NOVEMBER 2020

The Effects of COVID-19 on Business and Employment in Ghana

RECOVR Policy Analysis Series

Introduction

Business and employment around the world are being severely impacted by COVID-19, as 345 million full-time equivalent (FTE) jobs have been lost worldwide in the third quarter of 2020 alone[1] and 45-53 percent of MSMEs worldwide anticipate falling into debt as a result of COVID-19.[2] IPA conducted phone interviews with 1,357 respondents in mid-May 2020, 71 percent of whom were working before the pandemic hit. This brief summarizes results from the survey on business and employment and makes recommendations for job creation and economic recovery.

Key Findings and Takeaways from the Ghana RECOVR Survey

- Twenty-eight percent of those employed in February reported that their business or places of work were temporarily or permanently closed due to challenges related to the COVID-19 outbreak.
- Of those employed before the pandemic, 30 percent worked fewer or no hours and 66 percent earned less or no income in the week before the survey compared to pre-pandemic times.
- Of those employed before the pandemic, people in the 18-25 age group were more likely to be earning less now than prior to the pandemic, compared to those in older age groups.
- Women who were employed before the pandemic were more likely than men to report that their workplaces were temporarily closed by government mandate and were more likely than men to have earned less or no income.
- Employees in the education, retail and wholesale, and accommodation and food sectors were more likely to report having worked less hours and earned less income than they did before the pandemic as compared to other sectors.

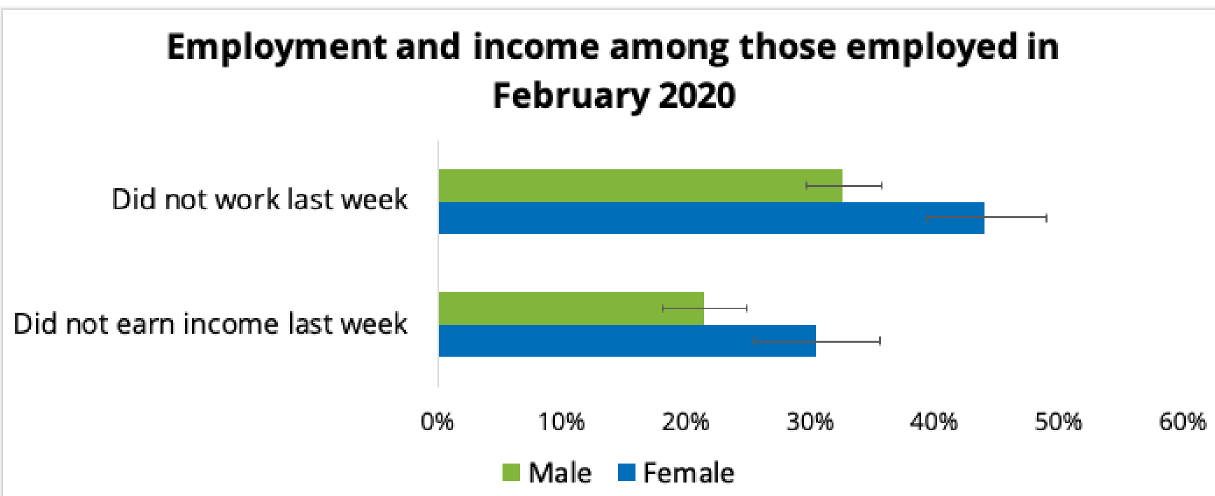
Background

The economic shock brought on by the COVID-19 pandemic in Ghana resulted in reductions in income for over 770,000 workers, reductions in working hours for over 700,000 workers and layoffs for over 42,000 workers.[3] Small and Medium Enterprises make up over 90 percent of total businesses in Ghana, and contribute to over 70 percent of the Ghanaian GDP.[4] Ghana has the largest share of women-owned businesses worldwide, with 46 percent of the country's businesses owned by women.[5] Furthermore, Ghana has the highest rate of youth unemployment (12 percent) and underemployment (50 percent) in Sub-Saharan Africa.[6]

