INTRODUCTION

With over a million refugees, mainly from South Sudan, Democratic Republic of Congo (DRC), Burundi and Somalia, 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. While refugees have a right to work, access to gainful employment is a concern for all people living in Uganda. The rural unemployment rate is 9.9 percent and 9.1 percent in urban areas for nationals (Uganda Bureau of Statistics 2018). 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 complements a wider knowledge piece through a comprehensive analysis of refugees and hosts labour market performance (i.e. employment, unemployment and labour force participation rates). The analysis utilizes cross-sectional household data from the Uganda Refugee and Host Communities 2018 Household Survey (RHCS) from across 13 districts in the primary refugee hosting regions in Uganda (World Bank, 2019). The analysis concludes with a comprehensive set of policy and programmatic recommendations for government and development partners, respectively.

OVERVIEW OF REFUGEE EMPLOYMENT OUTCOMES RELATIVE TO NATIONALS

Despite the favourable policy environment, which grants refugees the right to work, empirical evidence shows that refugees have worse employment outcomes than nationals. Controlling for age, gender and education, only 29 percent of refugees in Uganda are actively working, versus 64 percent among host communities. These findings are far lower when compared to a recent study focused on refugees in Europe which found the employment gap between refugees and nationals to be 17 percentage points- highlighting that the differential in employment rates between refugees and nationals is more than double that for the same groups in Europe (Fasani, Frattini, and Minale 2018).

These differences persist when considering the 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). There is also a gender dimension to the differences in participation in the labour force: the gender gap among refugees is slightly higher than that among nationals (12 percentage points for refugees versus 9 percentage points for host community). However, the gender gaps for both host and refugees are subject to regional variations with rural areas (West Nile and South West) showing single digit gender gaps for both host and refugees while Kampala reports the highest gender gap in labour force participation of 26 percentage points for host (79 percent male versus 53 percent female) and 13

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1 This policy brief was authored by the UNHCR global and Uganda country teams including Theresa Beltramo, Ibrahima Sarr, Charles Data Alemi and Lilian Achieng Otiego. A fuller knowledge brief, author acknowledgements and disclaimers are available at https://www.unhcr.org/en-us/livelihoods.html

2 The following are definitions for the different employment measures: 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).
percentage points for refugees (70 percent male versus 57 percent female). That said, the gender gap in Kampala for both communities is still less than the global average gender gap (31 percentage points) and is commonly cited as a sizeable macroeconomic loss (Dabla-Noris and Kochhar 2019; Blecker and Seguino 2012).

A third component of 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 taking into consideration age, gender and educational differences, the difference in unemployment rates between refugees and host communities remains sizeable at 19 percentage points.

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

Consistent with the established role education plays in labour markets, the survey data indicates that chances of getting hired in the non-agricultural sector increases with higher education levels, especially for those who have completed secondary education or beyond 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.

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

While employment rates for refugees demonstrate some convergence relative to nationals, significant differences remain a decade after arrival

As expected, the employment 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 these newly arrived are actively searching for a job, they are 64 percentage points less likely to get hired than a national (Figure 2). While the unemployment gap closes between refugees and nationals as refugees spend more time in Uganda, differences in employment rates persist. After 10 years, differences in unemployment are not statistically significant while 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, the gap in employment persists over time, suggesting that refugees struggle to eliminate their initial labour market disadvantage vis-à-vis Ugandans. Potential explanations of these “refugee gaps” include 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, being self-employed yields lower wages than wage employment and working refugees find themselves more likely than nationals to fall below the poverty line

With limited options for formal employment, self-employment is high among 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 and in the United States 28 percent of Americans are self-employed (Forbes, 2020).

Unfortunately, self-employment in developing economies, including in Uganda, is dominated by lower-skill activities and lower pay. Accordingly, self-employed persons tend to earn less and more so for refugees who generally earn on average 32 percent less that self-employed Ugandan nationals with similar education. 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. Furthermore, working refugees who are poor are 10 percentage points more likely to be engaged in self-employment (less likely to be employed) than non-poor refugees (Figure 3).
Refugees are systematically under-employed based on skills and work history, with higher skilled workers experiencing the largest professional downgrade

Evidence shows that refugees are taking jobs that they are overqualified for, a phenomenon referred to as professional “downgrading”, in order to escape unemployment. This highlights the inherent inequity in the labour market between refugees and hosts. A simple regression analysis finds that in general, refugees experience drastic professional downgrading upon entry, with intermediate and high-skilled workers experiencing the largest downgrade based on the four ISCO-08 skills level. 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, but 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.

Using the statistical method, 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, again a fact that persists even after several years of residence in Uganda.

Being underemployed can have negative impacts on mental health and wellbeing. 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 highlight the important work of trying to match refugees’ skills early upon arrival to the labour market.

