**ANALYTICAL REPORT
ON YOUTH NOT IN EMPLOYMENT, EDUCATION OR TRAINING IN UGANDA**

National Planning Authority

December 2022

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This report presents findings of an assessment of the impact of youth that are not in educational institutions, employment or training their likelihood to transit into a productive labour force. It also provides an estimate of how much Uganda loses by not engaging in empowering adolescents and youth with potential and influence in the development process. This has been based on analysis of available statistics in the country supplemented by information from key players on youth activities.

Foreword

The Government of Uganda has prioritized investment in its human capital as one of the strategies for realizing its Vision 2040. In order to achieve this, the Government has put in place policies and interventions specifically aimed at enhancing the productivity of its youth population, who constitute 43 percent of working age population. The national Roadmap for attainment of the Demographic Dividend spells out several interventions in each of the pillars, including the demographic transition, health, education, economy and governance. It emphasizes participation of young people and is aligned to the national development priorities, which are clearly highlighted in the country's development framework, the National Development Plan III.

Available evidence shows that many of the youths are Neither in Employment nor in Education/ Training. Among those that are in employment, many are not skilled, are underutilized or have not fully transited to decent and gainful employment, this leading to low productivity. It is against this background that the National Planning Authority commissioned this study to document the national, household and individual level drivers that are preventing young people from attaining their potential. This information forms the foundation for the country to achieve the full potential of its youth population.

On behalf of the National Planning Authority, I wish to extend our gratitude to all those individuals and institutions who contributed to the development of this report. We look forward to working together with all sectors, departments, agencies and the local governments in order to reap the benefits of the country's youth population.

Prof. Pamela K. Sabiti

Chairperson

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Executive Summary

The youth constitute a sizable proportion of the population of Uganda. Generally, adolescents and youths are faced by challenges which are diverse, located in various socio-economic domains, closely connected and reinforcing to each other. To address these challenges, Uganda has had various interventions by local, national and international actors aimed at empowering the adolescents and youths to achieve and exploit their full potential. However, these interventions have remained *ad hoc*, in some cases parallel and implemented in silos with actors often competing within the implementation space to address a multidimensional problem. In order to address this challenge, the National Planning Authority commissioned this study whose overall objective was to assess how much investment has been put in place as part of efforts to support and prioritize the youth Neither in Employment nor in Education/Training (NEETs), as part of the human resource that has the potential to contribute to Uganda's development processes. The specific objectives include to:

1. Understand the current characterization of NEETs in Uganda

2. Explore the circumstances or causes that contribute to young people becoming NEETs

3. Establish the loss to the economy in terms of GDP, output, employment, and revenue; associated with NEETs and likely implications

4. Identify high impact interventions to facilitate NEETs to transition into employment, entrepreneurship, training, and education for transformation.

The findings the from household-based sample surveys revealed that nearly half of the youths are NEETs. The level of education completed, migration status and income status of households of the young people inversely relate to their NEET status. The data showed higher chances of dropping out of school in Primary five (5). On the converse, Disability status, consumption of alcohol and household size of the youth were directly related to the youth falling into the category of NEET. The findings further revealed that the most important factors, included income levels, household size and consumption of alcohol.

Using the Okun model, the study further revealed that the foregone personal income was UGX 42,500 per month in 2019/20 - that is the extra earning lost because of the presence of a Youth NEET in a household.

Potential Intervention Areas

There is a need for policy interventions to guide policy and decision makers and other stakeholders to address the problems of Youth NEETs in all sectors in order to achieve the desired development outcomes of the country. The priority areas identified for policy interventions are Retention of Children in School, Employment Creation and Human Capital Development.

Retention of Children in School

The 2018 modelling of the Demographic Dividend for Uganda recommended keeping children in school for 13 years as one of the strategies of attaining the DD results. The current study shows that many children drop out of school in/after Primary Five (P5). Therefore, the study makes the following recommendations in view of increasing retention of children in School:

a. Given the existence of UPE (since 1997) and USE (since 2007), there is an urgent need to make both primary and post-primary education compulsory and to target the attendance of girls in particular.
b. Decommercialize education and training services to reduce the unnecessary competition especially among primary and secondary schools.
c. Improve the capitation grant to effectively deliver the required education services and taking regard of locational differences.
d. Strengthen general education at pre-primary, primary, secondary and tertiary levels to enhance learner's ability to think critically, develop communication skills and stimulate their capacities for creative and innovative thinking
e. Promote partnerships between primary and secondary schools with tertiary institutions and employers for career guidance at a young age to increase students' innovativeness, creativity, and participation in higher education
f. Undertake effective investments in physical education and sports following strategic planning and a revised policy framework.
g. Provide the required physical infrastructure, instruction materials and human resources at all levels of Education and Training including Special Needs Education.
h. Strengthen and integrate entrepreneurship education and training at all levels of education to ensure that learners are equipped with relevant business development skills.

Human Capital

Less than 10% of the working age population is skilled. Therefore, in order to make the population more skilled:
a. Government needs to continuously progress with implementation of on-going initiatives across the country as outlined in the strategic development documents (NDP III etc) to realize the identified Technical Vocational Education Training (TVET) Centres of Excellence through the skills development projects and effective implementation of Skilling Uganda Strategy (BTC).
b. Skills and vocational development should target diversifying and increase enrolment to the traditional training areas (such as welding, food processing, tailoring etc). This should be in addition to the current focus on emerging areas of mining, oil and gas which many are not applicable across the country given the district and the available social status.
c. Government should attract students to increase the enrolment in the Skills Development Centres by reaching out to the community rather than waiting for them to enrol because some are not aware about the existence of the centres. This will address the challenge of inability of youth NEETs to find work for their skills.
d. Many of the TVET training offer supply driven, they are not based on market assessments. This calls for a skill-needs assessment to be undertaken for each community to ascertain the required skills that should be availed to the region to ensure efficiency and utilisation of the skills imparted, in line with the available job opportunities and natural resources. This will enhance regionalisation/zoning of skills development.
e. Produce national scarce skills report to highlight critical scarce skills and qualifications needs of the country. The report should inform human resource planning and development; resource allocation and prioritization of development of critical skills; the development of relevant qualifications programmes and curricula review and development; and international recruitment strategies.
f. Undertake skilling, reskilling or retooling of Uganda's labour force in line with skills demand in the country.
g. Many of the projects had low expenditure outturn, low absorption capacity of project budget releases relates to Skills Development. Development of TVET spent only 29

percent of the allocated funding in FY 2019/20, a problem that happened even in the previous years. Action needs to be made to increase absorption and implementation to avail services for skills development.

h. Develop a Uganda National Talent Register (UNTR) for all professionals to capture and provide real-time information concerning the demand and supply of talent/skills/manpower at every point in time.

i. The Directorate of Industrial Training (DIT) should develop, popularise, and implement the Uganda Vocational Qualifications Framework (UVQF) to assess and award certification and accreditation to Uganda's labour force to be employed in targeted sectors and projects.

Employment Creation

More than half (56 percent) of the Youth NEETs in 2021 had been trying to find employment but stayed for one year or more without getting one. The major reason youths front for not searching employment has been the lack of employment opportunities. Many youths seem more focused on finding paid employment yet they are also limited in skills and qualification. To boost employment creation, therefore, the following interventions are proposed;

a. Boost productivity of the low productive sectors including Agriculture, forestry and fishing that typically employs the most people. Efforts should be made to sensitise communities about the jurisdiction Zonal Agricultural Research and Development Institute (ZARDI) and to change the stereo-type thinking that Agriculture is for the uneducated as well as those who have failed in other pursuits. The ZARDIs can be transformed into agricultural incubation and productivity centres with resources directed to innovations according to the zonal jurisdictions.

b. A large portion of self-employment jobs in the country relate to buying and selling agricultural products, processing raw agricultural materials, or providing services that support farm production. Marketing requires adequate financial literacy which is lacking among the youth in many cases. There is need to incorporate financial literacy in all support to the youth such as YLP, PDM, Emyooga, OWC and NUSAF.

c. The youth have a responsibility to play their role by taking up available opportunities. Whereas reduced taxes or tax holidays are recommended for innovative youths, a counterpart Development Tax may be introduced to individuals within the working age but not in education or a recognised training system. This will be an incentive for the youth to take employment without discrimination.

d. There is improved recognition of the mutually supportive roles of growth and employment promotion policies. The new thinking emphasises the significant synergies between a higher level of employment growth and the attainment of higher economic growth. A higher level of employment supports growth by generating more effective demand. This effective demand effect is vital for sustaining a high level of investment since it raises the inducement to invest.

e. Uganda lacks a solid development finance sector, which is critical in providing long-term capital for large, medium and small-sized enterprises. Through this, the government should consider negotiations for extensions of the Bank of Uganda credit relief programme where necessary and; the provision of partial interest rate subsidies for loans, among others

Increasing the knowledge about Youth NEETs

The current analytical study provides quantitative evidence of the characterization of Youth NEETs, and to a limited extent, some of the impact of NEETs to their households and the economy as a whole. However, the existing information and hence the study fell short of providing explanation as to what are the main reasons that lead youths to be NEETs. It is thus recommended that a qualitative study be carried out to provide responses to questions such as the causes of non-completion of schooling, causes the variations in the Youth NEET rates and the persistent low skills levels despite the various efforts to skill the Ugandan population.

Alignment with the existing Government Programmes

Implementation of the proposed recommendations is better implemented by integrating them in the currently existing Government programmes, specifically aligning them with the national development frameworks including the Parish Development Model (PDM). In this regard, it is recommended that the Government can integrate practical skills development programs as part of the PDM implementation.

List of Acronyms

DD	Demographic Dividend
GDP	Gross Domestic Product
LFPR	Labour Force Participation Rate
MGLSD	Ministry of Gender Labour and Social Development
MoES	Ministry of Education and Sports
MoH	Ministry of Health
NDP	National Development Plan
NEET	Neither in Employment nor in Education/Training
NLFS	National Labour Force Survey
NPA	National Planning Authority
NPHC	National Population and Housing Census
SDGs	Sustainable Development Goals
SDP	Sector Development Plan
UBOS	Uganda Bureau of Statistics
UNHS	Uganda National Household Surveys

Definition of Concepts

Demographic Dividend (DD)	The economic benefit a society enjoys when fertility and mortality decline rapidly and the ratio of working-age adults significantly increases relative to young dependents.
Employment	Working age population who were engaged in any activity to produce goods or provide services for pay or profit. "For pay or profit" refers to work done as part of a transaction in exchange for remuneration payable in the form of wages or salaries for time worked or work done, or in the form of profits derived from the goods and services produced through market transactions.
Gross Domestic Product (GDP)	The value of goods and services produced within the economic territory of the country
Labour Force	Labour force refers to the active section of the working age population • It is computed as the sum of persons in Employment and persons in Unemployment.
Labour Force Participation Rate (LFPR)	Population in the Labour force (employed and unemployed) expressed as a percentage of the working age population. • It indicates the proportion of Working Age Population that is active in the Labour market as either employed or actively looking for employment.
NEET Rate	The proportion of the youths (18 – 30) who were Neither in Employment nor in Education/Training (NEETs).
Odds ratio	An odds ratio (OR) is a statistic that quantifies the strength of the association between two events, A and B. • The odds ratio is defined as the ratio of the odds of A in the presence of B and the odds of A in the absence of B.
Unemployment	Persons of working age are classified as unemployed if, during a short reference period of one month, they (a) were without employment, i.e. did not work for even one hour in any economic activity (paid employment, self-employment, or unpaid work for a family business or farm); (b) were available for employment; and (c) had taken active steps to seek employment.
Youth	Under the Uganda Constitution, a youth is a person aged 18-30 years. • For statistical purposes, the United Nations defines youth, as those persons between the ages of 15 and 24 years, without prejudice to other definitions by Member States. In practice, however, many national statistics offices apply their own definitions of youth which often differ from the international standard. • The Africa Youth Charter defines 'youth or young people' as persons aged between the ages of 15 to 35 years.

