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# The fourth quarter dip in unemployment rates in Ghana: A systematic account of labour market activities in 2022

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## Highlights

- Significant distress in the labour market as about 260,000 people dropped out of the labour force, too discouraged, and frustrated to look for work.
- Unemployment rate is highest among people with secondary education, followed by individuals with tertiary education and lowest among individuals with post-secondary non-tertiary education.
- At least half of the employed population is in self-employment without employees.
- Women have the greater share of the level of employment but with poorer quality jobs compared to their male counterpart.
- In 2022, women earned an average of 66% of what men earned. For every 1 cedi earned by a man, women earned 34 pesewas less.
- At least 65 percent of the Ghanaian working age population participate in the labour force.
- Participation spikes in first and third quarters driven by quarterly shifts in female labour force participation.

**Key words:** Unemployment, Employment, Labour market, Vulnerable employment, Decent work, Ghana

## Introduction

Labour market conditions provide a key basis for understanding economic developments (Layard, Nickell and Jackman, 2005). In recent times, there has been increasing attention to a wide range of labour market measures, other than the unemployment rate, in assessing labour market conditions. For instance, in assessing employment, questions have been asked about the quality of employment. Thus, recent labour market evaluations have focused on the analysis of patterns and

trends of status in employment to provide important insights into decent work and labour market challenges (Hauf, 2015; Owens and Stewart, 2016; Trebilcock, 2018).

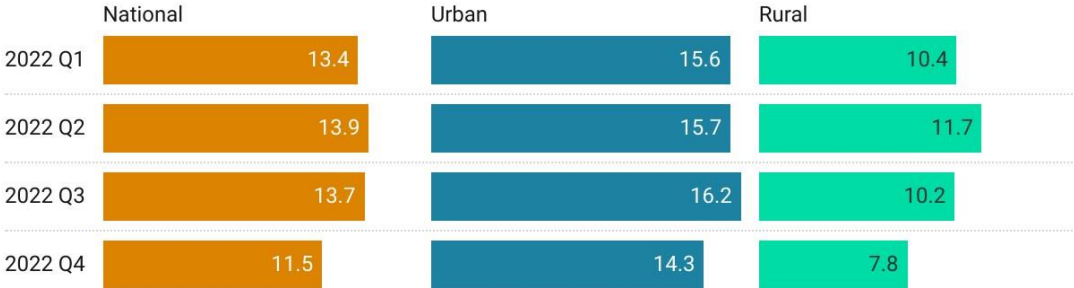
In this report, we examine a broad range of labour market indicators and use statistical techniques to summarise their information to assess their implications for the labour market conditions and policies in Ghana. The report provides a summary of key indicators of the labour market, covering employment and other variables relating to employment including vulnerable employment, unemployment, and the characteristics of the unemployed, labour force participation and non-participation. Taken together, the indicators provide a sound basis for assessing and addressing key questions relating to quality and decent work and the role of educational policies in alleviating unemployment.

We relied on the Annual Household Income and Expenditure Survey (AHIES) non-seasonally adjusted data to provide a systematic account of the labour market activities in 2022. We evaluate the three outcomes in the labour market — employment, unemployment, and non-participation — separately by sex and urban – rural disaggregation, with each measure expressed as a percentage of the corresponding population 15 years and above.

### Unemployment rates

The unemployment rate is the most used metric to gauge labour market slack (Speckesser et al., 2019; Nanavyan, 2021). Unemployment in Ghana is concentrated among urban dwellers and is predominant among prime-age Ghanaian women. The unemployment rate in Ghana fell by 2.2 percentage points in the fourth quarter of 2022, with contributions from increased employment and non-participation and diminished unemployment. The drop in the unemployment rate in the fourth quarter is significant compared with historical standards and is economically meaningful.

