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Why Persistent Youth Unemployment Amidst a Growing Economy in Uganda

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Executive Statement

This brief is extracted from a report by Mbowa et al (2013)¹ and illustrates the big fact that benefits of a growing economy are accruing to a relatively small proportion of population because growth in the services and industrial sector is not yielding commensurate jobs for the bulging youthful population. Overtime the structure of Uganda's economy has changed with services and industry overtaking agriculture in terms of sectorial contribution to GDP. However, despite this change in structure, agriculture still employs the largest proportion of the working force². This implies that the largest share of the labour force (over 60 percent) contributes less than 25 percent to GDP. In the short to medium term agriculture will remain the major source of employment for the majority of the youth. This call for increasing agriculture productivity along the entire agriculture value chain.

Introduction

Uganda is experiencing a rapidly growing young workforce, with limited growth in employment opportunities despite the relatively high GDP growth rates averaging about 6 percent per annum in the last two decades. The youth population (aged 18 to 30 years) in Uganda is substantial and makes up approximately 21 percent of the total population of approximately 33 million. Of the total unemployed population in Uganda, 63.7 percent are youth (UBOS 2012¹). In the last ten

years, growth in agriculture which employs about 66 percent of Uganda's population has been slow compared to growth of services and industry (including manufacturing) (Table 1). Agriculture remains the more employment-intensive sector in Uganda (Table 1), and in the short and medium-term, the vehicle for expanding youth employment opportunities lies in developing and transforming the agricultural sector. This calls for the development of clear and elaborate agricultural value chains right from the input level, production, all the way to agro processing and marketing.



1. The National Labour Force and Child activities Survey 2011/12

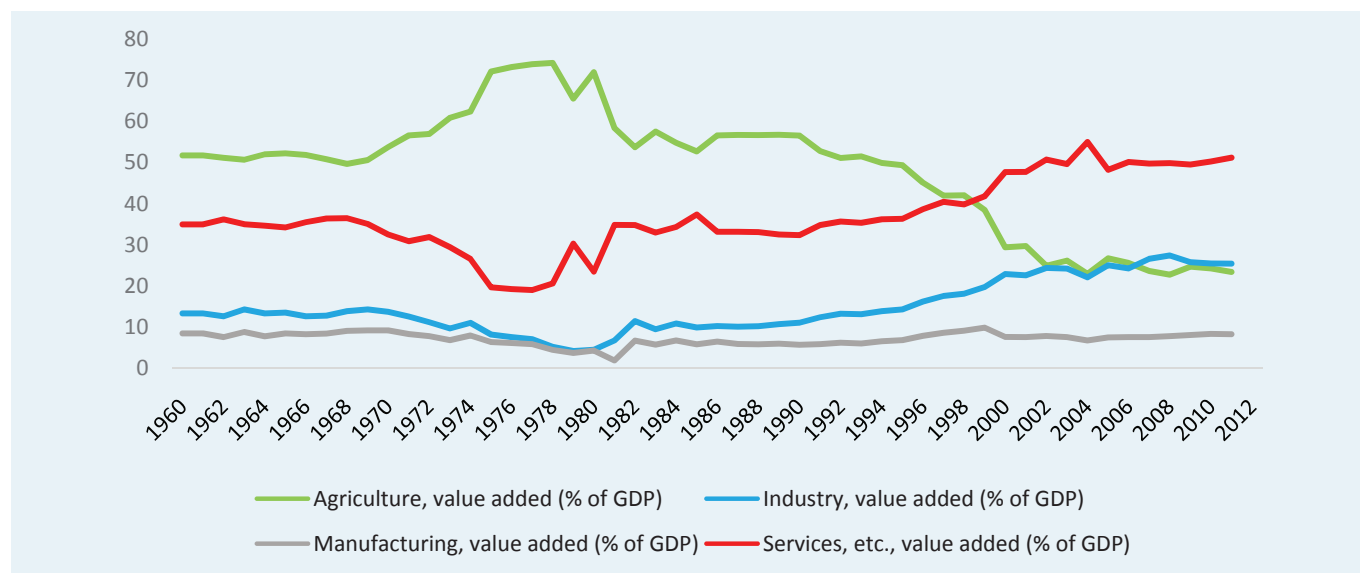
Table 1: Trends in (%) GDP Growth Rates by Sector and Employment, 2000/01-2009/10

