

Agribusiness, Sustainable Jobs, and Youth Unemployment: Lessons from Ghana

Agro-processing export firms can play a key role in addressing labour casualisation and youth unemployment in Ghana. However, many firms face both internal and external challenges that are affecting their contribution to the sustainability of jobs for youth in the country. This *IDS Policy Briefing* uses a case study of one Ghanaian agro-processor and exporter, Blue Skies Holdings Ltd. – which employs over 4,000 people, the majority of whom are female youth – to explore the challenges these companies are facing. It concludes with recommendations for the Ghanaian government to increase agricultural production and diversify export markets to create more jobs for youth.

What has caused youth unemployment and labour casualisation in Ghana?

Since the early 2000s, Ghana has experienced jobless growth, where rapid economic growth has not been matched with high rates of job creation in the formal sector. The number of young people entering the job market is outpacing the number of new jobs created. In addition, Ghana's economy has become highly

informal following the implementation of the Structural Adjustment Programme in the 1980s–1990s which exposes youth to vulnerabilities and job insecurity. These challenges are exacerbated by the current 'youth bulge' where an estimated 20 per cent of the population is between 15 and 24 years old, meaning many more young people are entering the job market.

CASE STUDY

Blue Skies Ghana Ltd.

In the 1990s, raw materials were Ghana's most popular export. Blue Skies was established in 1998 and focused on processing and value addition of fruits *before* export. Its workforce rose from 35 in 1998 to 4,000 in 2018. The company's production and marketing was supported by national and international policy regimes, including:

- Export crop diversification programmes, which saw donor agencies investing over US\$1 billion in Ghana's horticultural sector;
- Ghana's Free Zone Act of 1995 (Act 504), which promoted processing and exports;
- The trade and aid agreement between the then European Economic Community (EEC) and the African, Caribbean and Pacific (ACP) Group of States, which gave Ghana access to European markets on a tax preference regime.

However, from 2004, Blue Skies faced significant challenges. Firstly, the main fruit processed by the company was pineapple and yet there was a general decline in pineapple production in Ghana, due to a shift in popularity of the traditionally produced Smooth Cayenne variety. Secondly, the company's ten-year tax holiday on export products under the Free Zone Act expired in 2008. Thirdly, disruption in exports to the European Union due to the 2010 volcanic ash cloud and airline strikes hindered Blue Skies' production and marketing.

Together, these challenges exposed the fragility of jobs at the company, and as a survival strategy it gradually shifted from permanent and contract employment to a casual workforce. While this was a strategic move for the company, the result was less job security for its employees.

Challenges faced by agro-processing companies

Although agribusiness should be driving growth and employment for young people, the sector has been faced with many challenges including a decline in agricultural production and increased competition in export markets.

Following the introduction of the Lomé Convention in 1975, which gave preferential trade tariffs to African, Caribbean and Pacific (ACP) countries, the European Union became the main destination for Ghana's agricultural products. However, competition in global fruit markets led to Ghana losing its enviable export position to countries such as Costa Rica, particularly due to the introduction of the MD2 variety of pineapple which Ghana did not traditionally produce. Companies such as Blue Skies that process fruits for export were affected by the shift because supplies from smallholders to the company plummeted, thereby affecting production, exports, and consequently, jobs.

Decline in agricultural production and impact on jobs

Inevitably, with external challenges dictating the country's export capability, and subsequently

its agricultural production, the agricultural sector's contribution to Ghana's GDP has steadily decreased due to low investment. In 1998, the agricultural sector contributed 30.72 per cent to GDP but only 20.10 per cent in 2014. Yet the sector has been expected to address youth unemployment problems through youth participation in agricultural production and agro-processing as own producers or factory hands. Given the sector's decline, it is a challenging context within which to create jobs. In light of this, the Government of Ghana has outlined the following programmes to increase agricultural production and link it to industry:

1. Planting for Food and Jobs (PFJ), which sought to increase agricultural production through provision of input to farmers;
2. One Village, One Dam programme, which aimed to build dams in the northern part of Ghana for all-year-round agricultural production; and
3. One District, One Factory (1D1F), which aims to incentivise the private sector to establish factories in all districts in the country, in order to add value to raw materials and increase employment.

Policy recommendations

1. The Ghanaian government must increase investment in the agricultural sector

The recent decline in agricultural production in Ghana is a challenge for agro-processing companies. To create sustainable jobs and secure existing ones for young people, the agricultural sector must be rejuvenated and production increased to ensure a consistent supply of raw materials to agro-processing firms.

2. Ghana should diversify its export markets

With increasing competition and threats in Europe's agricultural export market, Ghana urgently needs to diversify its export markets. Firms should take advantage of current uncertainty around the UK's exit from the European Union and its consequences, in order to explore new opportunities. Agribusinesses in Ghana can take advantage of the African Union's Continental Free Trade Area (CFTA) to diversify their export market and create sustainable jobs for young people along the value chain.

3. The Ghanaian government should use tax incentives to encourage job security for young people

Tax incentives for industries must target companies that will retain at least 50 per cent of their workers (of various demographics and skill levels) as permanent workforce. These incentives should take into consideration sector-specific vulnerabilities that may hinder growth and job creation.

4. Entrepreneurship support must target young people

The National Entrepreneurship and Innovation Plan (NEIP), which aims to support start-ups, must commit funds to support youth in agro-processing and export to enable them to develop their businesses and create sustainable jobs.

Further reading

Ghana Statistical Service (2014) *2010 Population and Housing Census Report: Population Projections and Prospects*, Accra: Ghana Statistical Service

Koning, A. (1995) *The Impact of European Union Policies on Fruit and Vegetable Imports from Sub-Saharan Africa*, Economics and Sociology Occasional Paper 2211, Columbus OH: Ohio State University

Torvikey, G.D. (2018) 'Labour Casualisation and Youth Employment in Ghana's Formal Private Sector', *IDS Bulletin* 49.5: 31–44

Torvikey, G.D.; Yaro, J.A. and Teye, J. (2016) 'Farm to Factory Gendered Employment: The Case of Blue Skies Outgrower Scheme in Ghana', *Agrarian South: Journal of Political Economy* 5.1: 77–97

Credits

This *IDS Policy Briefing* was written by **Gertrude Dzifa Torvikey** and edited by **Vivienne Benson** and **Sarah Nelson**. It was produced as part of the Matasa Fellows Network, funded by Mastercard Foundation.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS or Mastercard Foundation's official policies.

Readers are encouraged to quote and reproduce material from the *IDS Policy Briefing* series. In return, IDS requests due acknowledgement and quotes to be referenced as above.

© Institute of Development Studies, 2018
ISSN 1479-974X



IDS Policy Briefings are published by the Institute of Development Studies and aim to provide high quality analysis and practical recommendations for policymakers on important development issues.

To subscribe: www.ids.ac.uk/idspolicybriefings

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

twitter.com/IDS_UK #idspolicy facebook.com/idsuk