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**SUSTAINABLE BUSINESS FOR AFRICA
PLATFORM IN UGANDA**

UGANDA

SKILL NEEDS ASSESSMENT

DECEMBER 2019

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sustainable growth and
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SUSTAINABLE BUSINESS FOR UGANDA PUBLIC PRIVATE DIALOGUE PLATFORM

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ABBREVIATIONS

AUTO	Association of Uganda's Tour Operators
EAC	East African Community
Enable	Enabel (former Belgium Technical Cooperation)
EU	European Union
FGD	Focus Group Discussions
GDP	Gross Domestic Product
HCAU	Hotel and Catering Association
HE	Higher Education
IoT	Internet of Things
KII	Key Informant Interviews
LMIA	Labour Market Information Analysis
MoES	Ministry of Education and Sports
MoFPED	Ministry of Finance Planning and Economic Development
MTAC	Management Training and Advisory
NCDC	National Curriculum Development Council
NCHE	National Council for Higher Education
NPA	National Planning Authority
SB4U	Sustainable business for Uganda
TVET	Technical Vocational Education and Training
UBOS	Uganda Bureau of Statistics
UCOTA	Uganda Community Tourism Association
UDTC	Uganda Datamine Technical College
UGAPRIVI	Uganda Association of Private Vocational Institutions
UHOA	Uganda Hotel Owner Association
USAGA	Uganda Safari Guides Association
UTA	Uganda Tourism Association
EUB	EU Businesses
PSFU	Private Sector Foundation Uganda
UB	Ugandan Businesses
VFR	Visiting Friends and Relatives

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EXECUTIVE SUMMARY

Initiated by the European Union Delegation (EUD) Kampala and the Private Sector Foundation Uganda (PSFU) and supported by an international consultancy firm CESO¹, under the Sustainable Business for Uganda Platform (SB4U), this report summarises the findings of a skills needs assessment, designed to understand in further detail what the actual 'skill gaps' in the existing labour force are that hinder private sector development.

The economic sectors under assessment were:

1. Construction
2. Manufacturing (including Agro-processing)
3. Tourism and Hospitality

The above sectors were identified during stakeholder discussions as strategic sectors having a high potential for economic growth and in turn room to provide employment opportunities.

Skills in the context of the assessment were defined 'as the ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly and adaptively carry out complex economic activities or job functions involving (1) ideas (cognitive skills), (2) things (technical skills), and/or (3) people (interpersonal skills).'²

The analysis provided is based on primary information captured with the help of in-depth Key Informant Interviews, conducted with 113 different private sector companies (Ugandan and EU businesses) as well as primary information that was collected through Focus Group Discussions with businesses from the highlighted economic sectors. Further, secondary information was gathered through a comprehensive desk review to help contextualise findings.

The main findings can be summarised as follows:

- (1) The majority of the workforce that is currently produced by Uganda's education and training system (1) is either reluctant to accept the working conditions that the private sector is able to offer or (2) does not meet the job specific requirements set by companies due to weaknesses in their skill sets attained.
- (2) Overall one could discern that the private sector studied hardly generates decent and productive jobs, while at the same time the pool of labour in general, and skilled labour specifically, is steadily increasing due to rapid changes in the demographic structure and improvements in Uganda's higher education and training system.
- (3) While serious efforts are made to improve Uganda's training system and to supporting the labour force in obtaining employable skills, many young people are not acquiring the cognitive, socio-emotional, technical as well as practical skills needed by the private sector to thrive and prosper in an increasingly competitive domestic, regional and global economy.
- (4) There are numerous positions (jobs) available; especially in urban markets that cannot be filled appropriately because skilled labour is (1) either too expensive or (2) applicants do not bring the right skills and work ethics to perform in accordance with the job requirements.
- (5) Many young people, mainly with attained middle-level to high-level skills are available in the labour market but reluctant to accept fierce job conditions for many positions offered, including very low pay and no, or insufficient, social security coverage, long working hours to highlight just a few.

¹ CESO Development Consultants. For further information see: <https://www.ceso.pt/>

² According to a various number of dictionaries including the business dictionary available under: <http://www.businessdictionary.com/definition/skill.html>

- (6) Overall, the assessment results highlight that the 'opportunity cost of education and training' in Uganda seems to be too high. Hence, salary expectations of graduates are often unrealistic and not in line with labour market realities.
- (7) Many private sector businesses (especially local businesses) interviewed are often not able to afford better wages and working conditions for their staff in order to keep the business afloat.
- (8) To reduce the 'cost of doing business' numerous (especially local) companies rely on (1) 'Out-sourcing', whereby a company hires another company or an individual to perform tasks, handle operations or provide services that were previously being done by the company's own employees and/or (2) 'Out-bonding' whereby employment is disguised to save taxes and social security expenditures, while it utilises 'staff' that work on their own-accounts (mostly informally) as part of the company. (3) 'Off-shoring' is another form to reduce costs, whereby the company moves entire company processes or services overseas. Off-shoring was especially pronounced in the construction and tourism sectors.
- (9) Another strategy used to reduce the 'cost of business' is to recruit labour that has only attained basic education (primary or lower secondary) and train the same in the required technical and practical skills or recruit 'highly skilled' labour on a temporary basis when needed. Many companies also use interns as a valuable source of 'cheap' labour.
- (10) Many companies interviewed do not recruit by qualification or certification, since professional titles are often not reflective of the actual skills workers possess. Deceitful certification makes it hard for employers to choose the right people. Hence, they search for talent that is trainable and that they can trust.
- (11) Imbalances in skills available and working conditions offered led to a high staff turn-over, in most businesses interviewed that increases training costs of private sector businesses significantly and hampers the realisation of quality standards.
- (12) Assessment results also highlight a shortage of certain 'highly specialised' skills, especially related to handling high-tech equipment in the construction and manufacturing sectors and professional hospitality skills in tourism. Furthermore, the lack of practical skills and experience is a major challenge.
- (13) To fill existing skill gaps, increase profitability of businesses, many highly skilled wage and salaried jobs in construction, manufacturing and tourism are filled by foreign labour.
- (14) Besides knowledge, experience and creativity were regarded, by the employers interviewed, as essential skills for Uganda's future of 'doing business'

The report provides a wide range of recommendations to strengthen skills development interventions in their broader labour market and macro-economic context and aims to act as a point of reference to support private- public dialogue under the permanent structure of the SB4U platform. The research findings can act as baseline for deeper analysis of existing training and educational programmes and support the design of an education audit tool as well as curricular framework. Recommendations deduced from analysis support holistic interventions that not only focus on the employability of the current and potential labour force but also on their trainability.

Furthermore, the results encourage the participation of more parties in different ways to build Uganda's human capital systematically and ruthlessly driven by the private sector following Uganda's economic development vision. Key recommendations hinge on potential avenues of partnerships and increased communication, on collaborative efforts that would be of mutual benefit to both the private sector and training providers while focussing on skills building, different skills at different life-stage, as opposed to just certification.

Key recommendations can be summarised as follows:

Foremost, the GoU and private sector businesses should work jointly to try to balance an integrated strategy for productivity. This can best be achieved in an economic and labour market environment that supports the use of skills firstly and thereafter skills development in line with its usage.

It will be very important as an entry point to productivity growth for enterprise itself to invest in new entrepreneurial skills to run businesses productively, utilise new technology and skilled labour to adapt to ever changing markets and market demands and maximise on investments.

To achieve strong economic growth, Uganda's government and the private sector will have to evaluate the quality of existing education and training investments and strive to build skills for the entire population, not just upcoming generations.

Further, private sector initiatives are needed to support the potential labour force and staff in obtaining technical, cognitive and socio-emotional skills essential for businesses to expand. One of the key messages of this skill needs assessment is that skills development must be an integral part of a broader economic development strategy.

Skills need to be built from the bottom up (the right skills at the right time) with strong focus on adaptability of people and systems to especially cater for the future of markets in the context of industrialisation 4.0. The lack of foundational skills embodied in most parts of the labour force hamper their trainability as well as continued skills development that would in turn enhance employability. Investing more in fundamental skills will be crucial in order to allow the private sector to train effectively and enhance productivity growth, promote greater inclusion, and ensure the adaptability of the workforce to the markets of the future. Uganda should ensure the foundations of learning for all its children.

To capture all relevant stages of skills development in a human, the design of a holistic and private sector led Human Capital Development Strategy along the 'life cycle of humans' will be essential. Such a holistic private sector led Human Capital Development Strategy has to touch upon many areas including:

- (1) The nurturing of children's cognitive and socio-emotional development/skills to support both growth and inclusion;
- (2) Support STEM fields;
- (3) Introduce more active and work-based training practices throughout the education and training system through guided internships and apprenticeship (for at least 6 months);
- (4) The private sector should lead to improvements in the relevance and quality of the education and training system;
- (5) Facilitate labour market orientation and career guidance throughout the education and training system;
- (6) Build and upgrade cognitive, socio-emotional and technical skills of the current work-force through non-formal and formal private sector-led trainings. This requires a flexible institutional structure (to be defined as part of a national LMIA system) and involves the creation of an array of tools to promote skills development and combine various forms of training to suit different demands;³
- (7) Investing in labour market training for disadvantaged youth, workers in low-productivity areas, workers in farm and non-farm rural activities and the urban self-employment. This includes the supporting of youth and adults who have missed out on foundational skills development.

Furthermore, there is a need to pay attention to the governance environment in which human capital development takes place.

³ UNESCO. 2015. Global perspectives on recognising non-formal and informal learning: why recognition matters. Available at: <https://unesdoc.unesco.org/ark:/48223/pf0000233655>

To achieve broad and sustained human capital development results, policies, programmes and reforms need to also consider the political environment, build the capacity for informing evidence-based strategies and programmes, and create the incentives to align the behaviours of all stakeholders to pursue national human capital development goals. Skills and economic development in Uganda are a sensitive balancing act that needs to be well informed and closely monitored.

In this regard the facilitation of rigorous employment and labour governance to ensure the economy creates and sustains sufficient decent and productive employment/job opportunities for people with all education and training backgrounds will be needed, including;

- (1) A National Employment and Jobs Strategy that spells out a clear employment policy framework that touches upon relevant areas to underpin the national economic development strategy;
- (2) Up-to-date and relevant labour statistics and information on both supply and demand provide the foundation for effective and evidence-based employment and labour governance that can guide and monitor skills development in tandem with private sector development interventions;
- (3) Systematic labour market information analysis and research will be needed to understand Uganda's labour market dynamics in more detail to be able to address skills development challenges.⁴ This includes approaches and institutional frameworks for skills needs assessment and anticipation;
- (4) Design and implementation of evidence-based employment policies and labour standards.

Also, while migrant workers already play an important role in the operation of private sector businesses, particularly in higher-skilled occupations, there is a seeming disconnect between policies towards migrant workers and the potential value for the labour market in terms of job creation and skills transfer that needs to be addressed through informed measures. These challenges need to be addressed pro-actively through the integration of migrant workers into employment and labour governance in Uganda.

To date Uganda's 'Doing Business' agenda is embedded in a 'neo-classical' framework assuming that the labour market will work reasonably well if skills development and competition are guaranteed. However, various research points out that unnecessary government regulations, taxations and corruption are actually the most important private sector growth constraints in Uganda.⁵ If skills development efforts ought to lead to higher productivity in Uganda various challenges to 'doing business' need to be addressed at the same time.

⁴ Ina Pietschmann, What Is the Purpose of Labour Market Analysis and a Labour Market Information System? in Key Labor Market Indicators: Analysis with Household Survey Data, World Bank and ILO, October 2016

⁵ Seatini & Oxfam. 2017. Taxation in Uganda Review and Analysis of National and Local Government Performance, Opportunities and Challenges <http://www.seatiniuganda.org/publications/policy-briefs/152-taxation-in-uganda-review-and-analysis-of-national-and-local-government-performance-opportunities-and-challenges/file.html>

1 INTRODUCTION

In line with the European Commission's Communication on a new Africa – Europe Alliance for Sustainable Investment and Jobs⁶, the EU and its Member States, in partnership with the Government of Uganda (GoU) and the Private Sector Foundation Uganda (PSFU) joined forces to promote Uganda as an attractive destination for private sector investments in order to spur sustainable economic growth that can also translate into decent and productive jobs. The promotion of this agenda requires a solid evidence base to inform innovative policies and actions as well as their implementation.

As part of the assignment 'Promoting EU and Uganda Private Sector Investments' carried out during the period December 2018 to July 2019, 'Skills and Attitude' of Uganda's labour force were identified as a major investment hurdle to private sector development. Other areas identified were 'Governance and Corruption' as well as 'Access to Finance'. For each of the major investment hurdles numerous areas of engagement were identified. The identification was done in a series of European and Ugandan private-public consultations and international donor representatives organised by the EU Delegation to Uganda and PSFU with the technical assistance of an external contractor⁷. A total of 27 possible remedial responses were formulated for further research and as a result of the private-public stakeholder dialogues. The responses have been prioritised to form a 'Roadmap' of engagement between the GoU and private sector stakeholders aimed at improving the investment climate and business environment in Uganda.

To carry forward the momentum of the private-public dialogue which was created during the 'Promoting EU and Uganda Private Sector Investments', CESO⁸, an international consultancy firm was recruited to establish a permanent structure of a Uganda EU Private-Public Dialogue Platform under a seven month project called Sustainable Business for Uganda (SB4U). The ongoing work of the platform includes trade and investment promotion events. The platform aims at elaborating on the roadmap responses in the three key areas identified and on coordination with the development partners.

As first part of the roadmap responses under the heading of 'skills and attitude' issues, it was suggested to conduct a 'Skills Needs Assessment' to understand in more detail what the actual 'skill gaps' are in the existing labour force that hinder private sector development and hence investment. The findings are meant to feed the design of a methodology and tools for an education auditing process and a review of existing quality audit tools from the National Council for Higher Education (NCHE) and National Curriculum Development Council (NCDC) that will be conducted as a further step of the roadmap to inform necessary changes in the training system to adjust to private sector needs. Assessment results will also guide the identification of a suitable standardised curriculum framework for private sector led post-graduation training programmes.

It needs to be highlighted that all areas of engagement under the 'skills and attitude' component of the SB4U focus on their relevance to employment and jobs promotion in Uganda. Hence, the report provides analysis and recommendations that aim to strengthen skills development interventions in their broader labour market and macro-economic context.

The structure of the main body of the report will spell out in detail the methodology applied for the assessment (chapter 2), including a justification for the economic sectors selected and the primary data collection tools applied. Chapter 3 will present the key findings for each sector and provide a summary of results based on the sector specific analysis of information collected and compiled. The study concludes with recommendations and next steps at the intervention level that should be discussed further under the Uganda /EU Private-Public Dialogue Platform.

⁶ COM (2018) 643 dated 12.9.2018. Available under: https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-africa-europe-jobs-alliance-communication-643_en.pdf

⁷ AECOM in consortium with Transtec

⁸ CESO For further information see: <https://www.ceso.pt/>

2 METHODOLOGY

Capturing skills needs is not an easy task and the required methodology to gauge insights is dependent on the country labour market context and respective research needs as well as on the policy and programming requirements. Generally, one can say that skill needs can be determined in terms of ‘quantity’ and ‘quality’. However, there is common sense among labour economists and researchers that skills needs in terms of quantities, are best measured with the help of statistically representative sample surveys that are compiled through a National Statistics Offices. On the other hand, skill needs in terms of ‘quality’ are usually correspondingly measured with the help of ‘qualitative’ research instruments, such as studies and assessments. Hence, the methodology of a skill needs assessment should not be confused with a statistical employer-based representative sample survey. (Table 1).

TABLE 1 – THE DIFFERENCE BETWEEN SURVEYS AND ASSESSMENTS TO CAPTURE SKILLS NEEDS

Requirement for of Statistical Survey Approach	Advantage of Statistical Survey Approach	Disadvantage of Statistical Survey Approach	Advantage of assessments
<ul style="list-style-type: none"> A comprehensive national up-to-date business registry from which the sample frame will be formed. (Which does not exist in Uganda) 	<ul style="list-style-type: none"> Allows skills measurement in terms of quantities via proxy indicators only. <p>Proxy indicators:</p> <ul style="list-style-type: none"> Educational attainment TVET attainment Work experience Employment by occupation Wages 	<ul style="list-style-type: none"> Time-consuming (1 to 2 years); Response rates are often too low; Large samples are needed to get robust data; Does not allow measurement in terms of skills qualities; Does not allow understanding skill needs in the broader labour market context. 	<ul style="list-style-type: none"> Holistic Can be conducted fast (2 month); Users of information are directly involved in its collection of information; Able to address skill gaps (quality) problems in greater depth; Useful mechanisms for exchanging views and feeding dialogue around the topic of ‘skills and attitude’.

SOURCE: AUTHOR

Furthermore, there is often a confusion related to the use of the terms ‘skill mismatch’ and ‘skills gaps’. While mismatches are generally defined as divergences in terms of quantity of ‘skills’ available in the labour market and ‘skills’ needed by the private sector (e.g. only 1000 doctors available but 5000 needed), ‘skill gaps’ refer to a quality gap, between the skills available in an individual participating in the labour market and the labour skills needed by the private sector (e.g. accountants available, but not employable, as they are missing IT, business or other relevant skills ,soft skills, experience, etc.). Given the fact that the Skills Needs Assessment is expected to guide further roadmap work related to an education/training audit and to supporting the design of a curricular/internship framework that requires information on persistent skills gaps, the qualitative assessment approach was chosen to understand skill needs of Uganda’s private sector.

The following sections aim to provide an overview of the detailed methodology that the Skill Needs Assessment applied. It is structured as followed: Section 2.1 explains how skills are defined in the context of the assessment. Section 2.2 outlines the research questions that were defined with support of the PSFU as well as the assessment objectives; Section 2.3 explains what led to the selection of economic sector covered by the assessment; and Section 2.4 provides an overview of the primary data collection approach employed.

2.1 What are skills?

Skills in the context of the assessment were defined 'as the ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly and adaptively carry out complex economic activities or job functions involving (1) ideas (cognitive skills), (2) things (technical skills), and/or (3) people (interpersonal skills).'⁹

The three broad skills categories are composed as follows¹⁰:

- (1) Cognitive skills include literacy and numeracy and refer to the ability to understand complex ideas, adapt effectively to the environment, learn from experience, and reason.
- (2) Socio-emotional skills refer to the ability to navigate interpersonal and social situations effectively and include leadership, teamwork, self-control, and grit.
- (3) Technical skills refer to the acquired knowledge, expertise and interactions needed to perform a specific job, including the mastery of the materials, tools, or technologies.

2.2 Research questions and objectives

After consultations with the PSFU and EU Delegation Kampala, it became clear that there is a profound need in Uganda to understand skills (and attitude, which are referring to socio-emotional skills) development issues in the wider labour market context. Unfortunately, most of the labour market information available to guide skills development interventions in Uganda is collected on an ad-hoc basis and not systematically as part of a wider Labour Market Information and Analysis System, an institutional network that coordinates the production and use of information to inform skills and employment governance. This is an area that needs to be addressed with great urgency (for further information and recommendations related to systematic LMIA refer to chapter 4 of this report).

