

**TRADES UNION CONGRESS
(GHANA)**



**IMPACT OF COVID-19 ON
ENTERPRISES, EMPLOYMENT & LIVELIHOODS
IN GHANA**

Some Proposed Mitigating Measures

**Report of a Preliminary Assessment
Submitted to Government of Ghana**

May 2020

CONTENTS

1.0	INTRODUCTION.....	2
2.0	ECONOMIC IMPACT.....	2
2.1	Gross Domestic Product (GDP).....	2
2.2	Fiscal Impact	3
3.0	IMPACT ON EMPLOYMENT AND LIVELIHOODS	4
3.1	Tourism and Hotels Sector.....	4
3.2	Agri-Business Sector.....	5
3.3	Manufacturing Sector.....	7
3.4	Utilities Sector.....	8
3.5	Transport Sector.....	9
3.5.1	<i>Air Transport</i>	<i>9</i>
3.5.2	<i>Road Transport</i>	<i>10</i>
3.5.3	<i>Maritime Sector.....</i>	<i>10</i>
3.6	Real Estate Sector	11
3.7	Health Sector (Private Hospitals).....	11
3.8	Education Sector (Private Schools).....	11
3.9	Informal Sector	11
3.9.1	<i>Market Women, Food Vendors, Street Hawkers, Porters.....</i>	<i>12</i>
3.9.2	<i>Spare parts merchants, Artisans, Mechanics.....</i>	<i>13</i>
3.9.3	<i>Musicians and Actors</i>	<i>13</i>
3.9.4	<i>Caterers</i>	<i>13</i>
3.9.5	<i>Domestic workers</i>	<i>13</i>
4.0	RECOMMENDATIONS FOR MITIGATING THE IMPACT OF THE CORONAVIRUS PANDEMIC	14
4.1	Free Water for Businesses and Households.....	14
4.2	Subsidized Water for Businesses and Households	14
4.3	Incentive Package for Frontline Health Workers.....	15
4.4	Coronavirus Alleviation Programme	15
4.5	Free Distribution of Food	15
4.6	GH¢ 600 million Package for SMEs.....	15
5.0	FURTHER MEASURES RECOMMENDED FOR MITIGATING THE IMPACT OF THE PANDEMIC	16
5.1	Proposed Stimulus Package for Formal Sector Businesses and Workers	16
5.2	Preventing Job Losses in the Formal Sector Through Work-Sharing: Lessons from Germany.....	18
5.3	Workers Compensation Insurance.....	19
5.4	Supporting Informal Economy Enterprises and Workers... 	20
5.5	Protecting Livelihoods	20
5.6	Social Grant.....	21
6.0	FINANCING THE ECONOMIC RECOVERY PROGRAMMES.....	22
7.0	CONCLUSION.....	23

1.0 INTRODUCTION

This is a report of a preliminary assessment of the economic and social impact of COVID-19 in Ghana. The report is based on information gathered by trade unions operating in various sectors of the economy, including the informal sector.

The devastation caused by CoVID-19 on economic and social lives in Ghana are obvious in all sectors of the economy. This is a direct consequence of the measures that were implemented by government to contain the spread of the virus in the country. The measures include closure of borders, closure of schools, colleges and universities, partial lockdown that affected Greater Accra and Greater Kumasi, social distancing, and the ban on social/public gathering. These measures were needed to stop further spread of the virus and to avert a possible future greater catastrophe in the country. But the negative social and economic consequences of these measures have been monumental.

In this report, we have analyzed the economic and social impact of COVID-19. On the basis of our assessment, we have made some proposals to mitigate the impact on businesses, employment and livelihoods. We should emphasize that this is only a preliminary assessment. A final and complete assessment can only be done after the crisis.

2.0 ECONOMIC IMPACT

2.1 Gross Domestic Product (GDP)

The International Financial Institutions (International Monetary Fund and World Bank) and other economic research institutions have already predicted a major recession for the world economy. The economy of Ghana has not been spared.

In a statement to Parliament on the economic impact of COVID-19, the Minister for Finance, Honorable Ken Ofori-Atta, was emphatic about a sizable decline in Ghana's GDP growth. According to the Minister, GDP growth for 2020 is now estimated to be about 2.6 percent compared to a projected growth rate of 6.8

percent announced in the 2020 Budget Statement. Following the partial lockdown in Greater Accra and Greater Kumasi, growth in GDP is now projected to be 1.5 percent.

This is a colossal loss in national output. The closure of Ghana's borders has greatly affected our economic transactions with the rest of the world. The aviation industry and related businesses are bearing the brunt. Cancellations of both international and local conferences has wiped out the business of the hotels and restaurants. Most crucially, the decline in economic activities is obvious across the country where many workers are losing their jobs and livelihoods.

