THE REPUBLIC OF UGANDA

A RAPID IMPACT ASSESSMENT OF THE GLOBAL ECONOMIC CRISIS ON UGANDA

A study supported by the
INTERNATIONAL LABOUR ORGANIZATION
for the
Government of Uganda

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Foreword

The financial crisis that emerged from the US financial market has since developed into a broad job crisis in the western economies. The impact on developing countries has varied depending on the degree to which their economies are linked to the global markets and the effects are yet to be fully felt. It is because of the uncertainty of the eventual impact of the financial crisis on the Ugandan economy in general and labour market in particular that the Ministry of Gender, Labour and Social Development requested for the rapid assessment of the impact the global economic crisis has had and will eventually have on the Ugandan labour market.

The focus of this report is on assessing the impact of the crisis on the most vulnerable members of the labour force in Uganda. The consequences for the economy as a whole are also discussed, but the focus on the vulnerable is justified because macroeconomic growth does not automatically translate into gains in employment, labour productivity and real wages.

This is the context within which this rapid impact assessment of the global economic crisis on Uganda was conceived and taken forward by the Ministry of Gender, Labour and Social Development in collaboration with the International Labour Organization. This report makes an important contribution to the discussion on the crisis and how Uganda should respond to the downturn. This study proposes in particular that policymakers should continue employing various labour market policy measures that mitigate the impact of the crisis on workers.

The impact of increases in the price of food was severe on the poorest households since they have to devote a much larger proportion of their total expenditure to food. ILO (2008) finds that the poorest households in Uganda spend about 60% of their income on food.

Special thanks are due to the consultants John Sender (Cambridge University) and Erik von Uexkull (ILO Employment Sector) for the enormous task of analyzing so many research studies and reports and for producing this report. Thanks also go to social partners who provided the essential guidance for the exercise, individuals who either assisted as key informants or in the preparation and conduct of the survey.

The rapid impact assessment of the global economic crisis on Uganda provides some insights in addition to various policy recommendations. I therefore urge social partners and all stakeholders to make use of this report and ensure that the recommendations therein are amply implemented.

Gabriel Opio (M.P.)
Minister of Gender, Labour and Social Development
Government of Uganda

Preface

The primary goal of the International Labour Organization (ILO) is to contribute, together with member States, to achieve full and productive employment and decent work for all, including for women and young people. This goal is embedded in the ILO 2008 *Declaration on Social Justice for a Fair Globalization*, and more recently re-iterated in the *Recovery from the Crisis: A Global Jobs Pact*, negotiated during the International Labour Conference in June 2009. The commitment to this goal has been widely adopted by the international community.

Achieving decent work is more challenging today than ever given the impact on jobs and working conditions of the global economic crisis. The magnitude and nature of the impact of the crisis, and the transmission channels through which it affects workers and households varies widely between countries. ILO is committed to supporting countries such as Uganda and its social partners to assess the crisis impact, and to determine options for policy responses. Indeed this is a central objective of the Global Jobs Pact, and this report is a reflection of this commitment.

Uganda has undertaken an assessment of the impact of the crisis on employment with ILO support, using methods outlined in the recently published guide[1] and we wish to extend our appreciation to the many national stakeholders and development partners who took part in the process.

Uganda's economy has experienced one of the highest growth rates in sub-Saharan Africa during this decade, and growth has been relatively resilient to the initial impact of the crisis. However, growth has not sufficiently translated into gains in jobs, productivity, or real wages, and neither has the relative resilience of growth during the crisis shielded workers against its impact. The report points out a dramatic decline in real wages, especially for vulnerable casual workers, driven by soaring food prices and stagnating nominal wages.

With one of the highest total fertility and population growth rates in the world, and a high proportion of young people in the population this report notes that "*extraordinary efforts will be required to improve the education, health and productivity of new entrants into employment over the next decade*". The report also calls for investments that address labour supply constraints, most notably the large number of poorly educated new labour market entrants as well as the need for rural investment in agriculture and infrastructure which could give immediate and long term employment benefits. Opportunities for job and productivity growth exist, for

[1] ILO (2009a)

example, there is large potential for creating employment through investment in infrastructure and agricultural productivity. Also, the assessment has found that demand for most of Uganda's export products remains strong, both on world markets and in the region, and overcoming supply side constraints could unlock a strong potential for job intensive growth. It is hoped that this report will support the government of Uganda to overcome these challenges and to contribute to the policy dialogue in Uganda from a decent work perspective.

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Acknowledgements

This report was made possible by many peoples' efforts. Special thanks are given to the Government of Uganda, and specifically the Minister of Gender, Labour, and Social Development and his staff who provided invaluable guidance and support to the mission team that carried out the assessment. The same applies to the leadership and staff of the National Organization of Trade Unions, the Central Organization of Free Trade Unions Uganda, and the Federation of Uganda Employers. The quick and generous provision of data from the Uganda Bureau of Statistics and Bank of Uganda is gratefully acknowledged. A number of other persons and public and private bodies as well as development partners all generously provided their views and information to the mission team. These are listed in the annex and the authors would like to extend their thanks to them.

The process was led at ILO headquarters by Alana Albee and in Uganda by Alexio Musindo. Mohamed Gassama coordinated the dissemination and follow-up dialogue. Grace Rwomushana provided invaluable logistical support to the mission team. Alana Albee, Mohamed Gassama, Marion Jansen, Alexio Musindo and Per Ronnas greatly improved the report through their comments on an earlier version.

Contents

List of Abbreviations

BOU	Bank of Uganda
CSOs	Civil Society Organizations
FDI	Foreign Direct Investment
GCF	Gross Capital Formation
ILC	International Labour Conference
NDP	National Development Plan
NEP	National Employment Policy
NSSF	National Social Security Fund
PLE	Primary School Leaving Examination
PSPS	Public Service Pension Scheme
SHI	Social Health Insurance
UBOS	Uganda Bureau of Statistics
URBA	Uganda Retirement Benefits Authority

Executive Summary

The global economic crisis has led to substantial changes within the economy of Uganda with negative consequences for workers and especially the poor. This report presents evidence of these changes despite Uganda's relatively robust overall GDP growth.

The most important finding is that there is an ongoing steep decline in real wages caused by food price inflation combined with stagnation in nominal wages. The report argues that the global economic crisis contributed to this in two ways: first, rapid outflows of portfolio investment led to a steep depreciation of the Ugandan shilling in late 2008 that continued throughout the first half of 2009. As a result food exports to neighbouring countries remained very profitable and continued to grow despite increasing domestic food prices. Second, in the context of the crisis most employers refused to pay an inflation adjustment to workers even in sectors that clearly have not been affected. Both effects were particularly strong for low-wage casual workers who spend a higher share of their income on food and are much less likely to receive wage inflation adjustments given their low bargaining power.

The crisis has also led to a substantial reshuffling of Uganda's export portfolio. Total exports actually increased, but this was driven entirely by informal cross-border trade. Some of Uganda's traditional export crops, most notably coffee but also tobacco and cocoa, suffered a decline in export value caused by lower world market demand. In other cases, such as fish and flowers, declines in exports seem to be attributable to supply side constraints rather than world market conditions. Some export commodities such as tea and maize even benefited from higher market prices. The boom in informal exports seems to be driven mainly by ad-hoc trading by individuals in consumer goods following the depreciation in the Ugandan shilling. While it demonstrates the large demand potential for exports to regional markets, and especially into Southern Sudan, it has not yet been associated with increases in output and employment in Uganda and its sustainability is questionable. The report also finds a substantial decline of earnings in tourism that has led to immediate lay-offs in the sector. Import values have declined during the crisis, which is partially a price effect due to lower world market prices for oil. This has also led to a substantial improvement in the terms of trade since the beginning of the crisis.

The main message of the report is that workers, and especially low-wage casual workers, have born a disproportionate share of the impact of the economic crisis in Uganda. It highlights a number of problems that contributed to the extreme vulnerability of large parts of the workforce: a massive discrepancy between supply and demand for unskilled labour, caused by a rapidly growing workforce and underinvestment in key employment intensive sectors; weak labour market institutions and labour organization; insufficient education of labour force entrants;

and a social protection systems that only covers a small minority of the population. The crisis should therefore encourage policymakers to focus investment efforts on creating decent jobs and to strengthen programs to reduce population growth and promote education, especially primary education for girls. In addition, strengthening of labour institutions and organization, and improvement of the social protection system should be key policy priorities. The report makes policy recommendations in all these areas in section 7, and argues in favour of a minimum wage to counter the ongoing decline in real wages.

A pre-condition for the success of efforts to create decent jobs, especially for those rural labour market participants and new entrants who are most at risk, is the availability of greatly improved labour market statistics. The report proposes new survey and research initiatives (section 8), and highlights the need to address data quality issues in section 6.1.which presents the available national data on the impact of the crisis on vulnerable workers.

1. Introduction

The Ugandan delegates to the International Labour Conference in 2009 requested ILO assistance to assess the impact of the global economic crisis on the labour market. This report is an output from an assessment mission to Uganda (4-24 Oct 2009) in response to this request. The preliminary findings of the mission team were validated at a roundtable discussion with representatives from the Ministry of Gender, Labour and Social Development as well as the social partners on 24 October 2009. The ILO will disseminate this report to a high-level meeting of government, social partners, and other stakeholders in Kampala in December 2009. In addition, the mission team was requested to provide detailed suggestions for amendments to the draft of Uganda's National Employment Policy (NEP), so that the final version would incorporate an up-to-date and rigorous analysis of new and ongoing challenges to providing decent work for all Ugandans in the context of new issues emerging from the global economic crisis.

In his recent address to the International Labour Conference 2009, the Ugandan Minister of Gender, Labour and Social Development noted that, because over 390,000 new entrants join the labour market each year, Uganda faces a great challenge to generate sustainable employment for all. He stressed that the theme of his Government's new five-year National Development Plan (NDP), "*Growth, Employment and Prosperity for All*", explicitly recognizes the importance of this labour market challenge. In addition, the Government now aims to finalize a NEP as a strategic framework for formulating labour market policy initiatives. Against this background, a thorough understanding of the impact of the global economic crisis on the Ugandan labour market was crucial to inform efforts to promote decent employment and the final formulation and implementation of the NDP and NEP.

Uganda has been one of the fastest growing countries in Africa over the last decade. However, in the latest Regional Economic Outlook the IMF suggested that, "*as the global economy plunged into recession, falling export demand and declining commodity prices spread the impact of the crisis to far more sub-Saharan African countries, suppressing economic activity and causing fiscal and external balances to deteriorate significantly*".[2]

In October 2009, the impact of the crisis on Uganda was specifically addressed by H.E. Yoweri Kaguta Museveni. The President's conclusions were less gloomy than those of some international agencies: "*Based on the economic data for the last three months, the Ugandan economy should quickly recover from the effects of the*

[2] (IMF 2009a)

global economic recession and the negative impact be relatively small and temporary" (New Vision, 9 Oct 2009).

The purpose of this report is to analyse in detail the impact of the economic crisis on employment in Uganda. Its focus is on assessing the negative impact of the crisis on the most vulnerable members of the labour force. The consequences for the economy as a whole are also discussed, but vulnerable workers are at the centre of the analysis as they often suffer disproportionately from macroeconomic shocks; and they cannot often achieve a rapid increase in their incomes to compensate for a fall in demand or changes in relative prices.

The remainder of the report is organized as follows: Section 2 discusses the methodological approach. Section 3 presents an overview of the Ugandan economy before the crisis, specifically addressing macroeconomic weaknesses and vulnerabilities. Section 4 analyses the extent to which the crisis has affected Uganda through various transmission channels: Portfolio investment, exports, direct investment, remittances, and aid. It also analyses the balance of payment dynamics that led to a substantial devaluation of the Ugandan shilling in the context of the crisis and its implications for domestic prices. Section 5 discusses relevant demographic and labour market trends that affect the vulnerability of the Ugandan workforce to shocks. Section 6 discusses the impact of the crisis on vulnerable workers in general as well as for selected sectors that are particularly important for employment. Section 7 analyses the existing framework to protect vulnerable workers and its effectiveness in protecting workers against the impact of the crisis. Section 8 presents policy recommendations to overcome some of the main problems that have led to the high vulnerability of large parts of the Ugandan workforce, and section 9 concludes.

2. Methodology

This rapid assessment has been guided by the ILO's Country Level Rapid Employment Impact Assessment Guide (ILO 2009a, test version), adjusted to the Ugandan context. The guide suggests a four step approach: 1. an assessment of the pre-crisis situation including existing vulnerabilities; 2. an assessment of the impact of the crisis at the macro level, in key sectors, as well as on the labour market; 3. an assessment of the mitigation capabilities of both households and government; and 4. an assessment of mitigation measures undertaken so far.

Two methodological challenges are emphasized in assessing the impact of the global economic crisis on the labour market in Uganda. The first applies to all such assessments and concerns counterfactuals and causal mechanisms, i.e. the conceptual difficulty of assessing the labour market outcome in the absence of the crisis. A related difficulty concerns the impossibility of assessing how severely the crisis might have affected Uganda if aid donors had not honoured their commitments and if the monetary authorities had not intervened promptly (through exchange rate interventions and by adopting a more flexible domestic liquidity strategy).

The approach taken in this assessment report to the counterfactual problem is to devote considerable attention to analysing the longer-term structural characteristics of the labour market, those underlying trends that will have a strong affect on the performance of the labour market whether or not external demand conditions improve. Similarly, this report provides an analysis of those longer-term structural aspects of macroeconomic performance making the Ugandan economy vulnerable to external shocks. This analysis suggests that Uganda may risk paying a rather high cost in the long-run for adhering to aid-dependant macroeconomic policies and the real wage cuts that allowed the country to weather the international demand contraction in 2009.

The second methodological problem also dogs all other assessments of labour market outcomes in poor economies. It concerns the quality of the baseline labour market data available to assess recent employment performance. Put simply, if we have very little reliable information about employment status, occupations, earnings, real wages and hours of work of people working in the large unregulated and un-enumerated ("informal") labour market, then it is difficult to make any assessment of how the majority of workers, and especially casual, temporary and seasonal workers, have been affected by recent shocks in the global economy. The most up-to-date and reliable national information on employment and the socio-economic characteristic of workers in Uganda is derived from the published results of a typical living standards measurement household expenditure survey.

One such survey instrument is currently in the field. When completed, it will update earlier Living Standard Measurement (LSM-type) household surveys carried out in 2002/3 and 2005/6. There were a great many changes in the questionnaire used in 2005/6 compared to the questionnaire used in 2002/3. Although these changes were designed to improve the quality of the data on labour market activity and participation in 2005/6, there remains considerable room for improvement in the design of the questions on employment status (and of the labour force module of the survey instrument), as will be discussed in section 7.

A more serious problem arises because of the changes in the 2005/6 questionnaire: The results of these two surveys are not comparable, so attempts to establish recent trends in the growth of employment are confounded, "*the observed increase in employment may be simply an improvement in measurement rather than real events*".[3]

In addition, in Uganda there are no reliable, up-to-date establishment-based surveys of employment. The sampling frame of establishments from which the published statistics are drawn does not appear to have been regularly updated, biasing the sample away from new establishments. A recent survey of enterprises in the construction and hotel sectors was based on all available lists of firms operating in these sectors. Unfortunately, many of these firms no longer existed and other, newly established firms had not been included on any list, including lists provided by employers' associations.[4]

Smaller enterprises, employing less than five workers, are excluded from the sampling frame of the establishment survey, as are the many unregistered and unregulated enterprises not paying National Social Security Fund (NSSF) contributions. Most Ugandans are employed in the agricultural sector, but there is no up-to-date information concerning the total acreage cultivated with different crops, or the size distribution of farms.

In the absence of any officially published information about the intensity of wage labour use on different sized farms growing different types of crops, much of the rural labour market remains a black box, with only some permanent, full-time employment on the largest estates captured in the published data. The urgency of the need to close this information gap is emphasised as a policy priority in section 8.5. of this report, while section 7.4 explains how the existing survey instruments fail to capture reliable information about the size of the most vulnerable group of wage workers.

[3] Fox (2009)

[4] Wedig (2009)

The approach taken by the assessment mission was to interview employers and workers in those sectors believed to have been most severely affected by the global economic crisis in a rapid attempt to obtain impressionistic evidence of the impact of the crisis on employment and wages.

Apart from wide-ranging discussions with the leadership of employers associations and with trade union leaders, the mission conducted 5 interviews with employers in the floriculture and tourism sectors, as well as 6 interviews with employers in the coffee, textile, sugar, beverages, vehicle and construction sectors, using the checklist shown in appendix B. A total of 10 interviews with individual workers were completed, using the workers checklist shown in appendix C. Information on current money wage rates for domestic servants and waitresses was obtained in less formal interviews.

The mission team also collected recent data on output, exports, international investment and transfers, arrival of tourists, and airfreight volumes to identify the impact of the crisis on key sectors of the economy, on the assumption that output trends in these sectors would provide an indication of increases/falls in employment (see section 6).

3. Brief Overview of Uganda's Economy Before the Crisis

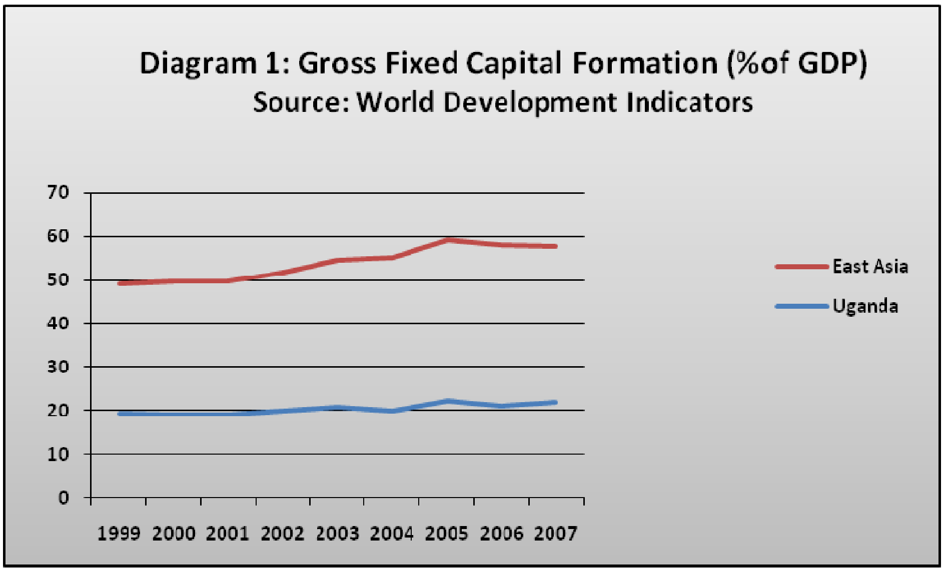
This section examines longer-run structural features of the Ugandan economy that may be considered to increase vulnerability to external shocks and to limit the capacity to create decent jobs. Over the period 2000 to 2008, large aid inflows enabled Uganda to achieve impressive rates of growth of GDP per capita. Aid dependency, measured by the share of aid in GNI, is higher in Uganda than in most other countries and has increased since 2000 (see table 1).

