

The labour market and digital jobs in Africa: Ghana's workforce potential in Impact Sourcing

Research Brief

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This research brief intends to draw the attention of development studies and information & communication technology (ICT) scholars and practitioners who wish to better understand the labour market and in particular the potential of digital jobs within the ICT and services sub-sectors. This brief examines the labour situation in Ghana, reviews the available work aspects around Business Process Outsourcing (BPO) and reveals the prospective changes for population groups like the youth in the country. While unemployment is relatively low, Ghana is presented with a youthful population dominantly employed within informal (sometimes unpaid) work and within the agricultural sector. The BPO sector is relatively new to Ghana, and yet government investments such as in the e-Ghana project ensure the potential for job creation to occur within an industry seeking to build an emerging digital workforce in Ghana.

The brief is based on a study by Domfe, G. Osei-Akoto, I., Amuakwa-Mensah, F. and Owusu, G. (2013). *Labour Market Analysis and Business Process Outsourcing for Ghana: Poverty Reduction through Information and Digital Employment Initiative*. The study uses Ghana's national survey data to show that Ghana's youth in 2005/06 continued to mostly work within the agricultural sector yet one notes the second major employer for youth is in manufacturing, wholesale and retail as well as community services. One concern is the higher rate of youth unemployment (9.15% for youth aged 19-24 years old) than the working age population average.¹ The majority of working youths may be working in underemployment conditions, given the youth's employment categories are dominated within private informal work. Furthermore over three-quarters of employed youth between the ages of 19-24 are found doing own account work or assisting with unpaid household work. Business Process Outsourcing in Ghana has been seen as one upcoming employer to approach underemployment as seen through the increased government-funded ICT

programmes which provide BPO marketing incentives and improve policy to enable job creation in the digital jobs sector. Yet the small number of BPO employees will need to increase through skills development to complement the youths' secondary school education and thereby meet the required talent for Ghana's BPO sector to succeed.

Employment and youth in Ghana

While both unemployment and underemployment are the two main forms of underutilisation of human resources in Ghana, much of the policy attention has always been focused on unemployment. Ironically, unemployment rates (for both the youth and the elderly) in Ghana appear among the lowest in the world. For youth aged 19-24 years, the unemployment rate is highest at 9.15% in this age group compared to the unemployment rate of Ghana's total working age population which averages at 3.60%. Out of all the unemployed working age persons, youth do take up a high percentage of 40% (of all unemployed under the strict definition). That is about 280,000 youth between the ages of 15-24 year olds out of approximately 700,000 working age persons who were economically active and who were unemployed in 2006.

In further analysis of employment industries, one finds Ghana's largest employer remains within the agricultural sector. Within this agricultural sector, the majority, particularly the youth (15-24 year olds) are absorbed under the informal sector. More young women than men were found in the manufacturing and wholesale & retail business. Youth identified as employed are also found helping unpaid in the household and the 'older youth' (aged 19-24) rise to be their own-account worker. Many youth are found without any formal written contract before starting work with employers. Of the youth who are

1. Ghana Statistical Service (2008). Ghana Statistical Service Reports on the Ghana Living Standard Survey, 5 (2005/2006).

2. Sourcingline (2011). *Global Sourcing and Outsourcing Locations: Ghana*.

3. Avasant (2012). Incentives & Opportunities for Scaling the "Impact sourcing" sector. September 2012

identified as working, 10.33% between ages 15-18 have no formal education. Of working youth between the ages of 19-24, this lowers to 8.17% without formal education. Of the economically inactive within the working age population, the majority are youth. In 2005/06, that was nearly 2.3 million economically inactive youth and most likely to be in school. This number rose to about 2.7 million at the last population and housing census count in 2010.