2.2 Fiscal Impact

The slowdown in economic activity is impacting negatively on government revenue and expenditure. According to the Finance Minister, it is estimated that non-oil tax revenues will fall by GH¢ 2.25 billion. Government will lose GH¢5.68 billion from petroleum sector. Based on this preliminary assessment, government revenue is projected to fall by nearly GHS8.0 billion. But it can be worse than that if the virus is not contained quickly.

On the expenditure side, government spending is projected to increase tremendously. Health expenditure (Cost of Preparedness & Response Plan) has risen sharply and will continue to increase as the pandemic persists. Additionally, government is expected to spend more on mitigation measures (under the Coronavirus Alleviation Programme) to alleviate the economic and social impact of the pandemic.

Rising expenditures and declining revenues, is projected to lead to a large fiscal deficit equivalent to 6.6 percent of GDP. How this huge deficit is financed will determine not only how quickly Ghana can recover from the effects of the pandemic but also how Ghana can restore the pre-COVID-19 growth and sustain it in the medium to long term in such a way that the *Ghana Beyond Aid* agenda is not be jettisoned in the COVID-19 storm.

3.0 IMPACT ON EMPLOYMENT AND LIVELIHOODS

A decline in GDP is already manifesting in job losses and livelihoods in both the formal and informal sectors of the economy. With hotels reporting massive declines in occupancy, international and domestic airlines grounded, restaurants and schools closed and exports/imports halted, joblessness, job insecurity and income insecurity are affecting hundreds of thousands of Ghanaians if not millions.

Employers in the formal sector are not announcing mass layoffs. But reports from unions, especially those in the private sector, suggest that unionized and non-unionized workers are losing jobs in thousands. Part-time employees and casual workers are the most vulnerable. Employers that have kept their workers are struggling to pay them. Therefore, they are likely to terminate the appointment of many more workers if the pandemic persists beyond a certain point.

In the following sub-sections, we have provided information on the effects of the crisis on some selected firms operating in the various sectors of the economy, based on our preliminary assessment of the situation.

3.1 TOURISM AND HOTEL SECTOR

According to the Ghana Tourism Authority, in March, 2020, hotel occupancy was down to 18 percent. In April, most hotels projected occupancy rate of less than 10 percent. As at the end of April, 2020, 23 percent of all workers in the hospitality industry have lost their jobs. More than one-third (34%) has taken their annual leave. In the restaurants and hotels sub-sector a quarter (25%) has lost their jobs. Some of the hotels managed to pay their workers for March, 2020. A number of them were struggling to pay workers the salary for April, 2020. They do not know what will happen in May, 2020 and beyond.

Figure 1: Effects of Pandemic on Selected Hotels

EXAMPLE 1: IBIS STYLES HOTEL IN ACCRA

- Staff strength of 105.
- The closure of the airport and the borders has affected the business.
- The hotel has closed down.
- Both casuals and contract staffs have been sent home.
- The remaining staff will suffer pay cuts

EXAMPLE 2: ALISA HOTEL IN ACCRA

- Alisa Hotel employs 203.
- It has also closed down
- The hotel is struggling to pay salaries.
- Casuals and contract workers have had their appointments terminated.
- Other permanent workers will suffer pay cut

EXAMPLE 3: AFRICAN REGENT IN ACCRA

- The hotel employs 162 workers.
- The hotel has closed down.
- Casual and contract staff have been sent home in order to reduce the work force.
- Employees have suffered 50% pay cut

3.2 AGRI-BUSINESS SECTOR

In the Banana Industry, the companies with secured contracts are managing to keep their workers, at least for now. Government assistance enabled them to overcome the initial challenge of exporting, following the closure of the country's borders. But one company (Musahamat) has already laid-off nearly 200 workers. The social distancing measures require that they hire additional buses to convey their workers and provide face masks and other PPEs to the workers. This has increased their cost of operation.

Figure 2 shows some examples of the impact of COVID-19 on production and jobs in selected enterprises in the agri-business sector.

