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The effect of unemployment on the economy of Ghana

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Abstract

Purpose – Ghana has consistently been ranked among the ten fastest-growing African economies since 2017, but in 2020, falling oil prices and the COVID-19 pandemic plunged the country into economic recession. The objective of this study is to measure the heterogeneous effects of the COVID 19 crisis, through the prism of unemployment, populations, and the Ghanaian economy. This involves identifying which profiles of job seekers, and which territory profiles have been particularly vulnerable to the crisis.

Design/methodology/approach – The methodology followed in this study consists in carrying out linear regressions on data from the World Bank database to see which variables affect the unemployment rate.

Findings –The additional financial costs generated by unemployment and the fear of unemployment also contribute to increasing the state's public debt.

Research limitations/implications –. Any scientific work has its limits. Our research only focused on the effects of unemployment in Ghana; we could have looked at the case of other countries in the sub-region, namely ECOWAS.

Practical implications –. In Ghana, as in the rest of the world, youth unemployment seems to be a truly structural phenomenon, as the elasticity of youth employment concerning GDP growth is limited.

Social implications –. It is noted that a young person in a situation of unemployment and underemployment, constitutes a loss for himself and the society because he does not participate in the economic life of his environment or even his country.

Originality/value – The originality of this work concerns the consideration of the role played by the geographical location of job seekers, their competitors in the labor market, and vacant jobs on the probability for job seekers to exit unemployment.

Keywords- Covid19, economy, Unemployment, Human resources management, Ghana

1. Introduction

Unemployment is an economic, political, and social scourge that affects all socio-professional categories (employees, workers, and executives). Economic theory and previous empirical studies have identified many “policy and institutional” or “policy and institutional” determinants of unemployment. These determinants include, inter alia, unemployment benefits, taxation, the bargaining power of trade unions and the collective bargaining system, employment protection legislation, anti-competitive product market regulation, active policies market conditions, minimum wages, and housing policies. Overall, relatively reliable evidence shows that the level of unemployment benefits and their duration have a significant impact on unemployment (Scarpetta, 1996; Nickell, 1998; Elmeskov et al., 1998; Nunziata, 2002). Similarly, many empirical studies find that heavy taxation of labor tends to increase unemployment rates (Belot and van Ours, 2004; Nickell, 1997), although other studies are less conclusive in this regard. (Scarpetta, 1996; Elmeskov et al., 1998; Nunziata, 2002; Macculloch and DiTella, 2002). In addition, some macro-econometric studies identify a favorable effect on aggregate unemployment of spending on active labor market policies and an unfavorable effect on the homeownership rate, but they do not agree on the magnitude of these effects. effects (e.g., Scarpetta, 1996; Nickell, 1997, 1998; Green and Hendershott, 2001, Boone and van Ours, 2004, Nickell et al., 2005). Opinions are more divided on the effects on unemployment of employment protection legislation, the bargaining power of trade unions,

and the collective bargaining system. Finally, there is little macro-econometric evidence of the employment effects of product market regulation. Among the rare studies on the question, Nicoletti et al. (2001) and Nicoletti and Scarpetta (2005) find that product market reforms improve labor market performance.

According to recent studies conducted in the country, about one and a half million Ghanaians over the age of 15 are unemployed, which is about 12% of the country's active population. According to the same data, 14 million Ghanaians are employed and 3 million could not be identified and are therefore not taken into account (Ghana 2015 labor force report). In the details, it also appears that it is women who are most affected by the lack of employment since in the country, more than 700,000 women, or 12.5% while the number of unemployed men is 500,000, or 11.5%. However, according to the study, women constitute the largest segment of Ghana's population of 27,669,000, of which 47.7% are men and 52.3% are women. In Ghana, nearly one in six of the 733,522 unemployed persons were in urban areas. The unemployment rate was relatively higher among those with some education than among those without. More than half of the women, 64.8 percent, who are currently working are self-employed, and relatively few are paid, employees.

Unemployment was on the rise in the country, which is no surprise since it has even been made a priority by the country's new authorities. However, it highlights the magnitude taken by the phenomenon that particularly affects young people since the current 12% is double the figure recorded in the period 2012/2013 when the unemployment rate was officially only 5.8%. It is true that at the time, the Ghanaian economy was surfing on a double-digit growth rate and above all the service in charge of statistics has since changed its criteria for defining work and unemployment. The direct consequences of unemployment are multiple. They affect the purchasing power of households, the loss of social ties, and the physical and psychological health of job seekers.

2. Conceptual Backgrounds

The concept of employment can be defined as the activity occupied by a person that contributes to the development of a country. Employment is characterized by the labor market, which is defined as the meeting of labor supply and labor demand (Jones and Inggs 1994). The employment rate reflects the ability of an economy to utilize its labor resources (Banda et al. 2016; Coffie 2018; Limosani and Monteforte 2017; Sahoo and Sahoo 2019; Makaringe

and Khobai 2018). It is defined as the ratio of the working-age population to the employed population expressed as a percentage.

