



Job finding and job destruction in Accra, Ghana

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- Accra, Ghana, is characterized by low wage employment, high self-employment, and long stints of job search among unemployed or underemployed workers.
- Recent research on labour market interventions across sub-Saharan Africa (SSA) has highlighted specific bottlenecks preventing firms and workers from finding one another. This study assesses the merits of particular frictions at driving long job-search times and low levels of formal employment.
- A diagnostic survey of 450 jobseekers and 113 firms in Accra, Ghana, was conducted.
- The survey shows that search frictions may not be binding constraints causing low growth of the formal labour market. Instead, the low availability and desirability of jobs may drive poor labour market performance, though some search-related policies may be effective in the Accra context.

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Overview of the research

Accra, Ghana, is characterized by low wage employment, high self-employment, and long stints of job search among unemployed or underemployed workers. According to a 2015 survey of the Ghanaian labour force, 84% of workers in urban Ghana are in informal jobs, and 35% wish to change their current job.

Ghana's labour market difficulties are similar to those in the rest of sub-Saharan Africa. Across Africa, only 26% of young adults are in salaried employment (Bandiera et al., 2022). It can take many years for young adults to enter the labour force, if at all (Filmer and Fox, 2014).

Recent research on labour market interventions across SSA has highlighted specific bottlenecks preventing firms and workers from finding one another. Studies have focused on jobseekers' biased beliefs about job prospects (Banerjee and Sequeira, 2021; Bandiera et al., 2021), the limited ability of firms to understand workers' skills (Carranza et al., 2020; Abel et al., 2020; Abebe et al., 2020), over-reliance on social networks (Beaman et al., 2018), and transportation costs (Franklin, 2017).

To what extent do the frictions highlighted in this large and growing literature apply to the context of Accra, Ghana? This study conducts a diagnostic survey of jobseekers and firms in Accra to assess the importance of various frictions in the job market.

Audience

This survey is exploratory and does not test any specific policy directly. As a consequence, the best audiences for the findings are (1) Officials at the Youth Employment Agency, (2) Mid-level officials at the Ministry of Labor, and (3) Officials at regional employment offices in urban areas across Ghana. In particular, the findings are of interest to officials who want a detailed picture of the barriers facing jobseekers and hiring managers and who evaluate the applicability of recent labour market interventions to the context of Ghana.

Policy recommendations

Due to its exploratory nature and, most importantly, its failure to test any intervention directly, this survey has limited policy implications.

Additionally, as 80% of survey respondents were relatively educated men, with 45% reporting some secondary education, policymakers should consider the highly selected nature of the sample when using these results to inform policy.

Policy implication 1: Focus on high turnover rather than search

Low job quality and high rates of exit from employment may prevent the expansion of the formal sector more than impediments to the job search process. At baseline, 48% of jobseekers were already working for someone else. Eight months later, this figure had gone down to 45%.

This low level of employment masks a high rate of switches in and out of existing jobs. 40% of those working for someone else at baseline were no longer working for someone else eight months later. Of people not working for someone else at baseline or endline, 60% reported working at some point in the past eight months. In other words, 60% of workers found jobs and left within the eight months between survey waves. Moreover, workers overwhelmingly (90%) leave jobs voluntarily. Workers quit most frequently due to low wages, uninteresting work, and to focus on education.

Overall, this survey points to a picture of workers voluntarily cycling through undesirable jobs. The persistently high number of jobseekers in the economy may be due to the high rate of job exits rather than the low efficiency of the job-finding process.

How are firms affected by these dynamics? High rates of job churn are reflected in the firm survey. On average, 13% of a firm's workforce had left in the previous month, an enormous figure compared to the US average of 4%. This job churn may directly reduce productivity, as it takes time for new workers to become productive (Anderson and McKenzie, 2021).

However, despite losing large amounts of workers every month, firms are able to find new workers to replace old ones. 96% of firms were able to hire at their desired schedule, 35% were attempting to expand their workforce with their last open position, and workers hired were, on average, more educated and experienced than the firm's requirements when starting the search process. Firm hiring does not appear to be suffering excessively from inefficient job searches.

Policymakers should remember that low rates of wage employment can reflect low job quality just as much as low search efficiency. This evidence points to two underlying forces: low job quality and high job destruction rates, which are potentially more important in explaining high job search rates than search efficiency alone.

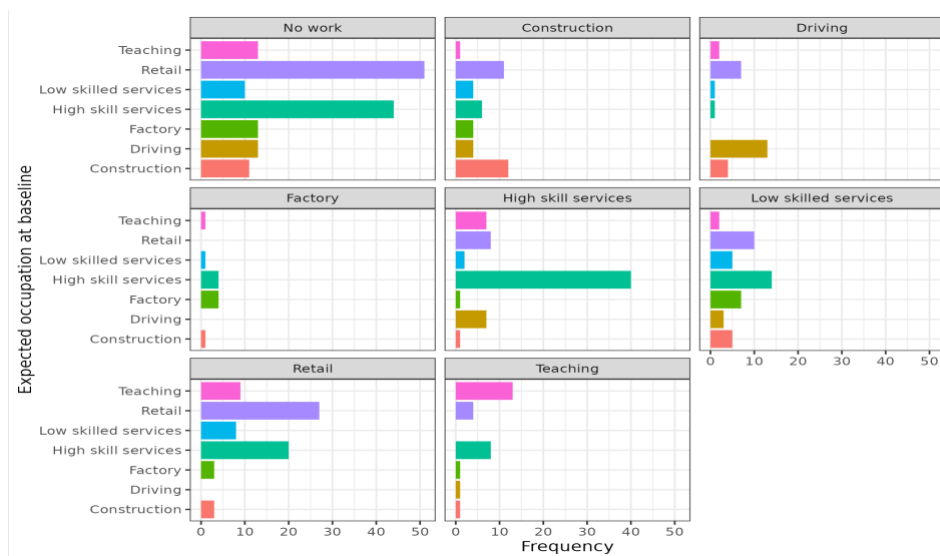
Policymakers should focus more on what drives high job destruction rates and tackle the barriers firms face in expanding employment.

