

A second open letter to the President of Ghana on COVID 19 and Job Loss Insurance

Dear Mr. President,

I wish to extend my warm regards to you Sir. I know by the grace of God, the pressure is easing and progressively things would be normal again. Please as I said in my first letter to you Sir, you may not know me but it is my hope again that this second letter reaches you in good health.

I would be much grateful if you could find the smallest time again and kindly appreciate what I have in this second letter. Please my name again is Justice Peprah Agyei and I am a Chartered Insurance Practitioner. I was overwhelm when I heard the Finance Minister talked about National Unemployment insurance scheme in the Mid-year review budget. My greatest excitement was when you expressed your intentions on supporting people



who have lost their jobs because of this pandemic by establishing the unemployment insurance scheme. I know most people would agree with me that you have exhibited the

true qualities of a great leader especially during this season which needs to be commended. Please your confidence and courage to make tough decisions has been remarkable. Anytime I think about you, I cannot do away with this quote by Douglas MacArthur that, "A true leader has the confidence to stand alone, the courage to make tough decisions, and the compassion to listen to the needs of others. He does not set out to be a leader, but becomes one by the equality of his actions and the integrity of his intent."

Mr. President, this pandemic therefore highlights the urgent need for policy actions to cushion its consequences, protect vulnerable populations and improve countries' capacity to cope with similar future events, in addition to addressing the challenges posed by informality and limited safety nets and undertaking reforms that enable strong and sustainable growth.

Mr. President, we do not know if the unemployment insurance scheme you talked about is going to be temporary or permanent. Please if this is going to be temporary, we would kindly make a humble suggestion that we have a permanent one in place because the future is uncertain. Some people have talked about the unavailability of data but we still believe we need to start from somewhere even if it means we have to start from zero.

Mr. President, we kindly wish to take you through some historical evolution of Unemployment Insurance (UI). Unemployment insurance as an expansionary monetary policy tool has evolved overtime and comes in varied forms depending on the jurisdiction. Historical evolution of unemployment insurance in the literature is discussed in chronological fashion as follows:

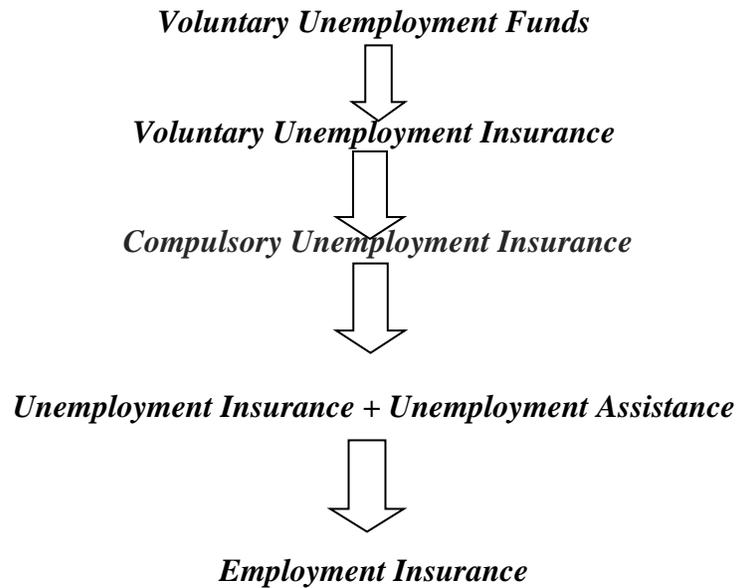
Voluntary Unemployment Funds- the earliest form of UI which constituted a form of self-insurance, established by employees, trade unions and employers. These forms of unemployment insurance schemes were practically in vogue in the 19th century.

Voluntary Unemployment Insurance: this provides income safeguard like any unemployment insurance but was not mandated by law. Employees can voluntarily subscribe to these schemes if they wanted to protect against a total income loss in case they lost their jobs. Early adopters of voluntary unemployment insurance schemes include France (1905), Denmark (1907), Norway (1909), Netherlands (1916), Finland (1917), Sweden (1934), etc.

Compulsory Unemployment Insurance: this emerged from the voluntary unemployment as a social insurance program backed by legislation. Its adoption in various countries marked the transition from voluntary to mandatory unemployment insurance in those jurisdictions. It has been operational in many of the developed world since the 1920s. Early adopters include U.K (1911), Austria (1920), Germany (1927), etc.

Unemployment Insurance + Unemployment Assistance (dual system): a variation of compulsory unemployment insurance which incorporated a support scheme by way stimulus assistance to job losers was adopted by most European countries after the Second World War.

Employment Insurance: a final form that emerged during the evolution process is the employment insurance program which provides temporary income support to unemployed workers while they look for employment or upgrade their skills in addition to providing special benefits to workers who take time off due to specific events such as illness, pregnancy, child care etc. it focuses on a combination of unemployment benefits and active labor market programs. Recent adoptions include UK (2001), France (2008), Netherland (2009), and Ireland (2013).



Mr. President, we believe Ghana needs Unemployment Insurance (UI) Scheme and below is why?

