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DIPLOMA THESIS

The labor market and the problem of unemployment in Ghana

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Declaration

I declare that I have worked on the Diploma thesis “The labor market and the problem of unemployment in Ghana” on my own and I have used only the sources mentioned in the references.

Prague, April 1, 2011

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Kufuor Joel Owusu-Ansah

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**The labor market and the problem of
unemployment in Ghana**

Trh práce a problem nezaměstnanosti v Ghaně

Souhrn

Nezaměstnanost je globální, sociální a ekonomický problém převážně v rozvojových zemích a Ghana není výjimkou. Již nějaký čas, problém nezaměstnanosti v Ghaně dělal titulky v Ghanských sdělovacích prostředcích, jak tiskové tak netiskové. Zdálo se že tento problém je neporazitelný díky dlouhému období, po které zůstal. Teď je nyní mnohem hlubší, protože se dělá málo pro nápravu situace. Politici v průběhu let nabízeli prázdné sliby o poskytování řešení k tomuto problému. Neúspěch poskytnout nápravu problému s nezaměstnaností v zemi vycházel především ze skutečnosti že ti, kteří se zavázali k záchraně situace, pokud jsou nějaké, zcela selhali v diagnózi situace a následně poskytli nesprávné předpisy. Následkem toho je vysoká míra nezaměstnanosti v Ghaně vytvořil různorodé problémy, které jsou především ekonomické a sociální. Tato diplomová práce však zdůrazňuje jak vysoká míra nezaměstnanosti zapůsobila na zemi. Zaměřuje se zejména na absolventy od roku 2003 do 2009 a využívá údaje z rozhovorů a jiných zdrojů a poskytuje doporučená řešení.

Klíčové slovo: Ghana, nezaměstnanost, práce, trh práce, absolvent

Summary

Unemployment is a global, social and economic problem prevalent in developing countries with Ghana not an exception. For some time now, the problem of unemployment in Ghana has been making headlines in Ghanaian news media, both the print and the non-print. The long period for which this problem has remained seem to suggest that it is undefeatable. It is now more profound because little is being done to remedy the situation. Politicians over the years offered empty promises on providing an antidote to this problem. The failure to provide remedy to unemployment problems in the country has stemmed mainly from the fact that, those that have committed themselves to rescuing the situation if there are any, have totally made the wrong diagnosis of the situation and have consequently provided the wrong prescriptions. Consequently, the high unemployment rate in Ghana has created diverse problems which are mainly economic and social. This work however, highlights how high unemployment rate has affected the country, focusing particularly on graduates from 2003 to 2009 using evidence from interviews and other sources and provides recommended solutions.

Keywords: Ghana, unemployment, labor, labor market, graduate,

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1. INTRODUCTION AND AIMS

Unemployment is a global, social and economic problem prevalent in developing countries and within the framework of social development; we must take into account the productivity of the work-force in the country. It is a “serious social evil because the rate of unemployment is an indicator of the health of an economy”. The level and growth of productive employment in an economy depends on a number of factors, particularly the growth of aggregate output, level of aggregate demand, and labor intensities in the growing sectors relative to the stagnating or declining sectors of the economy. “The growth performance of the Ghanaian economy has not been good enough for many decades now. Throughout the period 1990-2000, the overall economic growth rate was at an annual average of about 4.0%, which falls short of the annual projected growth rate of 8%, envisioned under Vision 2020. In 2001, the economy grew at the rate of 4.0%. The average GDP growth rate of 4%, relative to the labor force growth of 2.8%, implies that the aggregate potential for employment growth during the period was limited. In an attempt to expand educational enrollment, the slow growth in aggregate employment has brought about educational intensification whereby those jobs that previously required workers with little education now require people with higher education, even 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”¹. The problem of unemployment in Ghana has been the order of the day making heading in Ghanaian news media for some time now. Issues about unemployment have been discussed for a long period but the problems still linger the same presuming that it is undefeatable. This thought has become even more philosophical because little is being done to remedy the situation. All efforts by Politicians over the years to salvage the problem have continuously proved futile making all their promises empty. The failure to provide remedy to unemployment problems in the country

¹ An analytical study of the labor market for tertiary graduates in Ghana:
http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/Ghana_Labor_Market_tertiary_En02.pdf

originate mainly from the wrong diagnosis of the situation by Politicians and consequently providing the wrong prescriptions². Consequently, the high unemployment rate in Ghana has resulted in diverse problems which are mainly economic and social. However, I have selected this particular topic because unemployment is a globalized issue and when we discuss about countries with high unemployment rate, Ghana is not an exception. This work however highlights how unemployment has affected the country, particularly graduates and provides recommended solutions. The main objective of this work is to address the fundamental problem that has contributed to the high rate of unemployment in Ghana.

² <http://www.ghanaweb.com/GhanaHomePage/blogs/blog.article.php?blog=2335&ID=100005813>

2. Hypothesis and Methodology

The education system in Ghana continues to produce graduates whose training and aspirations do not match the requirements of modern industry, hence the increase of unemployment among graduates.

With regards to methodology, the study relates to the labor market and the problem of unemployment in Ghana with focus on graduates of polytechnics and universities who completed their programs between the periods 2003 and 2009. The main data and other types of evidence were taken from official and other published sources including the

- Ghana Statistical Service
- International Labor Office
- Administrative files of the National Council for Tertiary Education.
- Ghana Living Standards Surveys (GLSS)
- Telephone interview on employers' perceptions about the quality and skill of graduates was also collected. The sample of employers was selected at random. In addition to the enterprise level interviews, certain important top-most officials involved with labor management at the national level were interviewed, to capture economic-wide perspectives. Fifteen students were also engaged in phone and personal interview. Ten of the students are studying in Czech Republic and the rest of the students are living in Ghana.

3. Literature review

3.1 Definitions and causes of Unemployment

The concepts and statistics of unemployment vary according to the definition of unemployed, persons on child-care (maternity leave) and the total labor force. Here are several definitions and comparisons of unemployment. The Qatar Financial Centre Authority (QFCA) is a financial and business centre established by the government of Qatar in 2005. It defines unemployment as “people wanting to work but not finding jobs, thus the situation in which some members of a country's labor force are willing to work but cannot find employment.”

According to Investopedia, (Internet's largest sites devoted entirely to invest in education.) “Unemployment occurs when a person who is actively searching for employment is unable to find work”. It does not include full-time students, the retired, children or those not actively looking for a paying job. According to the web site STATIN.com the statistical institute of Jamaica defines unemployment as “Persons who are available to work and currently seeking work, but the person is without work”. Ghana Statistical Service (GSS) defines unemployment as “the proportion of the economically active population who is not working but is available for work”. International Labor Organization (ILO) defines unemployment as “the numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work.” ILO Computes unemployment on the basis of number of people who have looked for employment in the last four weeks and are available to start work within two weeks, plus those who are waiting to start working in a job already obtained³. From the five different definitions, it can be deduced that an individual can only be classified as unemployed when he/she is without job and is actively searching for one.

³ <http://www.modernghana.com/blogstthread2/260243/31/>

The exact causes of unemployment will always be disputed because there are a numerous predictions, theories and explanations put forth by economists. The causes of unemployment can be split into two main types: Demand-side and Supply-side. The first cause of unemployment (demand-side) is simply a lack of aggregate demand. When there isn't enough demand employers will not need as many workers, and so demand-deficient unemployment results. Keynesian economists in particular focus on this cause.

Unemployment caused by supply-side factors emanates from flaws in the labor market. An ideal or perfect labor market will always clear and all those looking for work will be working - supply will equal demand. However, if the market doesn't clear properly there may be unemployment. This may happen because wages don't fall properly to clear the market. The demand and supply forces that cause unemployment are explained below:

Firstly, inflation is one of the oldest causes of unemployment. A nation's economy faces a sharp rise in prices as compared to other economies of the world. This leads to failure in exports since the companies are unable to compete with others due to increase in price. Incomes suffer, people's savings fall and gradually the companies start firing people, unable to pay them on due time. Thus, the rate of unemployment increases.

Secondly, economic recession was one of the main causes of unemployment in the United States in the year 2007. It became a worldwide crisis where the rate of unemployed crossed all boundaries. A severe financial crisis was encountered by almost all the economies across the world.

Moreover, welfare payments although are safe for people; create unemployment to a large degree. The aids given by governments to the unemployed people actually reduce their willingness to work. This is the sole negative aspect of the extended unemployment benefits. People become more dependent on the grants they receive. They register for government grants even if they are not looking for jobs, and the incentives received by them are enough to meet their standard of living. The ultimate result is unemployment.

Changing technology is one of the main causes of unemployment. Technology advancements are not only vast, but are also random⁴. The demands of companies vary and so they look for people who are actually specialized in the particular invention. The old ones suffer as new industries with better technical caliber develop. It is possible they might maintain employees, but in most cases they look for better alternates. Job cuts due to changing technology gives elevates rate of seasonal unemployment.

Another important factor that should not be overlooked is job satisfaction. The ability to meet a person's satisfaction level is crucial for self retention and growth. There are many people who obtain jobs on momentary basis because of several reasons like family pressure, financial crisis and experience. Nevertheless, a person who is not satisfied with his job can never continue it in the long run, because he is either making a compromise with his pay scale or the nature of his job. Thus, job dissatisfaction becomes one of the specific reasons for unemployment.

Additionally, the values of sound performance of employees are not acknowledged by many companies. This creates an unhealthy work environment diminishing the dedication of employees towards work. People subjected to such kind of treatment lose real desire to work. It is an indirect way of compelling employees to leave their jobs. Unemployment is thus inevitable, as people will deliberately lose their jobs.

Finally, racial discrimination is obvious almost everywhere. It's one of the most affecting causes of unemployment. People who are not citizens of that specific country remain unemployed being discriminated on basis of race, religion, caste and ethnicity. It becomes extremely difficult to find out a decent job under circumstances of employment discrimination. As a result, earning money for survival becomes utmost difficult and eventually they are forced to leave the country. Governments usually chalk out certain insurance plans for people who are unemployed due to genuine reasons. The aids also depend on different types of unemployment. The payments for unemployment benefits are made by the government and authorized bodies, until they find a suitable job. In order to

⁴ <http://www.buzzle.com/articles/causes-of-unemployment.html>

enjoy the benefits of unemployment insurance an individual must be identified as unemployed through registration. However, it's not desirable in the long run. The cause of unemployment depends not only on the existing conditions of economy, but also on an individual's perspective. However, an effort to find a good job never goes in vain, only if one is sincere and dedicated.⁵

3.2 Types of unemployment

Several types of unemployment can be identified. Among which are:

Cyclical unemployment is mostly described as involuntary unemployment due to a lack of aggregate demand for goods and services. This can also be known as Keynesian "demand deficient" unemployment and is related to the evolution of the economy throughout the business cycle. When there is an economic recession we expect to see a rising level of unemployment because of plant shutting down and worker lay-offs. This is due to a fall in demand leading to a contraction in output across many industries.

