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Economic Adjustment, Agriculture and the  
Labor Market in Uganda

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## I. INTRODUCTION

An important objective of Ugandan agricultural policy, including international trade policy for agricultural products, is to increase employment and income of the farm population. However, over the last two decades the Uganda's economy grew slowly absolutely and relative to the 1960s and 1970s. And because the Ugandan agricultural sector is still predominant in terms of value-added, exports and employment, the decreased agricultural production has hindered the potential to keep employment and income in agriculture at a higher level.

Although the agricultural sector has grown rapidly in recent years--achieving 4.7% average annual growth rate between 1985 and 1990. This is in effect a recovery from a very low base. Growth in agricultural output has been uneven between 1988 and 1993. From annual increases of 8.5% and 6.5% in 1988 and 1989, growth dropped to 3% and 2.4% in 1990 and 1991, and then increased to 4% and 5.7% in 1992 and 1993. The causes of the uneven performance were drastic changes in food crop, coffee, and dairy production.

Preliminary estimates of unemployment in 1991-92 indicate a figure of about 24.7 percent. The high rate of unemployment is due to decreased coffee, cotton, bananas (matoke) and tea production, the reduced investment in home construction, slow development of non-traditional exports and declining non-farm employment opportunities, even in the public sector. The low international prices for coffee have affected export earnings and fiscal revenues during the last 3 years, and will have negative effects on revenues during the 1992-1993 and possibly 1993-1994 fiscal years.

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The process of structural transformation, from agriculture to other sectors, has been difficult in Uganda and some producers have reportedly uprooted their coffee plantations because of low profitability and current prices. The labour released from agriculture is reflected in unemployment, underemployment, and some transferred to lower paying sectors of the economy. Despite measures taken to adjust the economy to the new conditions, there are indications that those measures have negatively affected labour market conditions, food security and inflicted particular hardships on the poor.

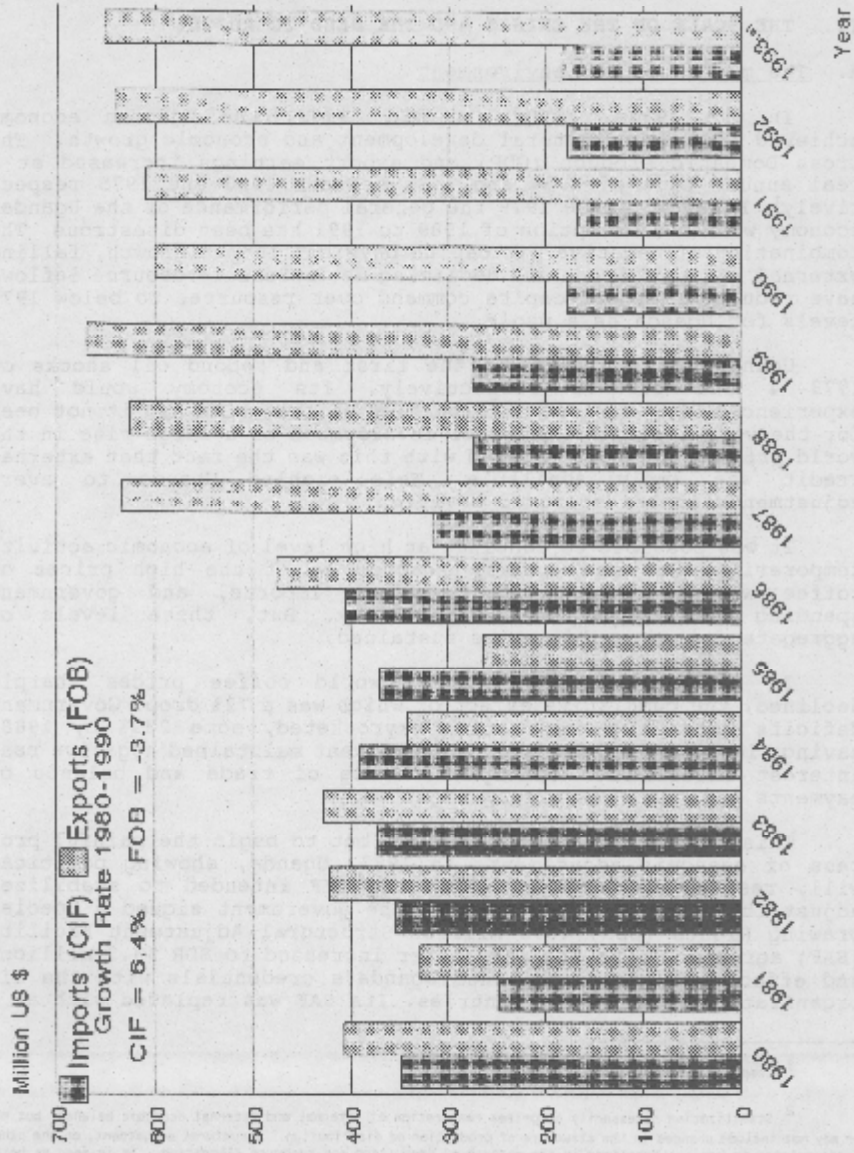
Continuing declines in revenues from coffee--the main export--are affecting negatively the trade balance, when imports are needed to underpin economic growth and development. Only recently has coffee's exports share declined, due both to an increase in food exports, and drop in the international price of coffee. Cotton's higher production costs, and its dependence on centralized capital-intensive ginning and marketing, have made it more vulnerable than coffee to economic and political uncertainty. Table 1 and Table 2 present the story of selected Uganda's food and agricultural exports in volume and price indices. In sum, Uganda's exports have been losing value rapidly, this has meant that its terms of trade have declined dramatically (Figure 1).