Figure 2: Impact of Covid-19 on Selected Enterprises in Agriculture Sector

EXAMPLE 1: HPW FRESH & DRY COMPANY

- Has lost tons of raw materials like mango, pineapple, and pawpaw
- Unable to sell on foreign markets due to global lockdown
- Possible expiration of some finished products
- High cost of operation affecting the company's cash flow
- Contract and casual workers will be sent home if the disease persists
- No more overtime work
- Drastic reduction in workers' income
- Bank loan deduction adversely affecting workers purchasing power

EXAMPLE 2: MILANI FARMS LTD

- Post-harvest losses due to the lockdown
- Overseas market heavily affected by COVID 19 pandemic.
- Financial difficulties in the running of company including payment of staff salaries/wages
- Unable to review workers' wages due to the financial crisis
- Threats of lay off and pay cuts

EXAMPLE 3: DOLPHIN FROZEN FOODS IN TEMA

- Staff strength of 61 employees is facing difficulties to meet its statutory payments, including salaries.
- The company has not completely shut down but business has slowed down considerably because its customers were not allowed entry into Tema
- Huge revenue losses
- In order to comply with social distancing rules, the number of staff per day per shift has also been reduced
- Workers work for two weeks for salaries and stay home two weeks without pay

3.3 MANUFACTURING SECTOR

The manufacturing sector has not been spared. The following examples in Figure 3 show the challenges some manufacturing firms are facing

Figure 3: Impact of Covid-19 on Selected Enterprises in Agriculture Sector

EXAMPLE 1: YAMCO MANUFACTURING COMPANY LIMITED

- The company employs about 60 workers (with an average of three dependents)
- The company manufactures paint, both Acrylic and emulsion.
- Cash-flow projections have been affected making it difficult to raise money to pay salaries, utility bills and other overhead expenses for April, May and June, 2020
- The company will face liquidity problems should the situation persist
- Possible expiration of some raw materials, semi - finished products and consumables.
- Deterioration of equipment and machinery.
- Very difficult to raise funds to meet the cost of rented facilities.
- Extensive maintenance was required to restart the machines/equipment after lockdown was lifted.
- Have to rely on creditors to survive up to date.
- Workers have lost allowances and overtime earnings
- Workers do not know their fate yet, as far as April, May and June, 2020 salaries are concerned.

EXAMPLE 2: SANBAO PHARMACEUTICAL

- Employs 92 workers.
- Work has been scheduled in a manner that complies with social distancing rules at an additional cost to the company.
- Spends more money on transportation arrangement for Staff.
- Suffers sudden rise in cost because of provision of Personal Protection Equipment (PPE) for workers
- Workers have to work longer to meet the demand for various hospitals for the management of the pandemic.

EXAMPLE 3: MASS INDUSTRIES LTD

- The company has temporarily closed down
- Export sales to the West African sub-region has ceased due to border closure for the past one month while local market is completely down.
- Company cash flow has been adversely affected
- Difficulties in honoring statutory payments
- All staff sent home on compulsory leave
- Workers risk losing part of their monthly income in subsequent months.
- Workers likely to be laid off if situation does not improve

3.4 UTILITIES SECTOR

The utilities sector is playing a very important role during the crisis. It will also play a very crucial role in our collective efforts towards recovery from the effects of the pandemic. The level of efficiency in the supply of water and electricity to households and industry will be crucial in determining the pace at which the economy will bounce back from the impact of the pandemic.

As a result of the measures implemented to minimize the spread of the virus, including the social protection measures (i.e., subsidies on water and electricity) to cushion households and industry from the social effects of the pandemic, the demand for water and electricity by households has increased, especially after the subsidy for the utilities was announced. The higher demand for services has overstretched production and distribution networks, especially during the lockdown. The situation has been exacerbated by the increased incidences of illegal connections. At the same time, domestic users are not paying their outstanding bills (arrears), apparently due to loss of livelihoods.

While domestic demand for water and electricity increased, commercial and industrial customers decreased their demand as a result of the effect of lockdown and social distancing rules on their operations. Consequently, there was a decline in sales and revenue which will definitely affect ongoing and planned expansion projects.

In the near future, the utilities may experience reduced production volumes due to shortages of critical components, equipment and materials. In order to comply with social distancing rules, the companies have to reorganize work. This means fewer staff will be at work at any point in time. This will lead to work overload but salaries and other conditions of service are not likely to improve during the period of the pandemic. This will affect the morale of the staff and affect output. Some utility staff such as customer service/Community Relation Officers, meter readers, revenue officers/cahiers, technicians, cleaners are at a higher risk of infection. They need special attention in terms of provision of PPEs which means higher cost of operation.

There is the possibility of mass lay-offs of contract workers and non-essential staff and disruptions in staff promotions and other career incentives

3.5 TRANSPORT SECTOR

3.5.1 Air Transport

The Case of Aviance Ghana Limited

The closure of borders has had direct impact on local aviation service providers. A typical example is Aviance Ghana Limited. The Company offers aviation services at the Kotoka International Airport as ground handler, including cargo handling (import and export).

The Company has closed down as a result of the closure of the Airport. A few of its Staff are sometimes invited to report to duty as and when there are emergencies such as handing of essential items from abroad.