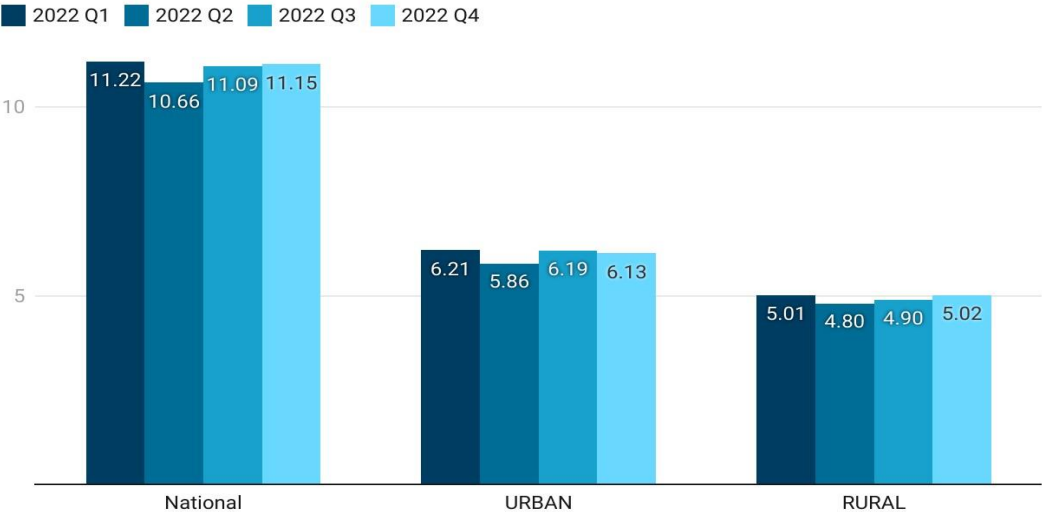
### Unemployment Rates



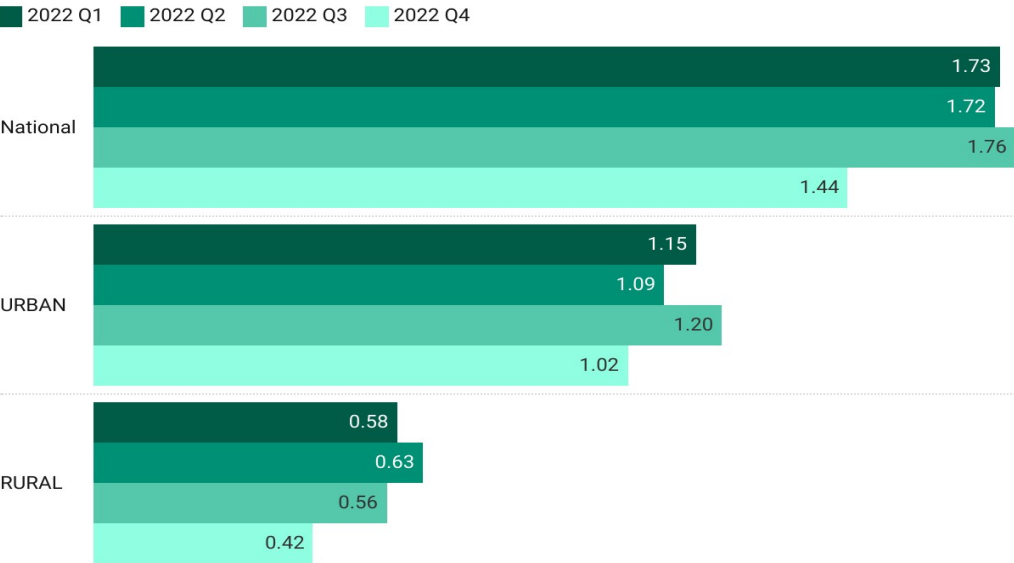
**Employed population.**

After contracting sharply in quarter two, employment rebounded strongly in the third quarter and then edged up slightly to end 2022 at 11.15 million. The uptick in employment in the fourth quarter was entirely rural driven as urban employment declined by about 60,000 in the last quarter compared to the third quarter. However, the fourth quarter employed population is about 70,000 below the population employed in the first quarter. Thus, the labour market ended the year with net outflows from employment despite the consecutive increases in employed population in the last two quarters.