Even though demand deficient unemployment is generally connected with economic recessions it can also exist in the long run when the economy is continuously run below capacity. In a situation where the economy recovers from a downturn, then the problem of cyclical unemployment is expected to decline. This has definitely been the case in the UK over recent years as the recovery of output from the early 1990s recession gathered momentum. Nine years of sustained economic growth has led to the lowest recorded unemployment levels since the end of 1985. Unemployment fell below one million (using the claimant count measure) in February 2001.

Frictional unemployment on the other hand is transitional kind of unemployment since it transpire when people move between jobs: For instance, newly redundant workers or workers entering the labor market (such as university graduates) may take time to find appropriate jobs at wage rates they are prepared to accept. A lot of them are unemployed for a short time whilst involved in job search. When there is imperfect information in the

⁵ <http://www.buzzle.com/articles/causes-of-unemployment.html>

labor market it may make frictional unemployment worse if the jobless are unaware of the available employment opportunities.

Another common type of unemployment is structural unemployment which comes about when people are made unemployed because of capital-labor substitution (which reduces the demand for labor) or when there is extended decline in demand in their exact industry. Structural unemployment exists where there is a disparity between their skills and the requirements of the new job opportunities. Most unemployed people from heavy manufacturing industry (e.g. in coal, steel and heavy engineering) finds it difficult to get re-employment if they don't invest in re-training. This is one of the problems of occupational immobility. In UK, the Labor Government's New Deal program has focused efforts to reduce long-term unemployment by increasing the human capital of the unemployed and improving their employability in the eyes of potential employers.

Classical unemployment is also referred to as the real wage unemployment or disequilibrium unemployment. This type of unemployment happens when trade unions and labor organizations negotiate for higher wages, which consequently result in a fall in demand for labor⁶.

Seasonal type of unemployment occurs due to the seasonal nature of the job. The most usual industries affected by seasonal unemployment include hospitality and tourism industries and also the fruit picking and catering industries.

Hard-core unemployment occurs when people are unable to get jobs due to severe disabilities or other problems that are unable to be corrected.

An example would be a blind, mute and mentally impaired man unable to find a job, having to rely on government welfare. It can be seen, that although this man might be interested in seeking a job and thus classified as "unemployed", there is no possibility of him finding a job⁷.

⁶ <http://tutor2u.net/economics/content/topics/unemp/unempcause.htm>

⁷ http://wiki.answers.com/Q/What_is_Hard-core_unemployment_example

The last but not the least is disguised/hidden unemployment. This type of unemployment does not influence aggregate output. Disguised unemployment occurs where part of the labor force is either left without work or is working in a redundant manner where worker productivity is basically zero. In most countries only people without work but are actively looking for work (and/or qualifying for social security benefits) is counted as unemployed. They don't officially recognize people who have given up looking for work (and sometimes those who are on Government "retraining" programs) among the unemployed, even though they are not employed. Similarly, it is applicable to people who are compelled to take early retirement to avoid being laid off, but would prefer to be working. The statistic also does not count the "underemployed" - those with part time or seasonal jobs who would rather have full time jobs. As a result of hidden unemployment, official statistics often miscalculate unemployment rates. An economy shows disguised unemployment where output is low and where too many workers are filling too few jobs. It exists frequently in developing countries whose large populations create a surplus in the labor force. Where more people are working than is necessary, the overall productivity of each individual drops. Disguised unemployment is characterized by low productivity and frequently accompanies informal labor markets and agricultural labor markets, which can absorb substantial quantities of labor⁸.

The problem of unemployment is a world-wide reality. The developed countries like the U.S., England, France, Germany, Italy, etc. also suffer from this problem, but it is more pronounced in developing countries like India, Liberia, Zimbabwe, Nepal, etc. Unemployment is a threat to a Nation's economic well-being and social development. On a social level, it is one of the major causes of our poverty, backwardness and frustration among the people. Frequently, crime rates rise as people are unable to meet their needs through work. Divorce rates and alcoholism often rise because people cannot solve their financial problems. Homelessness, mental and physical illness also rises. Unemployment causes a greater dependence on government aid. This augments economic tension on

⁸ http://www.greenspun.com/bboard/q-and-a-fetch-msg.tcl?msg_id=0096xI

social programs as well as on taxpayers. This can also result in a big deal of social pressure in terms of questioning job status on a mass scales, which can trigger a drop in consumer spending and lead to less economic growth. There are increasing number of young men and women waiting and waiting for job opportunities but the continual problem of unemployment is not confirmed to any particular class, segment or society. It is all encompassing. There is huge unemployment among educated, well-trained and skilled people, and it also exists among semi-skilled and unskilled laborers, small and marginal farmers and workers. The jobs being created have sadly failed to keep pace with the increasingly high number of job-seekers. It is a problem which presents a big challenge to leaders, thinkers, planners, economists, industrialists and educationists. An economy that has a high unemployment indicates less usage of all resources, specifically labor, available to it. As far as it is operating below its (PPF) production possibility frontier, it could have higher output if the entire workforce were usefully employed. On the other hand, there is an exchange between economic efficiency and unemployment: in a case where the frictionally unemployed accept previous job that was offered to them, then it is possible for them to function below their skill level, thus reducing the economy's efficiency. Throughout an extended period of unemployment, employees can lose their expertise, causing a loss of human capital. Being unemployed can also diminish the life expectancy of employees approximately to about six years. High unemployment can encourage xenophobia ("hatred or fear of foreigners or strangers or of their politics or culture".) and protectionism as workers fear that foreigners are stealing their jobs⁹. In order to protect existing jobs of domestic and citizen workers, measures comprising of legal barriers against "outsiders" who want jobs, obstacles to immigration, and/or tariffs and similar trade barriers against foreign competitors should be undertaken. Unemployment can weaken the performance of families by affecting the parents' relationship with their children and the interactions between partners. Even though it has been revealed that jobless parents spend more time with their children, the value of these relations suffers in contrast with those of

⁹ <http://ezinearticles.com/?Unemployment-Problem&id=2428938>

employed parents. Unemployment, especially among male partners, can also lead to major role changes in the home. For instance, whether it is because they have more time or they feel that they have to undertake additional household duties when they are no longer the financial provider for the family, unemployed husbands are more likely to increase their participation in domestic activities (e.g., household tasks, shopping, and meal preparation). In some conditions, the loss of financial dependability among husbands may result to dissatisfaction within the marriage: jobless husbands are more probable to have disagreements and arguments with their spouses than husbands who are employed, and this has the potential to lead to spouse abuse and marriage termination¹⁰.

Unemployment also has clear and well-documented relations to economic disadvantage apart from the adverse social impact it has in an economy. Some researchers have stressed the need to avoid youth from trapping by unemployment. The effect of unemployment among youth not only causes current hardship, but may also hinder future economic success. This is because unemployed youths are not able to gain experience and on-the-job training and because a history of joblessness signals that the individual may not have the qualities that are valued in the labor market. Below are lists of some economic effects of unemployment:

In the first place unemployment lowers incomes for the unemployed. Even though insulated by unemployment benefits (and other benefits like housing benefit) many will see a substantial fall in income thereby making payment of bills and loan repayments difficult. It will force a change in lifestyle for many.

There is also a rise in home repossession because the increase in unemployment will cause an increase in home repossession. This is one of the most hectic and aching experiences for those involved, but, also will lead to further house price falls and losses for banks making future lending difficult.

¹⁰ <http://family.jrank.org/pages/1724/Unemployment-Consequences-Unemployment.html>

One more economic problem associated with unemployment is the negative multiplier effect. The unemployed will spend less leading to additional fall in consumption and lowering economic growth. This makes economic growth more difficult.

Rising unemployment brings about an increase in expenditure on benefits. This will make a government obtain less VAT and income tax. This is mostly challenging because of the unemployment concentrated in high paying finance jobs. The effect will be a quick rise in public sector borrowing hence increasing the cost to government.

It is also essential to note that there is strong proof that long phase of unemployment makes it difficult for the unemployed to re-enter the labor market. Older workers who are without jobs often end up leaving the labor market on the whole, sometimes moving to other benefits like sickness or disability allowance creating disguised unemployment.

It is also usual that unemployment can take a long time to fall because is said to be a lagging indicator because even when an economy improves, is possible for unemployment to keep rising. This is known as the hysteresis issue. - Periods of high unemployment create a higher natural rate of unemployment (underlying rate of unemployment) - certainly a feature of the 1980s¹¹.

3.3 Measuring unemployment

One way to measure unemployment is using Okun's law. It is more precisely called "Okun's rule of thumb" because it is mainly an empirical observation rather than a result derived from theory. Okun's law is approximate because factors other than employment (such as productivity) affect output. In Okun's original statement of his law, a 3% increase in output corresponds to a 1% decline in the rate of unemployment; a .5% increase in labor force participation; a .5% increase in hours worked per employee; and a 1 % increase in output per hours worked¹². Okun's law refers to the relationship between increases in unemployment and decreases in a country's gross domestic product (GDP). It states that for

¹¹ <http://econ.economicshelp.org/2009/04/problems-of-unemployment.html>

¹² <http://www.facebook.com/pages/Okuns-law/106461882723704>

every one percent increase in unemployment above a "natural" level, that GDP will decrease by anywhere from two to four percent from its potential. The relationship varies depending on the country and time period under consideration. Okun's law is named after Arthur Okun, the economist who in 1962 was the first to make detailed observations about this relationship. So-called "natural unemployment" refers to the fact that there will always be at least a certain amount of unemployment in a free market economy, because of voluntary changes in employment, and other reasons not related to economic hardship. There are several reasons why GDP may increase or decrease more rapidly than unemployment decreases or increases. As unemployment increases, a reduction in the multiplier effect (a factor of proportionality that measures how much an endogenous variable changes in response to a change in some exogenous variable) created by the circulation of money from employees. Unemployed persons may drop out of the labor force (stop seeking work), after which they are no longer counted in unemployment statistics. Employed workers may work shorter hours labor productivity may decrease, perhaps because employers retain more workers than they need. One implication of Okun's law is that an increase in labor productivity or an increase in the size of the labor force can mean that real net output grows without net unemployment rates falling.

Mathematically the gap version of okun's law may be written

$$(\bar{Y} - Y)/\bar{Y} = c(u - \bar{u}), \text{ where:}$$

\bar{Y} is potential output or GDP at full-employment

Y is actual output

\bar{u} is the natural rate of unemployment

u is actual unemployment rate

c is the factor relating changes in unemployment to changes in output

In the United States since 1965 or so, the value of c has typically been around 2 or 3, as explained above.

$$\Delta Y/Y = k - c\Delta u, \text{ where:}$$

Y and c are as defined above

ΔY is the change in actual output from one year to the next

Δu is the change in actual unemployment from one year to the next

k is the average annual growth rate of full-employment output

At the present time in the United States, k is about 3% and c is about 2, so the equation may be written

$$\Delta Y/Y = .03 - 2\Delta u.$$

The graph at the top of this article illustrates the growth rate form of Okun's law, measured quarterly rather than annually.