The difficulties in balance of payments have been partially eased through grants and concessional loans from bilateral sources, loans from the International Monetary Fund (IMF) and the World Bank (WB), and reduced growth in imports. However, some of the elements behind the slackening demand in Western markets, the slump in raw material prices and the high costs of international borrowing are likely to remain for some time.

In Uganda, adjustment to those factors will have to be seen in a longer-term structural context rather than as part of short-term stabilization programme. Moreover, studies on improved productivity and labour absorption in the agricultural sector have clearly underscored the vital importance of gearing up of this particular sector through technological and institutional changes and appropriate resource allocation in order to generate surplus and employment opportunities in the Ugandan economy.

This paper investigates the scale of the economic crisis in Uganda and the impacts on agriculture, identifies the major labour market changes and explore selected policy measures to attack on rural-urban unemployment. Section II, starts from the scale of the crisis and the need to adjust the Ugandan economy to overcome the resurgence of unemployment. In Section III, the costs of adjustment and rural-urban migration are presented. Policy measures to attack rural-urban unemployment is presented in section IV. Conclusions are presented in Section V.

Figure 1: Trends of Commercial Trade, Uganda, 1980-93



Source: Ministry of Planning and Economic Development and Bank of Uganda. Background to the Budget and other publications. (a) preliminary

## II. THE SCALE OF THE CRISIS AND THE NEED TO ADJUST

### A. The macroeconomic environment

In the 1950s, 1960s and mid 1970s, the Ugandan economy achieved rapid agricultural development and economic growth. The Gross Domestic Product (GDP) and export earnings increased at a real annual rate of 4.3% and 3.2% between 1950 and 1975 respectively<sup>1</sup>. However, since 1979 the general performance of the Ugandan economy with the exception of 1989 to 1991 has been disastrous. The combination of negative per capita physical output growth, falling external terms of trade and declining net external resource inflows have reduced real per capita command over resources to below 1970 levels for Uganda as a whole.

Uganda was hit hard by the first and second oil shocks of 1973-74 and 1979-80 respectively. Its economy would have experienced very serious difficulties at that time had it not been for the very fortunate external development of a large rise in the world price of coffee. Coupled with this was the fact that external credit was amply available. This enabled Uganda to avert adjustments in her economic position.

It was possible to continue at high level of economic activity temporarily. But the economy reacted as if the high prices of coffee were permanent. Consumption, imports, and government spending all increased substantially. But, these levels of aggregate demand could not be sustained.

In 1977 and then in 1989, world coffee prices sharply declined, the cumulative effect of which was a 72% drop. Government deficits were large, inflation skyrocketed, some 280% by 1988, savings low, partly because the government maintained negative real interest rates. The country's balance of trade and balance of payments positions were very negative.

This left Uganda with no option but to begin the painful process of economic adjustment. In 1987, Uganda, showing political will, reached an agreement with the IMF intended to stabilize-adjust the economy<sup>2</sup>. In June 1987 the government signed a Special Drawing Rights (SDR) 46.8 million Structural Adjustment Facility (SAF) agreement with the IMF, later increased to SDR 63.2 million, and effectively re-established Uganda's credentials with the aid organizations and donor countries. Its SAF was replaced with an Enhanced Structural Adjustment Facility (ESAF) worth SDR 179 million in April 1989. In addition, the government's efforts to reform the agricultural sector received support from the World Bank (WB)/International Development

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<sup>1</sup> Computed at 1981 prices.

<sup>2</sup> Stabilization necessarily comprises restoration of internal and external economic balance, but may or may not include changes in the structure of production or distribution. Structural adjustment, on the other hand, relates to basic alterations in the pattern of production and resource allocation. It is seen as being linked to restoring or sustaining economic growth in the long-run. So conceptually, and indeed in practice, they are not the same thing.

Association (IDA) funded project "The Agriculture Sector Adjustment Credit (ASAC), Cr 2190-UG, in December 1990.

