

Unlocking the Potential of Non-Farm Enterprises to Reduce Rural Unemployment in Ghana

The non-farm enterprise sector plays an important role in the rural economy in Ghana. It constitutes about 35 per cent of rural incomes and engages around 21.2 per cent of the national labour force. In rural areas it employs about 13.8 per cent. Non-farm enterprises have been viewed as one of the surest ways of reducing rural youth unemployment in the country. However, despite their potential, limited understanding of the diverse nature of the non-farm enterprise sector has led to policies that do not fully exploit its potential to reduce rural unemployment in Ghana. The sector is characterised by a large degree of differentiation which makes it relatively difficult for a one-size-fits-all policy to address the issues and perhaps adequately take advantage of the potential the sector offers to reducing unemployment. Recognising the motive for young people to be involved in non-farm enterprises, whether as a coping mechanism or a livelihood strategy, is imperative to ensure effective and coherent policymaking across all the relevant players in the industry.

The non-farm sector in Ghana

The unemployment rate of Ghana was pegged at 5.2 per cent in 2013, although a report on the job landscape in Ghana indicates that about 48 per cent of the population within the ages of 15–24 years are jobless. The majority of youth who are employed are predominantly in urban areas engaged mainly in wholesale and retail businesses, as well as very low productivity service areas. In rural areas, however, a vast majority of youth who are engaged in low productivity agricultural activities are constantly seeking the opportunity to migrate. Non-farm enterprises have the potential to create much-needed employment opportunities in rural areas.

Data from the Ghana Living Standards Survey (GLSS V) focused on non-farm enterprises indicate that about 46.4 per cent of households in Ghana operate non-farm enterprises, of which more than half (52 per cent) operate in urban areas. These non-farm activities mainly comprise of trading, which constitutes about 50 per cent, and manufacturing, which constitutes about 33 per cent. Households found in the coastal and forest areas are engaged more in trading activities rather than value-addition manufacturing, while households in the rural savannah areas are predominantly engaged in manufacturing activities.

The survey also shows marked gender differences in the rural youth labour force participation in non-farm activities. At the national level, about 72 per cent of non-farm enterprises are operated by women. In the rural areas, 76 per cent of the manufacturing enterprises are operated by women. In particular, in rural savannah areas about 86 per cent of manufacturing activities are operated by women, while about 89 per cent of women in rural coastal areas are engaged in trading activities. With respect to youth, about 16 per cent of rural youth females participate in non-agricultural self-employment compared to only 4 per cent of males. This is largely at variance with the commonly held belief that male youth participate more in non-agricultural wage employment compared to females. Additionally, age and education of the participants in the industry greatly influence their choice of enterprise as well as the productivity of the enterprises. More-educated individuals are more likely to use modern technologies in their operations compared to less-educated people.

The main source of capital for non-farm enterprises primarily comes from household savings which constitutes about 60 per cent of the capital required, with a further 20 per cent received from relatives and friends. Other sources of capital include proceeds from family farms

(which accounts for about 8 per cent), family property, as well as other social support sources such as non-governmental organisations (NGOs), District Assemblies, money lenders and religious organisations.

Motivation for engagement in non-farm enterprises

The motivation behind the establishment of, and engagement in non-farm enterprises is key if they are to be seriously considered as a solution to rural unemployment and for national resources to be effectively targeted to the sector. Evidence suggests that the majority are micro household enterprises operated mainly by household members, employing an average of two people. The main motivation for operating non-farm enterprises is largely for survival and mitigating against agricultural productivity shocks such as crop failure and other household risks such as the death of a household member. In effect, households that engage in these enterprises do so in order to smooth household income and consumption, making it a coping strategy or mechanism rather than a sustainable livelihood option. In most cases, once the financial situation of these households

improves households quickly exit the non-farm enterprise space and move into their desired livelihood activities.

Youth policies and programmes in Ghana

The potential of non-farm enterprises in Ghana has also been limited by a series of youth policies and programmes in Ghana that are disjointed. A comprehensive review of policies and programmes on youth advancement in the country indicates a lack of continuity, consistency and depth. Short-term political expediency has undermined the effectiveness of youth policies and programmes and led to them being abandoned or reformulated. Also, there seems to be no coordination among the major stakeholders such as the Ministry of Agriculture, Ministry of Employment and Labour Relations as well as NGOs when it comes to formulating policies and programmes to create employment opportunities for youth. In most cases, new programmes duplicate the efforts of existing ones. In order to solve the problem of youth unemployment through non-farm enterprises greater coordination is required to ensure that resources are targeted effectively.

Policy recommendations

1. Non-farm sector programmes and policies designed by the government, NGOs, regional and international organisations on non-farm enterprises should be more focused and targeted, based on identified features, growth potential and employment capacities of the manufacturing and agro-processing sub-sectors which have the greatest capacities of absorbing the rural youth. The Ministry of Employment and Labour Relations should play a central role in the coordination of policies geared towards addressing youth unemployment and youth issues.
2. The National Development Planning Commission should spearhead a comprehensive plan which is binding on all governments and which seeks to deal decisively with the constraints of non-farm enterprises to create the required environment for non-farm enterprises to realise their potential.
3. A new research agenda that addresses the gaps in knowledge around the non-farm sector should be led by research and academic institutions working in close partnership with government officials, agencies such as the National Development Planning Commission, NGOs and those young people involved in non-farm enterprises.



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Institute of Development Studies, Brighton BN1 9RE UK
T +44 (0) 1273 606261 F + 44 (0) 1273 621202 E ids@ids.ac.uk W www.ids.ac.uk
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Further reading

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Credits

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