EXECUTIVE SUMMARY

Between 1992 to 2013, the percentage of Ugandan households living in poverty fell by half. Despite the tremendous advances in poverty reduction a recent economic slowdown and a sharp increase in youth entering the workforce have contributed to weak growth in the labour market. It is against this backdrop that the country’s more than 1 million refugees seek their livelihoods.

Just 29 percent of refugees in Uganda are actively working, versus 64 percent among host communities. Even after considering differences in age, gender and education, refugees are 35 percentage points less likely than Ugandan nationals to be employed. In comparison with refugees in Europe one recent study found the employment gap between refugees and nationals to be 17 percentage points- making Uganda’s employment gap between refugees and hosts more than double that in Europe (Fasani, Frattini, and Minale 2018).

Significant gaps also exist for labour force participation and unemployment rates among refugees in Uganda. Working-age refugees are 27 percentage points less likely to participate in the labour market than host community members (42 percent and 69 percent, respectively) and 24 percentage points more likely to be unemployed (31 percent and 7 percent, respectively). This is particularly true among youth (age 14-25 years), where 50 percent of refugee males and 41 percent of females are unemployed, compared to 14 percent of Ugandan males and 16 percent of females.
These trends persist even after the initial years of displacement. While employment rates for refugees demonstrate some convergence relative to nationals, significant differences remain a decade after arrival.

Working refugees are more likely than employed host community members to be poor – in part due to differences in wages received for similar skilled jobs. Among the working population, refugees are 1.75 times more likely than host community members to fall below the poverty line. They earn on average 32 percent less than Ugandan nationals with similar education.

Many refugees accept employment that is below their skills level, education and pre-displacement occupation. Such professional downgrading is widely visible, especially among those with higher levels of education. Possible reasons include a lack of recognition of refugee qualifications and poor transferability of skills and professional experience. Discrimination, inconsistency and cost of compliance with local regulations as well as employers’ lack of information about the legal status of refugees have also been shown to contribute (Loiacono and Vargas 2019; Chang 2018). This overeducation of refugees is costly to individuals and firms, as well as the Ugandan economy more generally. Implementing policies to address these mismatches can have positive impacts on refugees’ contribution to the Ugandan economy.

Among both groups, younger people face more barriers to employment than older individuals, with refugee youth experiencing more than three times higher unemployment rates than nationals – 44 percent of refugee youth versus 14 percent of national youth are unemployed. Idle unemployed youth can lead to negative societal outcomes such as alcohol and drug abuse, higher rates of teenage pregnancy, and other extremist behaviour including violence. The negative consequences of extended unemployment and inactivity in early careers include financial hardship and lower employment as well as lower long-term earnings prospects.

Contrary to established findings on the returns to education in employment, the education level and employment rate are inversely related for both refugees and the host community, a phenomenon known as the puzzle of the educated unemployed. Among host community members, those who have secondary education levels and some tertiary education have the highest unemployment rate of 11 percent and 17 percent, respectively. Like hosts, refugees with secondary and some tertiary education have the highest unemployment rates- at 43 percent and 35 percent, respectively. These findings indicate the importance of economic policies towards encouraging skilled job growth in Uganda to address unemployment for those with secondary and tertiary education.

While refugees with higher education are more likely to be unemployed, they are also more likely to be searching for a job and hence likely to participate in the labour market. Further we find that for both refugees and Ugandans, higher education levels are associated with better employment outcomes. For refugees, paid employment is shown to increase with higher education levels, especially for people who have completed secondary education or higher. As such, it is essential to address risk factors to completing school and improve the low transition rate from primary to secondary school. The transition is limited by a number of factors, the main ones being poor performance on the primary leaving examination that is required to start secondary school; and additionally, the fact that teachers often hold students back from taking this exam so that they will not fail, which can lead to dropout among students due to declining motivation from lack of advancement. One solution is to assist students in increasing the rigour of exam preparation by providing additional courses and materials. The financial burden of school fees and the opportunity cost of attending school – that youth cannot work to supplement the household income – are additional constraints, especially for refugees. Granting both tuition and conditional cash transfers to families of students who pass the primary leaving exam would help support refugees at risk of not transitioning.