Table 1: Growth in GDP per capita and aid, 2000-2006
Source: World Development Indicators

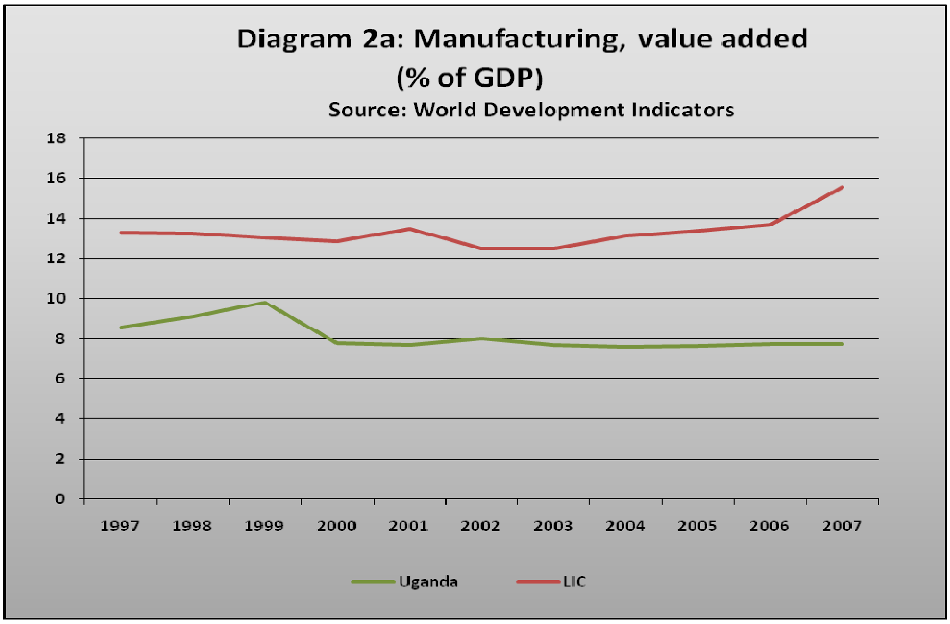
	2000	2001	2002	2003	2004	2005	2006
Aid (% of GNI)	13.9	14.4	12.1	15.4	15.6	13.3	16.0
Aid (% of gross capital formation)	70.0	73.2	58.6	72.1	76.1	57.9	73.5
GDP per capita growth (annual %)	2.4	1.7	3.1	3.1	3.4	2.9	7.2

In Sub-Saharan Africa aid as a percentage of GNI is about 5.5% and in Low Income Countries it is under 3%. In Uganda, however, aid as a share of GNI is about 15% and aid as a share of Gross Capital Formation (GCF) averages about 70%, while in Low Income Economies the average for aid as a share of GCF is very much lower – under 10%. The well-known volatility of aid flows poses risks for the consistent planning of government expenditures and for macroeconomic performance. This risk becomes more serious when an economy does not manage to achieve a significant increase in tax revenues. Uganda's tax to GDP ratio was at 12.6% in the fiscal year 2007/8[5] and remains low relative to other oil-importing African economies and below the target ratio of 15% considered desirable by the IMF.[6]

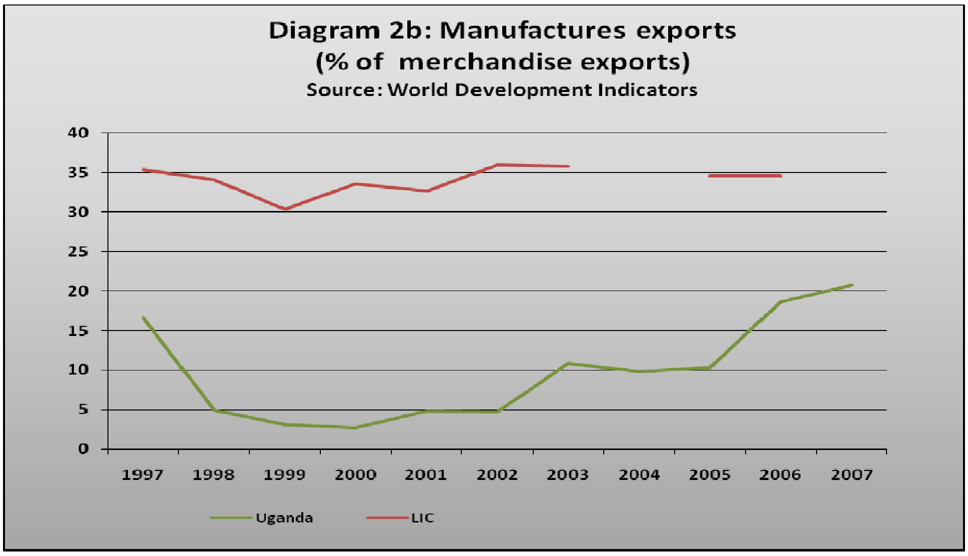
[5] IMF (2009b)
[6] Gupta and Tareq (2008)



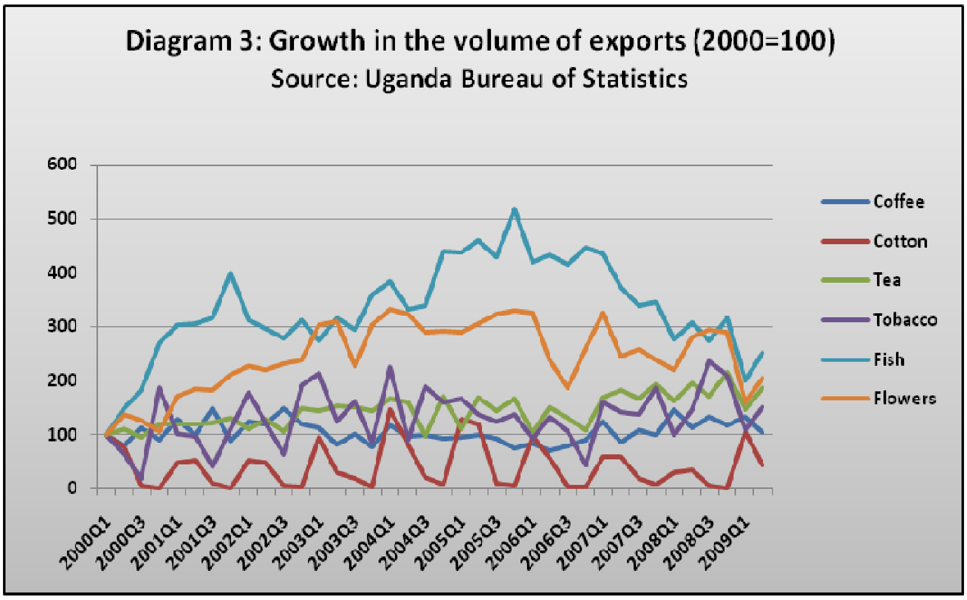
Those economies that have achieved rapid and sustained growth, for example the East Asian economies, have done so on the basis of far higher levels of investment than Uganda has yet achieved. Thus, Gross Fixed Capital Formation as a share of GDP has been consistently lower than in the East Asian economies over the period 1999 to 2007 (diagram 1).



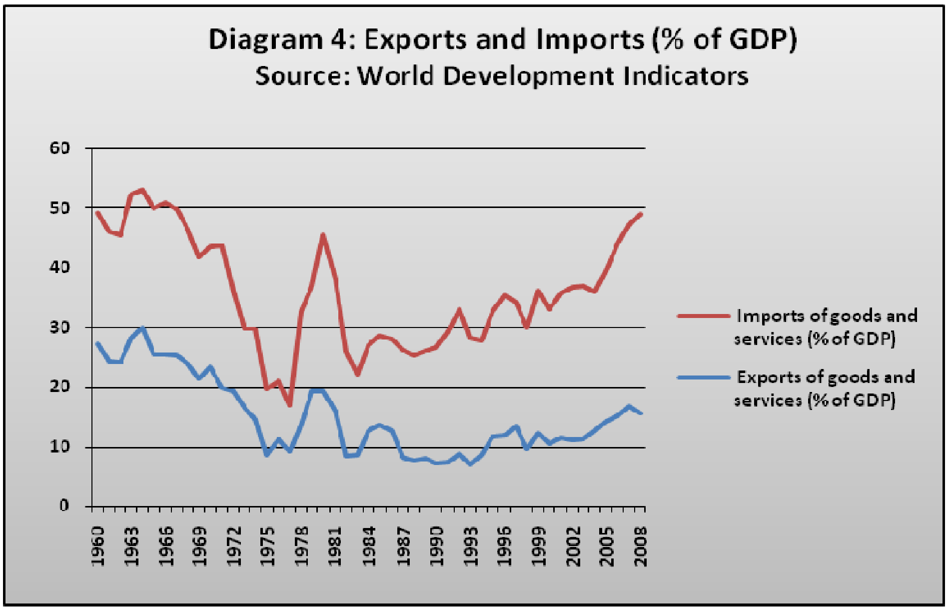
Associated with this disappointing investment performance, the share of manufacturing value added in GDP (shown in diagram 2a) is much less impressive than the average for low income countries.



The pattern of output growth in Uganda appears to have been import intensive and the investment devoted to transform the structure and performance of the export sector has been limited. As a result, the share of manufactures in total merchandise exports has remained below the share achieved in other low income countries despite a recent increase. This suggests that Uganda has not been very successful in entering the more dynamic sectors of world trade (diagram 2b).



At the same time, insufficient investment has also resulted in very disappointing growth rates of volumes for Uganda's major export commodities (diagram 3). This has led to heavy reliance on aid flows (rather than export revenues) to finance the imports required for growth.



The resulting structural trend shows a wide, persistent and growing gap between imports and exports (diagram 4). The IMF has highlighted this issue, noting the widening trade deficit and concluding that *"the performance of the tradable sector in Uganda gives some cause for concern"*.[7] Many developing economies have been forced to restrain demand and cut short episodes of growth acceleration when faced with a shock to export revenues. Uganda may be vulnerable to this type of shock in the future. In recent years it has been required to accumulate excessive reserves of foreign exchange and to maintain high levels of real interest rates, policies that may explain the disappointing level of investment. The IMF notes that international reserves in Uganda "*are above standard safety levels*" and sees scope for a reduction in the stock of these Reserves (IMF 2009b).[8]

Recently, Uganda has found it difficult to achieve even its planned rates of growth of capital expenditure. As an unintended consequence, shortfalls in capital expenditure have contributed to Uganda's success in maintaining the fiscal balance in 2009. However, the limited capacity to execute urgently needed rural infrastructure projects has become a matter of concern raised by the donor

[7] Selassie (2008)
[8] On the relationship between accumulating Foreign Exchange Reserves, the risks of capital account liberalization and the neglect of investment opportunities in Sub-Saharan Africa, see Lapavitsas (2007).

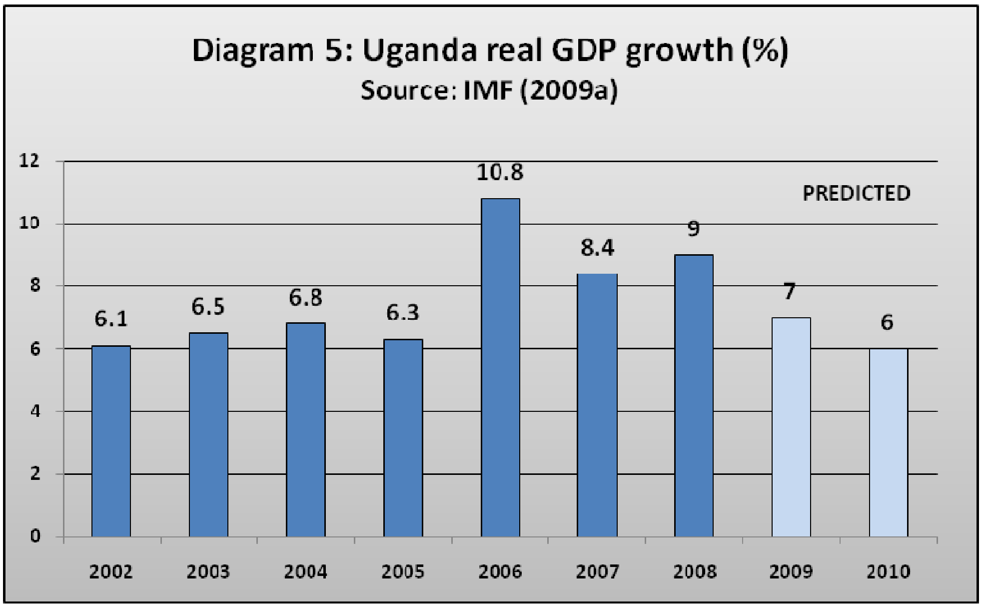
community[9] . This capacity will need to be improved before it will be possible to implement the report's recommendations for labour-based infrastructure as a response to the long-term problem of inadequate employment opportunities. These recommendations are outlined in section 8.1. A large and sustained increase in investment in rural physical and social infrastructure could make a major contribution to reducing Uganda's macroeconomic vulnerability to external shocks in the medium term, especially if they are targeted towards reversing disappointing trends in export production In addition, such investments could reduce the underlying problems associated with a rapidly growing and poorly educated labour force (discussed in section 5) and, if labour-based methods are used, begin to provide a solution to the short-term crisis facing vulnerable rural workers (discussed in section 6).

[9] Booth and Galooba-Mutebi (2009), IMF (2009b)

4. The Macroeconomic Shock in 2008/9 – Transmission Channels

4.1. Background

Although growth forecasts have had to be reduced, Uganda's real GDP growth is still expected to be 7% in 2009 and 6% in 2010, way above the average for Sub-Saharan Africa.[10]



The relatively weak negative impact of the global economic crisis on the economy as a whole is not necessarily in line with the importance of the impact on individual workers and vulnerable groups. It is therefore important to obtain a better understanding of the mechanisms through which the global crisis is affecting Uganda.

ILO (2009a) discusses in detail the potential channels through which the global financial crisis affects countries and translates into shocks in the labour market. Financial channels include outflow of portfolio investment, tightening of access to credit as lenders seek to reduce risk, and declines in the value of foreign assets held by domestic banks and companies.

[10] IMF (2009a)

Real economy transmission channels are likely to be slower, but can also have very severe consequences. These include reduced world market demand for exports, lower remittances from migrant workers living abroad, a decline or reversal of FDI, and lower inflows of development aid.

This section also discusses the impact of the financial crisis on the exchange rate and consumer prices to highlight the relation between the global economic crisis and food price inflation in Uganda. Increases in the prices of food staples have led to a significant decline in real wages, especially for the most vulnerable workers.

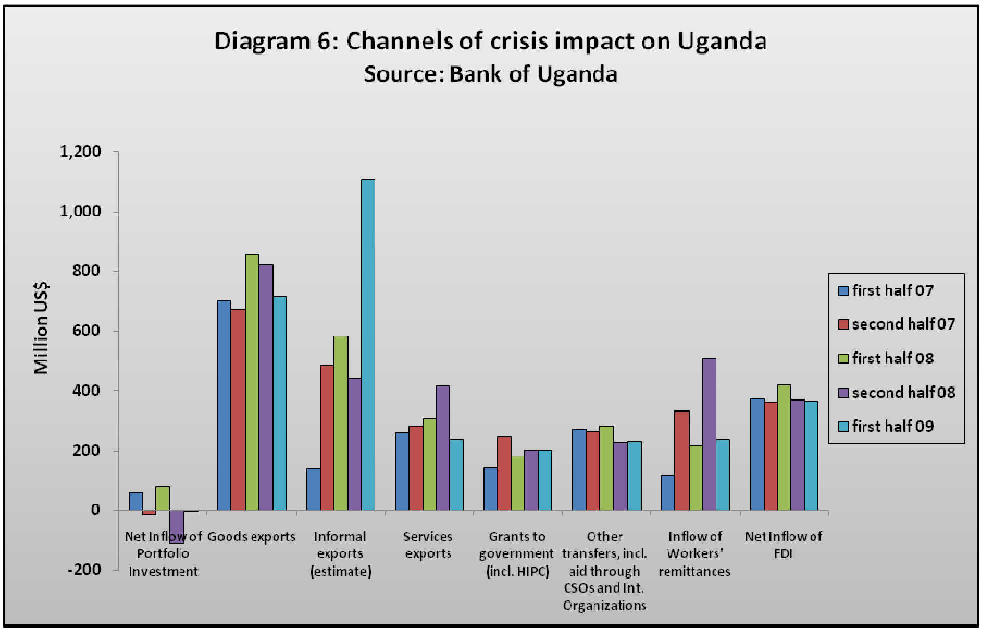


Diagram 6 presents an overview of balance of payment aggregates to illustrate the transmission of the crisis to Uganda through various channels that will be discussed in the following sections.

4.2 Portfolio Investment

Due to Uganda's limited integration into global financial markets and the relatively sound financial position of government and commercial banks, it has been argued that the effect of the financial transmission channels is limited.[11] While it is certainly true that portfolio investment is relatively small compared to other channels, the impact of the crisis was most drastic and immediate through this deregulated channel, because net inflows plummeted from +$80 million in the first

[11] IMF (2009b), Ssewanyana et al. (2009), Tumusiime-Mutubile (2009)

half of 2008 to -$109 million in the second half and close to zero in the first half of 2009. This was the main driver for the strong depreciation of the Ugandan shilling that will be discussed in more detail in the section on the exchange rate and inflation.

During interviews for the rapid assessment, some companies have also stated that access to credit from domestic banks has become more restrictive in 2009 as banks perceive higher risks in their portfolio.

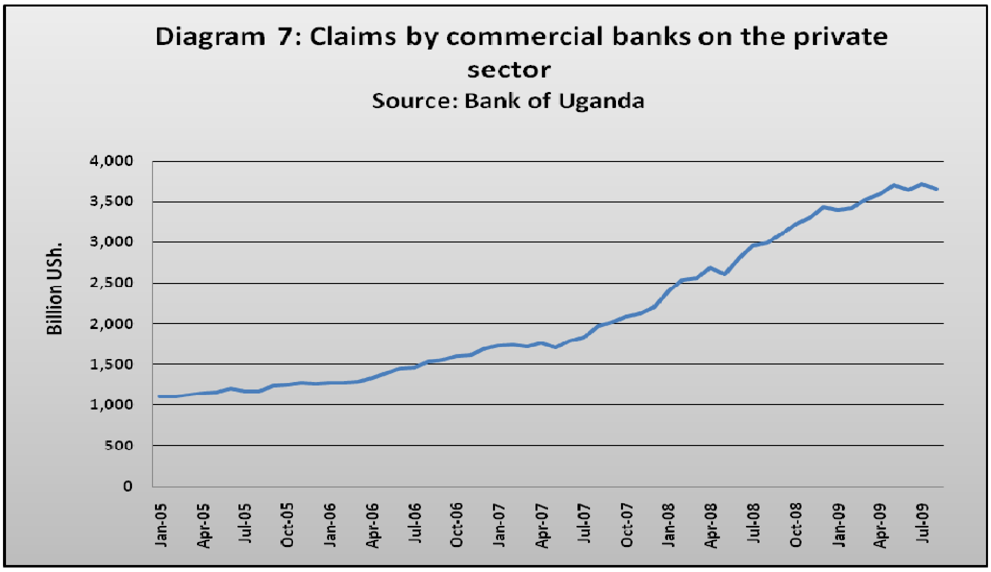


Diagram 7 shows that indeed there was a slowdown in lending from Uganda based commercial banks to the private sector. Total outstanding claims, after increasing with few exceptions over recent years, appear to have reached a plateau in May 2009. While this is likely to have an adverse affect on investment and thus employment growth in the medium term, the assessment did not find cases in which a company had shut down or laid off workers because of a tightened access to credit.

4.3 Merchandise Exports

Diagram 6 shows a minor contraction in the value of official merchandise exports in the second half of 2008 to $823 million (from $854 million in the first half of 2008), followed by a significant drop in the first half of 2009 to $714 million. While a small contraction in the second half of the year is consistent with seasonal patterns observed in previous years, the strong decline in the first half of 2009 is clearly unusual and reduced exports to a level close to their 2007 value.

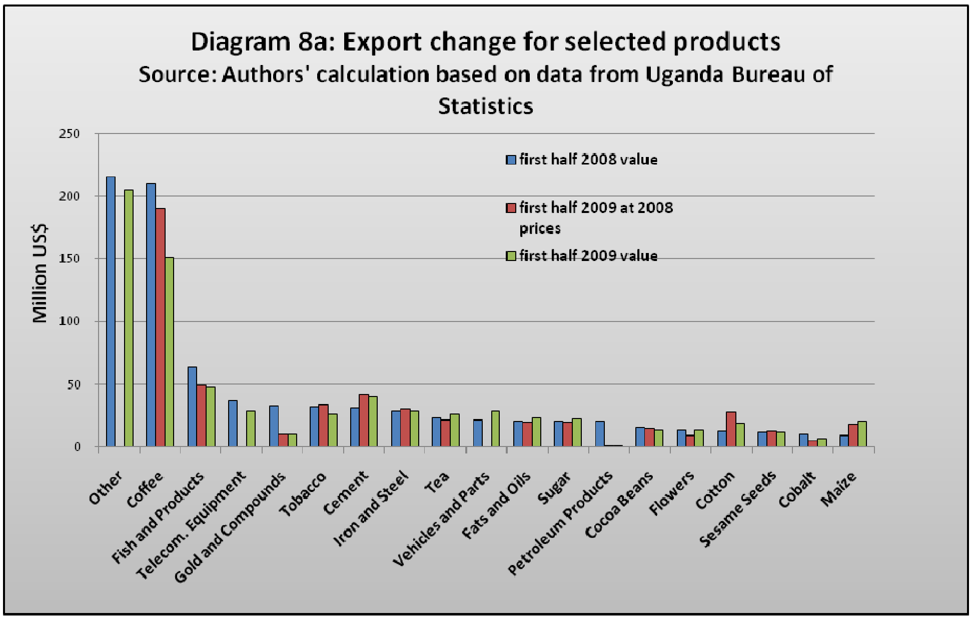


Diagram 8a details the change in exports by product group and also distinguishes between value and quantity effects where possible.[12] Some of the sectors mentioned here will be discussed in greater detail in section 6.2.

