyond

³ Field research conducted in Labadi, Ghana gave a lot of insights in the complicated issue of defining youth unemployment (Greven, 2012).

⁴ As stated before, Ghana has a very young population which implies a huge "youth" labour force.

the this minimum requirement. We can look at educational choice as investment decisions where an individual estimates its current income opportunities and the expected benefits from continuing schooling for better income prospects in the future. It can be compared with the investment theory of firms where a firm invest in capital till the marginal productivity equates its user cost. However there is an important difference between obtaining human capital comparing to physical capital. Human capital is incorporated in human beings and cannot be resold. Human capital cannot be used as a collateral, while physical capital can. Checking future efforts, investing in education is riskier than investing in physical capital.

Once education is treated as an investment, the immediate natural question is: what is the profitability of this investment in order to compare it to alternatives? Such comparison can provide priorities for the allocation of public funds to different levels of education, or can explain individual behaviour regarding the demand, or lack of demand, for particular levels or types of schooling (Psacharopoulos, 1995).

When I refer to a mismatch in this research, I refer to a mismatch between the distribution of job requirements demanded by the employers/market and the supply of skills, human capital, and other relevant characteristics by individuals. A mismatch can have a strong impact both on the unemployed as well on the society. A sociologist cannot work as a gynaecologist, simply because he or she does not possess the skills to work as a gynaecologist. When there are many sociologists (but no demand for them) and there is a high demand for gynaecologists, a mismatch occur. This mismatch cannot easily be solved, education is the only way to solve the above mentioned example. The existence of mismatch in skills demanded and supplied is a common phenomenon in Ghana. Mismatch has broad implications for both individual (undermines returns to education) and a society (for example not attracting foreign investment and inefficient use of human capital).

2.4 Unemployment⁵

Unemployment refers to the share of the labour force that is without work but available to work and who are seeking 'actively' for employment. That is the definition of unemployment given by the World bank⁶. Evidence from Ghana (Greven, 2012) shows that this definition is not useful in exploring youth unemployment in Ghana. In this research unemployment is defined in a broader way, as done by the ILO (2012), by eliminating the requirement that a person should be actively searching for work. The reason for using this definition is because of the common share of non-employed or also called discouraged workers. Discouraged workers are non-working people capable to work but who have given up looking for work (Mankiw and Taylor, 2008). Their position outside the labour force (because they are not officially defined as unemployed) is a problem and consequence of poor economic conditions. If the chance of finding work would improve, most of these discouraged people would probably turn into workers (O'Higgins, 2001). It is important to notice that when the requirement of "actively searching for a job" is removed from the definition of unemployment, a shift will be visible from discouraged workers who turn into unemployment. If the operational definition of unemployment would not be adjusted, this serious problem of

⁵ Definitions explained in this section are based on Krugman (2008)

⁶ World Bank, accessed 11 June 2011

discouragement would be neglected and the extent of the problem would be underestimated. It is important to define the concept of unemployment well for a society as Ghana to make it valuable for institutions and policies. Unemployment statistics are indicator of economic performance⁷.

When someone lose his or her job it has serious consequences. It reduces their living standard because of a loss of their income and it gives psychological distress. It is important to reduce unemployment both for individuals but also for the society as a whole. Labour is human capital which is not used when individuals remain unemployed, which in economic terms is inefficient.

Frictional unemployment occurs when people are actively searching for a job while they are not employed at the same time. Also called job search. If all jobs + workers were alike and information would be available well there would be less frictional unemployment. In reality there is always some frictional unemployment due to searching.

Structural unemployment is more severe. Structural unemployment is unemployment that results when there are more people seeking jobs in a labour market than there are jobs available at the current wage.

Under-employment refers to the phenomenon that fewer number of hours are worked by individuals. Examples could be holding a part-time job while also desiring a full time job, or over qualification for a specific job. Hidden-unemployment is closely related to under-employment. This can be an outcome of high-skilled labourers who perform work below their capacities. A mismatch in skills can also result in hidden unemployment. For example a dentist who is working as a taxi-driver because he cannot find a job as a dentist. Hidden employment undermines investments in education, in this example, what are the returns to education for the dentist if he cannot perform the work he studied for.

The neoclassical theory applies standard demand and supply analysis to the labour markets and treats unemployment as a disequilibrium phenomenon that arises due to wages that are at a level higher than the equilibrium (Krugman, 2008). Minimum wage legislation, union bargaining, and efficiency wages (where higher wages produce better workers or draw better workers from the employment pool) are some of the reasons that labour markets may not adjust to full employment. Keynesian theories declares that unemployment results from the equilibrium of aggregate demand and supply at a level too low to require the productive services of the entire labour force (Krugman, 2008). The remedy is to raise aggregate demand by a combination of fiscal and monetary measures, such as lower taxes, increased government spending, or accelerated monetary growth. Protective measures in the realm of international trade, such as tariffs and subsidies, can also help alleviate the problem by switching demand from foreign to domestic goods and services.

2.5 Summary

This chapter gave an overview of relevant theoretical concepts which are important for the understanding of the context of this research about employment opportunities for youth in urban

⁷ Importance of defining unemployment: Example; do you work? No. Do you want to work? Yes. Are you looking for work? No. It is the same as you ask someone; Are you on holiday? No. Do you want to go on holiday? Yes. Are you looking for a holiday? No.

Ghana. The chapter starts with the relevance of employment for the functioning of the economy, and how these two interact. The concept of human capital is discussed which refers to the productivity of labour. The problem of asymmetric information and a lack of information is covered with a focus on topics as signalling and shirking. Whether a worker will shirk or not depends on its wage and the probability of finding another job when he or she shirks. Signalling is about the working potential of an individual which is unknown by the employer. Concepts which concern the labour force are those of employment, unemployment, hidden unemployment and under employment. Youth unemployment is defined by eliminating the requirement that an individual should be actively searching for work. The rationale behind this adjustment is that the extent of the so called discouraged youth who remain unemployed but are not searching for work anymore is large in Ghana according to fieldwork conducted in Labadi, Accra. The chapter shows that it is difficult but necessary to have a clear operational definition to make the research valid. Later in the chapter there is a focus on returns to education, investments in education and the occurrence of a mismatch. A mismatch occurs when labour demand and labour supply cannot match due to for example different skills required.

3. Labour Market in Ghana

The aim of this chapter is to give an overview of the current labour market in Ghana. This chapter will answer sub-question 2 “*What does the current economic situation in Ghana look like?*”. The first paragraph 3.1 gives a general introduction of the economy of Ghana with a focus on employment. It concerns the changes of the labour market before, during and after the Economic Recovery Programme which was implemented in 1983. Paragraph 3.2 outlines the employment structure in Ghana. Paragraph 3.3 gives an in-depth overview of the current labour situation in Ghana using multiple tables. Paragraph 3.4 gives an introduction into the subject of unemployment in Ghana. The last paragraph 3.5 will summarise and conclude the main findings of this chapter.

3.1 Development of labour market in Ghana⁸

In 1983 the government of Ghana initiated an Economic Recovery Programme. During the late 70s and the beginning of the 80s Ghana suffered from an economic decline and poverty that plagued the country. The World Bank, International Monetary Fund and other donor agencies supported Ghana during these reforms aiming mainly macro-economic reforms. The Economic Recovery Programme succeeded in improving economic performance. Ghana’s gross domestic product increased and inflation and fiscal deficit reduced. Furthermore infrastructure improved and the export of mainly cocoa, timber and mineral increased. Because of these improvements private as well as public savings increased. Private savings increased from 4.6 per cent of GDP to 5.6 per cent and public savings increased from minus 0.6 per cent of GDP to positive 2.4 per cent. Since 1992, the macro-economic stability changed with an increase in public expenditures and a decrease in tax revenues . The Ghanaian currency, the cedi, depreciated sharply and inflation accelerated.

Structural adjustment(SA) are policies implemented by IMF and WB⁹. SA policies are implemented to ensure sustainable employment. Impact assessment of structural adjustment on developing countries’ employment performance has been limited. It is possible that employment effects due to change in relative prices among the sectors of the economy might come through greater demand for skilled labour. Instead of demand for labour in general. A fall in number of employed in general may be compensated by increase in demand for skilled labour. The discussion of employment impacts can be done at micro and macro level. Neo-classical models of employment set a link between employment levels and output growth and assume a constant productivity of labour and real wages. These models conclude that the rate of employment growth will be associated positively with the rate of output growth. When all other variables remain the same, structural adjustment would generate growth and employment levels should improve (Botchie, 2004).

What happened in Ghana is that structural adjustment caused a change in relative prices. Relative prices indicate the price of one commodity, which may be a good or a service, in terms of another

⁸ Numbers used in this section are based on Botchie (2004).

⁹ These policies ensure new conditions in a developing country for receiving loans, or lower interest rates on current loans.

commodity. This change in relative prices affected the sectoral composition of output in the long run. Thus, to the extent that labour absorption differs among sectors of the economy, changes in relative prices will cause changes in the employment rate, even with no change in aggregate output. The effect of a change in aggregate output on employment depends on substitution possibilities available in the economy (Botchie, 2004). As employment expands, firms may substitute capital for labour or substituted low skilled labour with a low productivity by high skilled labour with a high productivity. When this occurs, employment levels may fall in spite of substantial output growth. The message I would like to express in this section is that it is important to notice that it requires more than just economic growth to absorb the unemployed and create jobs.