There are several forms of activities that are classified as professional. An activity is said to be professional if it participates in the creation of wealth. Despite the diversity of forms of professional activities, employment is an abstract notion. By reviewing the evolution of the notion of employment as it is constituted through the evolution of economic currents, namely the classics, the neoclassic with the installation of sustainable unemployment that has to the establishment of palliatives and legal forms of recognition of the social utility of non-salaried work, the social crisis, and the legal situation that has generated degradation of status compared to the stability of the contract for an indefinite period to full time which remains the reference of the right of work (Brunner, Karl; Meltzer, Allan 2018). In conclusion, the employment contract could be overtaken by a contract of activity that combines permanent full-time employment, permanent part-time employment, daily/occasional employment, and even other forms of employment.

Long before the Great Recession, several authors were interested in the mechanisms which, through the labor market and more specifically the unemployment rate, caused fluctuations in the economy. Matching models developed in part by Mortensen and Pissarides (1994), by putting the labor market at the center of exchanges, allow a detailed analysis of the labor market, its repercussions on other macroeconomic variables, and therefore budgetary policies, appropriate fiscal and monetary policies to undertake. A large field of the literature that addresses the subject of cycles in the labor market consists in studying the evolution of the unemployment rate and the related entry and exit movements. Shimer (2012) provides a result that opposes previously published results. As early as the 1980s, Darby, Haltiwanger, and Plant (1986) argued that the variation in the unemployment rate was mainly the result of variations in the rate of entry into unemployment, i.e., the number of people who were leaving a job, rather than being driven by the unemployment exit rate. Shimer (2012) works with a theoretical framework that includes two strong assumptions. The first is the inability to enter or exit the labor force. The second is the homogeneity assumption; all agents face the same probability of leaving their job or finding a job. To test the implications of his model, he constructs his variables using public data from the Labor Force Survey. From the monthly time series on the level of employment, unemployment, and short-term unemployment, less than four weeks, it calculates the entry and exit rates from unemployment from which the temporal variables of the respective probabilities are deduced. In addition to being high, the

probability of exiting unemployment would also very strongly explain fluctuations in unemployment.

2.1 The theories of the New Keynesians

The new Keynesians agree with several of Keynes' ideas, namely the idea that unemployment arises because of insufficient aggregate demand and the idea that wages are rigid to the downside. To show that the labor market cannot self-regulate as the neoclassicists suggest, they identify several rigidities that effectively prevent the wage from falling and thus reaching any "equilibrium". Since there is a market failure, public action is justified.

2.1.1. The theory of the efficiency wage

According to neoclassical theory, workers receive a wage that is higher the more productive they are (in other words, the wage depends on productivity, on the efforts of workers). New Keynesian economists reverse the sense of causality: the higher the wage, the more productive workers will be (in other words, productivity itself depends on wages). In this case, companies would be well advised to pay a higher wage than the equilibrium wage according to the neoclassical for the following reasons: By offering a high salary, a company mitigates the phenomenon of anti-selection: in fact, the most qualified workers (and therefore the most productive) refuse to work for low wages, so that they only apply for companies that offer high wages. By offering a high salary, a company reduces the phenomenon of moral hazard (moral hazard): once hired, a worker risks reducing his efforts (i.e. adopting a pull-to-the-side behavior, especially when his boss has his back turned); but if the worker receives a high salary, especially a higher salary than in other companies, this encourages him to make more effort, because he will have more difficulty finding such a good salary elsewhere (it is said that the "opportunity cost" of dismissal increases). By increasing the salary, the company reduces the turnover of staff, since employees are more encouraged to stay. However, the longer a worker stays at his workstation, the more efficient he becomes, thanks to learning-by-doing. (The company wins, on the one hand, because workers become more efficient by staying longer, on the other hand, because it does not have to pay fees to train new candidates.) Workers feel "well treated" when they are paid more, which motivates them to put in more effort. The theory of the efficiency wage was notably developed by new Keynesians such as Carl Shapiro (1984) and Joseph Stiglitz (Nobel Prize in Economics in 2001), Janet Yellen, and George Akerlof (Nobel Prize in 2001).