The identification of skill needs becomes more complex if economies develop and better integrate the regional and global economy, and will increasingly rely on various methods based on both quantitative and qualitative information, ranging from labour market signalling using a set of key labour market indicators to sector studies and skills needs assessments.¹¹ While Uganda struggles with collecting timely, up-to-date and representative statistics to capture skills supply and demand and to capture skill mismatches, it struggles even more so with collecting systematic estimates on prevailing 'skill gaps' in the population. Hence, the assessment tries to not just understand what 'skills' are missing in the labour force but whether:

- (1) Available skills in Uganda's labour Force meet the needs of Uganda's private sector (economy) today and tomorrow?
- (2) Skills development is built on a solid foundation in Uganda and intertwined with private sector needs?
- (3) The private sector is able to support, absorb and utilise skilled labour?

The answers will be essential to understand the relevance of skills development initiatives in Uganda. Building on the research questions, the objectives of the assessment aim to understand:

- (1) Skill needs in Uganda's broader economic and labour market context to support private sector development;
- (2) Skill needs of employers to increase labour productivity;
- (3) Skills gaps between (1) skills embodied in the labour force and (2) the skills needed by the private sector.

⁹ According to a various number of dictionaries including the business dictionary available under: <http://www.businessdictionary.com/definition/skill.html>

¹⁰ According to the World Bank definition available under: <https://www.worldbank.org/en/topic/skillsdevelopment>

¹¹ Sparreboom and Powel. 2009. Labour market information and analysis for skills development. Available under: https://www.ilo.org/employment/Whatwedo/Publications/working-papers/WCMS_108627/lang--en/index.htm

The findings of the assessment will inform recommendations towards a necessary training and interventions that can help to adequately prepare employees according to the needs of businesses and markets. The results will be vital to engage with the government of Uganda in a dialogue to support the effective design of skills development activities that actually support the private sector to expand and lead to better profits and thus, to better incomes of directly and indirectly employed.

Existing research from various countries suggests that eight constraints are binding on business growth that creates decent and productive wage and salaried jobs: (1) the trade environment, (2) firm coordination, (3) and physical infrastructure, (4) access to finance, (5) the regulatory environment, (4) management experience and (5) appropriate skills and innovation.

The results of this Skill Needs Assessment aim to better understand prevailing skill gaps while referring to actual employer's needs.

Specifically, the assessment was designed to:

Step 1: Identify important skills

Attitude, in this context refers to socio-emotional skills. To find out what type of skills (embodied in workers) businesses would actually need in order to increase productivity and to expand operations, the assessment sought to Identify:

- What skills are valued by companies?
- What skills do employees need to do their jobs well now and in the future?

Step 2: Identify skills gaps

- What skills are valued by companies but are not available in employees to do their jobs well now and in the future?

Step 3: Identify training needs

- What challenges are employers facing related to available skills and skills training?
- What skills are valued by companies but are not trained by the education system and are expensive to provide through private sector initiatives only?
- What are currently your mitigation strategies to bridge existing skill gaps?

2.3 Economic sectors

Uganda's National Development Plan II (NDPII) aims to strengthen the country's competitiveness for sustainable wealth creation, employment and inclusive growth. Thus, the plan sets key objectives. These include: (i) increasing sustainable production, productivity and value addition in key growth opportunities; (ii) increasing the stock and quality of strategic infrastructure to accelerate the country's competitiveness; (iii) enhancing human capital development; and (iv) strengthening mechanisms for quality, effective and efficient service delivery. In order to achieve these objectives, the Government of Uganda pursues a private sector-led, export oriented, quasi-market and industrialisation development strategy coupled with emphasis on skills development.

Considering the strong focus on infrastructure development and industrialisation, it was agreed during stakeholder discussions with the PSFU, EU Member States Representatives to implement the assessment in the productive economic sectors of the economy, namely **construction** and **manufacturing**, including agro-processing. The **tourism** sector was chosen as third sector to represent the services segments of the economy, as it is believed to attract large amounts of Foreign Direct Investment. Due to time and budget limitations, it was not possible to study all key economic sectors of the economy.

For the **construction** of public infrastructure, Uganda spends enormous resources each year. For the fiscal year 2019/2010 the Government of Uganda allocated nearly a third (32 percent) of its annual 2019/2020 budget (MoFPED) to infrastructure development, by far the largest allocation of any sector. The implementation of funded projects requires significant numbers of skilled manpower.

The **manufacturing** sector was the 3rd largest provider of wage-jobs (80,400) in 2015.¹² Uganda's National Labour Force Survey 2016/2017 suggests that its employment share (as share of total employment) hardly expanded from 6.8 per cent in 2011/12 to 6.9 per cent in 2016/17. It suggests that Uganda is not taking sufficient steps towards industrialisation which presents a challenge in reaching the SDG targets in 2030.¹³

Travel and tourism in Uganda directly supported 229,000 wage jobs in 2017, and further 605,500 jobs were directly or indirectly supported. The World Travel and Tourism Council (WTTC) forecast that by 2028 direct Travel and Tourism employment could rise by 3.9 percent per annum to 349,000 jobs directly. The Ministry of Tourism, Wildlife and Antiquities' annual tourism sector performance report for financial year 2016/17, shows that tourism was Uganda's leading foreign exchange earner, bringing in US\$1.4 billion.¹⁴ Tourism's main comparative advantage over other sectors is that visitor expenditures have a 'flow-through' or catalytic effect across the economy in terms of production and employment creation. Through consumption of local products in tourist accommodation, restaurants and food markets, and through the additional expenditures outside the accommodation, tourists stimulate demand for agriculture, fisheries, food processing, and light manufacturing products, such as the garment industry, as well as for handicrafts and the goods and services of the informal sector. Contributing to sustainable and inclusive development in Uganda all three economic sectors selected for the assessment will require significant amounts of productive labour as input to the total production formula. Businesses from these economic sectors themselves voiced, during the private-public dialogue that was created during the 'Promoting EU and Uganda Private Sector Investments', that they are facing significant difficulties in finding employable staff due to shortages in skills, which impacts their business growth. Furthermore, these sectors have a high representation of businesses affiliated with the PSFU, which allowed their tracking for the conduction of key informant interviews. Unfortunately, to date Uganda does not have an up-to-date and continuous business repository that would allow the tracing of businesses in all economic sectors. PSFU member businesses in the construction, manufacturing and tourism sectors were also the ones who highlighted to the PSFU that they face serious business challenges because of prevailing skills gaps in the labour force.

Another factor that influenced the sector selection for the Skill Needs Assessment was the fact that the Government of Uganda through Ministry of Education and Sports (MoES) launched a BTVET Strategic Plan 2012/13 to 2021/22 entitled 'Skilling Uganda'. This plan underscored skills development in key priority sectors of the economy, including construction and manufacturing, in line with Uganda's National Development Plan (NDPII) as well as Vision 2040.

Moreover, recent research carried out by the ILO¹⁵ suggests that the construction and manufacturing and tourism sectors employ a significant number of migrant workers. The assessment results presented in chapter 3 of those reports confirm these observations.

¹² Uganda Bureau of Statistics (UBOS). Manpower Survey 2016/2017 Available under: https://www.ubos.org/wp-content/uploads/publications/08_20182018_Uganda_Manpower_Survey_Report.pdf

¹³ Uganda Bureau of Statistics (UBOS). National Labour Force Survey 2016/17, Main report, June 2018. Available under: https://www.ubos.org/wp-content/uploads/publications/10_2018Report_national_labour_force_survey_2016_17.pdf

¹⁴ The Ministry of Tourism, Wildlife and Antiquities'(MTWA). 2017. Annual tourism sector performance report for FY 2016/17. Available under: <https://www.dropbox.com/sh/vtemna5znugwktq/AAB-FnOlXTj7uJDGt-ynTe37a?dl=0&preview=Tourism+Sector+Annual+Performance+Report+FY+2016-17.pdf>

¹⁵ International Labour Organization (ILO). 2019. Labour Market Analysis with Focus on Migrant Workers - Uganda Country Report

2.4 Primary data collection tools

2.4.1 Key Informant Interviews (KIIs)¹⁶

Primary information about challenges employers face related to skills and attitudes of employees was captured with the help of Key Informant Interviews (KIIs). For the interviews a question guideline, rather than a standardised questionnaire, was designed to identify skill needs and gaps that prevail in private sector businesses and hamper productivity as well as business expansion. In total 113 interviews were conducted with businesses in the selected economic sectors.

It needs to be stressed again that an assessment is a qualitative research tool and information is measured in terms of 'quality' and not in terms of 'quantity'. The sample size used in qualitative research methods is generally smaller than that used in quantitative research methods. This is because qualitative research methods are usually concerned with gathering an in-depth understanding of an occurrence and are focused on meaning (and heterogeneities in meaning) of a particular issue, process, situation, subculture, scene or set of social interactions.¹⁷ Among researchers there are several debates concerning what sample size is the right size for such endeavours. Most specialists argue that the concept of saturation is the most important factor to think about when contemplating sample size decisions in qualitative research. Saturation is defined by many as the point at which the data collection process no longer offers any new or relevant information. While some experts in qualitative research avoid the topic of 'how many' interviews 'are enough,' there is indeed variability in what is suggested as a minimum. An extremely large number of articles, book chapters, and books recommend guidance and suggest anywhere from 5 to 50 participants as adequate.¹⁸

During the interviews conducted, saturation of information was also achieved after approximately 50 in-depth Key Informant Interviews. All remaining Key Informant Interviews only verified evidence that was already mentioned during earlier consultations. Hence, Information collected from 113 businesses is highly representative of the actual situation of recognised¹⁹ businesses in the sectors studied.

Businesses interviewed were chosen randomly from a list of businesses available at the Private Sector Foundation Uganda. Additionally, EU businesses were suggested by the Trade Advisors of Member States. Strong emphasis has been put on a fair representation of EU businesses²⁰ as share of the overall business population to ensure their voice will be heard. The representation of EU businesses was regarded as very important as the private-public dialogue under the SB4U platform overall aims at 'Promoting EU and Uganda Private Sector Investments'.

In total 177 businesses were traced and visited. 65 businesses did not want to provide information to the research team even though many of these businesses are members of the PSFU and all companies were officially invited to participate in the exercise. The high share (37 per cent) of 'non-responses' is reflective of the level of 'mistrust' the private sector holds towards the GoU. Many firms interviewed also perceived the PSFU as a government entity and avoided to reveal sensitive information, particularly related to their employees.

¹⁶ See Appendix 2 for further information related to the Key Informants

¹⁷ Mason, M. 2010. Sample size and saturation in PhD studies using qualitative interviews. *Forum: Qualitative Social Research*, 11(3) [Article No. 8].

¹⁸ Strauss, A. L., & Corbin, J. M. 2007. *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Thousand Oaks, CA: Sage Publications

¹⁹ Defined as businesses with a business license from one government entity and employees

²⁰ For this assessment those 'EU-businesses' are defined as businesses that are officially registered in Uganda and are entirely or partially (with largest business share) owned by citizen of European Member States.

The characteristics of businesses interviewed varied in terms of ownership, business operations and processes as well as related to the number of employees. The construction sector businesses were mainly linked to civil engineering businesses; manufacturing covered all main value chains in Uganda, including, coffee, flowers, dairy and foods as well as iron and ore. Tourism businesses included mainly hotels, guesthouses and tour companies. However, all of the companies interviewed in the three selected economic sectors had in common that they are recognised private sector businesses who have a business licence from a government entity and had employees.

For each of the sectors (1) Manufacturing (35 interviews) (2) Construction (35 interviews) (3) Tourism Hospitality (44 interviews) were conducted between the 8th and 2^{9th} of November 2019, with HR managers and CEO's of companies. The interviews included also 38 EU businesses across all three sectors. Since, the assessment is a qualitative research tool, precise statistical sampling of businesses in the chosen economic sectors was not envisioned, nor possible for the aforementioned reasons.

2.4.2 Focus group discussions

The main aim of the Focus Group Discussions was to get a deep understanding of productivity growth challenges of PSFU member and EU businesses in key sectors and regions, by company size and investment type. The information obtained through Focus Group Discussions was necessary to provide contextual information allowing for in-depth analysis of the information obtained with the help of Key Informant Interviews. Three Focus Group Discussions were held on the 26th and 27th of November 2019, one for each sector (1) Manufacturing (2) Construction (3) Tourism.

2.5 Secondary data collection

2.5.1 Desk review

A comprehensive desk study of secondary information was conducted to understand the situation and trends related to Uganda's labour market. The labour market analysis took into consideration information published in key planning documents as well as the most recent labour market analysis and research conducted during the last few years. It also reviewed skills development relevant documents as well as institutional mechanisms. A full list of resources reviewed as part of this study is provided in Appendix I.

2.6 Limitations to the study

Table 1 in chapter 2 lists the strength and limitations of the assessment approach chosen to capture skills needs, however it is necessary to clarify that this assessment is only providing one piece of evidence. Much further analysis and research would be needed to understand all dimensions of the skill needs challenge, which require the application of various methods of labour market information and analysis in a systematic manner with the help of a well-developed institutional structure that are also referred to as Labour Market Information Analysis Systems (LMIA systems).²¹

Further, it was initially envisioned that the quantitative interviews would be conducted separately for EU and Uganda businesses in order to allow for comparison between European and Ugandan investors. However, to allow for harmonious private sector representation per sector, it was decided during discussions with stakeholders and EU Member State Representatives to look at all businesses in the sector as homogeneous group. It needs to be stressed again that the assessment was a purely qualitative research exercise; hence charts and tables presented in the following chapters do not contain absolute numbers or percentage shares but rather express tendencies in responses.

²¹ Ina Pietschmann, What Is the Purpose of Labour Market Analysis and a Labour Market Information System? in Key Labour Market Indicators: Analysis with Household Survey Data, World Bank and ILO, October 2016

3 ASSESSMENT FINDINGS

3.1 Construction

3.1.1 Sector overview

Uganda is confronted with many emerging challenges that have the potential to severely impact the well-being of its people. Rapid demographic changes, including fast population growth and urbanisation as well as climate change are among the most severe of these challenges.²² The infrastructure and urban development industry is an important player when it comes to solving these challenges and shaping a desirable future. The construction industry plays a key role for governments in both developed and developing economies. The sector creates new jobs, drives economic growth, and provides solutions to address social, climate and energy challenges. The construction industry has important linkages with other sectors, so that its impact on GDP and economic development goes well beyond the direct contribution of construction activities.

The construction sector is defined as a group of private sector firms with closely related activities involved in the construction of real estate, buildings and private and public infrastructure. It also deals with all economic activities directed to the creation, renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature (such as irrigation) and other engineering constructions such as roads, bridges and dams. This means that construction firms are those involved with the direct construction of buildings and infrastructure.

The government allocated 32 percent of its household budget for the financial year 2019/2020 budget to road and energy infrastructure, by far the largest allocation of any sector. Hence road, transport and energy network construction are thriving in Uganda. But does it fuel productivity growth in private sector businesses in construction? Further, according to the National Planning Authority, Uganda faces an enormous housing shortage. With an estimated 300,000 housing units needed per year, to keep up with urbanisation and population growth, commercial construction and residential construction in Uganda are expected to grow.

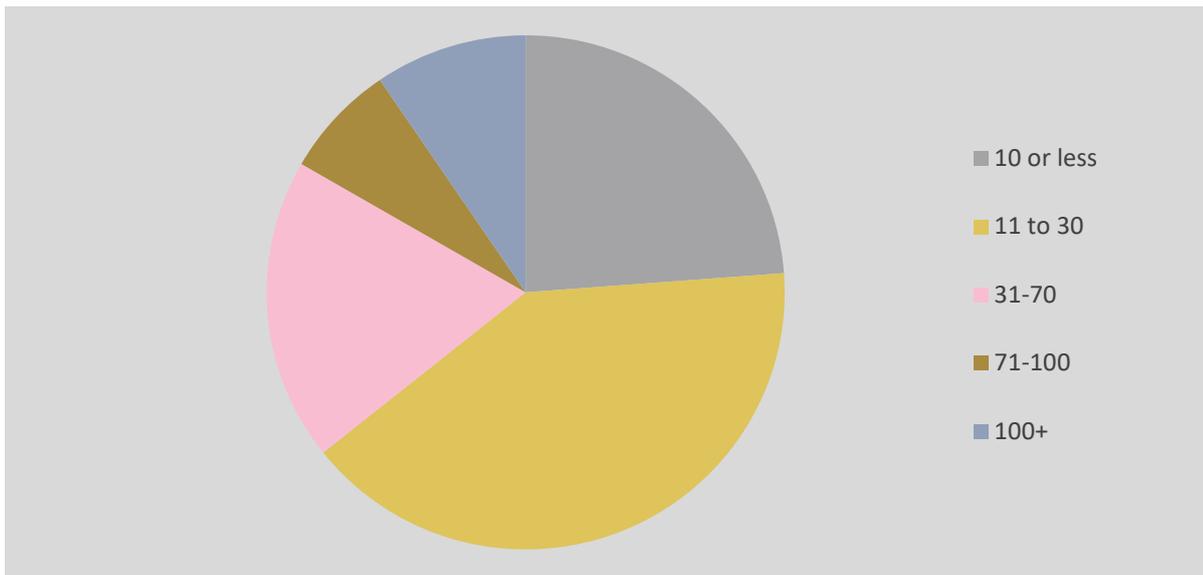
Through the linkage of the construction industry to tourism, the retailing sector, agriculture and rural development, the industry can be a major growth driver to achieve sustainable growth. The construction industry is also pivotal in the construction, renovation and repair of rural homes and dwellings to improve the standards of living of rural dwellers.

Construction firms in Ghana are classified as small or large based on their levels of outputs which are in turn largely dependent on their financial capabilities. It has been established that the large firms consist of mainly foreign firms while the small firms are mostly local Ghanaian businesses. The construction industry in Ghana is one of the most highly regulated industries. Contractors find themselves interfacing with national, regional and district bureaucracies at all levels of a project: to obtain building permits, to have work inspected and to have the completed project certified “good for possession” so that they can be paid by the relevant authorities.

²² European Union Delegation and National Planning Authority of Uganda. (2019). NDPII Diagnostic Studies.