The Ghanaian government has instituted a variety of programs to battle the COVID-19 crisis under the Coronavirus Alleviation Programme (CAP). In collaboration with the National Board of Small Scale Industries (NBSSI), the government has supported SMEs with loans that have a one year moratorium and two year repayment period.[7] Another aspect of the CAP is to distribute dry or canned food packages and hot meals to over 400,000 families and individuals through a network of civil society organizations focused on communities in Accra, Kasoa, Tema and Kumasi.[8] To facilitate digital payments, the Bank of Ghana worked with local banks and telecommunications companies to make all digital payments under GH¢100 free, increase allotted daily transactions, and facilitate onboarding to the Minimum Know Your Customer Account to verify client identity.[9]

The Research

The RECOVR survey was conducted in Ghana by Innovations for Poverty Action (IPA) from May 6 through May 26 of 2020 through random-digit dialing and reached 1,357 respondents using a nationally representative sample of cell phone numbers. The survey uses February 29, 2020 as the reference date for "pre-pandemic." Compared to the national population, the sample of respondents was on average younger, more male, more educated, and more urban than Ghana as a whole, although the household size was comparable. In this brief, we report key findings and policy takeaways related to business and employment in Ghana.

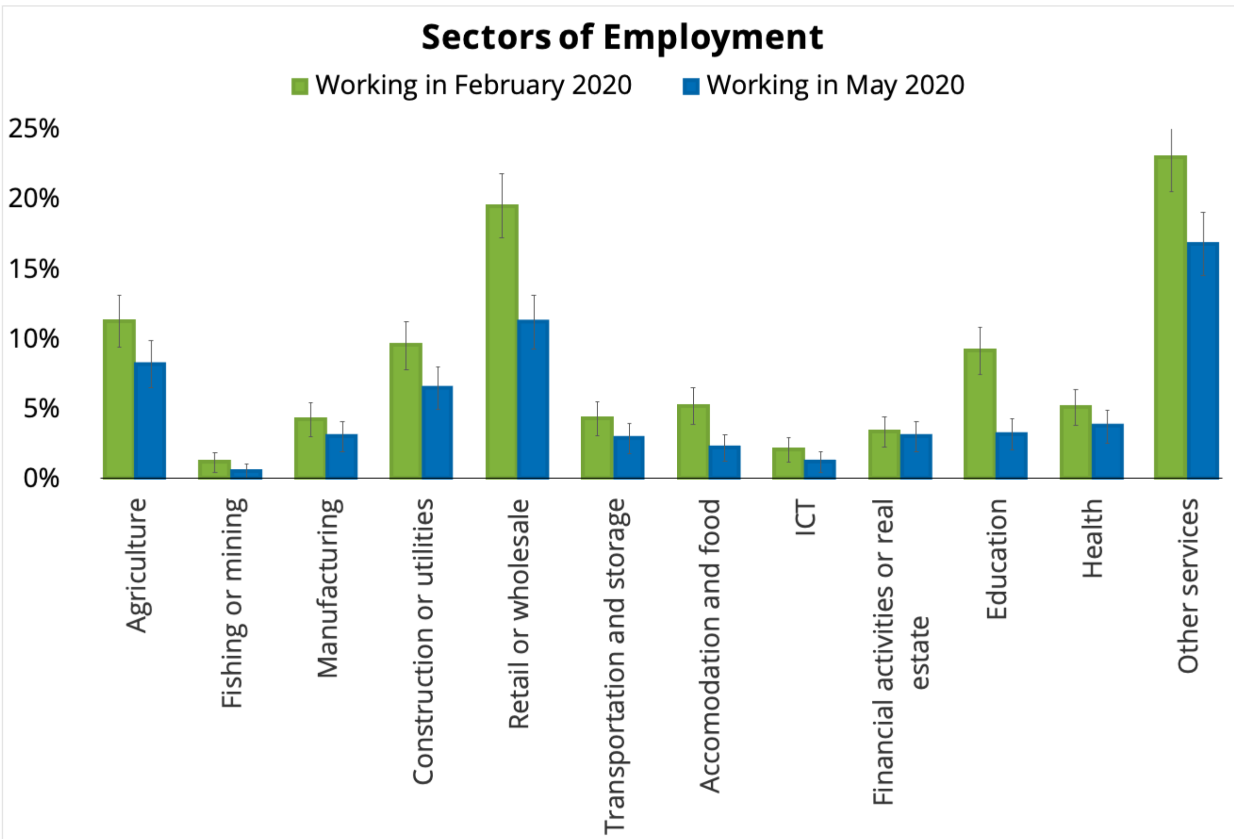


Findings

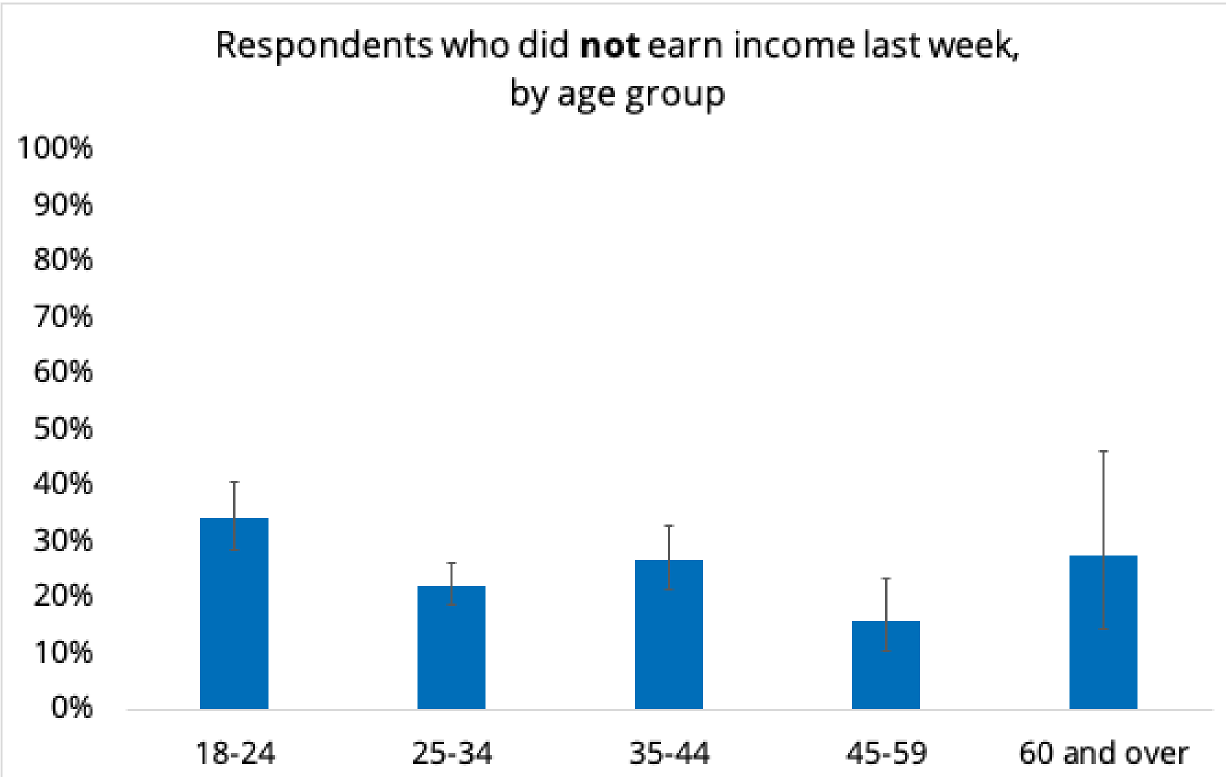
Twenty-eight percent of those employed in February reported that their business or places of work are temporarily or permanently closed due to challenges related to the COVID outbreak. Only 60 percent of those employed in February worked at least one day in the week before the survey. Of those working in February, 30 percent worked fewer or no hours and 66 percent earned less or no income compared to pre-pandemic times.

