Jobs Critical to Increasing Productivity and Transforming Ugandas Economy

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With an unemployment rate of below 5 percent, Ugandans are working hard, but involved in low productivity formal and informal sector activities
Ugandas economy has the potential to grow more than the estimated 5 percent during 2013, and the country could attain middle income status by 2040, if the government can ensure economic stability to support the implementation of long-term fiscal and structural policies.
The second Uganda Economic Update (UEU), launched today by the World Bank, projects a growth rate of 6.5 percent by 2014, much higher than the current rate of 3.4 percent, despite the economic challenges of the past five years. The UEU credits this promise for recovery to the renewed macro-stability and increased public investments to address binding constraints to growth. The UEU also underscores the importance of accelerating diversification of the economic base through new sources of employment for Ugandas rapidly growing and fast urbanizing labor force, even as the agricultural sector remains the predominant employer for the foreseeable future.
"While Uganda's economy has grown significantly over recent years and will continue to do so into the foreseeable future, at present a significant proportion of the country's population is not benefiting optimally from this growth, says Philippe Dongier, the World Bank Country Director for Uganda, Tanzania, and Burundi. "The vast majority of Uganda's labor force remains employed in low productivity activities. This is largely because the most productive, rapidly expanding economic sectors are more likely to be capital intensive than labor-intensive and to utilize only a small proportion of the labor force.
The report projects that access to decent jobs will continue to be driven by the transformation of production, demographic changes and the process of urbanization. "With transformation, jobs in the manufacturing and services sectors could impressively double to six million by 2020. Even then, the bulk of the workforce will likely remain employed in the agricultural sector, mainly because it is performing the role of residual employer.
To ensure that a greater proportion of the Ugandan population has access to good, productive jobs, the UEU urges the government to implement five measures, namely (i) creating better jobs on the farm; (ii) making the informal sector more productive, especially in urban areas; (iii) improving survival, growth and productivity in the formal sector; (iv) ensuring that the labor force develops appropriate skills and (v) promoting a more efficient urbanization process to support firm growth and job creation in urban areas.
"With Ugandas labor force growing above 4 percent per annum, Uganda can add 10 million potential workers into the labor market by 2020, adding to the challenge of creating goods jobs and achieving equitable growth, says Rachel Sebudde, the Banks Senior Economist for Uganda, and the lead author of the report. "The challenge for Ugandan policy makers will be to manage the labor force's transition from a predominant involvement in low productivity subsistence agriculture to increased involvement in higher productivity manufacturing and services sector.
The report acknowledges that the governments policy agenda on jobs is complex and impact will likely mainly be realized in the medium to long run, however, notes that the agenda for action has to be concrete and clear to the stakeholders.
"In the short term, the government should aim at prioritizing agriculture so as to increase productivity in this this sector as this is where the bulk of the population works. Governments current efforts in this direction are commendable, says Ahmadou Moustapha Ndiaye, World Banks Country Manager in Uganda. "However, people are also moving off the farm and will continue to do so if agriculture is to raise productivity requiring similar attention off the farm by addressing constraints in the non-agricultural sectors.
In order to address constraints in the non-agricultural sectors, the report recommends four short term actions that can create impact on the job creation agenda: (i) buttress large firms by supporting growth of clusters and full value chain for strategic sectors, such as light manufacturing, exportable, building and construction industry and oil industry (ii) Improve the business environment by industrial zoning and innovative financial solutions that can improve survival of small and medium term enterprises, which will remain an important source of formal employment; (iii) Create a matching grant for the informal sector operators while exploring linkages between large industries and small and mainly informal manufacturers; and (iv) Building urban infrastructure to ease movement of people and products.

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