Derivation of the growth rate form of Okun's law

We start with the first form of Okun's law:

$$(\bar{Y} - Y)/\bar{Y} = 1 - Y/\bar{Y} = c(u - \bar{u})$$

$$-1 + Y/\bar{Y} = c(\bar{u} - u).$$

Taking annual differences on both sides, we obtain

$$\Delta(Y/\bar{Y}) = (Y + \Delta Y)/(\bar{Y} + \Delta\bar{Y}) - Y/\bar{Y} = c(\Delta\bar{u} - \Delta u).$$

Putting both numerators over a common denominator, we obtain

$$(\bar{Y}\Delta Y - Y\Delta\bar{Y})/(\bar{Y}(\bar{Y} + \Delta\bar{Y})) = c(\Delta\bar{u} - \Delta u).$$

Multiplying the left hand side by $(\bar{Y} + \Delta\bar{Y})/Y$, which is approximately equal to 1, we obtain

$$(\bar{Y}\Delta Y - Y\Delta\bar{Y})/(\bar{Y}Y) = \Delta Y/Y - \Delta\bar{Y}/\bar{Y} \approx c(\Delta\bar{u} - \Delta u)$$

$$\Delta Y/Y \approx \Delta\bar{Y}/\bar{Y} + c(\Delta\bar{u} - \Delta u).$$

We assume that $\Delta\bar{u}$, the change in the natural rate of unemployment is approximately equal to 0.

We also assume that $\Delta\bar{Y}/\bar{Y}$, the growth rate of full-employment output, is approximately equal to its average value, k . So we finally obtain

$$\Delta Y/Y \approx k - c\Delta u.¹³$$

The Phillip's curve also measures unemployment by showing an inverse relationship between the rate of unemployment and the rate of inflation in an economy. In simple terms, the lower the unemployment in an economy, the higher the rate of inflation. The relationship was based on observations he made of unemployment and changes in wage

¹³ <http://www.answers.com/topic/okun-s-law>

levels from 1861 to 1957. He found that there appeared to be a trade-off between unemployment and inflation, so that any attempt by governments to reduce unemployment was likely to lead to increased inflation. However, in the 1970s the curve appeared to break down as the economy suffered from unemployment and inflation rising together. The curve sloped down from left to right and seemed to offer policy makers with a simple choice - you have to accept inflation or unemployment. You can't lower both. Or, of course, accept a level of inflation and unemployment that seemed to be acceptable. While it has been observed that there is a stable short run tradeoff between unemployment and inflation, this has not been observed in the long run.¹⁴

Figure No.1: A graph showing the relationship between inflation and unemployment



Source: <http://www.sparknotes.com/economics/macro/measuring2/section3.rht>

It is important to remember that the Phillips curve depicted above is simply an example. The actual Phillips curve for a country will vary depending upon the years that it aims to represent. Notice that the inflation rate is represented on the vertical axis in units of percent per year. The unemployment rate is represented on the horizontal axis in units of percent.

¹⁴ <http://www.econlib.org/library/Enc/PhillipsCurve.html>

The curve shows the levels of inflation and unemployment that tend to match together approximately, based on historical data. In this curve, an unemployment rate of 7% seems to correspond to an inflation rate of 4% while an unemployment rate of 2% seems to correspond to an inflation rate of 6%. As unemployment falls, inflation increases. The Phillips curve can be represented mathematically, as well. The equation for the Phillips curve states $\text{inflation} = [(\text{expected inflation}) - B] \times [(\text{cyclical unemployment rate}) + (\text{error})]$ where B represents a number greater than zero that represents the sensitivity of inflation to unemployment. While the Phillips curve is theoretically useful, however, it is less practically helpful. The equation only holds in the short term. In the long run, unemployment always returns to the natural rate of unemployment, making cyclical unemployment zero and inflation equal to expected inflation.

3.4 The labor market

Labor market issue involves employment, unemployment, participation rates and wages. In particular, in modern times, demographic changes have brought about an increasingly ageing workforce. Labor markets provide the structure through which workers and employers interact in relation to jobs, working conditions and pay. Labor market outcomes are influenced by the institutions and processes of collective bargaining, including the roles played by employers' organizations and trade unions¹⁵.

3.5 Factors influencing demand and supply of labor

In respect to demand factors, the various points considered are explained below:

- Quantity demanded of the good that is produced by a firm

Since demand for labor is derivative, fluctuations in the quantity demanded of the good that the employer is producing will definitely have effects on the demand for workers to produce that good.

- The price of other factors of production

¹⁵ <http://www.eurofound.europa.eu/areas/labourmarket/index.htm>

Suppose steel (capital) prices go up. Bridge building firms could induce this increased cost on the consumers; however this could cause the above point of reducing the quantity demanded and hence affecting revenue. Therefore, the firms could employ fewer builders.

- Wage rate of a firm

In most cases there is an inverse correlation among the demand for labor and the wage rate that a business requires in paying for each additional worker employed. If the wage rate is high, it is more costly to hire extra employees. On the other hand when wages are lower, labor becomes comparatively cheaper than for example using capital equipment and it becomes more profitable for the business to take on more employees.

- Marginal revenue product of labor

Marginal revenue productivity of labor (MRPL) theory explains the demand for labor and market wage determination where workers are presumed to be paid the value of their marginal revenue product to the business. Marginal Revenue Product measures the change in total revenue for a firm from selling the output produced by additional workers employed. The price of output is determined in the product market. MRP theory suggests that wage differentials result from differences in labor productivity and the value of the output that the labor input produces¹⁶.

In determining the factors that influence labor supply, the points below are taken into consideration:

- The real wage rate on offer in the industry itself

Higher wages move up the prospect of increased factor rewards and should enhance the number of people prepared and able to work.

- Overtime for employees

¹⁶ <http://www.thestudentroom.co.uk/showthread.php?t=361339>

Opportunities to improve earnings come as a result of overtime payments, productivity-related pay schemes, and share option schemes and financial discounts for employees in a certain job.

- Substitute occupations

The real wage rate on offer in competing jobs is another factor to be considered since it affects the wage and earnings differential that exists between two or more occupations. For instance an increase in the comparative earnings available to trained plumbers and electricians may cause some people to switch their jobs. Recently, the British media continuously publish stories of people leaving jobs in academia (including high level university research) and moving in household services because the basic rates of pay and potential earnings are so much greater.

- Barriers to entry

Artificial limits to an industry's labor supply (e.g. through the introduction of minimum entry requirements or other legal barriers to entry) can hamper labor supply and force average pay and salary levels higher – this is mostly the case in professions such as legal services and medicine where there are strict “entry criteria” to the professions. Certainly these labor market barriers are partly designed to keep pay levels high as well as being methods of maintaining the quality of people entering these professions.¹⁷

¹⁷ <http://tutor2u.net/economics/revision-notes/a2-micro-supply-of-labour.html>

4. Practical part

4.1 The labor market in Ghana

In the past two decades, Ghanaian labor market has experienced some transformations brought up by globalization and the decision to exit from the direct involvement of government in productive economic activities. The steady and adjustment programs executed in 1983 created a considerable decrease in public sector employment in the late 1980s and early 1990s through public sector retrenchment and privatization. The trade liberalization program coupled with the rapid depreciation of the cedi led to the collapse of many unproductive local enterprises especially import dependent enterprises and subsequent loss of jobs of many people. This increased informal sector employment over the period. The absorption of labor from the formal sector by the informal sector was possible because of the lower job requirements in the informal sector. The labor market is dominated by agriculture and related activities employing about 54% of the Ghanaian workforce. Undoubtedly, the agricultural sector holds the best opportunity for employment generation in the economy on the basis of its bigger share in total employment. However, majority of the poor operate in this sector as food crop and cash crop farmers as well as fishmongers. Agricultural foodstuffs with employment creation prospects comprise of local goods like fish, cotton, oil palm, cocoa and maize. If these products are well processed it would provide ready market for them thereby offering farmers the chance to expand their farms. Ghana has competitive advantage in these areas especially oil palm, cassava and cocoa⁴, which is an indication of its employment potential. These products were recognized by the GPRS as products with huge potentials but with the exception of cassava and cocoa, little effort has been made to exploit the opportunities, which other products possess for job creation and poverty reduction. The farming/agric division had a remarkable growth record of 6.1% in 2003 through the outstanding performance of the cocoa sub-sector due to the collective spraying exercise and other external factors. The significant reduction in poverty incidence in the 1990s took place among export farmers,

majority of them were cocoa growers¹⁸. The conscious effort by the government to revamp the sector by increasing the producer price of cocoa and mass spraying has paid off. The PSI (Presidential Special Initiative) on cassava has so far generated over 10,000 jobs due to the special attention given to cassava processing. Similar assistance to other food crop farmers would ensure food security, job creation and poverty reduction. A great deal of opportunity in this sector could be the creation of employment and poverty reduction through the extension of government support in the form of credit, subsidies, extension services, infrastructure and entrepreneurial training. Likewise, identification of ready markets and provision of guaranteed price as is done in the PSI on selected agricultural produce like cassava would create employment opportunities and reduce poverty in several communities. Thus the reproduction of the PSI nationwide would provide vast opportunities for employment creation and incomes for majority of the rural workforce. The informal sector where greater part of the workforce is self-employed is very pervasive partly as a result of the sluggish growth of the formal sector employment. The public sector continues employ the greater chunk of the formal sector workforce. The government as well as labor unions collectively with employers plays a vital role by determining minimum wage by the Tripartite Committee in shaping the structure of wages in the formal wing of the labor market. The market obviously appears to display wage rigidities as a result of the strong influences of institutions in the market. It has been estimated that over two-thirds of formal sector jobs are subject to collective bargaining agreement given credence to the high rate of unionization within the formal sector. This verifies the degree of defect within the Ghanaian labor market. The comparative wage rigidities and ineffective labor market information system in addition to limited availability of educational and training facilities contribute to the low occupational mobility in Ghana.

¹⁸ Baah-Boateng (2003) "Poverty Alleviation through Social Dialogue: The role of social unions in Ghana"; Chapter 12 in Trade Unions and poverty alleviation in Africa edited by M. Mwamadzingo and D. Saleshando; ILO Publication

Although public sector earnings are lower than the private sector there is a greater job security in the public sector than that of the private sector. The labor market is distinguished by growing incidence of underemployment even though open unemployment particularly among university and polytechnic graduates is on the dominance in recent times. The participation rate in the labor market is higher by men than among women due to the low educational attainment of women compared to that of men as well as greater domestic commitments. Therefore, average earnings among women are lower than men. In 1995, the World Bank estimated that the participation rate among men in Ghana was 78% compared with 49% among women. This is because in Ghana women are predominantly engaged as unpaid agricultural labor or in the urban informal sector or service and commercial sectors of the economy.