Effects on women: Thirty-eight percent of the sample were women, 64 percent of whom worked in February 2020. Of those women who were working pre-pandemic, 48 percent were employed by a business, 44 percent were business owners or farmers, and 8 percent helped on a family farm or business. The top sectors employed by women were retail or wholesale, education, accommodation and food services, and other services.

33 percent of women who were employed before the pandemic earned no income in the week before the survey, compared to 21 percent of men. While controlling for occupation, gender, age, sector, relationship to head of household, household size, school-aged children in the house, education, and clustering by region, we find that **women who were employed before the pandemic were 7 percent more likely to have earned no income in the week before the survey compared men.** To understand whether women were still working but not getting paid, we also examined women's working hours. Among women who were employed before the pandemic, 44 percent did not work in the prior week compared to 30 percent of men. After controlling for the aforementioned demographic factors, we see that **women who were working before the pandemic were 7 percent less likely to have worked in the week before the survey than men.**



Economic activity by sector: The top sectors in this sample were other services (23 percent), retail or wholesale (20 percent), agriculture (11 percent), construction and utilities (10 percent), and education (9 percent). Survey results show that employees in the education, retail and wholesale, and accommodation and food sectors have been particularly hit by the pandemic, as they were working less and earning less than employees in other sectors. Those working in financial services/real estate, health, and agriculture were working and earning the same, if not more, than pre-pandemic. To first focus on **education**, those who worked in education before the pandemic were 14 percent less likely to have worked at least one hour in the week before the survey than those in other sectors. Furthermore, they are 7 percent more likely to have earned no income in the prior week than those in other sectors. We see a similar picture for the **retail and wholesale sectors**, whose employees were 8 percent more likely to have earned less income in the prior week than they did before the pandemic compared to other sectors. Finally, we see that those in the **accommodation and food services** sector were 5 percent less likely to have worked at least one hour in the week before the survey than those in other sectors.



Effects on youth: Thirty-four percent of the 18-24 year olds who were employed pre-pandemic did not earn income in the week before the survey. We explored whether this could be driven by various demographic factors by controlling for occupation, gender, age, sector, relationship to head of household, household size, school-aged children in the house, education, and clustering by region; we find that **those aged 18-24 were more likely than every age range between 25-59 to be earning no income.** Those aged 18-24 were 11 percent more likely to be earning no income than those aged 25-34, 8 percent more likely than those aged 35-44, and 18 percent more likely than those aged 45-59.

Food security and financial health: We find that **young people, women were adversely affected by food security and financial health challenges.** Those aged 18-34 were more likely than all older age groups to be unable to buy the same quantity of food as usual because the price of food was too high, even while controlling for the aforementioned demographic factors. Using the same controls, we find that women were 10 percent less likely than men to be able to buy the same quantity of food as usual due to heightened prices of food. **Women and youth were faring worse on financial health**. Thirty four percent of women would not be able to come up with emergency funds (500 cedis) in one month, compared to 23 percent of men. Among the people who could come up with this money, women were 7 percent more likely than men to report that it would be very difficult (while controlling for the same demographic factors as above). Twenty seven percent of those aged 18-34 could not come up with these emergency funds; among those who could come up with these funds, 82 percent of those aged 18-34 would find it difficult compared to 74 percent of those aged 35-59 and 45 percent of those 60 and above. Furthermore, those aged 18-34 were more likely than every older age group to find it difficult (either very or somewhat) to come up with this money.

Conclusion and Recommendations

Based on lessons from other contexts and times of crisis, the following recommendations can be incorporated into policies to support the vulnerable groups outlined by this brief.