## B. Declining agriculture and the labour market

Ugandan agricultural growth has accelerated in recent years. Whereas average annual growth was about 1.7% per annum between 1980 and 1990, the growth rate for 1987 through 1991 has averaged about 4.5% per annum. In the last 3 years, the most vibrant sector, as price incentives and marketing facilities have improved has been food production. Agricultural growth increased to 5.6% in 1992. However, it is expected to be between 6.5% to 7.3% in 1993.

Aggregate indices of agricultural exports, give special cause for concern. As shown in Table 1, exports have declined sharply for coffee, cotton, and tea. As a group, the value of exports was between 380 to 410 million dollars in 1985-86, but declined to a meager value of about 178 million dollars in 1992 (Figure 1). Between 1986 and 1991 the negative trend is about -16.2% per year. During the same period, the value of imports has increased by about 3.3% per annum. These are alarming trends of a continued reduction in real export revenues, and, therefore, in the capacity to import.

The aggregate data conceals the fact that the structure of exports is today supported by coffee only (it was more diverse in the 1960s and 1970s). The exports of cotton, tea, and tobacco have not materialized. Total debt had reached about US\$ 2.6 billion by 1992 and the debt service remained, in 1992, at about US\$ 210 million which consumes 118% of export earnings<sup>3</sup>.

There can be no question that today Ugandan agriculture is constrained by lack of resources. The shortage consists largely of capital, management, infrastructure, and labour. The migration of labour from farms to the urban areas has proved to be detrimental during the planting and harvesting periods and has increased the price of labour.

The differences in price levels for selected agricultural products are so striking that the differences in income and other policies pale into insignificant. Table 2 shows that for coffee and cotton versus beans and maize prices received by farmers have declined almost steadily. However, the price differences in favor of beans and maize have not been reflected in an increase in the demand for farm inputs: labour, land and other type of inputs<sup>4</sup>.

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<sup>3</sup> Other striking changes were in the short-term debt, which was US\$ 240 million in 1989. Since then, of course, the position has deteriorated further and arrears had accumulated to about US\$270 million by the end of 1992. The greater part of long-term debt (about 60 to 65 percent) was owed to multilateral creditors.

<sup>4</sup> In beans and maize the most part of the labour demand is met from within the family labour availability and very seldom from hired labour.

In 1990, the price of coffee received by producers was only 55% of the 1970-75 level, and 70% of the 1980-90 level. In order to reverse the situation, the government decided that the market would fix the producer price in the future and the foreign receipts could be changed at the market-forex bureaux rate. The changes in the coffee industry should transfer significant income to the private sector, as farmers benefit from better prices and new private companies work their way into the export trade.

The cotton and tea industries continued to confront labour shortages, crop quantity, and other problems. Their production virtually ceased and have been slow to recover. However, the prospects for tea exports are looking healthier than they have been for some years. Tea production in 1990 increased to about 6.5 thousand tons and exports reached some 4.5 thousand tons. The export performance is expected to improve even more as traders overcome unfamiliarity with Ugandan teas, after their prolonged absence from the market.

During 1992 and early 1993, the markets for maize, bananas-the main foodcrop-, sugar, milk and beef have been strong. If current levels of growth in the domestic market are to continue, the focus will have to be on raising rural incomes through technological change and increases in labor productivity, diversifying of export markets, and raising urban incomes through increased processing of local materials and import substitution.

### C. Changes in labour market conditions

Agricultural production in Uganda comes primarily from family farm, with the family--children included--providing most of the labour. The 1988 survey of production constraints, by Makerere Institute of Social Research (MISR)/Land Tenure Center (LTC), University of Wisconsin identified the availability of labour as the key factor in smallholder expansion. According to the survey 80% of employed persons listed agriculture as their main occupation.

In the production of tea and sugar, labor costs are cited as a make-or-break factor in farm profitability. The responsiveness of the rural labor market affects production profitability and size.

TABLE 1. EXPORT INDICES OF MAIN AGRICULTURAL COMMODITIES, 1970-93

| Year          | Coffee (c) | Cotton (c) | Tea (c) |
|---------------|------------|------------|---------|
| P E R C E N T |            |            |         |
| 1970-80       | 122        | 688        | 604     |
| 1980-90       | 108        | 103        | 153     |
| 1980-85       | 103        | 141        | 140     |
| 1985-90       | 117        | 91         | 177     |
| 1986          | 105        | 64         | 120     |
| 1987          | 117        | 48         | 160     |
| 1988          | 109        | 32         | 160     |
| 1989          | 139        | 80         | 200     |
| 1990          | 112        | 64         | 180     |
| 1991          | 98         | 55         | 183     |
| 1992(a)       | 95         | 42         | 192     |
| 1993(b)       | 94         | 49         | 196     |

Source: Production figures are from the Ministry of Agriculture, Animal Industry and Fisheries, and, the Ministry of Finance and Economic Development.