Key informant interviews and focus group discussions as part of the assessment revealed very high firm activity in the sector. Many firms that the PSFU had business information for, no longer existed when traced down or had changed their name and/or portfolio in the meantime, pointing towards 'non-sustainable' sector growth. During focus group discussions it was raised that competition in the sector is very high and the survival of construction firms correlates heavily with the firm ability to tap large scale infrastructure investments procured through the GoU and international donors. The findings are in line with Uganda's First Assurance Report for the construction sector that reveals that infrastructure projects are riddled with contract mismanagement, delays in procurement, weak supervision, safety and environmental challenges, time overruns, budget overruns, low absorption and corruption among other factors that hinder viable business expansion and viable growth.²³

FIGURE 1 – CONSTRUCTION – BUSINESSES BY SIZE (NUMBER OF PERMANENT STAFFING)



SOURCE: SKILL NEEDS ASSESSMENT

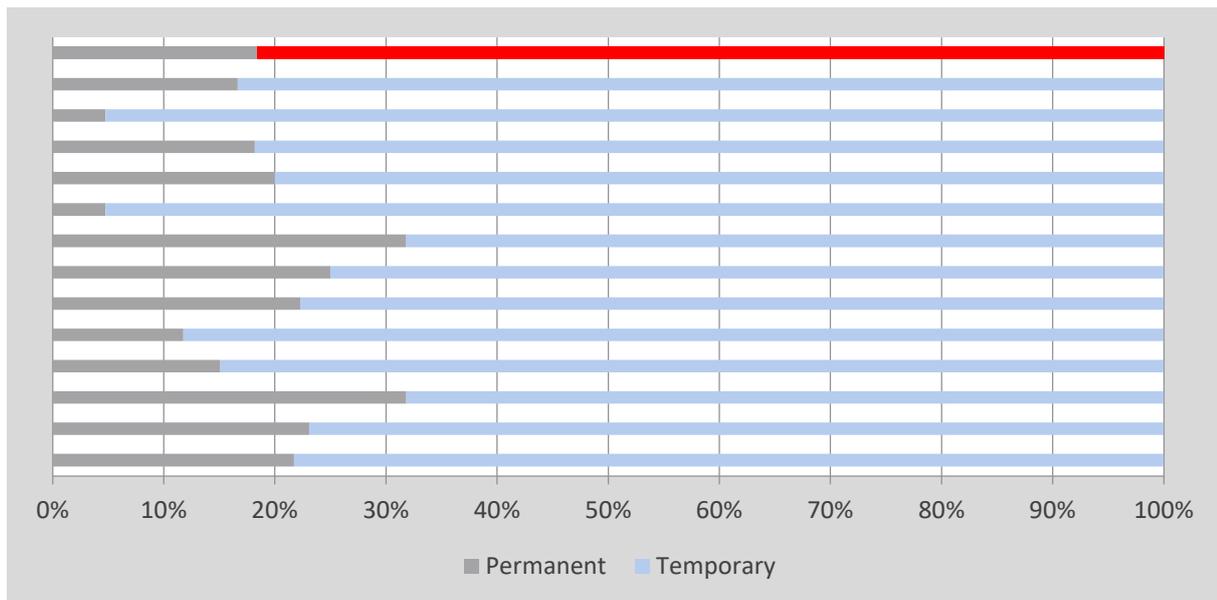
Focus Group Discussions uncovered that the construction industry in Uganda is not very organised and the regulatory framework has many loop holes. Hence, contractors find themselves interfacing with national, regional and district bureaucracies and corruption at all levels of a project: to obtain building permits, to have work inspected and to have the completed project certified so that firms can be paid by the relevant authorities is a tedious task that requires very good connections according to focus group discussion results.

From the assessment results it becomes clear that the average construction firms in Uganda are small, in terms of their number of employees. Many firms are even reducing staff and hence do not generate many jobs. Firm size is largely dependent on the capabilities of firms to secure contracts through good networks and marketing. It could be established that the large (larger) firms (100 or more employees) consist of mainly foreign firms while the small firms (11-30 employees) are mostly local Ugandan businesses. (Figure 1) Most companies interviewed voiced that they would like to expand their business activity but their operations depend on implementation demand related to infrastructure investments.

²³ CoST is a multi-stakeholder initiative with participating countries spanning four continents. CoST promotes transparency by disclosing data from public infrastructure investment, helping to inform and empower citizens, enabling them to hold decision-makers to account. The first Assurance Report from August 2017 is available under: <https://www.cost.or.ug/download/the-first-assurance-report-2017/>

Another issue that was raised during discussions that highly influences firm activity is the access to loans. **Access to finance is a major challenge, especially for smaller firms. Many local firms do not have the financial means to front load the implementation of project and depend on loans to finance their interventions.** Furthermore, a significant number of small construction firms were sole proprietorships, whereby firm owners pay income taxes for business profit on their personal income tax returns. Hence, the firm owners are also legally liable for business debts. On the contrary, foreign firms were most often part of larger corporations. The advantages of the corporation structure are limited liability. The shareholders of a corporation are only liable up to the amount of their investments. The corporate entity shields them from any further liability, so their personal assets are protected.

FIGURE 2 – CONSTRUCTION – EMPLOYMENT STRUCTURE



SOURCE: SKILL NEEDS ASSESSMENT

To reduce implementation costs, many local firms have to rely on cheap labour-intensive implementation measures and temporary recruited skilled staff to run operations. **Key informant interviews revealed that most construction businesses interviewed recruit on average more than 80 per cent of their staff temporarily.** (Figure 2)

It is impossible to pay 5,000,000 million Ugandan Schilling per month for a well-trained engineer. We bring them in only if we need them.
(Quote – Key Informant)

During the Focus Group discussions it was also mentioned that the majority of Ugandan’ construction firms are operating as sub-contractors for larger corporations, who very often win tenders as these firms have the managerial and technical ‘know-how’, access to financial resources and expensive high technology equipment. Many of these firms can buffer delayed payments as a result of difficult procurement, validation and approval processes.

On the other hand, most local firms acted as sub-contractors of international construction corporates that are operating in Uganda. Many of these local construction firms implement specific construction processes and tasks that do not require abundant technical 'know how'. Most firms interviewed stated that they work closely with external contractors, mainly groups of individuals that are very often informally employed, as they work for their own accounts and lack any form of social protection. It could be exposed that there is a symbiotic relationship between formally registered construction businesses and informal contractors, with registered firms providing an important source of work and income for the unregistered contractors and the latter being an important supplier of labour to the former. Despite this, the informal part of the construction industry is generally ignored and receives little support from the government, especially in terms of training interventions.

Overall assessment results show that the construction sector in Uganda is heavily relying on foreign businesses for their 'know-how' and new technologies and highly skilled and experienced foreign labour, as will be further discussed in section 3.1.4.

3.1.2 Skills demand

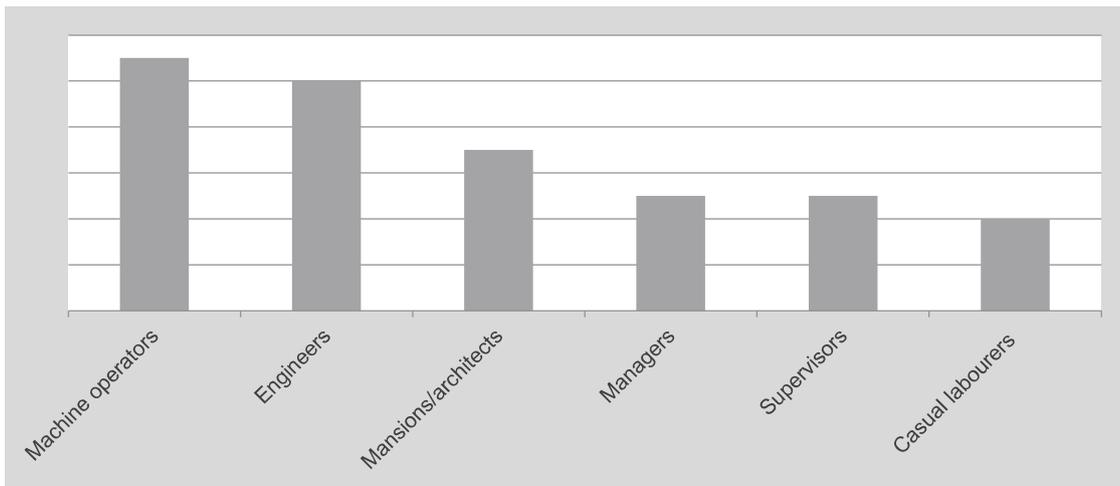
Many businesses interviewed in the construction sector expressed that they have difficulties filling certain positions for a number of reasons. One of the core challenges is the recruitment of affordable and trustworthy skilled labour. Especially machine operators, engineers, architects, masons, project implementation managers and construction supervisors are very hard to find. Some companies also find it very difficult to find decent and affordable casual labour. (Figure 3)

Firms interviewed articulated their frustrations with the current education system that produces so called 'highly' skilled managers and engineers without any practical skills and 'half-baked' technical knowledge. Many tenders require highly skilled labour with at least 5 to 10 years work experience that are very hard to find in Uganda. It was also highlighted that salary expectations of 'highly skilled labour' is not in sync with the labour market reality. Hence, it becomes obvious that recruitment challenges are far more complex and related to labour demand and the employment conditions offered. Technical skills 'per se' will not translate into higher productivity of firms.

'People leave the education system with a university degree and do not know what the answer to 6*7 is'
(Quote – Key Informant)

Another challenge mentioned was related to the fact that good morals and values in staff and their conduct to business ethics are hard to find. Many firms do not want to get involved with workers, 'skilled or unskilled' who cannot be trusted and lack loyalty.

FIGURE 3 - CONSTRUCTION – HARD TO FIND TECHNICAL LABOUR SKILLS



SOURCE: SKILL NEEDS ASSESSMENT

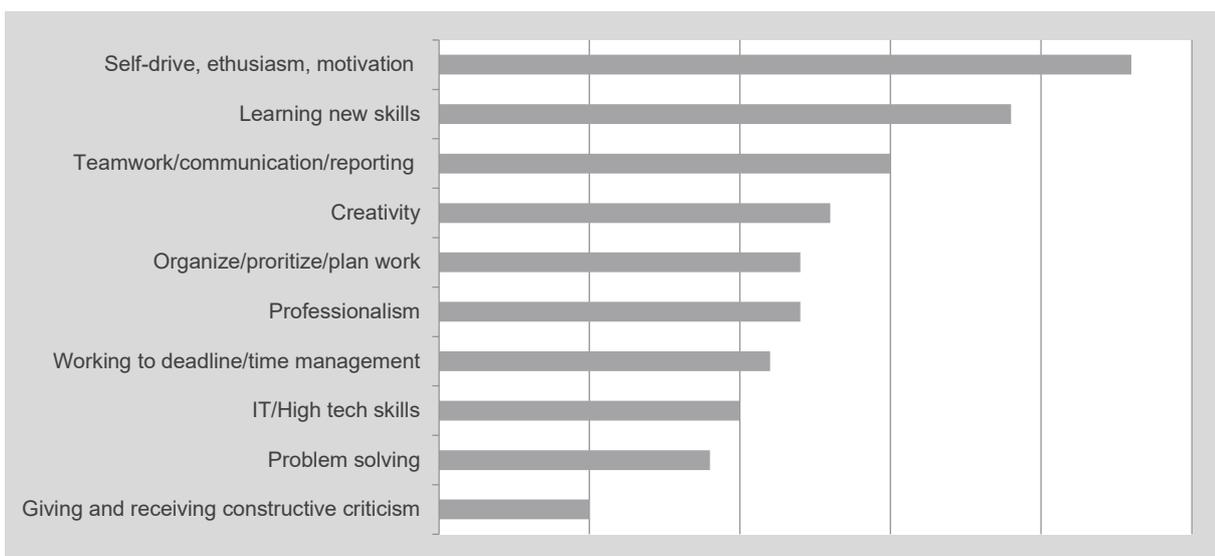
3.1.3 Skill gaps

Besides the technical skills, practice and work experience the **lack of cognitive and socio-emotional skills in Uganda’s economically active population seems to be a major hindrance to effective and efficient business operations in the construction sector.** Most businesses interviewed highlighted the fact that while technical skills are somehow available, if firms are ready to pay, the lack of self-drive, enthusiasm, motivation in most skilled recruits are far more concerning.

Many recruits are having difficulty in learning new skills or adjusting their acquired knowledge to the companies work context. Other areas highlighted that hamper labour productivity and business growth relate to challenges regarding teamwork, communication and reporting. For most employees in the sector it is difficult to plan work processes and to follow through activities on their own initiative.

‘People are trained to follow instructions’
(Quote – Key Informant)

FIGURE 4 - CONSTRUCTION – RARE SKILLS



SOURCE: SKILL NEEDS ASSESSMENT

Innovation, creativity and problem-solving skills are scarce. Most planning happens on a day-to-day basis with little foresight or long-term vision. Hence, time management and working to deadlines, both traits that are crucial in workers, especially when the company is delivering on time-bound contracts and tight deadlines, are a severe challenge for 'doing business'. Furthermore, it was mentioned that many workers, especially youth, are having difficulty in receiving constructive criticism for the work performed and to communicate feedback to their fellow workers. (Figure 4)

'People are wheel barrows. They need to be pushed to get work done'
(Quote – Key Informant)

Moreover, regardless of whether employees are 'unskilled'²⁴ or 'highly skilled', it was also highlighted during both Key Informant Interviews and Focus Group Discussions that often, Ugandan labour recruited by construction companies interviewed have weak skills when it comes to modern information technology (IT) application and high-tech operation and maintenance. (Figure 4)

3.1.4 Training needs

When businesses were asked about how to address the skill gaps, most replied that it would be of utmost importance to support the private sector with the conveyance of on-the job and practical training activities for current and future employees. Most companies pay an enormous cost of training staff on business relevant practical skills, especially related to the operation of equipment and firm specific 'code of conduct' and processes. It was voiced that the majority of the recruits, regardless of being 'skilled' or 'unskilled' lack exposure to business practices and productive work in general. Many, especially new recruits, have never been exposed to any type of 'work experience' before through internships and/or apprenticeships as part of their education or technical skills training.

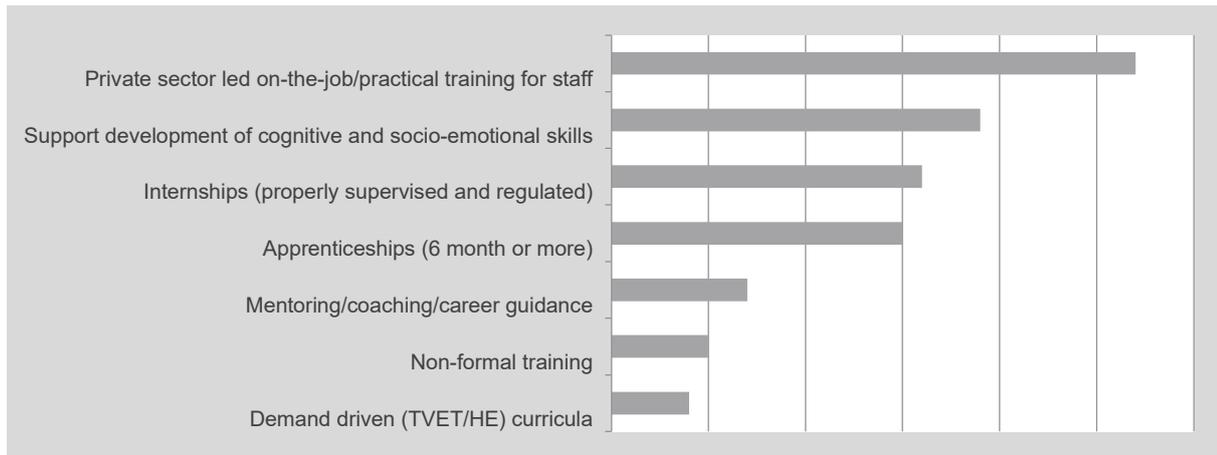
'Many workers simply lack the ability to blend in and adjust to internal management and work processes'
(Quote – Key Informant)

Other areas of education and training investments have to capture the nurturing of cognitive and socio-emotional skills of current and potential recruits.

Common proxies, such as years of educational attainment, Technical Vocational Education and Training (TVET) and/or Higher Education certification are proving to be ineffective at capturing differences in skills acquisition among labour. Many employers stressed that direct measures of skills, in particular cognitive and socio-emotional ones, provide more adequate estimations of individuals' differences in potential productive capacity than the quantity of education they receive. Hence, they recruit and retain talent not based on their certification but test their abilities through practical on-the-job exposure.

²⁴ Unskilled labour refers to workers who have no special training or experience. It is a part of the workforce with a very limited skill set. Unskilled labour consists of people with a high school diploma or less.

FIGURE 5 - CONSTRUCTION - REQUIRED TRAINING TO CLOSE SKILLS GAPS



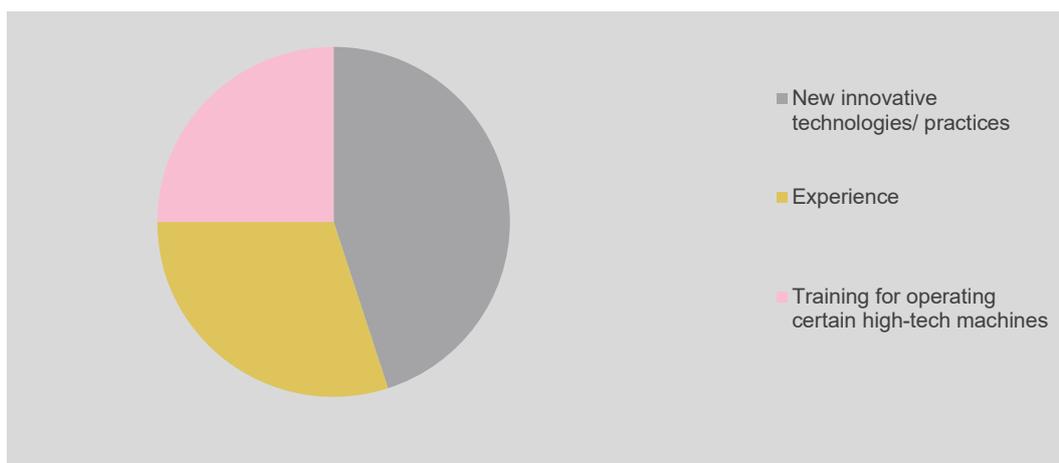
SOURCE: SKILL NEEDS ASSESSMENT

There is a vast amount of labour market research available on the link between cognitive skills to explain wage differentials and socio-emotional skills that are strongly associated with education participation decisions and retaining of labour.²⁵

Mentoring and coaching of staff were valued as key activities to support construction companies to become more productive. Coaching and mentoring are often thought of as the same thing. While they are similar, they are not exactly the same. A coach is helping staff to learn a particular skill while a mentor has a higher motivation to move the employee up the ranks of the company. Especially in-company mentoring and career guidance are regarded as vital for company success. (Figure 5)

Assessment results also highlight that the design of demand-driven curricula for TVET and HE institutions are regarded as far less important than the actual practical orientation of the current and potential workforce. Non-formal in-company training in this context is also an important form of skills development, which should receive more attention from the current education and training system to close existing skill gaps. (Figure 5)

FIGURE 6 - CONSTRUCTION - TRAINING THAT CANNOT BE FOUND

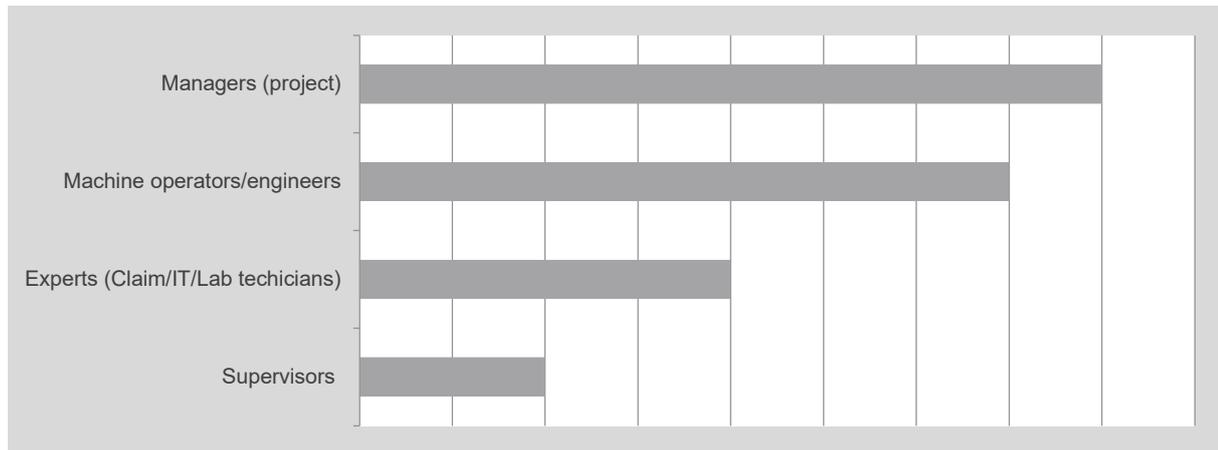


SOURCE: SKILL NEEDS ASSESSMENT

²⁵ IZA Institute for Labour Economics. Available under: <https://wol.iza.org/articles/the-role-of-cognitive-and-socio-emotional-skills-in-labor-markets/long>

When it comes to ‘hard to find’ training options in Uganda’s current training system, many employers mentioned the lack of training related to the application of new innovative technologies and practices. Especially, specialised training for the application and maintenance of hi-tech equipment cannot be found in Uganda, leaving companies no choice but to recruit foreign labour, at least temporary, with the required skills to train local staff on its operation and upkeep. It implies a significant cost for many businesses that currently cannot be deducted from existing business taxation, according to key informant interviews. (Figure 6)

FIGURE 7 – CONSTRUCTION - IMPORTED FOREIGN LABOUR



SOURCE: SKILL NEEDS ASSESSMENT

To fill existing skill gaps in the workforce and to employ affordable, skilled and experienced labour, many construction companies opt to recruit foreign labour, especially for highly skilled occupations such as project managers, machine operators, engineers and highly specialised experts, such as lab technicians that can perform sophisticated technical, mechanical and/or diagnostic tests, particularly related to road and bridge construction, as well as claim experts that can handle loss adjustment, inspections and valuations of construction sights. (Figure 7)

Also, experts that can handle high-tech equipment and its maintenance are often recruited from outside. Very often, these specialists are brought in from the manufacturers of applied equipment. Many are brought in on a short-term basis and provide training and knowledge transfer to local staff.