Youth: Policymakers should consider unconditional cash transfers, structural investments into the labor market, remote soft skills training, and vocational training to counteract the rising youth unemployment rate. **Unconditional cash transfers** were useful to youth in Northern Uganda,[10] who invested their transfers in vocational skills and saw 50 percent increases in both working hours and income. Structural measures to strengthen labor markets and foster jobs creation could help absorb the high level of youth unemployment, including **investing in infrastructure, labor-intensive sectors, and regional integration.**[11] Governments can incorporate **remote entrepreneurship training**[12] into secondary education to teach youth creativity and grit to equip them to succeed as entrepreneurs. **Apprenticeship programs** could be an avenue for aligning vocational training to evolving labor market outcomes as in Cote d'Ivoire.[13]

Women: Gender-intentional COVID-19 programming is necessary to specifically counteract the unique constraints faced by women employees and businesses. In households where multiple members have businesses, women have faced pressure to invest in their husbands' businesses[14] or to spend resources on households;[15] thus, **in-kind grants**[16] **or loans delivered to mobile money accounts**[17] targeted towards women could be more suitable options. **Flexible credit, such as delaying loan repayments**, may allow female entrepreneurs to invest more in their businesses.[18] Given that women typically have less credit history and access to collateral[19] than men, alternative means of screening female clients such as **psychometric screening**[20] **or using bill payment history to predict creditworthiness**[21] **could support women in accessing credit**. **Subsidized child care**[22] may help women stay in the workforce and increase their earnings. Further, governments should also consider a **cash transfer program targeting women**[23] **and families with children.**[24]

Sector-specific support: Firm-targeted interventions should be directed to those whose business models are built on face-to-face interaction such as the services sector (retail and wholesale), hospitality and tourism (accommodation and food) and education. Banks and other lending institutions should offer **grants and loans with flexible terms**, as in South Africa[25] who are providing funds to SMEs in the tourism and hospitality sectors. **Wage subsidies** to the hardest-hit sectors, like those in Burundi[26] and South Africa, could be beneficial in avoiding massive layoffs. **Digital lending** might be a useful avenue to target the most vulnerable groups[27] as in Togo with the Novissi program,[28] a completely digital payment system targeting informal workers, women, and other vulnerable groups. Given the reduced face-to-face interaction, policymakers may consider supporting **training on digital sales or marketing** as in Colombia,[29] or online tools to link buyers and sellers in local markets, facilitate delivery, and promote deferred services as in Mexico.[30]

Food security and agricultural supply chains: Given the high levels of food insecurity resulting from COVID-19, policymakers should focus on **food aid and rebuilding agricultural supply chains**. While the government has sponsored a food aid distribution program[31] in the form of dry, canned, or hot meals, policymakers should also consider providing **cash** in lieu of food aid as in Rwanda.[32] Distributing cash in lieu of food can also have spillover effects to local food markets[33] who benefit from the increased business. Finally, **regional coordination is vital to re-building supply chains and markets**. To foster a sustainable economic recovery[34] in the aftermath of the COVID-19 pandemic, it may be useful to coordinate supply chains and industrial policy with the governments of Burkina Faso, Cote d'Ivoire and Togo to ensure regional strength moving forward.

Notes and References

1. "ILO Monitor: COVID-19 and the World of Work." ILO Monitor. International Labour Organization, September 23, 2020. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf.

2. Kalemi-Ozcan, Sebnem, Pierre-Olivier Gourinchas, Veronika Penciakova, and Nick Sander. "COVID-19 and SME Failures." IMF Working Papers. International Monetary Fund, September 25, 2020. https://www.imf.org/en/Publications/WP/Issues/2020/09/25/COVID-19-and-SME-Failures-49753.

3. World Bank. "COVID-19 Forced Businesses in Ghana to Reduce Wages for over 770,000 Workers, and Caused about 42,000 Layoffs - Research Reveals." Text/HTML. August 3, 2020, n.d. https://www.worldbank.org/en/news/press-release/2020/08/03/covid-19-forced-businesses-in-ghana-to-reduce-wages-for-over-770000-workers-and-caused-about-42000-layoffs-research-reveals.

4. Adams, Claude Nyarko. "Ghana: President Launches Gh¢600 Million COVID-19 Alleviation Programme Today." allAfrica.com, May 19, 2020. https://allafrica.com/stories/202005190844.html.

