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# Youth Employment Policy Note

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## Introduction

This policy note focusses on the Uganda's youth employment challenges and on key actions that the Government of Uganda (GoU) could take to strengthen policies and programs for youth employment. This note summarizes why job prospects for youth in Uganda remain poor. It then takes materials from stock take of youth employment initiatives in Uganda to examine the existing policy framework and overall status of youth employment programs in Uganda. After setting out the features of some effective youth employment programs from international experience, this paper concludes with recommendations for adopting a *comprehensive approach* towards youth employment programs in Uganda by bringing together supply side and demand side interventions to simultaneously address interrelated objectives:

- Promote job creation in labor intensive agri-business and agro-processing sectors
- Improve the quality of jobs young people already have (many in the informal sector)
- Help prepare young job seekers for jobs or move from low to higher quality job

### 1. Uganda's Economic Overview and Youth Employment Challenge

**Uganda has performed well in terms of economic growth and poverty reduction over the past two decades despite a recent slowdown.** In per capita terms, Uganda's income growth averaged 4% during the 2000s and is well above Sub Saharan African (SSA) average of 0.8%<sup>1</sup>. This growth has benefitted the poorest households with Uganda managing to reduce the proportion of households living in poverty from 68.1% in 1992/93 to 33.2 % in 2012/13<sup>2</sup>. Accordingly, Uganda met its first Millennium Development Goal of halving poverty by 2015.

**Despite the overall progress, however, Uganda remains one of the poorest countries in the world with a gross national per capita of \$660 in 2014.** Vulnerability remains widespread and about 7 million Ugandans live below the poverty line<sup>3</sup>. Towards the end of the 2000s, growth has slowed down due to external shocks such as increases in international commodity prices (i.e. coffee, tea, tobacco and oil) along with internal constraints including the effects of climate change on weather patterns and errors in fiscal management.

**Uganda is a very young country, and this represents both an opportunity and a challenge.** Uganda's labor force is growing at about 4% per annum and adding to the challenge of creating goods, jobs and achieving equitable growth. Uganda's population reached almost 40 million in 2015 with 82% of the population under the age of 35. The country has now the second youngest population in the world after Niger (median age of 15.9 for Uganda) and will continue growing rapidly with a fertility rate of 5.91 children per woman<sup>4</sup>. Over 800,000 young Ugandans (15 years and older) are projected to enter the labor force by 2020.

**Job prospects for youth remain poor.** Uganda's past growth created jobs, but with a fast-growing labor force, only a small fraction got into productive employment, leaving the bulk of labor in low value-added activities, particularly in agricultural, and informal and household enterprises sectors of services or

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<sup>1</sup> Uganda Economic Update, 2013, WBG

<sup>2</sup> Uganda Systematic Country Diagnostic, 2015, WBG

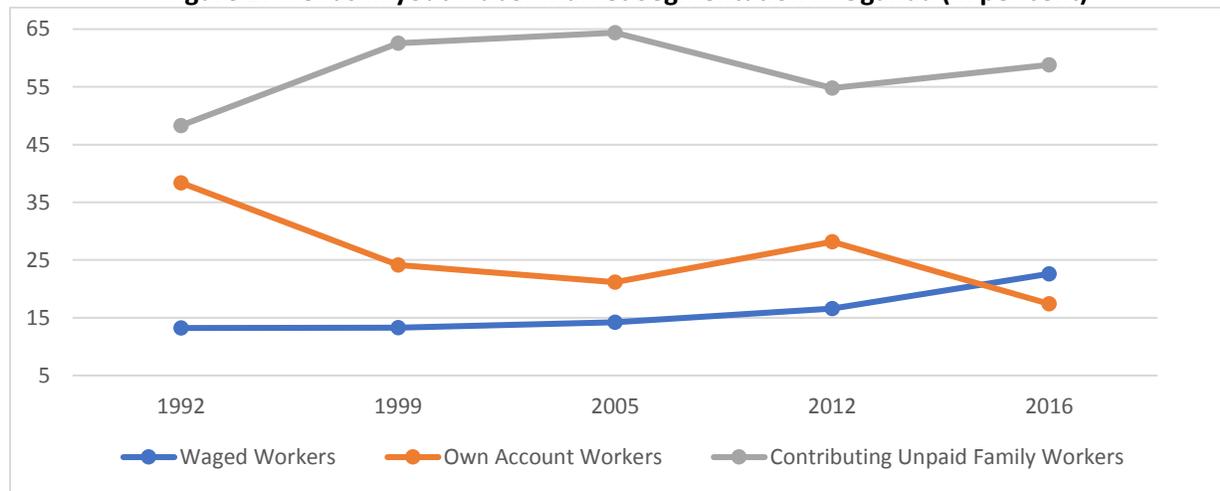
<sup>3</sup> Uganda Systematic Country Diagnostic, 2015, WBG

<sup>4</sup> World Population Prospects 2017, Department of Economic and Social Affairs, United Nations

manufacturing. Between 1991 and 2012, Uganda’s GDP growth of 6.8% was associated with employment growth of 2.6%, significantly short of the labor force during that period (3.1 %)⁵. Youth (aged 15-29)⁶ years, as elsewhere, are affected by the slow job growth rate.

**Youth Employment Challenge in Uganda is about underemployment- low wages and productivity.** Youth unemployment is variously estimated to range between 6 to 11 %⁷. While the unemployment rate is relatively low, unemployment is not an option for the poor and unskilled. Most people take on any job or create their own employment, mainly in the informal sector. Over 90% of the youth are in the informal sector⁸, working in low productivity jobs, with no contract and with no social security.

**Figure 1: Trends in youth labor market Segmentation in Uganda (in per cent)⁹**



It is estimated that 68% of young men and 83% of young women are either self-employed or unpaid family workers¹⁰. 61% of the youth population faces underutilization¹¹. Employed youth in Uganda work for an average of 32 hours per week which is less compared to other low-income countries (37 hours) as well as countries in SSA region (39 hours)¹². The country has no unemployment insurance or other social protection schemes. Access to formal social security is extremely limited in Uganda, only 5% of the working population is covered by a formal pension scheme and only 4.5% receive some form of direct income support¹³.

⁵ ILO: Employment Diagnostic Analysis

⁶ Ugandan definition

⁷ The “strict” definition of unemployment refers to persons without work, available to work and actively engaged in a job search. The “broad” definition excludes the job search criteria. The youth unemployment rate is the number of unemployed persons divided by the youth labor force (employed plus unemployed).