The company is finding it very difficult to pay salaries and utility bills. It has to rely on banks loans to pay its employees. But there is no guarantee that banks will grant loans to the company especially when there is so much uncertainty about how long the borders will be closed. Moreover, the company will have to do major maintenance of its machinery and equipment before it can resume operations when the borders reopen. Furthermore, royalties and rent to Ghana Airports Company Limited Authority (GACL) is accumulating even though no normal income generating activity is going on at the Airport. There is imminent loss of clients and closure of business operations if the pandemic persists and the borders remain closed. This will mean 550 workers will lose their jobs. The fear of possible lay-offs is causing anxiety among staff. The company assured workers that they would be paid half of their salaries for April, 2020 but personal bank loan repayment would mean no take-home pay for a significant number of the staff.

3.5.2: Road Transport

The Case of Satellite Transport Limited

The company has 123 employees. Due to the pandemic and closure of borders, the company has parked all its trucks. Some employees such as cashiers and contract staff have already been laid off. Other employees have suffered pay cuts.

3.5.3 Maritime Sector

The Stevedore companies used to work on three vessels per month per company, on average, when there were ten registered Stevedore companies operating in Tema and Takoradi ports. Currently, there are 25 registered stevedore companies and a company works on one vessel in about three months. Companies are now operating in only one port and not the two ports.

Since the beginning of the Coronavirus crisis the cargo throughput has started reducing. There is the need for stimulus package for the companies to survive and keep workers. Stevedore companies have started giving notice of lay-offs.

Figure 4: The Case of GPHA and PSC Tema Shipyard

PSC Tema Shipyard is a subsidiary of GPHA. GPHA has been supporting the company financially. Currently GPHA is facing financial problems as a result of the MPS Terminal 3 agreement which allows MPS to work on all container cargo of Tema port. Moreover, GPHA has lost the Reefer container business because Ghana Revenue Authority (GRA) has taken a decision to allow MPS to handle the Reefer container business even though that was not part of the MPS agreement.

The Coronavirus pandemic will worsen the financial and operational conditions of GPHA because of reduced vessel call at the ports. PSC Tema Shipyard is already experiencing very low ship calls at the company to undertake repairs in the current condition. GPHA cannot support PSC Tema Shipyard financially as it used to do.

The financial problems of GPHA would affect PSC Tema Shipyard especially when ship calls at PSC Tema Shipyard have dwindled drastically. This may lead to lay-off of all 700 workers currently employed by PSC Tema Shipyard.

Recommendations

- Immediate implementation of the decision to grant 20% Container business to GPHA so that GPHA can increase the allocation of vessels to the Stevedore companies.
- GPHA's operations of the Reefer business must be restored immediately. Currently, MPS has taken over the Reefer Container business even when the reefer terminal business is not part of the MPS agreement.
- Direct financial support from government to sustain GPHA and PSC Tema Ship Yard is urgently needed

3.6 REAL ESTATE SECTOR

The effects of the pandemic on Devtraco Limited is an indication of the effects on the real estate sector. Devtraco employs 391 workers. The company is struggling to raise funds to pay salaries and overhead costs. Employees have been sent home with 50 percent of their salaries. It is not clear what future holds for the workers.

3.7 HEALTH SECTOR (PRIVATE HOSPITALS)

Private hospitals are facing a lot of challenge. It is estimated that private hospitals have lost over 60 percent of their outpatients. Many of them are now struggling to pay their workers. Private hospitals should be supported to enable them to complement the efforts of public health facilities.

3.8 EDUCATION SECTOR (PRIVATE SCHOOLS)

The closure of schools caused disruptions in the academic calendar for all schools. Teaching and non-teaching staff in public schools have job security. But workers in private schools are facing job insecurity. Most of them may be laid off. Those who are lucky to keep their jobs may face pay cuts or they may have to go without salaries for months.

3.9 INFORMAL SECTOR

The pandemic is having a disproportionate impact on informal economy workers who constitute over 80 percent of the total workforce. Because they find it difficult to comply with social distancing rules, they are particularly vulnerable to the pandemic in terms of their health and security of livelihoods. Economic sectors that serve as sources of livelihood for informal economy workers, especially those in urban areas, have been severely impacted by the pandemic. They include:

- Taxis and trotro drivers and owners;
- Barbering and hairdressing saloons;
- Market women;

- Caterers /food vendors (chop bar owners);
- Micro and small enterprises engaged in arranging weddings and funerals;
- Musicians, actors, and other entertainers;
- Artisans including masons, carpenters, electricians, steel benders and other construction workers;
- Dressmakers (tailors and seamstresses) and fashion designers;
- Shop owners including many small enterprises at the airports;
- Tour guides (The Tour Guides Association estimates its members will lose over GH¢4.8 million between March and June 2020); and
- Casual workers at the ports and harbours.