CHAPTER 1: INTRODUCTION

1.1 Background

Uganda Vision 2040 pronounced investing in the country's human resource to create human capital and thereby harnessing the Demographic Dividend (DD), as one of the strategies that will be adopted to enhance the country's chances of realizing Vision 2040. The National Development Plans (NDPs) are focused on addressing the population issue with a view to making it more amenable to development planning. The NDP III (2020/21 – 2024/25) has is being implemented through 18 programme areas including one on Human Capital Development as well as Community Mobilization and Mindset Change. These two programmes represent a culmination of the envisaged Vision strategy of investing in the human resource to harness the Demographic Dividend.

Uganda formulated several policies and interventions aimed at tapping into the potential of its youth. At the macro level, the Parish Development Model (PDM) was developed with the aim of to increase Household incomes and improve quality of life of Ugandans with a specific focus on the total economic transformation of the Households through getting Ugandans out of the subsistence economy into the money economy. The PDM has seven Pillars namely (a) Production, Storage, Processing and Marketing; (b) Infrastructure and Economic Services; (c) Financial Inclusion; (d) Social Services; (e) Mindset change; (f) Parish Based Management Information System; and (g) Governance and Administration.

1.2 Prevailing policy environment and interventions

The National Youth Policy 2016[1] which aimed at unlocking the potential of youth for sustainable wealth creation and general as a follow-up of the maiden 2001 policy with the theme "Unlocking Youth Potential for Sustainable Wealth Creation and Development." This policy enlisted nine priority areas, including;

    i.   Sustainable livelihoods, employment promotion and enterprise development;
    ii.   Information, Communication and Technology (ICT);
    iii.   Education, training and capacity building;
    iv.   Youth and health
    v.   Youth involvement, participation and governance
    vi.   Youth, culture and gender
    vii. Recreation, sports and leisure
    viii. Environmental management
    ix.   Management, coordination and partnerships

The youth policy provides a coordination mechanism for implementation of the National Youth Action Plan. Premised on the youth policy and action plan, the National Youth Council developed a strategic plan whose goal is "To increase the capacity of National Youth Council to mobilize and organize the youth to effectively participate in the development process of Uganda to enhance

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[1] Ministry of Gender, Labour and Social Development, National Youth Action Plan, 2016.

their development and quality of life"[2]. However, the rising rate of NEET in the country as presented in chapter one does not resonate with overall strategic direction.

In addition to the youth policy, there are a number of other interventions, spearheaded by different agencies including government, development partners and private sector. The Government of Uganda designed the Youth Livelihood Programme (YLP) as one of the interventions of Government in response to the high unemployment rate and poverty among the youth in the country. The first phase of YLP was launched in 2013/14 in all the districts of Uganda and completed by the end of June, 2019. This was to empower the target youth to harness their potential and increase self-employment opportunities and hence income levels. According to the End of Phase 1 Report, as at June 30, 2019, the Ministry of Finance, Planning and Economic Development (MFPED) had disbursed a total of UShs160 billion to 20,159 projects benefitting a total number of 241,799 youths out of which 46 percent are female. However, government identified key performance improvement measures and some recommendations to enhance and maximize on the benefits of YLP.

There have existed other initiatives by CSOs and development partners to support the youth towards decent employment opportunities. The YouthStart which ended in 2015, was a UNCDF programme in partnership with The MasterCard Foundation, that aimed to reach 200,000 youth in sub-Saharan Africa with demand-driven financial services and non-financial services in response to the lack of economic opportunities for the growing population of young people around the world, especially in Sub-Saharan Africa[3]. Another initiative has been the Challenge Fund for Youth Employment (CFYE) in Uganda which has had several phases. Based on the scoping study conducted in 2019, including lessons from the impact of the COVID-19 pandemic, the 2022 call targeted focus areas of creating jobs through agribusiness and value addition, creation of or matching to digital jobs and leveraging circular economy models for job creation[4].

1.3 Rationale for the Assignment

The National Labour Force Survey 2021 showed that about 41 percent of youths in Uganda were 'Neither in Employment, nor Education or Training' (NEETs). This makes this category a priority for any kind of youth intervention. This tends to be a source of insecurity and manipulation, and the situation may have gotten worse with COVID 19 effects.

The Covid-19 pandemic coping interventions have in some instances reversed some of the gains made in addressing the challenges of adolescents and youth. In particular, the prolonged closure of education institutions and markets due to the Covid-19 pandemic have severed the health, education and economic indicators of adolescents and youth. This is in addition to the continued poor socio-economic indicators of this age category. Various local, national and international actors have interventions focused at empowering the adolescents and youth to achieve and exploit their full potential and influence, albeit with minimum and varied success. According to the National Planning Authority, the adolescents and youth interventions have remained adhoc, in some cases parallel and implemented in silos with actors often competing within the implementation space to address a multidimensional problem.

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[2] National Youth Council Secretariat, 2020-25, the National Youth Council Strategic Plan.
[3] https://www.uncdf.org/youthstart/uganda
[4] https://www2.fundsforngos.org/latest-funds-for-ngos/challenge-fund-for-youth-employment-in-uganda/

The challenges faced by adolescents and youth are diverse, located in various socio-economic domains, closely connected and reinforcing to each other. For instance, early school leaving increases the likelihood of early marriages and teenage pregnancies, poor health outcomes for the teenage mother and child, unemployment, substance abuse, violence, disengagement from parents and community and a vicious cycle of poverty. Such challenges are likely to impact on our development goal.

Nonetheless, limited progress has been noticed in addressing the plight of this youth NEETs category mainly due to the *ad hoc* and silo-based approaches to addressing their binding constraints. Therefore, this study will focus on addressing the youth NEETs challenges under the programming approach to leverage both government and development partners to support this category for engaged and empowered adolescents and youth with potential and influence in the development processes.

1.4 Study objectives

The overall objective of this undertaking was to assess how much has been put in place as part of investment to support and prioritize the youth NEETs as part of the human resource that has the potential to contribute to Uganda's development processes. The Specific Objectives include to:

5. Understand the current characterization of NEETs in Uganda

6. Explore the circumstances or causes that contribute to young people becoming NEETs

7. Establish the loss to the economy in terms of GDP, output, employment, and revenue; associated with NEETs and likely implications

8. Identify high impact interventions to facilitate NEETs to transition into employment, entrepreneurship, training, and education for transformation.

The assignment entailed undertaking four (4) inter-related activities as follows:

Activity 1: Carry out trend analysis of identifiable key variables and indicators that lead to the NEETs falling into this section, focusing on actors with influence, relationships, and real power dynamics.

Activity 2: Establish the cost of government doing nothing regarding supporting the NEETs with the increasing challenges and the associated effects at all levels and implications on future youth population.

Activity 3: Undertake economic modelling using an appropriate model to inform the demographic dividend based on current data on youth NEETs in the country and establish the effects at multi-dimensional levels.

Activity 4: Establish through appropriate modelling the kind of investments that need to be put in place to address the problem of youth unemployment, jobless growth, training/skilling, education, health, among others and associated effects at both short- and long-term bases.

CHAPTER TWO: CHARACTERISTICS AND DRIVERS OF YOUTHS

2.1   Characteristics of Youth

2.1.1 Definition of youth

There are various definitions of 'youths' used by different agencies. For statistical purposes, the United Nations defines youths, as those persons between the ages of 15 and 24 years, without prejudice to other definitions by Member States. For purposes of this report, the definition used that by the Government of Uganda defines a youth as a person aged **18-30 years**.

2.1.2 Magnitude and age composition of the Youths

The population of Uganda has been on upward trajectory from 34.4 million enumerated during the 2014 National Population and Housing Census to a projected 44.2 million in 2022, and is projected to grow further to 55.4 million in 2030.

Appendix Table 1, shows that the youth population (18 – 30 years) is projected to increase from 7.9 million in 2015 to 13.5 million in 2030, implying an annual growth rate of 3.6 percent, which is higher than the 3.0 percent observed for the general population.

Figure 2.1 Trend in the Youth Population, Uganda, 2014 - 2030
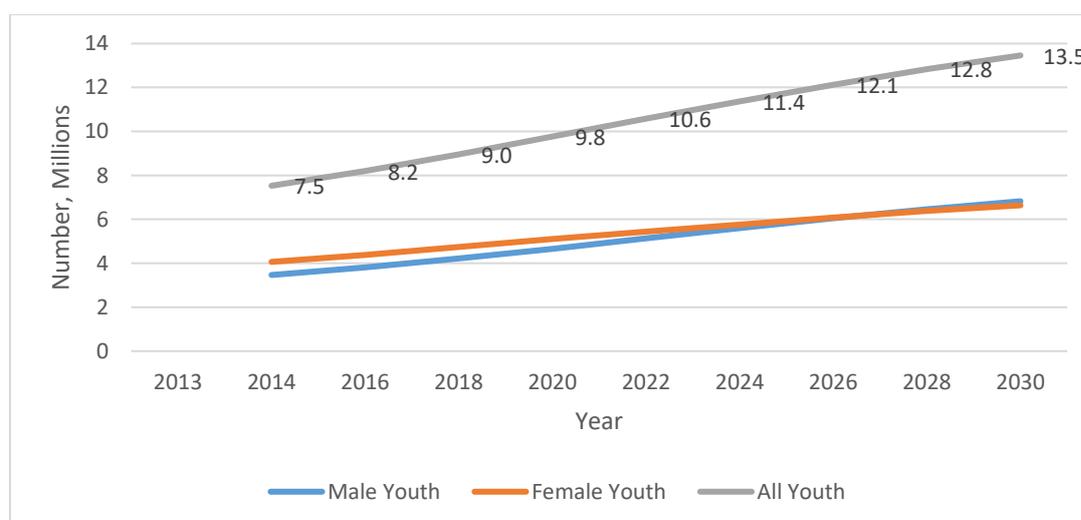
Source: UBOS, Population Projections

Uganda has a very youthful population, with 75% aged below 30 years. The youths constituted 22% of the total population in 2014, and this proportion is projected to increase to 24 % in 2022 (Figure 2.1). Appendix Table A3.1 shows that the female youths outnumber the males up to mid-2026. Thereafter, the pattern is reversed, with the male youths out-numbering the females.

Figure 2.1 Trend in Proportion of the Youth, Uganda, 2014 - 2030
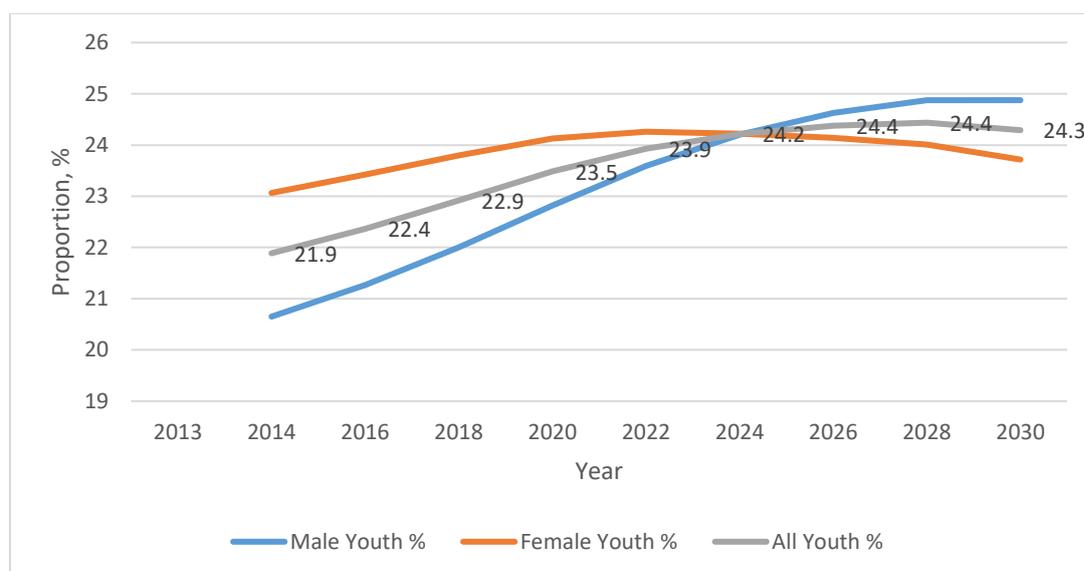
Source: Computed by the Author from UBOS Population Projections

<mark>This signifies the central role the youth can potentially play in transforming Uganda into an inclusive society where the population have improved quality of life and resilience. However, it has been observed that many of the youth are not engaged in any productive ventures due to many challenges. This poses one of the biggest threats to this move to human resource investment and productivity.</mark>

Table 2.1 shows that 61 percent of the youth population in 2022 was aged less than 25 years, while the remaining 39 percent were aged 25 to 30 years.