Policy implication 2: Focus on expansion of desirable sectors

As mentioned above, many jobseekers in this survey already had formal jobs, meaning they were working for someone else and had a written contract. Instead of looking for "any job," they were looking to move up the job ladder — from driving into retail, from retail into high-skilled services. This finding is demonstrated in Figure 1 below.

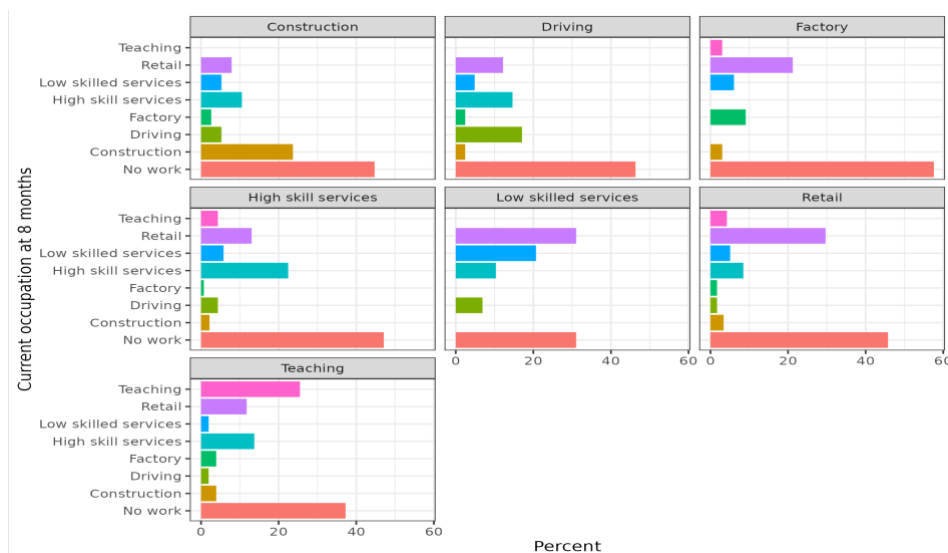
While respondents tried to move up the job ladder into their desired occupations, few did. Less than 25% of individuals who expected to find work in the high-skilled services were successful. This lack of success for jobseekers is demonstrated in Figure 2 below.

FIGURE 1: Current and expected occupations at baseline



Note: Each sub-graph represents workers with a given occupation at baseline. Each bar on the y-axis represents the expected occupations of workers when they find a job.

FIGURE 2: Realized occupation after eight months grouped by expected occupation at baseline



Note: Each sub-graph represents the occupation workers expected to get at baseline. Each bar on the y-axis represents the occupation (including "No Work") that jobseekers had found at endline.

Policymakers should understand that jobseekers are not searching for "any" job. They are searching to move up the ladder. Jobseekers in this sample (which, it must be noted, are far more educated than the average Ghanaian) are likely to continue searching until they find a job in their desired sector. Policymakers should focus on the supply of "good" jobs in the economy rather than the expansion of employment writ large.

Policy implication 3: No pressing need to correct biased beliefs

Researchers have recently argued that workers cannot find jobs because they do not know where the good jobs are or do not search for the right jobs because they lack good information on available jobs (Banerjee and Sequeira, 2021; Abebe et al., 2020). This survey can assess whether this barrier prevents workers from finding jobs in Accra.

Overall, survey results show workers are certainly overoptimistic. Only 46% of those who believed the longest it might take them to find a job would be eight months had found an employer at the eight-month endline. Of those working at the eight-month endline, 41% were working for a wage below the lowest they would consider at baseline.

However, there is no evidence that this is driving low job-finding rates. Jobseekers who are more optimistic at baseline are no more or less likely to get job offers, reject job offers, or have jobs after six months. Over-optimism is virtually uncorrelated with any measure of labour market success.

Policymaker efforts to "fix" potentially inefficient job search strategies may not bear fruit in this context.

Policy implication 4: Online job portals are ineffective for firms

Researchers and policymakers frequently point to an over-reliance on social networks as a cause of low job-finding rates and offer online job boards as an intervention which can increase employment (Chandrasekhar et al., 2020).

This survey offers interesting evidence of how effective the promotion of online job boards can be: 41% of jobseekers think online job portals are the best way to find jobs; by contrast, only 2% of hiring managers at firms think online job portals are the best way to find workers. Simply put, firms do not think online job portals are useful. The firms in this survey are formal, higher-skilled firms than is typical in Accra, and less formal firms may face different constraints.

Policymakers should focus on making online job portals more attractive to firms. In India, researchers have succeeded in increasing firm usage of online job portals by pairing online search with subsidized worker screening (Fernando et al., 2022). By making it easier for firms to tell good from bad workers, online job portal usage increased 68%. This survey suggests that Accra is a good context for a similar intervention.

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