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Real GDP Growth rates at basic prices													
Total - Overall	5.2	9.1	6.6	6.4	6.6	10.3	6.9	7.9	7.0	5.9			
Agriculture, forestry and fishing	7.9	7.1	2.1	1.6	2.0	0.5	0.1	1.3	2.9	1.8			
Industry	3.3	7.4	9.5	8.0	11.6	14.7	9.6	8.8	5.8	7.2			
Services	4.9	11.0	7.4	7.9	6.2	12.2	8.0	9.7	8.8	6.6			
Employment by sector (%)													
Agriculture	-	-	66.0	69.0	-	72.0	-	-	-	66.0			
Industry	-	-	7.0	8.0	-	5.0	-	-	-	6.0			
Services	-	-	22.0	24.0	-	23.0	-	-	-	28.0			

Source: World Databank, World Bank, 2012

Structural transformation and Employment Dynamics in Uganda

Figure 1: Sectorial Contribution to GDP



Source: World Bank Data Bank, 2013

Over the years the structure of Uganda’s economy has been transforming from agriculture being the leading contributor to GDP to services taking the lead and industry (including manufacturing) following second position (Figure 1). This change in structure has been largely due to faster growth rates in the services and industry sectors compared to agriculture whose growth has generally been low (Table 1). However, **despite the higher growth rates experienced by the services and industry sectors, labour absorption in these two sectors has been very slow leaving agriculture the leading employer** (despite agriculture’s declining share of total GDP) (Table 1).

The results in Figure 2 show that agriculture remained the major employment-intensive sector in Uganda, followed by

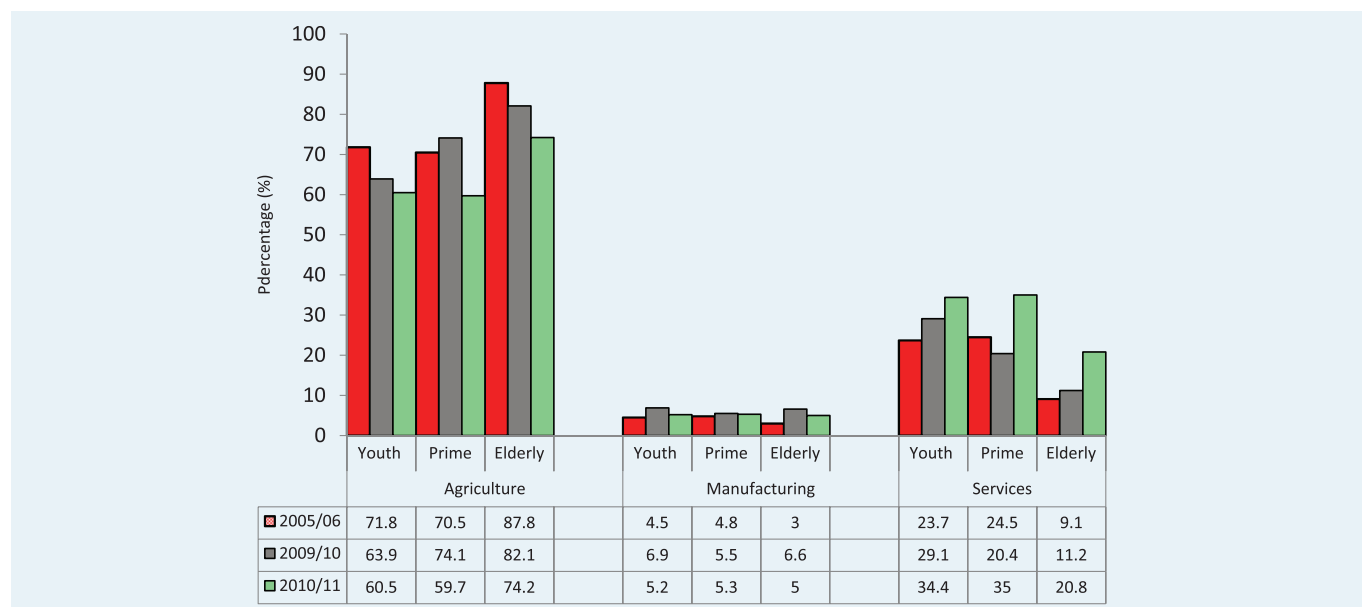
the services sector between 2005 and 2011. Employment in the industry sector remained rather static at about 5 percent regardless of life cycle. The slow growth in the employment rates in industry can be attributed to among other things the limited growth in manufacturing. Growth in the industry sector has mainly been driven by the construction subsector which is less labour intensive.