(a) preliminary, (b) estimates, (c) calculation of annual average growth rates, are defined as the coefficient  $\beta$  in the exponential trend function  $Y = \alpha \exp^{\beta Time}$ ; for coffee, cotton and tea the values for the 1970-90 are: -1.3; -17; and -11.5 percent respectively. However, over the last 4 years the negative trend has deteriorated for coffee even further.

TABLE 2. INDICES OF PRICES RECEIVED BY UGANDAN FARMERS FOR MAJOR AGRICULTURAL COMMODITIES

| Year          | Beans | Cotton | Maize | Coffee |
|---------------|-------|--------|-------|--------|
| P E R C E N T |       |        |       |        |
| 1970-75       | 169   | 209    | 175   | 173    |
| 1975-80       | 92    | 139    | 91    | 82     |
| 1980-85       | 126   | 133    | 110   | 149    |
| 1985-90       | 89    | 162    | 75    | 138    |
| 1970-80       | 126   | 170    | 129   | 123    |
| 1980-90       | 104   | 148    | 93    | 136    |
| 1986          | 68    | 90     | 89    | 176    |
| 1987          | 92    | 133    | 125   | 154    |
| 1988          | 76    | 187    | 63    | 86     |
| 1989          | 71    | 218    | 39    | 92     |
| 1990          | 80    | 203    | 48    | 95     |
| 1991          | 86    | 209    | 63    | 97     |
| 1992(a)       | 97    | 213    | 75    | 103    |
| 1993(b)       | 104   | 216    | 91    | 102    |

Source: Ministry of Agriculture, Animal Industry and Fisheries.

(a) preliminary, (b) estimates.

The employment picture is also gloomy. Figure 2 and Table 3 present data on the trend of unemployment, and annual rates of growth of employment, labour force, and unemployment. The available data reveal that unemployment rate, which had been at about 19% of the labour force in the 1970-80 period, increased thereafter, at about 1.6% per year. Unemployment was estimated at about 25% of the labour force in 1992. This occurred despite an employment growth rate of 4.8 percent.

For 1983-85, the smallest declines in unemployment occurred because of the positive development in price levels for agricultural products and the growth of public and parastatals employment. Due to strong political and institutional reasons, this reflects a policy in effect, though not explicitly articulated at the time for the public sector, including parastatals, to countervene the limited labour demand taking place in other sectors in order to maintain employment at high levels.

TABLE 3. ANNUAL RATES OF GROWTH OF EMPLOYMENT, LABOUR FORCE, AND UNEMPLOYMENT, 1984-92

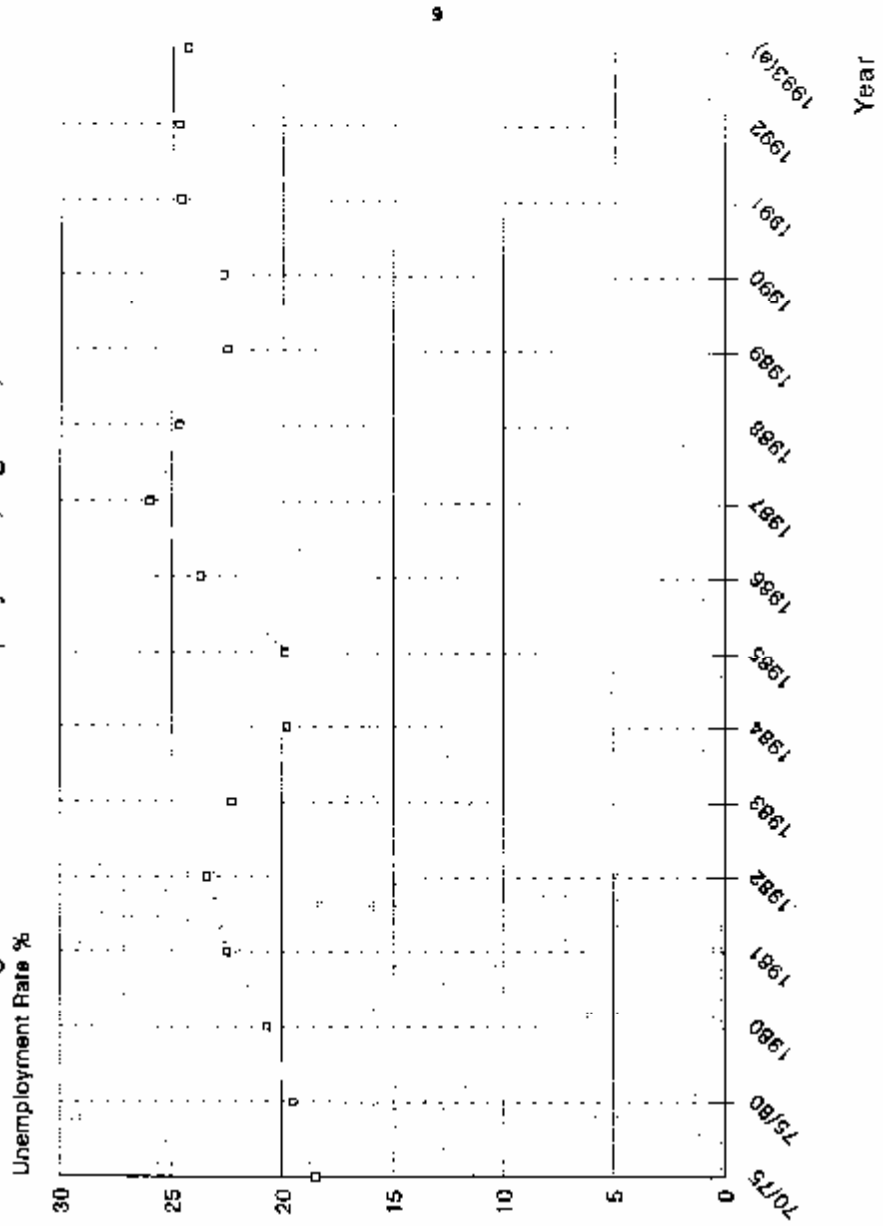
| Year          | Employment | Labour Force | Unemployment |
|---------------|------------|--------------|--------------|
| P E R C E N T |            |              |              |
| 1984-85       | 4.5        | 4.5          | - 0.4        |
| 1985-86       | 3.3        | 3.7          | 7.8          |
| 1986-87       | 4.5        | 4.7          | 10.2         |
| 1987-88       | 3.4        | 3.0          | 5.4          |
| 1988-89       | 4.4        | 3.9          | 8.5          |
| 1989-90       | 5.4        | 4.8          | 4.1          |
| 1990-91       | 3.9        | 4.8          | 7.3          |
| 1991-92       | 4.1        | 4.6          | 5.4          |