2.1.2. The insider/outsider theory

Some Keynesian new economists (in this case Lindbeck and Snøbera) developed the insider/outsider theory. Insiders refer to workers who are already hired by a company. Outsiders are workers who want to be hired by a company (and among them, there may be unemployed...). The problem is that insiders will take advantage of their position, of being already in the company, to increase their salaries, but this will be to the detriment of outsiders. Indeed, it is expensive to hire a recruit: you have to train him, he is not immediately fully effective, he must integrate, etc. It is these turnover costs. So, bosses are willing to pay a higher salary to an insider rather than hire an outsider, as long as the difference in salary is less than the cost of hiring. However, for the boss to agree to grant them large wage increases, insiders will do everything possible to increase the cost of hiring (an outsider). For example, they will complicate the integration of outsiders into the company, isolating them, refusing to work with them, etc. Where: Insiders will demand that outsiders be better trained when they are hired, which therefore increases training costs. As a result, bosses are more reluctant to hire (outsiders), but more inclined to accept the wage increases demanded by insiders.

In this case, insiders will particularly take advantage of periods of recession and unemployment to take advantage of their situation. The problem with this is that the unemployed see their chances of being hired reduced by the behavior of insiders. Therefore, the insider/outsider theory thus helps to explain (in part) why high unemployment has difficulty decreasing (despite, for example, the improvement in the economic situation).

2.2 Approach to the theory of Demand

The theory of supply with Arthur Laffer concludes that?? too much tax kills tax?? that is when the tax rate increases too much it discourages workers and leads some to unemployment. This policy was used by Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States.

2.2.1. Segmentation theory

According to this theory, the causes of unemployment must be sought in several labor markets that function in specific ways called segments. According to there are two types of differentiation of the functioning of the labor markets namely the external market which corresponds to an allocation of jobs and a determination of wages as in a competitive market the positions to power are done according to the competitive rules conversely there is the

internal market corresponds to an allocation of jobs and a determination of wages according to the rules of the company competition does not play not in this market. (KOUBOU 1994) distinguishes 4 segments: the rural world; the informal sector; the public service and the private sector.

According to Piore (1978), unemployment can be explained by the concept of duality. Indeed, explaining the concept starts from the observation of Western labor markets in the 1970s, then it shows that this market is not generally homogeneous and this heterogeneity of this market explains the existence of a plural workforce but with specific categories marked according to their function and their place in society and relation to unemployment. This theory shows that even in periods of high growth, certain categories of the population record very high unemployment rates and are above the observed average. This segment opposes two important sectors such as:

- The primary sector with high wages, stable employment, and good working conditions.
- The secondary sector, on the contrary, with low wages, a high risk of unemployment, precarious jobs, and difficult living conditions.

2.2.2. Matching models

This model category was developed by DIAMOND (1982). These models focus the spotlight on a more dynamic analysis of the labor market with the reasoning in terms of job creation flow and destruction (LESUEUR, 2008) The main usefulness of these models is that they help to explain the coexistence of high unemployment and recruitment difficulties in certain sectors of activity.

In economic theory, there are always controversies between theorists we have for example the classics who advocate market solutions including supply to solve the phenomenon of unemployment (they speak of voluntary unemployment) while Keynesians advocate demand (low global demand) and therefore involuntary unemployment. In the case of Ghana, the statistics generally show a weak overall demand (investment is low; the consumption of local goods is also low because households consume more of what is imported; public spending is also low as well as exports) but we think it is better to see the origin of unemployment in several areas namely the political field, economic, socio-economic and demographic to solve the issue of unemployment in our country.

To this, we can add the very characteristics of the individual, namely his age, his sex, and his living environment. After analyzing the theoretical framework of unemployment, this time we will discuss the empirical framework.

From an empirical point of view, many studies have been carried out around the world on unemployment. Indeed, in OECD countries, several studies have been conducted to explain variations in the unemployment rate. This was first the case of (Blanchard and WOLFERS, 2000); a study based on panel data from twenty countries. According to the latter, the rise in the unemployment rate would be explained by shocks such as overall productivity growth, the rate of inflation, the interest rate, and the labor demand shock. They also explain that the quality of institutions indirectly contributes to this increase in unemployment, then the IMF model on the determinants of unemployment was developed in 2003 on a sample of 20 OECD countries for the period 1960-1998 shows that the unemployment rate at the time t in the country I has a country-specific effect and, is influenced by macroeconomic variables such as productivity growth, the real interest rate, the terms of trade and inflation.

Another approach is based on the idea that labor market institutions and macroeconomic shocks have a direct effect on fluctuations in the unemployment rate. This was the case of the dynamic model of (Nickell, Nunziata, and Ochel, 2005) which shows that the unemployment rate is explained by the institutions of the labor market (for example heavy taxation of labor, low bargaining power of the unions, and the collective bargaining system so much to increase the unemployment rate), macroeconomic shocks, interactions between the institutions themselves and the previous unemployment rate and they lead to the conclusion that there is a strong correlation between labor market institutions and the unemployment rate in these OECD countries, but interactions between institutions and macroeconomic shocks do not contribute to the rise in unemployment. Keynesians such as William Phillips (1961) through his study of unemployment in England, sought to relate the variation in the money rate and the change in the unemployment rate. He concludes at the end of his study that there is an inverse relationship between the two variables. By replacing the change in the money wage rate with the change in the inflation rate, Robert Solow and Paul Samuelson arrive at the same result as Phillips. Maria Adelaide Silva Duarte and Joao Sousa Andrade (2014) in their research on unemployment apply Phillips' relationship in Portugal and get the same result. But Milton Friedman concludes that this relationship can only last in the short term and that in the long term the curve becomes vertical thanks to the adaptive expectations of economic agents. Subsequently, John Muth 1961, and Lucas, Sargent, and Wallace arrive at a contradiction