4.2 Problems of unemployment in Ghana

The problem of unemployment in Ghana is unfortunately too high, and will always hinder us from growing into a middle income economy. The problem is associated by uneven allocation of our population. The Major cities are congested and villages don't have enough people. Past, current and even future governments are conscious of our problem but don't seem to have any practicable solutions. It was a good initiative for the immediate past government to get in the garment business and also distributing of the Millennium funds. Having a concrete plan rather than throwing money at the problem is crucial hence the need for this topic¹⁹. The problem of unemployment is caused by many factors in the modern market of Ghana's economy. It is caused by fast changes in technology, business cycle or recessions, seasonal factors in some industries particularly such as changes in tastes and climatic conditions which affects demand for certain products and services, individual perceptions and willingness to work and search for jobs, their values and attitudes towards some jobs and about employers, accessibility for retraining and acquisition of work skills, readiness and perception of unemployed of the benefits of

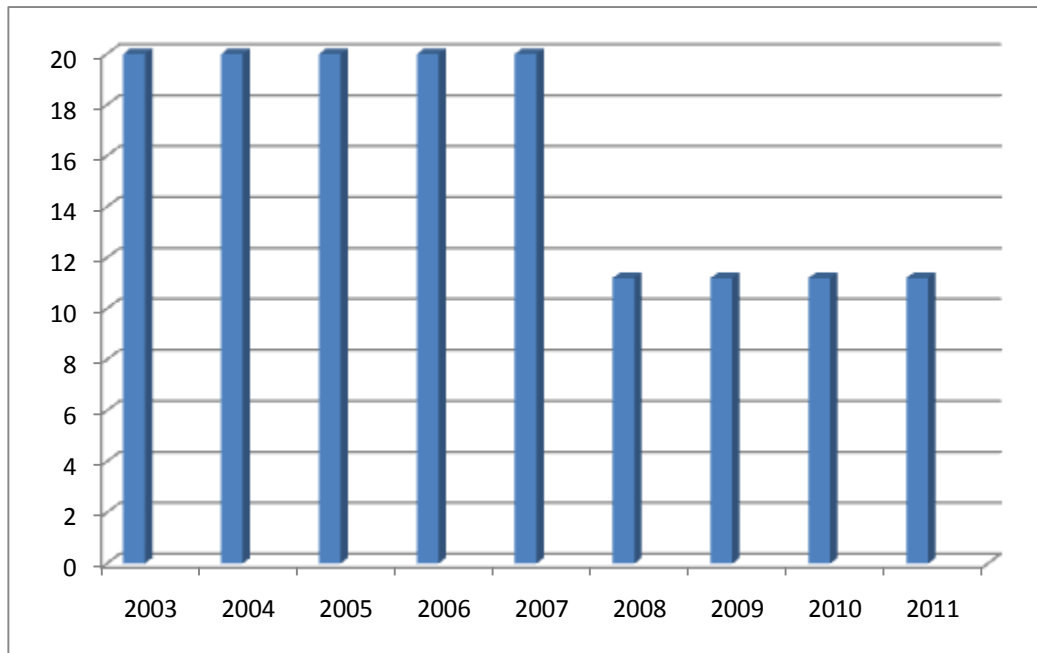
¹⁹ <http://discussions.ghanaweb.com/viewtopic.php?t=36287&sid=c81902b10973fa0fce79c962a5423565>

training and the possibility for them to get a job after the training even though they have a chance to get a job, discrimination in the workplace based on race, color, religion, ethnicity, age and class. Unemployment has affected the whole economy, not just those unfortunate to be unemployed. Though the unemployed have skills and training, they don't have the opportunity to utilize them in production thereby affecting the growth of national income and production. Most of the unemployed rely on transfer payments from the Federal government. With approximately millions of people unemployed, this represents a large outlay from the Federal Budget, money that could be utilized elsewhere. Many social commentators are concerned that an underclass of long term unemployed is developing in the country. These people, who also include those who are employed on a short-term, casual basis in poorly paying jobs (the working poor''), are critical of the wealth of the elite, professional groups in our society, who are in the richest 10% of all income earners²⁰. Statistics at the Ministry of Manpower Development and Employment and the World Factbook (The Central Intelligence Agency, CIA) have revealed that 11.2 per cent of the country's population is currently unemployed. Between 2003 and 2007, the unemployment rate remained at 20%. Ghana is endowed with enormous human and material resources but these resources have not been optimally utilized. Higher educational institutions in the country play crucial roles in generating the human aptitude for better leadership, management and technical expertise. These human resources have not been adequately channeled to profitable investments to bring about maximum economic benefits. Due to this, Ghana has continuously suffered unemployment and poverty. Ghana's economic growth has not always been accompanied by decline in unemployment and poverty as would be expected. The prolonged energy crisis in the country in past years has also affected all the sectors of the economy particularly the manufacturing sector. This is because the cost of running electricity generators increases the cost of production thereby making locally manufactured goods expensive relative to imported products. This has led

²⁰ <http://www.ecoteacher.asn.au/unemploy/a25.htm>

to breakdown of many companies since their products can no longer compete with their imported counterparts. The circumstance has brought about thousands of Ghanaians being laid off. Once it is not the function of government to employ every employable individual, it has created an enabling environment for business to thrive. One would expect the private sector to use such an environment to create more jobs. No wonder, the former Vice President Alhaji Aliu Mahama, in 2007 “re-emphasized that though the enabling environment has been created, the greatest challenge of the Ghanaian economy is the capacity to create jobs for the masses. He made this remark when he inaugurated an ultra-modern service station of Allied Oil Company Limited, a wholly owned Ghanaian oil company in Accra. Government must be commended for implementing the National Youth Employment Program that currently employs 108,000 youth in the country”²¹.

Figure No. 2: A chart and table showing the unemployment rate in Ghana during the year 2003 to 2011



²¹ <http://www.modernghana.com/news/176953/1/unemployment-rate-rises.html>

Year	Unemployment rate	Rank	Percent change	Date of information
2003	20.00%	48	0.00%	1997 est.
2004	20.00%	46	0.00%	1997 est.
2005	20.00%	150	0.00%	1997 est.
2006	20.00%	159	0.00%	1997 est.
2007	20.00%	160	0.00%	1997 est.
2008	11.20%	128	-45.00%	2000 est.
2009	11.20%	130	0.00%	2000 est.
2010	11.20%	124	0.00%	2000 est.
2011	11.20%	121	0.00%	2000 est.

Source: CIA World Factbook

The chart and table in figure No. 2 contains the unemployment rate and the percent of the labor force that is without jobs. Substantial underemployment might be noted. According to the chart, between 2003 and 2007, the unemployment rate was as high as 20% but declined to 11.2% from 2008 to 2011. The table on the other shows the rate of unemployment within the same years, the rank or position in the world, percent change and the date of information.

Below are the detailed social and economic issues that affect the country:

The social problems resulting from the high rate of unemployment in Ghana are innumerable. Among which are hunger, alcoholism, suicide, prostitution, mal-nutrition and high spread of infectious diseases like HIV, but for the purposes of this work, focus will be on four of the most prevalent ones in modern Ghana which are armed robbery, the desire to be rich overnight ("sakawa"), poverty and over population in major cities.

- Armed robbery

The high rate of unemployment in Ghana rendering most Ghanaians unemployed has resulted into one of the most critical social problems that every country want to avoid. It appears no single day goes off without an armed robbery incident been reported in the media. Coupled with the rate at which it occurs in the country is the tragic dimension on

which armed robbery has taken in the country. Almost everybody in this country is a potential victim of robbery. This sometimes deposits a phantom of fear in the people. This menace is gradually eroding our name as a peaceful nation in turbulent West Africa. If people should live in a constant threat of robbery then it tells us the seriousness of the problem. Almost everybody Ghana is a potential victim of robbery. This sometimes deposits a phantom of fear in the people. This menace is gradually eroding our name as a peaceful nation in turbulent West Africa. If people should live in a constant threat of robbery then it tells us the seriousness of the problem. Gone were the days when lone ranger thieves were coming to our homes to steal stereo machines and video cassette players however, just less than two decades small pilfering has graduated to draconian armed robbery. Today when armed robbers storm in your home or office they no longer after sound systems or its equivalent but rather cash, jewels and mobile phones. Those days when they came they were not interested in taking their would-be victims lives. Now what has become common about almost every armed robbery is also the attempt to take the life of the would-be victim. A particular armed robbery incident was reported in the media in 2008 at one of the banks in Ghana (Ecobank branch at Madina) some weeks ago reminisces where the police man on duty was shot and killed a cold blood by some blood thirsty armed robbers. Almost every bank in the country faces the same threat of robbery-whether they take life or cash, it is a form of threat. They also rob people in their homes, shops or places of business and even on the highways. Very many concerned people are worried and trying to find out what is causing the upsurge in armed robbery that is causing fear and panic and state of insecurity that has therefore become a topical issue nationwide. Reports from the media indicate that most Ghanaians share the opinion that apart from the multiplicity of factors like the invasion of foreigners from our West African sub-region, increase in drug abuse with substances like marijuana, which is common in our society, effects of increase in dehumanizing conditions emanating from slums settlements in our cities etc are all

causes of high rate of unemployment in the country, they also mentioned idleness and poverty arising out of mass unemployment of our youth as one of the cause²².

- Desire to be rich overnight "Sakawa"

Another serious social problem that has recently escalated in Ghana is the desire of people ranging from students, businessmen and most especially the jobless to become rich overnight, which is popularly known as "Sakawa" in the local dialect. It is a word used to express the undue process by which one gets rich quicker. It could be some Ghanaians idling about in Internet cafes, with the evil intent of duping unsuspecting foreigners and or fellow Ghanaians resident abroad. They craftily con others out of all their life savings by pretending to be their genuine future partners while on presumptuous blind dating. The infatuation of "get rich quick" which began at the Internet cafes has assumed an odd unstoppable demonic dimension across the entire country. It has degenerated into the physical ritual annihilation of some unfortunate persons who happen to be at the right, or the wrong place, at the wrong time. "SAKAWA" is in effect the abbreviation for (societal avaricious knowledge aiding wrong aspirations). The mischievous "Sakawa" has taken various forms and shapes depending on how its fanatic sees it fit. The current mass of the Ghanaian youth in Internet cafes with the sole motive of duping unsuspecting Whites and fellow Ghanaians resident overseas is amazing. The Internet cafes are filled with people of all sorts especially youths, surfing the net from daybreak till night all in the hope of finding someone to prey on. This is on its lighter note. On the extreme, some of those desirous to enjoying the benefits of "Sakawa" to the fullest do go the extra mile to sacrifice human life. Lately, there are numerous innocent young children who have been kidnapped and murdered to satisfy the insatiable pursuit of some lazy and wicked Ghanaians who have vowed to get rich quicker. On the internet, the crooks in Ghana formulate all sorts of craftiness to let people believe and sympathize with them. They may narrate sorrowful but untrue situations they assume to currently find themselves. They usually talk about their

²² <http://www.ghanaweb.com/GhanaHomePage/features/artikel.php?ID=146642>

illness, death in the family, involvement in lorry accidents, hospitalization, attacked by armed robbers, their homes ransacked, being evicted from their homes and other framed stories just to have a sympathizer. All these stories come up after one has got into intimate e-mail correspondences with them for whatever reason, especially, when blind dating. These crooks of all colors, makes and shapes, and with congenital fool's mindsets then request a financial assistance from you after alerting you to their current sorry plights. These tricksters keep up the pressure in subtle but incessant way to fleece you of several Pound sterling, Euros, American or Canadian dollars, or any other hard currency the victim may possess. Once they have duped you as much as they can, and once you begin to get doubtful, they cut you off²³.