Source: Ministry of Labor and Social Welfare, ILO Year Book of Labour Statistics, and UNCTAD, Handbook of International Trade and Development Statistics and its supplement, various issues.

Increased unemployment occurred primarily through two processes: (a) migration from farms to non farm areas or transferring primary unemployment from agriculture to nonagricultural activities, and (b) slow growth in the industrial and other sectors or even increases in lay-offs. Young people are particularly affected by rising unemployment. In Uganda, adults of 16 to 25 years of age accounted for about 55 to 60% of total unemployed in 1985<sup>5</sup>.

<sup>5</sup> Many of the rural people migrating to non agricultural employment have continued to reside on farms. Moreover, off-farm incomes and employment are becoming of increasing importance to farm families in Uganda.

Figure 2: Trend of Unemployment, Uganda, 1970-1993



Source: Ministry of Labor and Social Welfare, and Yearbook of Labour Statistics, ILO, Genève (a) preliminary

Another aspect of unemployment is that the reasons for it have changed. The new entrants to the labour force are not finding jobs, because of deficient demand for their labour rather than from frictional reasons. Moreover, many workers in Uganda, having lost their jobs are not able to find new ones. The burden of economic adjustment fell disproportionately and harshly on these people.

As bad as was the impact of the crisis on unemployment, the effect on real wages was worse. Between 1985 and 1989, average real wages in Uganda fell by 83%, an extraordinarily damaging occurrence. Public sector employees (through stricter budget policies), and farm laborers have shared a heavier burden than other groups in society<sup>6</sup>.

The figures on employment growth in Table 3 reveal a surprising pattern. In the worst years of the crisis (1986 to 1989), employment in the Ugandan economy grew by 4.1%, more than in the previous three years. Quite a number of the unskilled and minimum wage workers who were entering the labour force were finding some kind of work.

What kind of work was it? Employment expanded largely in the categories that are easiest to enter: (1) non-remunerated family worker, (2) self-employed worker, (3) daily low paid jobs, and (4) the informal sector. Apparently, the supply of additional workers at lower real wages enabled employers to hire more workers. What did happen was that the mix of employment shifted in favor of the poorer jobs<sup>7</sup>.

### III. COSTS OF ADJUSTMENT AND RURAL-URBAN MIGRATION

#### A. The employment and income costs

In assessing the employment and income costs of restructuring of the Uganda economy (social costs), it is important that we focus on both the short-run transitional costs shared by farmers, unskilled or low paid laborers, women, low income-families and on the welfare of the society in the long-run. The ongoing changing market conditions and changes in technology, will involve significant social costs for a number of occupational groups and certain geographical areas.

The typical adjustment programme thus has four types of costs.

**First**, the effort to restore macroeconomic balance, usually depresses output, employment, and consumption in general. It means that social costs increase.

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<sup>6</sup> Lower level of inflation brought about some improvements in real wages in the latter half of 1990 and in 1991. However, inflation is going up again, and by the end of 1992 early 1993 stands at about 50 to 60 percent.