The potential of Business Process Outsourcing in Ghana

It is against this background that many development experts see the emerging BPO sector as a potential source for employment especially for job-seeking youth. Within one industry survey, the BPO sector in Ghana was ranked as the preferred business destination in sub-Saharan Africa for BPO business.² The country hosts a large pool of both English-speaking and French-speaking labour which places the population in a favourable position to offer multilingual outsourcing services. The country also has a number of educational institutions with capacity to produce the relevant human resources for the sector.

In its few years of existence in Ghana, the BPO sector has shown a great potential to create jobs, especially for the unemployed and underemployed youth. BPO industry in Ghana is estimated to have approximately 3 500 employees. Out of these employees, 50% can be classified within the BPO sub-sector of Impact Sourcing.³ Impact Sourcing refers to employing people who are most disadvantaged, with limited opportunity for employment, and will be the principal workers in business process outsourcing centres to help service clients both domestically and internationally.

There is substantial room for improvement to grow the BPO sector in the country as Ghana take steps through the government-funded e-Ghana programme. This programme is designed to improve the enabling infrastructure for BPO, and to create visibility and public

awareness for its BPO industry. Furthermore, through a government partnership with the United Nations, the Ghana Multimedia Incubator project opened a training centre to focus on data processing/capturing, call/contact centre operations and medical transcription in Accra. The Ghana government has also institutionalised policies such as the ICT development policy which seeks to promote ICT physical infrastructure development. Ghana's rising adoption of mobile phones and internet is also an encouraging sign towards opening a sector of new employment which can absorb some of the under-employed youth of Ghana. Better monitoring of the progress of the BPO sector in Ghana is suggested to understand how the industry absorbs underemployed youth.

In a population with high unpaid or underpaid youth employment in the agricultural sector, the transition from agricultural to services or ICT based sectors may need further thought. Adequate bridging training programmes may be necessary to allow for those at least without primary education to have fair opportunities in the emerging BPO field. Furthermore, of the youth majority who are economically inactive and still in school, a transition plan may help to ensure they are employable within the BPO sector. While informal and agricultural employment is very common worldwide, the BPO sector can be encouraged to work within a formal sector framework which provides protection to and lowers risks taken on by workers, especially vulnerable youth.

Conclusion

Ghana has a wealth of unemployed and underutilised human resource. Coincidentally, Ghana also has other qualities such as stable democracy, low-cost labour and low corporate tax that strategically put Ghana at a leading position for attracting BPO business. The government has also shown commitment to developing the BPO sector through policies and ICT projects. As a result there is great potential for the BPO sector to both thrive in Ghana and for the sector to directly play a significant role in creating jobs for youth.

This research brief is based on a research paper, *Domfe, G. Osei-Akoto, I., Amuakwa-Mensah, F. and Owusu, G. (2013). Labour Market Analysis and Business Process Outsourcing for Ghana: Poverty Reduction through Information and Digital Employment Initiative*. This Ghanaian brief summarises the research and analysis done at the Institute of Statistical Social and Economic Research (ISSER), University of Ghana. The research project was a collaborative partnership between the University of KwaZulu-Natal, University of Nairobi and University of Ghana's Institute of Statistical Social and Economic Research. This research brief is based upon research supported by the Rockefeller Foundation and administered by the University of KwaZulu-Natal. This research brief can be found on the website: <http://sds.ukzn.ac.za>

This research brief is part of a three-country research brief series and the countries include South Africa, Kenya and Ghana. This series is hosted within the Discipline of Development Studies at the School of Built Environment and Development Studies College of Humanities, University of KwaZulu-Natal. The Discipline of Development Studies (incorporating the Centre for Civil Society) within the School aims to be a world leader in the study of the political economy of development and demography, and in the pursuit through research, training and activism of social and economic justice, both locally and globally. A leading discipline for research and teaching on development in South Africa, Development Studies also holds an international reputation for the quality of its work and the intellectual rigour with which it applies academic skills to policy challenges. It draws on the specialist knowledge of its researchers, who are nationally and internationally recognised experts in their fields.



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