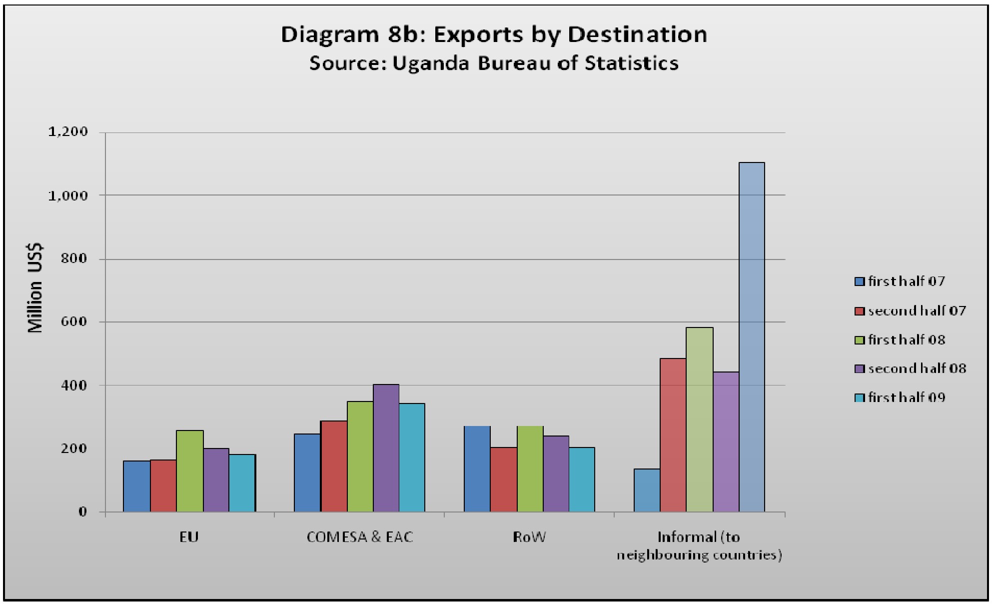
The diagram shows the changes for the most important product groups, but the export structure is rather diverse and for space reasons a significant share of exports that is scattered across numerous products had to be lumped together in the subgroup "other". For these exports, a rather small decline is visible in the graph from $216 million in the first half to $205 million in the first half of 2009.

Coffee, the single largest export product, suffered a decline in value from $210 million in the first half of 2008 to $152 million in the first half of 2009. This was caused mainly by a decline in the world market price, but export volumes also contracted significantly; 2009 exports would have totalled $190 if valued at 2008 prices. Tobacco and cocoa exports also declined slightly in value despite increases in export volume, indicating potentially negative impacts of world market prices. On the other hand, declines in fish, gold, flowers and cobalt exports can clearly be attributed to a contraction in export volumes, and it is doubtful whether these declines were actually caused by the global economic crisis. In the case of tea, a slight decline in the volume of exports was offset by an increase in prices, while for cotton a strong increase in volumes was partially offset by a decline in prices, with the overall value still increasing. Exports of petroleum products declined to nearly

[12] The red bar showing the value of exports in the firth half of 2009 at 2008 prices is calculated as value of exports in 2008 / quantity of exports in 2008 * quantity of exports in 2009. This calculation only gives an indication of the volume change for homogenous product groups and is thus not presented for obviously non-homogenous products in Diagram 8a.

zero; analysis of the underlying raw data revealed that this category consists mainly of aviation fuel, which is clearly a re-export and was probably removed from the statistics for that reason. Telecommunication equipment shows a decline, and vehicles show an increase in exports. Both are also likely to be mainly re-exports. Exports of sugar, iron and steel products, and fats and oils remained largely unchanged. Finally, maize exports expanded in volume and even more in value.

Overall, official exports declined from $854 million to $714 million between the first half of 2008 and the first half of 2009, a reduction of 16%. This is a sizeable setback for a country whose exports – on average – had grown by over 25% per year between 2001 and 2008. While there is evidence of declines in world market prices adversely affecting some important Ugandan export sectors (namely coffee, tobacco and cocoa), the picture is rather mixed and some sectors actually benefited from higher world market prices. In other cases, declines in exports seem to be related to supply side problems rather than declining world market demand. The assessment team encountered few companies where a lay-off of workers could be clearly attributed to a decline in world market demand.



Uganda's main trading partners in 2008 for formal exports were the EU (27%), Sudan (14%), Kenya (10%), Switzerland (9%), Rwanda (8%) and the United Arab Emirates (7%). Diagram 8b shows the recent performance of exports by destination region. For official exports, regional markets within COMESA and the EAC are important and export growth to these markets was particularly dynamic in 2008. Exports to the EU also increased in 2008, while exports to the rest of the world were roughly stagnant. Formal exports to all partner regions declined in the first half of 2009, but the decline of exports to the EU and rest of the world was more pronounced than the decline in regional exports when comparing the first half of

2008 with the first half of 2009. The most important exports to the EU were coffee (39%), fish (20%) and flowers (9%). Coffee was also the top export product to the region (14%), although it seems likely that some of this may have been exported onward to overseas markets. The next largest items were cement (11%), processed iron and steel (9%), beverages (7%) and tobacco (6%). Food products such as fats and oils (6%), sugar (5%) cereals (3%), vegetables (2%) and flour (2%) also played an important role. For the rest of the world, the most important export products are reported as coffee (34%), electrical machinery (15%), and petroleum products (10%), the latter two most likely to a large extent re-exports.

Diagram 8b also shows a very dramatic increase in the first half of 2009 in informal exports[13] destined for neighbouring countries. This increase more than offsets the reduction in formal exports.

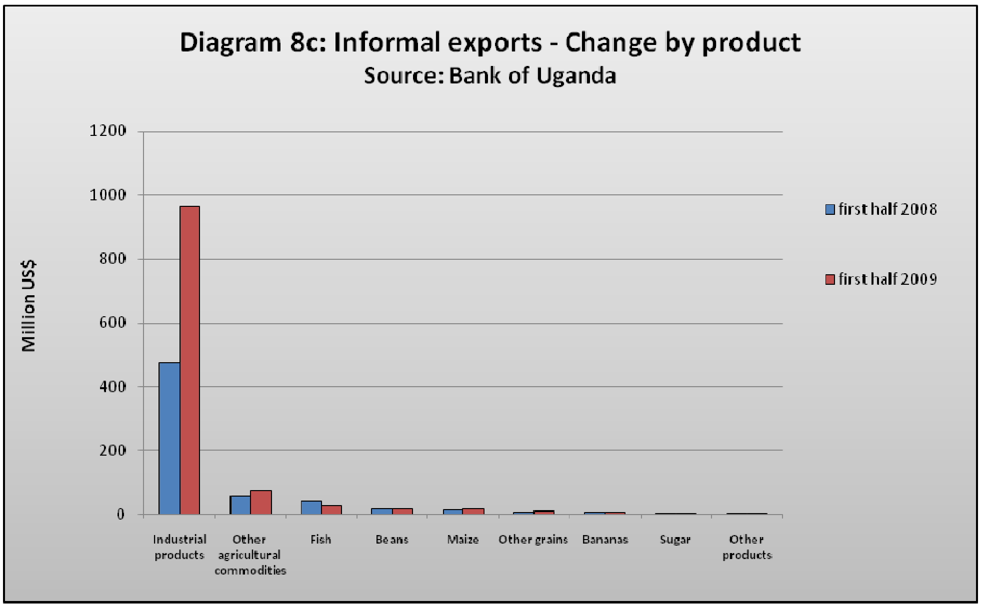


Diagram 8c presents additional detail on the recent growth in informal exports. Most of the expansion was accounted for by industrial products; these increased from $475 million to $963 million between the first half of 2008 and the first half of 2009. Agricultural food exports, including beans, maize, sugar, and other grains also expanded across the board, but from a much lower base and not as dramatically. Informal fish exports declined. UBOS and BOU (2009) provides a more detailed breakdown of informal exports in 2008: Industrial goods accounted for 82%, including new and used clothing (9%), shoes (8%) alcoholic beverages

[13] Informal exports comprise all export transactions that were not officially cleared through customs, usually because of their small size. Data is collected through the informal cross border trade survey conducted by UBOS and BOU (UBOS and BOU 2009).

(5%) and milk (3%). Agricultural products (18%) accounted for the rest, mainly fish (5%), beans (2%), maize (2%) and bananas (1%). It is striking that informal exports seem to be made up almost entirely of consumer products. Non-consumer products, including building materials, accounted for only 0.2% of informal exports in 2008. The main trading partners were Sudan (69%), DR Congo (15%) and Kenya (8%).

Informal exports, and to some extent also formal exports to the region, have cushioned the losses in world market exports and will continue to be an important part of Uganda's export portfolio. The strong increase in informal trade, especially with Sudan, demonstrates the potential for trade with a region that has close historical and ethnic ties with Uganda, a vast market, and currently very little domestic productive capacity. On the other hand, it is striking that the massive expansion in regional trade in the first half of 2009 was driven entirely by informal exports. The sustainability of these trade flows is questionable for a number of reasons.

First, the expansion in informal trade did not go along with a significant increase in industrial production in Uganda (see section 6.2.7), which makes it unlikely that it reflects the entrance of Ugandan companies into regional markets, but rather ad-hoc transactions by individuals or small traders who see an opportunity for profit. Probably, this was in response to the steep devaluation of the Ugandan shilling discussed in more detail in section 4.8. In most cases, it was probably re-exports that had previously been imported to the Ugandan market or used goods that could be sold more profitably outside Uganda because of the exchange rate fluctuation. The rapid expansion in informal exports thus does not necessarily reflect a sustainable competitive advantage of Ugandan farms or firms in regional markets that would lead to employment creation in Uganda. The surge in exports may be short lived, given that the exchange rate is already revaluing. Furthermore, as discussed in section 4.8., the increase in informal and opportunistic exports of food may have contributed to the severe food price inflation in Uganda.

Second, given the strong dependence on Sudan as a market for informal exports, any deterioration of the political and economic situation there, including a reduction in inflows of humanitarian aid to southern Sudan, could quickly lead to a reversal in informal exports.

Third, some sources interviewed by the mission team suggested that the precarious situation on the western border of Sudan, leading to the eventual closing of the border with Chad, drastically reduced informal trade flows coming into Sudan via Chad and thus boosted demand for inflows from Uganda. The mission team has not been able to verify this information. Similarly, some sources indicated that informal trade with Kenya was boosted in the aftermath of the political turmoil there after the elections in 2008. Unrest in Kenya led to the displacement of rural population in the border region with Uganda and has had an adverse impact on domestic agricultural production. In both cases, informal exports from Uganda appear to have benefited from a surge in demand that may not be sustained.

The challenge thus remains for Ugandan producers to take full advantage of market opportunities in the region as a whole based on competitive domestic production. Sustainable growth in regional exports could create employment and contribute to Uganda's export diversification. Thus, Uganda could benefit substantially from future progress in regional harmonization in relation to trade integration within EAC and COMESA.

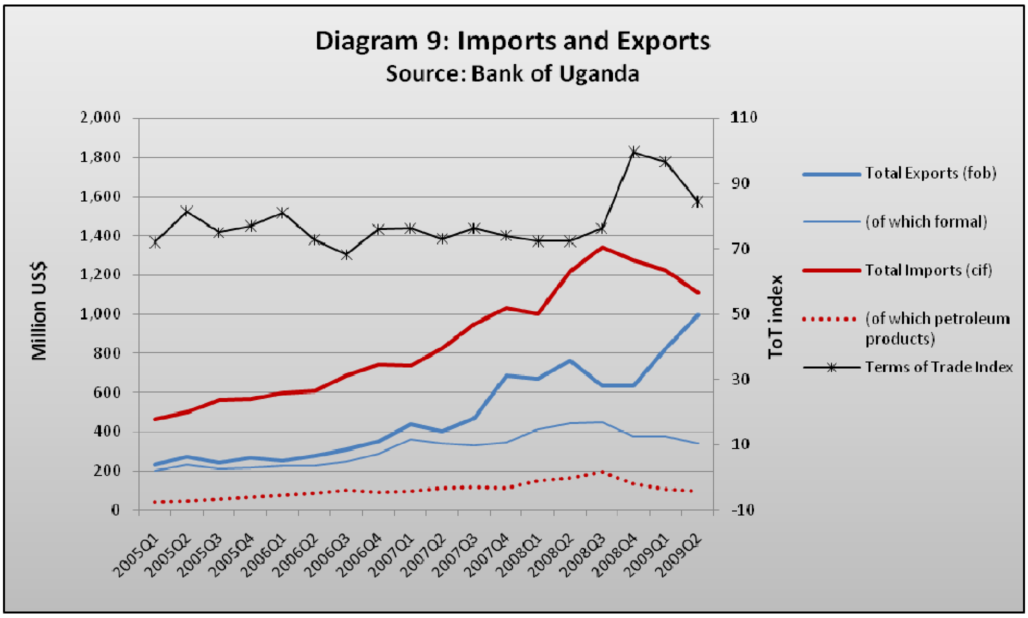


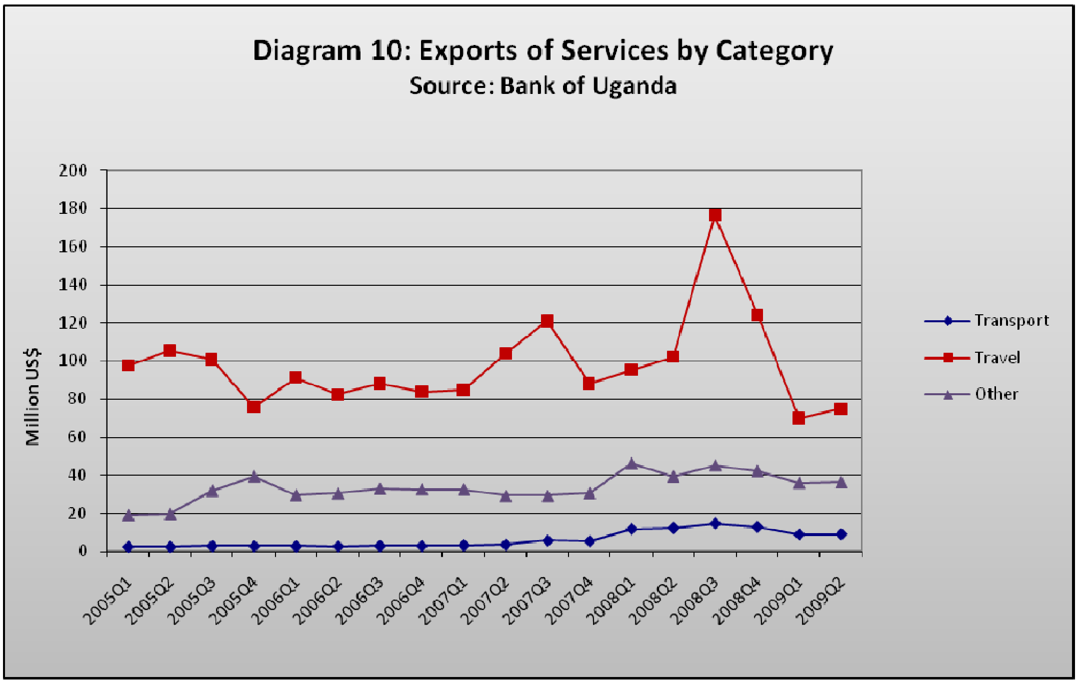
Diagram 9 shows the impact of the economic crisis on the trade balance. As described above, exports suffered a slight decline in the second half of 2008 but then took off in 2009 driven by informal cross-border trade. Imports, too, experienced a decline in the second half of 2008 and continued to decline in 2009. This was to a large extent caused by a decline in the value if oil imports due to lower world market prices. The trade deficit narrowed substantially in 2009 once informal exports are taken into account. The Terms of Trade improved strongly at the onset of the crisis, largely due to the lower oil price. They deteriorated somewhat in the first two quarters of 2009, but are still above their level in early 2008.

In summary, world market demand for some of Uganda's export commodities, most notably coffee, was affected negatively by the crisis, but the impact has been modest and must be interpreted against the background of massive commodity price increases, including increases in the price of coffee, in previous years. At the same time, informal exports have boomed, leading to a reduction in the trade deficit, although it is not clear how sustainable this expansion is. The terms of trade are more favourable than before the beginning of the crisis.

The assessment team encountered very few companies where a lay-off of workers could be clearly attributed to a decline in world market demand. Thus, there does not seem to be a strong overall negative effect of the crisis through the export channel, but a substantial reshuffling of the export portfolio. It is therefore important to analyse carefully the effects on employment in key sectors, some of which employ a large number of vulnerable workers. This will be done in section 6.

4.4 Services Exports

As shown in diagram 6, Uganda's service exports declined substantially in the first half of 2009. Diagram 10 shows a breakdown by activity: Uganda's service exports are concentrated in travel. Tourism earnings have declined substantially in the first two quarters of 2009, falling way below their level in the same quarters in 2008 (-27%).



In previous years, tourism earnings peaked in the third quarter of the year, so the main impact may not yet be evident. The assessment team found evidence of both lay-offs and wage cuts in the hotel sector, which will be discussed further in section 6.2. Transportation and other services also declined in 2009, but constitute a small share of overall service exports.

4.5 Remittances

There is a strong belief among Ugandans interviewed by the mission team that the inflow of remittances has declined substantially since the onset of the crisis. The data presented in diagram 6 does confirm a strong decline of remittances inflows in the first half of 2009 ($237 million) when compared with the second half of 2008 ($509 million), but this is likely to reflect normal seasonal fluctuation. Remittances in the first half of 2009 were actually higher than in the first half of 2008 ($214 million). BOU has indicated that remittances increased in the third quarter of 2009, but could not yet provide precise numbers for the amounts involved at the time the assessment was carried out.

In 2006, the main continents of origin for remittances were Africa (37%), Europe (35%) and North America (22%).[14] Given the recession in Europe and North America and the impact that the economic crisis has had on labour markets in these countries[15], it would not be surprising if remittances failed to grow as strongly as in previous years. Since the majority of remitters send money only once (35%) or twice (25%)[16] a year, and more often towards the end of the year, any impact is likely to be felt towards the second half of the year.

19% of urban households, but only 3% of rural households in Uganda were found to benefit from overseas remittances in 2006.[17] No information is available on the share of remittances in total household income, but only 0.2% of households reported remittances as their *main* source of income. Most recipients of remittances report consumption as the main purpose (37%); a sizeable share also report investment (20%) and education (19%). Where the ultimate beneficiary of the remittance is the sender rather than the recipient, investment takes the largest share (39%), ahead of consumption (26%) and education (18%). Investment includes construction and renovation of buildings, asset acquisition, and business expenditure.[18] Most sources interviewed suggested that construction and renovation account for the largest share and that a decline in remittances could have a negative impact on the construction sector which will be discussed further in section 6.2.

In summary, while it seems reasonable to expect that total remittances in 2009 may be below their 2008 level, so far there is no evidence for a decline. Furthermore, international remittances mainly provide a direct benefit to urban non-poor households. A contraction in remittances could have negative implications for consumption and education spending, but the main impact would not be on the poorest or most vulnerable households.

[14] UBOS and BOU (2006)
[15] ILO (2009b)
[16] UBOS and BOU (2006)
[17] Ibid.
[18] Ibid.

