

EMPLOYMENT EFFECT OF **COVID-19** PANDEMIC IN GHANA



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FOREWORD

The outbreak of COVID-19 has had a cataclysmic effect on the global economy and Ghana is no exception. Its onset brought almost all economic activities to a halt because of containment measures that various governments adopted to save lives. The interaction of the COVID-19 driven economic fallout and existing vulnerabilities has given new fuel to the profound inequalities in Sub-Saharan Africa.

To cogently contribute to the post-COVID-19 economic recovery discussions, Friedrich-Ebert-Stiftung's Economic Policy Competence Center (EPCC) commissioned this policy brief. It demonstrates how the crisis has affected employment and economic growth in Ghana and indicates some policy recommendations to inspire resilient economic recovery policies.

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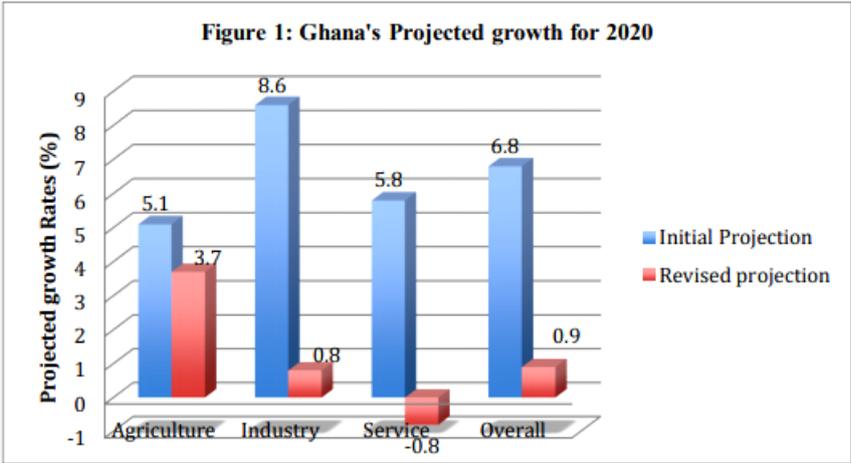
1. Introduction

The entire labour market in terms of employment and earnings at both national and global levels, has been seriously hit by the outbreak of the COVID-19 pandemic. Ghana, like many African countries, has not been spared. To the extent that every sector of the economy must adjust its operation and interaction with other sectors to stay afloat. On March 12, 2020, the first two cases of COVID-19 were reported in Ghana culminating in the subsequent lockdown of Accra and surrounding towns as well as Greater Kumasi. The key impact of the pandemic on the economy is measured by employment and livelihood effect. Essentially, the effects of the pandemic on key agents in the labour market such as workers, private employers, and the government (both as employer and regulator), are varied. In Ghana, the government had to adjust its financial year budget to keep workers in the public sector on the payroll, whilst at the same time rolling out social intervention measures to minimise the adverse social effects of the pandemic on the citizens through rebates on utility (mainly water and electricity). In addition, the government instituted a one billion Ghana cedi stimulus package during the peak of the pandemic to support distressed enterprises. Private employers also adopted a combination of strategies to mitigate the COVID-19 effects on their enterprises including working from home or on shift, reduced working hours and pay-cuts. These measures were adopted to avoid the potential collapse of enterprises as an alternative to invoking the redundancy clause in their relationship with their employees. Other employers had no choice than to lay off their workers. The 2020 mid-year budget review indicated job losses of 1,531 between April and June 2020 from eight companies within the Ceramics, Timber, Food and Agro-processing industries in the manufacturing sub-sector to indicate the extent of employment and labour market challenges created by the pandemic.

The adverse job and/or employment effect of the COVID-19 in Ghana varies among various economic activities and skills. The effect varies from agriculture to manufacturing, construction, trade, hospitality, education and finance. The effect also varies between the formal (public and private) and informal sectors. From an employment status perspective, the effects of COVID-19 on wage employment are likely to differ from self-employment, domestic or casual employment. Professionals and managers could feel the COVID-19 effect differently from clerical workers, machine operators, salespersons and those in elementary occupation. This piece analyses the effect of the COVID-19 pandemic on the economy from a labour market perspective with special emphasis on layoffs and pay cuts with implications for income loss.