Critical to improving secondary school completion rates is making sure there are enough schools, including in areas that host refugees. Further, existing secondary programmes for refugees have very limited math and science curriculum, which narrows academic choices and in turn, career options and lifetime earnings potential in related fields. There is a need to build infrastructure and facilities that will enable math and science classes and attract teachers to less desired locations by exploring, with the government, the potential for increasing incentives nationally. Likewise, there is a need to advocate for
more safe boarding facilities, especially for girls, to overcome issues relating to distance of school from home and associated threats of violence when walking to and from school.

With COVID-19 causing school closures, specific actions to support the education of girls are needed as families are more likely to ask girls to work or enter early marriages. Sustained efforts by UNHCR and partners are needed to increase second chance education programmes. Promoting the continued use of radio programmes for classes, even after schools reopen, and expanding online learning will ensure students are able to maximize their learning. Non-financial incentives should be explored for teachers to improve motivation and the quality of teaching in refugee settlements, including potentially room and board and other associated transport, as well as endowments or funds for teachers to design curriculum.

The data suggests that the level of education required differs across economic sectors and job categories, and that few adolescents complete secondary school. This calls for measures to improve education outcomes. To do so, UNHCR and partners should explore programmes that lower or subsidize school fees, create scholarships, and direct cash transfers to low-income refugee families to offset the opportunity cost of the student attending school instead of working to provide for the family. Even those refugees who do not continue on to higher levels of education will benefit from basic literacy, numeracy, language, and soft skills followed by vocational training. Additional labour market linkage programmes should be explored to improve refugee employment outcomes for all education and skill levels.

Assessing refugees’ skills and facilitating jobs matching soon after arrival, as well as providing timely training to improve skills, can help refugees get a better employment start and potentially achieve quicker convergence in wages between refugees and hosts.

In the medium-term, implementing a system of recognizing overseas qualifications, especially those from the region, would facilitate positive employment outcomes for both refugees and hosts. It would allow qualified refugees to be considered for jobs that match their skills set, improve wage equity and limit poverty. It would also facilitate the movement of human capital for Ugandans as well as refugees, which could be particularly important given the country’s large youth population entering the workforce and the comparatively slow growth in employment opportunities.

Encouraging government and development actors to provide targeted support to small firms – including self-employed persons – to grow and increase profitability could increase the demand for skilled jobs. Enabling policy measures like improving access to financing can help the self-employed expand their businesses, which has potentially outsized positive impacts on the economy. Particularly for refugees, greater access to financial capital could help account for the loss of assets due to displacement and constitute a form of insurance in low revenue periods.

While Uganda’s generous approach to hosting refugees is well recognized, analysis of the labour market demonstrates the challenges in achieving refugees’ self-reliance, even in such a liberal policy environment. Doing so will require additional investments in education, particularly in improving the transition from primary to secondary school and inherently addressing the barriers to quality education for refugees and hosts, particularly increasing access to math and science, and eliminating barriers to accessing education, particularly for girls. Further, to improve labour market integration, several key activities are needed, including: (i) earlier assessment of refugees’ skills; (ii) early matching of these skills to the job market by providing training and jobs matching; and (iii) facilitating recognition of certificates and degree equivalence.

**INTRODUCTION**

With over a million refugees, Uganda is the third largest refugee-hosting nation in the world and the largest in Africa. The country has a generous open-door policy towards displaced persons and its legal and policy framework regarding refugees is considered one of the most progressive in the world. Most refugees arrive in Uganda from South Sudan, the Democratic Republic of Congo (DRC), Burundi and Somalia.

Access to gainful employment is a concern of all people living in Uganda. Statistics from 2018 show a rural unemployment rate of 9.9 percent and 9.1 percent in urban areas for nationals (Uganda Bureau of...
 Refugees are no different than Ugandans in that employment is crucial to their livelihoods, personal empowerment and integration into society. The lack of decent employment for refugees is not only a missed opportunity to contribute to host communities, but also increases the risk of poverty and permanent dependence on humanitarian assistance.