⁸ UBOS/ILO-SWTS

⁹ UNHS 2016

¹⁰ World Bank I2D2 database

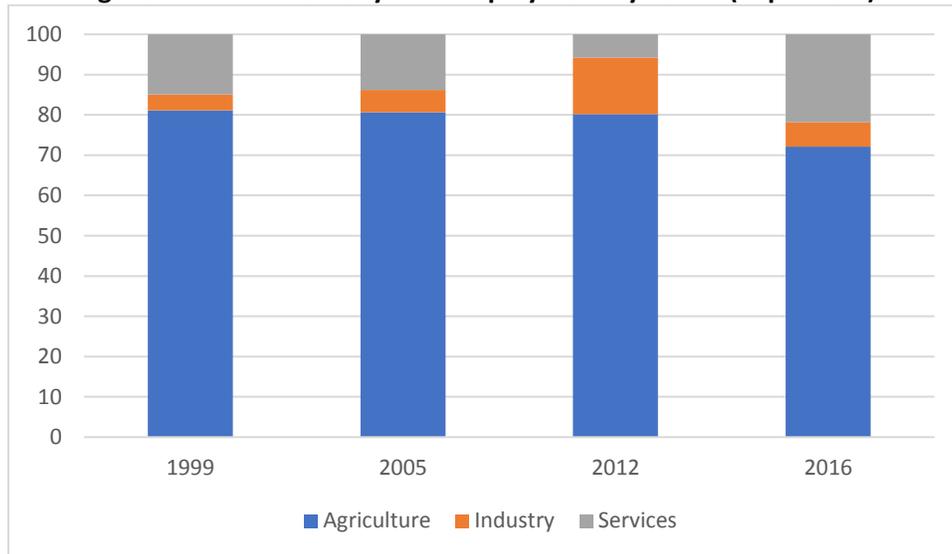
¹¹ UNHS 2016 (Underutilization means working < 35 hours per week)

¹² UNHS 2016

¹³ Uganda: Promoting inclusive growth synthesis report

The main sectors that employ young people are agriculture, industry and services.

Figure 2: Distribution of youth employment by sector (in per cent)<sup>14</sup>



72% of the formal and informal youth is employed in agriculture. While the sector employs 2/3 of the overall labor force it accounts for less than 15% of the total wage bill. Despite high proportions of youth in agriculture, a 2014 ILO study revealed that agriculture is the least popular occupation among Ugandan youth. The services sector contributes over 50% of the country's GDP, employs about 22% of the youth in employment. For non-agricultural employment, most jobs are in the informal sector and informality has increased over the past years. Informal employment affects more than 9 in 10 young workers in Uganda. Uganda's has one of the highest rates of informal employment in the non-agricultural sector (95.3% in 2013). Ugandans working in rural areas typically earn less than half of their urban counterparts and wages are particularly low in Northern, Eastern region compared to Kampala and Central region<sup>15</sup>.

**Women and youth in rural areas, face unique challenges.** Female youth face a higher unemployment rate than their male counterparts. Young women are less likely to hold a waged job compared to young men. They represent only 34.4 % of total youth employees<sup>16</sup>. Young women not in education and employment is nearly three times that of young men at 18.6 % and 6.6 %<sup>17</sup> is explained primarily by the inability of many young women to go to school and the early age of marriage and family formation in the country. This results in lower education levels for women and consequently lower rates of transformation from school to productive work. When they do work, they tend to earn less among wage workers, women's wages have been around 50-70% of men's in recent years<sup>18</sup>. Rural youth also has less opportunity to acquire a wage job compared to their urban counterpart. Rural poor youth have less

<sup>14</sup> UNHS 2016

<sup>15</sup> UNHS 2013

<sup>16</sup> ILO/UBOS - SWTS

<sup>17</sup> ILO/UBOS - SWTS

<sup>18</sup> ILO/UBOS - SWTS

opportunity to acquire a wage job compared to urban counterparts because of low skill levels, mobility and information constraints.

The key issues for youth employment in Uganda is the quality of employment and productivity for youth.

### 1. Demand Side Constraints

- *Lagging labor demand due to weak job creation in commercial agriculture and off-farm labor-intensive sectors:* Growth is slowing in services, industry and agriculture. Agricultural GDP is growing slower in Uganda than the average for Sub Saharan Africa<sup>19</sup>. Export growth has also slowed considerably since 2006. As a result, enough jobs are not being created.
- *Small Firm Size:* While firms with more than four employees have increased significantly in recent years, jobs have disappeared elsewhere and the overall number of jobs per firm has fallen<sup>20</sup>.
- *Lack of entrepreneurship support:* Lack of productive Infrastructure and credit are key constraints to entrepreneurship development and to the development of value chains that can create jobs for the vulnerable. Access to credit is difficult for many small firms as they perceived as high risk. Lending rates of traditional financial institutions are high (20-30%) and they do not find it profitable to provide agricultural credit<sup>21</sup>.

### 2. Supply Side Constraints

- *Low functional literacy rates:* Around 60 % of the youth have either no education at all or have only completed primary education<sup>22</sup>.
- *Informal skills development:* For the majority, learning on the job is the main way to learn, and for many, this happens through traditional apprenticeships in the informal sector. The share of low skilled youth reaches above 90% in rural areas, especially among women. In urban areas, the share of low skilled workers is closer to 60 %<sup>23</sup>.
- *Lack of social skills:* Even when they have completed basic education, many still lack cognitive, socio-emotional or technical skills necessary to successfully transition into the labor market<sup>24</sup>.

### 3. Weak access to services and information about livelihoods and employment options

- *Lack of relevant labor market information:* Employers face informational deficits in assessing a job seeker's skills and potential productivity. Job seekers face informational deficits in terms of skills acquisition and job search.

Job creation will become an even greater social and demographic challenge for Uganda as more youth enter the labor force. There are large opportunity costs to inaction. The high share of labor underutilization among youth can limit growth and exacerbate social tensions.