**Employed Population (in millions)**



**Unemployed Population (in millions)**



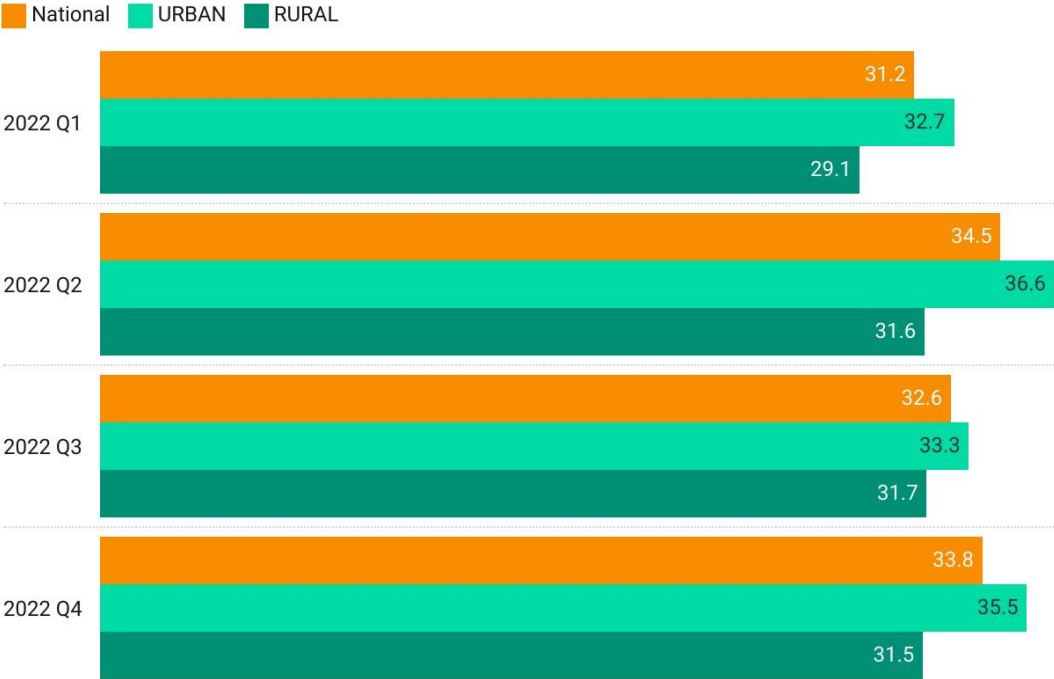
### Unemployed population

The rise in employment in the fourth quarter aligns closely with a significant drop in the number of unemployed persons in the fourth quarter. The unemployed population declined by about 320,000 from the third quarter to end the year at about 1.44 million. Like employment, the labour market ended 2022 with net outflows from unemployment as the unemployed population in the last quarter is about 290,000 lower than the number of unemployed persons in the first quarter.

### Non-participation

The end-of-year declines in both employment and unemployment reflect outflows from the labour force. Non-participation rate increased to 33.8% in the last quarter, up from the 32.6% recorded in the third quarter. The number of persons outside the labour force increased from about 5.78 million in quarter one to approximately 6.44 million in quarter four. Over the same period, the working age population increased by about 219,000 to reach 19.03 million. The increase in the absence from the labour force is more than twice the growth in the working age population.

### Labour Force Non-Participation Rate



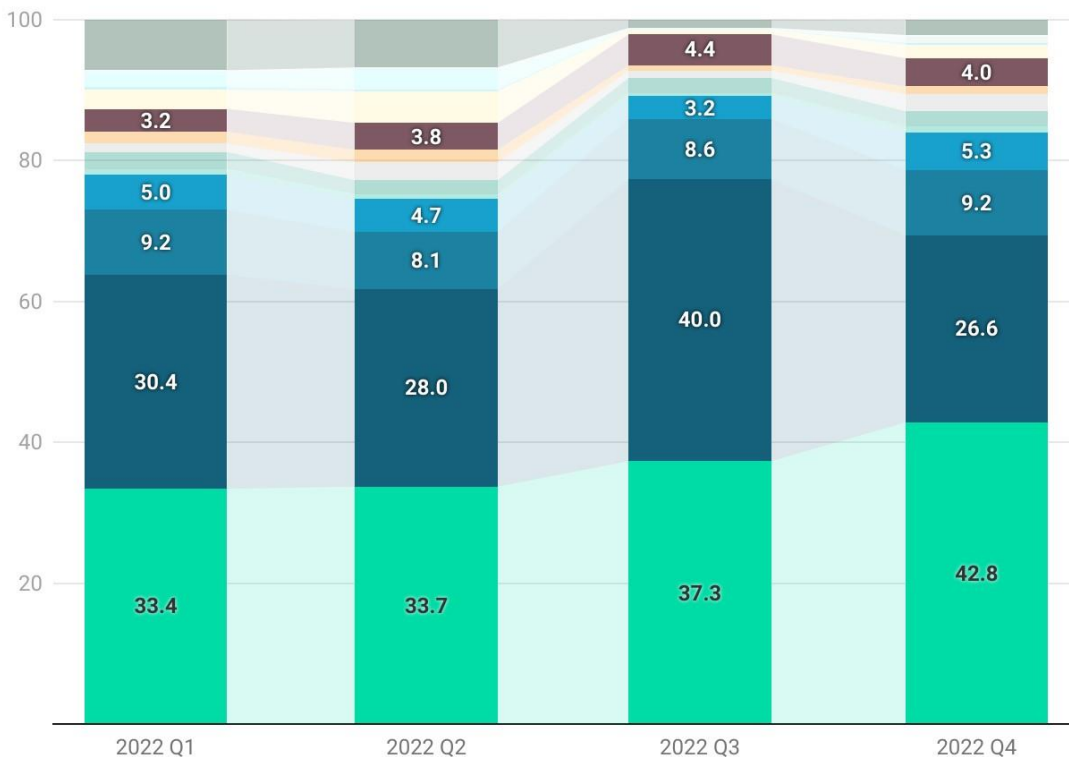
## Reasons for non-participation

We examine the individuals' stated reasons for non-participation. We find that the increase in fourth quarter absences in the labour force is concentrated among individuals in full-time education or engaged in household / family duties.

By the fourth quarter, about 260,000 people dropped out of the labour force, too discouraged to look for work. This number accounts for more than 80% of the drop in the unemployed population in the last quarter. Adding this number to the officially unemployed would increase the unemployment rate to 13.5%. While the drop in the unemployment rate paints a rosier picture, there is still significant distress in the labour market.