<sup>7</sup> During the same period informal sector employment (persons with low levels of education doing odd jobs on the streets or in small establishment), increased both absolutely and relatively.

**Second**, the human capital of the poverty groups which cannot be drawn into the restructuring of production suffer most<sup>8</sup>.

**Third**, because of the reallocation of resources between sectors and activities, businessmen and employees in previously favoured activities are likely to suffer substantial declines in employment, incomes and welfare.

**Fourth**, some transitional costs arise because resources do not move instantaneously and effortlessly among alternative uses in response to changes in relative prices<sup>9</sup>.

These transitional costs are largely unavoidable. The hope is that in the long-run the benefits will trickle-down and the effects of growth (as it permeates the economy) would both outweigh the transitional costs and eliminate unemployment. Following the pattern experienced by other developing countries (Chile, Ecuador, Bolivia, Kenya, Zambia, etc.), this transition may take as long as five years or more before employment begins to improve.

The IMF and WB supported adjustment programmes for Uganda have sought to remove distortions in product markets, in order to generate a more efficient allocation of resources. This liberalization process has inevitably changed the rates of return in different sectors of the economy, the employment and the incomes generated. Incomes of farmers producing food commodities have increased relative to incomes of farmers producing traditional exports commodities and relative to urban incomes. Similar trends are found in Brazil, Chile, Ghana, and Cote d'Ivoire which have undergone market and price liberalization policies.

But not all farmers benefit from these price changes. Some are poorly served by infrastructure services, and are not in a position to raise output in response to improved price incentives.

It is obvious that, simply of reviving of growth is not enough to increase employment or protect the poor during the restructuring of the economy. For example, Uganda has been unable to prevent some deterioration in social conditions despite an average GDP growth of about 5.5% between 1987 to 1991<sup>10</sup>. It is difficult to know which of three causes accounted most for this deterioration: a) inappropriate past policies; b) the unfavorable international economic environment; or c) the adjustment policies.

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<sup>8</sup> Cut in social services occur and the new prices for health, education services and other utilities are out of reach because of low purchasing power.

<sup>9</sup> A liberalization and privatization policy, for example, cannot avoid losses to labour and capital employed in protected industries.

<sup>10</sup> Brazil, Sri Lanka and Costa Rica, despite GDP growth, were unable to prevent some deteriorations in unemployment, incomes and in several health indicators.

## B. Unemployment and education

The crisis in the course of the 1980's brought a deterioration in the quality of employment, inasmuch as the jobs that were created were generally less productive and, therefore, commanded lower incomes. In other words, the employment structure in Uganda has undergone substantial change.

Both underemployment and unemployment have increasingly affected that part of the labour force with secondary and higher education. The sluggishness of both exports and the industrial sector in productive job creation places a heavy burden on the service sector. The crisis, as observed previously, has spurred the growth of informal as opposed to formal activities, bringing about a change in the composition of tertiary employment. This situation has given way to a phenomenon that is acquiring increased importance in Uganda: a mismatch between employment demand and supply, both by job category and by educational level.

The above situation goes beyond purely economic considerations. It is creating a political and social problems with the emergence of an oversupply of highly skilled people who cannot find employment commensurate with their qualifications, and who thus find their aspirations and well being cut short. This education-employment mismatch is a source of social as well as political tension.

If this phenomenon is structural rather than cyclical, it will inevitably entail a reassessment of the Ugandan educational system in all its aspects. In the near future, it will be necessary to pay more attention to the quality of education programs and to promote those special fields where demand is greatest.

Traditionally, public sector employment has been an important component of total employment, in particular of salaried employment. Estimates for Uganda indicates that, the public sector employs between 60 to 70 percent of the work force with higher education (ILO, Blaug). However, given the efforts to contain government spending in recent years, the size of the public sector employment has not increased and this has tended to close an important escape valve for professionals and technicians who cannot find opportunities in the modern private sector. This has also been instrumental in expanding the informal sector employment.

For Uganda, the economic situation described above calls for analysis and new approaches more geared to present and potential economic reality, especially in the area of job creation. However, four limitations stand out in this regard.

**First**, is the international context. In addition to lower coffee prices, Uganda has found it difficult to enhance its growth through increased exports.

**Second**, is the direct impact of the adjustment policies followed by Uganda to deal with the economic crisis such as its fiscal and external imbalances.

**Third**, is the negligible growth of investment that expand output and employment.

**Fourth**, is that the problem of inflation coupled with the stagnation observed in the share of investment with respect to GDP, do not announce well for the future creation of new productive employment.

In this context, it is imperative to reassess the role of the domestic market, particularly with respect to manufacturing including agro-processing as an engine of growth. There is a need to provide the private sector necessary incentives for investment that are supported by appropriate financing and fiscal policy for recovery. The government should play an active role, not so much as employer, but rather as coordinator of overall economic policy.

