

EMPLOYMENT, TRANSITION AND EDUCATION RETURNS IN UGANDA

ABSTRACT

Creating adequate and sustainable employment opportunities as well as enabling a successful transition to work are critical goals of a functional and effective labour market. While education is recognized as a potential equalizer in employment and earnings distribution, evidence from Uganda remains limited. This study addresses this gap by: (i) examining Uganda's employment dynamics at national, sectoral, and sub-sector levels; (ii) identifying the drivers of school-to-work transition lengths, and (iii) analyzing education returns at national and sub-national levels. The study employs a mixed-methods econometric approach. First, multivariate regression and autoregressive distributed lag models are used to assess the employment intensity of growth and sectoral employment shifts. Second, standard hazard models identify the factors influencing school-to-work transition lengths. Finally, Mincerian and pooled regression models, augmented with the Instrumental Variable techniques, estimate the returns to education. The findings highlight persistent jobless growth at both national and sectoral levels, weak employment intensity, and limited sectoral employment shifts in Uganda. At the sector level, Agriculture demonstrated the lowest employment intensity, while sub-sectors like trade, construction, and manufacturing exhibited higher job creation potential. Prolonged school-to-work transitions were attributed to Uganda's constrained job creation capacity, with technicians experiencing shorter unemployment spells compared to professionals. Education was found to significantly enhance earnings, with wages increasing by 15% for each additional year of schooling and rising to 20.7% after accounting for endogeneity. However, regional disparities in education returns highlighted economic inequalities in the country. The study concludes that the challenges faced by Uganda's labour market necessitate urgent action and recommends the need for: targeted investment in employment-intensive sub-sectors to drive job creation; developing and launching a national campaign to promote technical and vocational education and training to align skills with market demands, and improving education policies to reduce regional disparities.

Key words: Employment; Transition; Education Returns; Mincerian, Hazard Models.