## Reasons for non participation (in percent)

- In full time education /student
- Did home duties (homemaker)
- Too old/Aged
- Sick and unable to work
- Disability condition
- Pensioner/Retirement
- Pregnancy/Delivery
- No need/desire to work
- Discouraged/frustrated
- Don't have any qualification/skill
- Off-season
- Temporary lay-off
- Temporary crisis
- Wage/Salary not attractive
- Other

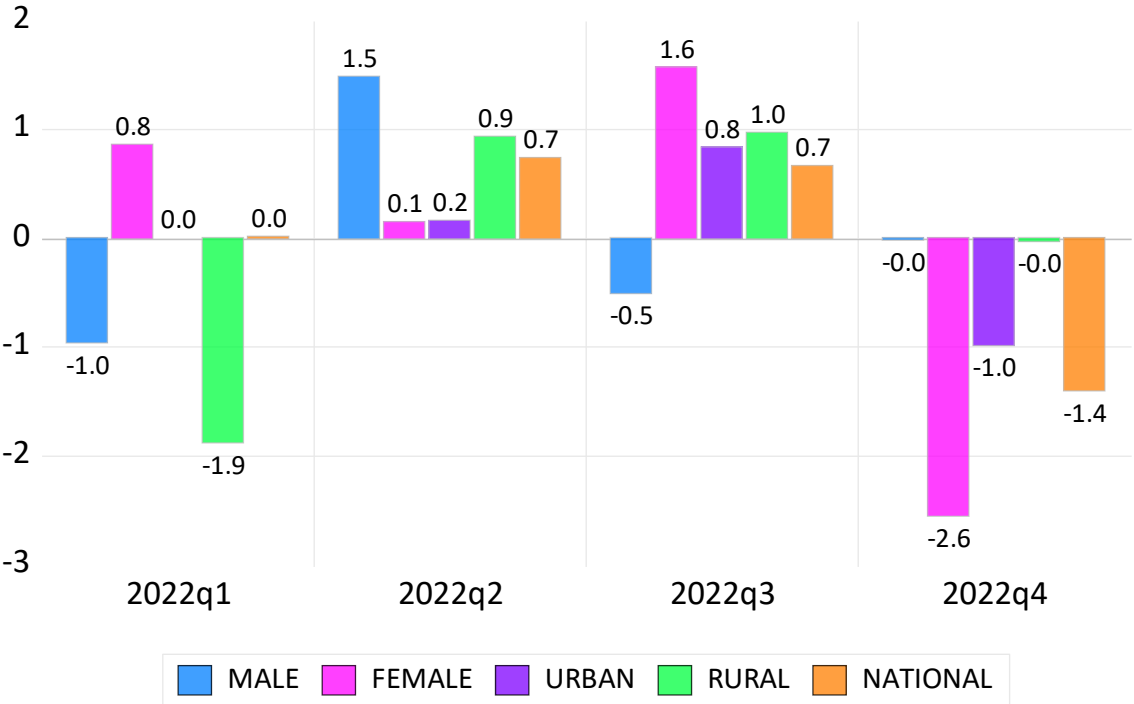


### Is there a potential seasonal shift in the unemployment rate?

The fourth quarter dip in the unemployment rate (1) aligns with increases in rural employment and decreases in urban employment; (2) is concentrated among females; (3) is driven primarily by non-participants who cite household / family duties and full-time education as their main activity while out of the labour force. These occurrences provide a unifying explanation for the fourth quarter drop in the unemployment rate and points to seasonal lapses. To test our intuition, we estimate seasonal shifts in the unemployment rates using the Seasonal and Trend decomposition using Loess (STL) technique.

Our estimates show that the fourth quarter decrease in the unemployment rate is most likely a seasonal phenomenon. The seasonal shift accounted for 1.4 percentage points decline in the unemployment rate. Though the seasonal pattern is broad-based, it is urban dominated and female driven. The last quarter decline in the unemployment rate is partly driven by heightened absences from the labour market. A key reason for non-participation is engagement in home duties which may have spurred female absences from the labour market since women are more likely to shoulder a disproportionate share of home duties.

### Seasonal Components in Unemployment Rates



## The role of agriculture employment

Given the fourth quarter increase in rural employment and decrease in urban employment, we probe the role of agriculture in driving employment. An analysis of the status in employment shows that the fourth quarter jump in employment is concentrated in the agriculture sector. By the fourth quarter, a quarter of the employed labour force was engaged as self-employed (without employees) in agricultural activities. This represents an increase of 5.2 percentage points from the proportion of employed population in this category in quarter one. In a sharp contrast, the share of the employed labour force engaged as self-employed (without employees) in non-farm activities declined from 30% in quarter one to 25.9% in the last quarter. The data shows that agriculture is a sector of opportunity that has the potential to absorb new job seekers.