with Friedman: the Phillips curve is vertical even in the short run because of rational expectations. Arthur Okun did a study in the United States linking unemployment and economic growth. In these results he arrives at the following equation: $U = -0.5[(\Delta Y/Y) - 3]$. $\Delta Y/Y = 3$, the coefficient 0.5 is called the Okun coefficient, it varies according to the country. The interpretation is as follows: when the unemployment rate varies by 1% the rate of economic growth varies by 0.5% but in the opposite direction of the variation in the unemployment rate. That is, there is an inverse relationship between the unemployment rate and the rate of economic growth.

3. METHODS

Unemployment is an economic, political, and social scourge that concerns all socio-professional categories. These direct and indirect consequences concern job seekers, as well as current employees, company managers, and the competitiveness of companies Pineda (2018). The additional financial costs generated by unemployment and the fear of unemployment also contribute to the increase of the public debt of the State and the deficit of the health insurance fund. The direct consequences of unemployment are multiple. They concern the purchasing power and indebtedness of households, the rupture of social ties, and the loss of health of job seekers. Many authors and organizations have reflected on strategies and means to fight unemployment and create sustainable jobs for young people, but very few have focused on the scope and limits of youth volunteering in the fight against unemployment and its effects.

Apart from the official definition, there is a diversity of possible situations concerning employment. Economic science distinguishes several types of unemployment according to their current cause:

- Mobility unemployment, or frictional unemployment: employed workers are permanently mobile. At any given moment, individuals leave their jobs to change companies, regions, salaries, positions, or working conditions. In addition to the mobility between different jobs, there are periods of mobility between activity and inactivity.
- Cyclical unemployment is linked to the negative evolution of the economy, to the slowdown of activity over a short or medium period. The gross domestic product determines the number of jobs. This type of unemployment disappears when the activity recovers.

- Structural unemployment is the result of a qualitative mismatch between labor supply and demand. Consumption and production inevitably lead to unemployment, and companies significantly reduce their production volume. It can also be due to the fundamental characteristics of the labor market (mode of determination of wages, types of social relations ...) or more generally to the overall characteristics of the economy (nature of the equipment, level of training ...) (Pettinger, 2019). To resist the expanding sectors, the affected sectors substitute labor for capital, which can also constitute a cause of structural unemployment.

- Seasonal unemployment linked to variations in inactivity during the year in certain economic sectors (tourism) and technical unemployment, suffered by workers whose means of production are unusable, are to be classified as secondary to unemployment. These types of unemployment are qualified as repetitive unemployment because the worker is in a situation in which he alternates periods of activity and unemployment.

In addition to these types of unemployment, there are other types, such as classical unemployment, which corresponds to a situation of unemployment where companies produce less than the demand because the profitability of a more important production is considered too low; Keynesian unemployment refers to a situation where companies give up producing because of a lack of outlets: It is unemployment linked to the insufficiency of demand; natural unemployment, which is a neoclassical notion, designates a level of unemployment above which one cannot go down without provoking an increase in the rate of inflation; and voluntary unemployment, which is the result, either of the refusal of workers to accept the existing level of wages or of the intervention of trade unionists or the State, which imposes on firms levels of wage costs that are higher than the level of wages that would allow full employment.

Unemployment is measured by the unemployment rate, which is the ratio of the number of unemployed to the working-age population. Unemployment is a scourge that affects all countries in the world, especially those that are qualified as developing GHANA, some are more affected than others.

The causes of rising unemployment are multiple. In Ghana, they are due to the weakness of GDP growth and the lack of competitiveness of companies, and they are due to technical progress. To understand these assertions, we have studied, on the one hand, the causes and consequences of productivity gains and the issues of sharing the added value generated by these gains.

The main causes of the rise in unemployment are, on the one hand, the weakness of GDP growth, and, on the other hand, the cost of labor, the rigidity of the Labor Code, the mismatch between supply and demand, and the reduction of working hours, which would be a brake on the competitiveness of companies. To refute or confirm these assertions, it seemed necessary to study each of these breaks and compare the evolution of the GDP growth rate with the wealth produced by the GDP.