Table 1: Refugee labour market trajectories before and after displacement (percent)¹

<table>
<thead>
<tr>
<th>Before displacement</th>
<th>After displacement</th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not working</td>
<td>Very low skilled</td>
<td>Low skilled</td>
<td>Intermediate skilled</td>
<td>High skilled</td>
<td>Total</td>
</tr>
<tr>
<td>Not working</td>
<td>67.0</td>
<td>6.4</td>
<td>24.6</td>
<td>0.7</td>
<td>1.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Very low skilled</td>
<td>0.0</td>
<td>19.0</td>
<td>12.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Low skilled</td>
<td>0.0</td>
<td>7.3</td>
<td>33.3</td>
<td>0.1</td>
<td>0.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Intermediate skilled</td>
<td>83.2</td>
<td>0.0</td>
<td>2.4</td>
<td>8.0</td>
<td>6.4</td>
<td>0.0</td>
</tr>
<tr>
<td>High skilled</td>
<td>46.0</td>
<td>8.4</td>
<td>21.6</td>
<td>2.3</td>
<td>21.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>62.9</td>
<td>7.2</td>
<td>27.6</td>
<td>0.66</td>
<td>1.7</td>
<td>0.0</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).
In general, refugees experience higher unemployment rates than the nationals, and younger people face more barriers to employment than older individuals.

As Figure 4 shows, refugee youth have the highest average unemployment rate of 44 percent, followed by refugee adults (30 percent for males and 20 percent for females), then Ugandan youth at an average of 14 percent and finally Ugandan national adults with single digit unemployment rate for both females and males. While among refugees, males have higher unemployment rates for both youth and adults, the reverse is true for nationals with females having higher unemployment rates than males.

Controlling for education levels, refugees have between two to three times the unemployment rate of nationals, depending on the education level (Figure 5). For both the host and refugees, unemployment is highest for those with secondary education and some tertiary education while those with lower education have lower unemployment rates. This results in an inverse relationship between employment and level of education, a phenomenon known as the puzzle of the educated unemployed, which is noted to be prevalent in developing countries, in particular in Africa (Ginsberger and Meango 2017; De Vreyer and Roubaud 2013).

Plausible explanations for the puzzle of the educated unemployed include: failure or absence of policies to create skilled jobs; 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); low chance of getting a job offer and the lower-skilled activities involved in self-employment (Ginsberger and Meango 2017); and involuntary educated unemployment by individuals who aim to work abroad where returns to education are higher (Stark and Fan 2011).

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. For both refugees and Ugandans, higher education levels are associated with better employment outcomes in terms of improving the chances of getting paid employment for refugees, especially for people who have completed secondary education or higher.

Improving secondary school completion is critical to improving employment outcomes for both refugees and host communities

Notwithstanding the positive relationship between education level and employment outcomes, secondary school completion rates for refugees (between 19 and 23 years old) remain low at only 11 percent versus 24 percent for host communities. For both refugees and nationals, children are more likely to complete secondary school education if their own fathers had secondary education or higher. Indeed, among youth between 19-24 years old whose father did not finish secondary school, they themselves did not complete secondary school while 52 percent of children with secondary-educated fathers did.

Other factors affecting transition to and completion of secondary education include: limited supply and/or quality of education infrastructure especially in refugee-hosting areas; poor performance on the primary school leaving examination required to start secondary school; teachers holding back students from taking the exam, leading to loss of motivation and dropping out; the financial burden of school fees and the opportunity cost of attending school – that youth cannot work to supplement the household income – especially for refugees; and existing secondary school programmes for refugees having limited math and science curriculum, which narrows academic choices and in turn, career options and lifetime earnings potential in related fields.

Addressing the above challenges will not only improve secondary school completion, but also improve employment outcomes in the form of increased rates of employment and labour force participation as highly educated people are more likely to look for a paid skilled job.

POLICY RECOMMENDATIONS FOR THE GOVERNMENT

More 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; yet few adolescents complete secondary school, which is a critical determinant of future job quality. This calls for the following measures to improve education outcomes:

- As part of the ongoing curriculum review, include the learning of core skills such as languages and provide for auxiliary introduction to vocational courses to ease the transition to vocational training for students who may not finish secondary education.
- Encourage vocational training institutions to introduce a mix of short and long-term courses to meet the needs of both older students (16 years and above) who are ready to join the labour market and younger students who need a combination of general schooling and vocational training.

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 the lowest for refugees at 11 percent, though the national rate is also quite low at 24%. To ensure equal access to quality education for addressing socioeconomic problems of poverty, unemployment and inequality, include refugee students in the
Education Management Information System (EMIS) to facilitate their eligibility for capitation grants for equitable distribution of resources and improved quality of schools and learning environment in the areas that host refugees.