2. Projected Growth and Employment Risk of the Pandemic

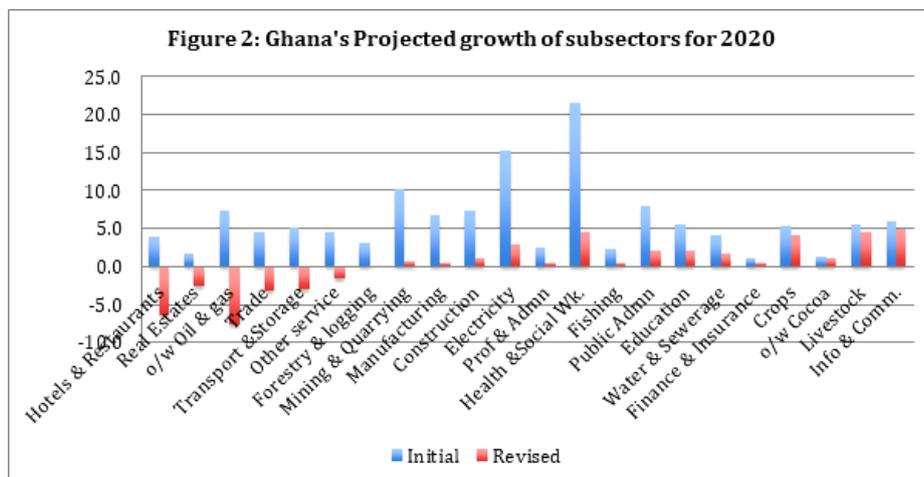
Ghana’s economy was projected to expand by 6.8% prior to the outbreak of the COVID-19 pandemic from a provisional growth figure of 6.5% in 2019. This was revised sharply downwards to 0.9% after the pandemic hit Ghana in March 2020. Indeed, the projected growth of each sector for 2020 was slashed quite significantly, with services sector revised from 5.8% to -0.8%. The projected growth of agriculture was revised downwards by 1.4 percentage points to 3.7% while industry projected growth was slashed substantially by 7.8 percentage points to 0.8% (Figure 1).



Source: Constructed from National Accounts, Ghana Statistics.

Services activities such as hotels and restaurants, trade, transport and storage, as well as real estates and oil and gas in the industrial sector were revised to negative (Figure 2). Oil and gas, and electricity in the industrial sector –hotel and restaurants, and health and

social work in the services sector saw a downward revision of projected growth by 10.5–17 percentage points with information and communication, finance and insurance and cocoa revised downwards by less than 1 percentage points.



Job creation and employment generation reflect economic activities measured by economic growth. Essentially, job creation is a function of economic growth, hence a downward revision of projected growth on account of the outbreak of the COVID-19 pandemic is an indication of potential job losses particularly in sectors that saw negative projected growth. The unemployment rate, which stood at 8.4% in 2017 (Ghana Statistical Service, 2019) is expected to worsen.

Aryeetey and Baah-Boateng (2016) estimate that in Ghana, every 1% growth on average is associated with 0.5% expansion in employment suggesting that in 2020, the projected economic growth of 0.9% will be accompanied by 0.45% in growth of jobs for the year. Essentially, based on an estimated total employment of 11.2 million in 2017, and provisional economic growth rate of 6.3% and 6.5% in 2018 and 2019, respectively, the total employment in Ghana is also estimated at 12.7 million in 2019. Consequently, the projected economic growth of 0.9% could only create an estimated 114,000 jobs in 2020 as against an estimated 706,000 and 774,000 new jobs in 2018 and 2019, respectively. With an estimated 5.5 million service employment in 2019, a projected negative growth of 0.8% implies a potential 45,000 job loss in 2020 most of which is expected to occur in the trade, hotel and restaurants, transport and private education. In contrast, the projected positive growth rate in the agriculture and industrial sectors is expected to account for about 180,000 and 18,000 new jobs in agriculture and industry, respectively in 2020.

"Consequently, the projected economic growth of 0.9% could only create an estimated 114,000 jobs in 2020 as against an estimated 706,000 and 774,000 new jobs in 2018 and 2019, respectively."

3. Jobs and Income effect of COVID-19 Pandemic

According to ILO (2020), lockdowns of workplaces affected almost one-third of the world's workforce, living in countries with such lockdowns as of 26 August 2020. Ghana recorded her first positive case of COVID-19 on 12th March 2020. Subsequently, Government began to impose series of restrictions on the movement of people as a measure to contain community spread of the virus. The government banned all public gatherings, and all schools were closed followed by closure of the country's land, sea and air borders. Some parts of the country notably Greater Accra, Tema, Kasoa, and Greater Kumasi went on a three-week lockdown. These measures slowed down economic activities considerably with some businesses totally shut. Managers of businesses adopted a combination of measures including pay-cut, redundancy, working from home and reduced hours/shift system.

