



Work and Income for Young Men and Women in Africa: Case of Uganda

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Introduction and the problem of the study

African youth are at the core of its economic transformation given that two-thirds of its population consists of people below 35 years of age. As such, they constitute the largest group of labour market entrants that has a strong bearing on the development of the continent. However, despite having such human resources, African countries are dealing with rising unemployment among its youths, with unemployment being higher among female youths. This study was set out to undertake an in-depth country study to inform policy makers and development

practitioners on the economic sectors with the highest multipliers and potential to create employment opportunities for the youth in Uganda.

Although the global economy outlook looked promising especially before COVID-19 pandemic outbreak, it was not accompanied by job creation, and the youth are likely to face more unemployment. Worse still the global unemployment rates for the youth is three times that of the adults, and for the past two decades, there has been a significant decline for the global labor force participation rate (LFPR) for the youth from 55.0% in 1997 to 45.7% in 2017 (ILO, 2017). Obtaining a decent job in Uganda is one of the most challenging task for most youth of all categories; educated, semi educated and non-educated, male and female, able and dis-abled (ILO, 2017). Over 87% of the youth in Uganda work in insecure, low-income and often unsafe informal-sector jobs or in family income generation activities with little or no pay at all.

It remains unclear of what works to support the youth in the labour market. This is one of the most common and pressing question posed by policymakers and practitioners today. Other unanswered pressing questions include: What are the most effective interventions for boosting productive employment for the heterogeneous groups particularly, the rural/urban, male/female; disabled/not disabled; educated/not educated; skilled/un- skilled; have access to finance/resources/no access to resources; different needs and capabilities; transition from school to job, no schooling at all; little or no employable skills. In what sectors and jobs are youth and women engaged? The study used secondary data from Uganda National Household Survey -UNHS (2019/20) UNPS (2019/20) and the Social Accounting Matrix-SAM (2016/17) for Uganda. Analytically, the study used a descriptive analysis and multiplier approach together with regression analysis to estimate a two-stage Heckman probit model.

Background to the study

It is estimated that over 400,000 youth enter the labor force to compete for 9,000 jobs yearly. This is exacerbated by those who leave the agricultural sector in the rural areas in search of urban jobs. In response, government has attempted to reduce the youth employment problem by designing and implementing a number of strategies. Among these include: provision of start-up capital (youth livelihood fund), providing an enabling investment climate, providing youth skilling programs among others. Youth Livelihood program (YLP) was developed for the unemployed and poor youth in the country. The program started in 2013 targeting youth between ages 18-30 years and covered 112 districts and had a budget of UGX 265 billion. The major challenges of the programs included the high demand vis a vis the limited resources. Others were: desire for free funds, youth preferring white collar jobs, and need for immediate results.

The creation of Uganda Investment Authority (UIA) in the early 1990s, was aimed at providing a one stop investment Centre for prospective investors who would then create jobs for the local Ugandans particularly the youth. Although there has been an increase in investment, to some extent the aim has not been achieved because some of the investors come along with own workers, while others provide minimal value addition to their products hence limiting job creation. Also the tax policy in Uganda does not favor small and medium firms (SMEs), let alone the high power tariffs. Several studies have highlighted these two factors as the major barriers to firm performance no wonder over 50% of SMEs do not live to celebrate their first birthday, yet MSME are the largest employers in Uganda. The investment climate therefore does not favor local firms hence limiting job creation.

Since 1997, government embarked on re-skilling the youth through redesigning secondary schools curriculum and deliberately promoting business, technical, vocational education and training (BTJET). The aim was to empower the youth especially those who drop out of school or those who are unable to progress to higher institutions of learning. In addition, government emphasized teaching of Entrepreneurship at higher institutions of learning in order to equip the youth with business skills as a strategy for self-employment in case one fails to get a white collar job. Unfortunately however, there is still a very low enrollment in the BTJET institutions and most do not have the necessary infrastructure such as laboratories so students end up with theories and little practical skills.

Overall, despite these interventions, the problem of youth unemployment has remained high in Uganda and probably the highest on the continent.