From mass employment to quality employment¹⁰

Formal sector employment was high and stable in Ghana during the period before the economic recovery program started. The labour accommodation ratio is the number of job vacancies in the formal sector as a ratio of the number of new labour market entrants with secondary school education or better. Between the 70s and 80s the labour accommodation ratio in Ghana was 1.33. This implies that there were more job vacancies than labourers. From 1980 till 1985 formal sector employment increased from 337,000 to 464,000 jobs. This implies an annual increase of 7.5%. In the same period the labour force was growing with 2.3% annually.

From 1986 to 1991 formal sector employment dropped from 414,000 jobs to 186,000 jobs while the labour force still increased with 2.3% per annum. According to Botchie (2004) there was a pattern where mass-employment was substituted by quality employment. This implies there are fewer people occupied with probably more skills and higher wages.

Based on the analysis of a simple neoclassical production function, growth in output is an important condition for the growth of employment. It is important that the labour saving market is smaller than the labour absorbing market (as mentioned in above). The opposite was visible in the formal sector of Ghana where the labour saving market increased strongly and mass formal labour disappeared¹¹. Kwabia Boateng did a research about the labour market in Ghana during the period before the economic recovery program and during the recovery program. In his research he found a shift in advertised vacancies among the various sectors of the economy between these periods. In particular, he noticed a shift in the primary sector (forestry, logging, mining and quarrying) and in the service sector. The primary sector in Ghana consists mainly of forestry, logging, mining and quarrying. The service sector predominantly from commerce and utilities from manufacturing and construction. Job vacancies rose in the primary sector from 5.3% to 7.7%, manufacturing and construction fell from 16.5% to 13.4%. The share of the commercial and utilities sector rose from 4.3% to 8.4%. The shifts occurred under structural adjustment and the economic recovery program. The import sector faced a decline in its share of GDP and employment. There is an improvement in the relative role of the exportable (logging and mining) and non-tradable banking, finance and services in general. Between the pre-recovery period and during the recovery program period a significant increase in the demand for high skills occurred, particularly in terms of years of

¹⁰ Numbers mentioned in this section are based on Boateng (1999).

¹¹ Labour saving due to higher skills.

experience.

During the recovery program the percentage of job vacancies that required an experience of five years or more increased from 22.2% to 32.7%. The proportion of high-skill job vacancies of total job vacancies increased from 58.4% to 70.8%. The demand for high skilled labour increased in all sectors except the educational sector, which has negative implications on the quality of schools and education in general. The largest sources of increase in the demand for higher skills were public administration, banking, services and mining. It is observed that on average employment levels declined during the period of structural adjustment. Between 1990-1995 the average employment level decreased with 9.4%. Although during the period of 1980-1995 the employment in top occupations like professionals, semi-professionals and management functions almost doubled. The worst performance was in the employment of technical and production workers, where between 1990 and 1995 employment fell over 20%. The decline of the technical and production sector may be explained by the relative decline in the manufacturing industry, particularly after the implementation of full-scale trade liberalization in 1989.

It is important to be aware of the fact that the research conducted by Kwabia Boateng (1999) is focussed on results of the formal sector. However the formal sector contributes for a small share to the total economy of Ghana. It is a challenge to be precise in numbers but according to the literature of different authors the informal sector consist of at least 60 per cent of the total economic activity in Ghana.

Future perspective on employment¹²

The ministry of Employment and social welfare estimated that an annual GDP growth of at least 7 per cent is needed to create job opportunities and start to absorb the unemployed in Ghana. A labour force growth of 2.8 per cent is taken into account and a labour productivity growth of 2 per cent. The average growth rate of 4 per cent in the 1990s barely provided what is needed to maintain the current nominal employment rate. An estimated 40 per cent of the additional labour force is added to the already existing mass of underemployed. Which indicates that over 92.000 persons add this list annually. Botchie(2004) states in his article that it is important to pay attention to specific sectors of the economy. The government of Ghana has target a long term employment goal, which is articulated in the National Development Policy Framework Vision 2020. Where it is stated that all citizens have the right to work. Further policy aspects is discussed in Chapter 6.

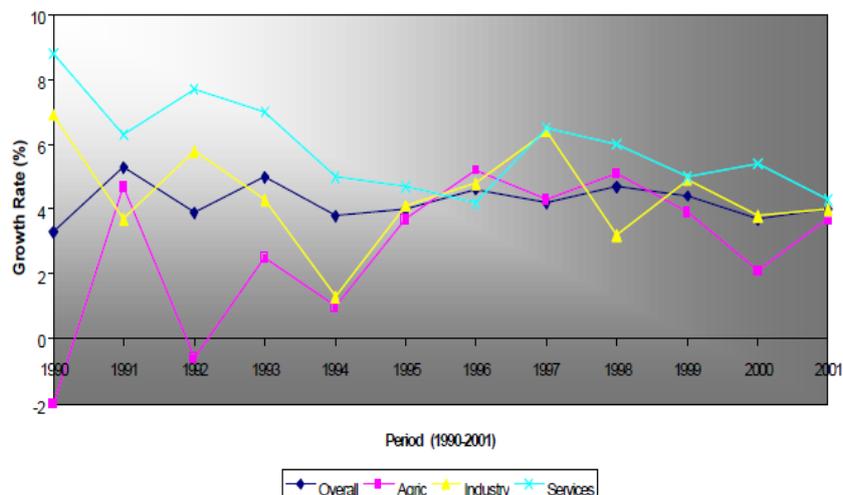
3.2 Labour structure in Ghana

The economic activity in Ghana is largely embedded in the informal sector. Informal sector employment refers to unregistered employment. As table 3.3.3 (paragraph 3.3) shows, the informal sector is suggested to be at least 50 per cent of the total employment sector. Though other authors suggest a much larger informal sector. Boateng (2002) assumes that the informal sector covers almost 80 per cent of the economy, the same estimation is made by the Central Bureau for Statistics in Ghana (2012).

¹² This section contains numbers which are based on literature of Botchie, 2004.

According to the Ghana Living Standards Survey (2008) 55.8 per cent of the working population in Ghana is active in agricultural activities. Trading accounts for 15.2 per cent. Manufacturing has a share of 10.9 per cent. In urban areas the currently employed are engaged in three major industry groups; trade (30.4%), agriculture (18.6%) and manufacturing (16.6%). In contrast, rural areas count a share of 75 per cent of the employed in agriculture practices. In both urban and rural areas, there is a pattern visible where women work more often in trade and manufacturing activities and male are commonly engaged in agriculture activities (GLSS, 2008). In sharp contrast with the overall labour force, tertiary labour is mainly employed in the formal sector, and the proportion of such employed is increasing (Botchie, 2004).

Figure 3.2.1: GDP and Sectoral Growth Rates.



Source: Boateng, 2002

Figure 3.2.1 shows the economic growth of Ghana during the 90s of the 20th century and the sectoral contribution growth rates. The economy on average grew with 4 per cent, which is according to the ministry of employment and social welfare not sufficient to create sustainable working opportunities.

3.3 Current Situation of Labour force¹³

This paragraph presents the current labour market in Ghana according to GLSS (2008). In this section the labour force refers to the share of the population that works for payment or any other form of profit or family gain. It is important to notice that in these data the unemployed meet the requirement to be actively looking for a job. This explains the low unemployment rate given by GLSS, the unemployment rate is estimated to be 3.6 per cent.

Table 3.3.1: Total population, currently economically active population and activity rates, by age group and sex.

Age group	Total population (millions)			Currently economically active population (millions)			Current activity rates (percent)		
	Male	Female	All	Male	Female	All	Male	Female	All
7 - 14	2.39	2.31	4.70	0.33	0.27	0.61	13.9	11.8	12.9
15 - 24	2.12	2.14	4.26	0.83	0.84	1.66	38.9	39.2	39.0
25 - 44	2.37	2.87	5.24	2.11	2.39	4.50	89.2	83.1	85.9
45 -64	1.31	1.44	2.76	1.19	1.22	2.42	90.9	84.7	87.6
65+	0.47	0.57	1.04	0.29	0.26	0.56	62.6	46.0	53.5
All	8.67	9.34	18.01	4.76	4.99	9.75	54.9	53.4	54.1

Table 3.3.3 indicates the type of sector where the working population is currently employed. This table is focussed on those who are employed in the wage sector. Note that these tables are used in this research due to its detailed focus. In this table the disparity between males and females is much smaller.

Table 3.3.4: Main occupation currently employed population aged 15-64 years by locality and sex.