This policy brief provides insight into the labour market behaviour of refugees relative to host communities through a comprehensive analysis of their labour market performance and potential for convergence over time. We make use of cross-sectional household data from the Uganda Refugee and Host Communities 2018 Household Survey (RHCS), which sampled 2,209 residential households, distributed geographically across 13 districts in the primary refugee hosting regions in Uganda. As a result, the survey is representative of the refugee and host community populations of Uganda at the national level, as well as in the regions of West Nile, the Southwest, and the city of Kampala. To track how refugees fare relative to Ugandan nationals in the labour market, we consider three primary indicators: employment rate (share of working-age population in employment or self-employment); labour force participation rate (share of working-age population employed or seeking employment); and unemployment rate (share of labour force seeking and available for employment). This note generates a profile of households by employment status and identifies opportunities to improve associated policies.

MACROECONOMIC EMPLOYMENT CONTEXT

In Uganda, as elsewhere, employment strengthens during periods of economic expansion, and vice versa. From 2000-2017, the share of employment elasticity to growth was 0.6, suggesting that a 1 percentage point increase in economic growth is associated with a 0.6 percentage point increase in employment. The Ugandan employment elasticity of 0.6 is higher than the average in African countries (0.41) and very close to the ideal of 0.7 (Coulibaly, Gandhi, and Mbaye 2019).

Uganda’s recent decline in economic growth has led to weaker employment rates. Annual GDP growth slowed down from an average of 4 percent during 2000-2009 to 2 percent during 2010-2017, while the labour force participation decreased from 74 percent and 68 percent, respectively. Meanwhile, the country’s population grew 3 percent reaching 38.8 million in 2018, with youth making up 55 percent of the total population, the second highest proportion in the world. While latest estimates by the IMF, prior to the COVID-19 pandemic, show more growth of 6.1 percent for fiscal year 2017/2018, the country remains under pressure to create jobs to keep up with its growing population. The combined effect of slower economic growth and high population growth has contributed to significantly lower labour force participation, especially among youth (defined as age 14-25 years).

Educational attainment level has an important influence on employment outcomes, including the type of employment. Half of Ugandan nationals with no education could only find seasonal and temporary jobs, while around 75 percent of employed people with higher education (defined as some secondary school or more) have a more stable job lasting all year (IMF 2020). Despite the crucial importance of education on job prospects, education outcomes in Uganda have deteriorated due to declines in primary and middle school completion rates, contrary to trends in neighbouring countries like Kenya and Rwanda. Barriers to education achievement include the inability to afford tuition (78 percent of male students and 48 percent of female students) as well as pregnancy (40 percent of female students) (IMF 2020).

A recent World Bank report found that Uganda will need to create more than 600,000 jobs per year before 2030 and create more than 1 million jobs per year by 2040 to keep up with the pace of young people entering the labour force (Merotto, Weber, and Aterido 2018).

Labour market outcomes for refugees are consistently worse than those of hosts

Despite the favourable policy environment, the results show that refugees have worse employment outcomes than nationals. Only 29 percent of refugees are actively employed, versus 64 percent in host communities, corresponding to an employment rate gap of 35 percentage points. In contrast, in Europe, the difference in employment rates between natives and refugees is 17 percentage points, less than half of the gap seen in Uganda (Fasani, Frattini, and Minale 2018). A recent study confirmed that refugee
employment levels in Uganda are surprisingly low compared with Ugandan nationals or refugees in neighbouring Kenya (Betts and al. 2019).

These differences persist when considering a second key employment indicator, labour force participation rate. The gap in participation rates between refugees and host community members is significant at 27 percentage points (42 percent for refugees versus 69 percent rate for host community). Even after considering differences between refugee and host populations such as age, gender and education, the gap remains sizeable at 26 percentage points.

Gender differences are also prominent when it comes to economic participation, with the gender gap among refugees greater than that among nationals (12 percentage points for refugees, versus 9 percentage points for host community). Variations are also evident across regions. In the West Nile region, Ugandan women are 6 percentage points less likely than men to participate in the labour market (72 percent male versus 66 percent female), compared to 8 percentage points for refugees (37 percent male versus 29 percent female). In the Southwest region, the gaps are 7 percentage points for hosts (74 percent male versus 67 percent female and 13 percentage points for refugees (70 percent male versus 57 percent female), respectively. Surprisingly, Kampala reports the highest gender gap in labour force participation: the gender gap is 26 percentage points for host (79 percent male versus 53 percent female) and 30 percentage points for refugees (70 percent male versus 57 percent female). This gender gap in Kampala for both communities is close to the average gender gap globally which is 31 percentage points and is commonly cited as a sizeable macroeconomic loss (Dabla-Norris and Kochhar 2019; Blecker and Seguino 2012).