Research results

The study used secondary data from Uganda National Household Survey -UNHS (2019/20) and the Social Accounting Matrix (SAM 2016/17) for Uganda. Analytically, the study used a descriptive analysis and multiplier approach together with regression analysis. Findings showed that increase in demand worth 10 billion Uganda shillings would generate 3,502 jobs in the agriculture sector, 2,291 jobs in the service sector and 2,071 jobs in Industry. Among the jobs created in agriculture, 1,428 jobs are indirect jobs generated through backward and forward linkages. Of the total jobs created in agriculture, 1,556 jobs would be for youths of which 733 jobs would be for female youths. Within the agriculture sector, cash crops (especially tea and coffee) have greater potential to generate more jobs for youths and female workers. Of the 2,291 jobs created in the service sector, 1,403 jobs are indirect jobs, and youths would benefit from 924 jobs of which 452 jobs are for female youths. Within the service sector, whole sale and retail trade would generate the largest number of jobs for the youth and women followed by transport and tourism sectors. In the industry sector,

out of 2,071 jobs created, 1,770 jobs are indirect jobs and 868 jobs would be for the youths of which 392 jobs are for female youths. Within industry agro-processing would generate the largest number of jobs for the youths.

Total output in the agricultural sector would increase by 0.021 percentage points while that of service would increase by 0.019 percentage points, and industry by about 0.017 percentage points. In general, the agriculture sector would generate more jobs for youths and women. This is followed by the service sector and lastly the industry sector. At sub-sector level, cash crops, agro-processing, wholesale, retail trade, tourism and transport services, would generate more jobs for the youths and women.

Implications and policy recommendations

We found that youths accounts for more than a third of the labor contribution to national value added. The contribution of youths is largely driven by the skilled youths. The youths add more value added to service sector, followed by industry and lastly agriculture. The results also show that service sector has the highest labor income multipliers followed by industry and agriculture respectively. This means that; to accelerate economic growth and the contribution of youths to value added, there is need for government to adopt policies that improve the skills of youths particularly in the service and industry sectors.

In regard to youths, enhancement of their earnings requires focusing skilling and enhancement of productivity in sectors like cash crop production, light manufacturing, construction, agro-processing, financial and insurance and tourism sectors. However, as government embarks on skilling of youths in the long-term, in the medium term complementary policies could be adopted to provide employment for the unskilled youths through supporting sectors like agro-processing and agriculture (especially cash crops).

In general, to accelerate jobs for youths and women, there is need to support sectors such as cash crop production, light manufacturing, construction, agro-processing, wholesale and retail trade, financial services, insurance, transport and tourism. These were found to employ more youth and generate more income for the youth. The policies should be holistic to encompass the whole value chain of the identified sectors. For instance, supporting agriculture sector to unlock employment potential for youths and women would require complementary efforts of investing in agro-processing to create market and add value to the agricultural products. Similarly, industrialization would require complementary investments in sectors that would provide inputs.

The findings further showed that youth unemployment is influenced by urbanization. This therefore highlight the need for policy makers to be cognizant of rural-urban migration. Other policy strategies include: i) providing support to skilling and reskilling of the youth in skills required in agriculture and services through mentoring, establishment of incubation centers and enabling youth to set up business but more so enabling them to grow their businesses. More emphasis should be put on supporting agro-entrepreneurs for the purpose of increasing value addition. ii) Providing socioeconomic infrastructures and other amenities both in the urban and rural areas such as electricity, good roads, health facilities and encouraging investors to establish factories in rural areas so as to provide employment opportunities in order to stop rural-urban migration. iii) Increased government support to cash-crop production, light manufacturing, construction, agro-processing, financial and insurance and tourism sectors is important since these employ more youth. iv) Findings showed that one of the key barriers to youth employment was leakages in terms of high import volumes of commodities that could be produced locally, hence denying youth employment opportunities. The study therefore recommends that incentives be provided to firms that practice import substitution and uses locally produced raw materials so that the value chain and multiplier process takes within the economy.



Mission

To strengthen local capacity for conducting independent, rigorous inquiry into the problems facing the management of economies in sub-Saharan Africa.

The mission rests on two basic premises: that development is more likely to occur where there is sustained sound management of the economy, and that such management is more likely to happen where there is an active, well-informed group of locally based professional economists to conduct policy-relevant research.

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