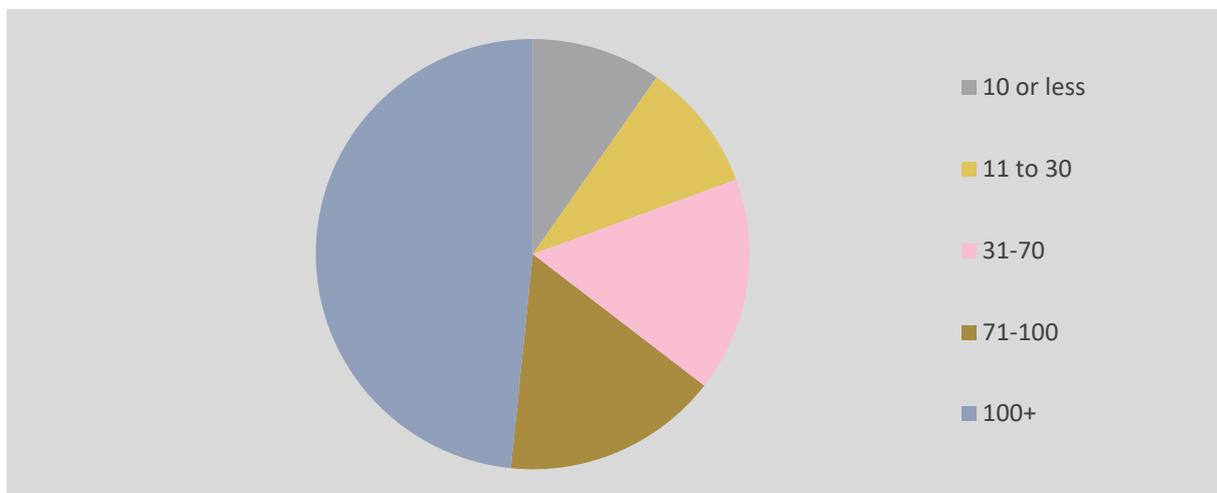
‘It is surprising that Ugandan hi-tech engineers are more expensive than Chinese and Philippines’
(Quote – Key Informant)

3.2 Manufacturing (including agro-processing)

3.2.1 Sector overview

The manufacturing sector is regarded as the industry that holds the most potential for job creation in Uganda. However, it is currently focused on the production of low value-added goods, including food and beverages, manufacturing of construction materials, especially from iron, ore and steel. The agro-food sector is processing coffee, tea, ground nuts, dairy products, fruit and vegetables, canning of animal products and fodder production. In addition, the sector focuses on the production of fertilizers and also the processing of skins into leather, and silk and cotton textile. However, the textile sector is negligible compared to the regional giants (Kenya and Ethiopia) and only 5 per cent of the cotton produced in Uganda is subsequently used by local factories. One could also mention the production of plastic products.²⁶

FIGURE 8 – MANUFACTURING– BUSINESS SIZE (BY NUMBER OF PERMANENT STAFFING)



SOURCE: SKILL NEEDS ASSESSMENT

Uganda's manufacturing sector is heavily reliant upon imported production inputs, such as equipment or chemicals, which make the industry very vulnerable to changes in foreign exchange (Forex). Other struggles of the manufacturing industry are the cost and access to electricity and other infrastructure challenges related to reliable transport and water access. The sector is also dominated by many medium sized enterprises that have only between 100 and 200 employees, which hamper the ability to achieve economies of scale and therefore growth and subsequent job creation (Figure 8). Large manufacturing companies are mainly foreign. Many bigger businesses are run by South-Asians that arrived with the wave of liberalisation of the 1990s.

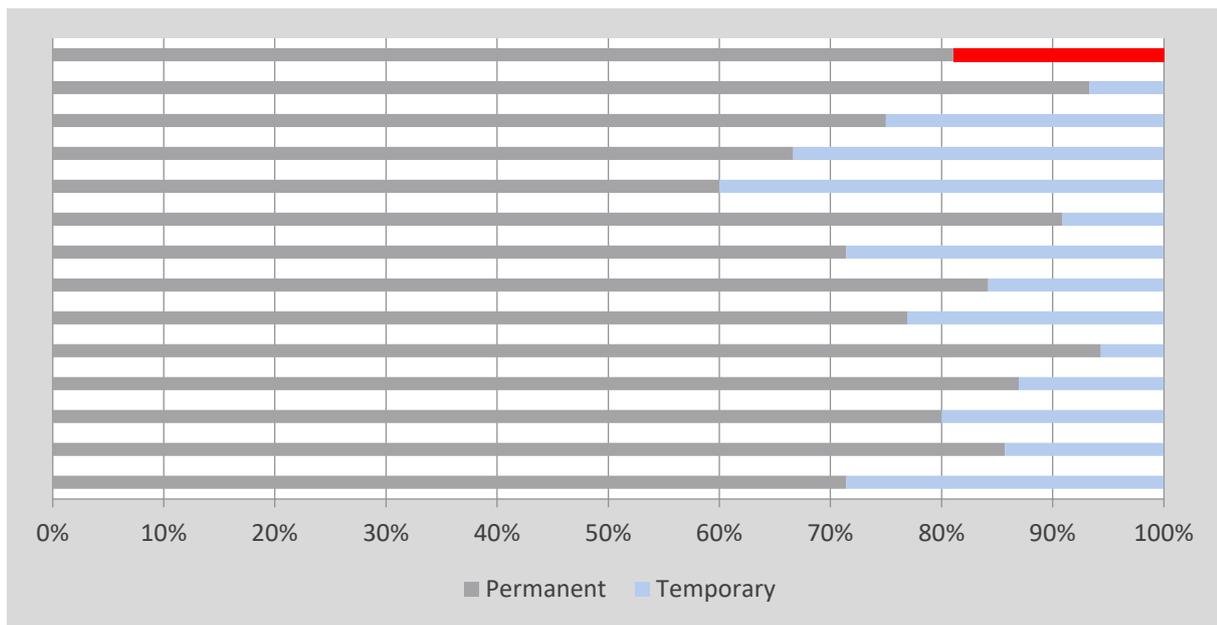
High levels of poverty and low income of large parts of the population impact negatively on the domestic market's purchasing power. Taunts related to the setting and maintaining of production standards and compliance with international certification hamper exports. Furthermore, products manufactured are facing a high competition from other manufactures at domestic, regional and global market levels. For example, Uganda's plastic industry suffers from the competition of much cheaper imported Chinese products.

²⁶ UNCTAD 2017. Cotton and its by-products in Uganda. Available under: https://unctad.org/en/PublicationsLibrary/sucmisc2017d4_en.pdf

The GoU is constantly trying to tackle challenges facing the industry through subsidies and other measures. During key Informant Interviews and Focus Group Discussions it became clear that many businesses in the sector are trying to keep the momentum and are hardly expanding. On the opposite, one got the impression that businesses are shrinking, in terms of employee size and revenue. According to the interviews, revenue growth was rather slow with 1.0 per cent or less. For many companies, low labour costs are an important factor in remaining profitable.

Leading companies in Uganda include Nile Breweries Limited and Uganda Breweries Limited. Subsidiaries of larger corporations also operate within the country and include: Unilever Uganda Ltd; Century Bottling Company Ltd, Coca Cola SABCO; and Hima Cement Limited, of the Larfarge Group.

FIGURE 9 – MANUFACTURING– EMPLOYMENT STRUCTURE



SOURCE: SKILL NEEDS ASSESSMENT

As far as the employment structure among interviewed businesses is concerned, **on average companies have 80 per cent of their staff on the permanent payroll. However, many businesses grumbled over a very high turn-over of staff that bears enormous cost for businesses'** as they are permanently on the hunt for good people that they also have to train over and over again. High fluctuation in staff also affects the production quality and compliance with manufacturing standards.

Furthermore, increasingly temporary workers are brought in to support particular processes if needed. One area that requires a lot of temporary workers is related to the maintenance of production equipment, which requires highly skilled and expensive labour that is only brought in if needed (Figure 9).

3.2.2 Skills demand

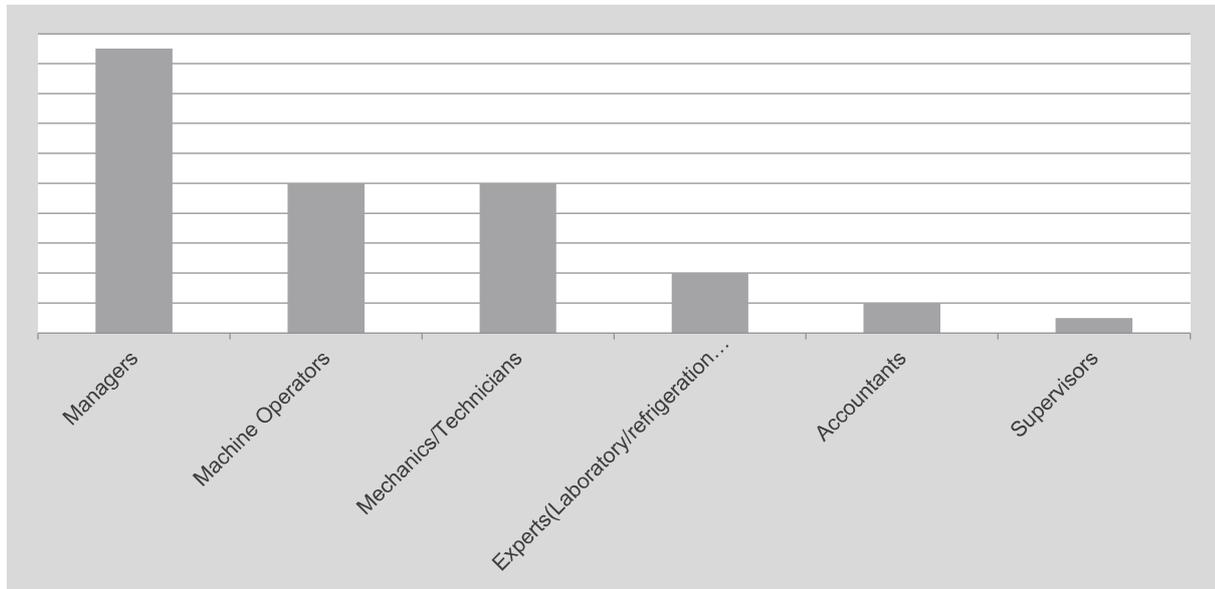
The manufacturing sector is looking for cheap, skilled, trustworthy and hardworking production and operation managers. Although, there are many local managers available with great certification, many are not 'employable', as they lack the required moral compass as well as technical and practical skills.

'My company no longer considers academic papers for recruitment. We just interview to check basic skills. Certificates have become bogus'
(Quote – Key Informant)

Furthermore, it was voiced that most very good and experienced managers are not willing to work in the manufacturing sector for little money under harsh working conditions.

**‘People, especially from master programs have far too high payment expectations and are not aware of themselves and the market’
(Quote – Key Informant)**

FIGURE 10 – MANUFACTURING– HARD TO FIND TECHNICAL LABOUR SKILLS



SOURCE: SKILL NEEDS ASSESSMENT

Interviewed business owners and human resource (HR) managers expressed a strong need and lack of machine operators, especially new hi-tech equipment as well as for mechanics and technicians. During interviews it was raised multiple times that the maintenance of modern technology requires a blend of technical and mechanical skills that cannot be found in Uganda. Mechatronics, which is also called mechatronic engineering, is a multidisciplinary branch of engineering that focuses on the engineering of both electrical and mechanical systems, and also includes a combination of robotics, electronics, computer, telecommunications, systems, control, and product engineering. Uganda’s current education and training system does not produce employable, ready for the job ‘mechatronic engineers’. (Figure 10)

Other expertise that is hard to find among Uganda’s labour force are professionals in the area of laboratory works and refrigeration, which is very much necessary to set and maintain production standards related to food processing. Also, Experts in 3D printing technology, mainly related to standard packaging, are hard to find. 3D printing, or additive manufacturing, has a huge potential to democratise the production of goods, from food to medical supplies. It is seen as the future of production whereby 3D printing machines could make their way into homes, businesses and disaster sites. The manufacturing speed through 3D printing of a large number of final products is fast and cheap. Even though the initial setup costs for 3D printing is high, 3D printing is cheaper than cheap labour in most parts of the world.

The manufacturing sector around the world finds itself in the midst of the Fourth Industrial Revolution, which is poised to transform work at an unprecedented pace through exponential technologies such as artificial intelligence, advanced robotics and cognitive automation, advanced analytics, and the Internet of Things (IoT).²⁷ And, contrary to some bleak predictions, technology is likely to create more jobs than it will destroy. This is already evident in tight manufacturing labour markets around the world. However, it is also evident that the Fourth Industrial Revolution is creating a significant quantitative mismatch between available workers and the skills necessary for high technology production in most countries, especially emerging and transitioning economies. **Part of the challenge the manufacturing sector in Uganda faces, is the understanding of how current professional profiles of employees and their associated skills are morphing into new jobs and career pathways that continue to evolve along with advanced technology.** Classic professional profiles in the manufacturing sectors will have to adjust to the future of production. However, Uganda's skills development interventions to date do not seem to be moving in that direction yet.

'Adaptation of the training system to new labour market requirements is very slow'
(Quote – Key Informant)

It was also voiced that many businesses have a hard time finding good accountants as well as production and process supervisors, mainly because the salaries are too low and to find loyal and trustworthy staff with a good reputation is a major challenge. Distrust has recently become a major issue, especially in an environment of wide spread corruption and bribery. It needs to be kept in mind that establishing trust between employers and employees requires more than just honesty: it requires the ability to practice sound moral values. Major drivers of trust are openness, competence, benevolence and integrity. It is against this background that many manufacturing firms, which are often family run businesses, prefer to recruit their own kin or people from their wider network and/or closer 'circle of trust'. In other words, technical qualifications are no guarantee for a job in the sector, even though certain professions are in high demand.

3.2.3 Skill gaps

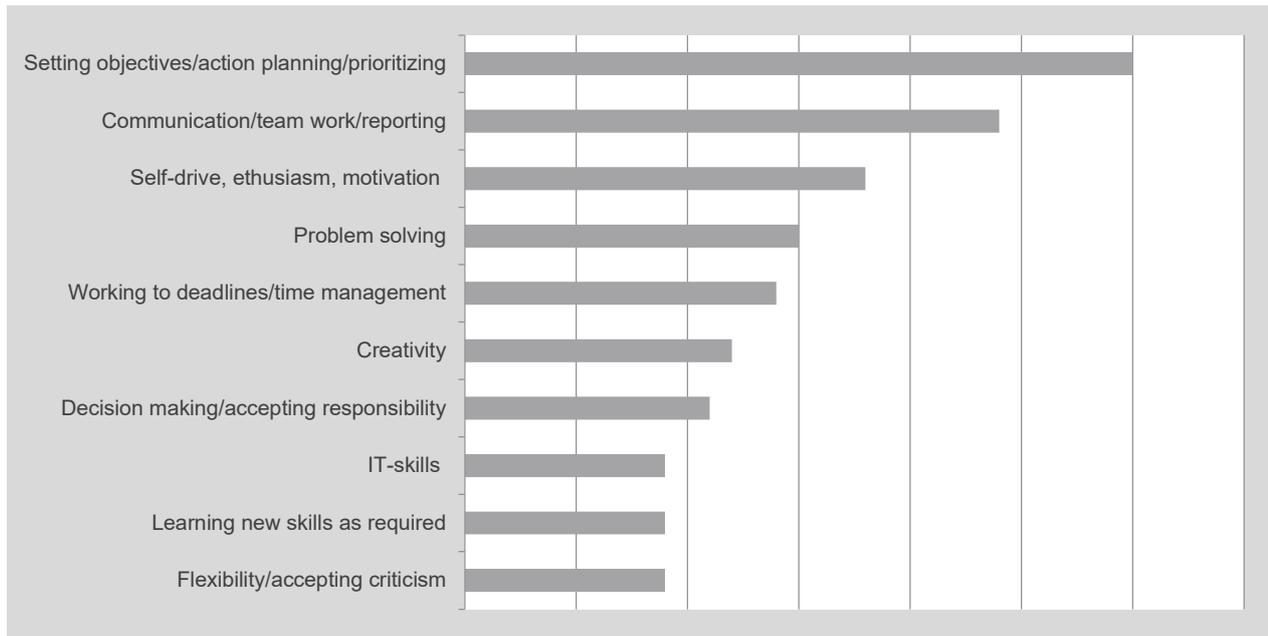
Skills that are highly regarded by the manufacturing sector are cognitive and socio-emotional skills, which are largely absent in the potential labour force and recruited manpower. During key informant interviews many businesses stressed that most of the **employees are unable to set work objectives, plan their actions and prioritise important tasks considering time lines and production processes.** There is a constant need for high supervision to ensure work processes run smoothly. Other major challenges are related to communication, teamwork and reporting. (Figure 11)

'Many workers only think about themselves and have no empathy for others. Many workers compete with each other, which makes teamwork and communication very difficult.'
(Quote – Key Informant)

It is well known that those workers who communicate and function as a team complete project work in a quicker and more efficient amount of time than others. They also are more accurate in their work than others. Effective communication also allows team members to understand their roles and the roles of everyone else on the team to achieve a business vision. Interviews also revealed that many businesses in the sector do not have a clear future vision for their business but rather, go with the flow.