Table 2.1: Youth Population in Single Years by Sex, Residence, Uganda, 2022

Single Ages	Youth Population			% Share	% Female
	Male	Female	Total		
18 - 24	**3,208,100**	**3,244,100**	**6,452,200**	**61.0**	**50.3**
18	515,200	506,000	1,021,200	9.65	49.55
19	500,800	496,600	997,400	9.43	49.79
20	483,500	484,300	967,800	9.15	50.04
21	462,500	468,100	930,600	8.80	50.30
22	439,100	449,500	888,600	8.40	50.59
23	415,100	429,400	844,500	7.98	50.85
24	391,900	410,200	802,100	7.58	51.14
25 - 30	**1,925,900**	**2,202,500**	**4,128,400**	**39.0**	**53.3**
25	369,600	393,700	763,300	7.21	51.58
26	348,900	381,100	730,000	6.90	52.21

Single Ages	Youth Population			% Share	% Female
	Male	Female	Total		
27	329,400	371,300	700,700	6.62	52.99
28	310,400	362,700	673,100	6.36	53.89
29	292,000	352,900	644,900	6.10	54.72
30	275,600	340,800	616,400	5.83	55.29
Total	5,134,000	5,446,600	10,580,600	100.0	51.48

Source: UBOS Population Projections

2.1.3 Education of the Youth

Figure 2.2 shows that the majority of the youths (94%) had gained some basic education. However, only 15 percent (about one in six) of the youths had completed secondary or higher education levels. The figure also shows that 83 percent of the youth did not have any trade or technical skills and neither did they possess skill s form of specialization. Appendix Table A3.2 shows that the level educational attainment was poorer for the females and youths in rural areas compared to the males and those in urban areas respectively.

Figure 2.2: Distribution of Youths by Education and Skills Levels, Uganda, 2021
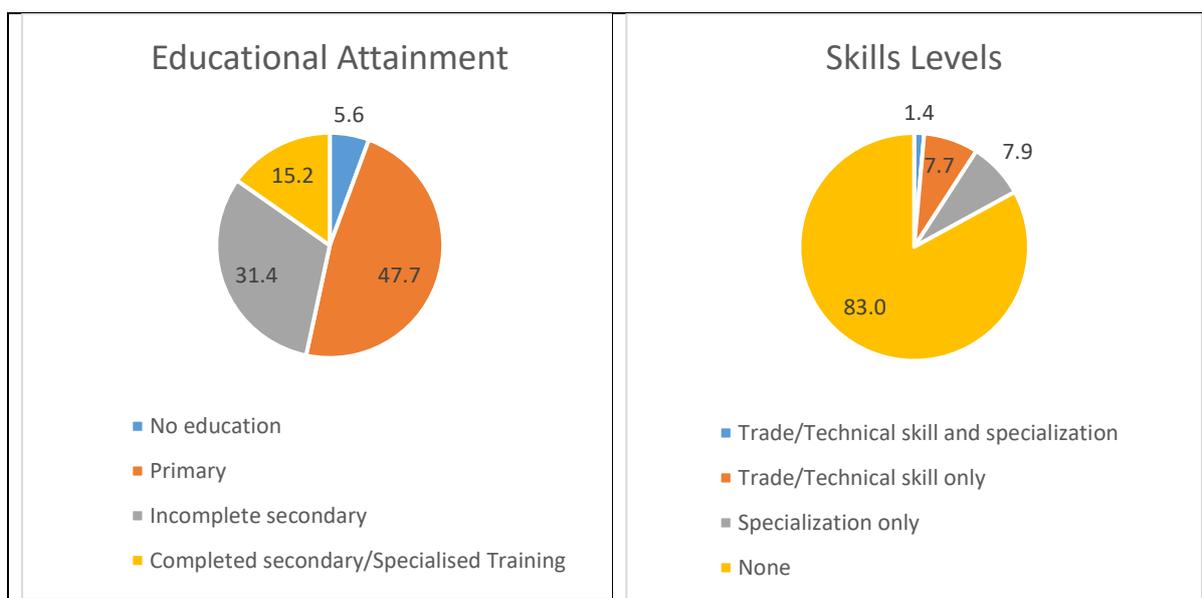
Source: National Labour Force Survey 2021

2.1.4 Sexual and Reproductive Behaviour of the Youth

2.1.5 Activity Status of Youth

The youths (18 – 30 years) constitute the 43 percent of working age population (14 – 64 years). The activity status of youth is analysed according to their engagement in formal education, training or employment. The youth could have been engaged in multiple activities, single activity or none of them. Youth in Employment referred to those who worked for pay or for profit for at least one hour in a week during the survey period.

Figure 2.3 shows that the proportion of the youth who were in 'Employment only' was constant between 2012/13 and 2016/17 then increased sharply in 2019/20. On the converse, the proportion of youth that was 'only in schooling' followed the opposite trend to those that were purely employed indicating how youth have swapped between schooling and employment over the period. The proportion of youths who were Neither in Employment, nor in Education/ Training (NEET) steadily rose from 33% in 2012/13 to 47% in 2019/20.

Figure 2.3: Activity Status of youth, Uganda, 2012/13 - 2019/20
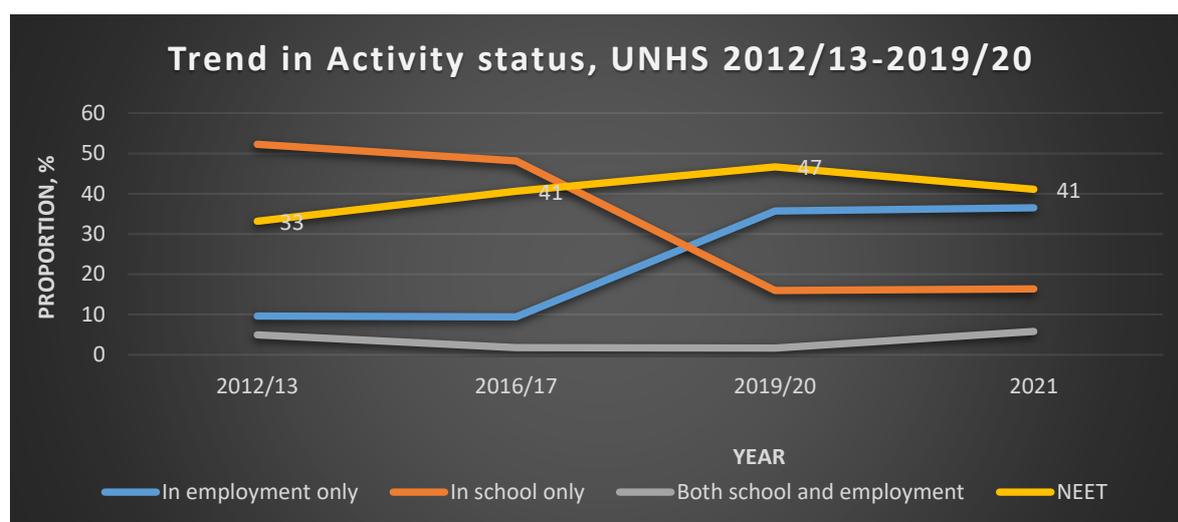
Source: Uganda National Household Survey 2012/13-2019/20, National Labour Force Survey 2021

Sex disaggregation indicates a wide disparity between the proportion of male and female NEETs, with greater proportion of females than males over the years. As shown in Table 2.2, the proportion of females who were NEET in 2019/20 were than half the total female youth population compared to about one third of their male counterparts. Table 2.2 further shows that, although the NEET rate increased over the three survey periods, the percentage change was at a minimal decreasing rate from seven percentage points to six percentage points.

Given current characteristics of youth NEETs, prevailing interventions appear to have been ineffective as the NEET rate remains persistently high and has even increased in recent years. This is a reverse of SDG Target 8.6 that sought to substantially reduce the proportion of youth not in employment, education or training by 2020.

Table 2.2: Activity Status of the Youth by sex, Uganda, 2012/13 - 2019/20

Activity Status	2012/13			2016/17			2019/20			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
In employment only	13.2	6.6	9.6	12.1	7.3	9.4	43.6	29.1	35.7	45.3	29.0	36.5
In school only	59.5	46.2	52.3	58.3	40.2	48.2	18.7	13.6	16.0	18.3	14.7	16.4
Both school and employment	7.5	2.9	5.0	2.8	1.0	1.8	2.5	0.9	1.7	8.2	3.8	5.8
NEET	19.7	44.3	**33.2**	26.8	51.5	**40.6**	35.1	56.4	**46.7**	28.0	52.2	**41.1**
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Labour Force Surveys 2012/13 - 2021

The National Labour Force Survey 2021 showed that the NEET rate increased with age. This is slightly different from the pattern observed between 2012 and 2020, where the NEET rate for age 30 was lower that that for those aged 25 – 29 years.

Table 2.3: NEET Rate by age group, Uganda, 2012/13 - 2021

Age group	18-19	20-24	25-29	30	Total
2021	31.7	41.9	44.0	48.4	41.1
2019/20	40.0	48.7	49.3	41.9	46.7
2016/17	39.1	43.7	40.0	32.4	40.6
2012/13	27.5	34.7	34.4	33.1	33.2

Source: Labour Force Surveys 2012/13-2021

Considering the activity status of the youths by single years, Figure 2.4 shows that there is a sharp downward trend among those in school by the age 18 years, while at the same age, those in employment are increasing. The proportion of NEETs spikes at the age of 21 and remains high thereafter. This age range coincides with the post-secondary school age. Given the dynamics an average of 48 percent become NEETs.

Figure 2.4: Activity Status of the Youth by Age (Single Years), Uganda, 2019/20
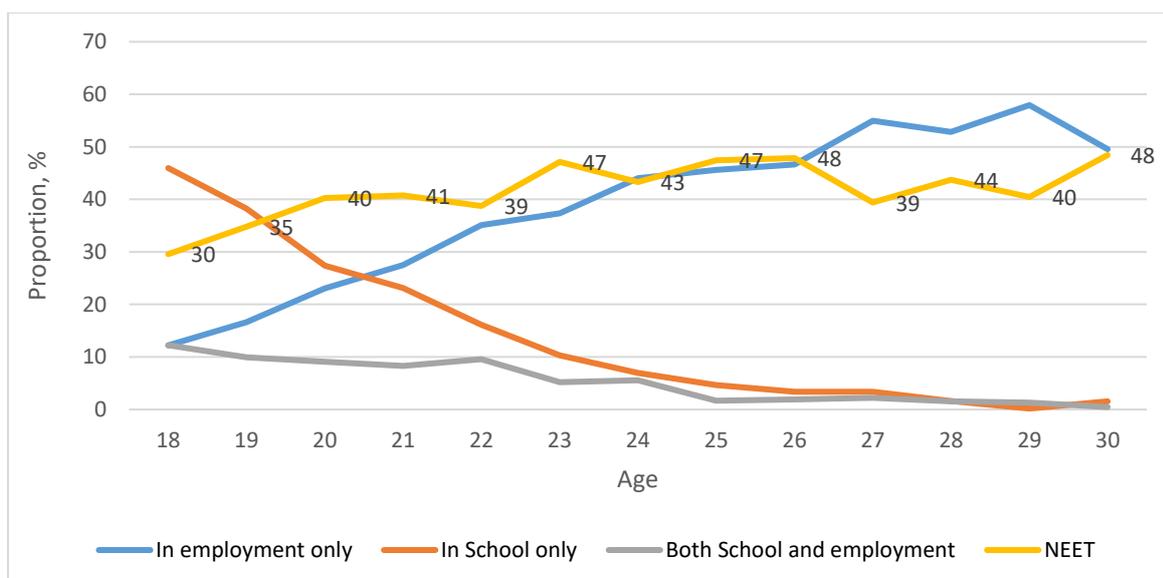
Source: National Labour Force Survey 2021

2.1.4: Occupations of Youths in Employment

Occupation is defined as a set of tasks and duties that a person pursues to earn income in cash and/or in kind. The findings in Table 10.5 reveal that high proportions of the youths were employed as services and sales workers (28%) followed by skilled agricultural, forestry and fishery workers (26%) and elementary occupations taking about 18%. Most female youths in employment (41%) were service and sales workers while most males were engaged as skilled agricultural, forestry and fishery workers (27%). In the urban areas the most common occupation among the youth was service and sales workers (39%) while the corresponding occupation among the youth in rural areas was skilled agricultural, forestry and fishery workers estimated at 36 percent.