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<sup>19</sup> Uganda Jobs Diagnostic, World Bank Group- SPJ

<sup>20</sup> Uganda Jobs Diagnostic, World Bank Group- SPJ

<sup>21</sup> Youth Employment in Sub Saharan Africa

<sup>22</sup> UNHS 2016

<sup>23</sup> Various

<sup>24</sup> ILO/UBOS - SWTS

## 2. Existing Youth Employment Programs in Uganda

### 2.1 Uganda's Youth Employment Policy Framework

Improving youths' job prospects and productivity, especially among the *most vulnerable*, is a key priority for the Government in Uganda. This is reflected in national policies that prioritize youth employment and are aligned with the overarching frameworks of Uganda's National Development Plan (NDP II) 2015/16 to 2019/20 and Vision 2040. NDP II identifies youth unemployment as one of the major impediments to Uganda's growth and proposes to address labor demand side and labor supply side conditions to bolster employment expansion<sup>25</sup>. Vision 2040 proposes to leverage the under-exploited sectors such as oil and gas, tourism, minerals, ICT, business, the abundant labor force, geographical location and trade, water resources, industrialization, and agriculture to fuel the development process<sup>26</sup>. Both the Vision2040 and NDP II emphasize a private sector-led development approach for Uganda and therefore, employment opportunities are expected to emerge from private sector growth.

The government's National Employment Policy (NEP), National Action Plan for Youth Employment (NAPYE) and Green Growth Development Strategy are key policies that support government programming and action on youth employment and livelihoods within Uganda.

**Table 2: Key policies impacting youth employment agenda in Uganda**

Policy	Period of Implementation	Coordinating Agency	Provisions related to youth employment
National Employment Policy (NEP) <sup>27</sup>	2011-Present	Ministry of Gender, Labor and Social Development	<ul style="list-style-type: none"> <li>• Policy recognizes unemployment challenges faced by youth: low levels of productivity, limited training, lack of access to credit and limited access to inputs for micro-, small- and medium-sized enterprises such as improved seeds, animal feed, farming tools and equipment, and machinery</li> <li>• Recommends spending on sectors that have the potential to contribute to economic growth, promotion of employment and productivity for sustainable livelihoods</li> </ul>
National Action Plan for Youth Employment (NAPYE) <sup>28</sup>	2015- 2020	Ministry of Gender, Labor and Social Development	<ul style="list-style-type: none"> <li>• Focusses on strengthening policy and legislative framework for youth employment generation</li> <li>• Emphasizes improving the effectiveness of education and skills development strategies, career guidance, increasing youth enterprises development and sustainability</li> </ul>

<sup>25</sup> National Development Plan II- <http://npa.ug/wp-content/uploads/NDPII-Final.pdf>

<sup>26</sup> Uganda Vision 2040- <http://npa.ug/wp-content/themes/npatheme/documents/vision2040.pdf>

<sup>27</sup> NEP: [http://www.youthpolicy.org/wp-content/uploads/library/2011\\_National\\_Employment\\_Policy\\_Uganda\\_Eng.pdf](http://www.youthpolicy.org/wp-content/uploads/library/2011_National_Employment_Policy_Uganda_Eng.pdf)

<sup>28</sup> <https://www.monitor.co.ug/News/National/Govt--Shs890b-plan--youth--unemployment/688334-3873586-r4lsmoz/index.html>

			<ul style="list-style-type: none"> <li>• Also, for improving equity in youth employment opportunities</li> </ul>
Green Growth Development Strategy <sup>29</sup>	2017-2030	National Planning Authority	<ul style="list-style-type: none"> <li>• Focuses on achieving economic growth through targeted investments in priority sectors with the highest green growth multiplier effects</li> <li>• Aims to achieve inclusive economic growth with poverty reduction, improved human welfare and employment creation</li> <li>• Ensuring social and economic transition is achieved through a low carbon development pathway that safeguards the environment and natural resources</li> </ul>
Business, Technical and Vocational Education Training Act	2012-2022	Multiple <sup>30</sup>	<ul style="list-style-type: none"> <li>• Policy acknowledges need for skills training as a key prerequisite for the enterprise development</li> <li>• Helping establish entrepreneurship training in schools and universities with the aim of instilling practical knowledge and skills in youth to become job creators</li> </ul>

Vision2040 and the NDP II address labor demand side conditions as they outline strategies for lifting constraints to investment and firm growth including, infrastructure, trade competitiveness etc. However, within government policies on youth employment, mentioned above, the labor demand side is less stressed relative to the focus on skills building and entrepreneurship. The dominant assumption underpinning employment policy frameworks is that youth lack the skills required in the labor market or to perform in businesses. While quality gaps in the education and high dropout rates (especially for women) are key constraints to employability, the primary challenge in Uganda remains limited labor demand growth.

## 2.2 Youth Employment Programs in Uganda

The Ministry of Gender, Labor and Social Development (MGLSD) has the mandate for the overall agenda on youth employment in Uganda. Many other ministries such as - The Ministry of Education and Sports, the Ministry of Agriculture, the Ministry of Trade, Industry and Cooperatives, and the Ministry of Finance, Planning and Economic Development- are critical stakeholders and lead parts of the agenda. Many international agencies work with the government directly or indirectly on youth employment especially the World Bank, DFID, UNICEF and the European Union. In addition, many youth employment initiatives are non-government- implemented by the private sector or local NGOs.

A comprehensive review of youth employment programs in 2017/18<sup>31</sup> revealed that 76% of youth employment interventions in Uganda are *supply-side interventions*, promoting investment in skill development programs and the remaining 24% are *demand-side interventions*. Supply-side interventions

<sup>29</sup> <http://npa.ug/about-mpa/uganda-green-growth-development-strategy/>

<sup>30</sup> Business, Technical and Vocational Education and Training (BTJET) Department and the Directorate of Industrial Training within the Ministry of Education and Sports

<sup>31</sup> Comprehensive Mapping of Youth Demand and Supply Side Policies, Programs and Services in Uganda- Yusuf Kiranda, 2017

focus on connecting youth with jobs and earnings opportunities, which include training and skills development programs, employment and intermediation services and subsidized employment interventions. Demand-side interventions include programs that address constraints to growth like financing gaps, capacity, access to markets, or information gaps and coordination failures.

Over 90% of all youth employment programs are government-led. Supply-side programs take up the bulk of government interventions on youth employment (90% of government programs could be classified as supply-side interventions). 75% of these supply side programs have a component on formal/informal apprenticeships largely concentrated in urban and peri urban areas in Uganda. Some of the notable programs are: Youth Livelihood Program, Skilling Uganda BTVET, Youth Apprenticeship program and Uganda Skill Development Facility. A recent experiment<sup>32</sup> comparing vocational training and apprenticeships in Uganda found that for firms getting a subsidized worker to train via an apprenticeship, there isn't a significant growth in employment. Often these workers are elbowing out potential non-subsidized hires. Also, very little of the productivity gains of apprenticeships translated into gains for the workers.