²⁷ World Development Report. 2019. The changing nature of work. Available under:
<https://www.worldbank.org/en/publication/wdr2019>

FIGURE 11 – MANUFACTURING – RARE SKILLS



SOURCE: SKILL NEEDS ASSESSMENT

It was also raised that many workers in the manufacturing sector are lacking self-drive, enthusiasm and motivation to perform their job. Especially:

‘People from the university do not want to get their hands dirty’
(Quote – Key Informant)

Other rare skills that hamper business in the manufacturing sector are the ability of most staff to solve problems, work to deadlines and practice good time management. Employers like to see good problem-solving skills as it is an essential skill for managers and all senior level roles. It requires a wide range of other competencies such as logic, resilience, imagination, lateral thinking and determination as well as creativity, which is another rare skill to find among manufacturing workers and potential employees.

Another skills challenge that was highlighted by HR managers and business owners in the manufacturing industry is the fact that many workers are inflexible and do not bring the mind set to obtain new skills required for the job profile. (Figure 11)

‘Most employees lack passion and interest in the job’
(Quote – Key Informant)

There is a reluctance to change, especially if it involves the application of new technologies that require for example digital or IT skills. Digital skills are defined as a range of abilities to use digital devices, communication applications, and networks to access and manage information.²⁸ A significant number of workers also have problems with taking criticism. (Figure 11)

‘As soon as a situation becomes difficult or mistakes were made, they run away and never show up again without even informing anyone.’
(Quote – Key Informant)

²⁸ UNESCO. 2018. Digital skills critical for jobs and social inclusion. Available under: <https://en.unesco.org/news/digital-skills-critical-jobs-and-social-inclusion>

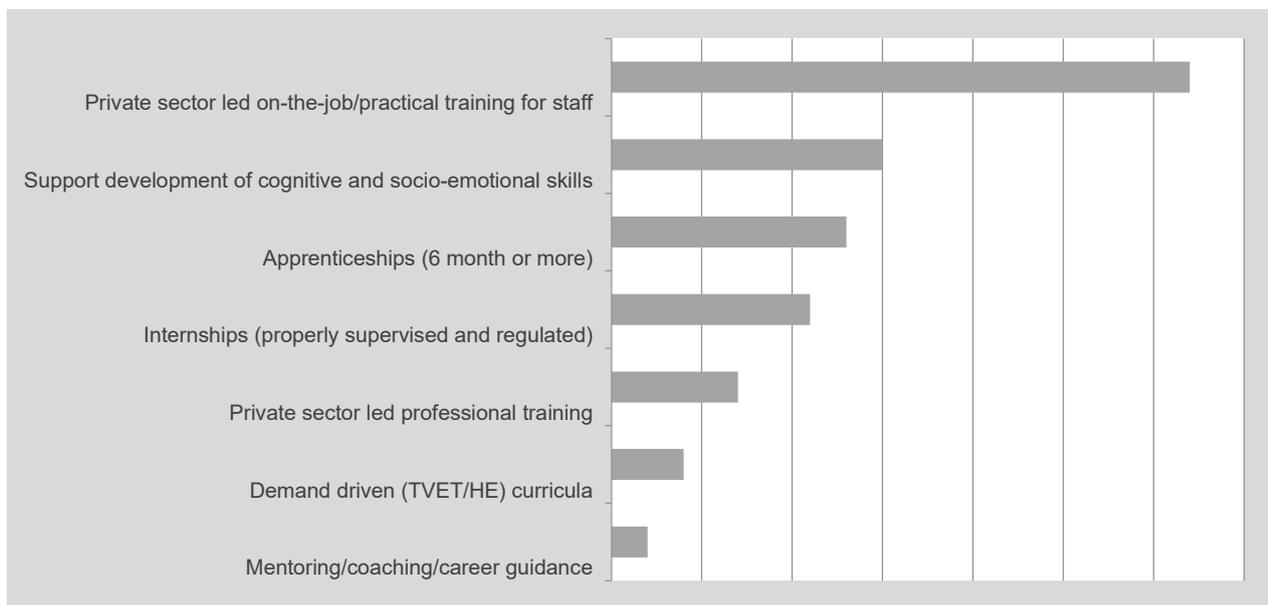
3.2.4 Training needs

When asked which type of training would be required to address prevailing skills gaps in the manufacturing sector as highlighted in earlier sections, most businesses voiced the need for private sector led on-the-job and practical training for staff already recruited. (Figure 12)

It was also highlighted that Uganda’s educational system would require significant strengthening to equip the ‘ordinary’ labour force (with very basic attained education only) with basic cognitive and socio-emotional skills. Many people that are currently leaving the education system are neither trainable nor employable. (Figure 12)

**‘Many people are just not trainable’
(Quote – Key Informant)**

FIGURE 12 – MANUFACTURING – REQUIRED TRAINING TO CLOSE SKILLS GAPS



SOURCE: SKILL NEEDS ASSESSMENT

Many businesses interviewed mentioned that there is a need for quality, properly supervised and regulated internships and apprenticeship programmes that are not just requiring close collaboration with TVET and HE institutions but also schools. Students during various levels of their education should spend at least some weeks per year in a production plant to get a ‘feeling’ for work.

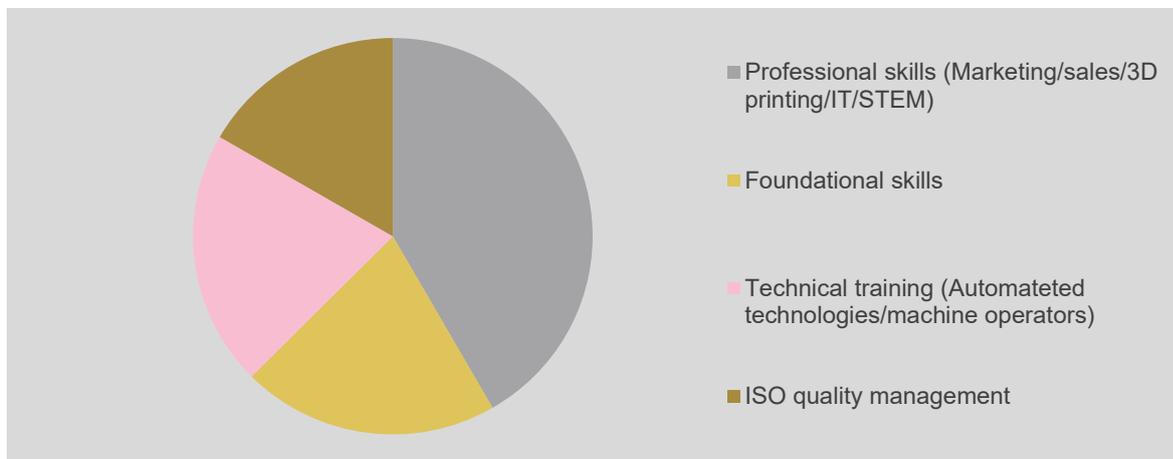
Orientation and career guidance will be important at all levels of the education system to provide students with an understanding of their interests, abilities, aptitudes and strength. It will be vital for pupils and students to develop early an individual inventory of valuable career and related job training options and opportunities. A current overemphasis of technical training and market demand-oriented revisions of available TVET and HE were perceived as less likely to tackle foundational skilling issues and to provide manufacturing businesses with the labour that they would need. It was also highlighted that the current education and training system runs short in equipping people with sector relevant professional skills. Much more private sector led professional training will be necessary to tackle the challenges. Most businesses interviewed train their own people already and no longer rely on the public education and training system.

When asked for the type of trainings that currently cannot be found in Uganda but would be vital to address prevailing skills gaps, professional skills were regarded as most important. **Quality professional training related to marketing, sales, 3D printing, Information technology and Science, technology, engineering and mathematics (STEM) are currently hard to find in Uganda.**

**‘The adaptation of our training system to new labour market requirements is very slow’
(Quote – Key Informant)**

The manufacturing sector, which employs a significant amount of cheap labour also highlighted the importance for better foundational skills. The current education system does not equip people with even basic skills required to be useful. **As already mentioned for the construction sector also the manufacturing sector specified that it is very challenging to find technical teaching related to the application and maintenance of automated hi-technology equipment (Figure 13).**

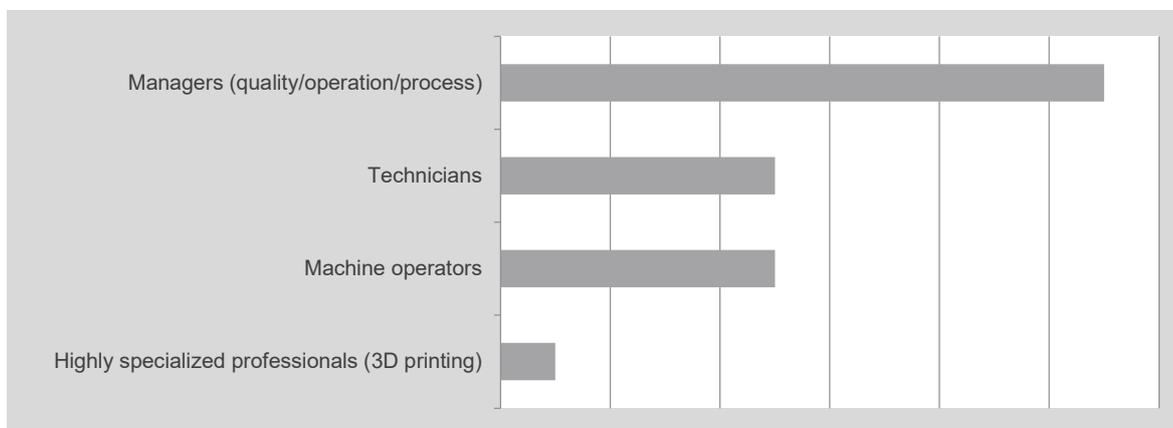
FIGURE 13 – MANUFACTURING - TRAINING THAT CANNOT BE FOUND



SOURCE: SKILL NEEDS ASSESSMENT

Furthermore, it was highlighted that key training challenges the sector is facing are linked to ISO standards. ISO creates documents that provide requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose.²⁹ (Figure 13)

FIGURE 14 – MANUFACTURING – FOREIGN IMPORTED FOREIGN LABOUR



SOURCE: SKILL NEEDS ASSESSMENT

²⁹ For further information refer to: <https://www.iso.org/standards.html>

Analysis of information compiled on the engagement of foreign labour to support the manufacturing sector highlights a significant intake of foreign labour for 'skilled' professions such as managers, technicians, machine operators and highly specialised professionals, e.g. experts in 3D printing (Figure 14).

Reasons for bringing in foreign labour are manifold and cannot just be related to a scarcity of skills for the highlighted professions in Uganda's labour market. Most often professional labour is brought in mainly because it is 'cheaper' in relative terms. Albeit salary costs for foreign labour is in some instances higher, companies save overall. Since labour regulations for foreign workers are not clear and migrant workers working in Uganda are not covered by Uganda's Employment Act companies save on social security and other payments that would be mandatory for the formal recruitment of local staff.

Furthermore, foreign labour is already trained in the required areas which save companies investments in the same. Also, firms especially if foreign, prefer to recruit fellow nationals with similar business ethics and values according to assessment results. In a nutshell, the benefits of bringing in foreign labour far outweigh the opportunity costs for companies to recruit local labour. The findings are in line with what has also been mentioned in Uganda's second National Development Plan as a key employment challenge.

'Immigrant workers impact on the job market thereby competing with Ugandans for the same jobs. From routine labour inspections, it is evident that migrant workers with similar skills as Ugandans do the same or even less work, but are paid higher'
(National Development Plan II)

3.3 Tourism and hospitality

3.3.1 Sector overview

Uganda's private sector plays a significant role in the development and management of the tourism sector through Uganda Tourism Association (UTA) which is the Tourism private sector apex body with membership of Uganda Hotel Owners Association (UHOA), Hotel and Catering Association of Uganda (HCAU), Uganda Community Tourism Association (UCOTA), Uganda Safari Guides Association (USAGA), The Uganda Travel Agents Association (TUGATA), and the Association of Uganda Tour Operators (AUTO). The Ministry of Tourism Wildlife and Antiquities regards these associations as important entry points in fostering public private sector dialogue, advocacy and development initiatives for the sector.

According to National Account Statistics, tourism contributed up to US\$1.35 billion into Uganda's export basket in 2016, and was the single highest foreign exchange earner; contributing to 4.3 per cent of GDP 23.5 per cent of total exports in 2016.³⁰ Uganda recorded a total of 1.8 million international arrivals and 1.9 million departures in 2016. The number of international arrivals Visiting Friends and Relatives (VFR) in Uganda increased from 453,000 in 2015 to 499,000 in 2016. In 2016 the most frequently listed reasons for travel was VFR (38 per cent), followed by business and professional conferences (22 per cent) and leisure or holidays (18 per cent).³¹ It has been postulated that the VFR arrivals are mainly comprised of frequent cross-border trips made by East African nationals with family or homes in Uganda. It is suggested that these arrivals contribute comparatively little to the tourism economy on same-day trips.³² Available administrative data demonstrates that five East African Community (EAC) countries (Rwanda, Kenya, DRC, Tanzania, Sudan) contribute 70 per cent of all tourist arrivals to Uganda.³³

Growth in the tourism and hospitality sector is already contributing to 'significant' job creation according to Uganda's Manpower Survey 2016, albeit progress cannot be accessed and definitions of the sector are not clear.³⁴ Employment in this context refers largely to wage employment in hotels, travel agents, airlines and other passenger transportation services).

According to UBOS, a tourist is defined as a person that leaves their country of residence and crosses a border and spends anything between 24 hours and beyond in the country, but does not exceed a year.³⁵ Hence, the difference between tourism and migration is hard to distinguish. Despite the challenges with metrics, tourism officials reveal a very positive outlook for the industry that largely depends on its natural beauty. Its main selling points are gorillas and white-water rafting. According to Focus Group Discussions with private sector businesses the sector has lots of potential but to date is not well marketed. Information available in the internet is often incorrect, photos are scarce or not up-to-date; business is very seasonal and highly depending on external factors such as the political stability of Uganda and the region as such, outbreaks and/or prevalence of diseases such as Ebola and Malaria and last but not least on the global economy. Uganda was, by most businesses interviewed, regarded as an expensive travel country, due to infrastructure challenges and high transport costs.

Against the common belief that the sector is growing fast, Key Informant Interviews and Focus Group Discussions alike, uncovered that the sector in fact hardly expands. Many businesses interviewed try to keep the momentum; revenues are small and actual visitor numbers seem to decline. The cost of 'Doing Business' in the sector was regarded as extraordinary. Prices related to infrastructure and utility ('running cost') have been cited as very high. Further, it was highlighted a number of times during the discussions with business owners that the sector is 'overtaxed'. Taxes paid cover a wide range, related to land occupancy, business and restaurant licences, e.g. and involve many authorities at district and national level. Especially the:

'Uncertainty of regulations is a major challenge to make businesses'
(Quote – Key Informant)

³⁰ Ministry of Tourism, Wildlife and Antiquities'(MTWA). (2017). Annual tourism sector performance report for FY 2016/17. Available under: <https://www.dropbox.com/sh/vtemna5znugwktq/AAB-FnOlxTj7uJDGt-ynTe37a?dl=0&preview=Tourism+Sector+Annual+Performance+Report+FY+2016-17.pdf>

³¹ ibid

³² Ministry of Tourism, Wildlife and Antiquities (MTWA) (2013) Uganda Tourism Development Masterplan, 2014-2024, UNWTO, Government of Uganda, UNDP

³³ The Ministry of Tourism Wildlife and Antiquities'(MTWA). 2017. Annual tourism sector performance report for FY 2016/17. Available under: <https://www.dropbox.com/sh/vtemna5znugwktq/AAB-FnOlxTj7uJDGt-ynTe37a?dl=0&preview=Tourism+Sector+Annual+Performance+Report+FY+2016-17.pdf>

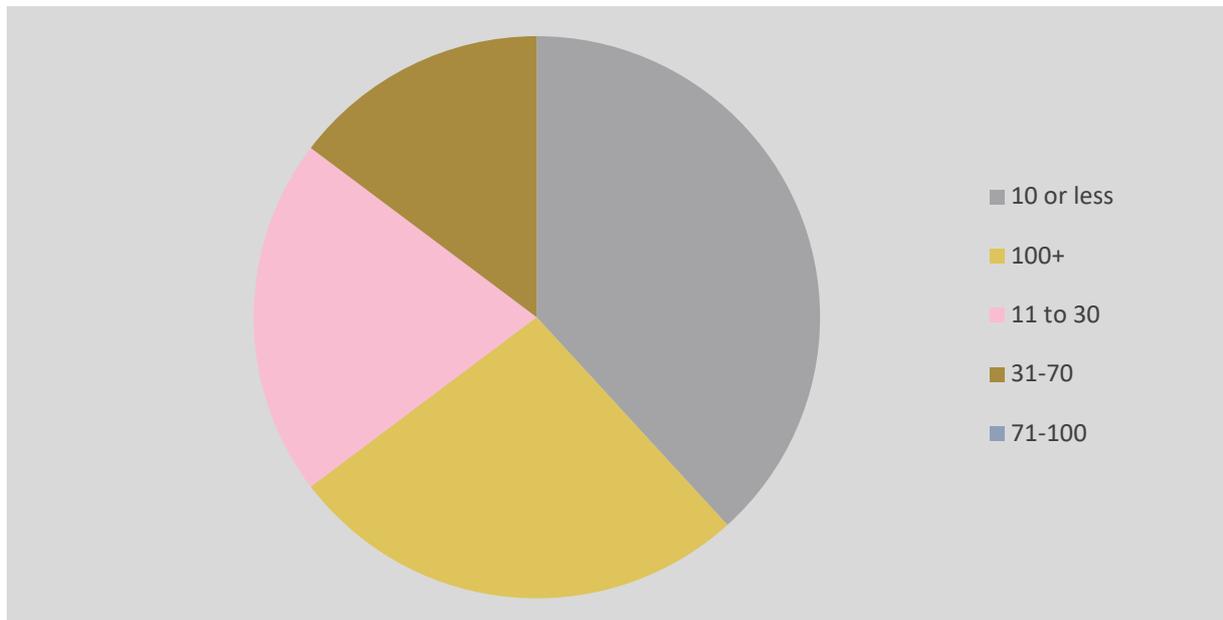
³⁴ Uganda Bureau of Statistics (UBOS). Manpower Survey 2016/2017 Available under: https://www.ubos.org/wp-content/uploads/publications/08_20182018_Uganda_Manpower_Survey_Report.pdf

³⁵ Uganda Bureau of Statistics (UBOS). Available under: <https://www.ubos.org/migration-and-tourism/>

Uncertainty of regulations is misleading and fuels informal payments necessary to sort out unintentional non-compliance. Further, it was mentioned that the sector has many micro- businesses that are too small to pay taxes but take away a significant share of business from registered tourism businesses, such as small Airbnb’s, unlicensed tour guides and drivers.