### Status of Employed Population (in percent)

	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Paid employee	21.5	21.3	22.7	21.3
Casual worker	4.0	4.2	4.7	4.3
Paid apprentice	0.6	0.6	0.5	0.5
Unpaid apprentice	0.6	0.5	0.4	0.2
Non-agric self-employed with employees	4.0	4.0	3.4	3.2
Non-agric self-employed without employee	30.0	29.5	27.8	25.9
Non-agric contributing family worker	3.5	2.8	2.5	3.7
Agric-self-employed with employees	1.8	1.5	1.7	1.6
Agric self-employed without employees	19.8	22.0	22.6	25.0
Agric contributing family worker	13.5	13.2	13.4	13.4
Domestic workers	0.4	0.2	0.2	0.6
Other	0.3	0.2	0.1	0.3

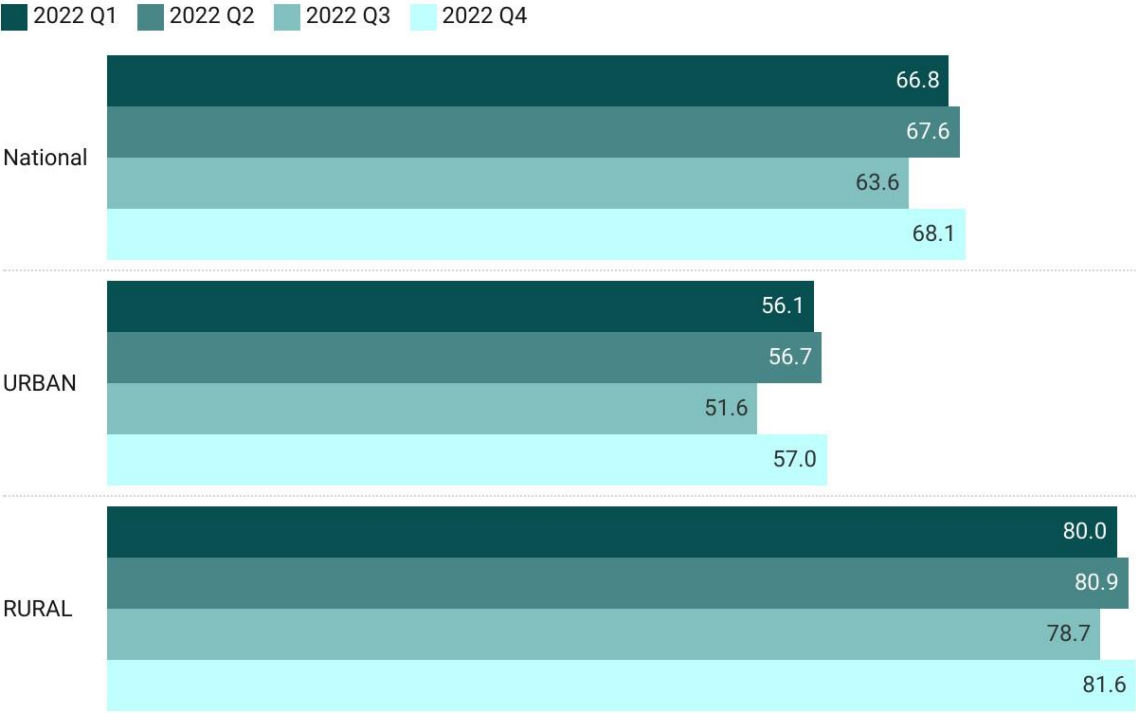


It is instructive to note that at least half of the employed population was self-employed. Not surprisingly, paid employment was relatively stable across the four quarters. This lays credence to the relative job security associated with this category of employment status. However, this is not the dominant form of employment, as it represents less than a quarter of the labour force in employment.

**The implication for vulnerable employment**

The status in employment is closely linked to the quality of employment (Bue et al., 2022). The employment distribution by status in employment shows that about two-third of the labour force in employment are in a precarious or vulnerable situation. This is not surprising, given that self-employment is the predominant form of employment in the country. It is discouraging to see that the share of vulnerable employment steadily increased over the course of the year, from 66.8 percent in quarter one to 68.1 percent in quarter four.

**Proportion of employed in vulnerable employment**



It is noteworthy that there is vast variation across urban and rural areas in the share of workers in vulnerable employment. Vulnerable employment seems to be the norm in rural areas, as approximately 80 percent of the workers are in a precarious situation. This betrays the poor working and living conditions of the employed in rural areas given the strong link between vulnerable employment and living conditions. Across

the country, at least 50 percent of the employed population is in vulnerable employment, which provides some indication of the extent to which Ghanaian workers have unsound jobs and are not protected from economic risks.

### Is the lingering unemployment structural (possible skills mismatch)?

We probe whether the current unemployment is structural and assess the role of educational policy in alleviating and reducing unemployment.

The unemployment rates were lower in 2022 Q4 than in 2022 Q1 at all levels of educational attainment. Unemployment rates are higher among people with secondary education, followed by those with tertiary education. While it appears, education has a substantial impact on employment prospects, the data shows an 'Inverse U shape' relationship between unemployment rate and level of education.