- Rural urban migration

The problem of unemployment is basically high in the rural areas of the country. Most farmers in Ghana like in most African countries (such as Nigeria) are subsistence farmers who grow crops and rear animals just to feed themselves and their families although some farmers in Ghana attach cocoa farms to their regular subsistence farms. Although cocoa is a cash crop, not all farmers in Ghana benefit from cocoa farms and in times of crop failure, most families especially those in the rural areas go hungry. In an attempt to survive and enjoy a better life they migrate to the urban cities to search for jobs but eventually end up jobless and rather over-populate the cities. Ghana, like many other developing countries, suffers from the problem of uneven development and distribution of basic social amenities between rural and urban areas. Facilities required for higher education, quality health care, major sports and entertainment facilities, telecommunication, and the modern economy, are all centralized in the regional and national capital cities. The dualism and disparities themselves, legacies of the colonial administration, still persist after more than three decades of political independence and implementation of numerous lofty rural

²³ <http://www.modernghana.com/news/219267/1/instances-of-sakawa-a-national-menace-and-its-erad.html>

development programs by different national governments. The buildings of better roads and transportation systems have only served to facilitate migration from the rural areas²⁴.

- Poverty

Poverty is characterized by a lack of access to essential goods, services, assets, credits, and opportunities to which every human being is entitled to. However, the high rate of unemployment in Ghana has made life unbearable and denied most people especially living in the rural areas from having access to basic necessities for survival. People are chronically hungry, unable to get health care, lack safe drinking water and sanitation, cannot afford education for their children and perhaps lack rudimentary shelter- a roof to keep rain out of the hut- and basic articles of clothing like shoes. There is a complete unavailability of credit facilities for the rural poor; therefore most children of school going age are not in school simply because they cannot afford to be there. Additionally, they lack access to good drinking water, and primary health care. The situation is alarming. Poverty in rural Ghana is driving mass migration into the cities and contributing to lawlessness and violence. Economic crisis, high inflation, unemployment, lack of credit facilities to engage in productive ventures, and an old fashioned educational system that fails to respond to and meet the needs of the modern global economy are also pitching millions into poverty who were previously making gains²⁵.

There are dynamic and active persons in Ghana capable of keeping the economy strong when jobs are created for them. Unemployment has eventually taken control of the lives of people, as it is the problem causing a decline in the progress of the economy of the people, and the country as a whole. Unemployment leads to a decline in the standard of living of a country's citizens. People are not able to meet their financial and economic needs. Homelessness even set in, as people find it difficult to rent houses. No wonder many youth

²⁴ <http://cozay.com/PROBLEMS-FACING-GHANA-TODAY.php>

²⁵ <http://www.modernghana.com/news/170107/50/reporting-on-the-state-of-rural-poverty-in-ghana.html>

in the country tend to settle with their fellow youth in just one tiny room²⁶. The major economic impacts of unemployment in Ghana are discussed below:

- Decreased Growth of GDP

An increased unemployment usually coincides with a decrease in the growth of GDP, since less people are now working in production, so presumably less goods and services are being created in the economy. The growth record of Ghana has been one of unevenness when the post-reform period is compared to the earlier period. With a reasonably high GDP growth in the 1950s and early 1960s, the Ghanaian economy began to experience a slowdown in GDP growth in 1964. Growth was unstable during much of the period after the mid-1960s and only began to stabilize after 1984. From 1966 to 1983 the growth rate was negative. It is interesting that the years in which negative growth was experienced generally coincided with changes in government and sometimes with policy changes or reversals. Currently the GDP- real growth rate in Ghana is 4.7%²⁷.

- Deflationary Pressures

Less money in the economy compels consumers to purchase a lesser amount of goods and services. Producers however experience a decrease in the demand for their products and so they lower their selling prices to avoid having surplus stock; therefore the price level falls.

- Interest rate

Ghana is reported to have the highest interest rate spread in Africa, and the highest lending rates in Africa, coming second only to Brazil globally and this is problematic especially for businessmen. Pointlessly, these high lending rates is stifling economic development and causing credit crunch as people cannot afford to borrow. A typical example is where six months ago Standard Chartered Bank was paying 8.13% interest to depositors and giving out loans with 29.5% interest. The high interest rates are stifling the productive sectors of the economy as it increase the cost of doing business and consequently businessmen can't

²⁶ <http://www.modernghana.com/blogstthread2/260243/31/>

²⁷ <http://www.csae.ox.ac.uk/conferences/2011-EDiA/papers/433-Adu.pdf>

pass the benefits of their business to consumers in the form of lower prices. Businesses in Agriculture and manufacturing sectors are unable to borrow to expand their businesses and this is worsening the unemployment situation in the country and the few who are employed cannot enjoy the fruits of their labor in the form of higher wages all because of the high cost of doing business²⁸.

- Lower tax revenue

On the national level, the government loses tax revenues since the unemployment pay no income taxes not to mention social security. The country has not done enough to provide social benefit of some kind for the many unfortunate jobless masses who are wallowing in abject poverty. From the past years the citizens have complained of non availability of pragmatic plan or program to reduce unemployment toward the eradication of poverty and underdevelopment.

- Loss of human resource/brain drain

A country's wealth is created using other inputs by its human capital. Irrespective of the level of technology, strategy or ideas, we depend on people as the most valuable asset of every nation. For that reason it is imperative for every country to make good use of its human capital. According to the World Factbook, unemployment level in Ghana is estimated around 11.3% of the total labor force. A situation where we have such a proportion of the labor force as jobless is a serious socio-economic problem and one of such problems is the high rate of brain drain. Brain drain is an unfortunate reality for the nation and that it represents a crippling loss to the country, depriving the nation of the very people who are vital to its development. Brain drain is usually associated with skilled persons but the situation in Ghana is such that even semi-literates/unskilled persons are looking for opportunities to leave the country. This is because the country does not offer much hope to its people especially those who are not prepared to engage in corrupt practices and the youth.

²⁸ <http://mobile.myjoyonline.com/read.asp?contentid=55311>

4.3 Graduate unemployment in Ghana

A graduate is someone who has successfully completed any post-secondary/tertiary education whether training college, polytechnic, university, etc. In a more specific term, Graduate Unemployment is the situation where some graduates are unable to find work after their National Service even though they are available for work. Several factors account for graduate unemployment in Ghana²⁹. The obvious ones include the following:

- Excess supply of labor over the demand for them

Almost 250,000 youth join the labor force annually; about 31% of this population has tertiary education making up about 77,500 graduates who join the labor force per annum. Out of this figure, only 5000 are employed by the formal sector. (i.e. 6.5%). The rest survive in the informal sector or remain unemployed.

- The agricultural sector remains unattractive to the young graduate (and the youth at large) though our economy is structurally agrarian.

The Agric sector employs nearly half of all employed person. Thus about 54% of Ghanaians are employed in the agrarian sector in Ghana alone. Attempts to promote the growth of SME's (Small and Medium Enterprises) to absorb labor have not yielded the desired result due to several factors including high interest rates, weak and unreliable infrastructure, etc. Currently interest rates are between 32% and 38% p.a. in some banking institutions. The non-banks charges on interest rates are even higher than the maximum for banks. Official employment statistics in Ghana is usually classified into paid employment, usually referred to as formal sector employment; self-employment and own account workers, unpaid and family business employment, usually referred to as informal sector employment. Paid employment accounted for less than 18% of the labor force in 1999/00 (Ghana Living Standards Survey, GLSS), whilst self-employment including agricultural self-employment accounted for the remaining 82%. In sharp contrast to the overall labor force, tertiary labor is mainly employed in the formal sector. According to the GLSS data, in 1999, 66.7% of the labor force with university degrees was employed in the

²⁹ <http://www.scribd.com/doc/38954401/Gimpa-Project-Work-1>

public sector, 15.6% in the private sector as paid employees, and only 17.8% in self-employment (Ghana Statistical Service). In 2009, 74.4% and 15.4% of tertiary graduates were employed in public and private paid work, respectively, representing an increase of 7.5% points in the percentage of tertiary graduates in paid employment between 1999 and 2009, compared with the decline of 6.2% points in the percentage of the overall labor force employed in the formal sector. During 1960s and 1970s, the labor accommodation rate in the formal sector was estimated to be about 1.33 that is there were thirty-three percent more jobs for each new labor market entrant with secondary education or higher. This denotes that tertiary graduates had easy access to formal sector jobs. Given that earnings in the formal sector were on average higher and job security greater than in the informal sector, the majority of tertiary graduates found informal sector unappealing. Although the differential in earnings between the formal and informal sectors has fallen in recent years, most graduates still look up to the formal sector, in particular the public sector, for their first job. While the largest percentage of tertiary graduates is currently in paid employment, the proportion of recent graduates in that sector appears to be declining. Previously there existed an implicit policy of guaranteed employment through the Public Services Commission and the Office of the Head of Civil Service. However in 1994, less than one-sixth of university graduates were employed by the Public services, compared with 60% or more in 1970s³⁰.

- The Quantity and Quality Mismatch Concept

At the macro level, whereas the general impression is that the quality of tertiary education in Ghana has declined that of the enterprise level indicate that the performance of recent graduates is perceived to be nothing more than satisfactory. The underlying reason for the difference may be the effective screening procedures used by the formal sector

³⁰ <http://www.scribd.com/doc/24777092/Graduate-Unemployment-situation-in-Ghana-and-Proposed-Solutions>

establishments in their recruitment or the fact that due to lack of space, only the top cream SHS (Senior High School) graduates are admitted into tertiary institutions these days. Most of the youth in the country make efforts to further their education as far as they can in order to have a brighter future. In every New Year as the routine goes, many youth graduate from tertiary education, and at the same time, many youth enroll into tertiary education. Due to this situation, many governments always add to their agenda of creating jobs for the masses, but it is unfortunate that the agenda and paperwork of the government never materialize. After long years of education, and dedicating a year to serving the country through the National Service Scheme, graduates still end up not finding jobs. The lucky ones sometimes get jobs which are way below their qualifications, and paid even below the normal minimum wage. The unfortunate ones get stuck at home, with no choice, and tend to engage in all kinds of menial jobs. What then is the essence of education, if it is not meant to be the key to one's prospects in life? The current ongoing debate in the country is about Ghanaian employers who complain about the quality of recent graduates while the graduates complain of lack of jobs. Most people are unemployable because they do not have the requisite skills that can attract an employer. Due to the declining standards of education in the last few years, some companies are hesitant to employ fresh graduates of Ghanaian universities. Those that seek to recruit fresh graduates put in place measures to retrain them and bring them up to standard; and since only a few organizations can afford this extra cost, some Ghanaian firms now advertise job vacancies on the internet for graduates trained in foreign universities. Government must endeavor to also look into the quality of jobs provided. A situation where a university graduate is offered a menial job, for instance, in the name of poverty alleviation, calls for review. Where government provides jobs, it must be jobs that are sustainable, and not dehumanizing or demeaning ones. A nation with the majority of its youth unemployed is sitting on a keg of gun powder. Such unemployed people will ultimately become a menace to society as is currently the

case. Undoubtedly, there is a correlation between the rate of unemployment and crime in Ghana today³¹.