Statistics show rising trends in the employment levels in agriculture and services as percentage of the total employment before 2005/06 and reduction in the employment in industry. However, since 2005/06, the employment in agriculture as a percentage of total employment has been falling while that in services has continued to rise, (Table 1 and Figure 2). These changes have occurred in all age groups. However, the changes have been more pronounced in the youth and prime age groups. As noted before, the pace of the changes have

not matched the growth rates in the different sectors leaving a larger portion of the labour force depending on agriculture. This has consequences in terms of income distribution and employment opportunities.

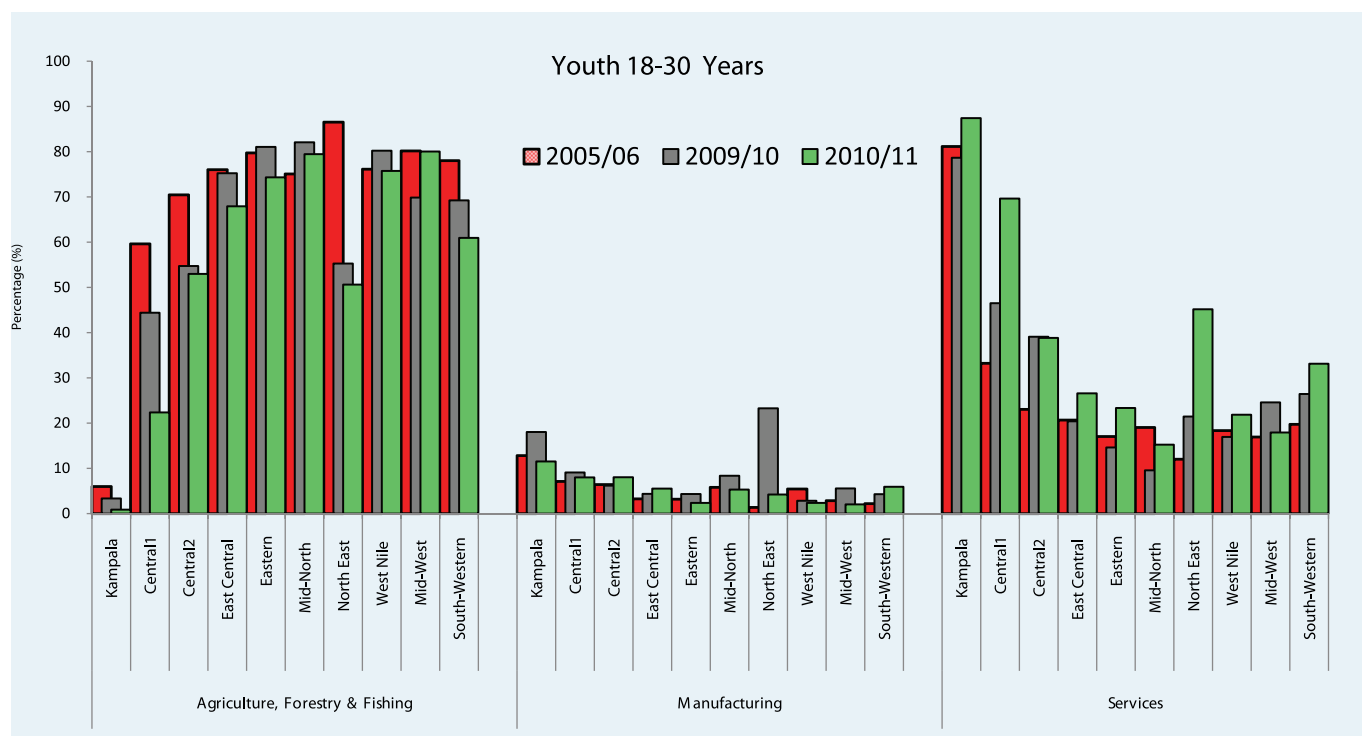
Similar trends and patterns in the life cycle inter-sectorial labor reallocations in Figure 2 are observed at sub-regional level in Figure 3. What is worth noting is that the influx of labour force from agriculture to the services sector is happening more in the urbanized sub-regions of Kampala and Central 1. Such a 'transformative' process in labour