Table 10.5: Occupations of Youths in Employment by Sex and Residence, Uganda, 2021

	Sex		Residence			
Occupation	**Male**	**Female**	**Rural**	**Urban**	**National**	**Number**
Managers/Professionals	2.9	4.3	2.5	4.0	3.5	130,000
Technicians and associate professionals	2.7	3.9	2.6	4.2	3.2	130
Clerical support workers	0.8	0.5	0.3	1.4	0.7	29
Service and sales workers	18.4	41.0	21.0	39	28.0	1,129
Skilled agricultural, forestry and fishery workers	26.9	25.1	35.8	10.8	26.0	1,054
Craft and related workers	16	8.7	12.6	8	12.9	520
Plant and machine operators and assemblers	12.3	0.7	13.3	6.5	7.4	298
Elementary occupations	19.2	15.8	16.9	19.1	17.8	717

	Sex		Residence			
Occupation	Male	Female	Rural	Urban	National	Number
Others	0.2	0.1	0.1	0.2	0.1	6
Total	100	100	100	100	100	
Number (000's)	2,323	1,714	2,471	1,563	4,022	

2.1.4: Labour underutilization of the Youth

Figure 2.5 shows that the Youth Unemployment Rate (LU1) was estimated at 17 percent. It was also noted that between 2019/20 - 2021 and 2016/17-2021, the Youth Unemployment Rate LU1 rose by about 4 percent points from 13 percent to 17 percent.

Figure 2.5: Trend in Youth Labour underutilization indicators, Uganda, 2016 - 2021
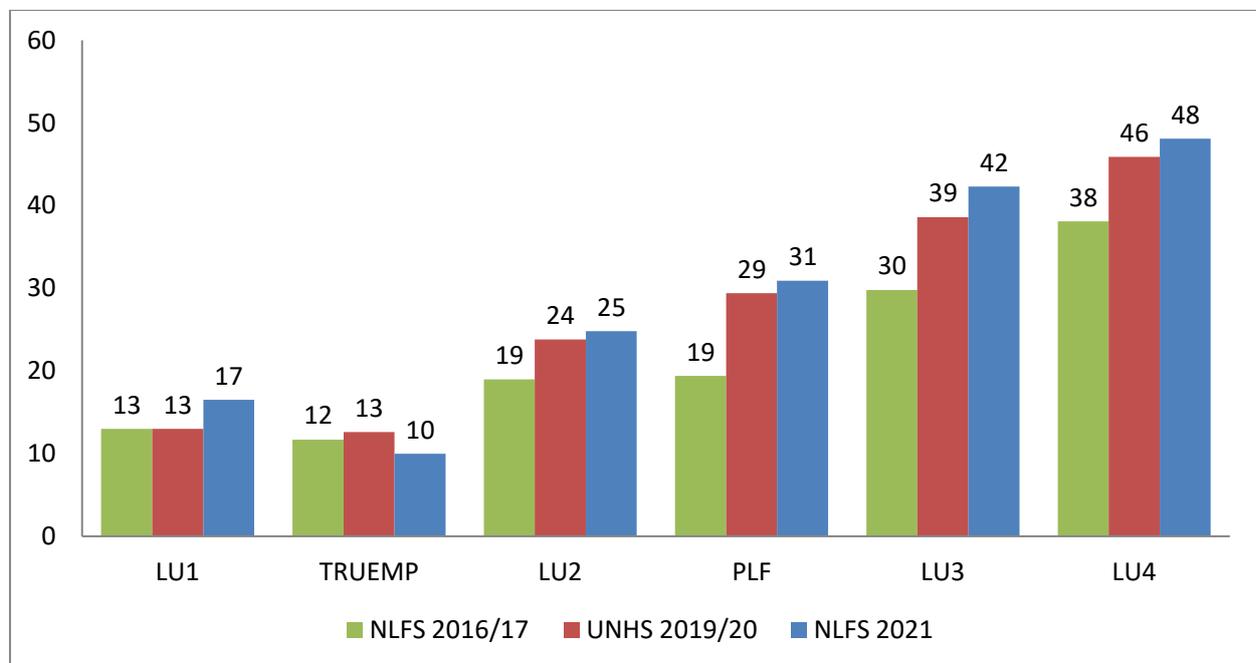
2.2   Profile of Youth NEETs

2.2.1 Magnitude of youth NEETs

Figure 2.6 shows that if the NEET Rate observed in 2012/13 remains unchanged, the NEET population is projected to increase from 2.5 million in 2012/13 to reach nearly six million in 2030/31.

Figure 2.6: Projected NEET Population (millions), Uganda, 2012/13 – 2030/31

	*2012/13	2016/17	2019/20	2022/23	2025/26	2028/20	2031/32
Projected NEET Population	2.5	3.3	4.4	4.2	5.0	5.5	5.8
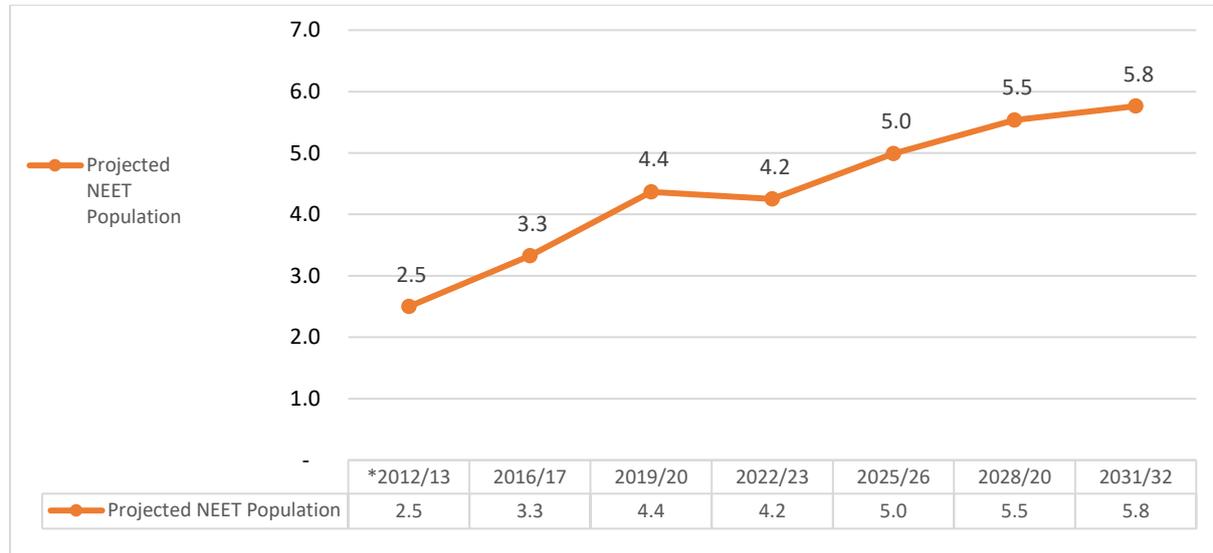
*Note: NEET rate for 2012/13 was applied to the 2014 Census Population of the Youth (considering a three-year moving average as shown in Figure 2.4).

The NEET rate varies widely by geographical location. Figure 2.7 shows that Bukedi region had the highest NEET Rate in 2021, while Karamoja region is 26.8 and Kampala City was lowest at 26.3%. However, in terms of absolute number of youth NEETs

Figure 2.7: Youth NEET Rate by sub-region, Uganda, 2021

Legend
NEET by Sub-region
- 26 - 27
- 28 - 38
- 39 - 44
- 45 - 49
- 50 - 61

South Sudan

West Nile
41.2

Acholi
34.4

Karamoja
26.4

D. R. Congo

Lango
49.3

Teso
38.4

Bunyoro
42.5

Elgon
44.1

North Buganda
36.6

Bukedi
61.4

Busoga
43.5

Tooro
41.6

Kenya

Kampala
26.9

South Buganda
41.2

Ankole
34.1

Kigezi
42.1

Tanzania

Rwanda
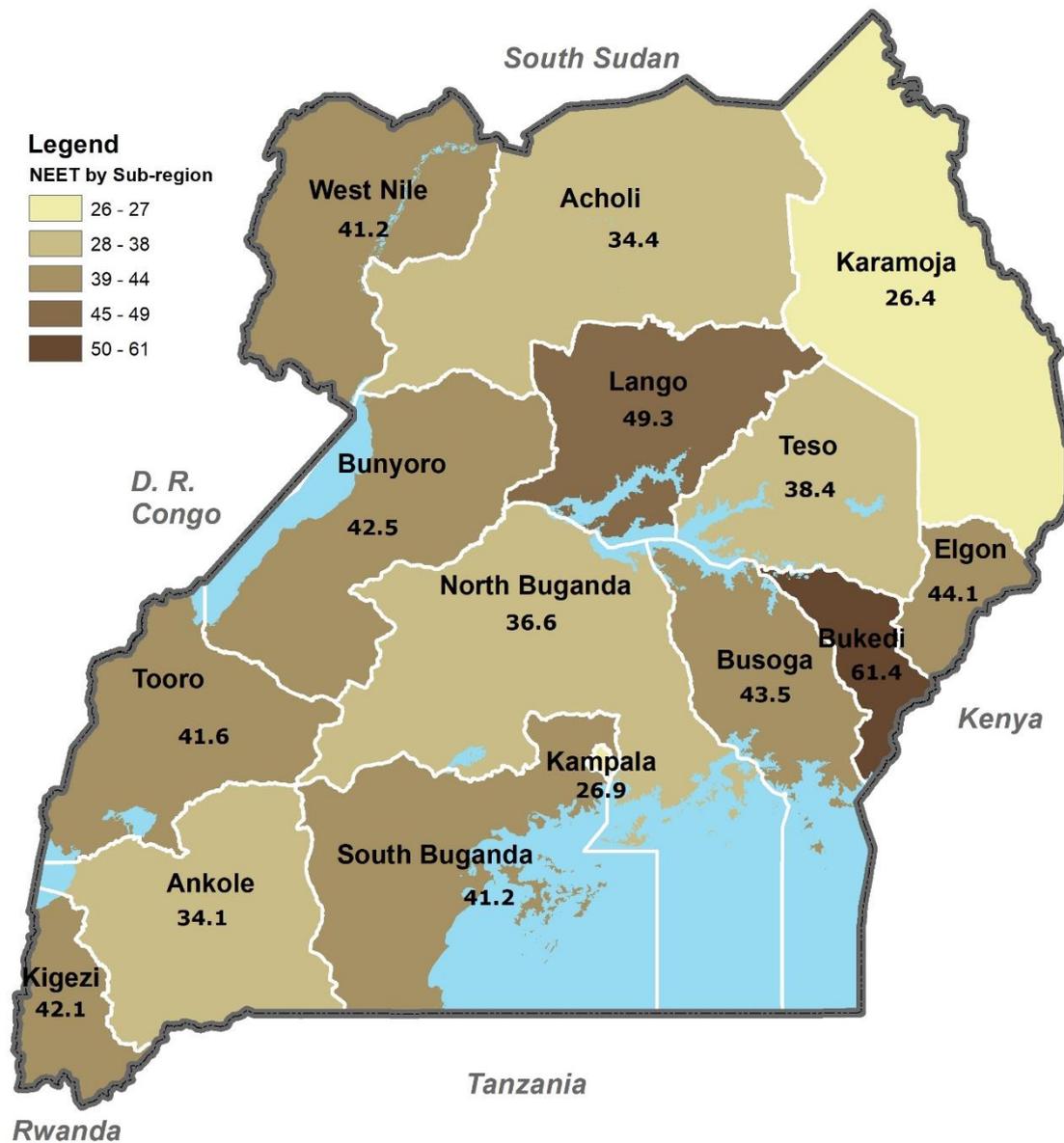
2.2.2 Age Composition of the Youth NEETS

The distribution of the Youth NEETs by age shows that

Figure 2.5 shows that there was an increase in the NEET Rate by age group between 2012/13 and 2019/20, followed by a decline in 2021. The proportion of NEETs aged 21to 24 and 25 to 29 years declined by about 5 percentage points from 2019/20 to 2021 after a consecutive increase in previous two survey periods in total of 10 percentage points respectively. Generally, the proportion of young adults aged 18-24 still expected to be in some form education or training was high increasing from 32% in 2012/13 to 46% in 2019/20 and only declining to 39% in 2021. This implies that the lack of utilisation of full potential of the young people is not only not being realized but also worsening.