The first cause of unemployment is the cost of labor (wages + employer's social charges). Indeed, as they are too high, the Minimum Wage and the cost of labor appear to be an obstacle to the competitiveness of companies and therefore to job creation. The ideal labor market would be one in which the hourly labor rate would be freely fixed between the actors according to the market law of "supply and demand". If the supply of jobs is greater than the demand, the hourly rate increases to encourage employees to work. On the other hand, if supply is lower than demand, the hourly rate decreases, or rather, adjusts in line with supply. Given that in 2019 Ghana's unemployment rate was 7.1 percent, the demand for employment was greater than the supply. By reducing the cost of labor, the removal of the minimum wage would have created jobs. If the cost of labor were the main cause of the rise in unemployment, the countries with the highest cost would have a higher unemployment rate than those with the lowest.

The second cause of the rise in unemployment would be the rigidity of the labor code. The ideal labor market is one in which an employer would be completely free to hire or fire an employee according to the pace of his business. Since dismissal procedures are relatively restrictive and costly, labor regulations appear to be an obstacle to the competitiveness of companies and therefore to job creation. If the dismissal procedure were simpler, faster, and less expensive, companies would prefer to hire employees on permanent contracts rather than on fixed-term or temporary contracts. Since the rules governing dismissal procedures are the main reason for the rise in unemployment, countries with a high level of labor protection should have a high unemployment rate. Once again, this is not the case.

Since it is not the rigidity of the labor code that explains the rise in unemployment, could it be the mismatch between job supply and demand? The third cause of unemployment would be the mismatch between job supply and demand. The sectors of activity that would have difficulty finding personnel are those of the restaurant, hotel, business services, and personal services. The jobs that are difficult to fill are those of maintenance workers, home helps, domestic workers, care assistants, waiters, dishwashers, kitchen helpers, etc. These jobs are

often paid at the minimum wage, have part-time schedules, do not require any qualifications, and do not offer any prospects. If the employers of these sectors of activity have real difficulties in finding personnel, not according to the law of "supply and demand", they would only have to make these jobs more attractive by proposing higher salaries and working conditions than in other sectors of activity. The return-to-work allowance is too generous and would be responsible for an imbalance in the job market and therefore for the rise in unemployment.

4. Results

The Covid-19 crisis is expected to slow Ghana's growth to 0.9% in 2020, with a rebound to 5.0% forecast by the Ministry of Finance. Public spending is expected to remain high in 2021 with a consequent increase in the debt burden, resulting in a budget deficit forecast at -9.5% of GDP. Constrained by the resurgence of inflation, the Bank of Ghana has managed to stabilize the depreciation of the cedi against the dollar, resulting in a 33% increase in international reserves since April 2020.

As elsewhere in Africa, the issue of rising unemployment in Ghana has become a major concern, particularly because of rising youth unemployment. Services have become the engine of growth in Ghana, in contrast to the experiences of East Asia and other newly industrialized countries where manufacturing exports have driven growth and increased the absorptive capacity of low- and medium-skilled workers. In fact, in Ghana, the manufacturing sector has performed abysmally, with an average growth rate of 3.2 percent between 2008 and 2017.

Despite the generally strong performance of the Ghanaian economy over the past two decades, there is a lag between GDP growth and employment, a trend that has persisted for many years, with the country averaging an employment-growth elasticity of 0.5 over the past two decades. However, recent evidence points to the role of emerging high-productivity sectors, such as agribusiness, tourism, and horticulture, among others, which share characteristics with the manufacturing sector (particularly in the employment of low- to medium-skilled labor), in addressing the problem of youth unemployment by creating decent jobs in Ghana. (Please see **Figure 1** for more information)

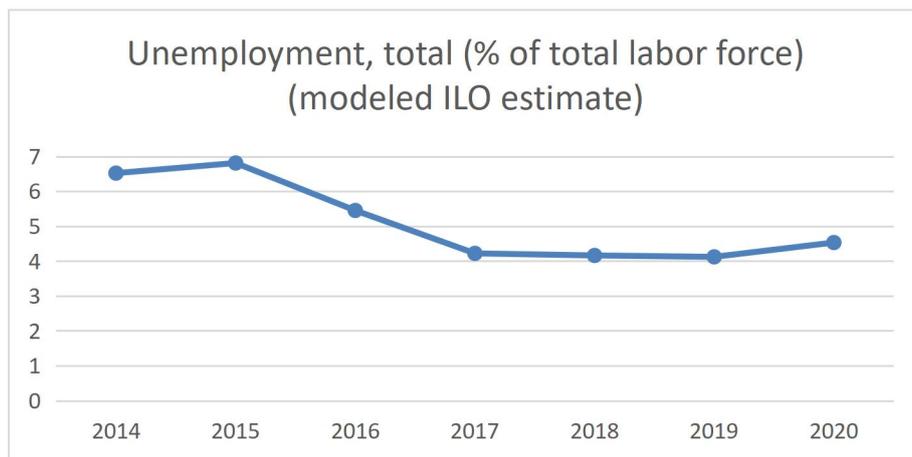


Figure 1 Unemployment, total (% of the total labor force) (modeled ILO estimate) – Ghana