Main Occupation	Urban			Rural			Ghana		
	Male	Female	All	Male	Female	All	Male	Female	All
Legislators/managers	1.9	0.3	1.1	0.2	0.0	0.1	0.8	0.1	0.4
Professionals	6.8	4.7	5.7	2.1	0.5	1.3	3.7	1.9	2.8
Technicians and associate professionals	5.8	2.6	4.2	1.2	0.6	0.9	2.8	1.3	2.0
Clerks	3.0	2.8	2.9	0.4	0.1	0.2	1.3	1.0	1.1
Service/sales workers	13.6	37.8	25.9	2.4	10.0	6.3	6.3	19.5	13.0
Agric/fishery workers	21.0	16.3	18.6	78.4	70.2	74.2	58.5	51.9	55.1
Craft and related trades workers	24.4	19.1	21.7	5.8	12.2	9.1	12.2	14.5	13.4
Plant and machine operators	12.5	0.4	6.4	3.1	0.1	1.6	6.4	0.2	3.2
Elementary occupations	7.2	15.4	11.4	6.0	6.3	6.2	6.4	9.4	8.0
Armed forces/security personnel	3.8	0.5	2.2	0.5	0.1	0.3	1.6	0.3	0.9
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ghana Living Standards Survey, 2008.

The last table of this section displays the type of occupation individuals are holding. Here the difference between rural and urban Ghana is obvious. In rural Ghana a large share of the working population is occupied in the agricultural sector. In urban Ghana females are more likely to be employed in the service/sales type of work. In Ghana an estimated 45 per cent of the total population is living in urban areas¹⁴.

Unemployment

The official unemployment rate by the Worldbank was estimated to be 10.4 per cent in 2000¹⁵. The same year the Central Bureau of Statistics(CBS) in Ghana estimated unemployment to be 11.2 per cent. Total unemployment rates are lower in rural areas than in urban areas. Unemployment rates decline with age. The age category 15-44 has a much higher unemployment rate than the category of 45-64. Explanations for this pattern are (i) the age category 15-44 includes youth, who face difficulties with entering the market (for example information problems), (ii) youth often rely on their parents which increase the reservation wage. (iii) the age category 45-64 has gained skills during their work experience which make them valuable for the labour market(GLSS, 2008).

The underemployment rate is much higher in Ghana and is higher in rural areas. Underemployment indicates labourers working for 40 hours or less and desire to work more hours. On average a 7.3 per cent of the labourers is underemployed indicated by the GLSS.

¹⁴ World Bank, accessed 3 April 2012

¹⁵ Word Bank, 2012

According to Greven (2012) hidden unemployment is a common phenomenon as well. However the research conducted was focussed on youth, it is observed that hidden unemployment is also occurring under adults. Research conducted by Greven (2012) has shown that hidden unemployment is a serious threat for especially youth in Ghana. Hidden unemployment undermines investments made in education. Often youth with low reservation wages get employed in jobs below their skills.

3.4 Summary

This chapter introduced the labour market and economic activity of Ghana over the past decades and the current situation. There has been a shift where quantity employment made room for quality employment. Formal sector employment dropped radically. Fewer people were occupied with probably higher skills and higher wages. This phenomenon led to a shift into more informal sector employment due to the annual increase in labour force. There are disparities visible between males and females looking at the type of work they perform and in the sector they work for. Females are often occupied in the non-agricultural sector performing service or sales work, and they are often self-employed. Males on the other hand are more likely to be employed in wage-employment. Another disparity which is obvious is the difference between rural and urban Ghana. In rural Ghana there is a large share of agricultural activities. The unemployment rate in Ghana is estimated to be around 10-11 per cent. Ghana has a large informal sector accounting for 50 – 80 per cent, for that reason numbers are difficult to measure. Besides using reliable data is difficult due to lack of information. Unemployment itself measured in people who are not working at all is a problem in Ghana, but other forms like under employment and hidden unemployment are common which are not addressed so far in literature about unemployment in Ghana. Research conducted by Greven (2012) has shown that hidden unemployment is a serious threat for especially youth in Ghana.

4. Investing in Education

“Give a bowl of rice to a man and you will feed him for a day. Teach him how to grow his own rice and you will save his life.”

Confucius

Why is education important? For what reason does a public authority invest in education for its country? Why should parents invest in education for their children? It is widely acknowledged that education is an investment in human capital. Education increases the innovation potential of human beings, it gives people new skills and empowers them to take advantage of new opportunities (Botchie and Ahadzie, 2004). Education gives better income prospects in the future (Checchi, 2008). Nevertheless, education is not a guarantee for a better livelihood.

In this chapter education in Ghana will be elaborated which supports sub-question 3 *“What is the effect of education on employment opportunities for youth?”*. The first paragraph 4.1 introduce the topic of education and describes the development of education over the past decades. Paragraph 4.2 outlines the current educational system. It includes literacy rates among adults, school enrolment and attendance and describes different educational institutions. Paragraph 4.3 elaborates on the returns to education. This paragraph starts with investments made in education, next the returns to education for different levels will be discussed. The paragraph concludes with the impact of education on income and employment opportunities for youth in Ghana. The last paragraph 4.4 summarises the chapter and concludes the main findings.

4.1 Development of the educational system¹⁶

Kwame Nkrumah was Ghana’s first president after independence. The government led by Nkrumah pointed education as very important for the development of Ghana. It was seen as a strategy to make Ghana a prosperous country. It would lead to economic and social development. Nkrumah’s government planned the education system carefully. (i) It was important that the population would become literate. To achieve this first goal primary education was provided fee-free since 1960. Primary education is associated with the acquisition of basic cognitive skills. Literacy and numeracy brings sets of behavioural changes that are beneficial to families and communities (Colclough et al, 2009). Nevertheless, primary education was not pointed to be the most important issue for investment, it should only be a pre-step for higher education. (ii) Through higher education, Nkrumah expected economic growth. High investments were made in Universities and tertiary educational institutions. By means of research, solutions could be found for problems as tropical diseases, poverty and low productivity.

After Nkrumah’s government was overthrown education in Ghana was criticised due to its lack of quality. In 1967 a new policy towards education was implemented. From then students would be

¹⁶ This paragraph is based on Akyeampong, (2010).

selected for academic secondary education. When a student was not selected he or she could continue with two years of pre-vocational education. As a consequence of this policy secondary education became largely accessible for elite Ghanaian children, especially children from disadvantaged and poor households suffered from this policy.

During the 1980s reforms changed the focus from mainly higher education to primary education, this shift occurred under international influence. Higher education and especially universities suffered from this reforms since funding was extremely reduced. Expenditures on universities and tertiary education reduced from 0.7 to nearly 0.2 per cent of GDP (Akyeampong, 2010). This reduction was not only caused by the reforms, the economic crisis played also a big role in this reduction.

Currently, there is acknowledgement that higher education plays an important role in poverty reduction. In 2007 a new educational reform took place. During this reform technical and vocational education were pointed out as high priorities. A reason for this priority is the large numbers of educated youth who remain unemployed. The aim of these reforms is to prepare secondary school students better for further education or the labour market. Internships, apprenticeships and specific skills-training are focal points of these reforms.

The last fifteen years have shown a rapid growth of school enrolments. This growth was largely possible due to many national and international initiatives and funds for schooling. Education and economic development need to interact to achieve Ghana's goal to become a middle level income country by 2020 (Akyeampong, 2010). A challenge is the issue of financing educational development which is linked to the quality and quantity of schooling.

4.2 Current school performance¹⁷

Currently, an estimated 51 per cent of the adults in Ghana can read and write in English or a local language. However there is a difference visible between sexes. Over 60 per cent of the adult men are literate comparing to 40 per cent of the adult woman. Another disparity is visible between rural and urban areas. In Accra almost 80 per cent of the adults are literate, in rural Savannah¹⁸ a small 22 per cent (Ghana Living Standards Survey, 2008).

Table 4.1 represents the level of formal educational attainment for the population aged from 15 years. Formal education is education that is provided officially through formal institutions. BECE is basic school certificate similar to primary education. MSLC stands for middle school leaving certificate, this certificate means that a person completed junior secondary school. According to the data almost half of the population has less than a BECE certificate or not even attended school in their lives. Men are better off than women comparing their level of education. The future is more promising for women looking at the current enrolment rates, still the current rates shows women lag behind. The difference between male and female increases with the level of education. Currently the attendance rate is 10 per cent higher for men at the age of 19-25. The difference for primary education is nil. The difference among sexes in rural areas is larger combined with a drastically

¹⁷ This paragraph is based on Akyeampong(2010)

¹⁸ Northern province in Ghana

decline in school enrolment rates. The attendance rate of women aged between 19-25 is on average 77.3 per cent, however in rural Savannah the enrolment rate for the same category of women is mere 37.2 per cent.

Table 4.1 School attendance rate, population 15 years and older

Level of educational attainment	Percent			Estimates (millions)		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Never been to school	22.3	38.3	30.8	1.4	2.7	4.1
Less than MSLC/BECE	16.2	17.9	17.1	1.0	1.3	2.3
MSLC/BECE/VOC	43.5	34.1	38.6	2.7	2.4	5.1
Secondary or higher	17.9	9.7	13.6	1.1	0.7	1.8
Total	100.0	100.0	100.0	6.3	7.0	13.3

Source: Ghana Living Standards Survey, 2008.

Currently, the net enrolment rate for primary education is 78.6 per cent. Net enrolment is classified by age, gross enrolment rates are higher because it includes over and under aged as well. Comparing to other Sub-Saharan countries Ghana made a lot of progress in increasing access to primary education for children. Between 2004-2005 and 2006-2007 the net enrolment of first year junior secondary school students increased enormously (see table 4.2). Between 2005 and 2010 secondary education enrolment rates increased with more than 60 per cent. The number of children who completed primary education increased and most of them continued with junior secondary education.