In the mid-year budget review presented on 23rd July 2020, the Minister of Finance reiterated African Union's fear of 20 million job losses in Africa due to the pandemic. In Ghana, except for the public sector where about 650,000 workers are assured of their jobs, about 10.5 million workers in the private sector (formal and informal) were vulnerable to job losses as a result of the COVID-19 pandemic. Indeed, workers in all sectors particularly, hotel and restaurants, bars, education, entertainment and events, travel and tour operators in the tourism industry, manufacturing, retail and wholesale trade, street vendors barbering and hair-dressing salons were vulnerable to job losses and/or pay cut during the period of the pandemic.

In the presentation of the mid-year review in Parliament, the Minister of Finance also indicated that COVID-19 had led to disruption in corporate and general business confidence, with up to, 1,531 job losses recorded between April to June 2020 from eight companies within the Ceramics, Timber, Food and Agro-processing industries of the manufacturing sub-sector.

The employment effect of the outbreak of COVID-19 pandemic is analysed from three perspectives –reduced hours worked, reduced wages or pay cuts and outright layoffs. These constitute some of the strategies adopted by businesses and household enterprises to deal with the adverse implications of the pandemic on their operations. The analysis is based on three different data sources namely the ILO Monitor of COVID-19 and the world of work, Ministry of Employment Survey on employment effect of the COVID-19 pandemic and two rounds of Business Tracker Survey, by the Ghana Statistical Service. The first round was carried out in May/June 2020, while the second wave conducted in August/September 2020.

"In Ghana, except for the public sector where about 650,000 workers are assured of their jobs, about 10.5 million workers in the private sector (formal and informal) were vulnerable to job losses as a result of the COVID-19 pandemic."

3.1 Reduced or Loss of Working Hours

Workplace closures as a result of the COVID-19 pandemic caused disrupted labour markets around the world, leading to working-hour losses. As reported in Table 1, the estimated total working-hour losses of 160 million full-time equivalent (FTE) jobs were recorded globally in the first quarter of 2020. This figure rose sharply to 495 million in the second quarter of 2020 and was projected to slow down in the third quarter of the same year. Indeed, lower middle-income countries were the hardest hit with an estimated decline in working hours of 23.3 per cent (equivalent to 240 million FTE jobs) in the second quarter of the year. In Africa, the estimated total working-hour losses of 60 million FTE jobs were recorded in the second quarter, the period when many African countries adopted lockdown strategies to contain the spread of the pandemic. On average, this represents 15.6% working hours lost in the continent. In addition, Sub-Saharan Africa endured a 14.5% working hours lost in the second quarter (equivalent to 45 million FTE jobs). Western Africa experienced the lowest percentage working hours lost of 13.9% and 9.9% in the second and third quarters, respectively. It is the hardest hit in terms of percentage working hours lost (Table 1). In terms of absolute working hours lost, the region was the second hardest hit region with working hours lost of 15 million and 11 million FTE in the second and the third quarter respectively, behind Eastern Africa.

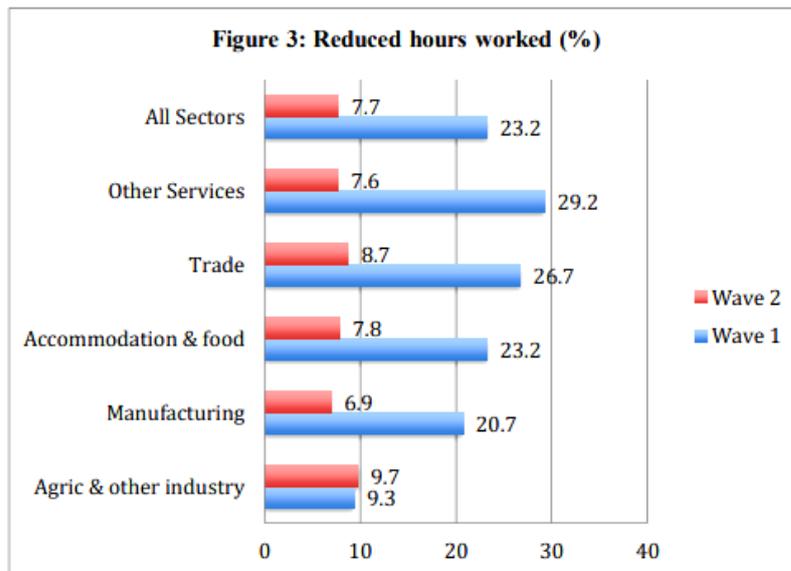
"Indeed, lower middle-income countries were the hardest hit with an estimated decline in working hours of 23.3 per cent (equivalent to 240 million FTE jobs) in the second quarter of the year."