A third labour market outcome considered is the unemployment rate. Not only are refugees less likely than host communities to participate in the labour market, those who do so are less likely to find employment. The refugee unemployment rate is 31 percent, which is 24 percentage points higher than 7 percent for the host community. After considering age, gender and educational differences, the difference in unemployment rates between refugees and host communities is still sizeable at 19 percentage points.

**Higher education levels are associated with higher employment rates and paid employment**

As with nationals, refugees with higher levels of education have more success in the labour market. The survey data indicates that chances of getting hired in the non-agricultural sector increases with higher education levels, especially for people who have completed secondary education or have higher education for both refugee and host communities (Figure 1).

Moreover, paid employment is shown to increase with higher education levels, especially for people who have completed secondary education or higher education. Regression results controlling for common demographic characteristics confirm this finding.

Despite the returns to secondary school education, completion rates remain low for refugees. Among youth of secondary school age (between 19 and 23 years old), only 11 percent of refugees completed secondary school versus 24 percent for host communities. The main reason for dropping out of school is the expense of tuition (63 percent for host communities versus 43 percent for refugees).
Refugees have lower labour market outcomes even a decade after arrival

This section profiles refugee assimilation in terms of employment and unemployment outcomes by comparing refugees with nationals using individual characteristics (education, age, gender and time of arrival in Uganda).

As expected, the gap is particularly large for recently arrived refugees. The employment rate of those with less than one year of residence in the host country is 62 percentage points lower than the rate of nationals. If they are actively searching for a job, they are 64 percentage points less likely to get hired than a national (Figure 2).

Figure 1: Educational attainment by employment sector and receiving wages for employment

Figure 2: Refugee assimilation over time
While the unemployment gap closes between refugees and nationals over time, differences in employment rates converge but persist. After 10 years, differences in unemployment are not statistically significant. For employment, refugees in Uganda converge towards nationals but never reach parity in the labour market. This is similar to what was found in Canada for refugees (Bevelander and Pendakur 2014).

While refugees face understandable challenges in participating in the labour market upon arrival, it is striking that the gap persists over time, suggesting that refugees struggle to eliminate their initial labour market disadvantage vis-à-vis Ugandans. Potential explanations of these “refugee gaps” is discrimination, as well as the limited recognition of foreign qualifications and refugees’ limited proficiency in the host country’s official languages (Chang 2018). Additional explanations include long periods of labour market inactivity resulting from conflict and displacement due to a lack of social networks and disproportionate lack of information on labour markets (Schuettler and Caron 2020). Even if refugees are allowed to work in Uganda, opaque regulations and the extra burden to comply with them, can create a chilling effect on employing refugees. Research has shown that Ugandan firms are disinclined to hire refugees and seem to lack information about their legal status and specifically their right to work. A recent survey highlighted that just 21 percent of employers in Uganda reported knowing that refugees are allowed to move freely and 23 percent of employers are aware refugees have the right to work, respectively (Loiacono and Vargas 2019).

While self-employment is high among both populations, working refugees are more likely than nationals to fall below the poverty line

Self-employment, which is informal in developing economies including in Uganda, and tends to involve lower-skill activities, is high for both nationals and refugees in Uganda when compared to neighbouring countries. In Uganda, the self-employment rate is 76 percent of working nationals, 72 percent of working refugees, and 80 percent among youth in refugee communities. In Kenya, self-employment makes up 61 percent of the total employed population, while in Rwanda the share is 68 percent. Comparatively in the U.S. data from 2020 note that some 28% of Americans are self-employed (Forbes, 2020).

While self-employment is overall higher for Ugandan nationals than refugees, there are differences by region. In Kampala, 43 percent of hosts are self-employed versus 24 percent of refugees. In the West Nile, the rate is 60 percent for hosts and 61 percent refugees; while in Southwest it is 57 percent for both hosts and refugees.