Demand-side interventions are fewer and are largely a combination of entrepreneurship and business support programs. Interventions for starting household enterprises and increasing self-employment which combined skills training with finance or mentorship support have shown some positive results in Uganda. Similarly, government interventions like Development Response to Displacement Impact Projects (DRDIP) and non-government programs like Agricultural Business Initiative, targeted towards agricultural value chains development are leading to an increase in household income. This is a particularly important approach for youth employment in Uganda given the high share of rural youth. While value chains related to coffee, fisheries, cassava and apiculture exist, Uganda also has the opportunity to further invest in these and the following value chains upgrading domestic production as a substitute for imports and at the same time creating new and more jobs<sup>33</sup>: rice and other cereals, meat, Processed fruit and vegetables, sugar and confectionary products, alcoholic and non-alcoholic beverages, tea, cocoa, cotton and apparel as well as the leather manufacturing industry.

**Table 3: Youth Employment Interventions showing positive results in Uganda**

<p>Technical and Vocational Training plus finance</p>	<ul style="list-style-type: none"> <li>• In post-conflict Uganda, TVT and finance together, under NUSAF -1 had positive employment and earnings effects, which was stronger for male participants<sup>34</sup>.</li> </ul>
<p>Business skills plus life skills and mentorship.</p>	<ul style="list-style-type: none"> <li>• WINGS program in Northern Uganda found a cash grant and business skills training increased employment, even in a post-conflict area<sup>35</sup>.</li> <li>• Educate!, a life skills and mentorship intervention for youth in secondary schools had a positive earnings effect and increased the like hood that participants were engaged in self-employment<sup>36</sup>.</li> </ul>

<sup>32</sup> Vocational training vs. apprenticeships: A Ugandan showdown

<sup>33</sup> Uganda production potentials, comparative advantages and job potentials: Nadege D Yameogo

<sup>34,34,35</sup> The evidence is in: How should youth employment programs in low income countries be designed? Fox and Kaul, 2017

	<ul style="list-style-type: none"> <li>• When combined with life skills training and mentorship, business skills had positive effects and employment of young women under the Employment and Livelihoods for Adolescents (ELA) program<sup>37</sup>.</li> </ul>
Agricultural Value Chains	<ul style="list-style-type: none"> <li>• In order to expand economic opportunity in 11 refugee-hosting communities, DRDIP is working at the district level to help form producer groups by establishing private sector and financial institutions linkages and providing strategic investment funds and productive infrastructure which has led to increasing in beneficiary income (Current SPJ experience in Uganda).</li> </ul>

Given that demand for labor appears to be constraining job opportunities with economic transformation in Uganda, these programs will continue to lack effectiveness if demand for young labor does not increase. Other key active youth employment programs are detailed below:

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<sup>37</sup> The evidence is in: How should youth employment programs in low income countries be designed? Fox and Kaul, 2017

		Program	Intervention	Implementation/Funding Partner	Target Population	Scale of the program	Period
<b>Government Interventions</b>	Demand Side Interventions	Uganda Women Entrepreneurship Program	Access financial services to women entrepreneurs equip them with skills for expanding markets for their products and services	MGLSD	Women (aged 18-65 years), preference for unemployed and poor/vulnerable. Both urban and rural areas.	Nationwide coverage (all 116 districts).	Started in FY 2015-16, 5-year project
		Youth Entrepreneurship Venture Capital Fund	Lend venture capital debt finance to viable projects proposed by young entrepreneurs, associated mentoring services from participating commercial banks	MGLSD	Targets youth with businesses/enterprises that have been existing for three months,	110 districts	Started in 2017
	Supply Side Interventions	Youth Livelihood Project	Provide youth with marketable vocational skills, provide financial support for youth, provide youth with entrepreneurship and life skills	MGLSD	Unemployed or poor youth (aged 18-30 years). Both urban and rural areas.	Nationwide coverage (all 116 districts).	Started in FY 2013-14, 5-year project
		NUSAF 3 – Improved Household Income Support Program (IHISP)	Group formation, Savings, training + five principles, Market assessment, Business planning/business plans, Grants, Handholding/follow up/technical support	Office of the Prime Minister	Active poor in rural areas, priority to youth and women	100,100 beneficiaries across 58 districts.	2016-2021
		NUSAF 3 Sustainable Livelihoods Pilot (SLP)/JSDF	Community institution building - Group formation (existing groups), Village revolving funds – loans for groups as well as individuals	Office of the Prime Minister	Existing saving groups of poor (priority to women and youth)	9 districts	2016-2019
		Skills Development Project	Systemic institutional reforms in the skills development sector, improvements in the quality and relevance of formal skills development by BTVET sub-sector, expanded access to employer-led short-term training and recognition of prior learning. The project focuses on the agro-processing, manufacturing, and construction sectors.	MGLSD (World Bank Group Supported)			

		Program	Intervention	Implementation/Funding Partner	Target Population	Scale of the program	Period
<b>Non-Government Interventions</b>	Demand Side Interventions	The Agricultural Business Initiative	Strengthen competitiveness and economic growth through increased productivity and value addition in the agricultural sector	Multiple <sup>38</sup>	The agricultural sector in Uganda	Nationwide coverage (all 116 districts)	Ongoing
		Innovations Against Poverty	Non-reimbursable funding to companies to develop innovative models to contribute to against poverty and climate change with a focus on inclusion, empowerment of women and youth	SNV Netherland, SIDA	Urban and rural low-income population with a specific focus on women and youth	Nationwide coverage (all 116 districts)	Ongoing
	Supply Side Interventions	YEM 2.0	Leverage existing initiatives to enable young people have access to skills development, business training, mentorship, health services and information, incubation, financing	UNFPA in partnership with Government of Uganda	Young people at all levels, including the most vulnerable refugee youth	Scaling up 8 districts in Northern Region	Since 2017
		Youth Forward Initiative	Combines market-relevant skills training, mentorship, internships and access to financial services to help young into sustainable livelihoods in the sectors of construction and agriculture	Multiple <sup>39</sup>	Youth aged 15-24 in living on less than \$2 per day, who are out of school, unemployed or underemployed	Nationwide coverage (all 116 districts).	2015-2020
		U Learn	Increase youth competitiveness in the job market through facilitating workforce development and financing mechanism, promoting access to business support services and youth business platforms	Swisscontact, funded by the MasterCard Foundation	15,000 young people in Uganda and Tanzania	Nationwide coverage (all 116 districts).	2011-2021
		STRYDE 2.0	Skills training and post-training mentorship/counselling to develop stronger linkages with agri-businesses, credit groups, vocational colleges, formal employment opportunities	TechnoServe, funded by MasterCard Foundation.	Rural youth (aged 18-30 years).	48,000 rural youths in Kenya, Uganda and Rwanda over four years.	5-year project (2014-2019).