In the final analysis, short-term measures designed to provide employment to specific groups at relatively low cost are important. In the long-run, the solution to the problem of employment in Uganda must necessarily entail more vigorous growth of the Uganda's output. This needs also to be accompanied by increased use of labour-intensive technologies, the design of policies to increase the productivity of small enterprises, educational policy reforms to bring academia and training curricula into line with the real absorptive capacity of the economy.

### C. Rural urban migration

Accompanying rapid population growth in Uganda has been a shift of population from rural to urban areas. Some people have been pushed off the land because changes in product prices, limited job opportunities provided by slowly expanding agricultural sector, shortage of land available to growing numbers of low-income farmers and money wage rates in rural areas that are actually declining somewhat faster than urban wage rates.

Others have been pulled to the cities by the prospects for higher-paying jobs, better educational opportunities for their children, greater individual freedom in their daily lives including the desire of migrants to break away from traditional constraints of social organizations, and the security of urban extended family relationships.

Whether push or pull factors, in Uganda, the decision to migrate is largely an economic one, and despite the existence of urban unemployment, the migration process can be postulated in response to urban-rural differences in expected, rather than actual, earnings.

Urban migrants in Uganda are predominantly young men and women between the ages of 15 and 25. Various studies in Africa and Asia have provided quantitative evidence of this phenomenon in countries such as Kenya, Zambia, Tanzania, Nigeria, Thailand, the Philippines and Korea. In Latin America a review of rural-urban migration indicated that women now constitute the majority in the migration stream, probably as a result of Latin America's relatively advanced state of urbanization compared with other developing regions.

Even though rural-urban migration rates have accelerated in Uganda, this has not alleviated poverty or reduced unemployment. In fact many migrants find false equal opportunities to improve their welfare. Those finding employment are concentrated in low-paying jobs that are unattractive in other respects as well.

#### D. Some policy implications

One wonders how far the process of rural-urban migration can proceed, particularly where squatter settlements, with no water, electricity and other services, account for an increasing share of the metropolitan population. Social tensions could easily erupt into widespread riots. This situation has important policy implications for development strategies regarding agricultural policy, rural development, and wages and incomes.

One possible way to deal with the problem of rapid rural-urban migration is to have an appropriate design agricultural policies that include programmes of integrated rural development. This could reduce the imbalance between economic opportunities in rural and urban sectors. Institutional needs of agriculture must be given due attention, and economic and non-economic incentives enhanced in support of foodstuffs and export production.

Policies must be designed to stimulate both rural and non-farm incomes in rural areas. Policies to encourage the spread of small scale agro-industries in the countryside, and develop rural social infrastructure would improve income distribution and restrain migration to urban centers.

Finally, the implication of the rural-urban migration issues is that, in Uganda, there is a growing need for a policy package that does not exacerbate the historical trend toward urbanization by artificially creating serious imbalances in economic opportunities between rural and urban areas.

#### IV. A CONCERTED ATTACK ON UNEMPLOYMENT

Given all these difficulties, what should be done in Uganda to arrest growing unemployment and reduce it to reasonable levels or even eliminate it by the year Two Thousand. Essentially, I believe that a two-pronged approach to the problem is required.

**First**, Uganda needs to place a much higher priority on investment in agricultural development and to formulate a comprehensive national food and agricultural strategy.

**Second**, a more concerted attack should be made on the consequences of poverty and unemployment. Improvement of social service systems for the unemployed is needed. As

part of efforts to accelerate economic growth, programs are needed to distribute its benefits more widely<sup>11</sup>.

A. An agriculture and food strategy

With regard to the first part of the attack, Uganda is making determined efforts to restructure its food and agricultural sector and to mobilize increased investments by adopting a more focused and effective agricultural policy. A national food and agricultural policy is now widely accepted as a means of achieving higher levels of employment and integrating agricultural policy with wider economic and social policies. These reforms transcend the past sharp sectoral demarcations in national decision-making.

The restructuring process should be directed primarily to increase production and employment in cotton, coffee and tea, and the agro-industrial/food processing sub-sectors. Such policies are needed to sustain agricultural production, and to enhance its contribution to Uganda's balance of payments and increase employment and incomes in both the rural and urban areas<sup>12</sup>.

There is a need to expanding agriculture's ability to absorb and accommodate new technologies. The research, extension and technological infrastructure to support the expansion of Ugandan agriculture is still weak. Focus should be on financing projects which would enhance the capacity to do more adaptive research and speed up the transfer and adoption of proven technology.

The attack on the unemployment is based on the following assumptions:

- (a) That job creation for the unemployed, is a valid means of reducing the levels of indigence and poverty in Uganda, as are benefits and insurance that offer the unemployed temporary income.
- (b) Social policy instruments designed to alleviate poverty, benefit high percentages of unemployed workers inasmuch as these tend to be concentrated in poor families.
- (c) There is the need to maintain or extend the safety net to both unemployment and underemployment; because the lack of a job has dimensions that go beyond considerations of income.