The high level of informality in the Ugandan economy, and the associated employment vulnerability, provides arguably an additional burden for refugees who have relatively less social networks or safety nets and assets which can be used in lean times. The data shows that among the working population, refugees are 1.75 times more likely than host community members to fall below the poverty line, with 28 percent of working refugees being considered impoverished versus 16 percent of the host community.

A higher number of working refugees earn less than nationals with similar skills-set

Refugees earn less than Ugandan nationals, and pay gaps are persistent despite education levels (Figure 3). Most working people in both refugee and host communities have primary education (47 percent for refugees versus 45 percent for hosts). On average, refugees earn 32 percent less than host communities with similar skills levels. Refugees with primary education earn 33 percent less than host community members with the same level of education. This increases to 50 percent less for workers with secondary degrees, and 7 percent less for those with tertiary education. That the pay gap for refugees with secondary degrees is larger is a worrying trend that may signal to refugees that pursuing secondary education does not lead to better pay and may be a factor discouraging pursuit of secondary school.
Refugees are systematically under-employed, based on skills and work history, with higher skilled workers experiencing the largest professional downgrading.

Evidence that refugees are taking jobs that they are overqualified for in order to escape unemployment highlights the inherent inequity in the labour market between refugees and hosts.

The phenomena of refugees accepting employment below their skill and education levels is known as professional “downgrading”. To track this skills mismatch, we first compare the refugee job quality to that pre-displacement. We also study overeducation, which is a situation where a worker has a higher level of education than the level required for the job. All these mismatches constitute a form of labour underutilization.

A simple regression analysis finds that the labour status of refugees in their countries of origin is not related to their subsequent employment status in the labour markets in Uganda.iii In general, refugees experience a drastic professional downgrading upon entry, with intermediate and high-skilled workers experiencing the largest downgrade based on the four ISCO-08 skills level.iv Across skill levels measured prior to displacement, 66 percent of low-skilled refugees downgraded compared to 85 percent of intermediate-skilled and 79 percent of high-skilled refugees (see Table 1). This might be due to a lack of recognition of refugee qualifications and poor transferability of refugee skills and professional experience in Uganda as suggested by Fasani et al. (2018). Further, some 65 percent of refugees say they would like to be engaged in the same occupation they were before being displaced, while only 20 percent manage to do so.

One way to study qualifications mismatches is to focus on education mismatches using statistical methods. This approach is based on the distribution of workers’ education levels within each occupation or occupational group to determine the modal (or median) education level of all workers in the occupation or group (Halaby 1994; McGuinness and Sloane 2011). Thus, a person in employment is considered overeducated or undereducated if their level of education is greater or lower than the modal level of education of all employed persons in the same occupation or group of occupations.
Table 1: Refugee labour market trajectories before and after displacement (percent)\(^1\)

<table>
<thead>
<tr>
<th>Before displacement</th>
<th>After displacement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not working</td>
</tr>
<tr>
<td>Not working</td>
<td>67.0</td>
</tr>
<tr>
<td>Very low skilled</td>
<td>69.0</td>
</tr>
<tr>
<td>Low skilled</td>
<td>59.0</td>
</tr>
<tr>
<td>Intermediate skilled</td>
<td>83.2</td>
</tr>
<tr>
<td>High skilled</td>
<td>46.4</td>
</tr>
<tr>
<td>Total</td>
<td>62.9</td>
</tr>
</tbody>
</table>

\(^1\) The study focused on refugees who were of working age before displacement (aged 14 years or older when leaving their country origin).

Using this approach, results suggest that 27 percent of host community workers are undereducated, and 21 percent overeducated for their current occupation, whereas 14 percent of working refugees are undereducated and 36 percent overeducated. The high percentage of overeducated refugees serves as a barometer to showcase the difficulties refugees face to find relevant jobs. There is no evidence that arrival dates affect the likelihood of finding appropriate jobs. Thus, refugees’ labour market outcomes are sticky over time, suggesting that the chance of finding a job more in line with the refugee’s skills is limited even after several years of residence in Uganda.