5. Disrupt Africa. "Ghana Leads for Women-Owned Businesses Worldwide," March 8, 2018. https://disrupt-africa.com/2018/03/ghana-leads-for-women-owned-businesses-worldwide/.

6. World Bank. "Addressing Youth Unemployment in Ghana Needs Urgent Action, Calls New World Bank Report," September 29, 2020. https://www.worldbank.org/en/news/press-release/2020/09/29/addressing-youth-unemployment-in-ghana-needs-urgent-action.

7. Adams, Claude Nyarko. "Ghana: President Launches Gh¢600 Million COVID-19 Alleviation Programme Today." allAfrica.com, May 19, 2020. https://allafrica.com/stories/202005190844.html.

8. Pulse Ghana. "COVID-19 Lockdown: These Are the Numbers to Call for Free Meals," April 7, 2020. https://www.pulse.com.gh/news/local/covid-19-lockdown-these-are-the-numbers-to-call-for-free-meals/yn7hwse.

9. Graphic Online. "Coronavirus: It Is Now Free to Send Gh¢100 and below via Mobile Money," March 18, 2020. https://www.graphic.com.gh/business/business-news/coronavirus-it-is-now-free-to-send-gh-100-and-below-via-mobile-money.html.

10. Innovations for Poverty Action. "Employment Generation in Rural Africa: Mid-Term Results from an Experimental Evaluation of the Youth Opportunities Program in Northern Uganda," June 1, 2015. https://www.poverty-action.org/publication/employment-generation-rural-africa-mid-term-results-experimental-evaluation-youth.

11. Oosterom, Louise Fox, Philip Mader, James Sumberg, Justin Flynn, and Marjoke. "Young Africans Need More and Better Jobs, Not More Training." Brookings (blog), September 8, 2020.

https://www.brookings.edu/blog/africa-in-focus/2020/09/08/young-africans-need-more-and-better-jobs-not-more-training/.

12. Innovations for Poverty Action. "The Impact of an Online Entrepreneurial Mindset Training for Youth in Ecuador," December 16, 2019. https://www.poverty-action.org/study/impact-online-entrepreneurial-mindset-training-youth-ecuador.
13. Innovations for Poverty Action. "The Direct and Indirect Effects of a Dual Apprenticeship Program in Côte d'Ivoire," May 2, 2017. https://www.poverty-action.org/study/direct-and-indirect-effects-dual-apprenticeship-program-c%C3%B4te-d%E2%80%99ivoire.
14. Innovations for Poverty Action. "Returns to Capital among Female Micro-Entrepreneurs in Ghana, India, and Sri Lanka," April 22, 2015. https://www.poverty-action.org/study/history-growth-micro-small-and-medium-sized-enterprises.
15. Innovations for Poverty Action. "Evaluating the Impact of Loans, Grants, and Training on Small Businesses in Uganda," January 26, 2016. https://www.poverty-action.org/study/evaluating-impact-loans-grants-and-training-small-businesses-uganda.
16. Innovations for Poverty Action. "Grants and Profit Growth for Men- and Women-Owned Enterprises in Ghana," April 22, 2015. https://www.poverty-action.org/study/grants-and-profit-growth-men-and-women-owned-enterprises-ghana.
17. Riley, Emma. "Resisting Social Pressure in the Household Using Mobile Money: Experimental Evidence on Microenterprise Investment in Uganda." University of Oxford, May 25, 2020. https://emmaalriley.files.wordpress.com/2020/05/resisting_sharing_pressure_in_the_household_using_mobile_money__experimental_evidence_on_microenterprise_investment_in_uganda-riley.pdf.
18. Innovations for Poverty Action. "Microfinance Repayment Schedules in West Bengal, India," April 22, 2015. https://www.poverty-action.org/study/microfinance-repayment-schedules-west-bengal-india.
19. Mann, Rebecca. "Banking on Change: Enabling Women's Access to Financial Services." Gender, Policy, and Financial Inclusion (blog), October 29, 2015. https://www.cgap.org/blog/banking-change-enabling-womens-access-financial-services.
20. Arraiz, Irani and Bruhn, Miriam and Stucchi, Rodolfo, Psychometrics as a Tool to Improve Screening and Access to Credit (December 3, 2015). World Bank Policy Research Working Paper No. 7506, Available at SSRN: https://ssrn.com/abstract=2698969.
21. Innovations for Poverty Action. "The Impact of a Women-Specific Credit Scoring Model on Women's Access to Credit in the Dominican Republic," March 21, 2019. https://www.poverty-action.org/study/impact-women-specific-credit-scoring-model-women%E2%80%99s-access-credit-dominican-republic.
22. Clark, Shelley, Caroline Kabiru, Sonia Laszlo, and Muthuri Stella. "Free Childcare Could Increase African Women's Economic Empowerment." IUSSP, December 2, 2019. https://www.niussp.org/article/free-childcare-could-increase-african-womens-economic-empowerment/?print=print.
23. Innocenti, UNICEF Office of Research-. "Making Money Work: Unconditional Cash Transfers Allow Women to Save and Re-Invest in Rural Zambia." UNICEF-IRC. Accessed November 2, 2020. https://www.unicef-irc.org/publications/827-making-money-work-unconditional-cash-transfers-allow-women-to-save-and-re-invest.html.
24. Webb, Christopher, and Natasha Vally. "South Africa Has Raised Social Grants: Why This Shouldn't Be a Stop-Gap Measure." The Conversation. Accessed November 2, 2020. http://theconversation.com/south-africa-has-raised-social-grants-why-this-shouldnt-be-a-stop-gap-measure-138023.