Direct measures to safe guard the unemployed as a group by national social policy will have to go well beyond what has been done in Uganda so far.

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<sup>11</sup> There are no social policy instruments in Uganda designed specifically for the unemployed.

<sup>12</sup> On the matter of choosing what to try to export, the overwhelming emphasis should be first on the consolidation and expansion of traditional exports. The other issue is on non-traditional exports.

## B. Special labour-intensive employment programmes

Direct measures as special employment programs involve the direct hiring by public sector agencies, generally with public funds, of totally or partially unemployed workers to perform specific tasks or services. Generally, their use has been associated with both short-term cyclical problems, and to remedy for seasonal unemployment in rural areas, which is structural and not cyclical<sup>13</sup>.

On a more modest scale, special public work-for-food programmes as recommended by the 1976 World Employment Conference and the 1979 World Conference on Agrarian Reform and Rural Development, can be implemented with emphasis on employment and relief-oriented food distribution<sup>14</sup>.

Special works programmes cannot only generate jobs quickly and effectively augment the incomes of the very poor, but can also yield important productivity increases and stimulate additional economic activity and employment. This latter point has received less attention than it deserves. With more productive labour-intensive infrastructure investment in rural and urban areas, the additional economic activity generated by special works can contribute to a sustained reduction of unemployment and poverty.

Special works can also stimulate private initiative and self-reliance, through community self-help and the creation of labour cooperatives. It is hoped that, in addition to their immediate and direct effect, they will produce multiplier effects which in many cases spur demand and production, and thus ultimately further job creation.

The Latin American experiences with various employment programmes have provided assistance to tens of thousands of participants. The Labour Fronts of the Northeast of Brazil covered some half million workers during most of the periods in which they operated. The most praised programmes are the Chilean Minimum Employment Programme (PEM) and Program of Head of Families (POJH) which covered almost 13 percent of the economically active population in 1983/84. The programmes also received high marks because of the large participation of women and indigent families (see Table 4).

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<sup>13</sup> In Latin America, the most important experience with special employment programmes has come from: Chile's Minimum Employment Program (PEM) and Employment Program for Heads of Households (POJH), in existence since 1976 and 1982, respectively; and Peru's Temporary Income Support Program (PAIT), applied since late 1985.

<sup>14</sup> Pilot projects have been implemented in Argentina, Haiti, Bolivia, Ecuador, and Uruguay in response to loss of employment due to natural disasters and other causes.

TABLE 4. CHILE'S PARTICIPANTS IN PEM AND THE POJH, 1975-88

| Year              | Total | PEM | POJH |
|-------------------|-------|-----|------|
| T H O U S A N D S |       |     |      |
| 1975-80           | 148   | 148 | --   |
| 1980              | 191   | 191 | --   |
| 1981              | 176   | 176 | --   |
| 1982              | 308   | 227 | 81   |
| 1983              | 503   | 342 | 161  |
| 1984              | 337   | 168 | 169  |
| 1985              | 324   | 134 | 190  |
| 1986              | 173   | 88  | 85   |
| 1987              | 134   | 65  | 69   |
| 1988              | 114   | 58  | 56   |

SOURCE: Instituto Nacional de Estadísticas de Chile (INE), and Economic and Social Progress in Latin America, 1987 Report, Inter-American Development Bank, Washington, DC.

The funding for such programmes can be undertaken in spite of external restraints and without fear of significant inflation. It involves a selective spending policy designed to revitalize sectors in which there is an abundance of productive factors and inputs. There is no significant pressure for new imports, and the growth in consumption also generally for domestically produced goods.

## V. CONCLUSIONS

The present adverse economic climate in Uganda has caused labour market conditions to deteriorate precipitously. The rate of unemployment is some 24% to 25% of the labour force. The major worsening in the labour market took place with respect to the export sector. Real wages in this sector which fell by 83% in just six years had affected everyone.

The linkages between macroeconomic conditions, the country's trade balance and the labour market explain why Uganda's agricultural sector suffered more badly from the crisis than did other economic sectors. Thus, high priority must be given to increase agricultural productivity, but this must be combined with specific measures to reach the unemployed.

There is growing understanding in Uganda of the need to turn the swelling tide of unemployment and poverty and contribute to economic recovery by focusing development efforts more sharply on the agricultural sector. It is true, however, that problems of financing, design and implementation and development management should be overcome.

Additionally, there is a need to directly and immediately attack unemployment. The costs of a programme of direct measures to reduce unemployment and generate incomes, lie within the capacity of Ugandan resources. Experiences show that employment programmes constitute an effective means of creating jobs and incomes during period of recession, providing positive social results, and also tackling structural unemployment over the long-run.

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