Table 4.2 Enrolment by Level of Schooling for 2004/05 and 2006/07

	Primary		Junior secondary		Senior secondary	
	2004/05	2006/07	2004/05	2006/07	2004/05	2006/07
Enrolment	2935611	3365762	1012258	1132318	338519	414491
Gross enrolment	83.4	90.7	70.3	74.8	25.5	30.2
Net Enrolment	59.1	78.6	31.6	50.7	n.a.	10.6

Source: Adams et al (2008)

An increase in enrolment rates as showed above are a positive sign. However there is an important challenge concerning completion rates. Youth who quit school before completing their curriculum or achieve an certificate are called dropouts. Dropout rates are high in Ghana, for every 100 students that start junior secondary school, 65 out of them are expected to complete. SSSCE, which stands for the Senior Secondary School Certificate, has a completion rate of 59 per cent (Adams et al, 2008). These numbers indicate high dropout rates for youth in Ghana. Evidence from Labadi, Greven (2012), appointed financial constraints as the main cause of high dropout rates.

Meanwhile dropout rates remain high there is another issue occurring for those who want to continue their educational pathway. Each year of the 100 qualified applicants who subscribe for a public university, only 49 of them gain admission (Akyeampong, 2010). This indicates that there is a demand-supply gap for public universities of more than 50 per cent.

For those who continue schooling and enrol in higher education different specializations can be chosen. Less than ten per cent of the students follows a technical curriculum. More than one-third study business related courses and the same amount are enrolled in general arts. A small 11 per cent is enrolled in science and nine per cent in agricultural related courses. There is a difference between male and female, looking at the courses they are enrolled in. Female students are more often than male enrolled in secretarial studies, general arts and home economics. Comparing to male, who are more frequently enrolled in agricultural, accounting, technical and visual arts related courses.

The government of Ghana approved norms of enrolment for science/technology courses comparing to business related courses. The norm is 60:40, which indicates that the government wants to stimulate students to choose a science/technology related course. Despite the norms of the government the increase was mainly in business related programmes and not in science and technology.

4.3 Returns to education¹⁹

As mentioned before education has the potential to increase the value of human capital. Not only in economic terms as higher earnings and productivity but there are many non-market benefits. The extent to which education raises earnings is loosely called the economic return to education (Colclough, 2009).

The government of Ghana made education compulsory for children till the age of sixteen. For that reason basic and middle education (the latter refers to junior secondary school) are tuition free. Hence not all children go to school. Costs for books, uniforms and other equipment are a constraint. When schools are not in the area, money for transportation is needed. Other forms of opportunity costs indicate children who could work in the household or for someone and earn money. Then there is rational choice, the quality of schooling might be worse that parents decide not to invest in schooling for their children. Even though public schools are fee-free, the additional costs can be a constraint for children not to go to school.

The illustration above displays the trade-off for the decision maker between investing in education or not. In economic terms there must be a benefit on education, why else should you spend your income on education? Ghana Living Standards Survey has shown that gross of the people in Ghana who are wage workers, have attained a higher level of education, than those who are not employed in wage work. We might say that there is a positive correlation with the level of education attained and wages that an individual earns. Results suggest that the level of education plays an important role in determining household welfare. According to Rolleston (2011) results show that a higher level of education is correlated with relatively larger and increasing benefits.

According to the Ghana Living Standards Survey a household spends on average GH¢88.65 (GH¢280.81 Accra, GH¢21.25 Savannah)²⁰ per household member for attending school or college

¹⁹ Based on Adams et al (2008).

²⁰ Numbers and data used in this paragraph are based on Ghana Living Standards Survey(2008).

per annum. Imagine a household living in Accra with three children. If all the three children would go to school, their estimated expenses would be three times GH¢280.81, which is GH¢842.43²¹. The mean annual household income in Accra is GH¢1529.00. In this case, the household would spend 55 per cent of their income on education for their children.

The economic returns to education differ among different levels of education. Several authors have different views about the economic returns to education. In this report, I would like to join the vision that the expected returns to the individual are higher when secondary education is completed. The reason for joining this vision is due to the (i) enormous increase in “lower” educated Ghanaians (Greven, 2012) which decrease the economic value of their skills on the labour market. From an economic point of view, an increase in supply with a stable demand, decrease the value of the supplied good. (ii) Education, from a theoretical perspective, raises the productivity of a worker which leads to an increase in wage and earnings. (iii) Higher education increases the opportunities to enter into more profitable categories of employment.

Adams (2008) stated that primary education, and in some cases also junior secondary education, do not yield statistically significant earnings gains compared to those who have no education. It is important to notice that in this context Adams refers to private returns for individuals. According to Psacharopoulos (1995) returns to primary education are high in the more broaden context looking at society. For example lower fertility rates and lower mortality under children because of knowledge about health and hygienic practices. The so called social organisation. In Ghana the marginal returns to an additional year of primary education are high for men who are self-employed (Fasih, 2008). For that reason, primary education seems to be a good investment for self-employment.

According to Adams (2008) higher levels of education in both rural and urban settings translate into higher earnings in Ghana. The economic returns to education and training are calculated using three Ghana household living standards surveys (1991-2006). Adams *et al.* distinguishes three different employment categories. (i) Wage employment, (ii) Self-employment agricultural, (iii) Self-employment non-agricultural.

Evidence show that wage workers in the public sector earn 2.6 times the earnings of the self-employed in non-agriculture business and 3.4 times the earnings of the self-employed in the agricultural sector. Wage workers in the public sector earn more than wage workers in the private sector. A wage worker in the public sector earns on average per hour 6,93 GHS. A wage worker in the private sector earns 3,93 GHS. The self-employed in agriculture earn 2,033 GHS an hour and self-employed non-agriculture 2,71 GHS an hour²².

There is a large difference in earnings between the different categories. It is important to notice that these three employment categories have different skills and education profiles. Wage workers in

²¹ It is likely that marginal costs decline when more than one child per household goes to school. Sharing books, cloths and transportation are examples which could reduce costs. In this example that is not taken into account.

²² 1 Ghanaian New Cedi = 0.56 US Dollar. 1 Ghanaian New Cedi = 0.43 Eurocent
<http://www.oanda.com> 07-04-2012

general have higher levels of education than both categories of self-employed. Wage workers are likely to have completed at least senior secondary education. For a self-employed worker, a junior secondary education or less tends to be the educational norm. Those with basic education are more likely to be self-employed than those with higher levels of education. Expanding numbers of youth with completed basic education are unable to find wage employment and are left to create their own employment. In general, having less than secondary education in rural areas raised the chance of self-employment in agricultural sector. Investing in higher education is associated with a movement out of the agricultural sector to wage or self-employment in the non-agricultural sector. The likelihood of holding wage employment is higher for those with TVET education than for those with only senior secondary education. By providing technical skills, TVET increases the chances of establishing someone's own job in the non-agricultural sector. Apprenticeship also offers a pathway to self-employment through skill development but is less effective than TVET in opening doors for wage employment (Adams *et al*, 2008). Hence it is important to notice that there is a large difference visible between urban and rural Ghana. In rural Ghana it is likely to be employed in agricultural activities while in urban areas this is not the case.

There are relatively low rates of return when you look at junior secondary school in Ghana (Palmer, 2007). Junior secondary school appears to be inefficient in preparing students for senior secondary school or participate in the labour market, this problem occurs (i) due to a lack of quality²³ and relevance in skills, (ii) inadequate facilities and infrastructure and (iii) shortage in school teachers to motivate students. Comparing this with senior secondary education, the rate of return functions much better as terminal education for entry into the labour market. Completion of a senior secondary education or TVET provides substantial earnings gains that are statistically significant in rural and urban areas and for all categories of employment.

Technical and Vocational Education and Training (TVET) is a more practical curriculum implemented by the government to prepare youth better for existing jobs, a policy reform to address youth unemployment. TVET has different levels of education, which enables those without any form of formal education to participate. The practical skills gained by following TVET makes students more suitable for the labour market. TVET plays also an important role in creating self-employment in the non-agricultural sector. However in practice employment for those followed TVET has been a problem. (i) It is not clear which qualifications for placement on the job students would have, because of the limited requirements to follow TVET. This problem causes information problems for employers (signalling). (ii) The Ghana Living Standards Survey 05-06 showed that two per cent of the students aged between 20-30 years attended TVET. Some analyst suggest that about a third of them remain unemployed. This would indicate that TVET has been a supply driven policy. TVET is expensive. For that is reason growth of polytechnics(which provide TVET) has been constrained. The unit costs of TVET was two to three times that of a secondary education due to the cost of workshops and lower teacher-pupil ratios (Adams *et al*, 2008).

²³ Level of students not high enough to continue with senior secondary school.