More specific actions targeting support for girls are needed to address the disproportionate risk they face in dropping out of school. Girls face exceptionally high risks of dropping out of school when families face economic and other hardships. As refugees struggle with all sorts of challenges including limited opportunities for employment as well as underemployment and less pay for those employed, girls are prone to being engaged in multiple responsibilities, competing for the time they should be focusing on their schoolwork. The outbreak of COVID-19 is likely to make things worse for girls as many schools have been closed and the economic impact on families continues to rise. Consequently, this further reinforces gender gaps in education outcomes and leads to increased risk of sexual exploitation, early pregnancy and early and forced marriages. In addition to critical initiatives such as the use of radio programmes for classes and online learning to ensure students can maximize educational achievements, government should adopt a policy of granting a second chance for girls who become pregnant to continue with their education while pregnant and/or after giving birth.

There is need to review the administrative provisions of the Immigration Act in relation to issuance of work permits, which presently are costly for refugees in Uganda. Under the Uganda Refugee Act Section 29(vi), refugees are entitled to access employment opportunities and engage in gainful work. However, the Directorate of Citizenship and Immigration Control (DCIC) only stamps work permits on refugee Convention Travel Documents (CTDs), which a handful of refugees have and limits access to employment for most refugees. Further, only a small minority of employers (21 percent) know that refugees have a right to work in Uganda. Thus, it is important to work with the Ministry of Internal Affairs to allow the granting of work permits on the basis of other recognized refugee documents and to sensitize stakeholders on the same.

Enhanced focus is needed to reduce the gender gap in employment. The analysis reconfirms that women face more difficulties than men in accessing education and finding a job. Evidence suggests 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 encouraging firms to hire women as well as supporting them to start and run businesses.

More attention should be given towards linking youth to the labour market. The analysis shows that youth in both host and refugee communities have difficulties finding jobs with significant negative consequences from extended unemployment and inactivity. 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 also combine 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, expand and strengthen Business, Technical and Vocational Education and Training (BTVET) programmes and accreditation to include refugee support programmes. It is also important to address issues relating to stigma associated with BTVE, which in Uganda are perceived as the last option for failures who are not able continue with the mainstream education system.

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3 Capitation grants are governmental transfers for primary school going children paid to all public and government-aided schools in lieu of tuition fees for the following school expenditures: instructional and scholastic materials, co-curricular activities, school management, administration, and contingency expenditure. This follows the introduction of Universal Primary Education (UPE) in Uganda in which the government abolished payment of tuition/fees in public schools. https://www.iser-uganda.org/news-events/news/236-late-release-of-capitation-grant-crippling-upe-schools#:~:text=In%202002%2C%20the%20government%20introduced,the%20various%20district%20local%20governments.
In addition, assessing the skills of refugees early and providing upskilling training can help refugees get better jobs and wages right from the start. From the analysis, the employment outcome gap between hosts and refugees is particularly large upon arrival and becomes progressively narrower with years of residence in Uganda, though it never achieves equity over time. Studies show that 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, in addition to job search assistance programmes (Battisti, Giesing, and Laurentsyeva 2019). Last but not least, as highlighted earlier it is essential to advocate for a change of mindset so that BTVET is perceived as an option to opportunities that provide employable skills and competencies relevant to the labour market.

In the medium-term, a system that recognizes overseas qualifications, especially those from the region, would facilitate positive employment outcomes for refugees and hosts. Supporting and implementing regional accreditation and recognition of standards facilitates the movement of human capital for both Ugandans and refugees. Equating qualifications helps create a level playing field for refugees in the job market, which will go a long way in addressing many of the challenges refugees currently face. Fortunately, most of the refugees in Uganda are from neighbouring South Sudan and DRC, which together with Uganda, are members of regional blocs such as the East African Community (EAC) and the Inter-Governmental Authority for Development (IGAD), which advocate for regional recognition of educational qualifications. Thus, as a matter of policy, government should implement the Djibouti Declaration on the Regional Conference on Refugee Education calling member states to recognize and validate qualifications of refugees and returnees across all levels of education⁴ and the EAC Common Market Protocol, which require Partner States to establish a Single Education Area as basis for harmonizing education qualifications to facilitate free movement of labour.

Encouraging government and development actors to provide targeted support to small firms and self-employed refugees to grow and generate demand for 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. However, enabling policy measures are needed to improve access to financing for entrepreneurs to help the self-employed expand their businesses. Considering the refugee population in particular, having greater access to financial capital may 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, additional macroeconomic and policy analysis is needed to address the puzzle of the educated unemployed for both refugees and nationals and identify key policy solutions. In the interim, policies aimed at generating skilled jobs and addressing the high level of informality in the Ugandan economy can be a step in the right direction.

⁴ https://igad.int/attachments/article/1725/Djibouti%20Declaration%20on%20Refugee%20Education.pdf
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