Table 1: Working hours losses by world and Africa for 1st, 2nd, and 3rd Quarters of 2020 (percentage and full-time equivalent jobs).

Reference Area	Percentage working hours lost			Equivalent number of full-time jobs (48 hours/week lost) (millions)		
	Q1	Q2	Q3	Q1	Q2	Q3
World	5.6	17.3	12.1	160	495	345
Africa	1.9	15.6	11.5	7	60	43
Sub-Saharan Africa	1.9	14.5	11.3	6	45	35
Western Africa	2.1	13.9	9.9	2	15	11
Southern Africa	0.5	20.3	14.2	0	4	2
Eastern Africa	2.0	14.0	11.8	3	19	16
Central Africa	1.8	14.7	11.9	1	7	6

Source: ILO (2020) *ILO Monitor: COVID-19 and the world of work, 6th edition.*

Also, Ghana experienced its fair share of reduced hours worked in the wake of the COVID-19 pandemic. According to the Ghana Statistical Service Business Tracker Survey 297,088 workers, representing 23.2% of workers had to endure reduced hours worked in the first round of the survey conducted in May/June during the peak of the pandemic. The situation improved quite considerably in August/September with 7.7% of workers (or 230,361 workers) reported to have experienced reduced hours worked.



Source: Business Tracker 2020, Ghana Statistical Service

All sectors recorded drastic reduction in the incidence of reduced hours worked with the exception of agriculture and other industry that recorded marginal increase from 9.3% to 9.7%. In the first wave, which was conducted during the peak of the pandemic, other services recorded the highest incidence of reduced hours worked of 29.2% followed by trade, accommodation and food, and manufacturing, with agriculture and other industry reporting the lowest incidence of 9.3% (Figure 3)

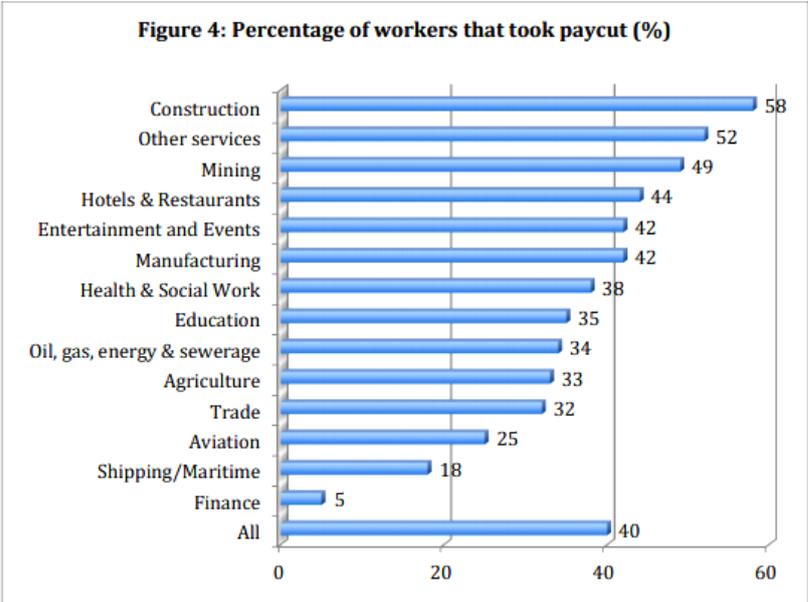
3.2 Reduced Wages or Pay Cut

Another strategy adopted by enterprises to confront the outbreak of the pandemic was reduced wage or pay cut strategy. As the adage goes, “half a loaf is better than none” and therefore, some workers were compelled to take wage cut to prevent collapse of the enterprise and protect their jobs. The survey results of Ministry of Employment and Labour Relations (MELR) revealed that, a total of 17,685 out of 44,040 workers covered in the survey, representing about 40% of workers experienced reduced wages.