The strong performance of the Ghanaian economy over the past two decades has not translated into job creation or improved employment conditions, particularly for the country's growing youth population. Moreover, the country's traditional dependence on commodities, notably gold, cocoa, and more recently oil, for exports has exposed it to international fluctuations in commodity prices, making the need for diversification and structural transformation more urgent. (Please see **Figure 2** for more information)

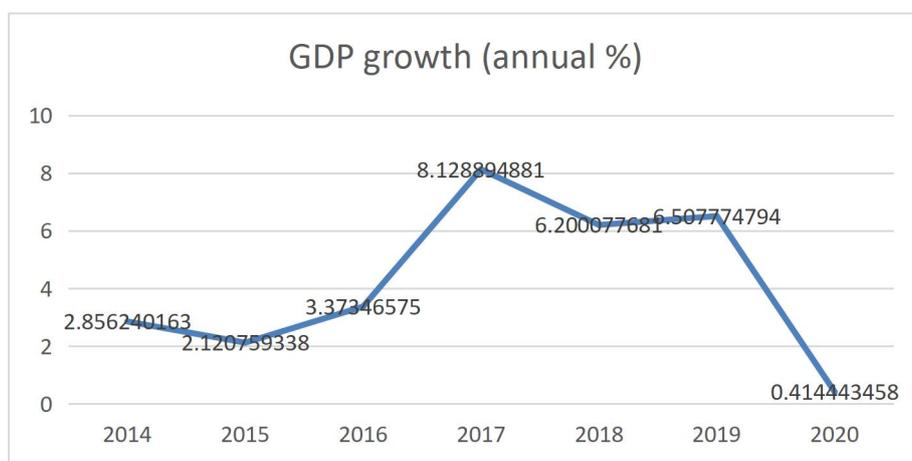


Figure 2 GDP growth (annual %) (modeled ILO estimate) – Ghana

The crisis caused by the COVID-19 pandemic has resulted in a slowdown in growth to 0.9 percent for the year 2020, according to the Ministry of Finance's forecast, compared with the 6.8 percent initially expected. This slowdown is mainly due to a decrease in oil and gold production and related effects. The decline in tourist numbers is also contributing to the slowdown, although the sector accounts for only about 1.5% of GDP.

Growth forecasts for 2020 are between 1.4% and 5.0%. The Ghanaian Ministry of Finance, whose forecasts historically suffer from an optimistic bias, anticipates a rebound in activity

with growth of 5.0% in 2021 and 5.0% in 2022. In contrast to these projections, the World Bank has revised Ghana's short- and medium-term growth potential sharply downwards. In January, the institution forecasted growth of 1.4% in 2021 and 2.4% in 2022, i.e., 0.4 PDP and 2.0 PDP less than its June 2020 forecast, respectively. The IMF's growth forecast in the October 2020 World Economic Outlook is midway between these two scenarios, with a growth forecast of 4.2% in 2021 and 4.1% in 2022

The budget deficit is expected to fall to -9.5% of GDP in 2021, after a budget deficit of -16.4% in 2020[1]. Public expenditure is expected to rise to 26.2% of GDP, maintaining the level of 25.9% reached in 2020, compared with 20.3% in 2019. They are mainly driven by the sharp increase in the debt burden: interest represents an expense of GHS 35.9 billion (9.3% of GDP) or 49.5% of government revenue (+12.5 PDP in two years), compared with GHS 24.6 billion in 2020 (6.4% of GDP) and GHS 19.6 billion in 2019 (5.7% of GDP). The Ministry of Finance plans to increase the level of government revenue from 14.3% of GDP in 2020 to 16.7% in 2021. The increase in VAT by 2 percentage points and the introduction of new taxes should enable this increase in tax mobilization.

The outstanding debt at the end of December 2020 was GHS 291.6 billion (about USD 50.8 billion) or 76.1% of GDP. While it stood at 63.1% of GDP in 2019, the level of public debt is up 13.0 PDP over the past 2 years, mainly driven by the increase in domestic public debt and direct financing from the central bank. The debt burden already accounted for 37.0% of government revenue in 2019, prompting the IMF to consider Ghana at high risk of debt distress since 2015. A USD 5 billion Eurobond issue is planned in March to finance the budget. (Please see **Table 1** for more information)