4.6 Aid

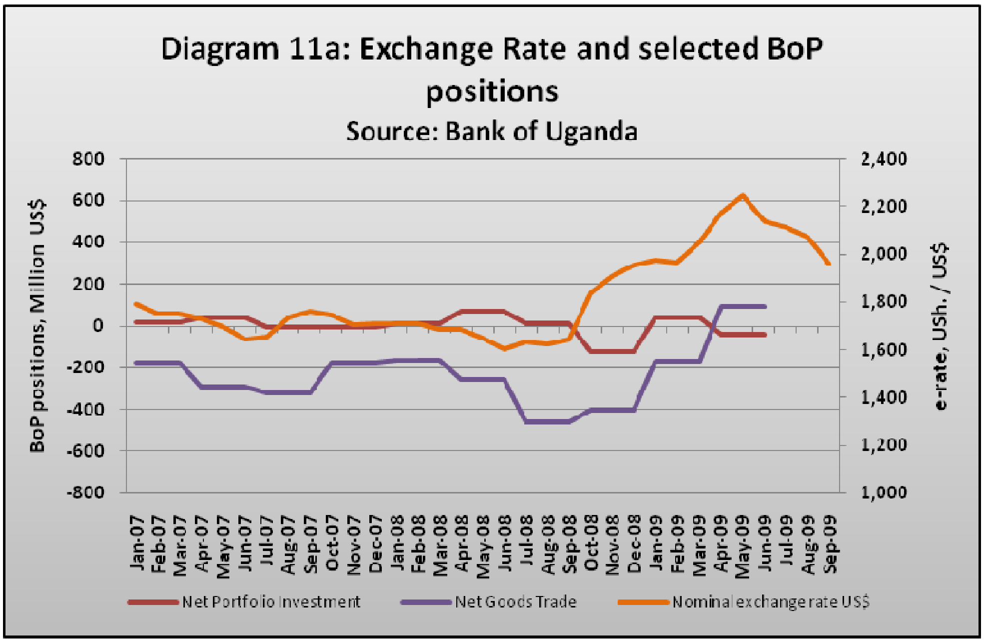
Aid flows to Uganda have been rather volatile during the decade and this has been the case for budget support even more than project aid. However, diagram 6 does not show any evidence of a contraction in grant disbursements to the government since the beginning of the crisis. Donors and officials at the Ministry of Finance, Planning and Economic Development interviewed during the assessment did not expect a sizeable contraction of donor support as donors plan to honour their previous commitments. The current planning for a new National Development Plan envisages an annual expansion of donor support by 9% for the next five years, which seems quite optimistic given the rather volatile, but overall stagnant pattern of official aid disbursements over the last years.

A large amount of aid goes through Civil Society Organizations (CSOs), such as NGOs and faith based organizations, as well as international organizations. Unfortunately, these transfers are lumped together under “other transfers” in the balance of payment data underlying diagram 6, so it is not possible to examine these transfers in more detail; but there was an obvious decline in the second half of 2008 that was not reversed in 2009. While representatives of international organizations told the mission team that they had not been affected by a reduction in funding so far, CSO staff interviewed for the assessment confirmed that a number of organizations are experiencing financial difficulties as the economic situation in rich countries reduces their ability to attract donations. Another alarming sign is that several international CSOs have already notified the Ministry of Gender, Labour and Social Development that they are reducing local staff in Uganda, citing financial difficulties in relation to the economic crisis as the reason. So far, around 150 staff has been laid off by CSOs. CSOs play an important role in Uganda, especially in the re-integration of people that were displaced by the armed conflict in the north. While the immediate employment losses affecting CSO staff seem rather small, a decline in their activities could have adverse consequences for already disadvantaged parts of the country, such as the northern districts, in the longer run.

4.7 Foreign Direct Investment

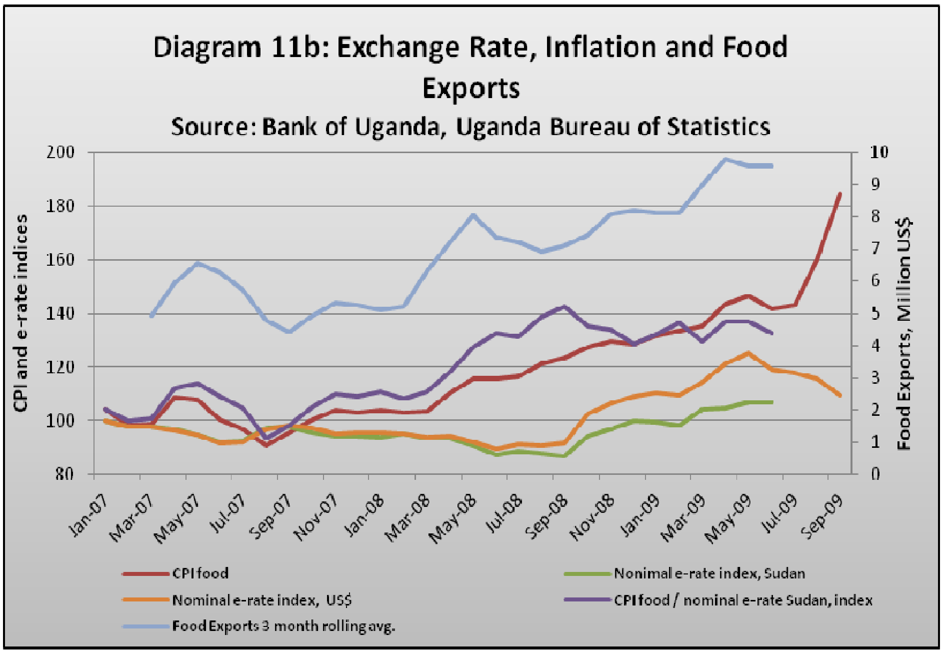
As shown in Diagram 6, inflows of Foreign Direct Investment (FDI) declined only slightly in the second half of 2008 and remained at the same level in the first half of 2009. The Uganda Investment Authority indicated that interest from international investors has changed and is increasingly evident from investors based in India, China, and Arab countries, rather than from investors based in Europe, but overall expressions of interest remain strong. The main sectors attracting FDI have been manufacturing, finance, insurance and real estate services, as well as agriculture. The mission was not able to obtain a detailed breakdown of recent FDI inflows by sector and size of project.

4.8 Exchange Rate and Inflation



As shown in diagram 11a, the Ugandan shilling depreciated significantly against the US$ in September, October and November 2008 and then again in March, April and May 2009, when it reached 2248 USh. / US$, 38% above its level in August 2008. Since May 2009, the exchange rate has appreciated again, but it remains well below its pre-crisis level. The initial depreciation of the Shilling in October 2008 came in the context of a widening trade deficit caused by a decline in export value in the third quarter of 2008 as well as a very strong outflow of portfolio investment in the fourth quarter. Tumusiime-Mutebile (2009) argues that this was caused by global investment funds and financial institutions engaged in the Ugandan money and capital market that pulled out of developing countries to reduce the risk in their portfolios.

Exports quickly picked up again in early 2009 while imports began to decline, leading to a narrowing of the trade deficit. Net portfolio investment also turned positive in the first quarter of 2009, but declined again slightly in the second quarter. Nevertheless, the exchange rate continued to depreciate in the first half of 2009 with accelerated depreciation in March, April, and May. BOU has argued that the strong depreciation helped to stabilize the balance of payment by contributing to the boom in informal exports.[19] However, staff interviewed during the assessment also acknowledged that there had been substantial overshooting fuelled by panic-purchases of foreign currency. BOU intervened at the margin by selling some $64 million of its total of $2.7 billion in foreign reserves[20], but restated its commitment to a flexible exchange rate and did not commit to defend any given target rate for the Ugandan shilling.



Some companies importing intermediate inputs reported to the mission that the large and unpredictable fluctuation in the exchange rate had caused them serious problems and losses. A much more serious consequence of the devaluation is its contribution to food price inflation in Uganda. As shown in diagram 11b, food prices in Uganda have increased dramatically and disproportionately since the end of 2007 in the context of the global food price crisis. A number of factors, both global and local, have contributed to acceleration in food prices that predated the current global economic crisis. The most drastic increase in the food CPI occurred in August and September 2009 and may be accounted for by problems with flooding in some production areas and the delayed start of the rainy season leading to severe drought in others. Some sources interviewed indicated that eastern Uganda is now getting dangerously close to a famine.

However, the global economic crisis also contributed to food price inflation in Uganda. This seems counterintuitive as world market food prices have declined somewhat since the beginning of the global economic crisis. However, this decline

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[19] Tumusiime-Mutebile (2009)
[20] Ibid.

in global food prices has not been reflected in Uganda. On the contrary, food price inflation has accelerated in Uganda since the onset of the crisis, which seems to be related to the large exchange rate depreciation. Uganda is a net exporter of food and despite the strong increases in domestic food prices has continued to export increasing amounts of food to neighbouring countries. In fact, with the strong depreciation of the Ugandan shilling against both the US$ and the currencies of neighbouring countries, there were increased incentives to export food from Uganda to the region. Diagram 11b shows this by presenting the food CPI divided by the bilateral exchange rate with Uganda's main regional trading partner, Sudan (purple line). Since the beginning of the crisis in September 2008, the price of Ugandan food expressed in Sudanese currency has actually decreased slightly despite the strong domestic food price inflation. The light blue line shows exports of agricultural food items that are also consumed domestically in significant quantities, such as beans, maize, ground-nuts, bananas, and other fruits, but excludes coffee, tea and tobacco. It only shows official exports for which monthly data is available and thus probably severely underestimates total food exports; but food exports obviously increased, despite domestic food price inflation.

As will be discussed in subsequent sections, very few workers received inflation adjustments to their salaries in 2009 or even 2008, and a number of employers have given the economic crisis as a reason to refuse wage increments. Thus, by contributing to food price inflation and the stagnation of nominal wages, the economic crisis has led to a severe reduction in real wages in Uganda. This will be discussed in more detail in the subsequent sections.

5. Demographic and Labour Force Trends Before the Crisis

For many years before the global economic crisis in 2008/9, the overwhelming majority of Uganda's labour force had experienced difficulties in finding decent jobs. These difficulties may be explained, in part, by examining long-term trends in key demographic and supply side characteristics of the population of working age. A good starting point for an analysis of these underlying labour market trends is to emphasize the remarkably low median age of Uganda's population. In 2010 the median age will still be as low as 15.6 years, considerably below the median for other Sub-Saharan African countries (18.6 years) and even further below the median in Latin America and the Caribbean (27.7 years), or in the East Asian region (35.2 years). The high proportion of young people in Uganda, a result of one of the highest total fertility and population growth rates in the world[21] (table 2) means that extraordinary efforts will be required to improve the education, health and productivity of new entrants into employment over the next decade. The scale of the effort required is outlined below.

Table 2: Uganda demographic profile medium variant 2005-2020
Source: UN World Population Prospects database

	2005-2010	2010-2015	2015- 2020
Population growth rate (%)	3.3	3.2	3.1
Total fertility (children per woman)	6.4	5.9	5.4
Births per year, both sexes combined (thousands)	1,448	1,620	1,770

Uganda's child dependency ratio is 100, very high even in comparison to the Sub-Saharan Africa average (78), implying a relatively small working age population capable of generating the revenues to finance the expenditures on education and health that are a precondition for improved labour productivity.

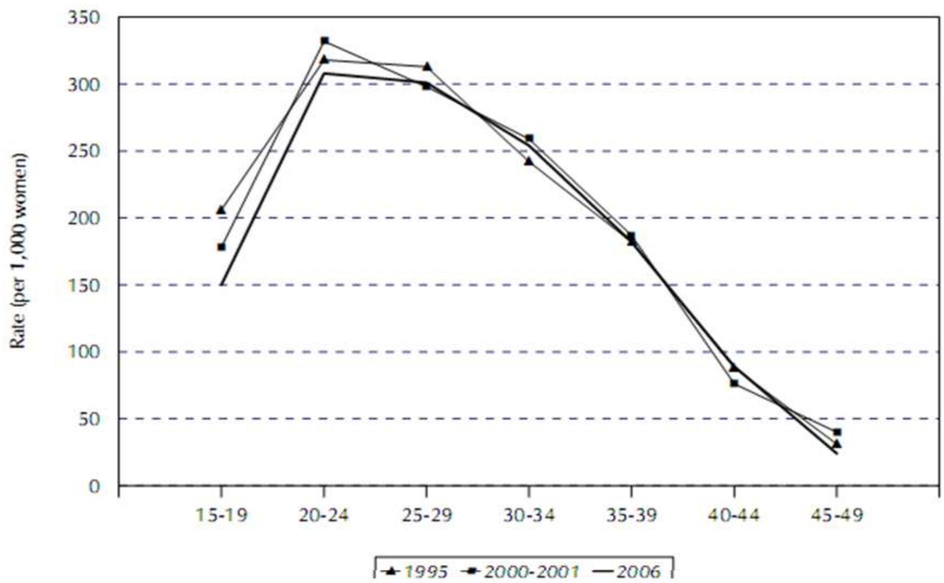
There would be very significant pay-offs to reducing fertility levels and the high number of births per year in Uganda. It would assist households and the public sector to improve education and health outcomes; and econometricians have estimated that it would lead to significantly higher GDP growth.[22] In 2004, the Poverty Eradication Action Plan noted the limited progress of family planning and

[21] Total fertility rates in neighbouring economies are very much lower than in Uganda. For example, in Kenya the TFR is 4.9, Ethiopia 5.4; and Tanzania 5.7.
[22] Klasen and Lawson (2007)

concluded that Uganda's large family sizes "*are now becoming an impediment to the speed of economic growth and social and structural transformation*".[23]

Unfortunately, progress towards reducing fertility has been slow and has had an uneven impact across Uganda; too many of the poorest rural women and their children have failed to benefit from appropriate interventions and expenditures.

Diagram 12a: Trends in Fertility
Source: UBOS (2007)



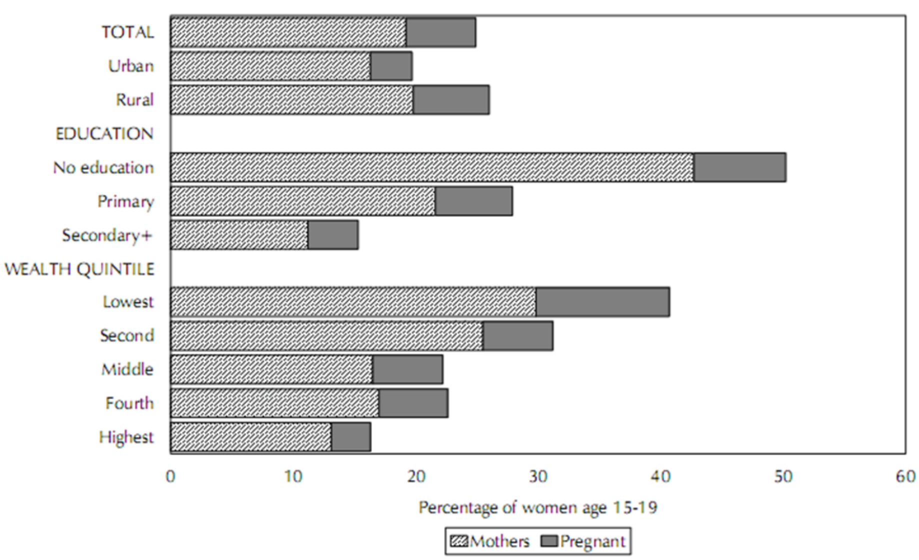
Note: 2006 and 1995 numbers adjusted to remove districts not included in the 2000-2001 survey.

Over the last 10 years, there has been relatively little change in age-specific fertility (diagram 12a). In addition, rural total fertility rates (7.1) remain very much higher than urban total fertility rates (4.4); and there is an even larger gap between the total fertility rates of women in the poorest quintile of households (8.0) and women in the wealthiest quintile (4.3).

[23] Ministry of Finance, Planning and Economic Development (2004)

Diagram 12b: Percentage of women age 15-19 who are mothers or pregnant with their first child, by residence, education, and wealth quintile

Source: UBOS (2007)



One important determinant of total fertility, as well as of the health of mothers and their children, is the age at which childbearing commences. In particular, teenage pregnancy is closely associated with higher morbidity and mortality for both the mother and child. Besides, pregnant girls in Uganda have to terminate their education, which has continuing adverse affects on the health of the mother and on children's health and education through loss of earnings opportunities in the labour market.[24] Rural, poorly educated women, living in the poorest households are particularly likely to suffer the consequences of teenage pregnancy (diagram 12b).

A proximate determinant of total fertility rates is the availability and spread of modern contraceptive methods. Only 24% of currently married women report current use of contraception and 41% have an unmet need for family planning.[25] The proportion of currently married women that does not use a modern contraceptive method is very high indeed – 82%. The Demographic and Health Surveys Program has supported surveys in about 84 countries and the results on the unmet need for contraceptives in Uganda in 2006 are the highest ever recorded. Rural women are increasingly disadvantaged: in 1995, the urban-rural difference in

[24] Lay and Robilliard (2009), Seeley (2008), Ssewanyana and Younger (2008)

[25] Women who indicate that they either want no more children or want to wait for two or more years before having another child, but are not using contraception, are considered to have an unmet need for family planning.

total unmet need was 2 percentage points, but by 2006, the difference was 16 percentage points.

Table 3: Differentials in unmet need for family planning among currently married women, by demographic and other characteristics Source: UBOS (2007)	
Characteristic	**% with unmet need for family planning**
No Education	44.6
Secondary +	27.0
Rural	42.6
Urban	27.0
Poorest Household Wealth Quintile	46.5
Richest Household Wealth Quintile	26.2

Reducing the large gap in unmet needs between poorer and richer women and between educated and less educated women (table 3) could have a very significant impact on total fertility rates in Uganda (Kahn et al, 2008) and, in the medium term, improve the labour market outcomes for the (smaller) future cohorts of new labour market entrants. At present, the prospects for many of these entrants are rather bleak, because their health, nutrition and level of education will make it difficult for them to acquire decent jobs.

Table 4: Nutritional Status of Children Source: UBOS (2007)		
Background Characteristic	**Stunted (% Below -2SD)**	**Underweight (% below -2SD)**
Rural	39.5	16.5
Urban	25.5	10.6
Mother with No Education	41.4	20.6
Mother with Secondary +	22.7	8.4
Poorest Household Wealth Quintile	43.4	20.6
Richest Household Wealth Quintile	24.3	8.4

The underlying trends in child health show large gaps between rural children born to women with little education in the poorest quintile of households and other children in Uganda. For example, these children are almost twice as likely to be stunted; over 43% of children in the poorest quintile of households are stunted, compared to about 24% of children in the richest quintile of households (table 4).

The productivity of large numbers of future labour market entrants will be compromised by their long-term experience of under-nutrition, and morbidity remains high because of low vaccination rates and the inadequate (and deteriorating) use of insecticide treated bed nets to prevent malaria. About 60% of the children living in the poorest quintile of households and of the children whose mothers have no education have failed to receive all basic vaccinations. Malaria is responsible for more illness and death than any other disease in Uganda. More than 80% of rural children in the poorest households are not sleeping under bed nets – their access to insecticide treated nets is even lower.[26]

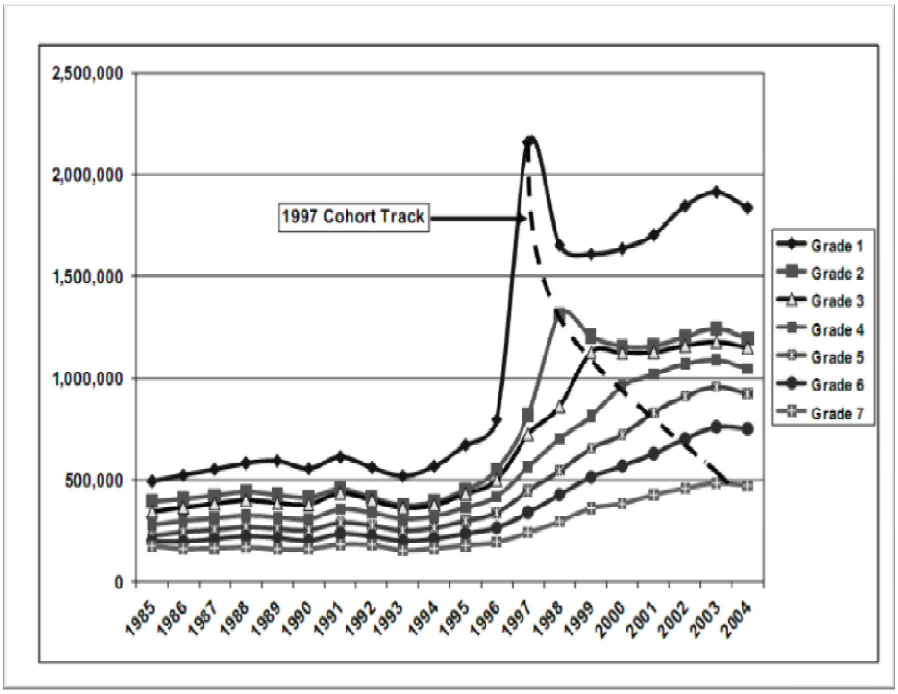
Notwithstanding recent improvements in school enrolment rates for poorer rural children, there are disturbing underlying trends which will continue to affect the education as well as the health status of the majority of the labour force, especially the female labour force. Economic theory and empirical evidence from Uganda as well as many other developing economies suggest that access to at least basic education is a precondition for access to decent jobs. Post-school vocational and skill training is ineffective unless it can build on the solid cognitive basis in numeracy and written and oral communication and comprehension which is acquired through basic primary education (Fox 2009). Besides, most evaluations of training programmes for unemployed young people conclude that such programmes have been unsuccessful in raising the job offers and incomes of the youth involved.[27] On the basis of a comprehensive review of the available evidence, Bennell (2007) argues that: "*The greatest contribution to improving the future employment/livelihood prospects of disadvantaged children in both rural and urban areas is to make sure they stay in school until they are least functionally literate and numerat*e". How successful has Uganda been in making this essential contribution to the future of their youth?