Figure: 2.8 NEET Rate by age group, 2012/13 - 2021

Figure: 2.5 Proportion of youth NEETs by age, 2012/13 -2021
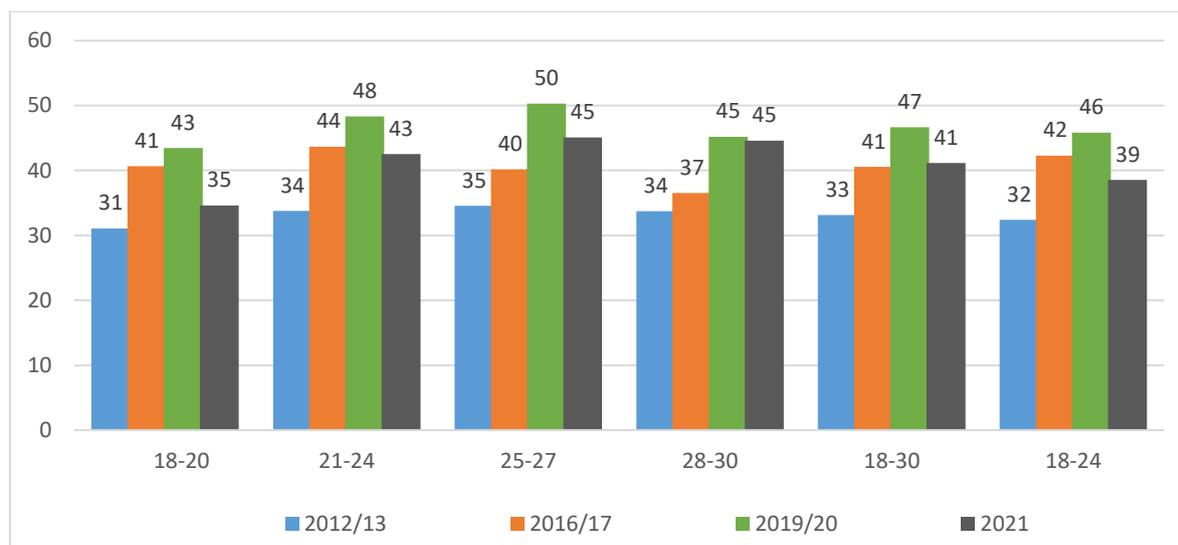
Source: Uganda National Household Surveys 2012/13, 2016/17, 2019/20 & National Labour Force Survey 2021

2.2.3 Education of the Youth NEETs

The majority of the Youth NEETS had had some exposure to formal education. However, their level of attainment is quite low. Table 2.4 shows that only 12 percent of the Youth NEETS had attained complete secondary education or higher. This therefore limits their chances of getting absorbed in formal employment since the majority of such jobs require a minimum of secondary education.

Table 2.4: Distribution of Youth NEETs by Education Attainment, Uganda, 2012/13 - 2021

	2012/13	2016/17	2019/20	2021
No formal schooling	0.2	6.2	7.5	6.4
Some Primary	46.6	57.8	40.1	35.4
Complete Primary	11.3	29.6	15.9	16.2
Some Secondary	24.1	2.0	17.8	30.2
Complete Secondary	1.3	2.0	11.2	3.3
Post-secondary plus	5.2	2.3	7.5	8.3
Not Stated	11.3	0.2	0.1	0.1
Total	**100**	**100**	**100**	**100**

Source: National Labour Force Survey, 2021

The NEET rates varied by level of education completed with higher NEET rates for lower education levels completed and lower NEET rates for higher education levels completed. The rate for females were higher than for males across all education levels and the gaps in NEET rates between males and female youth was much higher for the lower education levels completed indicating stark gender disparities among NEETs.

Figure 2.9: Youth NEETs Rate by Highest Level of Education attained, Uganda, 2021
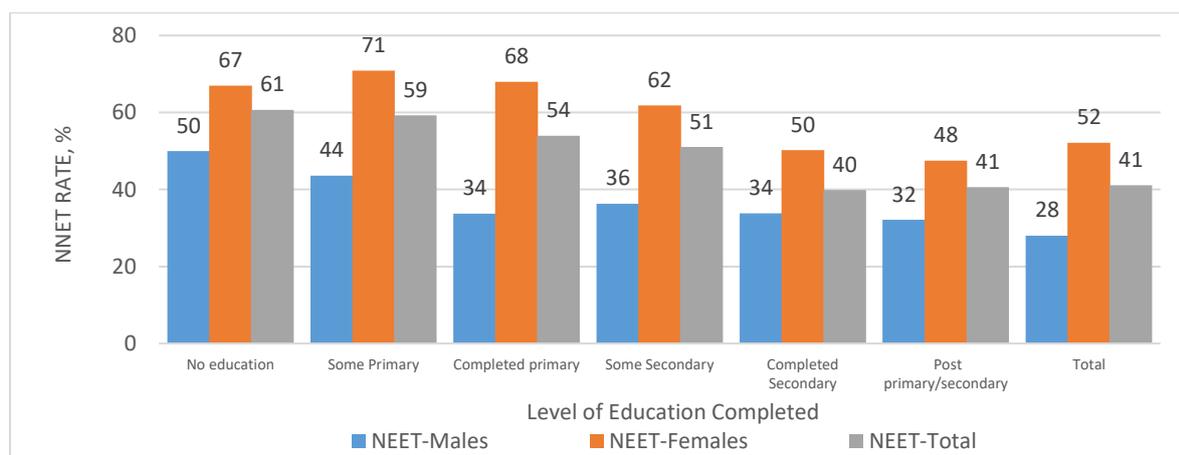
Source: National Labour Force Survey, 2021

2.2.4 Marital Status of the Youth NEETs

The majority of the youth NEET were married (58%) either monogamously or polygamously. A higher proportion male youth NEETs were never married (61%) compared to females (23%). The reverse sex-pattern was observed among the married youth NEETs.

Figure 2.10: Marital Status of Youth NEETs, 2021
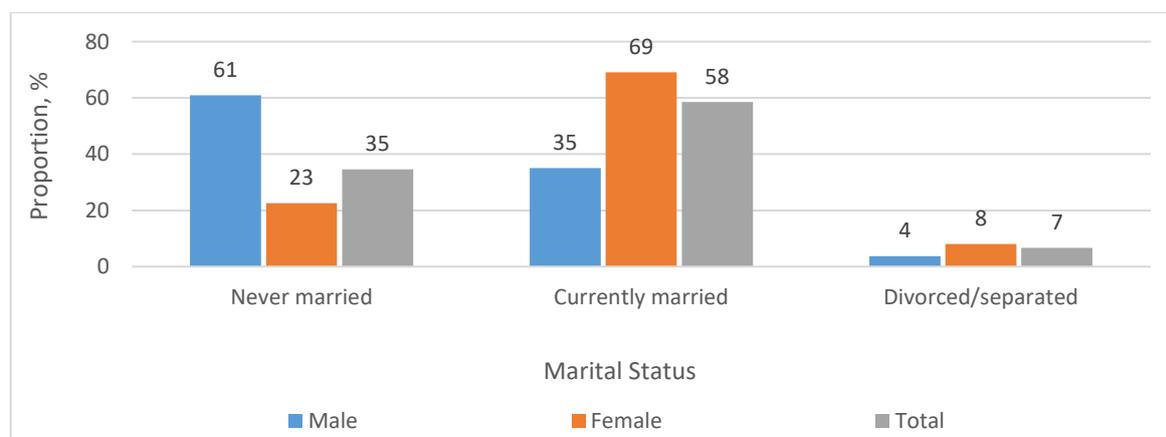
Source: National Labour Force Survey, 2021

2.2.5 Household Income Status

Households in the the lower income deciles had higher proportions of youth NEETs with NEET rate of 66 percent in the lowest income deceile. On the converse, households in the highest income decile had a NEET rate of 27 percent (UNHS 2019/20). The pattern is the same for both male and female youth NEETS.

Figure 2.11: NEETs by Household Income Status, 2019/20
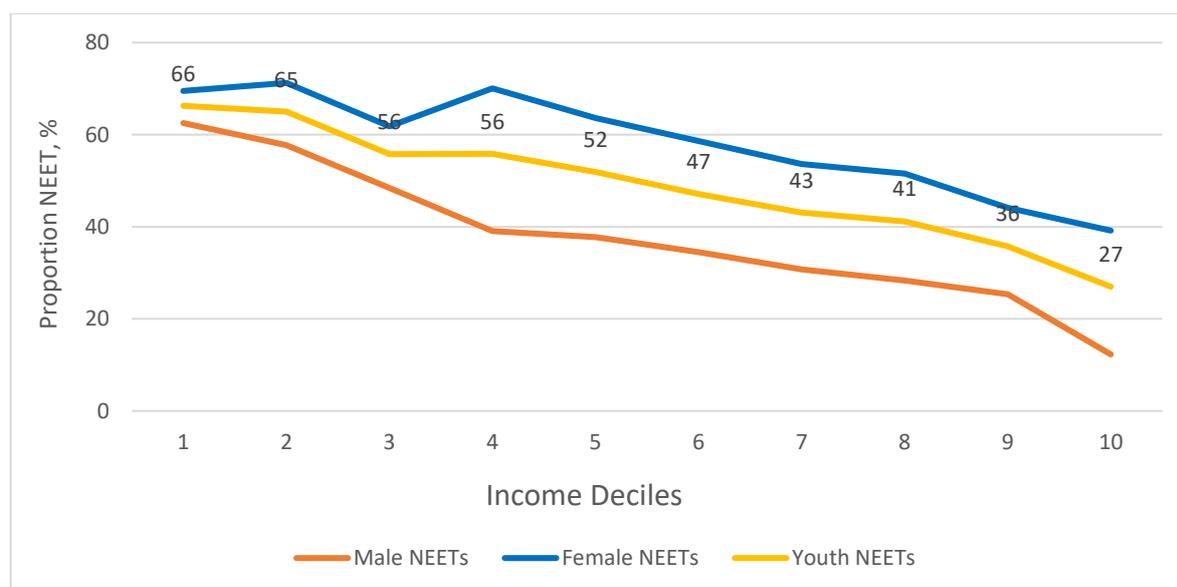
Source: Uganda National Household Survey 2019/20

The findings highlight heterogeneous nature of youth NEETs in Uganda with a multitude of deprivations, lack of employment, low education levels, and high levels of household poverty. These make NEETs a uniquely vulnerable group that required an in-depth analysis of their determinants in order to address their deprivations in terms of labour market and social exclusion.

2.3   Drivers to Youth NEET

2.3.1   National/System related drivers

A combination of factors form highlights of youth NEET. As shown in the Figure 2.12, despite the fact that there is free universal primary and secondary education, most youth NEETs (61 %) in 2019/20 stopped attending school because of cost-related factors. 22 percent of the youth NEETS dropped out of school due to attitude factors such as lack of willingness by the NEETs to continue further education, feeling of completing desired levels of education, effect of poor performance and parents' poor attitude toward education. A higher proportion of the female NEETs were more affected by social factors, especially early pregnancies (11.8%) that lead to stopping schooling by NEETs.