A significant proportion of informal economy workers earn below US\$2 (GH¢12) a day. The pandemic has worsened already bad social and economic conditions for the majority of informal economy workers.

The following sub-sections describe the impact of the crisis on some groups in the informal economy.

3.9.1. Market Women, Food Vendors, Street Hawkers, Porters

Street vendors, market traders and porters operate in crowded public spaces. Social distancing and other safety protocols are therefore difficult to comply with. Apart from the higher risk of infection, the restrictions are also threatening their livelihoods and their very survival. Members of the Union of Informal Workers' Associations (UNIWA) of Trades Union Congress in Accra complained that they could not travel to villages to buy foodstuff for sale in Accra and Kumasi during the three-week lockdown. Those who sell perishable commodities like vegetables and fish lost their stocks and all their capital. Street vendors suffered because they could not come out to do their normal businesses. The result was a drastic reduction in their earnings.

3.9.2 Spare Parts Merchants and Artisans and Mechanics

Spare parts merchants and artisans have been affected by the restriction of movement, social distancing rules and the closure of Ghana's borders with neighbouring countries. Out of 2,615 members of the Spare Parts Merchants Union, 1844 (70%) have been affected by the restrictions. They have to reduce the working days of shop assistants because of social distancing rules. Importers of spare parts are struggling because retailers are unable to settle their debts.

3.9.3 Musicians and Actors

The music and film industry employs thousands of young people in Ghana. Because of the ban on public gathering and social distancing rules musicians and actors cannot operate. Major national and international events have either been cancelled or postponed. According to the Musicians Union of Ghana (MUSIGA), thousands of musicians and actors in the music and entertainment industry will lose their livelihoods if they do not receive support from government

3.9.4 Caterers

According to a Ghana Tourism Authority (GTA) and Ghana Tourism Federation (GHATOF)¹ 81,000 informal businesses are engaged in the preparation of food (traditional caterers) and sale of drinks (drinking bars). Eighty percent of these enterprises have closed down. These businesses employ about 560,000 workers (an average of 9 employees per enterprise). With 80 percent of them closing down, over 450,000 workers have lost their livelihoods in this sub-sector.

3.9.5 Domestic Workers

Domestic workers are very vulnerable because their work requires that they stay and work in other people's homes. Most of them are paid daily. Therefore, any day the employer does not offer them a job they lose their pay for the day.

¹ Source: Ghana Tourism Authority (GTA) and Ghana Tourism Federation (GHATOF) Joint Committee Report on *Impact of COVID-19 on Travel, Tourism and Hospitality Industry in Ghana*, April 2020.

The negative effects of the pandemic on businesses will have ripple effects on hundreds of domestic workers in cities and towns across the country.

4.0 RECOMMENDATIONS FOR MITIGATING THE IMPACT OF THE CORONAVIRUS PANDEMIC

Clearly, government, businesses and workers are all severely impacted by the pandemic. Some businesses are cutting back on their operations. Others may close down completely. Workers are facing imminent loss of jobs and livelihoods. Many of them may fall into poverty. Government has to deal with revenue shortfalls and increase in expenditures at the same time.

Government has already rolled out the following programmes to support businesses and workers/households.

4.1 Free Water for Businesses and Households

From April to June, 2020 government is absorbing the water bills for all households and businesses. Government is also mobilizing water tankers to provide free water in communities that are served by the Ghana Water Company Limited. According to the Minister for Sanitation and Water Resources this social intervention will translate into direct support of about GHS200 million to households and businesses. But it will also help contain the spread of virus and mitigate socio-economic hardships of households and businesses.

4.2 Subsidized Electricity for Businesses and Households

Government is absorbing the electricity bills of all lifeline consumers including all households and small businesses that consume 50kwh or less per month for three months (April to June, 2020). In addition, for all other households and businesses, government will absorb 50 percent of their electricity bills for the same period. According to the Minister for Energy, the measure will cost government a projected GHS1 billion.

4.3 Incentive Package for Frontline Health Workers

Government has announced some incentive packages for health workers in the frontline of the fight against coronavirus. The package includes waiver of taxes on incomes of all healthcare workers and payment of additional allowance equivalent to 50 percent of basic pay of frontline health workers. The incentive package will boost morale of these frontline workers.

4.4 Coronavirus Alleviation Programme (CAP)

The Coronavirus Alleviation Programme (CAP) intended to “cushion the economic and social difficulties...on Ghanaian businesses and people” has already been established. The CAP is funded with an initial amount of GHS1billion. According to the Minister for Finance, additional funding will be sought to expand the programme. Also significant is the launch of the COVID-19 Trust Fund that allows corporate organisations and individuals to contribute towards the fight against the pandemic and alleviate suffering.