25. Staff, Reuters. “South Africa Extends COVID-19 Loans for Struggling Businesses.” Reuters, July 26, 2020. https://www.reuters.com/article/us-health-coronavirus-safrica-loans-idUSKCN24R09T.

26. IMF. “Policy Responses to COVID19.” Accessed November 2, 2020. https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19.

27. Bull, Greta. “After the Storm: How Microfinance Can Adapt and Thrive.” CGAP Leadership Essay Series (blog), October 14, 2020. https://www.cgap.org/blog/after-storm-how-microfinance-can-adapt-and-thrive.

28. Asia-Pacific, Regional Innovation Centre UNDP. “A COVID Cash Transfer Programme That Gives More Money to Women in Togo.” Medium, August 18, 2020. https://medium.com/@undp.ric/cina-lawson-a-covid-cash-transfer-programme-that-gives-more-money-to-women-in-togo-2386c5dff49.

29. “Bridging the Digital Divide to Help Latin America Entrepreneurs | Accion.” Accessed November 2, 2020. https://www.accion.org/bridging-the-digital-divide-to-help-latin-america-entrepreneurs.

30. Economicas, COVID-19 Medidas. “MERCADO SOLIDARIO.” gob.mx. Accessed November 2, 2020. https://www.gob.mx/covid19medidaseconomicas/acciones-y-programas/mercado-solidario.

31. Pulse Ghana. “COVID-19 Lockdown: These Are the Numbers to Call for Free Meals,” April 7, 2020. https://www.pulse.com.gh/news/local/covid-19-lockdown-these-are-the-numbers-to-call-for-free-meals/yn7hwse.

32. Innovations for Poverty Action. “Benchmarking a WASH and Nutrition Program to Cash in Rwanda,” September 12, 2018. https://www.poverty-action.org/study/benchmarking-wash-and-nutrition-program-cash-rwanda.

33. “Types of Emergency Food Assistance,” June 4, 2018. https://www.usaid.gov/food-assistance/what-we-do/emergency-activities/types-emergency.

34. Vandycke, Nancy, Jose Viegas, and Javier Morales Sarriera. “A Wake-up Call: Building Back Better to Achieve Sustainable Mobility for All,” September 29, 2020. https://blogs.worldbank.org/transport/wake-call-building-back-better-achieve-sustainable-mobility-all.