Unemployment rate among people with no formal education is lower than the rate of unemployment among people with tertiary, secondary and basic education. It seems safe to conclude that labour market experience, which include all sorts of informal training arrangements, is equally closely associated with the level of unemployment. Thus, any educational policy to address unemployment should necessarily incorporate technical and vocational education and training.

Among people with formal education, unemployment is lowest among those with post-secondary non-tertiary education. Thus, it appears it is the type of education, not in general level of education, which seems to be associated with the rate of unemployment. Therefore, apprenticeship schemes or vocational schooling may improve labour market conditions relative to general secondary schooling.

## Unemployment Rates by Level of Education

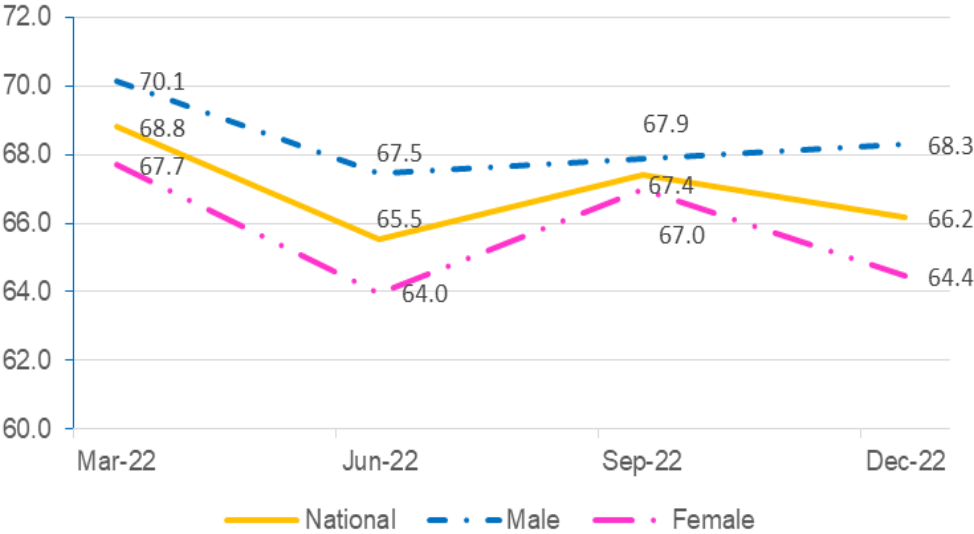
	2022 Q1	2022 Q2	2022 Q3	2022 Q4
No Education	9.9	10.9	9.9	9.7
Basic	11.4	12.4	11.1	10.5
Secondary	19.4	19.8	22.3	16.1
Post secondary	13.9	9.2	8.9	6.9
Tertiary	17.1	15.9	14.6	10.9

It seems safe to conclude that the lingering unemployment in Ghana is both cyclical and structural. Thus, the story is that the jobs problem is a lack of demand for workers and a mismatch between employers' needs and workers' skills. However, the claim that the current unemployment is partly structural would require much more evidence. While the secondary education group appears to be fuelling the rise of unemployment, high unemployment persists among people with tertiary education as well. Indeed, individuals with tertiary education are more susceptible to unemployment than individuals with basic education. Therefore, even if there has been some workplace transformation that makes the current job seekers inadequate, it is most likely not based on a major educational upscaling of jobs. Hence, the dominant narrative would be that the current unemployment problem is largely cyclical and there are not enough jobs.

**Gender patterns of the developments in the labour market**

By the fourth quarter of 2022, about two-thirds of the Ghanaian working age population participate in the labour force. Decomposing the gender gap in labour force participation shows that consistent with global records, male participation is notably higher than female participation. Thus, women are less likely to work for income or actively seek work. From the first quarter to the last quarter, the gender disparity in labour force participation widened from 2.4 percentage points to 3.9 percentage points. The highest level of parity in participation was obtained in quarter three, with a gap of about 1 percentage point. The gender gap narrowed in quarter three in part due to a significant jump in female participation.