4.5 Free Distribution of Food

Government implemented the distribution of free food to over 400,000 Ghanaians in vulnerable communities in Greater Accra and Greater Kumasi during lockdown. This included dry food packages and hot meals. The objective was to enable poor and vulnerable households to minimize the hardships occasioned by the measures to curb the spread of COVID-19.

4.6 GH¢600 million Support for SMEs

Government has already announced that it will provide GH¢600 million to support SMEs.

5.0 FURTHER MEASURES RECOMMENDED TO MITIGATE THE IMPACT OF THE PANDEMIC

The initiatives mentioned above are great. They will go a long way to alleviate the hardship of households and businesses. But they are not sufficient to revamp the economy towards *Ghana Beyond Aid*. The Minister for Finance indicated in his statement in Parliament that additional funding for CAP will be sought to support critical industry “to shore up production for export and import substitution”. This must be done quickly.

5.1 PROPOSED STIMULUS PACKAGE FOR FORMAL SECTOR BUSINESSES AND WORKERS

A massive stimulus package for businesses and workers is needed now. Without this, the economic and social costs of the pandemic will be immense and long-lasting.

The TUC associates itself fully with the following recommendations by Ghana Employers Association (GEA):

- a) Government should quickly develop and implement a comprehensive Economic Response Strategy (ERS) to deal with the economic impact of the Covid-19 pandemic. This will require stabilization and stimulus packages for businesses and households to reduce the impact of the pandemic on the economy.
- b) In order to avoid serious supply chain disruptions, Government should identify and support local enterprises that produce raw materials that can feed local industries.
- c) Government should arrange with commercial banks to ensure that businesses are allowed by banks to access credit facilities under more flexible conditions.

We would like to add that the national economic response must be proportionate to the scale of the human, economic and social costs arising out of the pandemic. We expect the stimulus package to match the magnitude of the projected decline in GDP. GDP growth is expected to decline from 6.8 to 1.5

percent in 2020. This translates into output loss of over GH¢18 billion (US\$3.1 billion)². Therefore, we expect government to inject at least US\$3.1 billion or GH¢18 billion into the economy between now and December, 2020. That is the only way we can sufficiently boost consumption, investment and export to revamp the economy, restore growth to about 7 percent and fulfill our *Ghana Beyond Aid Agenda* which is built around three pillars – (1) self-reliance, (2) economic transformation, and (3) attitudinal change and respect for our traditional values and ethics.

The IMF Rapid Credit Facility of US\$1 billion (GH¢5.7 billion) plus GH¢1.0 billion Coronavirus Alleviation Programme (CAP) added to the other interventions such as the Preparedness and Response Plan (GH¢572 million) will still not be sufficient to restore the output losses due to the pandemic. We can learn from other countries around the globe. For example, South Africa's economic stimulus response to the pandemic is R500 billion or US\$26.8 billion which is equivalent to 10 percent of South Africa's GDP. In the UK the package announced by government is estimated at about 15 percent of its GDP. These are wealthier countries compared to Ghana. Ghana does not have that amount of money but there are very valuable lessons we can learn from these policy initiatives.

The objective of the stimulus package must be to enable businesses, small and large, to stay afloat and to keep their workers in this difficult period. Therefore, enterprises that want to access the stimulus package should sign an undertaking to keep their employees on the payroll for an agreed period. With this approach, government will be directly supporting workers and their families through their employers. This approach is not different from wage subsidy schemes aimed at preventing mass redundancies implemented in other countries.

²The 2020 Budget Statement projected GDP growth to be 6.8%. It means, nominally, GDP was expected to increase from approximately GH¢346 billion in 2019 to GH¢369 billion in 2020. Due to Covid-19 pandemic, GDP is now expected to grow at 1.5% from GH¢346 billion in 2019 to GH¢351 billion in 2020. The projected output loss can be calculated as (GH¢369 billion - GH¢351 billion = GH¢18 billion). At a rate of US\$1 = GH¢5.77 (in May, 2020), GH¢18 billion = US\$3.1 billion.

Of course, there must be other conditions for accessing the funds from the stimulus package. One of such conditions is that only businesses that are registered in Ghana and are up-to-date on tax payment can access funds from stimulus package.

5.2 PREVENTING JOB LOSSES IN THE FORMAL SECTOR THROUGH WORK-SHARING: LESSONS FROM GERMANY

We would also like to recommend the German Work Sharing Scheme known in German as *Kurzarbeit* as a way of preventing mass lay-offs in the formal sector. In recent decades Germany has fared better in dealing with global crisis. The country has recovered faster with fewer job losses from major global economic crisis than most other advanced economies.