- **The demand for graduate employment**

The term “demand” is used in economics to express the relationship between the quantity of a good or service that will be purchased at a given period of time, on one hand, and on the other hand, the price of that good or service, the income, taste and preferences of potential buyers, and the prices of related goods and services. In this study, the “demand for graduate labor” loosely, is used to denote the estimated or potential numbers of graduates that is employed in the various sector sectors of the economy without relating the number employed to the average wage of graduate labor or, for that matter, the average for other types of labor. In estimating the demand for graduate labor, three main sources of demand for graduate labor may be identified, namely:

- Government demand comprising the civil and public services
- Private business demand, including state- owned commercial enterprises and
- Non-governmental and non-profit organizations, including voluntary organizations

Generally, a government expectation is mostly characterized largely by non-economic factors whereas NGO and other voluntary sources of labor demand are subject to an inversely comparative manner by local economic factors. Sources for obtaining data on the potential number of graduates employed in the economy may include:

Advertised job vacancies, Establishment surveys, Manpower projections on the basis of existing employment ratios and Household analysis and population censuses capable of tracing changes in the number employed. However data on employment is seriously lacking in Ghana from official sources. Since 1974, there have not been any establishment or manpower surveys. Thus, many researchers rely on the GLSS, which has historical gaps.

³¹ <http://www.scribd.com/doc/24777092/Graduate-Unemployment-situation-in-Ghana-and-Proposed-Solutions>

In this study therefore, advertised job vacancies are used to derive the pattern of graduate labor demand. Though very few employers register their job vacancies as required under the labor laws, in the case of high-skill jobs such as management and professional jobs, a survey has indicated that more than four-fifths of employers publicly advertised their vacancies. Therefore in an attempt to use advertised vacancies in this study as a proxy for the demand of graduate labor may be considered appropriate³².

- Job vacancies by level of education

It has been observed that the share of tertiary graduates in advertised job vacancies increased during the period 1999 to 2009. Thus, the proportion of advertised vacancies requiring university education increased from 30% of total advertised vacancy (38,915) in the 90s to 45% by the end of 2009 having reached 65% in the late 1980s. Job vacancies requiring Polytechnic and other tertiary qualifications have remained relatively at the same proportion of about 25%.

- Job vacancies by type of course

The distribution of advertised vacancies by program and course of study in 2005 is shown in Table No.1

Table No.1: Job vacancies by type of course and program, in the year 2005

		Percent distribution by type of program			
Type of course	Percent of advertised job	Post-graduate	Bachelor	Prof/HND& Univ. Diploma	Other or Unspecified
Management	18.9	25.2	44.8	26.9	3.1
Accounting, Finance, Banking & Insurance	15.9	15.0	40.0	37.0	2.9

³² http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/Ghana_Labor_Market_tertiary_En02.pdf

Economics & other social sciences	11.6	44.1	47.1	5.9	20.4
Computer science/Informatics	8.1	16.3	55.7	7.5	8.0
Medical & other Health Sciences	6.9	41.5	22.4	28.1	10.9
Engineering, Technical	15.8	9.1	46.2	33.8	3.7
Environment resource	3.3	29.4	45.8	21.1	49.9
Art & others	19.6	9.8	13.8	26.5	16.1
Total Percent (Number)	100 (3262)	20.8 (678)	37.7 (1228)	25.4 (829)	16.1 (527)

Source: Boateng (ongoing) Skill Demand Database

In Table No. 1, the second column shows the distribution of advertised vacancies by course of study, for example management and engineering. The third to the last columns show the distribution of vacancies by type of program, for example post-graduate and bachelors within each course of study. For example, the percentage of jobs for computer science graduates that required post-graduate training in that discipline in 2005 is shown as 16.3%. The last row shows the distribution of all vacancies by type of program. It is observed that a high proportion of vacancies went to business courses-management and accounting- (34.8%), and engineering (15.8%). Relative to enrolment in the various courses, it could also be said that computer science and informatics have a disproportionately higher share of job vacancies. Slightly more than 20 percent of all advertised vacancies in 2005 explicitly required post-graduate degrees, one-third of which were MBAs or final certification in professional accounting and other management programs. 37.7% of all vacancies required bachelor's degrees, 25.4% required partial qualification from professional bodies, HND or university diploma, whilst 16.1% required secondary education or did not specify the type of academic qualification. Virtually 50% of jobs

which required tertiary education but did not specify level of education were in the arts and the general subject areas such as art and graphic design. More than a quarter (25.2%) of jobs requiring management training demanded post-graduate degrees. Out of this 81% were for MBAs. About 45 percent of jobs requiring management training were for those with bachelor degree, about 99% being Bsc administration degree. For higher level accounting positions, professional certifications were emphasized more than the bachelor's degree. Several human resource managers pointed out that the preparation and examinations of the professional bodies are more thorough than university examinations and therefore prepare their students to perform better on their first jobs than university accounting students. The demand for post-graduate degrees was more prevalent (44.1%) among jobs requiring economics and other social sciences, compared with the other disciplines. The implication is that all other things being equal, those with bachelors in the social sciences face stiffer competition and hence lower chance of getting a job than their counterparts in the other fields. However, it is noted that those in business and management, and engineering and computer science also face some competition from holders of professional and HND qualification. In view of the technical and practical nature of their job, and also in view of the short supply of IT graduates, more than 20 percent of jobs requiring computer science or information technology ignore formal academic qualifications and highlight practical on-the-job skills. HND engineering students have the maximum possibility of getting a job, among polytechnic graduates. More than one-third of engineering jobs expressly required the HND holders, which may be partly explained by the limited supply of university engineering graduates. The second most demanded HND course is marketing (in commerce especially), followed by accounting and institutional management. There are also good prospects for laboratory technicians in the health sector. Medical and health science graduates have no problems finding employment. There is an increasing demand for laboratory technicians and scientists in the various hospitals and medical laboratories. There is a growing demand for dentists and dental assistants. Since the 1990s more than 50 percent of all graduates employed to the Civil Service have been in the Ministry of Health. Thus, in fact there would be no supply to the private sector, if every

medical and health graduate decides to accept government jobs and spent all their working time in government hospitals and clinics.

- **Job vacancies by type of skill**

Employers have indicated that academic qualification alone is not enough as a requirement needed from prospective employees. Most job advertisement precisely asks for other requirements, usually referred to in the human resource literature as “job attributes”. A sample of such attributes is affixed as Appendix 9. As described in the appendix, analytical skills refers to the ability to break down and analyze data; communication skills involve verbal and written skills in English language, as well as skills in persuasion, bargaining and discussion; and personal attributes include team spirit, initiative, physique, drive, resourcefulness etc. The survey reveals an interesting demand for these attributes or skills from graduates shown in Table 6.2b. It is observed that jobs requiring university degrees also required significantly more job attributes from prospective applicants than jobs that required less formal education. Thus the tendency in recruitment in recent times is for employers to seek workers who are ready to perform, and not just those who have degrees or long years of experience. Computer skills required by employers ranged from basic word processing to awareness and competence in database and statistical applications. An increasing proportion of jobs requiring university degrees also demand computer and analytical skills, communication skills (in particular English proficiency) and personal attributes. Whilst in 1999 only 13.4%, 0.4% and 1.5% of jobs requiring university degree also demanded skills in computers, communication and personal attributes, respectively, by 2007 the proportions increased to 45.7%, 38.6% and 41.8% respectively. The data also shows similar trends in the other skill areas, namely, general, technical and managerial, and other non-English languages. Looking at the percentages relative to the average for 1999-2009, it is clear that non-academic skill requirements are increasing for all formal sector jobs. Regardless the level of academic qualification but particularly for jobs requiring university education, these requirements are on the increase. Nearly 40 percent of jobs requiring university degrees now emphasize communication skills, compared with the negligible number (0,4%) in 1999. The possible reasons include:

- Reporting requirements may have increased at the enterprise level and
- Employers probably have become wary of the communication deficiencies among recent graduates and, therefore, include communication skills as a requirement to screen out those with a deficiency. The increase in the demand for communication skills for jobs requiring other tertiary qualification from 8.5% in 1999 to 23.1% in 2009 may be due to the increase in the demand for HND in Marketing during the latter year. Communication skill requirements for the "other tertiary graduates" are lower than for the other educational groups, perhaps, due to the fact that the former include mostly professional jobs like accountancy and institutional management, which usually do not require a great deal of communication skills to perform. The requirement for certain personal qualities has been on the increase, because of the transforming nature of organizations, which has resulted from technological changes as well as increasing competition in the market place. These changes require those in management and professional positions to be flexible in orientation, willing to take new initiatives and accept responsibility, so as to enable the firm meet the competition³³.

Table No. 2: Percentage of Advertised Jobs Requiring Specific Skills and Attributes from Prospective Employees by Level of Education (1999-2009)

Type of Skill/Education Level	1999	2002	2005	2009	Average 1999/2009
Jobs Requiring University Degree					
Computer and Analytical Skills	13.4	29.4	32.7	45.7	33.5
Communication Skill	0.4	11.7	21.3	38.6	20.6
Personal Attributes	1.5	18.9	32.8	41.8	27.4
Jobs Requiring Other Tertiary Cert.					
Computer and Analytical Skills	11.5	21.1	16.6	36.6	24.3
Communication Skill	-	9.3	8.5	23.1	11.4

³³

http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/Ghana_Labor_Market_tertiary_En02.pdf

Personal Attributes	1.6	16.7	13.3	29.0	17.2
Jobs Requiring Secondary or Lower					
Computer and Analytical Skills	14.8	26.7	23.2	25.0	23.3
Communication Skill	1.6	16.8	14.9	17.8	12.1
Personal Attributes	3.0	15.9	18.5	30.3	16.3

Source: Boateng (ongoing). Skill Demand in Ghana (Database)

Experience requirements are now stated in terms of competencies and skills, rather than years. Due largely to global technological changes and increasing competitions, employers require assertive and quick minds operating in an electronically engaging environment. This increasing trend in non-academic job requirements has implications for the relevance of tertiary education. In other words, employers are not only interested in those having higher education but also practical skills appropriate for job fulfillment .

- Vacancies by sector

Though graduate employment has increased a bit relative to the overall labor force in the Ghanaian formal labor market, this growth has been concentrated in a few sectors of the economy.

Table No. 3 shows the distribution of advertised job vacancies during the period 199-2009. It is observed that the distribution of graduate employment follows closely that of the overall distribution of job vacancies.