<sup>38</sup> Denmark USAID, EU, Sweden, Belgium, Netherlands Embassy, UKAid, and KfW and Uganda Government

<sup>39</sup> The MasterCard Foundation, Overseas Development Institute, Solidaridad, GOAL, NCBA CLUSA and Global Communities

### 2.3 Overall status of youth employment programs in Uganda

**Table 4: Status of youth employment programs in Uganda<sup>40</sup>**

	Type of program	Assessment
Supply Side interventions	Skills training	<ul style="list-style-type: none"> <li>Disproportional emphasis on supply-side compared to focus on labour demand growth</li> </ul>
	Vocational training	<ul style="list-style-type: none"> <li>Expansion/upgrade in progress</li> </ul>
	Intermediation programs	<ul style="list-style-type: none"> <li>Limited information linking employers and potential employees</li> <li>No official labor market information system in Uganda</li> </ul>
Demand Side interventions	Enterprise development	<ul style="list-style-type: none"> <li>Focussed on self-employment not job creation by SMEs and large enterprises</li> <li>Weak links to government investments in energy and transport infrastructure</li> </ul>
	Value Chains Development	<ul style="list-style-type: none"> <li>Limited but positive impact of agricultural value chains interventions<sup>41</sup></li> </ul>
Institutional	Policy/Capacity Building	<ul style="list-style-type: none"> <li>Youth employment agenda is fragmented</li> <li>Access to formal social security is extremely limited in Uganda</li> <li>Knowledge about policy and program impact is anecdotal</li> <li>On ground implementation issues</li> </ul>

**Youth employment interventions are unbalanced between demand and supply sides.** There is a disproportional emphasis on supply-side compared to focus on labour demand growth. Moreover, there appears to be a limited focus on *comprehensive programs* where some success has already happened in Uganda.

- Most programs address the supply side and are focused on training, largely in technical skills.* Skilling programs are premised on the need to address gaps in the education system: the poor quality of education and high dropout rates. The underlying assumption for most programs is that youth are unemployed primarily because they lack technical and vocational skills, which are needed on the job market. These assumptions, however, do not account for the fact that Uganda's employment challenge is largely a question of limited labor demand growth.
- Youth employment programs are focused on self-employment primarily through entrepreneurship.* Given the shortage of jobs in modern wage firms, self-employment appears to be the viable alternative for new labor market entrants-- the youth. Government's programmatic focus on micro loans and entrepreneurship ventures only stands to contribute to increasing the number of MSMEs relative to the number of Small and Medium Enterprises (SMEs) and large-scale job-rich firms. MSMEs face several challenges to their growth and ability to create gainful jobs including contract enforcement. Emerging self-employment ventures are mostly informal MSMEs that are not able to create enough jobs for new entrants in the labor force. Although

<sup>40</sup> Derived from Comprehensive Mapping of Youth Demand and Supply Side Policies, Programs and Services in Uganda- Yusuf Kiranda, 2017, UNCDF YouthStart Global Inception phase—Youth economic opportunities ecosystem analysis: Uganda Country Report

<sup>41</sup>Current SPJ experience in Uganda under DRDIP

Uganda's policy framework emphasizes the private sector as the major provider of employment, employment support schemes have paid limited attention to private sector development, especially regarding the growth of labour-intensive firms. High self-employment represents a failure of the economy to generate much needed decent jobs.

**The youth employment agenda in Uganda is very fragmented, and coordination is challenging.** Policies on youth employment are coordinated by different ministries, departments and agencies of government. The National Employment Policy states that the coordination role for youth employment lies with the MGLSD, which is responsible for youth, labor and social development broadly. On the other hand, coordination of Vision2040 and the NDP II implementation lies with the National Planning Authority (NPA). Anecdotal evidence suggests that in practice MGLSD has no capacity to coordinate youth-related policies across agencies. Due to difficulties in coordination among government interventions, it is difficult to establish overlaps between programs and initiatives among government and non-government actors. For the same reason, there is no measurement of how the programs have contributed to broader youth employment targets.

- *Existing youth employment programs are piecemeal and are not systematic.* Programs are not linked to broader development objectives across other sectors of government: energy, roads, industrialization which could be leveraged for youth job creation.
- *Knowledge about program impact is superficial and anecdotal.* The Youth Livelihoods Program, the Uganda Women Entrepreneurship Program and Enterprise Uganda are some of the biggest youth employment-related initiatives. There is very little that is known about the efficiency and effectiveness of these programs. Most programs only reference the number of beneficiaries but do not have data regarding the impact on the beneficiaries or targets in improving employment and livelihoods.

**An overall lack of comprehensive labor market information.** There is no official labor market information system (LMIS) operating in Uganda. Though, the need for a labor market information system has been acknowledged for some time. Its implementation has failed due to financial constraints. There is a lack of information to inform relevant and well-targeted policies and projects and information on the part of young people themselves about what is available to help them make the most of their economic potential. Rural populations and women tend not to have as much information about programs and consequently lose out on opportunities to benefit from them.

**On ground implementation issues.** There have been reports of mismanagement of funds allocated for the Youth Livelihoods Program, which is the largest youth employment initiative of the government, which is said to have impacted its effectiveness<sup>42</sup>.

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<sup>42</sup> [https://www.newvision.co.ug/new\\_vision/news/1488994/youth-livelihood-program-initiative-little-impact](https://www.newvision.co.ug/new_vision/news/1488994/youth-livelihood-program-initiative-little-impact)

### 3. Evidence of what works in youth employment programs

#### 3.1 Supply-side Interventions

The growing international evidence base suggests that overall, supply-side interventions have had limited success in increasing employment. Many of these programs have only redistributed existing job opportunities among youth or among age groups<sup>43</sup>. Youth programs in Uganda fail to address a key bottleneck: low demand for labor or limited economic opportunities. This calls for integrated approaches looking at how to stimulate the demand side as well<sup>44</sup>.