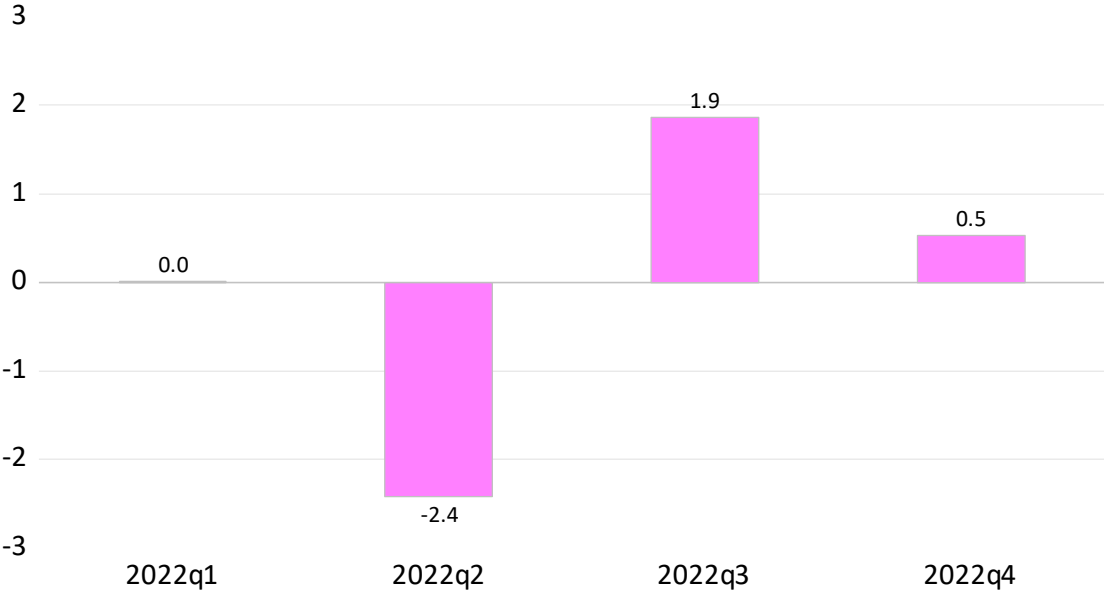
**Labour Force Participation Rate**



While the trend in male labour force participation is flat after the drop in quarter two, there is significant variation in the level of female participation, which spikes in quarters one and three and plummets in quarters two and four. The tight synchronization between female participation rates and the national participation rates points to female participation as a key driver of labour supply.

The development in female labour force participation rates reveals potential seasonal shifts in women's entry and exit from the labour market. Estimates of the seasonal components of female participation shows seasonal induced drops in second and fourth quarter female labour force participation.

### Seasonal Components in Female Participation Rates



We examine seasonality in women's stated reasons for being absent from the labour force. The survey data reveals striking calendar-related pattern in the propensity to exit the labour force for home duties and pregnancy-related reasons. Non-participation on the account of the two reasons peaks in the second and fourth quarters. The net decrease in participation in the second and fourth quarters is fully accounted for by an increase in the number of women who report that they did home duties or exited the labour market for pregnancy-related reasons. These results suggest that women experience seasonal work interruptions at higher rates than men.

## Reasons for non-participation by females (in thousands)

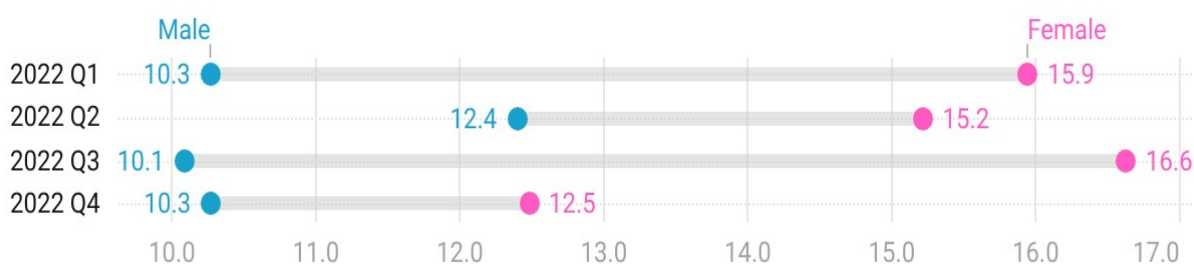
	2022Q1	2022Q2	2022Q3	2022Q4
Did home duties (homemaker)	196	341	124	433
Pregnancy/Delivery	69	164	63	155

*Note: The figures do not include the number of men. Only women gave pregnancy related reasons for non-participation. The number of male who said they did home duties is less than 10% of the total number who cited this reason.*

### Implications for female unemployment and employment

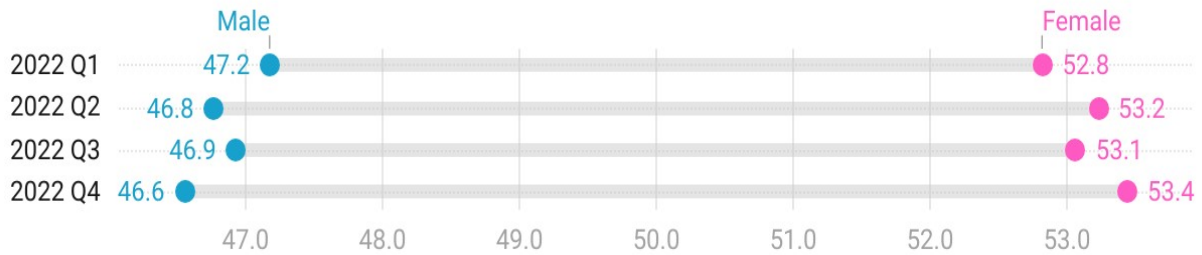
Not only are fewer women participating in the labour market, but out of those who participate, relatively more are unemployed. The likelihood of women experiencing unemployment is higher than for men, compounding the gender gap observed in labour-force participation. The gender difference in unemployment rates declined from 5.6 percentage points in the first quarter to 2.2 percentage points in the last quarter, in part due to the substantial reduction in unemployment rate among females.