By 2005/6, almost 70% of females in the total labour force had not completed primary education. In addition, the majority of new entrants to the labour force over the period 2002/3 to 2005/6 had not completed primary education.[28] Among those in wage employment in rural areas, no less than 74% of females (and 59% of males) had failed to complete primary school.[29] UBOS (2007) shows the primary

[26] UBOS (2007). The areas of Africa that have promoted free distribution of insecticide treated nets have overall achieved more rapid progress than those that rely on cost recovery (21% lower median coverage) or routine subsidized public-sector promotion (11% lower median coverage). See Noor et al. (2009).
[27] Bennell (1999): p. 36
[28] Fox (2009)
[29] Kagundu and Pavlova (2007)

and secondary School Net Attendance Ratio (NAR) for the household population.[30] In the poorest quintile of households the female NAR was only 71.3 for primary school and as low as 2.5 for secondary school; the comparable NARs in the richest quintile of households were very much higher - 88.9 and 38.5.

Diagram 13: Primary Enrolments by Year and Grade
Source: Lewin (2009)



The latest available data indicates that illiteracy rates remain high for females in the age group 20 to 24 years; the illiteracy rate is about 30% for these young women, compared to about 20% for males in the same age group (Office of the Prime Minister 2009). Dropout rates are a major problem in Uganda's school system, as shown in diagram 13. The introduction of universal primary education led to a massive increase in the numbers of grade 1 students, reflected in the spike in diagram 13. In one year the increase went from about 700,000 grade 1 students in 1996 to nearly 2.2 million in 1997. Unfortunately, the 1997 cohort of grade 1 students did not progress successfully through to the final year of primary school (grade 7). By grade 7 in 2003 only 500,000 students were enrolled and diagram 13 clearly shows that there was no enrolment spike moving through the higher grades over time. Each age cohort of children in Uganda was about 900,000 in 2003

[30] The NAR for primary school is the percentage of the primary-school-age (6-12 years) population that is attending primary school. The NAR for secondary school is the percentage of the secondary-school-age (13-18 years) population that is attending secondary school.

suggesting that the primary system was choked with many over-age children in the lower grades where there are more enrolled than in the age group. By grade 7 those enrolled are only about 60% of the age group. Many clearly drop out before reaching grade 7 and selection for secondary school.

A serious bottleneck has developed obstructing the flow of children, especially rural children, from grade 6 to grade 7. The primary school leaving examination (PLE) is taken in grade 7 and children are required to repeat grade 6 (or drop out) if they risk damaging the school's reputation by failing the PLE. The costs of attending "free" primary schools are another factor leading to high dropout rates. An estimated 1.3 million primary school aged children are not attending primary school.

By 2006, the result was that less than half of the relevant age cohort took the PLE.[31] Survey data from 2007/8 indicates that the proportion of rural females aged between 13 and 16 enrolled in lower secondary school was only 11.6% (compared to 37.4% of urban females in this age group). At the higher secondary school level only a tiny proportion of the rural female age cohort is enrolled (0.3%). The 2007/8 data also reveals gross overcrowding in both primary and secondary schools, partly as a result of late entry and high repetition rates, implying serious classroom overcrowding and that the quality of education is low and deteriorating (Office of the Prime Minister 2009).[32] The World Bank concludes that "*in terms of equipping a modern labor force, much remains to be done. In addition to increasing secondary school enrolment ... getting completion rates up should be a key target for growth and poverty reduction*".[33]

The pattern of resource allocation over the last decade reveals marked inequality in the access of Uganda's current and future labour force to those facilities and services that might be expected to improve their health, nutrition, education and productivity. Inequalities in health appear to be growing and are wide, in absolute terms and relative to other developing economies[34]. It may be concluded that, in 2010 and for years thereafter, many Ugandan workers will continue to face huge difficulties in achieving productive employment. The impact of the global economic crisis of 2008/9, superimposed on these underlying trends, is hard to quantify. The argument in this report is that, on the basis of the historical evidence, the crisis is likely to have reduced the already limited access of large numbers of rural Ugandans to education and health. An analysis of rural household's responses to income shocks during an earlier period (1992 to 2002) has shown that these shocks have large negative, and highly significant, effects on

[31] Lewin (2009)
[32] Pupil to teacher ratios deteriorated in primary schools between 2005 and 2008 while pupil to classroom ratios remain very high (72) and 2 out of 5 pupils do not have "*adequate sitting space*" (UBOS 2009). On inadequate facilities in primary schools see also Juuko and Kabonesa (2007).
[33] Fox (2009)
[34] Gwatkin, et al. (2007)

female enrolment in primary schools and the effects grow stronger for older girls. In contrast, there is a smaller and only marginally significant effect on the enrolment of boys.[35]

The demographic and labour force trends described in this section, combined with the low rates of employment creation discussed in section 3, have led to a large and increasing discrepancy between the supply of and effective demand for labour in Uganda. This has resulted in extremely precarious employment and stagnating wages in the low-wage sector and thus to a workforce that is extremely vulnerable to any shocks to the economy. These problems need to be addressed urgently in order to improve current working conditions and better protect workers in Uganda against the impact of future crises. This section has thus highlighted the urgency of the need for new policy initiatives focused on the most vulnerable young people. The mission team's proposals for such policy initiatives are presented in section 8.2. They focus on the schooling of rural girls not only as a response the current economic crisis, but also to achieve a wide range of development objectives in the longer term,

[35] Bjorkman (2007) emphasizes the fact that girls who have been withdrawn from school because of a negative income shock remain withdrawn in the years following the income shock.

6. The Impact of the Crisis on Employment

6.1 Impact on the Most Vulnerable Workers: National Data

As discussed in section 4 (diagram 11 b), the food component of Uganda's Consumer Price Index has been increasing steeply since the end of 2007 and the devaluation caused by the global economic crisis has aggravated the problem since October 2008.

Diagram 14: Average Staple Food Prices in Uganda (national), 2003-08

Source: Benson (2008) based on data from FoodNet

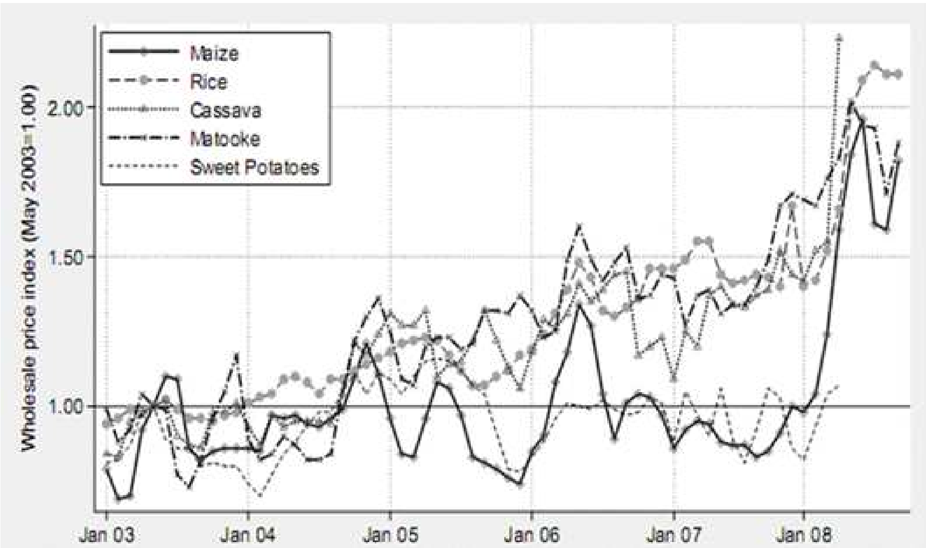


Diagram 14 shows that this development was driven by dramatic increases in the prices of food staples in 2007/8, especially by increases in the price of maize. Many Ugandans suffered a decline in their standards of living as a result of these trends in the price of the most basic wage goods, but some households and workers were particularly vulnerable and are likely to have suffered disproportionately.

Poor households suffered the most from the rapid increase in food prices since they a much larger proportion of their total expenditures is spent on food. The poorest households in Uganda spend 60% of their income on food (ILO 2008). The overwhelming majority of poor households live in rural areas, where mean consumption expenditure per adult equivalent is about half that in urban households

(Office of the Prime Minister 2009).[36] The majority of rural households (about 60%) are net purchasers of staple foods. Even before the 2008 price shock, average consumption in poor households was 28% below the official poverty line; by early 2008, the rise in food prices had caused the severity of poverty to worsen - this average fell to 32% below the poverty line.[37]

Thus, even poor rural households that have the capacity to grow some of the food they consume have not effectively been insulated from food price shocks. In fact, the very poorest rural households (with monthly consumption per adult equivalent of 38 thousand shillings compared to the rural average of 46 thousand shillings) struggle to survive by combining any cash or imputed income they derive from farming with earnings as agricultural wage labourers (Fox 2009). Households depending on an income from agricultural wage labour alone are even poorer.

The mission was unable to discover any evidence that the poorest rural households had been able to achieve an increase in their money wage rates over the period 2007-9 sufficient to compensate for the massive increase in basic wage goods prices. The money wage rates reported to the mission for the most important sectors of female employment remain astonishingly low: Seasonal casual coffee harvesters are still receiving about 1,500 shillings for a day's work; casual tea pickers on plantations receive about 2,100 shillings per day; domestic servants receive about 20 thousand shillings per month; waitresses and flower pickers in peri-urban areas about 50 thousand shillings per month. In fact, none of the sectors investigated by the mission had increased the money wages paid to casual/temporary workers in 2008-9. There were also remarkably few examples of recent wage increases for (less vulnerable) permanent wage workers in the firms surveyed by the mission.

The most recent national data on wages has been published in the Gender and Productivity Survey (Office of the Prime Minister 2009) and refer to wages earned in 2007-8. Unfortunately, this data is not disaggregated sufficiently to allow a comparison of wages by detailed occupational category. However, the results confirm that the lowest money wage earners in Uganda were rural women employed by the private sector (median monthly wages of 33,000 shillings); and females with no formal education or incomplete primary schooling (median monthly wages of 22,000 shillings and 40,000 shillings). These wages are not very different from those observed by the mission for similar broad categories of vulnerable workers in October 2009. Analysis of the Uganda National Household Survey 2002 and 2005 data confirms that agricultural wages grew relatively slowly during that period too and that the majority of female wage earners in Uganda (60%) are employed as casual/temporary workers.[38]

[36] Other indicators of the severity of rural relative to urban deprivation are described in section 5.
[37] Simler (2009)
[38] Fox (2009)

All the secondary data sources confirm that workers who have not been able to complete primary school are the least likely to earn a decent wage[39]; the current and projected size of this vulnerable group has already been discussed (section 5). These sources also confirm the persistence of a large and discriminatory gender gap in wages, affecting not only the most vulnerable rural workers, but also more secure occupational categories such as teachers.

The ILO has observed that the relationship between real wages and economic growth typically changes in periods of economic decline. Whereas in times of economic expansion real wages are less than fully responsive to changes in GDP per capita, during economic downturns real wages tend to become overly responsive and fall faster than GDP (ILO 2008). This pattern, observed globally during the period 1995 to 2007, seems to apply in Uganda too, where the elasticity of real wages to GDP has been low during a period of sustained growth, especially for poorly educated wage workers, while real wages for these workers appear to have fallen particularly rapidly following the global crisis, the spike in food prices and the slowdown in GDP growth in 2009.[40]

6.2 The Sectoral Impact

6.2.1 Coffee

Coffee is Uganda's single largest export product and accounted for 23% of total exports in 2008.[41] About 1.1 million households allocate some land to coffee production,[42] equivalent to 20% of the total number of households and to over a quarter of the rural households in Uganda. The Uganda Coffee Development Authority has estimated that total employment in the coffee sub-sector is about 5 million people, although they do not discuss the sources and methods used in this estimate.[43]No data is available on the number of wage workers employed on a seasonal basis to harvest coffee, but their number is likely to be very high and these wage earnings probably constitute a significant proportion of the total income of poor rural households. Mission interviews established that a high proportion of

[39] See for example Office of the Prime Minister (2009).
[40] It should also be noted that the governments own wage bill has declined continuously over recent years as a percentage of GDP. The IMF (2009b) is now concerned that "*Low wage growth can adversely impact service delivery as well as constrain implementation capacity in government agencies*".
[41] Export data provided by UBOS
[42] Benin et al (2008)
[43] Figure quoted in National Union of Coffee Agribusinesses and Farm Enterprises (2008)

coffee smallholders, even those producing one hectare of coffee or less, employ wage labour during peak harvesting periods.[44]

There is no up-to-date information on the size distribution of coffee farms in Uganda, but it can safely be assumed that larger growers are heavily dependent on hiring wage workers at peak seasons. It can also safely be assumed that Uganda's Household Surveys, because of their focus on employment during a short seven day recall period and on "primary" occupations, do not accurately record the number of seasonal wage workers on coffee farms.

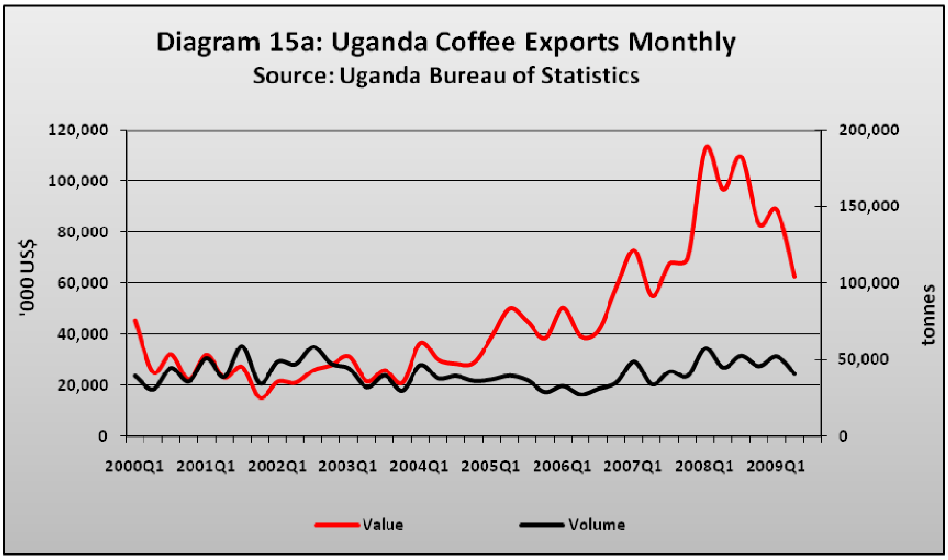
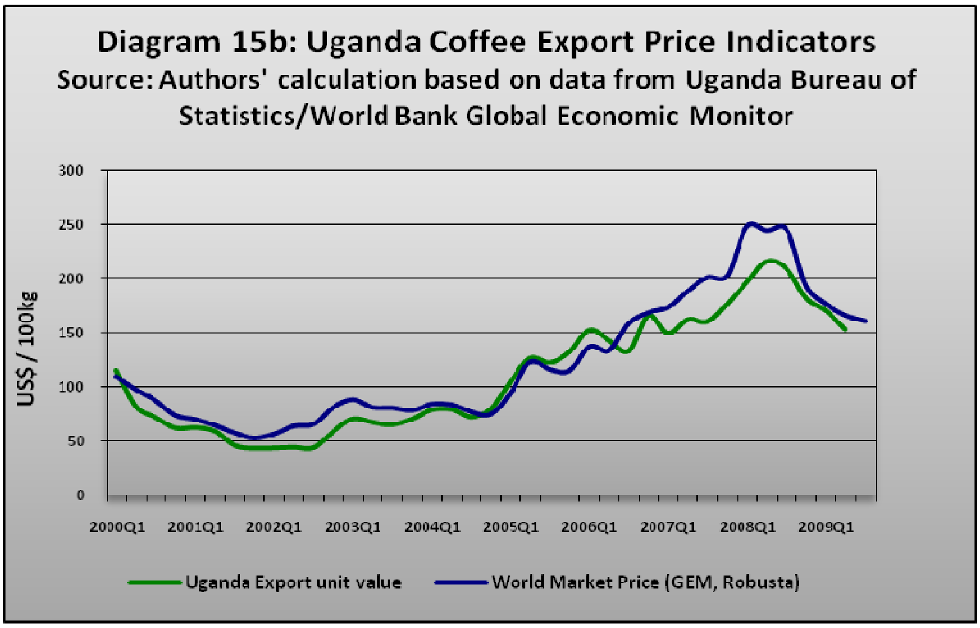


Diagram 15a shows that the value of coffee exports has increased strongly since 2005, and especially in 2008, and then dropped back to its 2007 level following the onset of the crisis. However, this diagram also shows that the volume of exports has been stagnant for the last decade. Uganda clearly failed to take advantage of high coffee prices before the crisis by increasing its output and thus providing additional wage employment for low-skilled workers. It is beyond the scope of this report to analyse the domestic supply side constraints, including the slow progress in replanting to overcome disease problems, that have caused this stagnation, but investing to improve both the quantity and quality of coffee production to unleash the employment potential of the sector should be a high policy priority.

[44] See also Wedig (2009)



As shown in diagram 15b, the world market price for coffee and the unit price that Ugandan coffee exports fetch have declined somewhat since the onset of the crisis, but this was mainly a reversal of extremely favourable price movements in 2008 and should not discourage future investment to increase coffee output and to reverse the declining trend in yields per hectare.

6.2.2 Tea

Tea accounted for 3% of Uganda's exports in 2008.[45] Unlike coffee, it is mainly produced on large estates that account for roughly 70% of total output with most of the rest being produced by smallholders. It was estimated that in 2001, some 40,000 people were employed in tea growing.[46]

A later estimate was that the tea estates regularly employ more than 50,000 workers as tea pickers on a piece rate basis.[47] The volume of tea production has increased by 50% between 2001 and 2008, so the numbers employed for wages in this sector are likely to have increased very substantially. This increase is not reflected in the results of Uganda's Household Surveys.