**Table 5: International evidence on impact of supply-side interventions**

<b>Program Response</b>	<b>International evidence of the impact<sup>45</sup></b>
Training and skills development programs	<ul style="list-style-type: none"> <li>• Little or no impact in the short run, especially under short duration, or if only in-class training is provided</li> <li>• Clearer positive effects of on-the-job training on employment, earnings and job quality</li> <li>• More effective for specific groups: women and long-term unemployed</li> </ul>
Entrepreneurship programs	<ul style="list-style-type: none"> <li>• Higher impact in terms of employment creation (self-employment) than labor earnings</li> <li>• High variation in target population and outcomes</li> </ul>
Wage Subsidies	<ul style="list-style-type: none"> <li>• They can be useful to counteract negative business cycles in the short term</li> <li>• Lack of appropriate testing on impacts in the long run and potential distortionary effects in the long-term</li> </ul>
Public works	<ul style="list-style-type: none"> <li>• They serve as consumption support/ safety net</li> </ul>
Employment services	<ul style="list-style-type: none"> <li>• Positive short-run effects, although usually small in magnitude</li> <li>• Not likely to have a significant impact in times of weak labor demand</li> <li>• Most evidence comes from developed economies</li> </ul>
Information to (potential) jobseekers	<ul style="list-style-type: none"> <li>• Positive impact on academic achievement and labor market outcomes</li> </ul>
Skills signalling	<ul style="list-style-type: none"> <li>• Positive impact on academic achievement and labor market outcomes</li> </ul>

#### 3.2 Demand-side interventions

The evidence base on the impact of demand-side interventions on jobs is less comprehensive than for supply-side interventions but recent analyses suggest modest employment effects<sup>46</sup> are possible under

<sup>43</sup> The evidence is in: How should youth employment programs in low income countries be designed? Fox and Kaul, 2017

<sup>44</sup> S4YE: Integrated Youth Employment Programs- A Stock take of evidence on what works in Youth Employment Programs

<sup>45</sup> Uganda: How to think about employment interventions

<sup>46</sup> The evidence is in: How should youth employment programs in low income countries be designed? Fox and Kaul, 2017

some circumstances. Some preliminary conclusions are that programs are likely to be more successful if they have the following characteristics<sup>47</sup>:

- **Explicitly target jobs or earnings.** If job creation is the primary objective, the international evidence suggests that capacity building interventions should focus on training and firms that focus on growth (sales expansion, diversification, start-up).
- **Identify and address the binding constraints to firm expansion.** Lack of finance can reflect one or several constraints: an underdeveloped financial sector, information gaps, or capacity gaps. The limited evidence available suggests that entrepreneurial capacity in terms of soft skills like motivation, initiative, and innovative approaches, has high pay-offs for firms and, encouragingly, that entrepreneurial spirit can, in fact, be increased through training.
- **Screen, firms and applicants.** Programs that included intense screenings of applicants, through business plan reviews, psychometric testing, application reviews, interviews, community nominations, etc., are more likely to have an impact on jobs or firm performance.
- **Provide personalized technical assistance.** Personalized technical assistance appears to be more effective than generic training and information services. As with supply-side programs, follow-up and monitoring can also be important to ensure take-up and reduce program fall-out.

**Targeted sectoral Demand Side Interventions.** Value chain development can improve the quality of jobs by raising earnings. Value chain development approaches foster linkages across firms to improve coordination and collaboration among value chain actors, to sustainably improve the access of SMEs, small scale entrepreneurs and self-employed to markets and/or connection to promising value chains through:

- 1) **Aggregator models** – In the case of agriculture, such models combine smallholders into groups of sufficient scale and link them to larger businesses that in turn provide capital, technological packages, insurance, and link to post-harvest markets.
- 2) **Competitiveness reinforcement initiatives** - Value chain development models based on mapping value chains, identifying business opportunities, and designing and implementation of an action plan for each chosen value chain with the aim of improving its competitiveness and job creation.

Countries which have attracted global value chain investments have experienced a significant increase in productive employment in formal manufacturing jobs: in Bangladesh, for example, more than 3 million jobs, a majority of them for women, have been created in the apparel sector, in Vietnam, an estimated 600,000 jobs have been created in the leather value chain; the coffee, garment and cut flower industries in Ethiopia are additional examples of such correlations. Evidence from Ghana, Jordan and Tunisia suggests that the agro-processing sector has high jobs multipliers (World Bank, 2016).

A review by Kidoido and Child (2014) found that a majority of value chains evaluations in developing countries resulted in positive effects on household income. Low unit labor costs due to low wage levels attract value chain investment. For this local advantage to last, productivity must increase over time.

<sup>47</sup> S4YE: Integrated Youth Employment Programs- A Stock take of evidence on what works in Youth Employment Programs

### 3.3 Comprehensive programs

Youth, especially in low-income countries like Uganda, face a multitude of constraints on both demand and supply side. The evidence shows that supply or demand side interventions are not automatically successful in creating jobs for youth or indeed other groups and that design and implementation characteristics matter significantly. As a result, programs are increasingly being designed as a combination of different components. Evidence suggests they are more effective than programs targeting one type of constraint only.

Comprehensive programs have an advantage over single-component programs in low-and-middle-income countries and for vulnerable beneficiaries<sup>48</sup>. This approach recognizes that there can be many market and non-market failures that hold back youth employment. There are recent examples of projects that have tried to use both supply and demand side interventions in a comprehensive approach towards youth employment. Examples from World Bank operations in Tunisia and Mozambique, with similar challenges like Uganda, could serve as framework for a new approach towards youth employment where program focus is on creating potential opportunities for job creation by accessing value chains, grants and business support services.