The largest returns are visible for tertiary education in wage employment, which are even higher for women than for men²⁴. Evidence suggest that the economic returns of education are higher for the highest levels of education, with the exception of men which are self-employed (Fashi, 2008). Participation in apprenticeships are not associated with higher earnings in rural or urban areas. Even though they influence the likelihood of having a job by increasing chances of becoming self-employed, they do not translate into higher earnings when compared to those without apprenticeship. The rate of returns to education are much lower for those who do not enjoy wage work (Rolleston, 2011). However, evidence shows that every extra year of higher education increases earnings by 10% per year (Colclough *et al*, 2009). Unfortunately, there are thousands of young university graduates unemployed and looking for a job. For them education has failed its function to get a better likelihood (Dai Kosi *et al*, 2008).

Shift from the demand side

Chapter 3 focussed on the aspect where mass employment has to make room for quality employment. This shift means a demand for higher education, with a consequence of reduced returns to primary education.

Figure 4.1: Illustration of example in shift in demand from employers

A supermarket in Ghana need cashiers. With the increased supply of educated people, the demand from the supermarket shifted from low-educated to high-educated workers.

Earlier, when you completed primary school, you had the possibility to work as a cashier. Nowadays, you need at least a senior secondary certificate to apply for a vacancy as cashier.

Source: Interview with Mabel about labour opportunities (Greven, 2012).

Quality concern

A problem associated with quality concerns is that after completion of primary school the cognitive skills which are expected to be mastered are not completed. Evidence from Ghana has shown that on average it takes 10 to 12 years of schooling to acquire literacy. These basic cognitive skills should be mastered in the first five years of primary education according the International Standard Classification of Education 1997 (Fasih, 2008). Which indicates that Ghana is extremely inefficient in providing quality schooling. An improvement in quality would lead to cost reduction, both in years of schooling as in returns to education.

Improvements could be made on different levels. One specific issue is the under qualification of teachers. Officially it is required to have a specific certificate to become a teacher²⁵. However in public schools nearly 80 per cent of the teachers has a certificate and a small share of 27 per cent of the teachers working in private junior secondary schools meet these requirements. Quality concerns

²⁴ An explanation might be that the opportunity costs for males are higher than for females.

²⁵ You need to complete teacher training college for acquiring a certificate.

in education have resulted in private sector involvement. Today about 20 per cent of all primary schools are private schools (Akyeampong, 2010).

Quality concerns might influence the incentives for parents to send their children to school. Combined with a reduction of the profit of primary education the incentive to send children to school can decrease to zero. Especially when it concerns the poorest households where opportunity costs to send children to school are high. Meanwhile, there are movements from the government as well international organisations as UNICEF to support school enrolment. An example from UNICEF is that they implemented a program where children who go to school get a meal for free.

An important final remark I would like to make is that investing in education is risky, even though there is a positive correlation, an individual who enjoys a higher level of education can never be certain that his/her earnings will actually be higher. Especially for risk-averse individuals this might be a reason not to enjoy formal education. Education can increase an individual's income opportunities, though it is not guaranteed.

Quality concerns are a challenge for the development of human capital in Ghana. These findings highlight the importance of improving the quality of schooling, at the end this can lead to a reduction in costs (less years in school with a higher productivity) and a better quality of education has higher returns, this results in a better allocation of time and money (Fasih, 2008).

Inequality in access to education should be reduced which makes it possible for all pupils to continue schooling. The issue of drop outs need to be addressed. Highest returns to education in Ghana are visible in the highest levels of education, namely tertiary education, which are often more accessible to the elite, the government should be attention to prevent a growing inequality (Fasih, 2008).

4.4 Summary

This chapter concerned education in Ghana. Education is an investment in human capital. The government led by Nkrumah pointed education as very important for the development of Ghana. After Nkrumah's government was overthrown education in Ghana was criticised due to its lack of quality. A shift of priorities reallocate the focus on tertiary education to primary education. Currently reforms are made to approach the problem of youth unemployment. More skill-oriented trainings are needed to employ the youth. An estimated 51 per cent of the adults in Ghana can read and write in English or a local language. Hence, a strong increase in school enrolment will increase these numbers. The net enrolment rate for primary education is currently 78.6 per cent. Challenges for Ghana are dropout rates, financing and a lack of quality of schooling. There are different returns to education which depends on the perspective taken into account. On social level, primary education has high returns which influence the social organisation of the society. For example a reduction in under-five mortality and lower birth rates. For an individual returns to primary education are lower in Ghana. An explanation for this phenomenon is the increasing supply in individuals who completed primary education. For an individual (mostly parents) a benefit – costs analysis explain the educational choice. Results show that a higher level of education is correlated with relatively larger and increasing benefits, however investing in education is risky, especially for the poorer households. Benefits of schooling are not a given but a potential, besides opportunity costs play an important role.

5. Youth Unemployment²⁶

“Youth in urban areas are looking for jobs alongside thousands of others from the same schools, while rural youth are flooding into the cities looking for work,” said Sanoussi Toure, the Minister of Finance of Mali. “This is a tragedy. Our policies favour investment in education and training, but this investment has not led to job creation.”²⁷

In developing countries youth unemployment is a serious matter. In Ghana almost 60 per cent of the population is under the age of 24 years (Braitham, 2006). In The Netherlands the share of population under the age of 24 years is less than 30 per cent (Earthtrends, 2003). The impact of youth unemployment hits a large share of the population in developing countries like Ghana. Consequences of youth unemployment are loss of human capital, social inequality, deviant behaviour and economic costs (Blom and Hobbs, 2008).

This chapter elaborates the problem of youth unemployment, which reflects sub-question 4 “What is the extent and nature of youth unemployment?” and at the same time focus on the research question about labour opportunities for youth. In most countries of the world, there is a visible pattern where youth unemployment is much higher than unemployment under adults, which suggest that integrating young people into the labour market is a problem (O'Higgins, 2001). This phenomenon is natural, youth are new entrants in the job market, they are less skilled and have higher transaction costs in finding a job (lack of experience in job search). Paragraph 5.1 focuses on the current situation of youth unemployment in Ghana which is a uncertain topic due to lack of research. Paragraph 5.2 elaborates on the causes of youth unemployment which is mainly based on research by Greven (2012). Paragraph 5.3 pays attention to the role of education on being unemployed according to Greven (2012). The last paragraph 5.4 summarises the main findings of this chapter.

5.1 Current situation concerning youth

Youth unemployment is estimated to be 17 per cent in Ghana²⁸. Braitham (2006) implies that youth are 3.8 times more likely to be unemployed than adults. Though, it is difficult to work with numbers. There are different resources who define youth unemployment in different ways which lead to incredible differences of numbers²⁹. The range of self-reported unemployment conducted by Economic Report of Africa, 2010, was estimated to be 45 per cent in Ghana. 33 per cent suggest that they were looking for a “better” job, which might refer to hidden unemployment³⁰. In research conducted by Greven (2012) 50 out of 67 questioned employed youth indicated to be looking for

²⁶ This chapter is based on Greven (2012).

²⁷ World bank, in “meetings youth unemployment in Africa”. Obtained 6-3-2012.
<http://blogs.worldbank.org/meetings/youth-unemployment-in-africa>.

²⁸ World Bank, accessed 11 June 2011

²⁹ As explained in Chapter 2 difference in operational definition result in large difference in numbers.

³⁰ I assume that it might imply hidden unemployment.

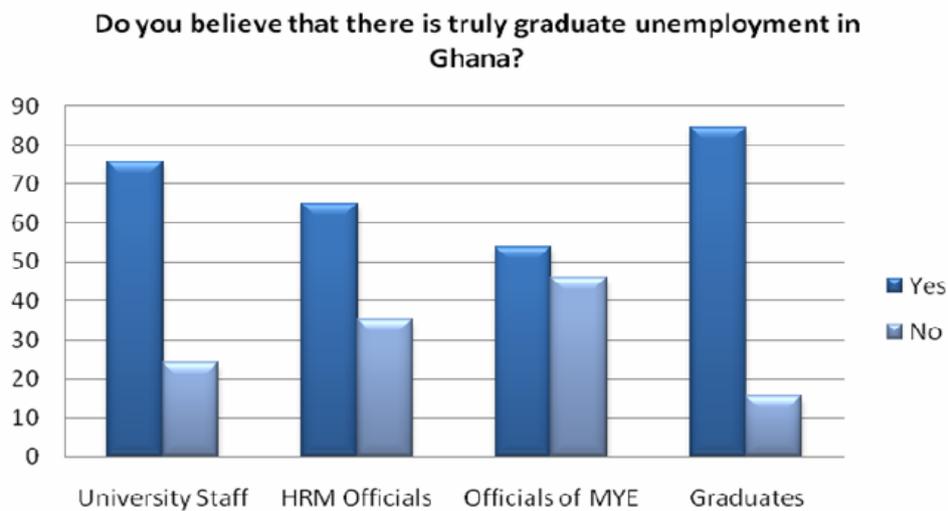
another job. In 72 per cent of the cases the job was not paid well, another 18 per cent stated that the job did not suit their level of education³¹.

The nature of youth unemployment varies among different countries but there are common aspects visible according to O'higgins (2001). (i) Youth unemployment is higher than adult unemployment in almost every country for which figures are available. (ii) Youth unemployment is closely linked to adult unemployment. O'higgins (2001) states that youth unemployment is correlated with adult unemployment. An increase in adult unemployment can lead to nearly a double of increase of youth unemployment. This implies that youth unemployment is more vulnerable than adult unemployment.