Table No. 3: Sectoral Distribution of Advertised Job Vacancies

Sector	1999-2003		2004-2009		2009	
	All Graduate	All Graduate	All Graduate	All Graduate	All Graduate	All Graduate
Agriculture	3.4	3.5	2.3	2.3	1.4	1.4
Forestry/Logging	2.5	2.5	0.9	0.7	0.3	0.3
Mining/Quarrying	4.9	5.1	3.0	3.4	2.6	2.7
Manufacturing	11.7	9.9	10.6	10.9	12.0	11.5
Construction	2.5	1.6	3.3	2.8	3.4	3.1
Banking & Finance	5.9	7.2	6.8	8.8	7.4	9.0

Commerce	8.0	6.2	7.8	6.0	6.0	5.6
Utilities	9.6	10.1	3.4	4.3	3.4	4.0
Public Administration	8.7	12.1	5.7	7.2	8.5	9.7
Education	12.7	9.9	15.0	17.5	16.1	18.7
Other Services	30.0	31.8	29.9	26.6	37.8	33.0
Unspecified	-	-	11.4	9.5	1.1	1.0
Total number of Jobs	8409	4829	19216	12287	3510	2791
Graduate to overall	(57.4%)		(63.9%)		(79.5)	

Source: Boateng (on-going) Skill Demand database

It is observed in Table No. 3 that the share of agriculture, forestry and logging, mining and quarrying, commerce and utilities in advertised job vacancies dropped in 2009, compared with their average for the period 2004-2009. The share of the utilities sector and commerce significantly declined between 1999-2003 and 2009, perhaps due, to privatization of the sector. This is also the case public administration, which has been under restructuring and rightsizing since 1987. The manufacturing sector, banking and finance, construction, public administration, education and research and other services increased their relative share in 2009. In general, proportionately more tertiary graduates are employed in banking and finance compared with the overall population, whilst in agriculture, forestry and logging, mining and quarrying, manufacturing, construction and commerce proportionately less tertiary graduates are employed. The latter sectors are usually characterized by “pyramidal“ staff structures, with a few professional and management staff and a large pool of semi- and un-skilled personnel, while the former is characterized by “bee-hive-like“ personnel structures with a sizable middle level staff; hence, the difference in their absorption of graduate labor. Though most tertiary graduates, particularly in the social sciences, prefer jobs in the banking sector, that sector accounts for less than 10% of the demand for graduate labor in the formal sector. It is also observed that “other services“ accounted for one-third of graduate labor in 2009, due mainly to the surge

in the activities of non-governmental organizations in Ghana³⁴.

- **Supply of graduate labour**

The supply of graduate labour is simply defined as the number of graduates produced by the tertiary institutions in Ghana. On average less than 0.01% of those who enroll in tertiary institutions dropout or are unable to graduate. Therefore, apart from official data on the actual number of graduates employed, one could use enrolment figures for the graduating class (the final year class) as the measure of supply. We can, thus, define the supply of graduates in any given year, S, as total enrolment in the graduating class of the preceding year, N, allowing for the one year national service. That is $S = N$. This equation implies that students graduating, for example, in the 1999/2000 academic year are assumed to have entered the labour force in 2001.

- **Total Enrolment**

Total enrolment in tertiary institutions increased significantly during the period 1990 – 2000, after the first batches of Senior Secondary School students had graduated and the acknowledgement of Polytechnics as tertiary institutions under the educational reform programme which began in the mid-eighties. The increase in total enrolment in the universities and polytechnics, from about 21,000 in 1994/95 to over 50,000 in 1999/2000, that is, more than 100% increase.

- **Employment policies in Ghana**

This section discusses the policies that have been undertaken so far by the previous and existing governments to ensure a decline in unemployment and poverty. The employment policies are deliberate action by government to influence employment levels in general or to improve access to employment for particular demographic group within the population such as youth and women. Ironically, Ghana has never had any comprehensive employment policy apart from various schemes undertaken to improve labor absorption such as the National Service Scheme. Amazingly, development plans that have been

³⁴ http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079956815/Ghana_Labor_Market_tertiary_En02.pdf

initiated to develop employment performance in the country rather regard employment as passive outcome of sectoral and macroeconomic policies. Since the outcome of the interaction between the supply of and the demand for labor is employment, effective employment policy would involve the adoption of strategies that would promote labor demand and labor supply. Strategies for promoting labor demand would include measures to:

- enhance output growth
- advance labor productivity and incorporation in the paid labor market
- encourage self-employment and employment in the informal sector in general
- establish special employment programs for vulnerable and disadvantaged groups such as the youth, women and the physically challenged

Strategies for improving labor supply would include

- Population control,
- Human resource development, and
- Removal of institutional rigidities in the labor market

Public policies on employment are influenced mainly by the failure of the labor market to attain a reasonable employment growth owing to the occurrence of certain distortions and inflexibilities in the market. The consistent implementation of market- oriented policies indicates that public sector is unreliable to provide employment for the growing workforce. This calls for measures to facilitate the expansion of the private sector to absorb the increasing labor force through effective employment policies.

Some Policy Intervention

In identifying the negative impact of the stabilization and adjustment policies influenced the government decision to initiate measures to address the situation. Notable amongst these procedures were:

- The agricultural sector program, which focused on national food security, and employment and income generation in the rural areas through increased agricultural research and extension, smallholder credits and the provision of other services. Major programs and projects included the Medium Term Agricultural Development Program

(MTADP); the Village Infrastructure program intended at minimizing poverty through small investments and grants targeted at small resource-poor communities; and the Accelerated Agricultural Growth and Development Strategy (AAGDS), which is to focus on issues of market access and support services within the agricultural sector.

- Alternative Employment Program (AEP) designed to replace public servants who will be out placed and affected by the PSMRP. Almost 20,000 public servants are anticipated to lose their jobs by the end of the PSMRP (Public Sector Management Reform Program) exercise in 2011.

- Direct Employment Creation as an immediate intervention measure to tackle the low impact of growth on poverty and employment. PAMSCAD (Program of action to alleviate the social cost of adjustment) was introduced in 1988/89 institute community projects and create employment for rural households in the northern regions, low-income unemployment and under- employed urban households, and retrenched workers, and to provide small enterprise credit for women and small-scale miners, among others.

- Poverty Reduction Programs through the National Poverty Reduction Program (PRP) and the Social Investment Fund, developed in 1995, is intended to reduce poverty incidence, strengthen the capability of the poor and vulnerable to earn income, and reduce gender and regional disparities in wellbeing³⁵.

4.4 Comparison of Ghana's unemployment rate with Togo, Ivory Coast and Burkina Faso

These three countries have been specifically selected for the work to compare their unemployment rate with Ghana because Ghana is surrounded by Togo in the east, Burkina Faso in the north and Cote d'Ivoire in the west.

Togo is a small, sub-Saharan economy that suffers from weak economic growth and basically depends equally on commercial and subsistence agriculture, which provides

³⁵ Government of Ghana (2002); The Coordinated Program for Economic and Social Development of Ghana (2003-2012), presented by the president of the Republic of Ghana (H.E J.A Kufuor) to Parliament

employment up to 65% of the labor force. Meanwhile some basic foodstuffs are still imported into the country. Cocoa, coffee, and cotton creates about 40% of export earnings with cotton being the most important cash crop. Togo is the world's fourth-largest producer of phosphate. Over years of government effort, backed by the World Bank and the IMF, to employ economic reform measures, promote foreign investment, and bring revenues in line with expenditures has moved slowly. Progress depends on follow through on privatization, increased openness in government financial operations, progress toward legislative elections, and continued support from foreign donors. Togo is on track with its IMF Extended Credit Facility and reached a HIPC debt relief completion point in 2010 at which 95% of the country's debt was forgiven. Economic growth prospects remain marginal due to declining cotton production and underinvestment in phosphate mining. Togo, like any other country confronts the problem of unemployment. States encounter several difficulties in their effort to create employment for all their citizens. Employment statistics are insufficient to give a precise indication of the unemployment rate. Figures are often given for the number of unemployed, but they do not reflect reality. A survey is being conducted by the National Employment Agency to determine the number of unemployed precisely. Currently it is implementing the employment-training program that has been initiated by the Government. Due to this, unemployment figures are currently unavailable³⁶.

Ivory Coast on the other hand is dependent on agriculture and related activities, which engage approximately 68% of the population. Ivory Coast is the world's largest producer and exporter of cocoa beans and a major producer and exporter of coffee and palm oil. Consequently, the economy is highly susceptible to fluctuations in international prices for these products, and, to a lesser extent, in climatic conditions. Cocoa, oil, and coffee are the country's top export revenue earners, but the country also produces gold. Since the end of the civil war in 2003, political turmoil has continued to damage the economy, resulting in

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http://www.indexmundi.com/togo/economy_profile.html

the loss of foreign investment and slow economic growth. Facts indicate that GDP grew by more than 2% in 2008 and around 4% per year in 2009-10. Per capita income on the other hand declined by 15% since 1999, but registered a slight improvement in 2009-10. Power outages caused by a turbine failure in early 2010 slowed economic activity. Ivory Coast in 2010 signed agreements to restructure its Paris Club bilateral, other bilateral, and London Club debt. Ivory Coast's long term challenges include political instability and degrading infrastructure. As in most developing countries, measuring employment and unemployment was difficult because relatively few people were employed in the modern or formal economy, in which enumerating workers is easier; in the traditional economy, the concept of unemployment was almost meaningless. It was also difficult to determine the percentage of the population that was active in the labor force. In spite of these methodological problems, the rate of unemployment in the early 1980s was calculated to be 9 percent, with the highest rates in the Abidjan area. By the end of 1987, the national unemployment rate was estimated to be 11 percent; the rate in urban areas was as high as 30 percent. However, according to CIA (Center Intelligence Agency) statistics in 1998, the unemployment rate was 13% but it has been predicted that it may climb to 40-50% because of civil war in the country³⁷. Finally, Burkina Faso is a poor, landlocked country that depends a lot on cotton and gold exports for revenue. The country is characterized by few natural resources and a weak industrial base. Almost 90% of the population is engaged in subsistence agriculture, which is vulnerable to periodic drought. The major cash crop is cotton. Since 1998, Burkina Faso has embarked upon a gradual privatization of state-owned enterprises and in 2004 revised its investment code to attract foreign investment. As a result of this new code and other legislation favoring the mining sector, the country has seen an upswing in gold exploration and production. By 2010, gold had become the main source of export revenue. The 2004 CIA statistics recorded 77% unemployment rate was recorded. Current statistics shows that unemployment rate for Burkina Faso is unavailable. After comparing the

³⁷ http://www.theodora.com/wfbcurrent/cote_divoire/cote_divoire_economy.html

selected three countries' unemployment rate with that of Ghana, it can be concluded that all the African countries are heavily dependent on agriculture and related activities as well as support from international monetary organizations like IMF. Contributing to the high rates of unemployment, it can be noted that there is a sharp increase in the number of high school and university graduates with inappropriate skills, migration of young people from rural areas, a continued high rate of immigration from neighboring countries, and reduced recruitment levels in the public and private sectors³⁸. In comparing Ghana's unemployment rate to its neighboring countries, it can be concluded that the rate of unemployment in Ghana is considerably lower than its neighboring countries. The highest unemployment rate recorded from the 90s to 2009 was 20%. For instance in 2004, the unemployment rate for Ghana was 20% whereas Burkina Faso was 77%.

4.5 Three dimensional approach of reducing graduate unemployment

4.5.1 Government/national approach

- Radical Reform of Education:

It is important to identify and train the youth in employment generating sectors in order to ensure that graduates meet the requirements of contemporary industry.

- Radical Review of our trade policies and practices.

There is the need to protect our small industries from unsustainable and unfair import liberalization

- The Bank of Ghana must have policies that will make borrowing costs more attractive to the business community.

At present, the high interest rates deter business owners from undertaking any expansion and/or new projects that could create more jobs. Reducing interest rates will encourage more entrepreneurs to borrow, thus creating more jobs for the graduate and other skilled/qualified workers.

- The Government of Ghana and its relevant agencies must encourage guidance and Counseling programs for the youth.