**Table 6: Examples of comprehensive programs for youth employment**

	Comprehensive Program Features
<b>Integrated Jobs Operation in Tunisia</b>	<ul style="list-style-type: none"> <li>• A WBG operation in Tunisia focused on improving jobs opportunities for youth living in lagging regions and marginalized peri-urban areas</li> <li>• On the <i>supply side</i>, the project addresses the barriers youth face such as incentives, information, skills, and mobility</li> <li>• On the <i>demand side</i>, the project provides matching grants and business support services conditional on job creation to existing and new enterprises within selected value chains</li> <li>• The social rate of return is estimated at 14 per cent, while the private rate of return is equal to 7 per cent<sup>49</sup></li> </ul>
<b>Let's Work Agriculture aggregator pilot in Mozambique<sup>50</sup></b>	<ul style="list-style-type: none"> <li>• Intervention combines 'supply side' skill training of smallholder farmers and on 'demand side' support for capitalization of farm business</li> <li>• Beneficiaries are smallholder farmers, who diversify crops, intensify land use, increase productivity and earnings. The aggregator firm identifies potential out-grower candidates, supplies the technology, organizes access to capital, trains the farmers, supervises them and handles post-harvest links to the market</li> <li>• Let's Work pilot subsidizes the initial capitalization phase of the aggregators, conditional on presentation of a coherent business model that is plausibly self-financing in "steady state"; and on participation in a rigorous evaluation</li> </ul>

<sup>48</sup> The evidence is in: How should youth employment programs in low income countries be designed? Fox and Kaul, 2017

<sup>49</sup> S4YE: Integrated Youth Employment Programs- A Stock take of evidence on what works in Youth Employment Programs

<sup>50</sup> <http://www.worldbank.org/en/news/feature/2016/01/06/lets-work-promoting-job-growth-in-mozambique>

## 4. How should Uganda proceed with Youth Employment schemes?

### 4.1 Long-term transformation agenda and near-term interventions

Overall, the long-term success of programs to improve the employability of youth in Uganda will require that there is demand for workers, from firms that can provide jobs with higher quality, and jobs for more vulnerable youth in Uganda. Transformation of the rural economic space (where so many youths live), increased connectivity between rural and urban areas, and measures to increase private investment in urban areas in labor-intensive production of goods and services so that more wage jobs will be on offer would be key to in job creation and improving job quality for youth.

Self-employment and micro-enterprises in agriculture, livestock, and commerce make up most jobs among the poorest households in Uganda. There are issues with the scale and productivity of these enterprises. Individual-level constraints, such as limited education, lack of soft skills, gender issues, play a major role in limiting earnings potential among the working poor, as do market-level constraints in terms of a lack of market networks and integrative policies.

A diversification and self-employment agenda will remain critical over the mid- to long-term in Uganda. Targeted incentives, skills upgrades, and improved access to markets through business intelligence and services in high value-added, untapped sectors would set youth off to a better start. The best opportunities for supporting youth in the near term appear to be:

- Policies and projects that increase the number of modern, labor-intensive enterprises by
  - helping established firms to grow and hire more workers and
  - encouraging new firms to enter operation
- Programs to help youth increase earnings in the household production sector (farm and non-farm) and on commercial farms through waged work
- Cost-effective skill training and TVET programs integrated with demand-side interventions

### 4.2 Way forward for Youth Employment programs in Uganda

In view of youth employment challenges, existing programs and international best practices, Uganda should follow a *comprehensive approach* by bringing together supply side and demand side interventions to simultaneously address interrelated objectives:

- Promote job creation in labor intensive agri-business and agro-processing sectors
- Improve the quality of jobs young people already have (many in the informal sector)
- Help prepare young job seekers for jobs or move from low to higher quality job

#### 4.2.1 Operationalizing comprehensive youth employment programs in Uganda<sup>51</sup>

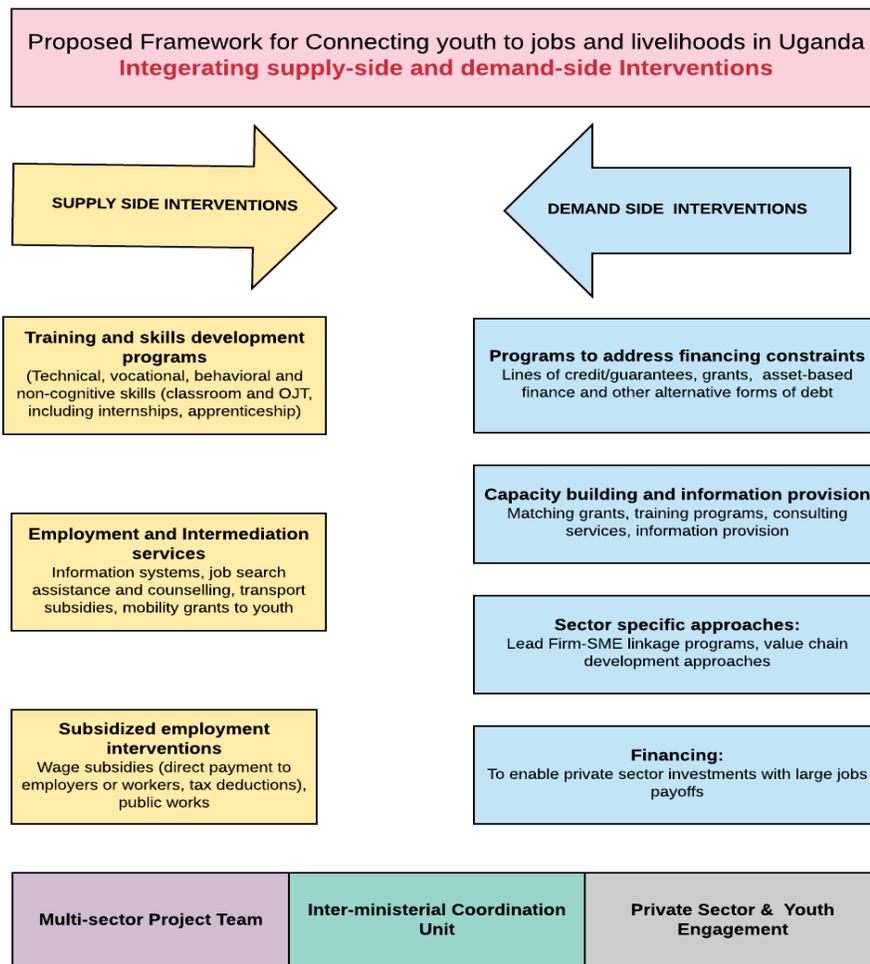
A comprehensive youth employment program in Uganda should focus interventions on the highest value-added sectors and skills needs, target different youth segments most likely to benefit from different types

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<sup>51</sup> Various: S4YE: Integrated Youth Employment Programs- A Stock take of evidence on what works in Youth Employment Programs, Pathways to Better Jobs in IDA countries, 2018, WBG, The evidence is in: How should youth employment programs in low income countries be designed? Fox and Kaul, 2017

of support such as rural poor youth, urban underemployed and women and implement a package of support to each segment, such as employment and social services, financial support, training, and follow-up. To strengthen the effectiveness of youth interventions, public-private arrangements for implementing programs with financing tied to results and performance have been shown to improve outcomes<sup>52</sup>. Such an integrated coordinated approach means ensuring that financing, services and outcomes are monitored routinely, adjusted, and adapted as they are implemented in real-time. This new comprehensive approach would need piloting and testing in Uganda. A proposed framework for such youth employment programs is provided below.