There is a large disparity in education patterns among youth in Ghana, hence youth unemployment is visible at all levels of education (Greven, 2012). According to Botchie (2004) 250,000 youth joins the labour force annually. About 31 per cent of this young adolescents are tertiary graduates. This makes about 77,500 graduates per annum joining the labour force. Only 5000 of them are employed by the formal sector, which is 6.5 per cent. The rest is absorbed in the informal sector or remain unemployed.

Dai Kosi (2008) investigated the phenomenon of unemployment among graduates³². The outcome of his research was that opinions of the occurrence of graduate unemployment were dissimilar. A part of the population thinks that there are enough opportunities for tertiary educated youth at the labour market. However Dai Kosi (2008) listed that all stakeholders surveyed agreed upon the fact that there was real graduate youth unemployment. However the government denied the occurrence more often than other parties.

Figure 5.1 Questionnaire about occurrence of graduate unemployment in Ghana



Source: Dai Kosi et al, 2008

³¹ Youth valued their job below their level of education.

³² In this report a graduate is someone who has successfully completed any post-secondary or tertiary education, training college, polytechnic or university.

5.2 Causes of youth unemployment

This section explores different causes of youth unemployment. The following causes are distinguished and explained. (i) Structural unemployment, (ii) job search, (iii) discrimination, (iv) reservation wage and aspirations, (v) mismatch, (vi) entrepreneurship. These are outcomes of research conducted by Greven (2012) in Labadi, Accra.

5.2.1 Structural unemployment

As we have seen in Chapter three urban labour supply increase much faster than the wage sector is capable to generate, accompanied with urbanization this maintains the growing unemployment especially for youth in Ghana. It is noticed more than once that the labour market does not have the capacity to absorb all the new labour market entrants.

The public and private sectors do not grow according to the increasing numbers of graduates. The shift of resources from low-productivity to high-productivity areas are a major source of total productivity growth. The labour market remains constrained by the weak human capacity, despite initial good education. That calls for a re-focusing of policies and a strengthening of institutions (Aryeetey, 2003).

Greven (2012) stated that there were many unemployed and under-employed youth wandering through streets of Labadi remaining jobless for years. Some youth indicated to be unemployed for almost 8 years. They rely on their family or friends to stay alive. They indicate that there are no jobs to do.

5.2.2 Job search

For youth, information about job opportunities are not easily accessible (Greven, 2012). Evidence has shown the problem youth face with finding a job, simply because they don't know how or where to start. There are few higher educated youth who try to apply through official channels as institutions. Less educated youth try to use their network, especially family and friends, to get employed.

There is a lack of well-functioning institutions to support unemployed youth in finding a job. There is no transparency which makes the transaction costs for youth extremely high and has unemployment and discouragement as a consequence (Greven, 2012).

Another visible pattern which might be a cause for youth unemployment is the shift in type of graduates. In the "older days" it was only for the children of the elite possible to go to university. Nowadays, it is not only elite children who go to university. The children from lower class households do not have the same "network" as the children who come from elite families who for example employ them in their own businesses (Greven, 2012).

Lack of collaboration between universities and the labour market influences the unemployment of youth negatively (Dai Kosi *et al*, 2008). Effective internship programmes could reduce this problem (Greven, 2012).

5.2.3 Discrimination

Discrimination among jobs for youth are common in Ghana. The following example from Labadi, Accra underpin this phenomenon.

Akosua(23) has studied political science. When she applied for a job, her boss told her to sleep with him once before she would get the job. She refused. She continued looking for a job. Meanwhile she got pregnant from her boyfriend and married. Now she is working in her aunties store selling biscuits, toilet roll, soap and other daily products. Still she is “looking” for another job, but she said there are no jobs for her to do³³.

Other examples that are common in practice are those where family members arrange workplaces in their company for their family members. A consequence is that jobs are employed by under-qualified youth and those who are qualified do not get a chance. Discrimination among tribes are another form of discrimination which occur often. An example to mention is from Ernest who grew up in Ivory Coast. He applied for a job but he was rejected because he was not from the Ewe tribe.

5.2.4 Reservation wage and aspirations

Officials of the Ministry of Manpower Youth and Employment stated that graduates consider jobs as below their standards. Teaching is for example often seen as a temporarily solution for graduates (Dai Kosi, 2008). The agricultural sector remains unattractive to the young graduates (and the youth at large) even though the economy of Ghana has a large share in agriculture. For example many graduate students prefer to work in the public sector (Botchie, 2004) (Greven, 2012). An important problem for in particular graduate youth is that they have high expectations of their job prospects³⁴. According to Ophelia Sum in Greven (2012) many students copy idealistic visions from propaganda from the media. Big houses, big cars, big money. As long as youth is supported by their family their reservation wages remains high. “youth can rely on their parents, they would like paid jobs but are not in need in that sense that they depend on wage work before they will get food or housing”.

5.2.5 Mismatch

There is evidence of widespread disparity between what educational institutions produce and what the labour market demands. This trend has led to a ‘mismatch’ between educational output and labour market requirements creating unemployment problems in the country. In 1998/1999 the output of the Computer Science Department at the University of Ghana was only 49, compared with a total required output of 5718 (Karikari-Ababio, 2006). It was estimated that about 47% of social science and arts students who graduated in 1999/2000 likely entered into unemployment, given the changes in skills demanded. Research has shown that the courses that are followed by graduates do not match with the current demand of skills of the labour market. Besides youth do not obtain enough practical training during their education, the consequence of this lack of practicality is that graduates do not meet the requirements of the labour market, they are not suitable enough.

The slow growth in aggregate employment has resulted in educational deepening whereby jobs that previously required workers with little education now demand those with higher education. Though job content has remained essentially the same. This has led in turn to an increasing demand for higher education as a means to avoid unemployment (Boateng, 2002).

³³ Based on Greven (2012)

³⁴ This cause is supported by Boateng, 2002

During the field practical in Labadi, the mismatch between graduate labour supply and labour demand is verified (Greven, 2012). There are many unemployed tertiary graduates. On the other hand there is also a high demand for skilled labour (Boateng, 2002). The existence of supply-demand gaps not only contributes to the problem of graduate unemployment and a negative rate to investment in education privately, it undermines the efficiency of public investment in tertiary education. Mismatch in skills is a recognized problem among graduates who remain unemployed. Even though they are well trained in their specific areas they cannot be employed (Greven, 2012).

According to Akyeampong (2003) a major problem of the current formal training system in Ghana is that it has virtually no effect on the employment situation. Formal training lacks relevance and has not been able to address the realities of (i) the low absorptive capacity of the wage sector and (ii) underemployment and low performance at the work place. Formal training systems are largely supply driven, based on assumptions of skill types that are demanded on the labour market. They tend to target the wage sector³⁵ which is relative small. (iii) A system-caused problem that constraints the ability of formal training systems to meet demand of the labour market is the considerable inflexibility in the system. Teachers whose skills are insufficient to new labour market demands and who are incapable to switch cannot be fired on account of protection from labour unions. The result is overproduction of skills which are not demanded by the labour market. Institutions are incapable to respond quickly on the advantage of new demands for skills that emerge on the labour market.

5.2.6 Lack of job creation / self-employment

According to Greven (2012) the willingness among university graduates to start up their own enterprises is low. Graduates are assumed to be the ones with the highest potential to set up good enterprises, due to their education. Evidence indicates that the lower educated are more willing to start their own businesses. In their case they think about small grocery shops, taxi drivers, or other small one-man enterprises. While the higher educated have the knowledge and capacity to build “bigger” enterprises. Though it is hard for youth to set up their own enterprises. (i) Lack of financial means are a constraint. (ii) Youth need guidance with setting up their business to do it in a sustainable way (Greven, 2012).

5.3 Effect of education; Evidence from Labadi

According to Greven (2012) the level of education does not show a strong deviation between employed and unemployed youth. From all levels of education there are youth unemployed. It is visible that there is a high occurrence of unemployment among the higher educated youth. Even though we noticed this trend, half of the youth think that their level of education does influence the fact that they are unemployed, in terms of that they are not educated enough to get employed.

Between employed and unemployed youth, there is neither a strong deviation visible if we look at the specialization of education. There is a high frequency of business related courses among both employed and unemployed. The only deviation visible is among unemployed who are graduated

³⁵ Notice that the wage employment accounts for only 16.4 per cent in Ghana (fig. 3.3.2)

from clothing industries. Hence, looking at the size of respondents we cannot conclude this is a trend or coincidence.

5.4 Summary

In most countries of the world, there is a visible pattern where youth unemployment is much higher than unemployment under adults, which suggest that integrating young people into the labour market is a problem. In Ghana almost 60 per cent of the population is under the age of 24 years, which reflects a young population. This chapter discussed the occurrence of youth unemployment in Ghana. Youth unemployment is high in Ghana. Numbers differ among resources. According to the World Bank (2012) youth unemployment was estimated to be 17.2 per cent. The second half of the chapter explores the causes of youth unemployment in Ghana. The following elements are identified. (i) Structural unemployment which implies that there are not enough jobs available to employ all the unemployed youth, (ii) job search, which reflects the dilemma's of youth in finding employment which relates to high transaction costs, (iii) discrimination, not all youth are treated the same way and get the same chances at the labour market, (iv) reservation wage and aspirations, high reservation wages and expectations increase the duration of unemployed youth, this is in particular the case for higher educated youth. (v) Mismatch, a mismatch occurs when the demand and supply of labour do not congregate due to for example a mismatch in skills. (vi) A lack of entrepreneurship, due to lack of aspirations, guidance or financial constraints is another aspect identified as a cause of youth unemployment.