Being underemployed can have negative impacts on mental health and well-being. Hultin et al. (2016) and Dunlavy et al (2016) show that overeducated jobholders experience more health problems and psychological distress. Clark et al. (2014) find that not only is it hard for many workers to transition out of overeducated employment, but they are also likely to face wage penalties even after they do so. These results suggest that past overeducated employment engender ‘scarring effects’ with lingering negative outcomes on earnings and labour market mobility. These results highlight the important work of trying to match refugees’ skills early upon arrival to the labour market.

PROFILE OF THE UNEMPLOYED

Among both refugee and host communities, younger people face more barriers to employment than older individuals, though refugee youth face more than three times higher unemployment rates than nationals – with 44 percent of refugee youth versus 14 percent of national youth unemployed. During the period referenced in the survey data, youth represent 49 percent and 45 percent of the working-age population among refugees and hosts, respectively.

Females represent more than half of the working population in both communities (56 percent of refugees and 54 percent of hosts). Among refugees, the unemployment rate of females was 26 percent compared to 36 percent for males. For the host community, the corresponding rates for females and males were 8 percent and 6 percent, respectively.

Among youth, female nationals have a higher unemployment rate than males, whereas the opposite is observed for refugees. Unemployment among young Ugandan females is 15 percent compared to 12 percent for males. Among refugees, the unemployment rate is 40 percent for females and 47 percent for males. Idle unemployed youth can lead to negative societal outcomes including abuse of alcohol and drugs, higher rates of teenage pregnancy, and other extremist behaviour including violence.
Contrary to established findings on the returns to education in employment, the level of education and the employment rate are inversely related for both refugees and the host community, a phenomenon known as the puzzle of the educated unemployed (Ginsberger and Meango 2017; De Vreyer and Roubaud 2013). Refugees have between two to three times the unemployment rate of nationals, depending on the education level (Figure 5). Host community members who have secondary education and some tertiary education (labelled Tertiary) have the highest unemployment rates of 11 percent and 17 percent, respectively. A similar pattern is observed for refugees, where unemployment is highest for those with secondary education and some tertiary education at 43 percent and 35 percent, respectively. Lower educated refugees have lower unemployment rate.

This puzzle of the educated unemployed is prevalent in developing countries, in particular in Africa (Ginsberger and Meango 2017; De Vreyer and Roubaud 2013). This situation is explained by the failure or absence of policies to create skilled jobs. It is also potentially a consequence of structural adjustment policies that reduced staff in the civil service, one of the largest employers of higher educated individuals (De Vreyer and Roubaud 2013). Further, the low chance of getting a job offer and the lower-skilled activities involved in self-employment are also plausible explanations for the higher unemployment of educated individuals in Uganda (Ginsberger and Meango 2017). In addition, it is plausible that when individuals are aiming for employment in a neighbouring country, and to increase their chances of getting employed abroad where the returns to education are higher, individuals in developing countries acquire more education. This leads to an increase of supply of educated workers in the domestic labour supply. Consequently, this creates involuntary educated unemployment in developing countries (Stark and Fan 2011).
POLICY RECOMMENDATIONS

It is essential to address risk factors at school and improve the low transition rate from primary to secondary school. Results from the survey show that for both refugees and Ugandans, higher education levels are associated with better employment outcomes. Yet secondary school completion rates remain low for refugees, while that for Nationals is declining. The transition to secondary school is limited by a number of main factors, including poor performance on the primary school leaving examination and dropping out of school due to low morale and motivation when teachers hold back students from taking the exam so that they will not fail. One solution is to assist students by providing additional preparatory courses and materials for exam preparation. The burden of school fees and the opportunity cost of attending school, being that youth cannot work to supplement household income, are additional constraints, especially for refugees. Granting both tuition and conditional cash transfers to families of students preparing to pass the exam (and subsequently after passing) would help support refugees at risk of not transitioning to secondary school.

Overall, prevention measures taken to address risk factors associated with failure at school and early school dropout can have positive impacts on employment outcomes, considering the fact that dropping out of school increases the likelihood of unemployment and inactivity later in life (McLaren 2003). Thus, there is a need to continue to strengthen the quality of the education sector for both nationals and refugees.