Figure 2.12: Reasons for NEETs stopping school by Sex, Uganda. 2019/20
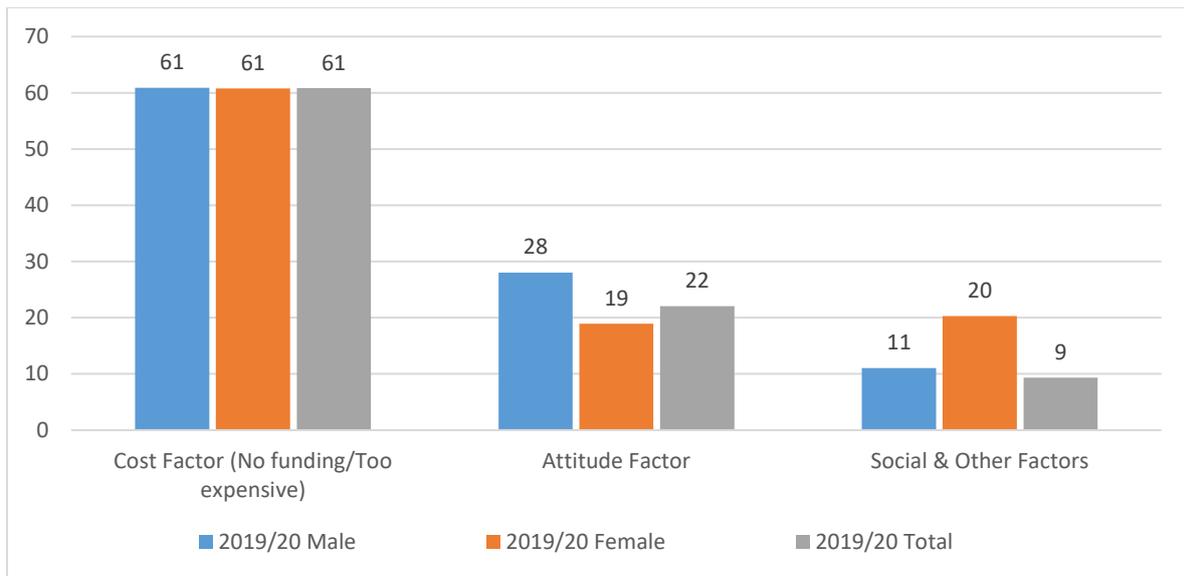
Source: Uganda National Household Survey 2019/20

Individuals may get discouraged when they search for jobs for a long time without success. As of 2021 (presented in Figure 2.13), about 54 percent of youth NEETs had stayed for one year or longer without a job and trying to find one, with some (22%) staying for over three years. The phenomenon has been on a rising trend over the years and with the growing population, the absolute numbers are implicitly higher. Appendix Table A3.2 no major differentials in the pattern of duration in search for jobs by youth NEETs.

Figure 2.13: Duration NEETs were without job and trying to find one
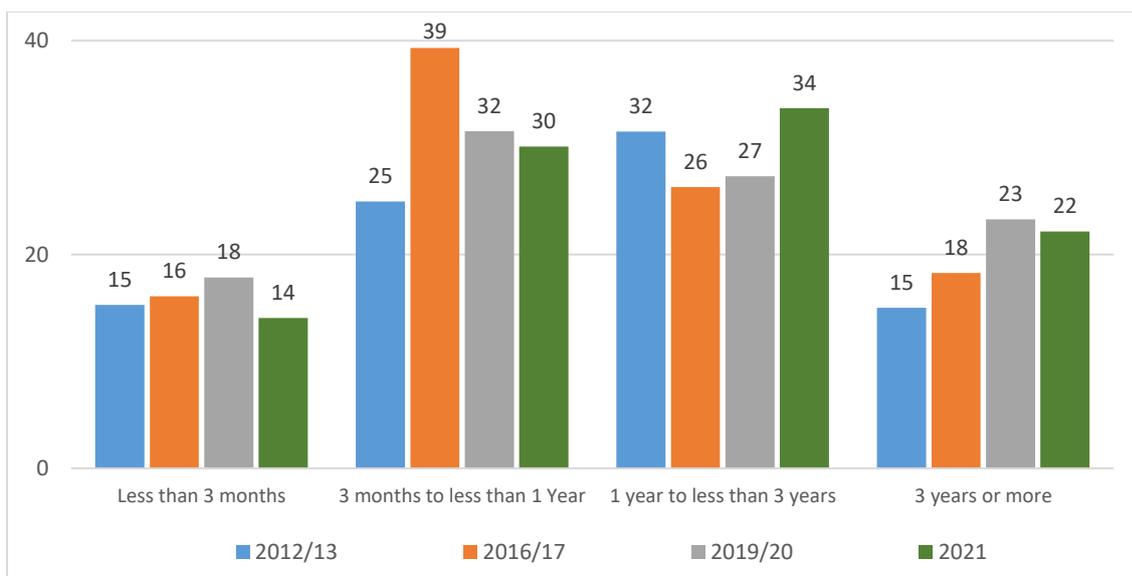
2.3.2 Household Related drivers

Appendix Table A3.3 presents selected household level determinants of NEETs. The Table shows that residential status, households income status and household size were found to be significant determinants of the NEET status of the youths. Residing in urban areas reduced ones chances of being a NEET compared to those resident in rural areas. Given the odd ration of 0.89, it implies that youth in urban households have 0.89 times the odds of those in rural households being NEET. Youth in urban areas are less likely to be NEETs compared to rural based NEETs.

Considering income status, youth in the richer households (first and second quintile) were less likely to be NEETs given their negative coefficients and their probability increases with increasing income given the declining odd ratios compared to those in poor households (quintile 1). However, the size of the household is positively related to youth NEET given the positive coefficients implying that youth in households with more than one person was more likely to be NEETs. The greatest impact is in households with four members with odd ratio 3.43 compared to single person households meaning that youth in households with four persons had 3.43 times probability of being NEET compared to single person households. As the household members increased after the peak of four, its determinant to NEET starts to decline as indicated by the declining odd ratios. This may imply that households of four are able to care for a youth NEET but as the household population grows, the resultant economic pressures push youth NEETs to engage in other activities and probably migrate.

Table 2.3: Household Related Determinants to Youth NEETs

Characteristic of the Youth NEETs	Odds ratio
Residence	
Urban	0.8943
Quintiles	
Quintile 2	0.7325
Quintile 3	0.5845
Quintile 4	0.4336
Quintile 5	0.2975
Household Size	
Two	2.8592
Three	3.3513
Four	3.4308
Five	3.0558
Six	2.5946
Seven	2.1576
Eight	2.0636
Nine or more	1.9415

2.3.3 Individual level drivers

Figure 2.14 and Appendix Table A3.4 show that there are a variety of reasons why youth NEETs stopped searching for jobs. The reasons related to unavailability of the employment accounted for 60.8 of the youth NEETS, with wider differentials between males (82,8%) and females (46.3%). Family responsibilities accounted for 29.7 percent. It is noteworthy that many young people (9.5 percent) did not look for employment opportunities due to lack of skills required for the jobs while 11.1% did not know where to search for the job.

In the current digital world with many gig opportunities within or outside the country, ICT skills are paramount. In 2019/20, as shown in Figure 2.11, more than half (55%) of young NEETs did not look for employment due to skills related factors including inability to find work for their skills or had looked for job(s) before but had not found any or No jobs available in the area/district or did not know how and where to look for work.

Figure 2.14: Reasons for not searching employment
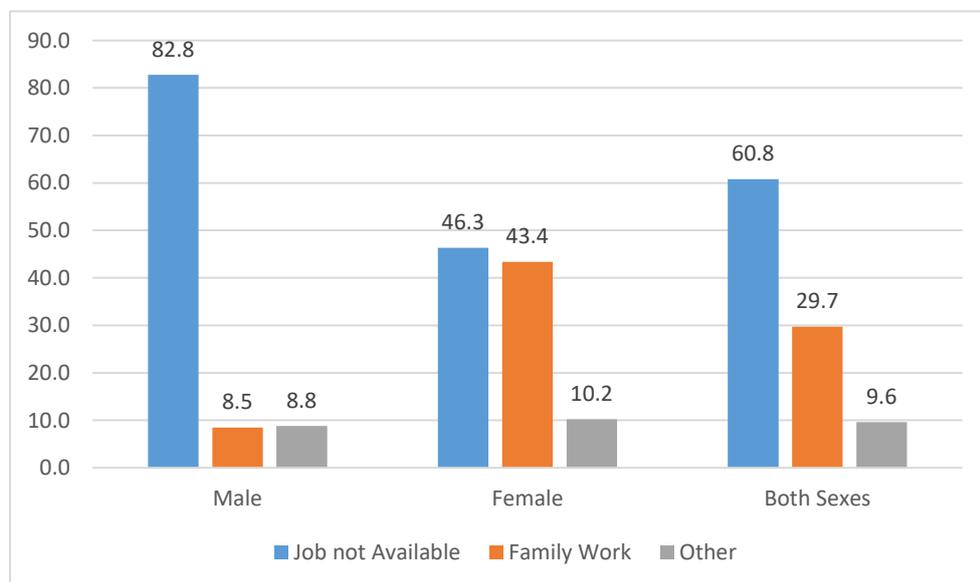
Through the stepwise logistics regression, a number of individual related variables could not fit in the model. The significant variables as presented in Table 2.4, included sex, education level completed, migration status, disability status and consumption of alcohol.

Male youths had negative coefficient which meant that, in comparison to females, males were less likely to be NEETs compared to females. Male youth were less likely to be NEET by probability 0.57 compared to females. Other variables with negative coefficients included migration status and level of education completed. The Youth that ever migrated were less likely to be NEET by probability of 0.41 compared to those who never migrated. Whereas the youth attended school were less likely to be NEET, the probability increases by increasing levels of education completed from 0.17 for those who completed lower primary to 0.69 for those who completed post primary and above.

On the other hand, Disability status and consumption of alcohol had positive coefficients and statistically significant given the P-values less than 0.05. Youth with disabilities were more likely to be NEET compared to those without disabilities given the positive coefficients of the z-score. The youth with disabilities have a probability of 0.38 more likelihood to be NEET compared to those without disability. Similarly, youth who did not consume alcohol, even if they consumed in the past, were more likely to be NEETs compared to those currently consumed alcohol.

Table 2.4 Household Related Determinants to Youth NEETs

Characteristics of the NEETs	Odds ratio
Sex	
Male	0.433
Education level Completed	
Lower Primary	0.829
Upper Primary	0.966
O-Level	0.686
A-Level	0.653
Post Primary & above	0.414
Migration	
Migrant	0.594
Disability status	
With a Disability	1.616
Consumption of Alcohol	
Yes, in the past	1.267
No	1.922

2.3.4 Relationship between NEETs and Selected individual characteristics

Through stepwise regression analysis to keep significant variables (with p-values < 0.05) into the model and conducting robustness test to control for homoscedasticity, results presented in Table 2.5 show that level of education completed, migration status and income status of households of the young people reversely relate to their NEET status. For example, young people who completed lower levels of education were more likely to be NEETs compared to those that completed higher levels. In a similar way, young people from households with lower income were more likely to be NEET compared to those from households with higher income. This may be so because households with higher income are able to keep youth at school for longer compared to those with lower income. Consequently, the young people not at school (from lower income households) will likely tend to migrate in such for opportunities where the results show that those who migrated were more likely to be NEETs.

Disability status, use of alcohol and household size of the youth were directly related to the youth falling into the category of NEET. The larger the household size, the more likely the youth becoming NEET. The results also show that youth with disability and those who ever consumed alcohol were more likely to be NEETs than their counterparts. However, the most important factors, based on the magnitude of the t-statistics included income levels, household size and consumption of alcohol.