Figure 2: Life Cycle (%) Distribution of Employment by Sector



Source: Authors computations from 2005/06 UNHS & 2009-12 UNPS data

Figure 3: Life Cycle inter-sectorial Labor Movements across sub-regions in Uganda



Source: Authors computations from 2005/06 UNHS & 2009-12 UNPS data

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movement seems limited in the rest of the sub-regions, and agriculture remains the key source of employment in Uganda.

This strengthens the fact that agriculture remains a priority sector to government in solving the unemployment and boosting incomes in the country especially in the rural areas. Figure 3 further reveals that over 20 percent of the youth were involved in manufacturing in the North-East (Karamoja) region around 2009/10. This finding maybe picking on labour in mining and quarrying activities used in the construction of valley dams at the time.

Conclusions and Recommendations

In the short and medium term development of agriculture still has a role to play in solving the youth unemployment problem in rural Uganda since employment growth rates in industry and services sectors are not-so-encouraging. Only a small proportion of the working labour force is gradually transitioning to the services sector and mainly in urban sub-regions (like in Kampala and Central 1).

Employment in the manufacturing sector is rather static. High priority lies in ensuring that productivity in the agricultural sector is increased, as this is where the bulk of the population still derives a livelihood.

Efforts to create jobs for the young labour force need not be obscured in agricultural development policy documents meant mainly to articulate ways to accelerate general agricultural growth and improve food security as usually done³. There is need to initiate a platform to reinvigorate a discussion on how to address employment matters for the growing youthful labour force more importantly via agriculture, and the services sector that is gaining ground as an employer of the growing labour force. This calls for the development of elaborate of agricultural value chains right from inputs, production, all the way to agro processing and marketing. Value addition accruing from the development of agricultural value chain will go a long way in absorbing the excess labour, improving income as well as boosting agricultural productivity.

Endnotes

1 Mow, S., Ahaibwe, G., and Lwanga, M.M. (2013). Insights on opportunities for youth employment in agricultural value chains: the case of maize and coffee. Unpublished economic Policy Research Centre (EPRC) Working Paper. Plot 51 Pool Road, Makerere University, Kampala Uganda.

2 The World bank (August 2013). About the Second Economic Update-What is the Uganda Economic Update?

3 Brooks, K., Zorya, S., and Gautam, A. (2012). Employment in Agriculture. Jobs for Africa's Youth. International Food Policy Research Institute (IFPRI).

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