As shown in Figure 4, the incidence of reduced wages was lowest in finance at 5% followed by shipping/maritime (18%) and aviation, mostly travel and tours at 25%. In contrast, construction and other services observed the highest incidence of reduced wages of over 50% followed by mining, hotels and restaurants, entertainment and event and manufacturing with 42-49% of workers enduring reduced wages (Figure 4).

¹ Mainly recruiting agencies of casual workers, laundry services and media.

Five sectors – trade, agriculture, oil & gas and energy, education, health and social work (including faith based organization) had between 32% and 38% of workers experiencing reduced wages.



Source: Constructed from survey by Ministry of Employment and Labour Relations (MELR)

In the first wave of the Business tracker survey conducted in May/June during the peak of the pandemic, 770,124 out of about 1.7 million workers, representing 46% experienced reduced wages (Table 2). The incidence of reduced wages dropped quite substantially to 10% (or 297,088 workers) in August/September with the second wave. Reduced wage effect was severe in other services sector in May/June where 36.3% of workers endured pay cut followed by accommodation and food (30.5%) and trade (28.0%). All sectors showed signs of recovery based on the substantial fall in the incidence of reduced wages across all sectors except agriculture and other industry that recorded a 5.8 percentage point increase in the proportion of workers that suffered reduced wages between the two waves (Table 2).

Table 2: % of workers that suffered different form of employment effect by Business Enterprise.

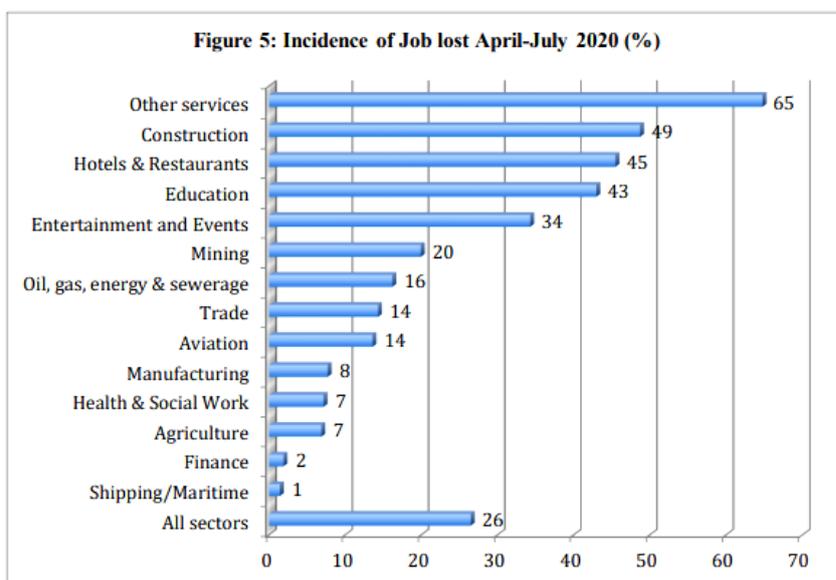
Sector	Laid off workers		Reduced wages	
	Wave 1	Wave 2	Wave 1	Wave 2
Manufacturing	1.0	0.4	14.8	7.5
Agric. & other industries	1.0	1.1	11.7	17.5
Trade	1.2	0.5	28.0	12.0
Accommodation and food	5.0	0.3	30.5	15.0
Other services	1.3	0.2	36.3	18.4
All Sectors				
Percentage	1.4	0.4	46.0	10.0
Numbers	41,952	11,986	770,124	297,088

Source: Business Tracker 2020, Ghana Statistical Service

3.3 Layoffs or Job losses

The results of the Ghana Statistical Service Business tracker survey (Table 2) report moderate incidences of job losses of 1.4%, involving 41,952 workers in May/June. This has reduced to 11,986, representing 0.4% of workers in August/September, suggesting a slowdown of the employment effect or possible recovery. Accommodation and food sector was the hardest hit in terms of jobs lost in May/June with 5% of workers experiencing layoffs, reducing substantially to 0.3% in August/September. All sectors recorded reduced incidences of jobs lost except agriculture and other industries that observed a marginal increase of 0.1-percentage point between the two waves (Table 2).