Assessment findings gathered reveal that the tourism sector is indeed very diverse and fragmented with a large difference in the employment structure between, hotels, lodges, travel agents and tour operators. Among registered businesses in the sector, the majority of interviewed companies were micro-sized with less than 10 employees. These companies were mainly guesthouses, travel agents and tour operators as well as hotels, especially if parts of international chains operated with at least 100 and more permanent staff. Hotel chains, such as Serena, Marriott or Golden Tulip are part of a series or of a group of hotels operated by the same company or owner. Opposite of an independent hotel it is a ‘chain-affiliated’ hotel. A Hotel Chain therefore is an administration company that manages a number of hotels having the same name but being located in different areas, including countries. Their Uganda branches can be totally or partially owned by the chain and they manage their administration, marketing and promotion and as well as staff training as part of the corporate branding. According to the terms of management, the chain provides the same services as a franchise agreement (brand, reservation system etc.) but additionally, there is an agency agreement, meaning the brand operates the hotel, making all the day-to-day decisions on behalf of the owner. The difference between hotel chains and hotel groups is that the latter have multiple subsidiary brands, allowing the hotel to greatly diversify their services, products and prices offered among hotels with varying characteristics.

FIGURE 15 – TOURISM SECTOR – BUSINESS SIZE BY NUMBER OF PERMANENT STAFFING

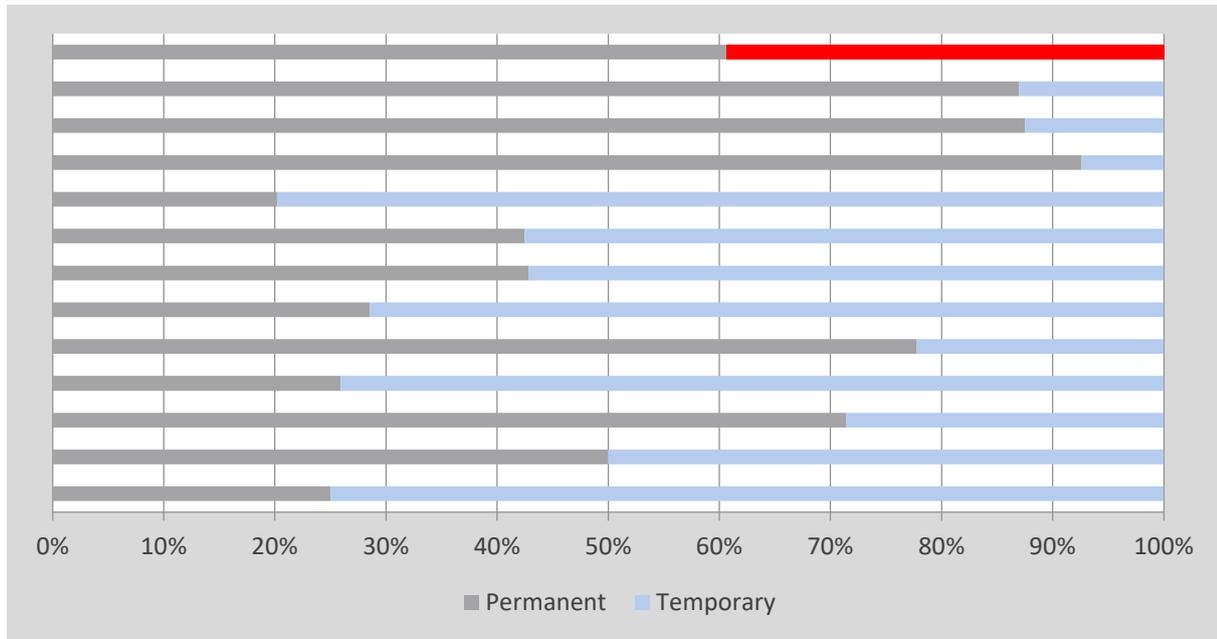


SOURCE: SKILL NEEDS ASSESSMENT

These days, the tourism and hospitality industry has truly become an international industry with key worldwide players that are represented in most countries and global digitalised travel providers. There are key segments of the industry: accommodation; adventure tourism and recreation; events and conferences; food and beverage; tourism services and transportation. All these segments tend to be much more integrated in multinational hotel chains and businesses that are part of a hotel group operating in Uganda.

Due to the sectors comparatively low entry barriers, firm establishment with limited scope for economies of scale is enticing whereby the business in itself is seen as investment and services offered are limited depending on the nature of the business. Hence, Uganda’s tourism sector is divided into many micro- and small- independent tourism businesses (e.g. independent hotels, lodges, guesthouses and tour operators) and larger hotel ‘chains’ and group type businesses and international travel agencies. (Figure 15)

FIGURE 16 – TOURISM SECTOR – EMPLOYMENT STRUCTURE



SOURCE: SKILL NEEDS ASSESSMENT

On average businesses interviewed regardless of being small or large, employed at least 60 per cent of their staff permanently. However, casual or temporary recruitment seems to be more common among adventure tour operators and lodges where operations are highly seasonal. Most of the temporary workers can be found in ‘low level’ service positions related to transportation, guiding and housekeeping according to Key Informant Interviews and Focus Group Discussions. (Figure 16)

3.3.2 Skills demand

As in the construction and manufacturing sectors, the tourism industry is always in need of affordable and trustworthy managers and accountants.

‘We need good staff but it is hard to find loyal trustworthy people. Many Ugandan managers and accountants have no clean background’
(Quote – Key Informant)

It was also mentioned that if recruited, many Ugandan managers and accountants tend to look after their own kin and tribe and do not pursue professionalism. However, according to the interviews it is not only difficult to find ‘skilled’ professionals but also reliable, honest and loyal service personnel that are willing to work for the salaries and conditions offered. Most Ugandan employees regard the tourism sector as a sector for ‘cheap and unskilled labour’. Hence, not many Ugandan’s see the sector as one that can offer them a viable career and a stable income.

‘Jobs in hospitality are perceived as bad jobs’
(Quote – Key Informant)

Since the salaries for ‘highly skilled’, ‘skilled’ and ‘unskilled’ employees in the sector are fairly low and the working conditions are hard, turnover of staff is apparently very high. Many workers in the industry move to Dubai in the hopes of finding a more decent job³⁶. There are many agencies that:

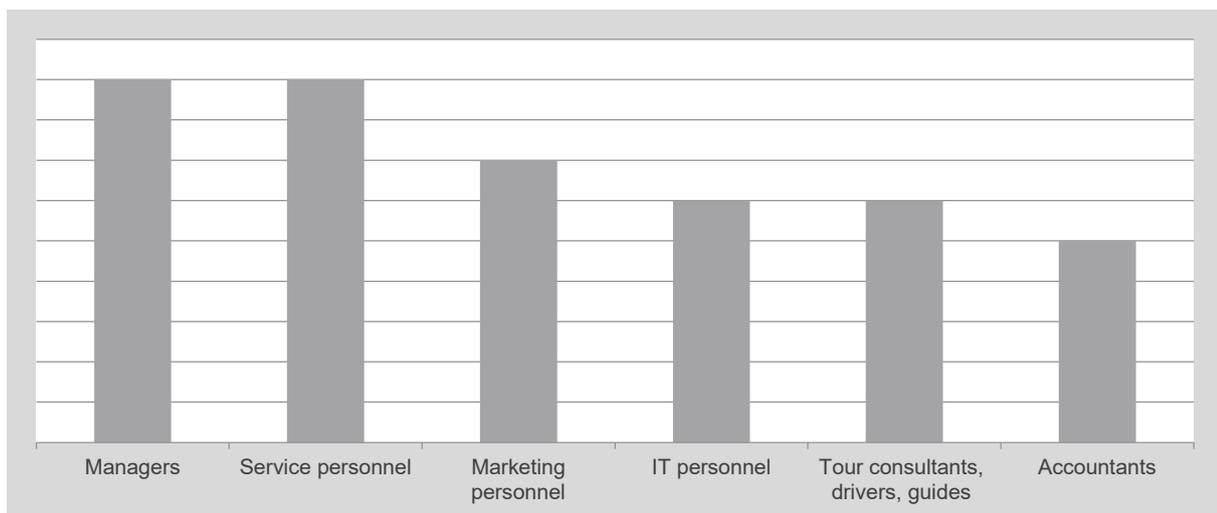
‘Make people believe Dubai is the ‘Promised Land’’
(Quote – Key Informant)

Also, during Key Informant Interviews many employers in the industry voiced that it is especially hard to find qualified marketing and sales professionals as well as staff with decent skills in information technologies to handle front desk operations and tour bookings with the help of modern technologies. Since it is hard to find talented marketing and sales experts in Uganda’s labour market, many tourism and hospitality businesses outsource the marketing and sales business component to external providers that operate from outside of Uganda. Many of them function from South Africa, Kenya or Europe. In fact, for many businesses, marketing, bookings and payments are entirely handled abroad, with Uganda only providing the destination and ground handling services that do not generate much revenue to feed into the local economy (Figure 17).

‘Tourism in Uganda is a take-away business’
(Quote – Key Informant)

In today’s globalised tourism market, every tourism product competes with every other at its price point. Hence, the size of the flow of tourists to a particular destination is to a considerable extent determined by the world tourism industry itself, represented by tour operators, travel agents and transport services in the countries of tourist origin (and not by Uganda itself). Destinations can influence these external industry managers through effective and continuing promotion and marketing campaigns and extraordinary services offered. Assessment results highlight that the tourism sector in Uganda has not yet found its competitive advantage and price point in a crowded global travel industry and faces challenges in finding hospitality professionals, such as service personnel and tour guides that meet the required tourism standards. Certification of professional tourism and hospitality skills was highlighted as a major challenge.

FIGURE 17 – TOURISM SECTOR – HARD TO FIND TECHNICAL LABOUR SKILLS



SOURCE: SKILL NEEDS ASSESSMENT

³⁶ According to the International Labour Office, decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. For more information see: <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

3.3.3 Skill gaps

While technical skills like accounting, financial analysis and marketing are essential skill sets for the hospitality and tourism industry, socio-emotional skills are of paramount importance for succeeding in what is first and foremost a 'people business'. But according to Key Informant Interviews, these skills are essentially the hardest to find within the Ugandan labour force.

'People are not sensitive to understand themselves and their surroundings'
(Quote – Key Informant)

A gap in good customer care skills is one of the main challenges of the industry. The absence of the same involve not only challenges related to the direct interaction with clients, but also the management of teams whose goal it is to satisfy customers. Employers complained that many workers do not seem to understand or care that it is the customer, who provides the funds to pay for their salaries and other expenses, which allow a tourism business to remain profitable and reinvest in its infrastructure. They only see the business profits for the owner.

'Imagine staff has to serve food to customers that is worth a monthly salary for them or more'
(Quote – Key Informant)

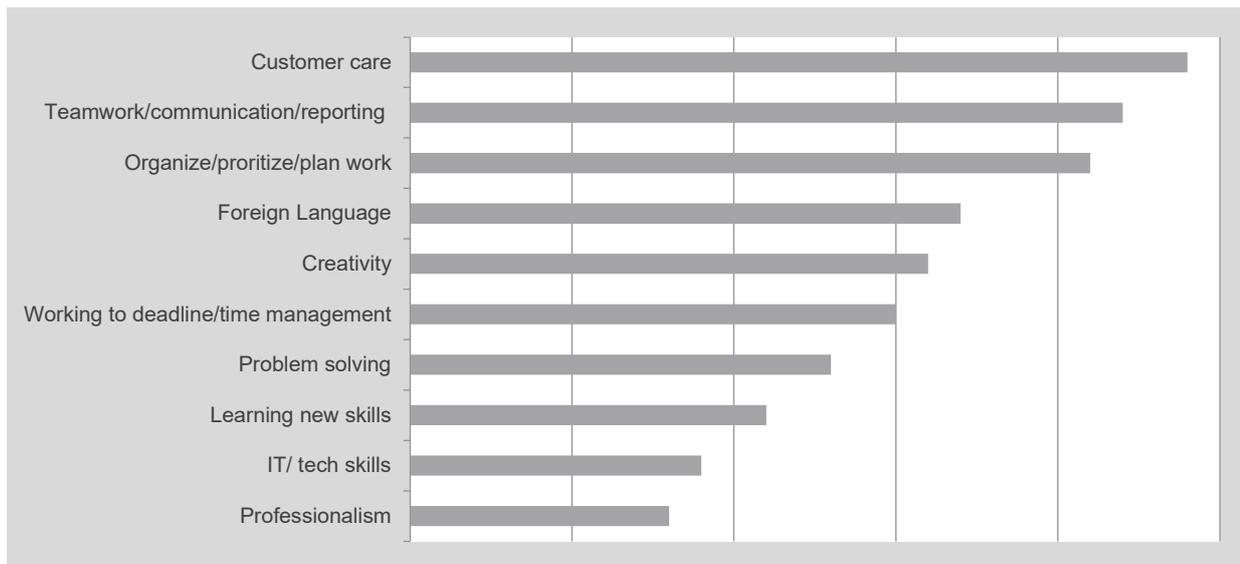
It will be essential to invest in training that will help employees and managers to succeed in satisfying and even delighting customers. Excellent customer service is all about understanding the customer's needs and being able to deliver a positive customer service experience, which is hard to achieve in Uganda. Most employees have never had an exposure to the cultures their customers come from and simply do not understand the concept of holiday or recreation. Culture and life experiences between employees of the industry and customers are profoundly different. Typically, customers will not always share the same values, belief systems and perceptions, so it is important to break free from cultural barriers. Cultural awareness is an essential socio-emotional skill that will help customers feel comfortable and at home in their surroundings, which currently is in low supply in Uganda.

'It is impossible to come up with snacks menu if you do not understand the concept of a snack'
(Quote – Key Informant)

It is widely known that the human factor in tourism, in the form of service personnel, is not just critical for the success of a business but also conducive to the general favourable evaluation of a tourism destination.

Other rare to find skills among employees in the sector are teamwork, reporting and communications skills. Communication skills are highly valued in the tourism industry and the higher up one gets in the staffing hierarchy, the more important they become. In the hospitality and tourism business, each day can involve contacts with people of a variety of backgrounds, ages, nationalities and temperaments. Thus, it is important to be able to communicate in a way that represents the business, while at the same time speaking to customers in a way that they can understand and relate to. Often communication skills are also hampered by a lack of foreign language skills in Uganda. It is for example hard to find hospitality staff with good Swahili, Chinese and Arab skills. Language skills are a particular plus in the hospitality field. Speaking clients' language enables employees to establish a more intimate relationship with clients, which promotes customer satisfaction and loyalty (Figure 18).

FIGURE 18 – TOURISM SECTOR – RARE SKILLS



SOURCE: SKILL NEEDS ASSESSMENT

Other skills gaps mentioned during the Key Informant Interviews and Focus Group Discussions refer to the lack of organising, planning and prioritising skills that are vital for organising events or larger groups of customers. Organisational skills are at a premium in the hospitality and tourism trade. Given the need to multi-task and respond to spur-of-the-moment requests, it is necessary to maintain an organisational structure so as to be able to accomplish daily tasks in an efficient manner. To date many employees in the industry are incapable of fulfilling multiple roles if needed. Also, the lack of problem-solving skills and the challenge for most workers to be able to learn new skills as required and to be flexible were raised as factors that hamper productivity. It is important to be able to juggle different tasks simultaneously, while completing each task assigned. Compared to other professions, hospitality and tourism jobs often demand that employees work multiple job profiles and odd hours like nights and weekends. It is also necessary to be able switch rapidly from one task to another as the situation may arise. Thus, flexibility is an essential attribute needed in order to succeed in the hospitality and tourism sector. One way for students to get a head start in developing their ability to multitask is to work on the side while pursuing their studies (Figure 18).

‘People cannot handle more than one issue at one time.’
(Quote – Key Informant)

Generally working to deadlines and time management to achieve certain processes and routines were highlighted as a skill gap that currently hampers business effectiveness and efficiency.

‘People do not know how to plan a day ahead or keeping a checklist of things that need to be done.’
(Quote – Key Informant)

It may sound trite to mention this one, but during interviews it was mentioned multiple times that many young people start out in the hospitality field with an enthusiastic outlook, but do not realise how demanding the work is and consequently get bored quickly. If employees constantly fail to understand that their job is to keep clients happy no matter the cost, such individuals will never progress beyond entry-level jobs. Uganda needs hospitality professionals that are prepared to accept challenges in the workplace no matter how difficult the task may appear (Figure 18).

‘It is a problem to establish routine’
(Quote – Key Informant)

Furthermore, the low knowledge of IT and new technology skills are making it hard to make business. They also contribute to the fact that the overall sector lacks professionalism, especially when compared to other East African countries such as Kenya and Tanzania (Figure 18).

3.3.4 Training needs

When asking employers in the sector about the required trainings that would be needed to address major skills gaps related to both, professional hospitality and socio-emotional skills, it was flagged as core priority to support the development of cognitive and socio-emotional skills of children from a very young age.