Table 1 Data from the database: World Development Indicators

INDICATOR	ACTUAL					PROJECTION	
	2015	2016	2017	2018	2019	2020	2021
Real GDP (%) (*)	2.2	3.4	8.1	6.3	6.1	1.5	5.9
GDP PER CAPITA (PPP,2011\$) (**)	5,176.00	5237.9	5543.9	5768.6	6072.6	6285.9	6445.8
INFLATION (%) (*)	17.2	17.5	12.4	9.8	7.2	9.7	8.5
POPULATION (MILLIONS) (*)	27.7	28.3	28.9	29.6	30.2	30.6	31.3
FISCAL DEFICIT (% OF GDP) (*)	-4.1	-6.9	-4.1	-7	-7.4	-10	-5.4
PUBLIC DEBT (% OF GDP) (**)	54.8	57.1	57.3	59.3	63.8	63.5	62.5
CURRENT ACCOUNT BALANCE (% OF GDP) (*)	-5.8	-5.2	-3.4	-3.1	-2.7	-4.5	-3
DOMESTIC CREDIT TOPPRIVATE SECTOR (% OF GDP)	15.7	15.4	13.9	11.7	12.4		
HDI SCORE (!!)	0.585	0.587	0.591	0.596			

Real GDP growth was sustained in 2019, estimated at 7.5% compared to 6.3% in 2017 (by far the highest growth recorded in the WAMZ). This strong growth was mainly the result of increased mining activities (higher oil, gas, and gold production). Thanks to prudent fiscal and monetary policies, inflationary pressures have been contained in the single digits for the second consecutive year, falling from 17.5% in 2016 to 9.3% in 2019. The outlook is favorable, but risks of fiscal slippage in the run-up to the 2020 general elections and rising debt levels could undermine growth prospects.

The overall fiscal deficit has widened from 4.1% in 2017 to an estimated 7.1% in 2019. This increase is the result of higher spending, which is the result of higher tax revenues. Public debt is also steadily increasing, along with a large and persistent accumulation of external debt. Ghana is among the most indebted countries in the subregion, with an estimated debt-to-GDP ratio of 63.8% in 2019, up from 51.2% in 2014. External debt was 27.3% in 2018, corresponding to 46.0% of total debt. It is largely composed of commercial debt, as bonds totaling nearly US\$3.0 billion have been issued in recent years. As a direct consequence, Ghana is considered a high-risk country for debt distress, which essentially translates into increased foreign exchange, interest rate, and refinancing risks. Interest payments as a percentage of total revenue exceeded 40% in end-December 2018. The current account deficit increased from 3.4% of GDP in 2017 to 3.6% of GDP in 2019.

5. Discussion

5.1 Direct consequences

The first consequence of unemployment is the loss of purchasing power and household debt. When an employee becomes unemployed, he or she loses 25% of his or her income, which decreases the longer he or she is unemployed. If the household has taken out a mortgage and consumer loans, this loss of income can lead to over-indebtedness. The cessation of payment of drafts and credits triggers a debt collection procedure, the seizure of goods, and eventually the eviction from the dwelling.

The second is the loss of social ties. The company being the main place of socialization for the employee, the loss of a job is accompanied by the loss of the network and professional links that allow socialization. The devaluation of the status of the unemployed has a profound influence on the individual's self-image and self-esteem. Despite the free time available, the unemployed person does not feel worthy of taking advantage of it to experiment with new

activities that would allow him or her to create new social links. The shame he feels leads him to isolate himself from his family and friends. By withdrawing into himself, the unemployed person disrupts the balance of his family life.

The third concerns the physical and psychological health of the unemployed (Blustein, 2019). The identity, social status, and meaning of life of an individual are closely linked to the daily practice of professional activity, and long-term unemployment risks causing a collapse of his or her personality and psychic balance. No longer having any temporal reference points to structure their schedule and the rhythm of their life, the unemployed person is confronted with idleness, anguish, and existential emptiness. The discrimination associated with being unemployed can also lead to a loss of self-esteem. The shame and guilt caused are often accompanied by a state of lasting stress that the individual cannot avoid or cope with. The escape from this emptiness and state of stress can lead to violent or compensatory behaviors: alcohol or drug consumption or addictions (video games, television, Internet, sex, etc.). These consequences encourage the unemployed to find a job quickly rather than to take advantage of unemployment benefits and free time.

5.2 The indirect consequences

The first indirect consequence concerns the increase in delinquency and crime. Most of those convicted of theft, trafficking, or violence are in a precarious situation and socially excluded due to unemployment. Faced with the difficulty of finding a job, a young person from a disadvantaged background can easily fall into delinquency. There is also a correlation between rising unemployment and rising delinquency. Unemployment being the main cause of delinquency, instead of increasing the number of prisons, the public authorities should rather curb the rise in unemployment.