Table 2.5 Relationship between NEETs and Key Social-economic Indicators

Linear regression						
				Number of obs	=	8,986
				F(6, 8979)	=	130.74
				Prob > F	=	0.0000
				R-squared	=	0.1027
				Root MSE	=	0.4699
NEETs	Coefficient	std. err.	t	P>t	[95% conf.	interval]
Education attainment	-0.0025	0.0005	-4.85	0.0000	-0.0035	-0.0015
Migration since 2012	-0.0557	0.0214	-2.60	0.0090	-0.0977	-0.0137
Disability status	0.0961	0.0236	4.08	0.0000	0.0500	0.1423
Household size	0.0234	0.0028	8.23	0.0000	0.0178	0.0289
Income Decile	-0.0347	0.0024	-14.69	0.0000	-0.0393	-0.0301
Alcohol Consumption	0.0939	0.0096	9.73	0.0000	0.0750	0.1128
_cons	0.4687	0.0345	13.58	0.0000	0.4010	0.5363

Young people from lower income households may not afford to acquire core skills required for the current job market

CHAPTER THREE: LOSS TO THE ECONOMY

3.1   Background

To design appropriate recommendations for policy makers, labour market and public health professions, decision makers and others with potential to address the problems of NEETs in all sectors of the country. It is important to establish the cost of government doing nothing regarding supporting the NEETs with the increasing challenges and the associated effects at all levels and implications on future youth population. There are huge costs of doing nothing regarding supporting and reducing the number of the NEETs. These costs must be understood and modelled to the extent possible for proper and effective policy action. The cost of NEETs ranges from lost income, lost output in terms of Gross Domestic Product (GDP), lost tax revenue, lost human capital, societal problems among others.

In estimating the social and economic impact of youth NEETs, it is important to note that the costs occur both at the micro and macro level. The micro level includes the individual youth NEET and their family and community, while the macro level includes the economy and the country. Therefore, to establish the NEETs associated loss to the economy and the likely implications, there are many dynamics involved both at the individual level and the economy.

3.2   Macro level loss

At the Macro level - the greatest loss to the economy is in terms of the lost output (GDP) that occurs due to lost efficiency as the economy operates inside the Production Possibility Frontier. This further leads to loss of tax revenue and higher budget deficits. To estimate the lost GDP associated with NEETs, the study adopted Okun's Framework (see detailed explanation in Appendix 2) Okun's law states that a one percent (1%) increase in the unemployment rate results in a loss in GDP (output) growth by roughly three percent or more. Therefore, using this framework, the study estimated the lost GDP due to the current and past numbers of NEETs in Uganda. Using conservative assumptions by relaxing Okun's output gap of 3% to 1.5% due to differences in the socio-economic setting of Uganda's economy from the rest of the world, we estimate the output gap as follows:

3.2.1 Lost GDP due to NEETs

Figure 3.2 indicate that in FY2019/20, Uganda's GDP would have been higher by UGX 16.3 trillion and by UGX 15.13 trillion in 2020/21 if NEETs were at least 10% of youths or less. The loss in GDP due to inactiveness of the NEETs persistently increased from UGX 6.5 trillion in 2012/13 to UGX 16.3 trillion in 2019/20 and UGX 15.13 trillion in 2020/21. Over the period, Uganda lost an average of UGX 12.04 trillion worth of goods and services every year due to the continued inactiveness of the NEETs. Despite efforts to create jobs, the number of NEETs is also increasing and therefore creates an increased amount of lost GDP. It should be noted that the underutilization and disengagement of NEET Youths have short, medium, and long-term costs to the economy. However, the findings of this study are based on the partial analysis and only tells a snapshot of the likely loss to the economy in terms of reduced Gross Domestic Product.

Figure 3.2: GDP Loss associated with NEETs, Uganda, 2012/13 - 2021
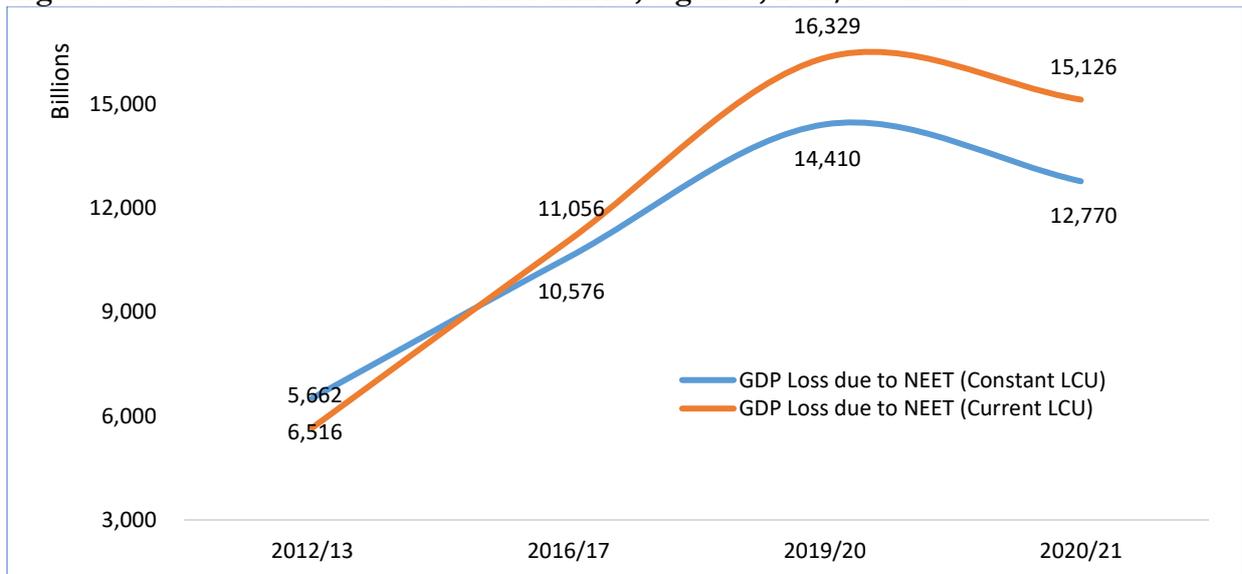
Source: Estimated by author based on Okun's modelling framework

3.2.2 Lost GDP due to unemployment

Over the period of study, the loss in GDP attributed to the current unemployment in the country averaged UGX 5.76 trillion per year. The reduction in GDP loss due to unemployment corresponds to the decline in the overall unemployment rate from 11.1% in 2012/13 to 8.8% in 2019/20 (UNHS) but reversed in 2020/21 to a record high of UGX 10.51 Trillion due to a rise in unemployment from 8.8% in 2019/20 to 11.9% in 2020/21 (LFS 2021). Therefore, the study establishes that continued disengagement of the Ugandans due to unemployment is associated with continued contraction of the economy, and this calls for urgent action by government, private sector, non-governmental organizations, cultural and faith-based institutions, communities, families, and everyone at large.

Figure 3.3: GDP Loss due to Unemployment (Current LCU), Uganda, 2012/13 - 2021
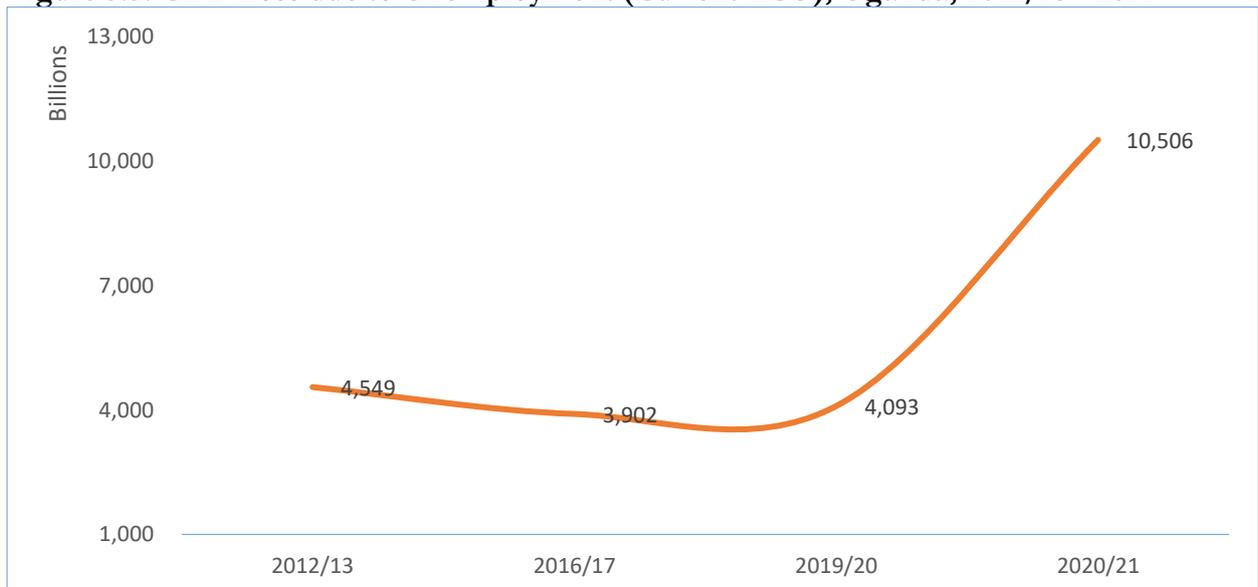
Source: Estimated by Author

The study findings show that Uganda's economy loses more in GDP due to the inactiveness of NEETs than due to unemployment alone. Averagely, on an annual basis, Uganda loses UGX 12.04 trillion worth of goods and services due to existence of NEETs and loses only UGX 5.76 trillion due to the prevailing unemployment. Therefore, NEETs are twice as likely to cause GDP loss compared to having unemployed person of all ages. The cost of government doing nothing regarding supporting the NEETs at all levels implies an average annual loss of UGX 12.04 trillion to the country.

3.2.3 Lost Tax Revenue due to NEETs

To estimate the tax revenue, a standard resource cost framework as used by Godfrey et al. (2002) was utilized (detailed assumptions and inputs used are listed in Appendix 2). Figure 3.4 shows statistics from the Uganda Revenue Authority indicate that the total collections from PAYE have steadily increased from UGX 158 billion in FY 2012/13 to UGX 225 billion in FY 2016/17, UGX 338 billion in FY 2019/20 and UGX 365 billion in FY 2021/22.

However, using the standard resource cost framework and conservative assumptions, the estimated loss in tax revenue (PAYE) due to NEETs was UGX 42 billion in 2012/13, increasing to UGX 78 billion in 2016/17 and UGX 149 billion in 2019/20 before reversing to UGX 140 billion in FY2021/22. Therefore, on average, Uganda's economy loses UGX 102.3 billion in Pay as You Earn (PAYE) Taxes due to the inactiveness and disengagement of NEETs over the period of study.

Therefore, the continued disengagement of the NEETs is associated with continued loss of tax revenue in form of lost PAYE to the economy, and this calls for urgent action by government to create employment opportunities in the taxable sector and to increase government revenue.

Figure 3.4: Tax Revenue (PAYE) lost due to NEETs
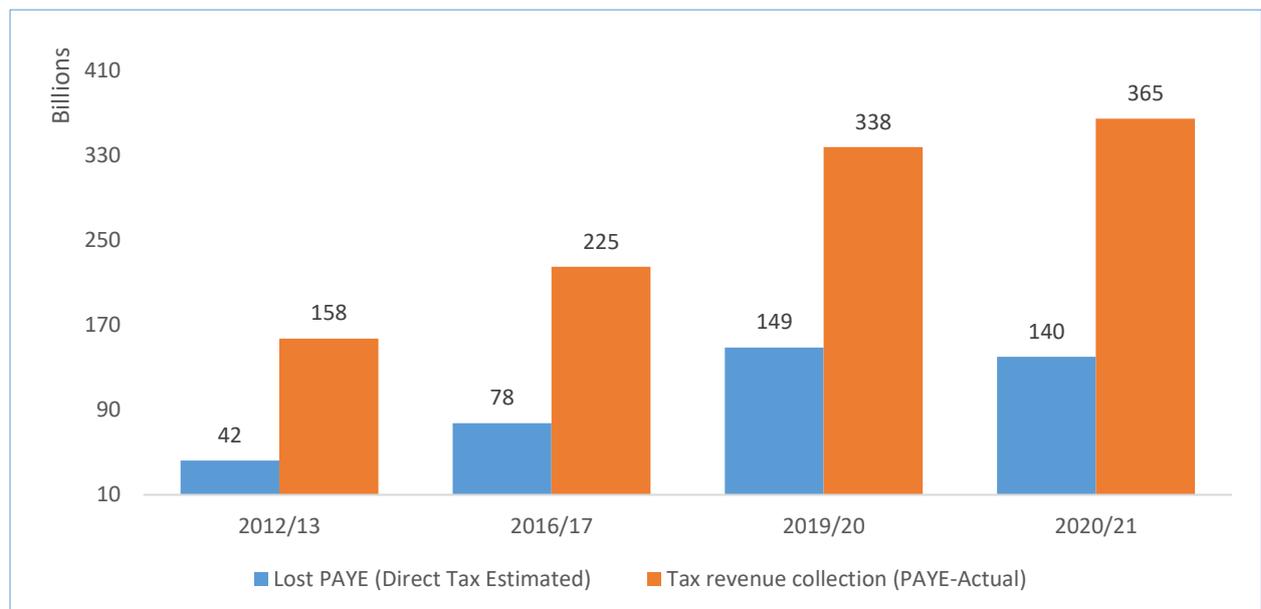
Source: Estimated by Author

3.2.4 Lost Income due to NEETs

To estimate the lost income, a standard resource cost framework as used by Godfrey et al. (2002) like for lost tax revenue was utilized. (detailed assumptions and inputs used are listed in Appendix 2). For this study, the foregone annual personal income represents the difference between earnings achieved and the earnings that could have been achieved with the absence of being NEET. Based on the standard resource cost framework, figure 3.5 shows that at the macro level, the foregone annual personal income among NEETS expected to be in the private sector increased from UGX 233 billion in 2012/13 to UGX 768 billion in 2021/22 (69% increase). While the foregone annual personal earnings for the NEETS expected to be in the public sector tremendously increased from UGX 685 billion to UGX 2.151 trillion between 2012/13 and 2021/22 (68% increase).