³⁸ http://www.theodora.com/wfbcurrent/burkina_faso/burkina_faso_economy.html

The Civic Education Service, National Service Scheme, Ministry of Education and other relevant institutions within the government should collaborate with local NGOs and corporate institutions to provide guidance and counseling programs for the youth. Religious bodies and the traditional systems should not be excluded. The effects of such programs reflect in the choice of courses the youth pursue at higher levels of education.

- Managing our transitional patterns in our educational system must be done effectively. The National Service Scheme introduced by the government seeks to solve transitional issues that may lead to graduate unemployment. However, this system only solves the problem in the interim. Longer term measures need to be taken.
- The Government through Parliament should encourage effective youth participation in the formulation of employment youth policies. It is clearly noted that one of the serious problems with most of the youth employment policies and programs has been the absence of inputs by the youths themselves.
- The Government through the GSS (Graduate Supervision System) needs to direct the nation in terms of labor needs. There should be data on the labor requirements of the nation backed by a clear sense of direction by the state through its educational policies³⁹.

4.5.2 Institutional approach

- The Educational Institutions need to partner with the private sector and other agencies to find answers to questions such as: “How many products from our Institution are able to progress directly to higher levels of tertiary education or the labor market without any break?” Such questions help the institutions to know whether or not they are doing the right things and thus reducing unemployment among her graduates.
- Institutions should adopt Guidance and Counseling techniques to shape the ambitions and careers of the students and youth at large.

³⁹ <http://www.scribd.com/doc/24777092/Graduate-Unemployment-situation-in-Ghana-and-Proposed-Solutions>

- Competitions should be encouraged among several tertiary institutions in the country and authorities should communicate with the corporate world to organize Career Fairs and similar activities that expose the students to the corporate society for jobs.
- In order to assess students efficiently, institutions should adopt “the case study approach of real situations” as one of its system. This gives students the exposure to real life while in class. They become less academic-oriented and more practical-oriented.

4.5.3 Individual/personal approach

- Develop a positive mental attitude about work. Work to learn and not necessarily for pay. Accept to be on the learning curve always, that way work become more of an adventure.
- Study vigorously to build and maintain a good GPA (Grade Point Average)
A good GPA on your C.V. easily attracts the eye of the employer. It is the first impression you give him about your level of knowledge in your course of study.

- Be part of organizations/clubs on/off campus that can assist you in developing your academic, social, physical and spiritual life. Usually people with poor social skills find it uneasy to blend very well in the corporate world. There is the need, however, to learn how to draw the lines between leisure, emotions and work. This can be learnt very well at school. Having friends from other institutions helps enrich your social network which is a useful tool for gaining employment in the future.
- Embark on internship during long vacations with SMEs in your area of interest.
This enables you to build a good resume before going for your first job interview.
- Saving or investing while in school should be highly encouraged especially for students with entrepreneurial skills. There might be existing opportunities that may require more of your own contribution before you can take an advantage of it. You may also want to start your own business instead of sitting at home and doing nothing. The savings you have made in the past will then become useful.
- Maintaining Business and Profession principle in mind is a plus. It is not wrong to have a business and a profession simultaneously. One may operate a restaurant and still be an Economist or Financial Consultant in a bank.

- Several ways are involved in transforming talents/passion into a business opportunity
One thing we must understand is that many people die/develop certain diseases because of stress from their work. It is, therefore, expedient to love what you do. It takes less energy to use your talents to work than to do things that are not your passion⁴⁰.

⁴⁰ Oben-Torkornoo Elorm: (2009). Graduate Unemployment situation in Ghana and Proposed Solutions – (Quoted 09/11/2010). Available on online at <http://www.scribd.com/doc/24777092/Graduate-Unemployment-situation-in-Ghana-and-Proposed-Solutions>

5. Conclusion/Recommendation

The problem of unemployment in Ghana arise from several factors, however in reducing the high rate of graduate unemployment, critical attention must be given to the structuring of educational programs and syllabi to suit the changing world of business. My proposal is that the content of the courses that are taught in our universities, polytechnics and other institutions of higher learning should be redesigned to provide as much practical training as theoretical. Curriculum must reflect current issues and problems facing the country and should be designed with the aim of not only inducing discussion and awareness but also generating possible solutions. The process for achieving this may be costly, because it should not be an individual instructor's responsibility or one weekend activity but involve all faculties in Ghanaian public universities with the long term in mind. Teaching of courses that would not bring immediate benefit to the country and whose job prospects in the country are nonexistent should be suspended. Furthermore, the universities and other tertiary institutions should increase their involvement in faculty and student exchange programs with universities abroad. This will increase access to global educational resources at minimum cost. In addition, much attention should be devoted to training agricultural oriented technicians and officers to provide support for the agricultural sector which is the life-line of the country's economy and hands-on practical entrepreneurial training should be incorporated into our educational system from the lowest to the highest level. Apart from manufacturing, agriculture is one sector that needs maximum attention and development through the right policy mix, to free thousands of youth out of unemployment. But instead of emphasis on agriculture, Ghana import food especially rice, even when the country has the capacity to be a net exporter of food. Again, the focus of our education should be redefined to emphasize the training of creative, innovative and critical thinkers and to de-emphasize preparing people to pass examination. In this regard we are more likely to generate graduates who will possess the ability to search for solutions to societal problems and hence create employment for them. It is obvious that the all time big entrepreneurs of this world are people who identified societal problems and provided

solutions to them? There are so many problems in this country but what is left to be done is to train people who can identify these problems and provide solutions to them and people who are afflicted with these problems will be ever ready to patronize their services. This way graduate unemployment will be a thing of the past. Finally, the scope and coverage of student job attachment programs should be widened. A national job attachment policy should be designed, involving the tertiary institutions, employers' association and other business associations, the trade unions and the ministry of education. The organizations and the universities must collaborate to ensure that graduates produced meet the standard of the corporate world. One way corporate bodies can fulfill their social responsibilities is, to make it a policy to occasionally give internship and attachment opportunities to students when they are on vacations. This aspect in one way or the other partly depends on how the government encourages and motivates corporate bodies to perform such a role. It is left with the government to make commitments towards achieving such a move. Commitments, such as tax rebates and exemptions for corporate institutions which go through such policies successfully for a number of years, say 5-10 years, should be made available.

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7. Appendix

Appendix Table No. 1: Trends in advertise Job Vacancies (1990-2009)

Year	Total number Of Advertised Jobs	Percentage Share of Jobs Requiring (%)		
		A least Bachelor's	Postgraduate	Prof./HND
1990	1637	29.7	2.9	25.1
1991	1534	35.0	2.7	27.3
1992	1216	40.3	2.1	24.3
1993	1007	36.5	1.8	28.1
1994	791	42.0	3.4	24.3
1995	559	62.6	4.8	12.7
1996	462	65.3	1.7	18.0
1997	1075	53.9	2.9	21.9
1998	761	51.9	3.0	25.4
1999	1174	55.5	2.4	27.3
2000	1278	55.0	2.7	23.9
2001	2306	42.4	5.9	22.3
2002	990	47.1	7.8	26.4
2003	810	58.0	7.4	19.8
2004	1497	39.3	7.4	16.4
2005	1098	50.5	10.5	18.7
2006	3629	34.6	8.7	16.8
2007	3924	28.1	14.0	17.1
2008	5078	41.7	13.8	19.3
2009	3510	54.3	19.3	25.2

Source: Boateng (on-going) Demand Database

Appendix Table No. 2: Economic growths by sub-sectors (%)

Year	Overall	Agriculture	Industry	Service
1998	3.3	-2.0	6.9	8.8
1999	5.3	4.7	3.7	6.3
2000	3.9	-0.6	5.8	7.7
2001	5.0	2.5	4.3	7.0
2002	3.8	1.0	1.3	5.0
2003	4.0	3.7	4.1	4.7
2004	4.6	5.2	4.8	4.2
2005	4.2	4.3	6.4	6.5
2006	4.7	5.1	3.2	6.0
2007	4.4	3.9	4.9	5.0
2008	3.7	2.1	3.8	5.4
2009	4.0	3.7	4.0	4.3

Source: Ghana Government Budget statement for various years

Appendix No. 1 List of employers successfully interviewed from the various sectors

Agriculture

Afariwaah Farms Limited, Tema

Forestry and Logging

Forestry commission

3. Mining and Quarrying

Ghana Chamber of Mines

4. Construction and Engineering

ABP Consult

Utilities

Ghana Telecom

6. Public Sector (Commercial)

State Enterprise Commission

7. Other Services

ISODEC (NGO Sector)

Telephone interview was successfully conducted with all the sectors but because of the high cost involved and the busy schedule of the interviewers, maximum time between 30 and 60 minutes was allocated so I could not fully exhaust all questions. Moreover, specific questions were also directed to specific interviewers.

Appendix Table No. 3: List of labor sector executives interviewed

Name and title of person	Organization	Date interviewed
Hon. Nana Akomea (Minister)	Min. Manpower Development & Employment	August 13, 12:30- 13:00
Mrs. Rose Annang	Ghana Employers Association	July 16, 12:15-12:45
Mr. Kwesi Adu Amankwa (Secretary General)	Trade Union Congress of Ghana	July 30, 17:00- 17:30
Mr. Frank Twum	Lecturer, University of Ghana	July 7, 14:00-

Appendix No. 2: Open questions that were asked during interview

- How do you access the educational system in Ghana, do you think it is relevant for the job market?
- What factors contribute to high rate of graduate unemployment in Ghana?
- Do you think there are few jobs for graduates in the country?
- How do you rate the capabilities, skills and efficiency of recent graduates, satisfactory, very good or excellent?
- Does the academic staff have self improvement programs to upgrade themselves?
- How does the tertiary institutions relate with the organizations?
- Are the departments' curriculum content adequate to prepare graduates for employment?
- Are the available books in the library current and relevant for students?

- What can be done to improve the educational system and produce quality graduates?
- What is the future of graduate unemployment?

Appendix No. 3: Response from interviewers

- According to the selected respondents, almost all of them consented to a review of Ghana's educational system in order to increase graduates chances of securing jobs in modern job market.

According to the executives who were interviewed, the general impression is that the quality of tertiary education in Ghana has fallen. At the enterprise level, the performance of recent graduates is perceived to be satisfactory. Based on a comparison of job requirements (reflected in advertised vacancies) and the structure and mode of delivery of academic curricula, it can be concluded that many graduates enter the labor market without the required skills and this contribute to high unemployment. On the other hand more than half of the students interviewed complained about insufficient jobs available for them.

- Satisfactory
- Generally, lecturers in the tertiary education do not engage in frequent training to develop themselves. It is more of an individual decision. However, some of the tertiary institutions support in training individual lecturers who exhibit exceptional pedagogic work.
- On the average, the relationship between tertiary institutions and organizations is cordial. However, not all organizations offer students the opportunity to do attachment service to gain practical knowledge. Some organizations on the other hand have their preference regarding the type of university or polytechnic the student is studying.
- Most books in the library are old and some relevant books required by students are unavailable.

As the population continues to grows, if necessary measures are not put in place to control it, then the unemployment situation in the entire country will become worse with graduates not exempted from the problem. However, restructuring of educational system to meet modern job market can be an advantage to graduates.