**Figure 3: Proposed Framework for Integrated Youth Employment Interventions<sup>53</sup>**



<sup>52</sup> Mauritania: Transforming the Jobs trajectory for Vulnerable Youth, 2017, WBG

<sup>53</sup> Adapted from Integrated Youth Employment Programs- A Stock take of evidence on what works in Youth Employment Programs, S4YE

## 4.2.2 Integrated design elements for a comprehensive youth employment program

**Table 6: Integrated design elements for a comprehensive youth employment program<sup>54</sup>**

Key design elements	
Formulating an integrated project objective	Integrating supply side and demand side objectives that clearly address youth employment and job creation for youth where supply and demand side activities contribute to each other would be important.
Setting up a “Jobs for Youth Fund”	<ul style="list-style-type: none"> <li>• A Jobs for Youth Fund<sup>55</sup> could co-finance projects by public, private and non-governmental organizations that will significantly contribute to job creation for youth.</li> <li>• To maximize creation of sustainable good quality jobs with the available funds, there will be clear rules that allow for systematic ranking of proposals.</li> <li>• A central fund will enable even smaller projects/interventions with limited resources (money, technical expertise and time) to contribute to the overarching goal of job creation for youth.</li> </ul>
Choosing designing intervention sequencing	Planning project activities to optimize synergies between supply and demand side, i.e. skill development programs deliver trained job candidates ready to start in jobs at the time when firms are ready to take them on.
Choosing value chains/sectors/cluster and youth target groups	<ul style="list-style-type: none"> <li>• Selecting value chains, sectors or clusters for development based on their potential to create jobs for youth target groups</li> <li>• Choosing youth target groups based on the ability and interest of those youth to acquire necessary skillsets and work in firms</li> </ul>
Designing mutually-reinforcing activities	For example, the analysis of specific gaps and skills shortages within target value chains, sectors, or clusters of firms in Uganda can identify employment opportunities, and skills needs of employers; this information can be leveraged for designing effective skills development programs that prepare target youth for those jobs.
Designing integration-supporting incentives for youth or firms-beneficiaries	<ul style="list-style-type: none"> <li>• Wage subsidies and tax deductions to employers can encourage firms to hire young, first-time job seekers</li> <li>• Matching grants to firms offering on-the-job training to candidates can offset their training investment</li> </ul>
Increase private sector investment and job creation in key value chains	<ul style="list-style-type: none"> <li>• If an intervention finances temporary wage subsidy provided to employers who are hiring or training youth beneficiaries. These wage subsidies lower the cost of labor, thus incentivizing employers to hire first-time job seekers</li> <li>• An intervention could also support stipends given to individual beneficiaries to cover the cost of social services, such as day care, thus addressing yet another barrier standing between vulnerable groups and jobs</li> </ul>

<sup>54</sup> Derived from Integration: A new approach to Youth Employment Programs: General Guidelines for Project Teams, S4YE

<sup>55</sup> This could be modeled on the Jobs Fund in South Africa which has created 13,479 permanent jobs since the program started in 2011 and is attributed with having facilitated 7,492 job placements into vacant posts, on average, per year. The fund has supported projects on enterprise development and youth employability.

### 4.2.3 Implementation Practices to Support the Integration of Supply and Demand Side Project Interventions

Apart from designing integrated project components, several institutional practices are also important for the success of this approach.

**Table 7: Implementation Practices to Support Comprehensive programs<sup>56</sup>**

Implementation Practices	
Setting up a cross-sectoral technical team	Setting up a cross-sectoral technical team, ideally, the team should be comprised of experts in youth development, value chain analysis and development, skills training programs, private sector engagement and development, gender, grant management, project management and stakeholder engagement.
Deliberate synchronization of efforts	For example, when engaging private sectors employers and assessing constraints to growth for designing demand-side interventions, additional discussion of hiring plans could inform skills development interventions on the supply side.
Developing and implementing an integrated data management system	Integrated youth employment projects benefit from information in a centralized data repository system. When various project stakeholders can access, share, and leverage project data related to both youth and firm beneficiaries, supply and demand activities and results, then optimal conditions exist for maximizing synergies between project components and achieving project objectives.
Creation of an online project portal	An online project portal that can facilitate the interactions among beneficiaries, service providers, relevant government entities, and the project's team
Developing and implementing an integrated communication strategy	An effective communication strategy leveraging a variety of channels supports stakeholder active engagement, linkages between beneficiaries and services, dissemination of lessons learned, and overall success of the project
Designing an integrated monitoring and evaluation system	A well-identified set of indicators is a very effective tool for incentivizing the program management unit, service providers, and other relevant stakeholders, to deliver results in an integrated youth employment program

### 4.2.4 Essential conditions for long-term success of comprehensive youth employment programs in Uganda

- **Develop functional coordination mechanism for youth employment targets, policies, programmes and services.** It is not to be expected that the diverse mandates can be brought under one ministry or department. However, what would be necessary is that a single ministry or agency is vested with the mandate and authority to coordinate implementation of youth employment policies.
- **Moving beyond a focus on self-employment to local economic development.** Linking youth employment targets to broader economic development targets and ongoing government

<sup>56</sup> Derived from Integration: A new approach to Youth Employment Programs: General Guidelines for Project Teams, S4YE

investments e.g. infrastructure – plan for how youth are going to leverage the opportunities these investments will create.

- **Improving the quality of education** is a neglected strategic option, in part because the payoff is longer term; it will not help the youth entering the labor force in the next few years. Yet labor force participants with better basic skills are more prepared to adapt to changing economic and workplace conditions. Improving basic education today will help with employment problems surfacing 10 years or more into the future<sup>57</sup>.

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<sup>57</sup> The evidence is in: How should youth employment programs in low income countries be designed? Fox and Kaul, 2017