Currently, it is estimated that almost four million people within the age group of 15 – 64 regarded as active or working population are without jobs. The rising levels of unemployment in Ghana have been attributed mainly to the inability of the economy or precisely the government of Ghana to create sufficient jobs to absorb the growing number of Ghanaians in the labor market. However, the situation appears to have been exacerbated by employee lay-offs and retrenchments, company liquidations, and mergers and acquisitions that have occurred in recent times, with the collapse of seven indigenous Ghanaian banks, 23 savings and loans companies and several microfinance companies being the most recent examples. Additionally, there is a macro-risk factor currently wreaking havoc in almost all spheres of life across the globe, namely COVID-19.

In the aftermath of rising unemployment, the government of Ghana has instituted various policy interventions to address the menace including expansionary monetary and fiscal policies which led to a reduction in the prime rate, tax cuts and increasing government expenditure through infrastructural development and other programmes such as the free senior high education. Others include the semblance of unemployment insurance (UI) such as the livelihood empowerment against poverty (LEAP), Ghana Poverty Reduction Strategy (GPRS) and the Ghana Shared Growth and Development Agenda (GSGDA) (Ghana Statistical Service, 2015). These governmental interventions have been very instrumental in reducing unemployment. However, they have not been instrumental enough in providing the automatic economic recovery antidotes that well crafted unemployment insurance schemes bring to the table during economic crisis. Thus Ghana urgently needs unemployment insurance in this economic crisis for two main reasons namely:

1. It automatically restores incomes during economic crisis and job losses.
2. It provides automatic stimuli for recovery during hard economic times

Unemployment insurance schemes are designed to provide income support in the case of job losses in order to smooth consumption for unemployed workers and help avoid large drops in spending in the economy. However, the 2017 banking crisis has called into question the adequacy of unemployment insurance schemes in Ghana. Changes in national unemployment rates are beyond the control of the government, so there is a strong case for the collective risk-sharing through insurance.

Mr. President, if permitted, we would like to make a proposal for the implementation of Unemployment Insurance Scheme in Ghana. Based on the weaknesses associated with Ghana's social protection system regarding safety nets for protection against job losses, we propose for the implementation of unemployment insurance scheme in Ghana. Though no feasibility study has been undertaken to analyze feasibility or otherwise of implementing such a program in Ghana under current economic conditions, we have the advantage of leveraging the experiences of advance economies where the system has

been practiced for many decades, including the United States, UK, France and Germany etc.

The rationale is to establish a comprehensive labour safety net to support displaced workers due to structural change in the Ghanaian economy and exposure to external shocks. The program is to provide a temporary restoration of income for workers who may suffer job losses with no fault of theirs and do not get due compensation from their employers and to provide automatic stimuli to resuscitate the economy during hard economic times.

Proposed Framework for Implementation of the UI Scheme in Ghana

Parameters	Description/Requirements
Coverage	Mandatory: All government employees/ salary workers in private organizations. Similar to SSNIT contributions. Voluntary: Self-employed applicants
Qualifying conditions	Must be gainfully employed. Must register as a contributor Must have contributed for at least 1 year in last 24 months
Benefit structure	Must have become unemployed involuntarily without fault. 60% of salary on which job was lost Must file for claims Payable up to 6 months and claim after another 6months when still without job for another 6 months Maximum and minimum payment amounts
Funding	Employee 0.5% employer 0.5% (stakeholders to be consulted)
Fund Mgt/ Admin.	A department within SSNIT or a separate institute to manage the funds Private insurance companies can sell similar policies to support the National one To be supervised by the NIC / NPRA or other allied institution Links to labour unions and analogous bodies

The above serves as the proposed initial blue print for the implementation of unemployment insurance scheme in Ghana as highlighted in the mid-year review of the 2020 budget.

I will humbly end here Sir. Thank you Sir for taking a little of your time to read this and I wish you all the best. I also wish to thank my friend, Inusah Sumaila who has supported me to put all these together.

Yours Sincerely,
Justice Peprah Agyei.



A Chartered Insurer and an Associate of the Chartered Insurance Institute of United Kingdom and also Ghana (ACII-UK, ACIIG), and holds MPhil in Enterprise Risk Management and Business Consulting from Kwame Nkrumah University of Science and Technology. Attained Bachelor's degree from University of Ghana, Legon and have Applied Insurance studies, Diploma and Advanced Diploma (AAIS & AIS) from Ghana Insurance College / Malta Insurance Training Institute.

+233 (0) 208498571

kwameabann@gmail.com

Reference

- Painter. S (2019): Unemployment Causes and Consequences, http://jobs.lovetoknow.com/Uemployment_Causes_and_Consequences Accessed 9/10/2019
- Ghanaweb (November 2017). Tackling Youth Unemployment, <http://mobile.ghanaweb.com/GhanaHomePage/business/Tackling-Ghana-s-youth-unemployment-604048> Accessed 21/10/2019
- Hagedorn . M, Manovskii . I and Mitman . K (2013). The Impact of Unemployment Benefit Extensions on Employment: the 2014 employment miracle? Technical Report, National Bureau of Economic Research.
- Di Maggio . M and Kermani. A (2016). The Importance of Unemployment Insurance as an Automatic Stabilizer, Harvard Business School and UC Berkeley & NBER
- Vodopivec. M (2009). Introducing unemployment insurance to developing countries, IZA policy paper No. 6