Tea is a labour intensive crop requiring large numbers of field workers, many of whom are casual female wage workers employed by smallholder farms as well

[45] Export data provided by UBOS
[46] DTIS (2006)
[47] Deveraux (2005)

as on the estates, to harvest green leaf. Yields per hectare in Uganda's tea sector appear to have been declining in recent years.[48]

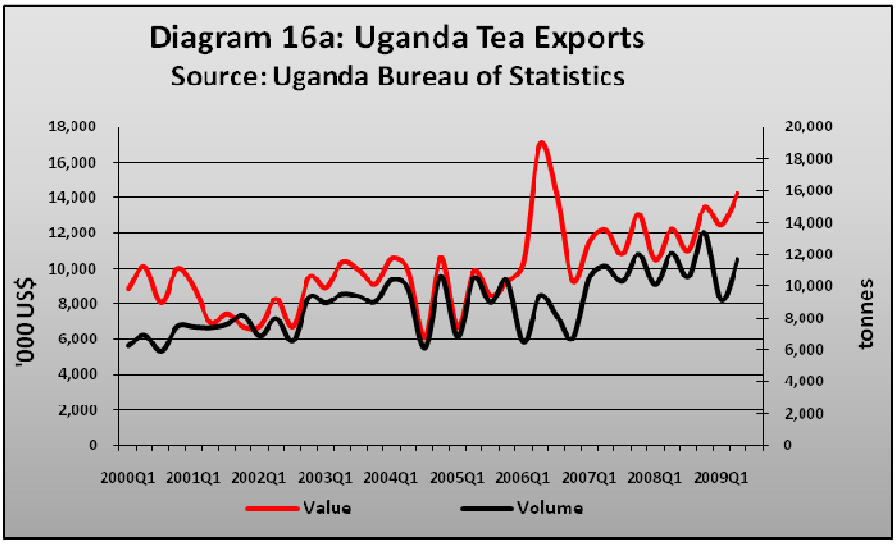
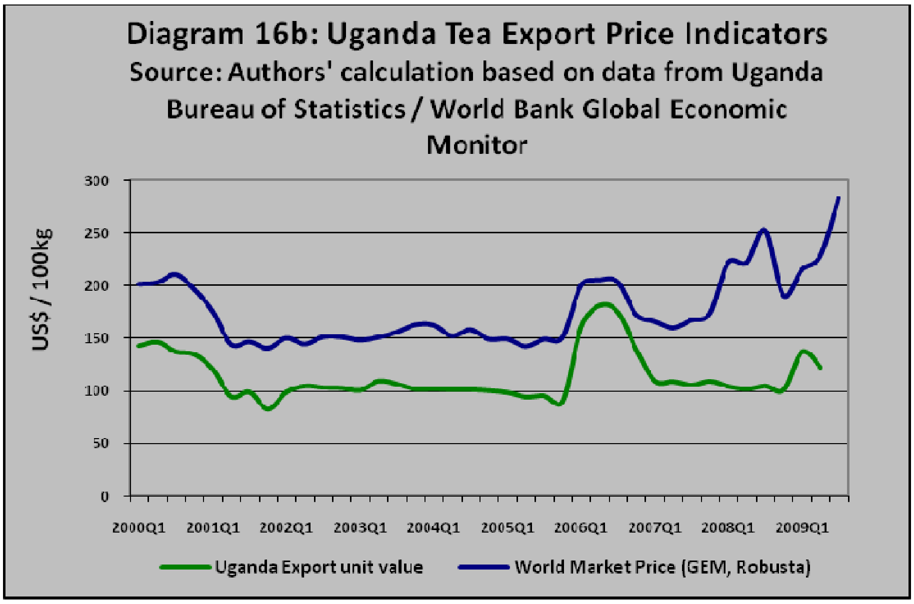


Diagram 16a shows that the value of tea exports increased in 2009, while volumes fluctuated around roughly the same level since 2007.



World market prices for tea at the Mombasa auction increased substantially in 2009 (diagram 16b). Even though Ugandan export prices did not fully follow the

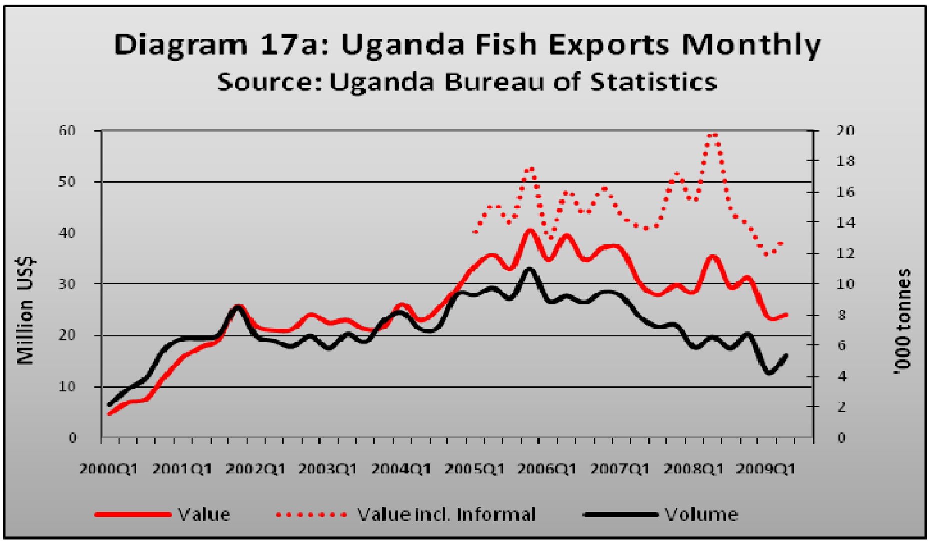
[48] Benin et al (2008)

world market price, they too increased in 2009. Thus, the crisis does not appear to have had a negative impact on the price and demand for tea exports. However, the tea sector employs a large number of casual, unprotected workers. As discussed above, these workers have probably suffered a substantial decline in their real wages as a result of the ongoing food price inflation that was not compensated by an increase in nominal wages.

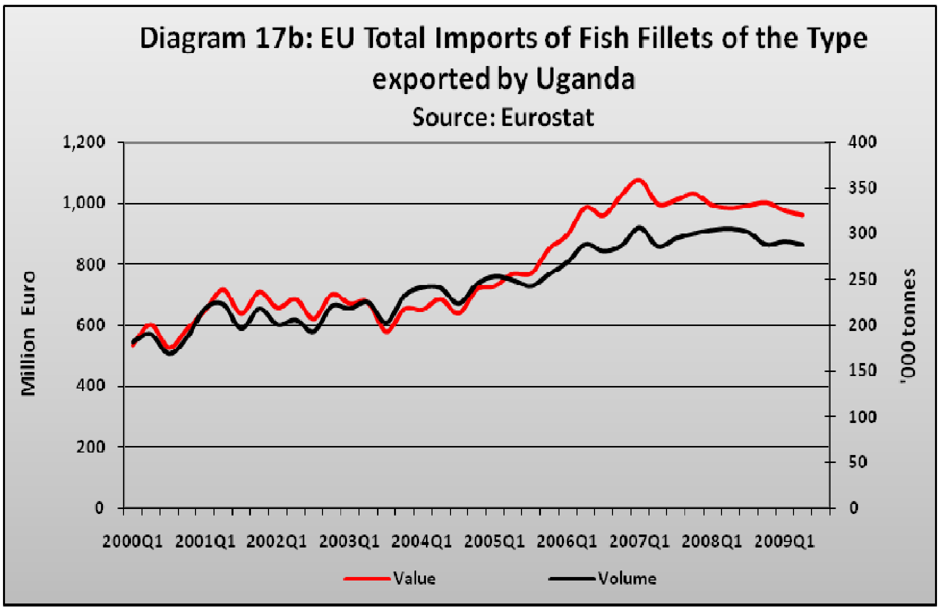
6.2.3 Fish

Fish accounted for 7% of Uganda's exports in 2008 and according to the latest National Household Survey, 107,000 Ugandans worked in fishing in 2005, 95% of them male and 16% of them classified as poor.[49] These UNHS survey estimates of total employment numbers may not be reliable, for reasons discussed in section 7. Other sources provide much higher estimates of levels of employment. For example, DTIS (2006) estimates that employment in this sector amounts to 250,000, with another 5,000 employed in the processing and handling of fish exports, while the Poverty Eradication Action Plan (Ministry of Finance, Planning and Economic Development 2004) estimated that the sector directly employs over 300,000 people with up to 1.2 million more depending on fisheries as a source of income and livelihood. Micro-surveys suggest that seasonal wage employment, with remuneration taking the form of a share of the catch, is an important source of income in this sector for poor men who do not own boats or equipment.[50] About 75% of official fish exports go to the EU, mostly as prepared fillet, but there are also very significant informal exports to the region (in 2008, official exports were at $116 million vs. $70 million informal exports).[51]

[49] Summary data based on the 2005/6 National Household Survey provided by UBOS
[50] Ministry of Finance, Planning and Economic Development (2002)
[51] Export data provided by UBOS and UBOS and BOU (2006)



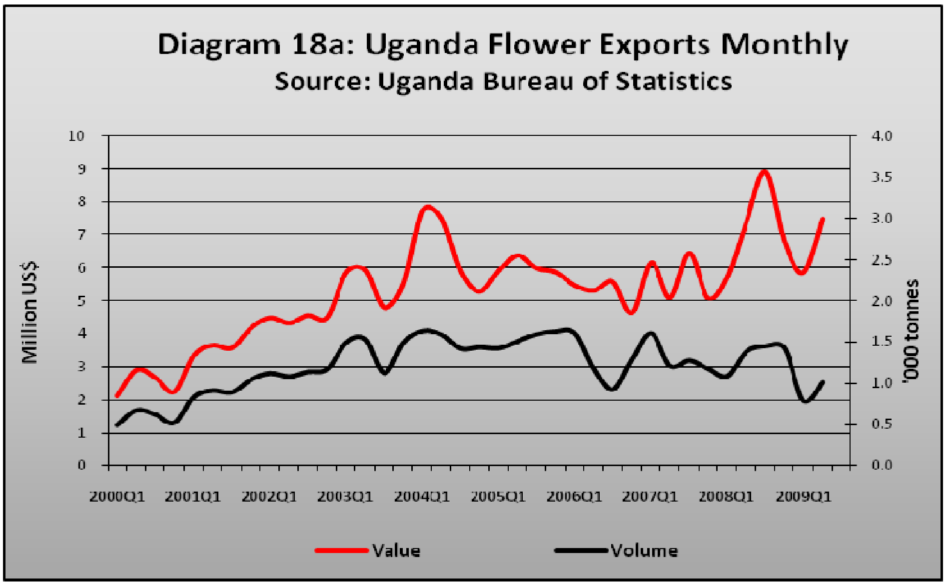
As diagram 17a shows, Uganda's fish exports have been declining both in terms of value and volume in recent years. The decline clearly predates the global economic crisis and was caused by substantial supply side problems, most notably the deteriorating ecological balance in Lake Victoria and failure to regulate fishing on a sustainable basis.



As diagram 17b shows, EU imports from all trading partners of the type of fish fillet exported by Uganda have been on the decline since 2007. Thus, while the main problems are clearly on the supply side, there also may be a demand side problem facing Ugandan fish exporters. Both problems clearly predate the global economic crisis, although data on the recent volume of air-freighted fish exports suggest that the problems are now becoming more acute.

6. 2. 4 Flowers

Over 192 hectares of flowers were cultivated in 2009 on 19 farms and floriculture accounted for about 2% of Uganda's exports in 2008.[52] A back of the envelope calculation in DTIS (2006) leads to an estimate of about 6,000 people employed in floriculture in Uganda. About 80% of the floricultural workforce is female, the majority employed on a casual basis as "bed attendants", i.e. fieldworkers (Lumumba 2005). Employers highlight the labour-intensity of this sector, suggesting that each hectare cultivated requires about 6 fieldworkers.



The trade data for flowers provided by the Uganda Bureau of Statistics (diagram 18a) are difficult to interpret given that there has been substantial fluctuation in recent years. Perhaps the most relevant finding is that the volume of flower exports has stagnated or even declined since 2003 despite increasing total flower imports by the EU, which is the market for virtually all of Uganda's flower exports. This suggests that as in the coffee and fishery sector, there have been long-standing constraints on the growth of Ugandan supply.

[52] Export data provided by UBOS

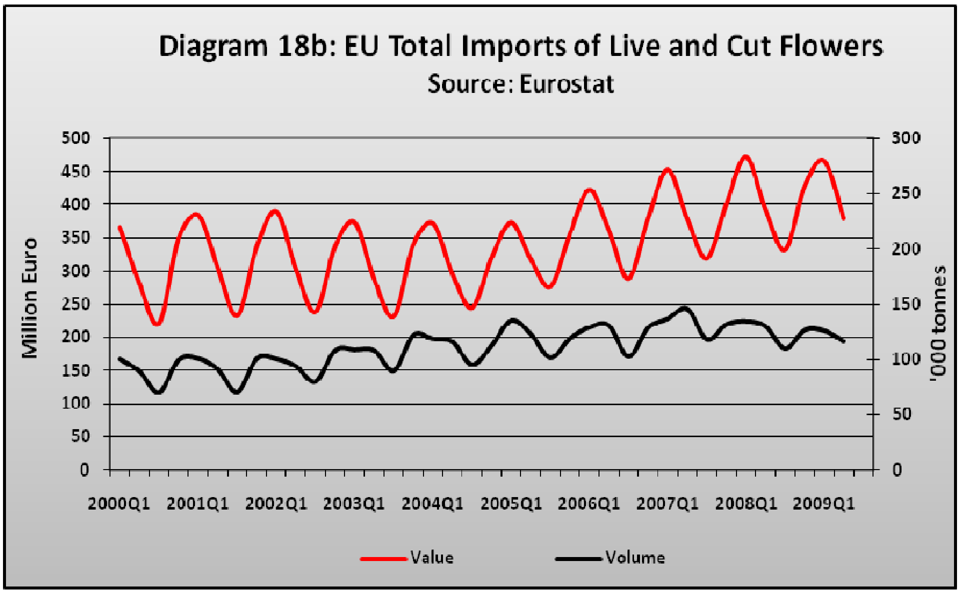


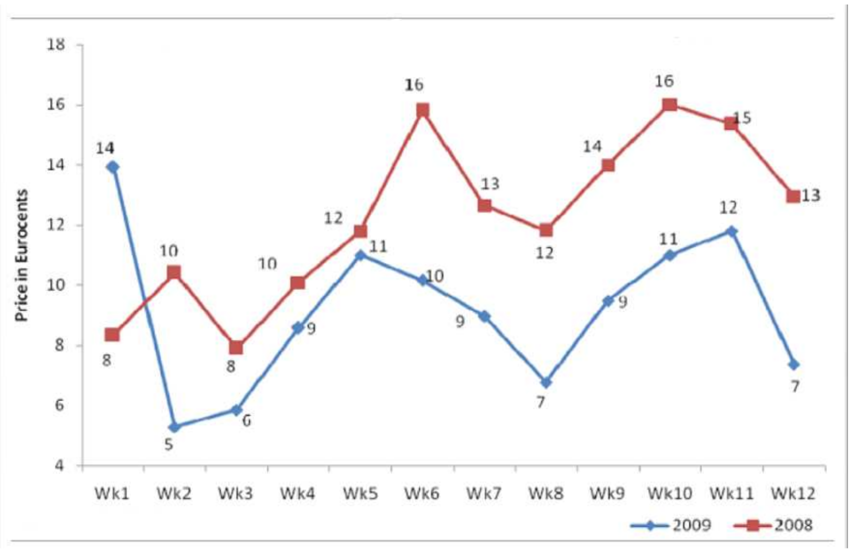
Diagram 18b shows a stagnation in total imports of flowers in the EU since the onset of the crisis, but does not show a remarkable decline. Data from the Uganda Flower Exporters Association does, however, show a significant decline in the prices received for Uganda rose exports in early 2009 as compared to the prices received in 2008. Moreover, the Center for the Promotion of Imports from Developing Countries in the Netherlands has conducted research that indicates that the global financial crisis has had a very significant impact on African flower exporters in 2009, as a result of declines in demand and price in the major importing markets.[53]

Turnover at the FloraHolland flower auction fell by 13.3% (January-April 2009) compared to the same period in 2008. Dutch importers indicate that across the board prices have fallen by approximately 15 to 30% in the months before June 2009.[54]

[53] Center for the Promotion of Imports from Developing Countries (2009)
[54] Ibid.

Diagram 18c: Average Price Trend for Uganda Roses at Floraholland Auction

Source: Horaholland auction



The mission team was informed about lay-offs of casual workers (about 30 workers) on one flower farm and about a reduction in acreage expansion plans on another, said to be caused by the global economic crisis, One flower farm ceased production in May 2009, with the loss of about 300 jobs, but it is unclear whether this closure can be directly attributed to the impact of the crisis. One of the largest and most well-established flower farms in Uganda provided data on the monthly volume of its exports of cut roses that indicate an increase in volume in the months January to June 2009, compared to the same months in 2008. Data on the volume of flowers airfreighted from Uganda in recent months provided by a freight handling company at Entebbe airport shows that the average monthly volume of flowers exported between May and September 2009 was slightly higher than the volume exported in the same months of 2008.

The flower sector has been struggling with a number of supply side problems for several years. Air freight and imported input costs are relatively high and the devaluation of the Ugandan shilling has probably increased costs in this import-intensive sector. Besides, reduced access to trade credit offered by agents in Europe as a result of the global crisis may have squeezed margins. Nevertheless, a more serious and long-term constraint on expansion of output and employment appears to be the weak market prospects for the specific varieties grown in Uganda. Agro-climatic conditions in the main flower growing area that is well situated in relation to the airport are not as favourable as those in Kenya and Ethiopia, where output expansion has been much more rapid.

As with tea, the main impact on workers in 2008-9 seems to be a severe decline in real wages, which is not specific to the flower sector. This was caused by an ongoing food price inflation that was not compensated by an increase in nominal wages for casual workers.

6.2.5 Tourism

In 2008, service exports in the category "travel" accounted for the equivalent of roughly 30% of formal merchandise exports, thus exceeding the foreign exchange earnings from any single merchandise export product including coffee.[55]

According to the latest National Household Survey, 179,000 Ugandans worked in the hotel and restaurant sector in 2005, 80% of them female, and some 11% classified as poor.[56] An analysis of the same survey has established that 17% of all females employed for wages in urban Uganda are working in the private hotel sector.[57] More recent survey data covering the hotel sector has established that the majority of workers in this sector are employed without a contract on a casual basis. In addition, 43% of employers admit that wage payments to these workers are delayed or irregular.[58]

As shown earlier in this report in diagram 10, service exports in the category "travel" declined sharply in 2009 after reaching an unprecedented highpoint in the third quarter of 2008. Earnings in the first two quarters of 2009 were 27% below their level in the first two quarters of 2008.