‘Technical skills are less of an issue but personal traits and socio-emotional skills are’
‘People are not sensitive to understand themselves and their surroundings’
(Quote – Key Informant)

Also, private sector led on- the job and practical training for staff were regarded as paramount to close existing skills gaps in the sectors labour force. Existing hospitality training in the sector does not equip people with the skills the industry needs. It was highlighted that Uganda’s hospitality training provided in schools like ‘Crested Crane’ institute in Jinja cannot be compared with schools in Kenya such as the ‘Utalii College’.³⁷

FIGURE 19 – TOURISM SECTOR – REQUIRED TRAINING TO CLOSE SKILLS GAPS



SOURCE: SKILL NEEDS ASSESSMENT

‘Most people produced by our education system are not trainable or employable’
‘Many people have never learned how to use their mind’
(Quote – Key Informant)

Generally, it will be vital to build much stronger linkages between existing schools and tourism businesses through the joint design of curricula’s, proper apprenticeship programmes that last for at least 6 months, and supervised internship programmes that equip students with the practical work exposure needed to make informed career choices. To date:

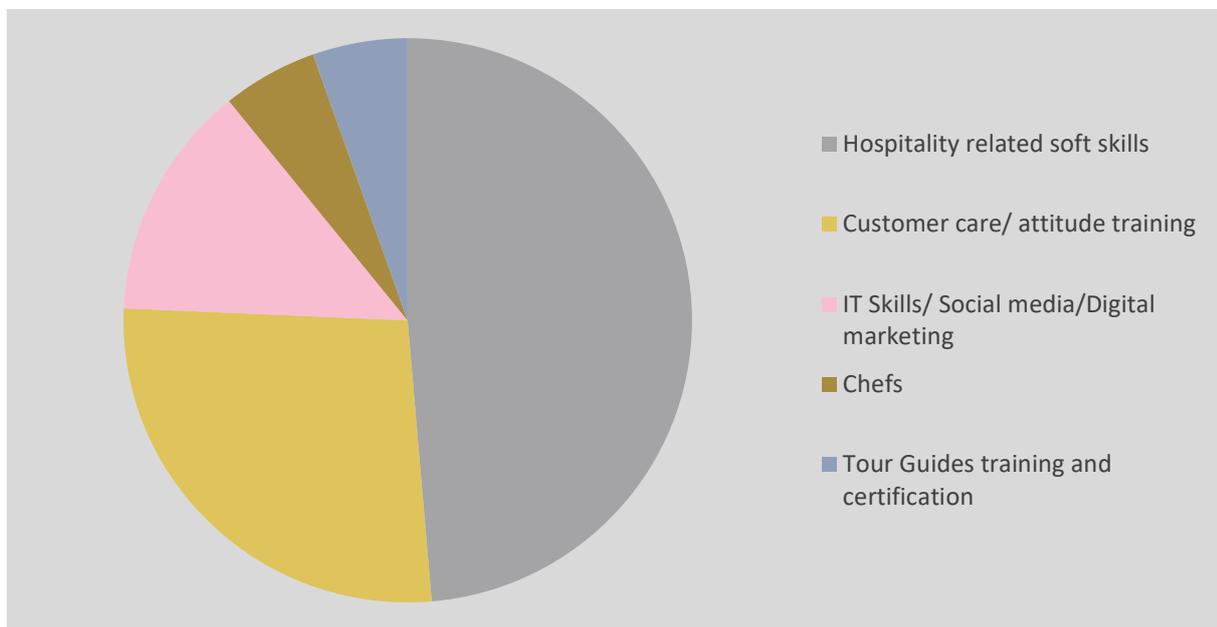
³⁷ Utalii College Kenya. <https://www.utalii.co.ke/>

**‘People do not study what their passion is about’
(Quote – Key Informant)**

Mentoring, coaching and career guidance were also regarded as very important to support people in choosing to work in the sector and to regard jobs in the sector as a professional career path. Furthermore, skills gaps should also be addressed with the help of professional short-term courses for example in housekeeping and laundry techniques, front office operations, food and beverages sales and hotel information systems (Figure 19).

According to employers in the tourism sector it is currently very hard to find professional training related to hospitality soft skills needed for good customer service, communication and teamwork. Furthermore, quality training in the area of IT skills, especially that needed for hotel information management, digital marketing and maintenance of social media accounts is hard to find (Figure 20).

FIGURE 20 – TOURISM SECTOR – TRAINING THAT CANNOT BE FOUND



SOURCE: SKILL NEEDS ASSESSMENT

Additionally, the available training for general and pastry and bakery chefs is not meeting the required standards. Most local chefs miss out on creativity and the ability to teach themselves new recipes according to the needs of the restaurant. The lack of quality professional training for tour guides and drivers (and the certification and certification of the same) was another training gap pointed out (Figure 20).

**‘The education/ training system only sees marks as measure to successes’
(Quote – Key Informant)**

To bridge existing skills gaps in Uganda’s labour force as highlighted in earlier sections and to offer hospitality services to competitive prices, the tourism industry brings in an extensive amount of foreign labour, especially managers, accountants, chefs and other service personnel that can handle customer service, client relations and front desk work that require a high degree of professionalism. (Figure 21)

**‘Foreigners require much higher salaries than locals and it would be much more effective to employ locals. However, locals are unpredictable’
(Quote – Key Informant)**

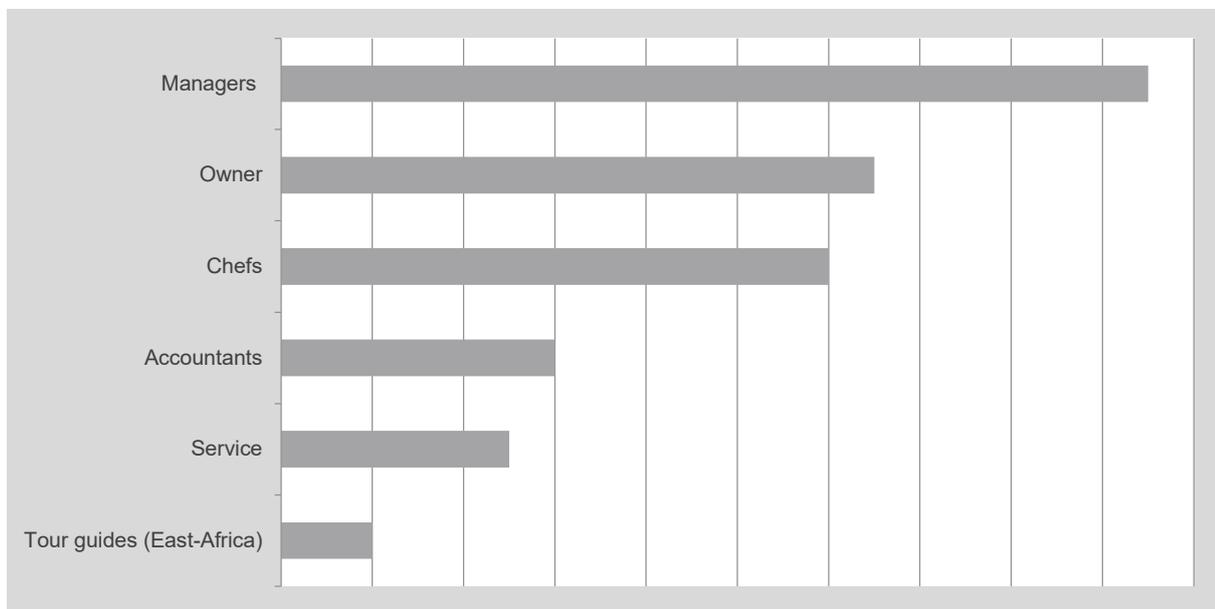
The high dependence on foreign labour makes employment and migration two interdependent issues requiring a coordinated strategy. Assessment interviews results highlighted that among the tourism businesses interviewed, 80 to 90 per cent of the employed in ‘higher skilled’ professions are foreigners, often nationals of the East African Community, such as Kenyans.

**‘Kenyans do not need a work permit if they pass immigration requirements’
(Quote – Key Informant)**

On the other hand, many highly skilled nationals are finding it hard to find a job in their profession. Many of the jobs offered by the tourism sector are not attractive to nationals, being predominantly for low skilled labour, are poorly paid and lack social protection.

The low presence of Ugandan’s in higher-end occupations can be explained by several factors. First, the weaknesses in Uganda’s education and labour market training system play a critical role as the system did not effectively adapt to the needs of the private sector and employers find it more convenient to recruit labour from outside the country.

FIGURE 21 – TOURISM SECTOR – IMPORTED FOREIGN LABOUR



SOURCE: SKILL NEEDS ASSESSMENT

However, there are also important demand-driven factors that need to be considered. First, employers argue that Ugandan’s, especially young workers who can afford to live on parental income, have very high job expectations and are reluctant to take up what are perceived as low status jobs. Second, Ugandan’s do not face a level playing field, as they have to compete against a supply of expatriate workers willing to accept the same jobs at discount prices (wages well below labour productivity) and characterised by working conditions that nationals are not willing to accept. This is a critical point, as in a free open labour market with unlimited supply of skilled labour from other East African Countries; employers would probably resort to foreign labour even if Ugandan’s were offering the same skills and competences. In other words, education and training is a condition ‘sine qua non’ for productive employment in Uganda, but it is only one ingredient of an effective policy mix, with other ingredients being: an appropriate system of regulations shouldered by an enforcement system; and finally national pro-employment measures.

A vast body of research from other tourism destinations (e.g. Maldives) suggests that even when labour costs are equivalent and private businesses have to choose between a national and a foreigner with the same skills pattern, foreign labour remains more attractive because it is less protected and not unionised.

Other factors to consider are that some of the attractive jobs are located in remote areas and commuting to home towns or villages is often not possible, while living on-site is not considered as a viable solution. Further, it is possible that women that are expected to bear the major burden for childcare and housework are discouraged by the nature of the work and by the very low earning levels.

On the basis of these findings, the private sector jointly with the Government of Uganda have to set priority areas for policies and interventions that focus not just on: (1) education and skills development; but also on (2) generating appropriate job opportunities for Ugandan staff and (3) to provide better governance of the expatriate workforce. The establishment of quality labour market information and analysis to support better employment and labour market governance will be essential to supporting the private sector to grow sustainably and inclusively (For further information see chapter 4).

In other words labour productivity growth in the sector will rely upon the extent to which employability issues are addressed jointly by the private sector and the Government of Uganda with measures that (1) make sure the demand for certain labour skills and competencies is created in the sector and (2) with regulations that facilitate the absorption of Ugandans.

3.4 Summary of Findings

In a nutshell, the assessment findings for the three economic sector studied highlight that the majority of the workforce that is currently produced by Uganda's education and training system (1) is either reluctant to accept the working conditions that the private sector is able to offer or (2) does not meet the job specific requirements set by companies due to weaknesses in their skill sets attained (Table 2).

Overall one could discern that the private sector studied hardly generates decent and productive jobs, while at the same time the pool of labour in general, and skilled labour specifically, is steadily increasing due to rapid changes in the demographic structure and improvements in Uganda's higher education and training system.

'The labour market is oversaturated with '000's searching for a job, not because they like to work and make a career but because they need money'
(Quote – Key Informant Interviews)

As became clear from discussions, there are numerous positions available especially in urban markets that cannot be filled appropriately because skilled labour is (1) either too expensive or (2) applicants do not bring the right skills and work ethics to perform up to the job requirements. Especially graduates of Technical Vocational Education and Training (TVET) and Higher Education (HE) institutions are not ready for the job, while missing not just technical and practical employable skills but also crucial cognitive and socio-emotional qualities to allow trainability, adaptability and productive job performance.

Table 2 – Summary of labour market and skills development challenges

Broad skill level	ISCO -08	Private sector challenges
Skill level (high)	<ul style="list-style-type: none"> • Managers, • Legislators, • Senior officials and managers • Professionals • Technicians and associate professionals 	<p>Labour market:</p> <ul style="list-style-type: none"> • Few jobs available relative to the number of skilled staff; • Low wages/conditions offered relative to the skills investments undertaken; • Many migrant workers fill available positions; • A large share of 'highly skilled labour' is under-employed or is working in the informal segments of the labour market; <p>Training system:</p> <ul style="list-style-type: none"> • Certifies many professionals that are not ready for the job; • Is often equipping the labour force with technical skills that are not meeting the requirements of the private sector; <p>Labour force willing to accept jobs:</p> <ul style="list-style-type: none"> • Often cannot be trusted; • Weak business spirit, loyalty and passion; • Weak professionalism; • Weak practical skills; • Insufficient experience; • Weak cognitive and socio-emotional skills; • Often unrealistic job and salary expectations.
Skill level (middle)	<ul style="list-style-type: none"> • Clerical support workers • Clerks • Service and sales workers • Craft and related trades workers • Plant and machine operators and assemblers 	<p>Labour market:</p> <ul style="list-style-type: none"> • Few decent jobs available; • Low wages; • High staff turn-over; <p>Training system:</p> <ul style="list-style-type: none"> • Certifies many professionals that are not ready for the job; • Is often equipping the labour force with technical skills that are not meeting the requirements of the private sector; <p>Labour force willing to accept jobs:</p> <ul style="list-style-type: none"> • Often cannot be trusted; • Weak and often irrelevant technical skills; • Lack practical skills; • Lack work experience; • Lack cognitive skills; • Lack socio-emotional skills; • Lack trainability
Skill level (low)	Elementary occupations (consist of simple and routine tasks which mainly require the use of hand-held tools and often some physical effort)	<p>Labour market:</p> <ul style="list-style-type: none"> • Low productive jobs available; • Very low wages; <p>Training system:</p> <ul style="list-style-type: none"> • Education attained often insufficient to even perform basic tasks independently; <p>Labour force willing to accept jobs:</p> <ul style="list-style-type: none"> • Weak cognitive and socio-emotional skills; • Trainability often severely hampered; • Frequently 'unpredictable behaviour'; <p>Much of labour works for survival and not to make a career.</p>

SOURCE: ILO STAT AVAILABLE UNDER: WWW.ILO.ORG

There are also many young people, mainly with attained middle-level to high level skills available in the labour market but reluctant to accept fierce job conditions for many positions offered, including very low pay and no or insufficient social protection, long working hours to highlight just a few. Many people at working age opt to 'work as own-account' workers in the informal economy rather than to buy into 'non-productive' and 'underpaid' jobs, whereby the job packages offered often do not return their (and their family's) investments in education and training. The assessment results highlight that the 'opportunity cost of education and training' in Uganda seems to be too high. Hence, salary expectations of graduates are often unrealistic and not in line with labour market realities.

On the opposite side of the spectrum, many private sector businesses (especially local businesses) interviewed are often not able to afford better wages and working conditions for their staff in order to keep the business afloat. In other words, there are 'skilled professionals' available in Uganda's labour market but are, for most companies, too expensive to employ. The skilled labour that they can afford to recruit and that is willing to work for the conditions offered is often only 'half baked' in the sense that the education or skills attained are inadequate for the job available.

'We are forced to pay less to our workers because we get less profit yet business must continue running.'
(Quote – Key Informant)

Assessment results highlight that most businesses interviewed are plagued by several challenges to doing business. Their constant drive to foster productivity requires firms to steadily reduce input costs and labour. To reduce the 'cost of doing business' many (especially local) companies rely on (1) 'Out-sourcing', whereby a company hires another company or an individual to perform tasks, handle operations or provide services that had previously been done by the company's own employees. (2) 'Out-bonding' whereby employment is disguised to save taxes and social security expenditures, while it utilises 'staff' that work on their own-accounts (mostly informally) as part of the company. 'Off-shoring', whereby the company moves entire company processes or services overseas is another way to reduce costs. 'Off-shoring' was especially pronounced in the construction and tourism sectors.

Another strategy to reduce the 'cost of business' is to recruit labour that has only attained basic education (primary or lower secondary) and train the same the required technical and practical skills or recruits 'highly skilled' labour only temporary when needed. Many companies also use interns as a valuable source of 'cheap' labour. Brining in interns also allows businesses to screen for trainable talent that they would like to build up and retain. However, a challenge that was raised multiple times is the issue of limited trainability of the currently employed workforce and youth population that is entering the labour market. People's lack of technical skills would not be such a problem for businesses if they considered them trainable for the jobs at hand. Poor 'basic' cognitive and socio-emotional skills often mean that workers do not benefit from on-the-job training offered by employers. Hence, it is reserved for their more educated employees.

'People are untrainable. The damage is already done by the time they are in school'
(Quote – Key Informant Interviews)

Furthermore, assessment results pinpoint that many companies do not recruit by qualification or certification, since professional titles are often not reflective of the actual skills workers possess. It makes it hard for employers to choose and they search not by technical qualification but for people that are trainable and that they can trust. Without trust, transactions cannot occur, influence is destroyed and businesses can lose sales, which in turn hampers growth. The list goes on. Trust and relationships, much more than money, is the currency of business. However, business ethics or the lack of the same was frequently cited as a key challenge to doing business in Uganda. Loyalty was other employee attributes that was very highly regarded by private sector businesses interviewed but hard to find among the Ugandan labour force.

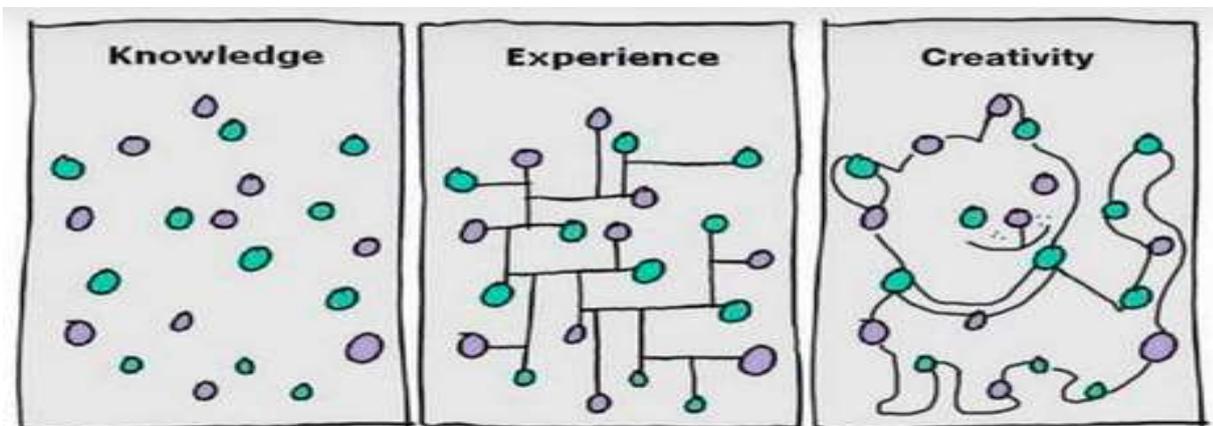
**‘We need good staff but it is hard to find loyal trustworthy people’
‘Values and morals are no longer taught to our children’
(Quote – Key Informant)**

High staff turn-over increases training costs of private sector businesses significantly and hampers the attainment of quality standards. Many workers seem to always be on the hunt for better opportunities and while not actively looking for a new job, would leave their current workplace if the right opportunity came along. As one of the key reasons for this behavior, employers cited that the training system is pushing people into a training path that leads to a profession they actually do not want to pursue to make a living.

**‘The current education/training system is planting trees on wrong soil’
(Quote – Key Informant)**

The aforementioned findings underline that Uganda’s current education and training system does not prepare people for the ‘world of work’ and industrialisation 4.0 where cognitive and socio-emotional (adaptability) skills take centre stage. These skills are more important than ever in modern work places where proliferation of information and application of new technologies will be required to integrate dispersed businesses into global production networks and the need of businesses to keep up with technological advances and to respond to new market developments. Besides knowledge, experience and creativity were regarded, by the employers interviewed, as essential skills for Uganda’s future of ‘doing business’. In order for businesses to be profitable in the future, they will require a much greater deal of value-added services, especially in relation to new digital technologies, to support value added production with its marketing and sales.

FIGURE 22 – WHY KNOWLEDGE IS NOT ENOUGH FOR THE FUTURE OF WORK?