Critical to improving secondary school completion rates is to increase the number of schools available. Investing in math and science curriculum will also improve future employment prospects. There are not enough secondary schools in Uganda, especially in areas that host refugees. Ensuring equal access to quality education is crucial for addressing socioeconomic problems of poverty, unemployment and inequality. The World Bank Uganda Secondary School Expansion Program (USEP) is building 34 secondary schools in five years which will bring the overall total to 68 secondary schools for refugees by 2025. The WB USEP will help close the gap on existing infrastructure, though more needs to be done, in both improving infrastructure and offering competitive math and science programmes. Due to limited infrastructure, the existing secondary programmes for refugees have had very limited math and...
science curriculum which limits their career options and lifetime earnings potential in math and sciences. There is a need to build infrastructure that will enable math and science classes and attract these teachers to less desired locations, such as refugee settlements, by increasing incentives nationally. There is likewise a need to advocate for building more safe boarding facilities, especially for girls, to resolve issues related to distance of school from home and associated threats of violence when walking to and from school.

More specific actions targeted at girls are needed as COVID-19 school closures put girls at additional risk of dropping out. According to UNESCO, more than 89 percent of all enrolled students are out of school because of COVID-19 closures. This, combined with the pandemic induced economic downturn, will potentially increase dropout rates especially among vulnerable groups including adolescent girls and poor children (which frequently includes refugees). Consequently, this further embeds gender gaps in education and leads to increased risk of sexual exploitation, early pregnancy and early and forced marriages. Sustained efforts by UNHCR and partners are needed to increase second chance education programmes and promote the continued use of radio programs for classes even after schools reopen, to and expand online learning to ensure students can maximize educational achievement. Non-financial incentives should be explored for teachers to improve motivation and the quality of teaching, including potentially room and board and other associated transport, as well as endowments or funds for teachers to design curriculum.

Overall, greater investment in education and training is needed to improve labour market outcomes. The data suggests that the level of education required differs across economic sectors and job categories, and that few adolescents complete secondary school. This calls for measures to improve education outcomes, which should support future labour market outcomes. To do so, UNHCR and partners should explore the reduction of school tuition, the creation of scholarships and programmes subsidizing secondary school fees, and direct cash transfers to low-income refugee families to offset the opportunity cost of the student studying instead of working to provide for the family. Even those refugees who do not continue to higher levels of education will benefit from basic literacy, numeracy, language, and soft skills followed by vocational training. Additional labour market linkage programmes should be explored to improve refugee employment outcomes for all education and skill levels.

Enhanced focus is needed to reduce the gender gap in employment. This brief shows that women face more difficulties than men in terms of accessing education and finding a job. Evidence has suggested that reducing barriers to women in the workplace significantly boosts welfare and growth. Policy measures should aim at reducing the education gap for women and promoting female labour force participation through proactive measures to encourage firms to hire women as well as supporting them to start and run businesses. There is also a need to raise awareness for teenage pregnancy to help lower teenage pregnancy rates as well as build daycare into secondary schools to support the continued education of young mothers.

More attention should be given towards linking youth to the labour market. This analysis shows that youth in both host and refugee communities have difficulties finding jobs. The negative consequences of extended unemployment and inactivity in early career include financial hardship and lower employment as well as lower long-term earnings prospects. As many young people leave school early and have no qualifications, second chance programmes can help individuals increase their formal education, obtain recognized certification and improve their chances of finding a job. Employment training should be a combination of institution-based and on-the-job training, as evidence suggests this combination yields higher positive labour market outcomes for beneficiaries (Fares and Puerto 2009). Additionally, the expansion and strengthening of national Technical and Vocational Education and Training programmes and accreditation to include refugees should be explored.

Assessing refugees’ skills early, facilitating jobs matching soon after arrival, and providing upskilling training can help refugees get better jobs and wages right from the start. We find the employment outcome gap between hosts and refugees is particularly large upon arrival (62 percentage points for employment and 64 points for unemployment). Over time, the unemployment gap becomes progressively narrower with years of residence in Uganda, though it never achieves equity over time. Studies show early investment in skills assessment, training, and labour market integration activities can
help to promote quicker convergence in employment. Using a standardized approach to measuring skills upon registration of refugees can help limit the time needed to match labour market skills requirements. Upon arrival, refugees will need intensive job search assistance and matching programmes to overcome information asymmetries and lack of social networks. Existing evidence suggests job search assistance programmes are associated with positive effects on employment prospects (Battisti, Giesing, and Laurentsyeva 2019).