6. Policy

"We cannot always build the future for our youth, but we can build our youth for the future".

Franklin D. Roosevelt

Ghana aims to become a middle level income country by 2020³⁶. At this particular moment, access to all levels of education has been improved over the past 50 years. However as Chapter 4 and 5 indicated there are many challenges to overcome. Lack of quality of schooling, mismatch in skills and youth unemployment are some examples to mention. Dropout rates are a common problem in Ghana which is hard to overcome. In particular junior and senior secondary level show depressing numbers of completion. So far, there are no simple solutions to solve the problem of youth unemployment and the inefficient use of human capital. Youth unemployment in Ghana is a problem to a large extent with severe consequences. This chapter concerns the last sub-question *"What is the effect of government policies for employment opportunities for youth?"*. This chapter is written to identify the role the government has in approaching the problem of youth unemployment and in the creation of job opportunities. As the reports has shown there are various aspects which should be addressed. Paragraph 6.1 provides information about relevant policies which have been implemented over the past and the action the government takes to overcome the problem of youth unemployment in the country. Paragraph 6.2 goes deeper into challenges and future solutions to solve the problem of youth unemployment and inefficient use of the human capacity Ghana has.

According to Chapter 5 unemployment among youth is a common phenomenon in Ghana. On 13th February 2011, Francis Kokutse wrote an article about the increasing unemployment of graduates while the government of John Atta Mills is investing in two new public universities. There has been rising demand for higher education, which results in the growing number of universities in Ghana. Meanwhile there is no national policy on employment. Lartey (27), who graduated three years ago, told University World News: "It looks like no-one is trying to find an answer to the growing unemployment among graduates. No one talks about and it is like it does not exist."³⁷

6.1 Government policy in a nutshell³⁸

A challenge for the government of Ghana is where should it prioritize its funding of education (which level) to maximize the impact on economic development. For tertiary education, the challenge is to ensure that funding is targeted to coincide with government priority areas. Currently there is a mismatch between government priority and practice on the ground. Most of the tertiary funding (universities and polytechnics) goes to support students pursuing liberal arts, humanities and business programmes (Akyeampong, 2010). It is positive that the private sector is contributing in the

³⁶ This section is supported by Akyeampong (2010).

³⁷ Francis Kokutse, Website University World News, obtained 11 June 2011.

<http://www.universityworldnews.com/article.php?story=20110211211657100>

³⁸ This section is based on Akyeampong (2010)

tertiary education sector. This will reduce pressure on state funds so that more of it can then be used to support other education sectors.

2015 is the target date for achieving universal basic school completion. All junior secondary students have to enrol in secondary education by 2020. The new reforms recognized that students currently enrolled in school not only require skills that are immediately applicable to work but that they also need to have a flexible knowledge and skills that will enable them to adapt to the changing labour market. The new reforms try to link schooling to the labour market by developing programmes that focus on the job market in the private and public ambiances. Plans are made to track, monitor and evaluate student flows to enhance the development and design of programmes who aim for a better connection to the labour market. A new education design has been prepared which sets out the possibilities that institutions can play to further educational development. To support the establishment and development of small and large scale industries a TVET policy act has been passed by the parliament to support the establishment of a council for technical and vocational education and training.

Recently the government implemented The National Youth Employment Programme (NYEP). This initiative is designed to tackle the problem of youth unemployment in the country. Its goal is to empower the youth to contribute in the socio-economic and sustainable development of Ghana. The main objectives are to reduce school dropouts and turn the unemployed into employed. The programme has several working places for students, for example security services, health extension and waste and sanitation projects³⁹. Through practical skill development pupils should gain knowledge and skills which make them more employable.

The government attempts to make the education system more oriented to the “world of labour”. TVET should be a solution for the lack of skills or mismatch in skills. In principle the focus in this policy is on creating skills for employment. However the difference between TVET and the NYEP is that NYEP is more as an internship while TVET is a whole curriculum itself. TVET has the ambition to generate self-employment (Palmer, 2009). Trainees need to become self-employable⁴⁰ instead of relying on the government to offer them jobs (which are hard to come by due to budgetary constraints). According to Akyeampong (2003) a challenge for youth is to utilise productive skills learned during their curriculum. The underlying assumption is that the provision of vocational skills to young people makes them employable, equipping them with skills they need to enter employment. Another important aspect of TVET is to decrease migration from rural to urban areas due to job search.

6.2 Challenges and solutions for the future

As Ophelia Sum in an interview stated “the labour market and educational institutions do not cooperate to approach the problem of youth unemployment effectively. When these two would

³⁹ Government of Ghana, Official Portal. Obtained 06-03-2012
http://www.ghana.gov.gh/index.php?option=com_content&view=article&id=5381:ministry-of-youth-and-sports&catid=74:ministries&Itemid=224.

⁴⁰ Car repair is an example to clarify the working of TVET. If a pupil possess the skills to repair cars he can start his own business.

come closer, arrangements could reduce the problem of transactions costs and meet the demand in skills required by the labour market” (Greven, 2012). Dai Kosi (2008) identified in his article that there seems to be a gap between the government policy and demands from the labour market. The question remains how to approach the problem of this miscommunication. Specific training should be figured out to meet the needs for the labour market. Which will make the unemployed attractive for the labour market⁴¹.

Boateng (2002) presented recommendations in his article to improve the relevance and quality of tertiary output and minimize the problem of the supply-demand mismatch. First (i) re-organisation of tertiary institutions is needed which involves curriculum review. It will lead to productive and cost-effective specialisation. (ii) Creation of an environment for private sector. Participation in tertiary education financing. (iii) A national body should be set up to identify and project human resource requirements. A national labour database should be set up to provide current information on the situation of the labour market in Ghana.

Adams (2008) came up with similar solutions to increase the value of education and the role it can play to reduce unemployment. He recommended to improve linkages with industries. Adams addressed the importance of basic education. Knowledge of basic math, sciences, and communications is essential to acquire job-specific skills and encouraging employers to invest in workers.

Another important factor is the maintenance of macroeconomic policies and sustaining a favourable investment climate for job creation. Training itself does not create jobs and is dependent on investment to produce these jobs. Creating an investment friendly environment that provide access to good quality skills training and encourage youth to invest in themselves, improvement of the business climate in the informal economy is included⁴².

The government has to play a role in the support of the growth of the industry. Infant industries have to be supported against unsustainable and unfair import liberalisation. The business community should have more room for development. One important issue in this development is lending. Banks should make it more attractive and possible to lend money for the business circuit and stimulate entrepreneurship. Lowering interest rates will create room for entrepreneurs. According to Betty Zormelo (Greven, 2012) financial constraints are the main problem which demotivates entrepreneurs. Betty stated that young entrepreneurs should get the opportunity to create their own business, they need guidance during starting up a business. The government should invest in counselling programmes for youth. As well for those who start entrepreneurial activities as for those to choose a curriculum. Stakeholders have to create room for internships, which indicates more private involvement and responsibility. The skills and experiences gathered through job attachments could help youth decide on their career goals more efficiently (Botchie, 2004).

⁴¹ Dai Kosi *et al*(2008).

⁴² Adams *et al*(2008).

Youth themselves play an important role as well. They have to become active in for example youth policies, to create sustainable solutions. There is a lack of input by youth themselves which is partly due to motivation problems (Greven, 2012). Educational institutions should focus on career opportunities for youth. They can organise career fairs and other activities that expose students to the corporate society for jobs.

6.3 Summary

Over the past there has been different approaches made by the government to address youth unemployment. However according to different parties the government should come up with more practical policies to employ youth and address the severe consequences of youth unemployment. The role of both the government and educational institutions is needed to stimulate and facilitate youth finding jobs. Entrepreneurship is an important solution which can partly solve the problem of unemployment but which need to be facilitates by third parties for financing and guidance. Cooperation between the private sector and educational institutions is needed to approach the problem of a mismatch in skills, which results in youth unemployment. However youth themselves play an important role as well, a lack of motivation problems, which is partly caused by the problem of unemployment itself, is an important factor to focus on.

7. Summary, discussion and evaluation

This chapter concludes the report. Paragraph 7.1 gives a brief summary of the report. Paragraph 7.2 evaluates and discuss the main findings of this report.

7.1 Summary

This research gained an insight into employment opportunities for youth living in urban Ghana with a focus on the relevance of education on their labour prospects. Overall the occurrence of youth unemployment is identified. Labour market outcomes, from a theoretical perspective, are influenced positively with relevant skills and education. However, returns to education might be disappointing, for example when an individual remains unemployed for a long time.