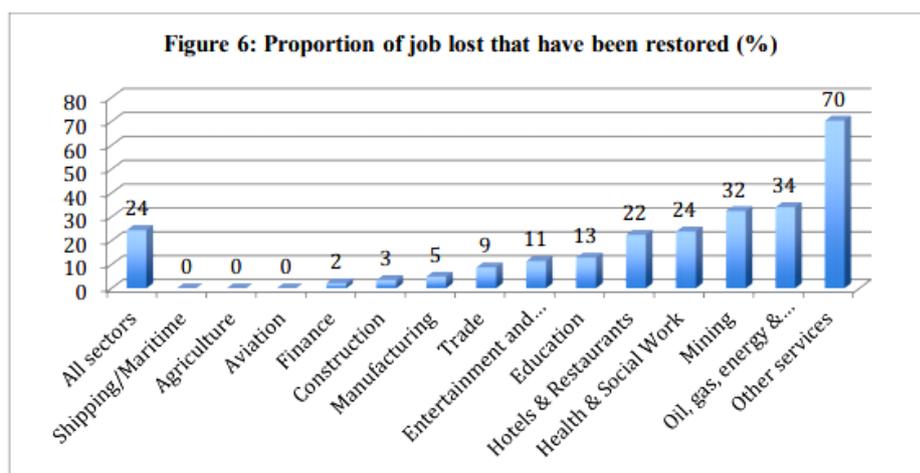
Figure 5 reports incidences of layoffs based on survey data of the Ministry of Employment and Labour Relations (MELR) in July/August 2020. A total of 11,657 jobs, representing 26.5% were lost between April and July as a result of the lockdown in Accra and surrounding areas and Greater Kumasi as well as land, sea and air border closures. Incidence of job losses was highest in other services (65%) followed by construction (49%), hotels and restaurants (45%), and education (43%) in that order.



Source: Constructed from survey by Ministry of Employment and Labour Relations (MELR)

Essentially, the gradual easing of restrictions and return of economic activities in the country has seen some job losses restored across many sectors of the economy based on survey data of the Ministry of Employment and Labour Relations (MELR).

In all, 2,849 out of 11,657 jobs lost (or 24%) has been restored (Figure 6). Indeed, there has been no restoration of job losses by establishments in maritime, agriculture and aviation sectors. About 70% of job lost in other services have been restored, the highest so far followed by oil, gas and energy (34%) mining (32%), health and social work (24%) and hotel and restaurants (22%). Finance, construction, manufacturing and trade have managed to restore less than 10% of total number of job losses so far. Education (private schools) that recorded high incidence of job losses have managed to restore only 13% largely as a result of online teaching and recall of final year students to school for the Basic Education Certificate Examination (BECE) and West African Secondary School Certificate Examination (WASSSCE).



Source: Constructed from survey by Ministry of Employment and Labour Relations (MELR)

4. Conclusion

The employment and wage effects of COVID-19 pandemic are one of the channels by which the impact of the pandemic on the livelihood of citizens is assessed in this policy brief. During the peak of the pandemic, firms adopted a combination of strategies to stay afloat during the pandemic including total close down, lay off of some employees, reduced wages, working from home and reduced working hours or working in shifts. Assessment of employment effect of the outbreak of the pandemic suggests that a higher proportion of workers were affected by reduced wages than outright layoff.

Firms and institutions adopted reduced hours worked and working on shifts to contain the spread of the virus. It is worth noting that most public sector workers kept their jobs and were paid their full salary. Across sectors, workers in hotel and restaurants, trade, transport and private educational institutions were worse hit. Overall, the prudent management of the pandemic in Ghana, which has culminated in low infection rate and faster recovery and the easing of restrictions have seen economic activities picked up quite strongly. Going forward, it is recommended that:

1. Government continues to support businesses this time, in the form of ensuring adequate and stable supply of utilities especially electricity and water for uninterrupted operation as many of these businesses resume operations in the wake of easing restrictions.
2. Businesses and households pick lessons from the outbreak of the pandemic to put in place contingent policy measures to minimize the negative impact of such catastrophes when they occur. These include insurance package for the business and its workers such that in times of crisis, they would be able to stay afloat.
3. The proposed unemployment insurance package from government is one of the measures that would insulate workers from unexpected layoffs, but it should be a joint effort of government, employers and workers. Similar programmes could be established for the self-employed and other category of people in the informal sector.

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