In the more medium-term, a system that recognizes overseas qualifications, especially those from the region, would facilitate positive employment outcomes for both refugees and hosts. The analysis suggest that 36 percent of employed refugees are holding a job that requires skills lower than what they possess. Refugees are also professionally downgrading upon arrival. The development of an effective system that recognizes refugees’ past experiences as well as credentials would have a significant impact in helping them identify opportunities concurrent with their skills.

Cross-border or regional accreditation recognition standards would facilitate the movement of human capital for both Ugandans and refugees. Indeed, this could be particularly important for Ugandans given the documented youth bulge and the increasingly difficult employment situation. It could also potentially improve equity of wages and limit poverty for working refugees.

Encouraging government and development actors to provide targeted support to small firms, including the self-employed, to grow could increase skilled jobs. The population in Uganda is very entrepreneurial, as demonstrated by the large share of self-employed workers among both refugees and host communities. Enabling policy measures which will improve access to financing for entrepreneurs can help the self-employed expand their businesses, which potentially has outsized positive impacts on the economy. Considering the refugee population in particular, having greater access to financial capital might help compensate for the loss of assets due to displacement, and constitute a form of insurance in periods of low revenue (Schuettler and Caron 2020). Evidence shows that interventions such as repeated transfers or one-time grants or credits can efficiently improve business profitability (Schuettler and Caron 2020). Moreover, graduation-type programmes that include cash grants for business and entrepreneurship training, intensive coaching and financial inclusion hold much promise for supporting sustainable livelihoods among refugees in Uganda (Banerjee et al. 2015; Bedoya et al. 2019).

Lastly, with regards to the puzzle of the educated unemployed, we believe that additional macroeconomic and policy analysis is needed to address the inverse trend on returns to human capital seen for both refugees and nationals and identify key policy solutions. One explanation may be the failure or absence of policies to create skilled jobs, and the high level of informality in the Ugandan economy. More thought needs to be given to the subject in order to inform the Ministry of Labour’s transformation plan. Indeed, development actors have a role to play in showcasing best practices for the Government of Uganda, and to assess the best policy options in the national context.

CONCLUSIONS

Access to gainful employment is a concern for all people living in Uganda. For refugees, livelihoods opportunities are vital to the integration into their new community, safety and protection, self-esteem and their empowerment.

This brief highlights the considerable difference in labour market participation between refugees and host community members in Uganda. Moreover, refugees who are in the labour market are less likely to find employment than nationals-the refugee unemployment rate stands at 31 percent, 24 percentage points higher than that of the host community. Refugees systematically have jobs below their skill level and are paid less than nationals for doing similar skilled jobs. In particular workers with more skills experienced drastic professional downgrading upon entry, and refugees on average are overeducated for most of the employment they are holding, reflecting a mismatch between skills obtained before displacement and employment obtained upon arrival in Uganda.

This overeducation of refugees is costly to individuals and firms, as well as the Ugandan economy more generally. Policies addressing these mismatches can have positive overall impacts on refugees’ contribution to the Ugandan economy.
Unlike in developed countries, the level of education and the unemployment rate are inversely related for both the refugee and host communities, although refugees have between two to three times higher unemployment than nationals, depending on the education level. This situation suggests the necessity to develop policies aiming to create skilled jobs for both refugees and host communities.

Endnotes

i In comparison, refugee economic outcomes in the United States have been shown to overtake those of economic immigrants after about 10 years (Cortes 2004).

ii Self-employment characterized by the absence of formal work arrangements and adequate social security is found to place individuals in a heightened state of vulnerability (ILO 2010).

iii The authors regress the current skill job of refugees on their skill job before displacement by using an ordered logistic regression and perform a LR test. The results suggest no effect of the previous employment status.

iv The four ISCO-08 skill levels are based on the characteristics of tasks performed and types of skill required. For more details see ILO (2012). These categories are referred to as “very low-skilled”, “low-skilled”, intermediate-skilled”, and “high-skilled jobholders”.

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