SOURCE: WORLD WIDE WEB

Assessment results also highlight a shortage of certain ‘highly specialised’ skills, especially related to handling high-tech equipment in the construction and manufacturing sectors and professional hospitality skills in tourism. Further, the lack of practical skills and experience are a productivity challenge. In order to fill existing skill gaps and increase profitability of businesses, many highly skilled wage and salaried jobs in construction, manufacturing and tourism are filled by foreign labour.

Uganda does not have a labour migration policy, although a draft migration policy containing a section on migrant workers was developed in 2012, but not endorsed. Instead, the discussion of migrant workers in the National Employment Policy provides an indication as to how migrant workers are viewed by the Government with respect to the labour market. With regards to migrant workers in Uganda, the stance is that its labour force cannot handle additional workers from abroad. However, it notes that despite this, the inflow of migrant workers is likely to increase with the free movement of labour as part of the East African Community (EAC).

**‘Immigrant workers impact on the job market thereby competing with Ugandans for the same jobs. From routine labour inspections, it is evident that migrant workers with similar skills as Ugandans do the same or even less work, but are paid higher’
(National Development Plan II)**

Uganda’s Employment Act from 2006 is the main legal framework protecting labour and enforcing labour rights and social protection obligations.³⁸ It does not specifically mention nationality or citizenship, hence the recruitment of migrant workers is often more profitable for private sector businesses. While saving on social protection and other required mandatory payments, as well as on training costs, they can actually offer better salary packages to ‘highly skilled’ migrant workers.

**‘It is cheaper to bring in people than to recruit and train people for a lot of money that still do not know how to do the job after’
(Quote – Key Informant Interviews)**

While ‘out-sourcing’ jobs and ‘in-sourcing’ foreign labour may indeed increase business profits and be beneficial by lowering labour costs and operating expenses in the short-run, it cannot be a long-term strategy for sustainable and inclusive business growth in Uganda.

³⁸. Ministry of Gender, Labour and Social development.2006. Employment Act, Available at:
<http://www.mglsd.go.ug/laws/employment%20Act%202006.pdf>

4 CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

The assessment results highlight the fact that Uganda's private sector businesses in manufacturing, construction and tourism industries are facing numerous challenges in 'doing business'. Although, skills and attitude gaps in the labour force were highlighted by private sector businesses as major constraints to productivity growth and expansion of companies, assessment findings reveal that the actual problem related to 'skills gaps' as pointed out by employers, is by far more complex and needs to be looked at in the context of wider labour market failures, such as insufficient aggregated demand³⁹ and thus low demand for expensive and 'highly skilled' labour.

The assessment results underline that 'skill gaps' persist mainly because many employers in the sectors studied are unable or unwilling to pay market prices for the skills they require and often recruit cheaper and less skilled labour that they can train themselves. By paying more for certain skills, an employer would have less trouble attracting workers with those skills in sufficient quantity and quality, giving the company an undeniable edge over its competitors. Additionally, companies would save significantly on in-house training costs.

The assessment results highlight that the unambiguous challenge of Uganda's private sector businesses studied is a shortfall of aggregate demand rather than skill gaps per se. Nonetheless, there is a strong public narrative in Uganda that business growth is weak because workers do not have the right skills. One reason may be that it is easier to make the labour force responsible for the lack of required skills rather than face the fact that millions that are actually fairly well skilled cannot find work no matter what they do, because the jobs that would return their investment in education and training are simply not offered by the private sector or potential workers characteristics do not meet employer needs (e.g. related to gender, tribe, nationality and/or experience). That in turn makes it easy for stories and anecdotes to circulate unscrutinised about employers who cannot find Ugandan workers with the skills they need. Such anecdotes need to be treated with care.

The assessment findings from the focus group discussions also confirm observations from a recently conducted employment diagnostic study⁴⁰. It underlined that the main challenge in Uganda is the insufficient creation of productive job opportunities that can support people to yield a decent income and help to absorb the rapidly increasing labour force, especially the skilled labour force. Hence it is imperative that companies pursue both job and productivity growth in unison, while the GoU needs to provide the right conditions. Especially, the public sector has a crucial role to play in ensuring equity, quality and efficiency of the education system and in addressing market and coordination failures.

4.2 Recommendations

Foremost, the GoU and private sector businesses should work jointly to try to balance an integrated strategy for productivity growth with targeted interventions to improve both skills supply as well as jobs demand in tandem. The high focus on 'supply side' measures (enhance skills of the labour force) alone will have little effect if not implemented in partnership with demand side intervention to stimulate job and productivity growth. These objectives can best be achieved in an economic and labour market environment that supports the use of skills firstly and thereafter skills development in line with its usage.

39 Aggregate demand is the total demand for goods and services within a particular market. For further information related to low aggregated demand in Uganda and how it hampers productivity growth see: Bargawi, H. and E. Van Waeyenberge.2018. Employment Diagnostic Analysis for Uganda.

40 European Union and National Planning Authority of Uganda. (2019). NDPII Diagnostic Studies: Employment, Ina Pietschmann

It will be very important as an entry point to productivity growth for enterprise itself to invest in new entrepreneurial skills to run businesses productively, utilise new technology and skilled labour to adapt to ever-changing markets and market demands and maximise on investments. Many of the businesses interviewed as part of the assessment, especially local businesses, face challenges in expanding for numerous reasons including limited business skills. The lack of business skills also hampers revenues and the ability of businesses to afford and recruit quality skilled labour.

To achieve strong economic growth, Uganda's government and the private sector will have to evaluate the quality of existing education and training investments and strive to build skills for the entire population, not just upcoming generations. This will require smart investments while striking the right balance between overall productivity growth and inclusion, on the one hand, and investing in the skills of the workforces of today and tomorrow, on the other hand. In both cases, these choices are particularly important considering the scarce public and private sector resources for skills investments and the rapidly growing population.

Furthermore, private sector initiatives are needed to support the potential labour force and staff in obtaining technical, cognitive and socio-emotional skills essential for businesses to expand. One of the key messages of this skill needs assessment is that skills development must be an integral part of a broader economic development strategy. Such a strategy needs to be ruthlessly driven by the private sector if it is to deliver on its substantial potential to contribute to overall productivity as well as to job and business growth. It is important to recognise that skills development and other investments in human capital comprise only one set of variables necessary for productivity growth and business expansion. Thus, skills development alone cannot raise enterprise and national productivity.

Skills need to be built from the bottom up (the right skills at the right time) with a strong focus on adaptability of people and systems to especially cater for the future of markets in the context of industrialisation 4.0. To date for Uganda's children in school, learning outcomes have been persistently poor, leading to huge gaps in basic cognitive skills (literacy and numeracy) among children, young people, and adults. Social emotional learning, the process of developing and using the same, is not encouraged by the education and training system. The lack of these foundational skills embodied in most parts of the labour force hamper their trainability as well as continued skills development that would in turn enhance employability.

Investing more in fundamental skills will be crucial in order to allow the private sector to train effectively and enhance productivity growth, promote greater inclusion, and ensure the adaptability of the workforce to the markets of the future. Uganda should ensure the foundations of learning for all its children. According to the assessment findings, the inability of large parts of the labour force employed in construction, manufacturing and tourism to learn new skills can be attributed to inadequate foundational skills and/or lack of opportunity for affordable education and training. Both aspects, the lack of trainability and employability (in addition to the fact that many companies cannot or do not want to afford skilled labour) significantly slows the transfer of all factors of production from lower to higher value-added production and service activities.

'Sustained economic growth is unattainable if the population does not have fundamental literacy and numeracy skills that allow them to function as citizens and to work towards their dreams' (World Bank - David Evans, Lead Economist)

To capture all relevant stages of skills development in a human, the design of a holistic and private sector led Human Capital Development Strategy along the ‘life cycle of humans’ will be essential that outlines the human capital needed and how to build it to allow the private sector to achieve its goals. Such a holistic private sector led Human Capital Development Strategy has to touch upon many areas including:

1. **The nurturing of children’s cognitive and socio-emotional development/skills to support both growth and inclusion.** Families should be supported in nurturing children’s cognitive and socio-emotional development through quality care and parenting, and by engaging with schools to hold them accountable for effective service delivery.
2. **Support STEM fields:** Special attention should also be paid to science, technology, engineering, and mathematics (STEM) skills in addition to creating the right policy environment to allow for investments in technology and innovation to pay off.
3. **Introduce more active and work-based training practices throughout the education and training system through guided internships and apprenticeship (for at least 6 months);** For productivity growth, support should target private sector-led technical and vocational education and training (TVET), higher education, entrepreneurship, and business training programs tied to catalytic sectors in the labour market. Such support should incentivise more on-the-job training, especially in small and medium sized firms. Economic inclusion requires investing in labour market training programs focused on disadvantaged youths, and improving the skills of workers in low-productivity activities in urban areas (for example, through informal apprenticeships).
4. **The private sector should lead to improvements in the relevance and quality of the education and training system.** In this context the education system and training system should create effective pathways between academic and technical tracks, and introduce more active and work-based learning practices. Further, reforms should be introduced to delay the tracking of students into technical education and vocational streams until they have achieved foundational learning outcomes. The private sector needs to participate effectively in the provision of services to enhance access and quality, invest in on-the-job training, work with education and training providers to ensure programs are aligned with their needs, and engage in national social dialogue to prioritise skills development and reforms, to create a policy-enabling environment for skills investments to pay off. Achieving this progress will require enacting change. Small-scale programs and local reforms often fail to achieve the desired impacts at scale. Achieving more equitable access, quality, relevance, and efficiency in skills building cannot hinge on just scaling up ‘best practices.’
5. **Facilitate labour market orientation and career guidance** throughout the education and training system. This approach should take into account life-long guidance services to be provided in different contexts: students, the employed, jobseekers, and groups with special needs. A pre-condition for good labour market orientation and career guidance is the systematic production of quality labour market information and their analysis. Quality LMI for career guidance services can help address the gaps between people’s skills and job requirements. The development of sector councils is a powerful way to gather and transmit up-to-date information on private sector skill needs.
6. **Build and upgrade cognitive, socio-emotional and technical skills of the current workforce through non-formal and formal private sector-led trainings.** A lot of literature and research on non-formal training points to the importance of thinking locally and starting from the skill needs of a defined target group. Provision of non-formal and formal private sector-led training will require the commitment and support of various stakeholders, including public institutions that have the power to create the financial, institutional and policy framework, and the private sector and other partners who will actually deliver training. This requires a flexible institutional structure (to be defined as part of a national LMIA system) and involves the

creation of an array of tools to promote skills development and combine various forms of training to suit different demands.⁴¹

7. **Investing in labour market training for disadvantaged youth, workers in low-productivity areas, workers in farm and nonfarm rural activities, and the urban self-employment.** Particular attention must be paid to ensuring equal access to quality education and training services and to closing gender gaps, especially in high-inequality contexts. It also requires supporting youth and adults who have missed out on foundational skills development. Such support would include interventions that build basic literacy and socioemotional skills among those employed in farm and nonfarm rural activities and low-productivity urban self-employment. The expansion of basic education in the region calls for renewed public-private partnerships (PPPs), with a strong regulatory role for the state. In skills training, countries must be selective and ruthlessly demand-driven.

Furthermore, there is a need to pay attention to the governance environment in which human capital development take place. Currently, multiple players at the central and local levels are involved in implementing existing skills development programmes. Skills are ‘everyone’s problem, but no one’s responsibility.’ Lack of coordination and weak capacity can result in inefficiencies, duplication of efforts, or, perhaps worse, lack of attention to important issues.

To achieve broad and sustained human capital development results, policies, programmes and reforms need to also consider the political environment, build the capacity for informing evidence-based strategies and programmes, and create the incentives to align the behaviours of all stakeholders to pursue national human capital development goals. A right mix of policies and programmes will be needed as well as the right institutional setups and responsibilities to avoid distributional effects in skills development with a likely bearing on overall economic development. Skills and economic development in Uganda are a sensitive balancing act that needs to be well informed and closely monitored.

In this regard the facilitation of rigorous employment and labour governance to ensure the economy creates and sustains sufficient decent and productive employment/job opportunities for people with all education and training backgrounds will be needed, including;

1. A National Employment and Jobs Strategy that spells out a clear employment policy framework that touches upon relevant areas to underpin the national economic development strategy.
2. Up-to-date and relevant labour statistics and information on both supply and demand provide the foundation for effective and evidence-based employment and labour governance that can guide and monitor skills development in tandem with private sector development interventions.
3. Systematic labour market information analysis and research will be needed to understand Uganda’s labour market dynamics in more detail to be able to address skills development challenges.⁴² Systematic Labour Market Information and Analysis, which refers to institutional mechanisms that: collect and compile statistics and information relevant to the labour market; act as a repository for such information; provide analytical capacities and tools; and facilitate institutional arrangements and networks will be essential in the context of Uganda. This includes approaches and institutional frameworks for skills needs assessment and anticipation.
4. Design and implementation of evidence-based employment policies and labour standards.

⁴¹ UNESCO. 2015. Global perspectives on recognising non-formal and informal learning: why recognition matters. Available at: <https://unesdoc.unesco.org/ark:/48223/pf0000233655>

⁴² Ina Pietschmann, What Is the Purpose of Labour Market Analysis and a Labour Market Information System? in Key Labor Market Indicators: Analysis with Household Survey Data, World Bank and ILO, October 2016

Also, while migrant workers already play an important role in the operation of private sector businesses, particularly in higher-skilled occupations, there is a seeming disconnect between policies towards migrant workers (see Section 3.4) and the potential value for the labour market in terms of job creation and skills transfer that needs to be addressed through informed measures. These challenges need to be addressed pro-actively through the integration of migrant workers into employment and labour governance in Uganda.

To date Uganda's 'Doing Business' agenda is embedded in a 'neo-classical' framework assuming that the labour market will work reasonably well if skills development and competition are guaranteed. However, various research points out that unnecessary government regulations, taxations and corruption are actually the most important private sector growth constraints in Uganda.⁴³ **If skills development efforts ought to lead to higher productivity in Uganda various challenges to 'doing business' need to be addressed at the same time.**

⁴³ Seatini & Oxfam.2017. Taxation in Uganda Review and Analysis of National and Local Government Performance, Opportunities and Challenges <http://www.seatiniuganda.org/publications/policy-briefs/152-taxation-in-uganda-review-and-analysis-of-national-and-local-government-performance-opportunities-and-challenges/file.html>

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APPENDIX II. Key Informant Interview Guideline

<p>1. What are your companies goals for:</p> <ul style="list-style-type: none"> • the next year? • the next 5 years? <p>The first stage of any training/skills needs assessment process is to sit down and think about the company goals that you want to achieve to drive success in your business as a whole?</p>
<p>2. What needs to change in your company to meet these goals?</p> <p>Now that you know what your company goals are for the year, the next stage of the process is to think about what changes you need to make in your company to meet those goals. This could include changes to staff skills, team structures, software and tools you use as a business, the type of customers you are targeting as a business, the processes you currently following, etc.</p>
<p>3. What are the occupations that you are finding hard to fill permanently?</p> <p>This could include managers, accountants, drivers, etc.</p>
<p>4. What skills does your staff need?</p> <p>This could mean things like learning to use new tools that you bring on as a business, learning to work in a new team structure, taking a different approach to a current process you have in place, interacting with customers differently, training staff up for newly created roles or to get ready for promotions, etc.</p> <p>It's important to take the time to map out all the required skills you need your team to have in place to ensure you meet your goals, so you can make sure you have everything you need before you start tackling the process properly.</p>
<p>5. What skills does your staff currently have?</p> <p>The next step is to look at all the skills your staffs/teams currently have, as it may turn out they already possess a lot of the skills you require them to have.</p>
<p>6. What skills gaps exist within your company?</p> <p>Once you know what skills you want and what skills you already have, it's really easy for you to spot any knowledge gaps in your business. These will be the skills that you need which your team has not been trained on yet.</p> <p>You'll need to prioritize these and decide which ones are the most vital to tackle first, and which ones could wait a little longer. New skills that involve larger groups of people may take priority because the training will take longer to organise and ensure it's all complete.</p>
<p>7. What training will help you to close these skill gaps?</p> <p>Obviously, you may not be able to tackle every knowledge gap present in your company with training, but the ones you can do something about should be highlighted (e.g. In-house technical training, support to participate in courses abroad or in the country, etc.)</p>
<p>8. What is the nature of training services that you are currently providing to your staff?</p> <p>Obviously, you may not be able to tackle every knowledge gap present in your company with training, but the ones you can do something about should be highlighted.</p>
<p>9. What type of the required training cannot be found in Uganda?</p> <p>This should relate to occupational skills but also to job specific required skills or competencies (e.g. job specific skills, IT skills, problem solving skills, team working skills, basic education, attitude, personality, lack of motivation, work/life experience, common sense, etc.)</p>
<p>10. Are you employing migrant/foreign workers in your business to close skill gaps? If yes, for which occupations?</p> <p>This should relate to occupations such as: managers, accountants, engineers, IT Specialists, etc. Managers, Professionals, Associate professionals, service and sale workers, clerical support workers,</p>

APPENDIX III.

Focus Group Discussion Guideline

Focus Group Discussions (FGD's): PSFU should conduct a total of 3 focus groups discussions (1 FGDs in manufacturing, construction, tourism) with key businesses in order to gauge qualitative information related to sectoral labour productivity and general challenges of doing business in the sector to be able to but findings from Key Informant Interviews into context.

Specifically the Focus Group Discussions aimed to understand sectoral trends in skills demand, hiring intentions of employers, preparedness of new recruits and employability skills needed for increased productivity. The group interaction of focus group participants was regarded as very important to contextualise and verify information collected through Key Informant Interviews.

<p>1. What are the main challenges related to labour productivity growth that businesses in your sector are facing? The large number of firms setting up in Uganda suggests that there are no barriers to starting a business. Survival and moving up the production value chain are key challenges that need to be mitigated by managing infrastructure costs, improving access to finance and enhancing appropriate labour skills through the education system, on the job training and private sector interventions tailored to specific skills for particular industries.</p>
<p>2. What new emerging and innovative skills should labourer bring to help the expansion of business activities in your sector? The discussions should stimulate information on the need for skills.</p>
<p>3. How many competent workers (estimate per key occupations) would you actually need to support business growth?</p>
<p>4. What challenges are you facing related to available skills and skills training? Skills allow firms to operate at a higher level of productivity and empower the labour force to participate in higher productivity jobs. Providing foundation skills through high quality primary education and a higher rate of transition to secondary education and encouraging the private sector to participate in upgrading of Uganda's labour force are necessary.</p>
<p>5. How could/should the government support your training/skill needs? The government should encourage the private sector to participate in upgrading of Uganda's labour force by providing incentives.</p>
<p>6. What are currently your mitigation strategies to bridge existing skill gaps? (e.g. recruitment of foreign workers)</p>
<p>7. How do you benefit from current Skills Development Initiatives/Programmes in Uganda? (e.g. technical and financial support, better skilled/trained employees)</p>
<p>8. What are the bottleneck shortcomings of current interventions? (e.g. supply driven, non-market-oriented training, lack of career guidance, counselling, matching)</p>