A theoretical framework with relevant concepts is important for the understanding of the context of this research about employment opportunities for youth in urban Ghana. Youth unemployment is defined by eliminating the requirement that an individual should be actively searching for work. The rationale behind this adjustment is that the extent of the so called discouraged youth (who are unemployed but not searching for work anymore) is large in Ghana according to fieldwork conducted in Labadi, Accra. The problem of asymmetric information and a lack of information covers topics as signalling and shirking. Whether a worker will shirk or not depends on its wage and the probability of finding another job when he or she shirks. Signalling is about the working potential of an individual which is unknown by the employee. Concepts which concern the labour force are those of employment, unemployment, hidden unemployment and under employment. In this report there is a focus on returns to education, investments in education and the occurrence of a mismatch. A mismatch occurs when labour demand and labour supply cannot match due to for example different skills required.

In Ghana, over the past two decades, there has been a shift where quantity employment made room for quality employment. Formal sector employment dropped radically. Fewer people were occupied with probably higher skills and higher wages. This phenomenon led to a shift into more informal sector employment due to the annual increase in labour force. There are disparities visible between males and females looking at the type of work they perform and in the sector they work for. Females are often occupied in the non-agricultural sector performing service or sales work, and they are often self-employed. Males on the other hand are more likely to be employed in wage-employment. Another disparity which is obvious is the difference between rural and urban Ghana. In rural Ghana there is a large share of agricultural activities. The unemployment rate in Ghana is estimated to be around 10-11 per cent. Ghana has a large informal sector accounting for 50 – 80 per cent, for that reason numbers are difficult to measure. Besides using reliable data is difficult due to lack of information. Unemployment itself measured in people who are not working at all is a problem in Ghana, but other forms like under employment and hidden unemployment are common which are not addressed so far in literature about unemployment in Ghana. Research conduct by Greven (2012) has shown that hidden unemployment is a serious threat for especially youth in Ghana.

Unemployment results in a decrease in returns to education. However education is an investment in human capital. The government led by Nkrumah pointed education as very important for the development of Ghana. After Nkrumah's government was overthrown education in Ghana was criticised due to its lack of quality. A shift of priorities reallocate the focus on tertiary education to primary education. Currently reforms are made to approach the problem of youth unemployment, which is identified to be partly a problem occurring due to a lack of/or mismatch in skills. More skill-oriented trainings are needed to employ the youth. Currently there is a strong increase in school enrolment. The net enrolment rate for primary education is currently 78.6 per cent. Challenges for Ghana are dropout rates, financing and a lack of quality of schooling. There are different returns to education which depends on the perspective taken into account. On social level, primary education has high returns which influence the social organisation of the society. For example a reduction in under-five mortality and lower birth rates. For an individual returns to primary education are lower in Ghana. An explanation for this phenomenon is the increasing supply in individuals who completed primary education. For an individual (mostly parents) a benefit – costs analysis explain the educational choice. Results show that a higher level of education is correlated with relatively larger and increasing benefits, however investing in education is risky, especially for the poorer households. Benefits of schooling are not a given but a potential, besides opportunity costs play an important role.

In most countries of the world, there is a visible pattern where youth unemployment is much higher than unemployment under adults, which suggest that integrating young people into the labour market is a problem. According to the World Bank (2012) youth unemployment was estimated to be 17.2 per cent in Ghana. This report identified some main causes of youth unemployment. (i) Structural unemployment which implies that there are not enough jobs available to employ all the unemployed youth, (ii) job search, which reflects the dilemma's of youth in finding employment which relates to high transaction costs, (iii) discrimination, not all youth are treated the same way and get the same chances at the labour market, (iv) reservation wage and aspirations, high reservation wages and expectations increase the duration of unemployed youth, this is in particular the case for higher educated youth. (v) Mismatch, a mismatch occurs when the demand and supply of labour do not congregate due to for example a mismatch in skills. (vi) A lack of entrepreneurship, due to lack of aspirations, guidance or financial constraints is another aspect identified as a cause of youth unemployment.

In the past there has been different approaches made by the government to address youth unemployment. However according to different parties the government should come up with more practical policies to employ youth and address the severe consequences of youth unemployment. The role of both the government and educational institutions is needed to stimulate and facilitate youth finding jobs. Entrepreneurship is an important solution which can partly solve the problem of unemployment but which need to be facilitates by third parties for financing and guidance. Cooperation between the private sector and educational institutions is needed to approach the problem of a mismatch in skills, which results in youth unemployment. However youth themselves play an important role as well in becoming active, a lack of motivation problems, which is partly caused by the problem of unemployment itself, is an important factor to focus on.

7.2 Evaluation

Employment opportunities in Ghana for youth in general are more scarce than for adults. The skills youth possess are often not the skills which are demanded by companies or public sector. One of the problems identified is the mismatch in skills visible where the education curriculum do not interact with labour demand from the market (another mismatch occur due to lack of skills). This phenomenon is inefficient because (i) it results in unemployment (human capital which is available cannot be occupied) and (ii) it undermines the investments made in education.

Education is often seen as a key to development for developing countries. However this report has shown that there are struggles to overcome and pitfalls to be aware of. Poor households invest in education for their children because they expect an increase in the opportunities for their children to get higher incomes or better employment. The decreasing returns to education might result that poor households will not invest in education anymore due to high opportunity costs and low expectations of education. This is especially the case for higher education, because the opportunity costs increase.

Evidence from Labadi, Accra, has shown that there is hardly any correlation between the level of education and the “occurrence” of being unemployed. It is noticed that higher educated youth often possess better jobs than lower educated youth, however there are many higher educated youth who work below their skills. In many cases, youth do not hold a job where they studied for but they are employed by their friends or relatives in jobs below their skills. This can be seen as hidden unemployment, which is inefficient. Labour potential or human capital is not used.

These movements, where education does not lead to the expectations of youth and their parents, lead to personal distress and it blocks development. Motivation problems are common in Ghana. Due to Ghana's large informal sector transaction costs are high. Searching problems are contributing to the problem of youth unemployment. A shortage in institutions to support youth in finding employment contribute to the problem of youth unemployment.

Researchers have noticed that education should become more practical which prepare youth more for employment and self-employment. Self-employment is very hard for youth. A lack of financial means and guidance discourage youth in starting up their own business. However less educated youth are more willing to start up their own enterprises than higher educated youth. This latter reflects a difference in expectations among youth. Higher educated youth have (unrealistic) aims which they pursue. They want to be employed in “big businesses” and earn a lot of money. This in combination with depending on their parents increases their reservation wage. At the end they get discouraged because they do not find the job they want. For those with a lower reservation wage, for example due to poor living conditions, get employed in businesses which are not paid well or below the level of education reached. This latter undermines the investments made in education by a household.

During this report there was a strong focus on the relevance of education on employment opportunities for youth. Even though education plays an important role, there are much more

factors where should be focussed on. For instance, structural unemployment, which is a severe problem and difficult to address.

This research was mainly focussed on the labour supply side, looking at individual choices and circumstances. To get a broader picture the next step would be to explore what opportunities are provided. Something that came up in my mind more than once, was the lack of good working institutions. I think there could be much potential in creating institutions which facilitate between labour demand and supply. I would recommend to invest in agencies for employment, which would increase transparency for youth. Besides I would recommend to start up financial institutions who support youth in starting up their own enterprises with guidance. Last I would like to pay attention to the cooperation between educational institutions, the government and businesses to reduce the mismatch and focus on skills needed to employ youth in an efficient and beneficial way.

I would like to emphasize the difficult circumstances youth in Ghana are facing. Finding employment is hard and many youth who find employment remain uncertain about the endurance of their job. Working conditions are poor. Besides the individual economic impact of unemployment for youth, the personal distress of feeling unworthy, lazy and not being able to contribute to a family are aspects which depress the youth. The latter can have large social consequences as social unrest and violence.

For the development of a country, it is important to allocate resources well. Human capital is a resource with a lot of potential in Ghana. Job creation joint with relevant skills-training will be a solution to decrease youth unemployment. Economic growth combined with support by the government should facilitate in achieving better employment opportunities for youth living in urban Ghana.

Afterword

During this project the research aim was large. To find an answer on employment opportunities for youth in urban Ghana and the relation with education was a bit overrated. There are many areas where could be focused on to deepen this research. Besides I would like to discuss few pitfalls during this research.

Defining youth unemployment was a hard task to do. The perception of youth themselves on unemployment differed a lot. The sensitivity of the topic is reflected in the title. Youth are not doing nothing, even though they are unemployed. Some who were holding a job could call themselves unemployed because they did not hold the job they want. This could be a case of hidden unemployment, however it was not clear whether this was the case. Maybe the person pursued an unrealistic aim. Others who did not hold a job do not see themselves as unemployed because they are not “doing nothing”. This was a time costly constraint and hard to identify.

There could have been much more detailed information on the educational pathways of individuals and the direct relation on jobs held. This was aimed to do by Greven (2012) but the research scope was too small for a reliable and valuable contribution. There is limited information on other variables such as the network of youth which they possess and use in finding employment. This is an interesting area for further research.

Again I want to emphasize the huge potential for development resting on the shoulders of the youth. However they are willing to contribute, the circumstances are not inviting them. Youth unemployment is an important topic on the policy agenda of many countries in Africa. Good working institutions are necessary in tackling this problem.

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