[55] Balance of Payment data from BOU
[56] Summary data based on the 2005/6 National Household Survey provided by UBOS
[57] Kagunda and Pavlova (2007)
[58] Wedig (2009)

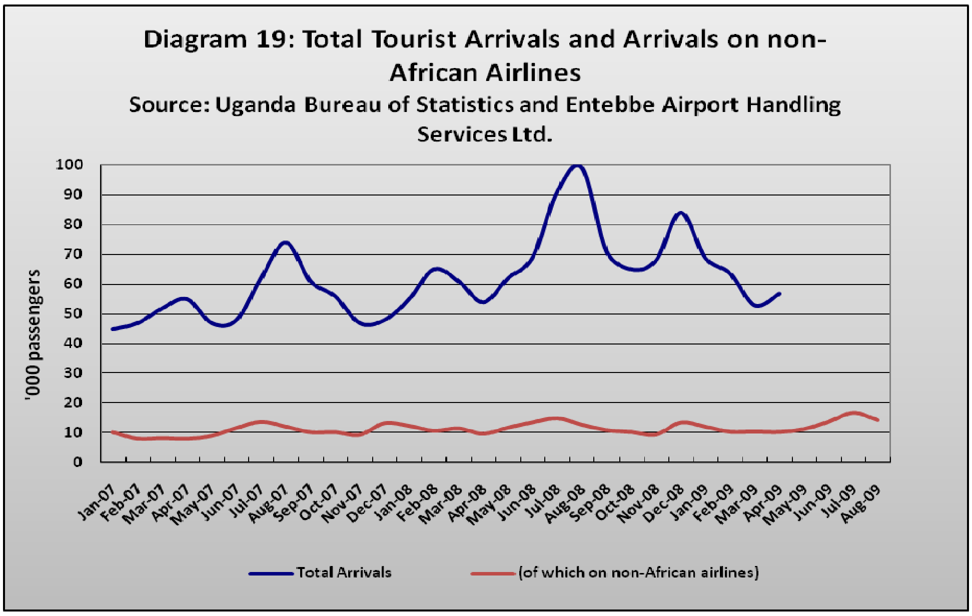


Diagram 19 presents available data on tourism arrivals in Uganda. The blue line shows total tourism arrivals by month. However, the rather wide definition of persons classified as “tourists” also includes travellers arriving in Uganda to visit friends and relatives. These account for more than half of total visitors and their share is particularly high among visitors from other African countries. As these people are unlikely to be signifiant customers for the domestic tourism industry, the red line in diagram 19 presents only arrivals on non-African airlines, which are more likely to be tourists and business travellers from outside Africa. There is quite a lot of volatility in total arrivals. The data does show a decline in arrivals between December 2008 and March 2009, but arrivals in the first four months of 2009 were still 3% higher than arrivals in the same months in 2008. Arrivals on non-African airlines were quite stable during the same time period and even increased quite significantly between May and July 2009. According to the World Tourism Organization, Africa has actualy been the only region in the word where tourism arrivals increased in the first half of 2009 (4% in Sub-Saharan Africa, 5% in North Africa).[59]

[59] World Tourism Organization (2009)

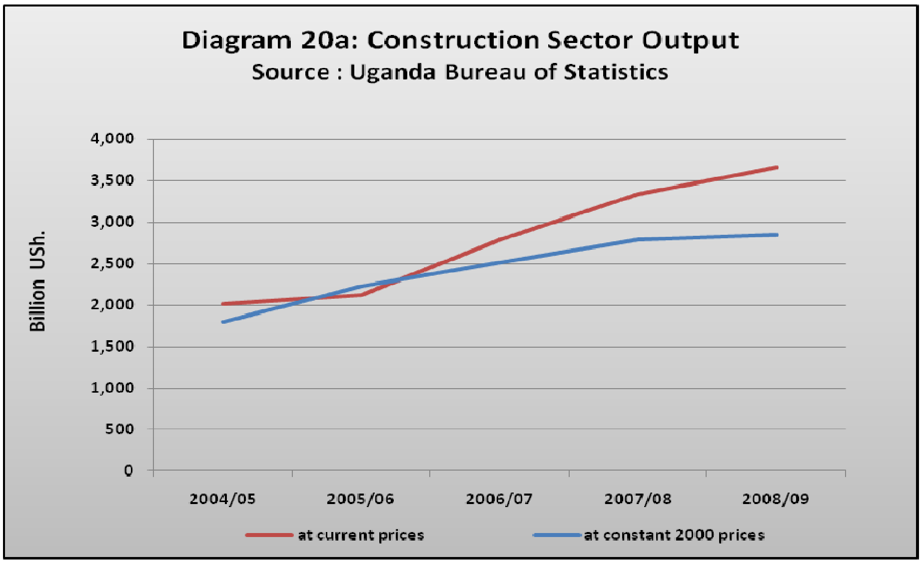
There is thus an apparent contradiction between rather stable tourist arrivals but strong declines in the revenue of the travel sector. Interviews conducted by the mission team with hotels in the greater Kampala area as well as with the tourism workers union highlighted two possible explanations: First, the most notable impact of the economic crisis for hotel managers has been a strong decline in conferences and other events organized by companies, international organizations and CSOs. Second, there has been a tendency for both private and business travel customers to cut costs by reducing the length of stay, cutting back spending during their visit, and demanding lower rates for rooms and event organization. One of the hotels interviewed had already significantly reduced their labour force and was trying to use more casual labour instead of permanent staff. All hotels interviewed were refusing to pay inflation adjustments to wages and in some cases even tried to negotiate pay-cuts. According to the hotel union, the total number of lay-offs to date has not been very high, but the refusal by employers to pay wage inflation adjustments is very widespread.

Tourism also plays an important role for the economy in terms of backward linkages, creating demand in sectors like food production and handicraft. An ad-hoc survey of handicraft sellers in one market in Kampala revealed a widespread perception that fewer tourists were visiting the handicraft stores, and those who came were much less willing to spend money. Some traders said that their turnover had decreased by as much as 60% compared to last year. It thus seems that while total arrivals of foreign visitors in Uganda have not been affected strongly by the economic crisis, the amount of money that they spend in Uganda has decreased significantly. This has already led to lay-offs and deterioration of working condition in the hotel sector and contributed to the ongoing decline in real wages as prices increase and no inflation adjustment is being paid.

6.2.6 Construction

The construction sector accounted for 12% of total GDP in fiscal year 2007/8[60] and in 2005 provided employment to 150,000 Ugandans, almost all of them male and roughly 20% of them classified as poor in the National Household Survey.[61] A recent survey of this sector (Wedig 2009) has established that the majority of construction workers face the same problems - unwritten contracts and irregular wage payments - as employees in the hotel sector.

[60] GDP data from UBOS
[61] Summary data based on the 2005/6 National Household Survey provided by UBOS



In previous years, the construction sector has contributed strongly to GDP growth, achieving double digit real growth rates in each fiscal year between 2004/5 and 2007/8. While there was not a contraction in 2008/9, real growth did fall to only 2%.

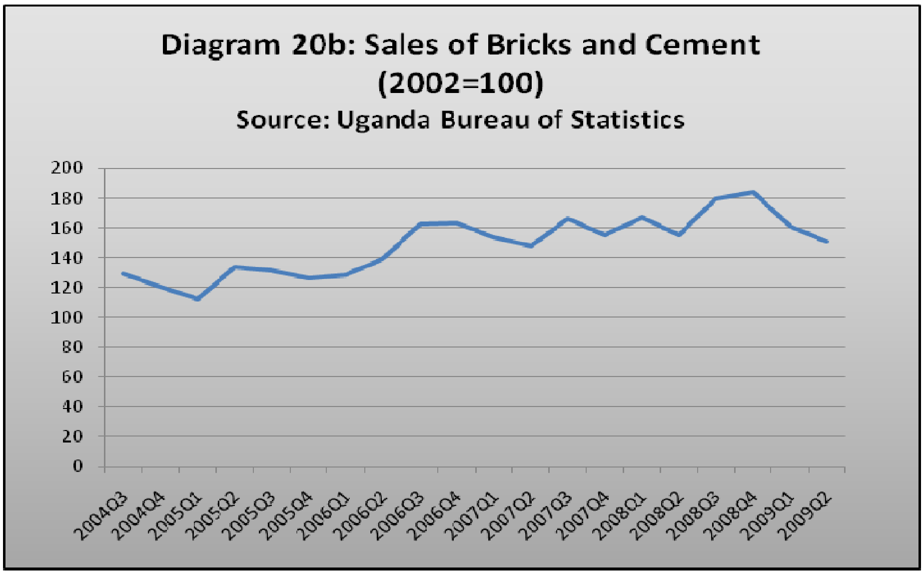


Diagram 20b shows another measure of construction activity, sales of bricks and cement; these experienced a slight decline in the first half of 2009. Most sources interviewed suggested that construction activity in Kampala was strong in 2009 and a construction material company visited by the mission team was actually expanding its operations. However, the mission team was informed that there had been a reduction in rural construction activity funded by CSOs and humanitarian organizations. In one case, a company allegedly threatened to lay off all of their 200 staff if they were not willing to accept a significant pay-cut.

Unfortunately, the mission team was not able to obtain more detailed information on employment in the construction sector. Given that a large share of construction work is carried out by casual labour under no formal contract arrangement, it is quite likely that there has been a significant impact on these vulnerable workers through the general decline in real wages caused by food price inflation and stagnating nominal wages.

6.2.7 Manufacturing

The manufacturing sector accounted for 8% of total GDP in fiscal year 2007/8[62] and in 2005 provided employment to 480,000 Ugandans, 64% of them male and roughly 25% of them classified as poor in the National Household Survey.[63]

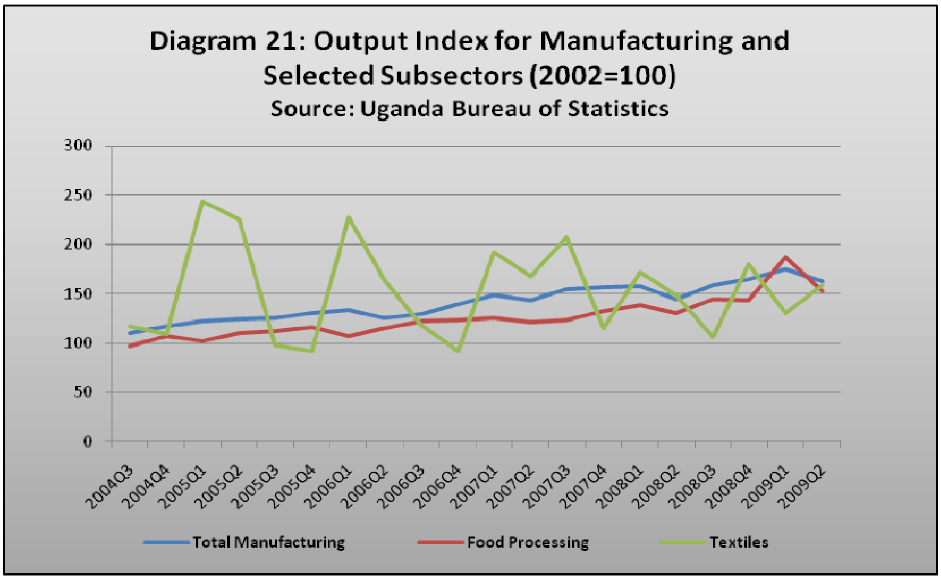


Diagram 21 shows an index of output for the manufcaturing sector as a whole (blue line) as well as for the food processing (red) and textiles (green) sub-sectors. The graph shows a slight decline in manufacturing output in the second quarter of 2009 compared to the previous quarter, but this seems to be a normal pattern; the second quarter showed a decline in manufacturing activity in most previous years too.

[62] GDP data from UBOS
[63] Summary data based on the 2005/6 National Household Survey provided by UBOS

Compared to the same quarter in 2008, manufacturing output actually increased by 13% in the second quarter of 2009. Food processing, which accounts for the largest share of manufacturing in Uganda, shows an unusual spike in the production index for the first quarter of 2009 (caused by a sharp increase in sugar production) that was reversed in the second quarter, but output in the second quarter is still 16% above its level in the same quarter of 2008.

The mission team visitied companies in both the construction material and food sectors and found no evidence of lay-offs of workers. While some companies had been affected by an increase in the price of their imported inputs and tightened credit conditions, most reported that they had hired workers and in some cases paid wage increases to permanent staff in 2009. The only sector where the mission team encountered evidence of lay-offs was in textiles. A number of sources interviewed by the mission team have argued that the company concerned, and the export oriented textile secor in general, had already been struggling before the crisis, failing to achieve sustained levels of output. This volatility is confirmed by the output index for the textile industry presented in diagram 16. It is thus difficult to confirm that the crisis had a strong impact on the Ugandan textile industry, and the manufacturing sector overall has weathered the crisis quite well so far.

7. The Current Framework to Protect the Most Vulnerable Workers and Increase their Voice

The current framework of laws and protective interventions provides little support to the most vulnerable members of the Ugandan labour force. This section provides a brief survey of some of the most important features of this framework, highlighting the lack of bargaining power and the weak organizational capacity of large numbers of workers in the face of falling real wages, as well as the extremely limited coverage of existing social protection and social assistance. Public debate and well-designed policies to protect vulnerable workers should, of course, be based on accurate labour market statistics. Therefore, this section also discusses the quality of the data available to identify the number of vulnerable workers and track their wages.

7.1 Labour Market Laws and Institutions

External intervention by American trade unions and the US government, which insisted on labour law reform as a condition for access to the US market under the African Growth and Opportunity Act, became increasingly vociferous before the enactment of new labour legislation in April 2006. This legislation greatly improved the organizational and substantive rights of Ugandan workers. Trade union leaders and some employers in Uganda, with the assistance of the ILO, had been arguing unsuccessfully for similar laws for the previous twenty years, but the American intervention seems to have been decisive (Barya 2007). Since the passing of new legislation in 2006, the Ministry of Finance, Planning and Economic Development has not yet allocated sufficient resources to enforce the new legislation and the government has not yet recognized any public sector unions, despite considerable organizational strength in the teacher and health worker unions, suggesting a continuing lack of commitment to the reforms.

Some key aspects of labour administration have now been decentralized to the districts, but the majority of districts (45 out of 80) have not been able to appoint labour officers.[64] Those who have been appointed have not been trained adequately to fulfil the new judicial and quasi-judicial functions required to implement the new labour laws, particularly the employment act. The district labour officers also do not have the staff (clerks) or even access to the rooms they require to implement the laws. A judge was appointed to the industrial court in May 2009, but no building or

[64] The Ministry of Gender, Labour and Social Development does not have sufficient labour officers to implement the workman's compensation legislation covering workers in case of injuries at work, or the maternity leave, cash sickness benefits, or severance pay provisions of the 2006 legislation.

space has been set aside, and no cases have been heard before this court for five years.

A major effort will be required to present policy makers in the Ministry of Finance, Planning and Economic Development (and in some of the employers' organizations) with detailed evidence on the positive impact that union recognition and collective bargaining agreements can make to efficiency and profitability. However, it should also be noted that unions in Uganda have not been able to organize casual and temporary workers, despite the fact that workers with a permanent contract are a tiny minority, amounting to less than 5% of the labour force in 2005/6. Improved implementation of the labour laws would create a more favourable environment for trade union expansion, but unionization (giving a "voice" to the most vulnerable workers) will require sustained initiatives and effort by union leaders to move beyond their core traditional constituency.

In conclusion, labour market institutions are weak and have offered limited protection to vulnerable workers struggling against real wage cuts in the aftermath of the global economic crisis and, in some enterprises, against the threat of lay-offs. Plans to expand productive employment need to be complemented by major efforts to transform this institutional framework to allow the dialogue between employers and workers that is required if efficiency and training objectives are to be achieved. In addition, when real wages are threatened by domestic or global crises in the future, vulnerable workers will need the bulwark of a stronger bargaining position than they have had during the current crisis.

7.2 The Minimum Wage

Uganda established a Minimum Wage Advisory Board in 1935, and the earliest minimum wage order was implemented in 1950. The national minimum wage was adjusted regularly until 1984, but has not been increased since then. In 1995, the Minimum Wage Advisory Board proposed raising the statutory minimum wage to 65,000 shillings per month, but this proposal was not implemented; a later recommendation to set the minimum wage at 53,000 shillings per month has been under consideration by the President since 2000.

The draft National Employment Policy proposes that the Minimum Wages Advisory Board be strengthened, but does not contain recommendations concerning the setting, monitoring, revising and practical implementation of minimum wages. The principle that minimum wages should be used to set a decent wage floor is yet to be adequately addressed in the draft policy.

The international evidence is that minimum wages can reduce gender differentials and lessen wage inequality amongst the lowest paid workers. They are likely to be particularly helpful where, as in Uganda, a high proportion of the lowest-paid jobs are performed by women working in rural and unregulated sectors that that are inherently difficult to unionize or to bring under collective wage bargaining agreements.[65] However, it is also essential that the level of the minimum wage is determined through research-based policy decisions and that its application is accompanied by systematic monitoring. The Ministry of Gender, Labour and Social Development currently lacks the capacity to collect and to analyse the data required to inform policy decisions and to monitor the implementation of minimum wages. If the minimum wage floor is to be set by reference to average wages, then much more systematic data on the wages paid by unregulated employers will be required to make the relevant calculations. In the absence of these data and research efforts, the policy debate in Uganda may continue to be dominated by out-dated and empirically disproven assertions, i.e. allegations that minimum wages necessarily have an adverse effect on employment levels.

The ongoing decline of real wages during the crisis has led to a situation where the weakest members of society bear a disproportionate share of the crisis impact. It has thus highlighted the importance of a wage floor that can be adjusted to compensate for inflation.

7. 3 Social Protection and Social Assistance[66]

Social security provisions are split under the responsibilities of several ministries in Uganda, (Ministry of Health; Ministry of Gender, Labour and Social Development; Ministry of Finance, Planning and Economic Development; and Ministry of Public Services). Each ministry attempts to develop strategies for the extension of social security. A cross-governmental Social Protection Sub-Committee – including membership from development partners and CSOs – meets irregularly and is chaired by the Ministry of Gender, Labour and Social Development, but participation from the other ministries is at too low a level to provide effective leadership across government.

In fact, very few Ugandans are covered by any kind of formal social security provision and although a range of social protection instruments exists in Uganda, they have limited reach. Less than 5% of the economically active population is covered by the two main pension schemes - the National Social Security Fund (NSSF) and the Public Service Pension Scheme (PSPS). The number of contributors to the NSSF in 2008/9 is approximately 333,000 and at retirement age contributors are supposed to receive a lump sum equivalent to about one year's salary; the scheme is more like a savings account than an old age social security scheme. In August 2009, NSSF mandated the ILO to undertake an actuarial

[65] ILO (2008)

[66] The source of the data contained in this section is a draft document completed in October 2009. The mission team was asked not to quote this document directly.

evaluation and a feasibility study on turning it into a pension scheme paying out life-long annuities.

The PSPS is a pension scheme, covering civil servants (the armed forces, government employees, teachers etc.). PSPS is a non-contributory scheme, fully financed by general revenues of government. There were about 52,000 pensioners and 10,000 widows and orphans receiving benefits from this scheme in May 2009. About 300,000 civil servants in Uganda currently fall under this scheme, but for several years the government's financial allocations have been too low to cover the benefits of the pensioners. Pension arrears are now estimated to amount to 160 billion shillings.

In addition, some large private companies provide pension schemes for their employees. They contract out their pension liabilities to private insurance firms and there is no regulation or supervision of these schemes, although the Ministry of Finance, Planning and Economic Development has recently drafted "The Uganda Retirement Benefits Authority Bill" (March 2009) which proposes the creation of the Uganda Retirement Benefits Authority (URBA) to supervise all pension schemes (including the NSSF, and the PSPS).

Health care is supposed to be free in all the public health services and there has been no regulation of or law on health insurance in Uganda. However, the quality of public health services is recognized to be very poor and many Ugandans are compelled to rely on the large and rapidly growing private health care sector. Private health practitioners are usually profit-making institutions and account for more than 40% of the total health facilities in Uganda. They mainly operate in urban and peri-urban zones, providing a wide range of health services that the most vulnerable rural workers cannot readily access.

The Ministry of Health is proposing the introduction of a Social Health Insurance Scheme (SHI). The proposal is to phase in the SHI, starting with public sector employees and later, to extend the scheme, first to the formal private sector and then to the informal economy (in 15 years' time). These insurance proposals, as well as plans by the NSSF to introduce a health insurance scheme, seem to offer little medium-term prospect for protecting the health of more vulnerable Ugandan workers. They cannot be expected to reduce the inequalities in health provision noted in Section 5.

Very few non-contributory transfers or social assistance schemes for the vulnerable are provided by government in Uganda. However, donors and CSOs have introduced a wide range of social assistance programmes, including unconditional transfers, cash/vouchers for work programmes, input transfers and school feeding. The majority of these programmes have been concentrated in the northern and north eastern regions, often on internally displaced persons. These programmes have been very poorly coordinated and monitored, leading to exclusion and/or duplication; some communities and individuals benefit from more than one intervention while others are completely excluded. In the absence of government co-funding, it has proved difficult to sustain these social assistance initiatives over time. An ambitious new donor-funded programme of cash grants, aiming to cover 500,000 vulnerable Ugandans, will be funded from 2010 onwards. It is important to note that this initiative aims to address the failures of co-ordination and the problems stemming from limited government involvement in social assistance. ILO assistance will be required to support this important attempt to develop a national strategic framework for social assistance (co-ordinated by the Ministry of Gender Labour and Social Development) and to advise on the enactment of key legislation, which will require early translation into budgetary commitments if it is to be sustainable in the longer term.

ILO support for the introduction of a programme of cash grants is justified by the urgent need, aggravated by the impact of the crisis as emphasized in this report, to address the problem of the quality of labour supply. Cash transfers can be used to improve female enrolment and to reduce dropout rates. In Malawi, for example, cash transfers to current schoolgirls (and young women who have recently dropped out of school), have had large positive impacts on enrolment rates. Cash transfers to households of as little as US$ 5 per month were sufficient to achieve this positive result and the evidence from Malawi suggests that imposing conditionality on these transfers, in itself administratively complex and costly, did not significantly improve results.[67]

7.4 Labour Market Statistics

The World Bank has recently argued that the Uganda National Household Surveys have "*done a poor job collecting data on the labour market*".[68] They stress the need to include more detailed questions concerning economic activity, using a 12 month rather than a 7 day recall period and covering employment type, industry, occupation location of employment; hours worked in each of several activities, including daily, weekly, monthly and yearly totals; and earnings from each of several activities. Finally, they suggest that a module on labour market history should be added on to the UNHS, to help analyse labour mobility.[69] These are welcome, if belated, recommendations.