### Male and Female Unemployment Rates



Notwithstanding the relatively limited participation, and higher unemployment rates, women held a higher share of employment. On average, about 53 percent of the Ghanaian workforce was female in 2022. The significant drop in female unemployment rates is primarily a story of decreased participation and increased employment.

## Share of Employment

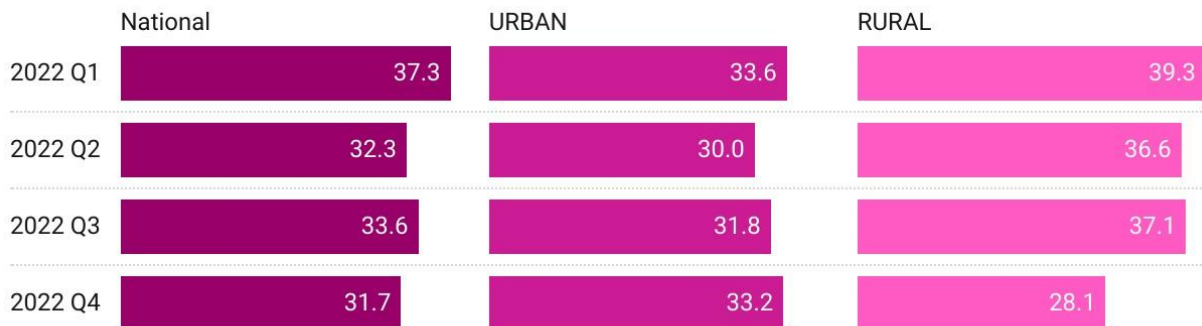


### Ramifications for the gender pay gap.

In 2022, women earned an average of 66% of what men earned, according to the analysis of median hourly earnings of workers. For every 1 cedi earned by a man, women earned 34 pesewas less. In other words, in 2022, women earned an average of 66 pesewas for every 1 cedi earned by a man representing 34 pesewas pay gap.

The gender pay gap narrowed considerably from an estimated 37% (37 pesewas) in the first quarter to 32% (32 pesewas) in the last quarter. The gender pay gap among urban workers remained relatively stable, at an estimated 33 pesewas over the course of 2022. By comparison, the gender pay gap among rural workers was 28 pesewas in the last quarter, down from approximately 39 pesewas in the first quarter.

## Gender Pay Gap

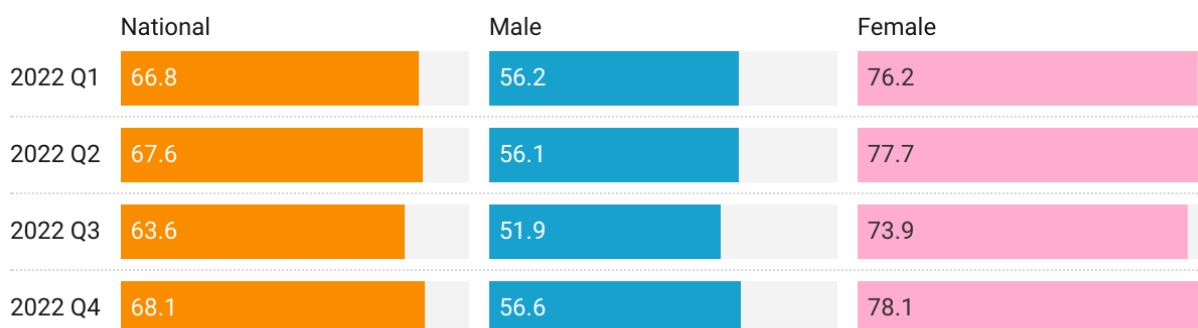


## The quality of female employment

Disaggregating the data by sex allows us to identify the types of jobs where male or female workers are over- or under-represented.

The difference between the shares of male and female workers in vulnerable employment is quite substantial. Women appear to be considerably more exposed to vulnerable employment than men. Female vulnerable employment rate was at least 20 percentage points higher than that of their male counterparts in 2022. While vulnerable employment is widespread for both women and men, women have the higher tendency to be engaged in precarious employment. While women have the highest share of the level of employment, the quality of their employment is considerably lower compared to their male counterpart. To the extent that vulnerable employment is often characterized by inadequate earnings and difficult conditions (Olsthoorn, 2014), women may experience greater exposure to economic crises and poverty. It is not surprising that women face inferior income opportunities than men.

## Vulnerable employment by gender (in percent)



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