During the 2008 financial crisis, unemployment did not rise in Germany as it did in other major economies around the world. The reason for this superior performance is the German system for supporting distressed businesses and their workers. That system is called *Kurzarbeit*, which literally means short time work. The system prevents distressed companies from having to lay off their workers. Companies that declare financial distress receive government support that enables them to pay their workers. The workers are required to reduce the number of hours they work per week. The reduction of working time allows other workers who otherwise would have been laid off to share the reduced volume of work available.

The government then provides financial support that enables the company to pay the workers up to two-thirds of their wages. In essence, *Kurzarbeit* spreads the pain of economic crisis and safeguards employment. This is achieved by allocating the available hours of work or tasks that are ordinarily performed by one worker to two or more workers. This means that work sharing allows two or more workers to share the responsibilities, pay, and benefits of a full-time job.

During the 2008 crisis, the *Kurzarbeit* system helped Germany to stave off mass lay-offs and persistent unemployment. By September 2009, about half a million German workers were involved in work-sharing schemes in the hardest-hit economic sectors. The vast majority of workers in job sharing programmes were in the manufacturing sector. In the recent COVID-19 crisis half a million Germans have applied for *Kurzarbeit* assistance.

Besides reducing the employment impact of economic crisis, *Kurzarbeit*, helps to maintain the links between employers and workers. In specialised industries that require long periods of training, preventing disengagement between workers and employers reduces the post-crisis cost to employers who otherwise would have to invest time and money to hire and train new workers to acquire desired skills. This is part of the reason German recovery has always been faster.

Many European countries have adopted the *Kurzarbeit*-style arrangements when confronted with crisis that threatens employment. Britain, Denmark and France have all adopted similar schemes. In the current COVID-19 crisis the United States has moved in similar direction. “The Paycheck Protection Program (PPP)”, incorporates an arrangement that forgives small businesses their loans for keeping their employees on the payroll (i.e., for not terminating the employment of their workers).

Additional support can come in the form of tax cuts, tax holidays and tax incentives for workers and businesses.

5.3 WORKERS COMPENSATION INSURANCE SCHEMES

Now is the time to introduce Workers Compensation Insurance in preparation for future pandemics. We propose a contributory scheme that allows employers and workers to have access to funds to pay workers at least their basic salaries in times of crisis.

5.4 SUPPORTING INFORMAL ECONOMY ENTERPRISES AND WORKERS

Dealing with the large army of self-employed workers in the informal economy poses a great challenge mainly because the enterprises and workers are unregistered and unregulated. But as mentioned earlier in this report, the informal sector is a source of livelihood for over 80 percent of the total workforce in Ghana. Eleven out of 13 million Ghanaians above 15 years of age depend on some form of informal economy activity for their livelihood and survival. Many of them risk falling into severe poverty and destitution without government support. The free water and electricity can alleviate some of their sufferings but we need further measures to restore livelihoods.

The following are some interventions that could be implemented to reduce hunger, social distress and overall sufferings for the millions of Ghanaians working in the informal economy.

5.4.1 Protecting Livelihoods

We need a large scale and dedicated programme for the protection of livelihoods for informal economy operators. The programme must be designed to support all categories of informal economy operators including (1) self-employed (who constitute the majority), (2) self-employed with employees, and (3) employees (i.e., workers who are employed by others in the informal sector).

The GHS600 million SME loans programme announced by government is a good starting point. That amount should be able to support a large number of identifiable Small and Medium Enterprises (SMEs) in the informal sector in all the 16 regions in a form of microcredit or small loans. The loans will help preserve or restore their livelihoods and productive capacity.

Some informal economy operators are directly contributing towards containing the spread of the virus. For example, taxi and trotro drivers are required to take fewer passengers than they used to and still charge the same fares. This is part of the social distancing protocols designed to limit the spread of COVID-19. These drivers and their owners have paid the Vehicle Income Tax (VIT) for

years. It is time for government to come to their aid during this crisis period. Ghana Private Road Transport Union (GPRTU) of Trades Union Congress can play a key role by helping government to determine the potential losses and how they should be compensated.

Small-scale farmers, musicians, masons, carpenters, electricians, steel benders, and other artisans as well as barbers, beauticians, tailors, seamstresses and all self-employed people who can no longer practice their trade because of the pandemic ought to be supported in one form or the other.

The vast majority of informal economy workers do not pay direct taxes (even though they pay VAT depending on their consumption patterns). Therefore, all SMEs must register with Ghana Revenue Authority (GRA). before they can access funds from the proposed stimulus package. In other words, they can only access government support if they have Tax Identification Numbers (TIN). They may also be required to register for personal pension with any pension scheme in Ghana, in accordance with the National Pensions Act, 2008 (Act 766). This is another way to effectively formalize the informal economy in accordance with International Labour Organization (ILO) Recommendation 204, adopted in 2015.