[67] Baird et al. (2009). The case for cash transfers could also be made on the basis of an urgent need to protect vulnerable people from the spike in food prices. For example, In Mexico, a new stipend designed to compensate for the rise in food prices has been included into the grant components of an existing program (Soares 2009) .
[68] Fox (2009)
[69] Ibid.

However, their argument that labour market data can best be collected through additions and improvements to the traditional household survey instrument is not completely convincing. The Living Standard Measurement–type household surveys promoted and funded by the World Bank throughout Africa almost always give the same results as found in the UNHS: The surveys may discover small proportions of people in (broadly defined) wage employed categories; at the same time, they often conclude that most of the labour force can be defined as self-employed farmers or as unpaid family labour in farm enterprises. Their samples include very few seasonal agricultural wage workers, domestic servants, cleaners, porters, bus drivers and touts, migrant workers temporarily engaged in road construction, bar tenders, workers on food stalls or in restaurants, petty salesmen (employed by traders), etc. However, these particular types of wage workers, as well as women working for wages in the sexual services sector, are very numerous in the rural and urban areas of Sub-Saharan African countries and, of course, in Uganda. These people are also the most vulnerable members of the labour force, a fact that emerges clearly in micro and qualitative surveys.[70] The quantitative importance of the waged work of domestic servants, for example, is obscured by the tendency to record non-kin-related residents in households as "unpaid family workers", when it would be more appropriate to classify them as domestic servants, receiving irregular and small amounts of pocket money, food and lodging as their wage. The latest UNHS (UBOS 2007) concludes that the total number of domestic servants throughout Uganda is about 50,000. One indication of the inaccuracy of this statistic is the fact that a very high proportion of salaried civil servants, NSSF contributors and Kampala residents are known to engage domestic help, suggesting that the UNHS estimate miss several hundred thousand domestic servants.[71]

The standard definitions of "the household" and its "residents" are too narrow in the UNHS, leading to a failure to collect detailed information from "non-residents" concerning migration episodes in search of wage employment. Important groups of wage workers, especially those engaged in seasonal, casual and low-paid jobs outside major urban centres, are frequently not "resident" in "households". They live and work for long periods in hostels, barracks, construction sites and illegal squatter settlements, or they have been given some space to sleep at their workplace during the harvest season[72], or while working as domestic servants. These "absent" workers remit part of their wage earnings to family members and these remittances are recorded in the UNH Surveys covering the recipients' households. Unfortunately these wage earnings are then classified as "transfer" income rather than as wage income in the receiving households, leading to a serious underestimate of the degree to which poor rural households depend on income derived from wage employment. The summary tables based on UNHS 2005/6 data

[70] For example, see Carswell (2007).
[71] Platform for Labour Action (PLA) has been carrying out a study on adult domestic workers in four districts of Kampala, Lira, Mbarara and Iganga (http://www.pla-uganda.org/research.php).
[72] This is the pattern for seasonal migrant cotton workers in Uganda.

provided to the mission team by UBOS show that more than 53% of poor households were receiving remittances from within Uganda.

Another problem is that household surveys are driven by the search for extraordinarily detailed consumption data for the calculation of national poverty incidence rates. It takes a long time to collect the required expenditure data; the result is that other types of policy relevant socio-economic survey data, that focus on the detailed specificities of the seasonal rural labour market for instance, have been neglected. There is, therefore, an urgent need for complementary sampling approaches, for new surveys purposively designed to capture the characteristics of specific groups of vulnerable wage workers, especially those engaged in seasonal, casual and low-paid jobs outside major urban centres.

Limited evidence from African micro-surveys (Sender et al. 2006), as well as strong evidence from India, suggests that the move from casual forms of rural wage employment to more regular rural wage employment, implying higher annual real wages, is decisive in reducing poverty (Ghose 2004). Thus, a key indicator of poverty reduction, ignored in official statistical publications in Uganda, is the rate of growth of real wages in rural areas. The wage rate for (female) casual agricultural labour is usually the lowest real wage rate in the economy. Monitoring changes in these real wages alone would be particularly relevant for assessing trends in standards of living in the poorest households.

Conventional, establishment-based labour force surveys are probably of less relevance to policies for reducing poverty and vulnerability. However, if a regularly up-dated panel of firms, including a substantial number of firms employing less than 5 workers in the unregulated sector, were to be (re)surveyed, then a much clearer picture of Uganda's labour market would begin to emerge.

The Labour Market Information Unit in the Ministry of Gender, Labour and Social Development lacks the capacity to support the required surveys. The Uganda Bureau of Statistics has well-trained professional statisticians, but will need support to implement new types of non-household based pilot surveys in close collaboration with the Labour Market Information Unit. The message is that new approaches are needed to labour market information and monitoring, and the use of panel surveys done in a collaborative effort between UBOS and Ministry of Gender, Labour and Social Development could help reveal and monitor the real wages earned by the wide range of previously invisible workers in Uganda.

8. Policy Priorities to Address the Labour Market Crisis

This assessment has highlighted a number of problems that contributed to the extreme vulnerability of large parts of the workforce: underinvestment in key employment intensive sectors; a fluctuating exchange rate and increasing food prices; weak labour market institutions and labour organization; the rapid growth in the supply of poorly educated labour force entrants; shifts in the patterns of trade; and a social protection scheme that only covers a small minority of the population.

This section presents policy recommendations focused at addressing the problems that have caused the extreme vulnerability of the workforce. Some of these recommendations to protect vulnerable workers have a much longer time horizon than the current crisis, but the next economic crisis may have a much more severe impact on Uganda. Therefore, these recommendations are an appropriate response both to the current crisis and as precautionary measures to limit the social costs of future crises.

Each of these issues has profound implications for the National Employment Policy. These implications, as well as the results of the mission's efforts to identify the impact of the crisis on the most vulnerable members of the Ugandan labour force, will be reflected in forthcoming proposals to amend the draft of the NEP.

The recommendations presented here are also relevant for the implementation of the new National Development Plan, given its focus on employment for all. Recommendation 8.1. is directly linked to the plan to expand investment in rural infrastructure.

8.1. An Expanded Programme of Labour-Based Rural Infrastructure Investment

The IMF supports the ambitious three year infrastructure investment programme initiated in the 2008/9 budget. In fact, they have some doubts as to whether the planned fiscal policy stance for 2009/10 might not prove unduly contractionary: "*If the execution of capital expenditures were lower than targeted, as has been the norm in recent years*".[73] The planned investments in electricity and rural transport infrastructure are long overdue: 96% of rural households do not have access to electricity[74] and without electricity it is hard to ensure adequate services

[73] IMF (2009b)
[74] Office of the Prime Minister (2009)

in health clinics or schools, while rural children find it difficult to do their homework. An increase in electrification can also be expected to substantially boost productivity. For example, there is clear evidence that the expansion of tea production and employment has been constrained by the lack of reliable electricity supplies.[75]

Inadequate rural roads, especially in areas with high agricultural potential, are part of the explanation for the stagnation of the key agricultural commodity exports shown in diagram 3.[76] Apart from their medium-term impact on agricultural production and the quality of rural health and education facilities, rural infrastructure investments have the potential to make a very significant positive direct impact on the short-run employment prospects for vulnerable members of the labour force. The mission team recommends that labour-based construction methods are universally adopted; that the number of additional days of employment, as well as their distribution between males and females and richer and poorer rural households, is closely monitored; and that wage rates are set low enough so that the poorest are self-selected into the new opportunities for temporary wage employment in the construction sector. Government agencies should also insist that the use of labour-based construction methods is a condition for the (re-)awarding of contracts for rural infrastructure provision.

The government is also planning to increase investment in irrigation. Apart from the opportunity to provide direct benefits to vulnerable people through labour-based construction techniques as noted above, these investments can also have an important impact on the demand for wage labour in farming, if appropriately designed. This is because irrigated farming tends to be very much more labour-intensive per hectare than rain fed farming. Improved availability and control of water should also increase yields in and reduce the volatility of food production. If the result is lower and less volatile food prices, the vulnerability of poor, net food purchasing households will be reduced.

In sum, the planned programme of investment to improve the physical and social infrastructure in rural areas and to increase agricultural production presents an excellent opportunity to tighten the labour market for poorly educated rural workers. However, the employment creation aspects need to be very much more carefully planned and monitored than in the current draft of the National Development Plan. In particular, opportunities to tackle the employment crisis will be missed if investment resources are spread across all districts and all "smallholders" without a careful consideration of the relative contribution that different crops can make to wage employment generation.

[75] See, for example, Sunday Monitor (2008).
[76] Booth and Galooba-Mutebi (2009), Raballand et al. (2009)

8.2. An Expanded Programme to Improve the Schooling of Rural Girls

If female dropout rates and teenage pregnancies were significantly reduced, there would be a dramatic short-run impact on the number of new labour market entrants into the lowest paid sectors of the labour market and, in the longer-term, the health and productivity of the labour force would improve significantly. Reducing male dropout rates would also lead to an immediate and substantial reduction in the size of the youth labour force, but the long-term inter-generational gains are less well established than in the case of female education. The point to emphasize is that girls' dropout rates are higher than boys' in secondary schools and that rural girls are particularly severely affected (see section 5).

Nevertheless, there is no evidence that the government plans to focus its expenditure on the schooling of rural girls, or on reducing the unmet need for contraception for the poorest rural women. Such a focus in resource allocation might well yield more equitable and efficient outcomes than the plans to tackle the problem of youth employment through a rapid expansion of post-school, pre-employment training.

On the demand side, poor rural girls are more likely to attend schools if they live in households receiving cash transfers and an expanded cash transfer programme is therefore recommended in section 8.6.

8.3. Recruiting, Training and Equipping Labour Officers

Since the passing of new labour legislation in 2006, the Ministry of Finance, Planning and Economic Development has not yet allocated sufficient resources to enforce the new legislation. The industrial court is not fulfilling its role. At the same time, unions have been unable to organize or protect the most vulnerable casual workers, or even to gain recognition to represent the views of key public sector workers. There are too few labour officers and they lack appropriate training and facilities, as discussed in section 7.2. A similar case could be made concerning the need for support to occupational health and safety officers. The urgency of support to occupational health and safety functions is reinforced both by recent research (IUF 2009) and by the mission's own observations on field trips to flower farms, where workers suffered from exposure to pesticides and inadequate protective clothing.

Labour market institutions are weak and have offered limited protection to vulnerable workers. Plans to expand productive employment in the NEP and NDP need to be complemented by major efforts to transform this institutional framework to facilitate the dialogue between employers and workers that is required if efficiency and training objectives are to be achieved. The mission team recommends that a needs assessment and project preparation mission to improve the implementation of labour legislation be undertaken by ILO.

8.4. Minimum Wages

This assessment has found that workers in Uganda are bearing a disproportionate share of the impact of the crisis through an ongoing decline in their real wages. It has thus highlighted the importance of a wage floor that can be adjusted to compensate for inflation. The assessment also found that workers in Uganda, and especially casual workers, have very limited bargaining power. A minimum wage does not just benefit formal workers, but can also contribute substantially to the ability of informal workers to demand a decent pay by providing a benchmark around which they can organize their demands.

This report has argued that wage labour in Uganda is far more widespread and important than household based survey results suggest as they miss a large share of particularly precarious wage employment. Wages are an important part of income even for the poorest households that are often assumed to live mainly from smallholder agriculture wages; for example, 53% of poor households receive some form of in-country remittances[77], often from relatives making a wage income in the city or as agricultural workers.

A detailed framework for the negotiation of a decent wage floor by the social partners should be established. It will be necessary to pay close attention to building up the capacity to enforce this floor, as well as ensuring the research capacity to analys**e** its impact and revise the level in line with the cost of basic foods. Co-operation with the Ministry of Labour and with CSOs in South Africa, where minimum wages for domestic servants and agricultural workers were negotiated in the face of strong opposition from employers and several officials in the Ministry of Finance, would be helpful.

8.5. Labour Market Information

Two short-term priorities are emphasized here, although the medium-term aim of improving national-level data on the labour market through new survey instruments (discussed in section 7.4) should not be ignored. The immediate priorities are:

[77] Summary data based on the 2005/6 National Household Survey provided by UBOS

1. National level mechanisms should be established to track and monitor the number of male and female days of employment generated by the expanded rural infrastructure investment programme.

2. The Ministry of Gender, Labour and Social Development should itself begin to collect and publish monthly information to establish trends in real wages for the most vulnerable workers, especially casual/seasonal agricultural wage workers. Following the example of the Indian statistical authorities, it will be necessary to monitor the local prices of the specific items that feature strongly in the consumption basket of poor households dependent on casual wage labour in rural areas, since the normal national consumer price indices are unlikely to be appropriate for calculating the real wages of these scattered and vulnerable workers.

8.6. Increasing the Security of Vulnerable Workers by Expanding Cash Transfers

Existing social protection and social assistance programmes exclude a high proportion of the labour force. The cost of a rapid scale up of cash transfers need not be excessive and does not entail profligate or "populist" fiscal policies. The commonly expressed fear of a "dependency culture" is also misplaced.[78]

If such transfers are set at a level comparable to the level in other Sub-Saharan African programmes, i.e. at about 1.5 times the per capita consumption level of those in the lowest income decile, or 21,000 shillings per month, then affordability and sustainability will not be endangered. The administrative costs of covering vulnerable members of the labour force through cash transfers have been shown to be very much lower than contributory schemes or other targeted methods of social assistance; the cost as a proportion of GDP of the pilot Uganda scheme is estimated at about 0.6 % of GDP, and this cost will fall over time.

[78] Namuddu (2007)

9. Conclusions

The assessment has revealed that the most severe impact of the global economic crisis on Uganda has been a decline in the real wages of the most vulnerable workers. One of the most serious consequences of this fall might prove to be an increase in female dropout rates in rural schools, aggravating a long-term problem of low labour force education and productivity and rapid population growth. Other consequences include an increase in the severity of poverty. Many more poor households are unable to acquire sufficient basic food and are falling even further below the national poverty line.

The assessment has also shown that despite the relatively moderate macroeconomic shock, low-wage workers have been affected severely and have born a disproportionate share of the crisis impact. The vulnerability of the workforce is a cause for concern as it implies that future shocks could immediately translate into large increases in poverty in Uganda. This report has highlighted a number of underlying problems that have caused the extreme vulnerability of the workforce: A large discrepancy between the supply of and the demand for unskilled labour, caused by a rapidly growing workforce and underinvestment in key employment intensive sectors; weak labour market institutions and labour organization; insufficient education of labour force entrants; and a social protection system that only covers a small minority of the population. The policy recommendations presented in the previous section are designed to begin to address these challenges.

The mission team has identified an urgent need for initiatives designed to improve the prospects for the most vulnerable new entrants into and existing participants in Ugandan labour markets. These initiatives are wide ranging, but their efficient design and effective implementation will depend upon an immediate and sustained effort to improve policy makers' knowledge about the relevant segments of the labour market, i.e. their access to new survey data covering domestic servants, as well as casual, seasonal workers in rural areas and in small-scale unregistered enterprises. Monitoring levels of employment and earnings in these sectors is a priority, because a high proportion of poorly educated people will continue to have no alternative but to seek unprotected and non-unionized employment in these low-wage segments of the labour market.

The mission team regards the current plans to increase investment in rural infrastructure as providing an excellent opportunity to tighten rural labour markets in both the short and medium-term. Infrastructure investment should be focused on those crops and areas with the greatest potential to provide decent jobs. However, to maximize the short-run rate of growth of demand for vulnerable workers these investments should use labour-based methods and the impact, especially the gender impact, of these methods should be closely monitored.

The labour market situation for low wage earners could also be improved substantially by reducing the annual flow of poorly educated new entrants. In particular, there would be a large and positive impact if more children delayed their entry into the labour market for several years by remaining in school. Closing the huge gaps between enrolment rates in urban and rural areas, between wealthier and poorer households and between boys and girls is an urgent priority. This report argues that resources should be re-allocated towards rural girls, because they suffer from relatively severe deprivation in terms of access to secondary schooling as well as from gender wage discrimination in labour markets. Besides, international evidence shows that more educated women have lower fertility rates, as well as healthier and better educated children; so the proposed re-allocation would reduce the supply and improve the productivity of the labour force entrants in the medium-term.

The report argues in favour of the proposed expansion of cash transfers. This initiative is welcomed because the existing distribution of social assistance and social protection excludes the majority of vulnerable people. Experience elsewhere suggests that affordable cash transfers can also be designed to improve female educational outcomes in low income African countries. The challenge for Uganda may be the potential to sustain such systems without increasing its already heavy aid dependency.

Finally, the report makes some linked proposals concerning: the need for improved implementation of the labour laws; the need to recruit, train and equip labour officers and health and safety inspectors; and the need to establish a much improved environment for trade union expansion. The prospects for giving a voice to the most vulnerable female workers will be considerably enhanced if the Ministry of Gender, Labour and Social Development is provided with sufficient resources to implement a decent wage floor.

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APPENDIX

A. List of Consultations, Meetings, and Interviews

Government:

Ministry of Agriculture, Animal Industry and Fisheries

Ministry of Finance, Planning and Economic Development

Ministry of Gender, Labour and Social Development

National Social Security Fund

Uganda Bureau of Statistics

Uganda Investment Authority

Bank of Uganda

Uganda Revenue Authority

Ministry of Tourism, Trade and Industry

Social Partners:

Central Organization of Free Trade Unions

Federation of Uganda Employers

International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations

National Organization of Trade Unions

National Union of Plantation and Agricultural Workers

National Union of Trade Unions

Uganda Flower Exporters Association

Uganda Hotel Workers' Union

Donors:

Department for International Development

International Labour Office

Royal Danish Embassy

The World Bank

United Nations Development Programme

United Nations Food and Agriculture Organization

International Monetary Fund

Other:

Agro Eco Louis Bolk Institute

International Food Policy Research Institute

Send a Cow Uganda

Makerere University

Tourism Uganda

Private companies have been excluded for confidentiality reasons.

B. Checklist Employer Interviews

General Questions				
Name of Firm				
Industry/Sector				
Contact				
Employment Trends				
	August 2008		August 2009	
	Male	Female	Male	Female
Permanent				
Seasonal / Short-term				
Out-sourced				
Skilled				
Unskilled				
Total				
Output Trends				
	First half 2008	First half 2009	Peak year :	Worst year :
Volume				
Value	USh	USh	USh	USh

Expectations		
What is your outlook for the future (interview-discussion)?		
	3 months	1 year
Will have to lay off staff (How many permanent? How many temporary?)		
Will hire additional staff (How many permanent? How many temporary?		
Crisis effects will fade		
Crisis effects will worsen		
General situation will improve		
General situation will deteriorate		

Main problems	
What are the main problems *currently* affecting your enterprise? (Please rank the three most severe) *Interviewer should not prompt initially, and then only in the order specified below*	
Problem	**Rank**
Labour regulations	
Inadequately educated workforce	
Electricity Supply	
Transportation of goods, supplies, and inputs	
ECONOMIC CRISIS: lower export demand (quantity)	
ECONOMIC CRISIS: lower export prices	
ECONOMIC CRISIS: disinvestment by parent company	
ECONOMIC CRISIS: Devaluation	

ECONOMIC CRISIS: deteriorating access to finance	
Other:	
Other:	
Other:	
Other:	
Other:	

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C. Checklist Worker Interviews

General	
Name	
Company	
Industry	
Detailed Job description	
Gender	
Years of Schooling	
Letter of Appointment/ Written Contract?	
Length of time in Current Job?	
Member of Union?	
Number of Dependants	Children <15years:

	Others Specify:

Employment		
	August 2008	August 2009
Primary job:		
Regular hours worked		
Overtime worked		
Days paid		
Monthly wage		
Other jobs (specify):		
Regular hours worked		
Overtime worked		
Days paid		
Monthly wage		

Job Losses
How many workers have lost their job in your company in 2009 (if possible, male / female, skilled / unskilled, unionized or not)?
Have they received termination benefits?

Problems		
What are the major problems you are faced with at work (please rank and feel free to add others)? In the last months, has the situation improved, deteriorated, or remained more or less the same?		
	Rank	Recent Changes in

		the Situation
Long work hours (specify):		
Low pay (specify):		
Non-payment of wages (specify):		
Fear of job loss (specify):		
Unsafe or unhealthy working conditions (specify)		
Sexual harassment (specify) :		
Lack of social security (specify):		
Other (specify):		
Other (specify):		
Other (specify):		