The impact of unemployment on the employed: It concerns the impact of unemployment on the employed. It is not only the unemployed who are affected by the rise in unemployment. It also affects all employees who are "lucky enough to have a job". The rise in unemployment creates a climate of insecurity in the minds of employees who are afraid of losing their jobs. To avoid unemployment, depending on their hierarchical level, employees can use multiple avoidance strategies: submitting to orders, contributing to the "dirty work", accepting the deterioration of their working conditions, competing with their colleagues, and not getting involved in collective social demands. The fear of unemployment prevents social movements from mobilizing to fight against the degradation of working conditions: the stagnation of salaries, flexibility, the reform of the Labor Code, the break-up of the social system, etc...

This submissive behavior provokes a state of stress that has repercussions on the physical and psychological health of employees. By accepting to contribute to the "dirty work", to intensify their work rhythm, the insecurity of a precarious job, the harassment of a small boss, flexibility, unattainable objectives, irregular and unpredictable schedules incompatible with a social and family life, etc., employees expose themselves to stressful situations and psychosocial risks. Regardless of their hierarchical level, because of work-related stress, more and more employees are subject to fatigue, headaches or stomach aches, sleep and mood disorders, addictive behaviors (alcohol, drugs, gambling, shopping, sex, overwork, etc.), and abnormal states of agitation and anxiety accompanied by a decrease in lucidity and a narrowing of the mind. When prolonged over time, exposure to a state of lasting stress causes physical health problems (cardiovascular diseases, stroke, musculoskeletal disorders, high blood pressure, ulcers, cancers, etc.) and psychological problems (anxiety, chronic fatigue, depression, burn-out, suicide attempts, etc.).

The impact of unemployment on the competitiveness of companies: Absenteeism, staff turnover, and lower productivity linked to work-related stress also have repercussions on the performance of companies. In addition to these costs, psychosocial risks related to the lack of development prospects, increased interpersonal tensions, as well as the lack of involvement and communication within work teams, also have an impact on the performance of companies. Instead of attributing the loss of competitiveness of companies to the high cost of labor, the rigidity of the Labor Code, and the reduction of working hours, GHANA should encourage the implementation of wage policies that improve the quality of life and well-being of employees: securing career paths, arranging more stable schedules compatible with private life, lightening workloads by spreading them out and reducing working hours. By increasing productivity and the quality of work, these measures would contribute to the competitiveness of companies and therefore create jobs. Unemployment and the fear of unemployment do not only affect employees and companies, but they also affect the state budget. Rising unemployment also affects the state budget. By causing both higher expenditures and lower tax revenues, rising unemployment contributes to the public debt. The increased costs of treating the physical and mental illnesses associated with unemployment and the fear of unemployment contribute to the deficit of the health insurance fund to the benefit of the pharmaceutical and health industries. Instead of attributing the deficit of the health insurance fund to the mismanagement of the social partners, it seems more appropriate to attribute it to the increase in unemployment. The best way to reduce the deficit of this fund is not to limit

the conditions of access to sick leave, to lower the rate of reimbursement of drugs and doctors' fees, but to provide secure and stable employment to the unemployed. By increasing health care costs, as well as the budgets of the Ministries of Labor and Employment, Social Affairs, Justice and the Interior, the rise in unemployment is increasing the state's public debt and the deficit of the health insurance fund without improving the quality of life and well-being of the population.

6. Conclusions

This analysis of the effects of unemployment on the economy in Ghana has provided us with the key factors that explain unemployment. Our analysis shows that unemployment generally affects young people, especially young girls, and is essentially urban. The hypotheses posed at the outset on the factors explaining unemployment are verified through descriptive statistics and the econometric model. Unemployment is thus explained by the inflation rate, official development assistance, private investment, and the gross enrollment ratio. There is an inverse relationship between inflation and unemployment and a positive relationship between unemployment and the other explanatory variables. It is also found that the persistence of unemployment in Ghana is due to ineffective government policies and this ineffectiveness is due to financial, human, material, and technical constraints.

Status of data and materials	Statement
Datasets published in the literature	<p>Datasets used for this study are included in:</p> <p>Aghion, P. and Howitt, P. (1994), "Growth and Unemployment", <i>The Review of Economic Studies</i>, Vol. 61 No. 3, pp. 477-494. https://doi.org/10.2307/2297900.</p> <p>Asami, J.A., Amertil, N.P., Ismaila, H., Akugri, F.A. and Nabyonga-Orem, J. (2020), "The imperative of evidence-based health workforce planning and implementation: lessons from nurses and midwives unemployment crisis in Ghana", <i>Human Resources for Health</i>, Vol. 18 No. 16. https://doi.org/10.1186/s12960-020-0462-5.</p>

Data openly available in a public repository that does not issue DOIs	The data that support the Data analysis of this study are openly available in International Labour Organization, ILOSTAT database (2022), https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=GH
Data available on request due to privacy/ethical restrictions	The data that support the direct and indirect consequences of this study are available on request. The data are not publicly available due to state restrictions .

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