The Union of Informal Economy Associations (UNIWA) is an affiliate of the Trades Union Congress. It has an estimated membership of 80,000 in 20 associations in the informal sector. UNIWA members are mainly market traders, chop bar keepers/ traditional caterers, porters, small shop owners, domestic workers, artisans, spare parts dealers, and aluminum fabricators, musicians, and actors.

UNIWA, with other associations such as Ghana Union Traders Association (GUTA) can play a very important role in the design of the support scheme and identification and monitoring of the beneficiaries of the scheme.

We also recommend that the Golden Pride Savings and Loans Ltd (which is owned by Ghana Mineworkers' Union of Trades Union Congress) along with

other savings and loans companies can participate in the disbursement and recovery of the stimulus package funds.

5.4.2 Social Grant

With the lifting of the lockdowns in Accra and Kumasi the distribution of free food has also ended. Hunger and social distress will remain and may even worsen in some vulnerable households. We propose a Social Grant equivalent to the National Poverty Line (GH¢140 per month)³ for three months for the very vulnerable households in the lowest quintile, especially households with members aged 70 years or above without pension, households with members with disability, and households with children under five years of age.

In implementing these economic response measures, we need to pay special attention to women, the aged and people with disability. It is also important that we avoid the creation of temporary institutions. We should strengthen existing institutions and use them to deliver relief programmes. Trade unions, informal economy associations, commercial banks and savings and loans companies, faith-based organizations, local and international Non-Governmental Organisations (NGOs), Women's Groups, National Council on Persons with Disability, the Metropolitan, Municipal and District Assemblies can play important roles in the identification of potential beneficiaries as well as disbursement, and recovery of funds.

6.0 FINANCING THE ECONOMIC RECOVERY PROGRAMMES

Government has already identified some funding sources including the Stabilization Fund, the World Bank, and International Monetary Fund (IMF) facilities. Government has already received US\$1 billion loan from the IMF and US\$100million from the World Bank. The World Bank has also announced the deferment of Ghana's' loan repayment for this year (about US\$500 million).

³ National Poverty Line for 2017 was ¢1314 per annum. With inflation at 9.43% in 2018, 7.9% in 2019 and projected 8.0% in 2020, the by Ghana Statistical Service estimates the National Poverty Line in 2020 to be GH¢1675.63 per annum (GH¢139.50 per month).

The COVID-19 Trust Fund will hopefully bring in revenues to support the implementation of these initiatives.

Given the severity of the current crisis, government should not hesitate to “borrow” funds from the Heritage Fund. What ought to be done is for government to treat any amount it withdraws from the Heritage Fund as a loan to be repaid with the appropriate interest when the COVID-19 storm has passed. Borrowing from the Heritage Fund is better for us now and in the future than borrowing from other sources. But we should replenish it for future crisis.

Given the size of the loss in economic activity and its associated economic and social costs, we expect government to relax the relevant laws to enable Bank of Ghana to provide the necessary financial backing to government.

7. CONCLUSION

The Coronavirus pandemic is undoubtedly the worst health crisis ever to hit the world in modern times. The scale of its economic and social costs is staggering. Businesses are closing down. Workers are losing their jobs and livelihoods. Households are struggling to feed themselves. Government is facing a drastic reduction in revenue and rising expenditures at the same time.

In this report, we have acknowledged the interventions government has already implemented to mitigate the social and economic effects of the pandemic. We have also advocated a stimulus package for businesses and workers in both the formal and informal sectors. We have suggested that, at least, the stimulus package should match the estimated output loss in terms of decline in the growth of GDP. We believe that we need such a package to revamp the economy and return to the economic growth path of 7 percent within the next two or three years. The economic stimulus package we are recommending will also enable us to pursue our *Ghana Beyond Aid* Agenda which emphasizes self-reliance, economic transformation and attitudinal change on a sustainable basis.

As President Nana Addo Dankwa Akufo-Addo has said repeatedly, the pandemic offers opportunity in several areas of our national life. The need for Ghana to build its agriculture and manufacturing industries and to ensure that we are self-sufficient in basic necessities cannot be overstated. The difficulties we are experiencing in this pandemic have already ignited the innovative spirit of Ghanaians. We are now producing hand sanitizers, face masks, and other PPEs locally. The invention of hand washing devices in this short period attests to the ingenuity of Ghanaians. It is expected that importation of these and others commodities we can produce locally, such as rice and poultry, will not be allowed after the Covid-19 crisis. We should use this opportunity to review Ghana's trade policy to either ban or restrict the importation of such commodities and support our domestic private sector with funds from the proposed stimulus package to produce them locally.

With these and other complementary policy initiatives, Ghana will recover quickly from the effects of the pandemic and return to the pre-Covid-19 growth path.