Irrespective of whether the NEET was in the private or public sector, on average, the foregone personal income due to being a youth NEET is UGX 618 billion annually. This is a conservative estimate since it only considers direct income or earnings from employment, and that a youth NEET earns a Median Monthly Earnings of UGX 200,000. However, in reality, a big proportion of these young people could potentially earn far above average.

These differences between the public and private sectors can be explained by the earnings dynamics in the respective sectors. The opportunity cost is highest for the public sector at UGX 2,151 billion than the private sector at UGX 768 billion in 2021/22 because the Median Monthly Earnings that are higher in the Public than in the private sectors at UGX 560,000 and UGX 200,000 respectively. Therefore, the issue of earnings growth and earnings differentials should be of critical importance to policy makers.

Figure 3.5: Lost Personal income due to disengagement of NEETs
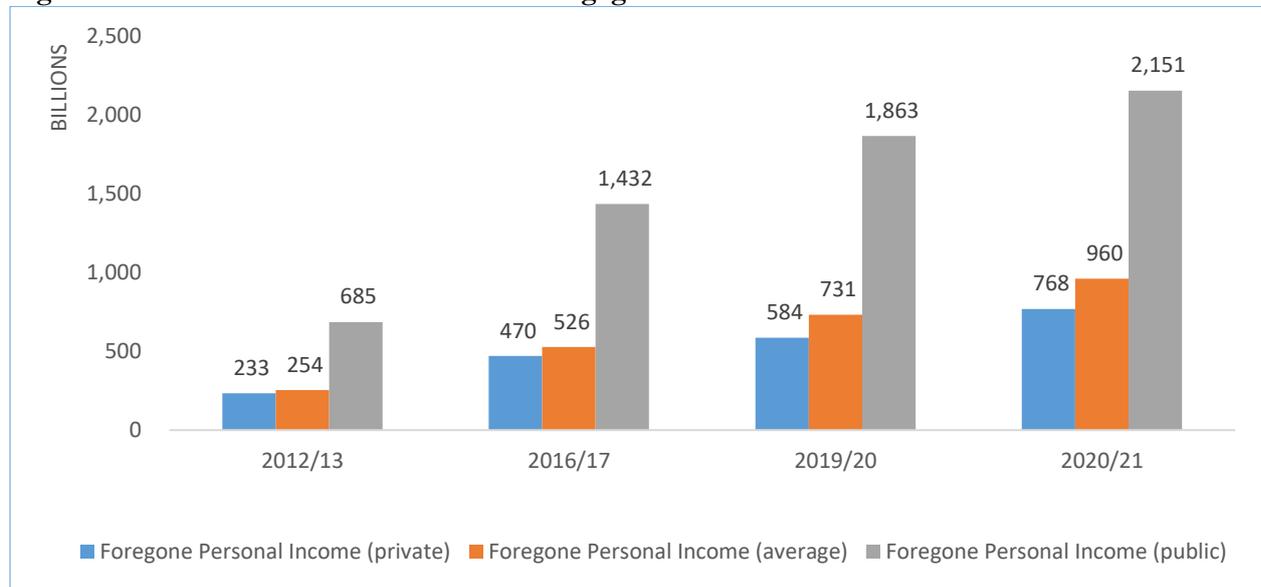
Source: Estimated by Author

3.3   Micro level loss

At the Micro level - the greatest loss to the economy based on the individual youth NEET is the lost income and the associated implications. Therefore, for this study, the lost income due to being a youth NEET was estimated.

3.3.1 Lost Income due to NEETs

Data from the Uganda National Household Surveys and Labour Force Survey (2021) presented in appendix table 3.1 shows that in the public sector, the Median Monthly Earnings increased from UGX 324,000 in 2012/13 to UGX 510,000 in 2019/20 while in the private sector it is much lower and only increased from UGX 110,000 in 2012/13 to UGX 150,000 in 2019/20.

Results from the standard resource cost framework shown in table 3.2 indicate that at the individual level, the foregone personal income was UGX 42,500 per month in 2019/20 - that is the extra earning lost because of the presence of a youth NEET in a household. This would otherwise be spent on other essential household needs like health care and educational needs. Thus, the opportunity cost of disengagement and inactiveness of NEETs is huge for the individual NEETs and the respective households. It is worse for those with more than one NEET.

Table 3.2: Forgone personal income, Uganda, 2012/13 - 2017

Income Characteristic	2012/13	2016/17	2019/20
Estimate number of NEET	2,115,000	3,131,000	3,653,000
Forgone personal income in 12 months irrespective of sector (UGX bns)	685	1,432	1,863
Forgone personal income per NEET in 12 months (UGX '000s)	324	457	510
Forgone personal income per NEET in a month (UGX '000s)	27	38	43

Source: Estimated by Auth based on Okun's model

3.3.2 Lost human capital and productivity due to educational under attainment

To estimate and model the cost of NEETs in terms of lost human capital, the study considered the lost productivity due to educational underachievement. Young NEETs with lower educational attainment are less able to do skilled work, more likely to continue in a state of underemployment, and more sustained unemployment. Therefore, this implies the country has a stock of human capital that is not productive. In this study, a qualitative attempt was made to enumerate productivity loss to both the individual NEETs and to the economy as a whole including the welfare loss to the individual NEETs. The study utilized the opportunity cost framework to enumerate the impacts of educational underachievement on whoever bears the cost (both the individual and the society/economy).

a) Individua level costs of educational under attainment

Failure to achieve full educational potential by the NEET youths can result in inability to obtain the job or course of choice resulting in loss of earnings compared to the non-NEET group; lower non-pecuniary rewards such as job satisfaction compared to the non-NEET group; and substandard quality of life. Young people with poor education or skills mean that the workforce is less able to do skilled work and it is not fully utilized. Lack of skills results in to unemployment, underemployment, lengthened transition to work and hence lost productivity. The individual NEETs thus experience a widening gap between themselves and their contemporaries who are better qualified, and there may be subsequent hatred. They are likely to have lower incomes, lower quality of life more vulnerable to unemployment than felloe youths who are not NEETs.

b) Society/Economy wide cost of educational under attainment

The society where the individual NEETs live are likely to be involved in longer periods of support; and private costs of additional education. The public finance costs of poor educational achievement arise from the need to identify the individuals; the provision of remedial courses; benefit payment and loss of taxation income in terms of cash and non-cash support programs because of their educational underachievement. Government must commit resources to continuously support the NEETs in terms of cash and non-cash support programs.

CHAPTER FOUR: YOUTH NEETS AND THE DEMOGRAPHIC DIVIDEND

4.1 Background

Uganda's population is very youthful, has a high child-dependency ratio, and is growing at a rapid rate. This presents both challenges and opportunities for the country's development. Uganda's population dynamics and economic opportunities can be turned into a valuable demographic dividend if it adopts the policies that prioritise investments in human capital to ensure a healthy and well-educated population; accelerate economic growth and job creation to ensure that the "surplus" labour force is gainfully employed and has strong purchasing power; and enforce accountability and efficiency in the use of public resources and delivery of social services.

This section aims to identify high impact interventions to facilitate NEETs to transition into employment, entrepreneurship, training, and education for transformation. To demonstrate the effect of addressing the problem of NEETs in harnessing the DD, the DemDiv Model was used. The detailed explanation of the DemDiv model is given in Annex 2.

The approach to achieve this objective is by first establishing the effects of youth NEETs at multi-dimensional levels to inform the Demographic Dividend (DD). Education and economy are the key pillars of the DD that directly relate to youth NEETs.

4.2 Education as a pillar of the Demographic Dividend

The Demographic Dividend is the extra GDP realised when combined interventions (human capital interventions are implemented on top of economic interventions) compared with what is realised when only economic interventions are implemented.

The demographic modelling exercises undertaken in 2014 and 2018, demonstrated that investments in human capital would lead the country to 'Middle income Status'. To affirm the significant contribution of education to youth NEETs and how it affects the DD, a logistic regression model was generated regressing the level of highest education attained among NEETs as well as establishing gender variations within primary level education as presented in Appendix Table A3.6.

The results show that highest Level of education attainment is significantly associated with becoming a NEET. Persons who attempted P1 and did not complete are 11 times likely to be NEETS. However, dropping out in P5 also has the highest odds of becoming a NEET. Although, an individual attaining a degree is also likely to be a NEET the chances are not like one with lower education- less than a degree. Therefore, skilling to make job creators is important as part of the education.

Figure 4.1: Odds Ratio of becoming a Youth NEETs by Educational attainment, Uganda,
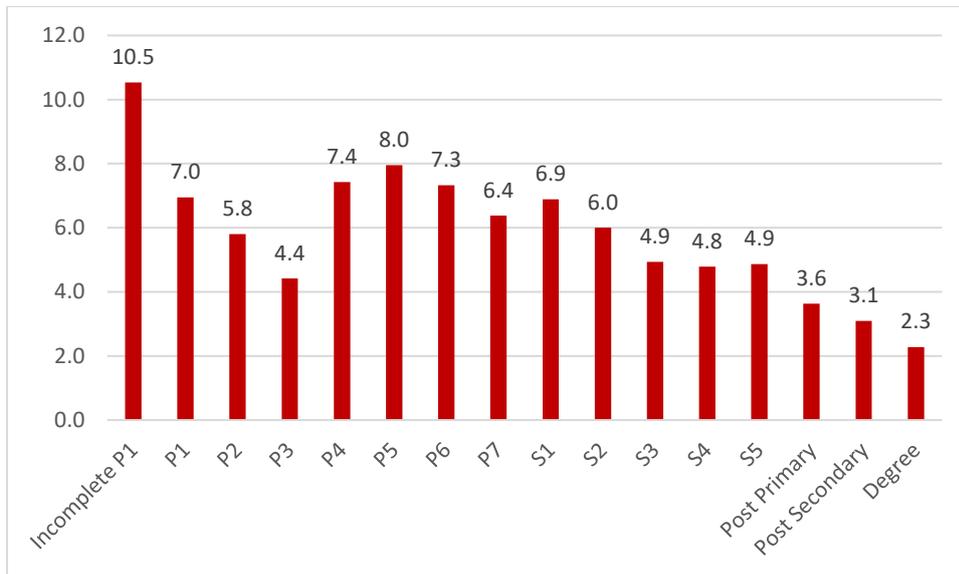
Figure 4.2 shows that girls' level of education is significantly associated with becoming a NEET irrespective of the level completed. Girls are on average four times likely to be NEETs compared to boys so they should be kept in school and acquire additional work skills. Education attainment for boys from P4 to P7 can significantly lead to becoming a NEET if no additional skill is given.

Therefore, much as job creation is being done, the people are not prepared to work (or do not qualify for jobs because they drop out of school much earlier) and end up as youth NEETs. This therefore calls for preparing people early for job creation, investment in higher education and skill at an early age to avoid NEETS.

Figure 4.2: Odds Ratio of becoming a Youth NEETs by highest educational attainment, by Sex, Uganda,
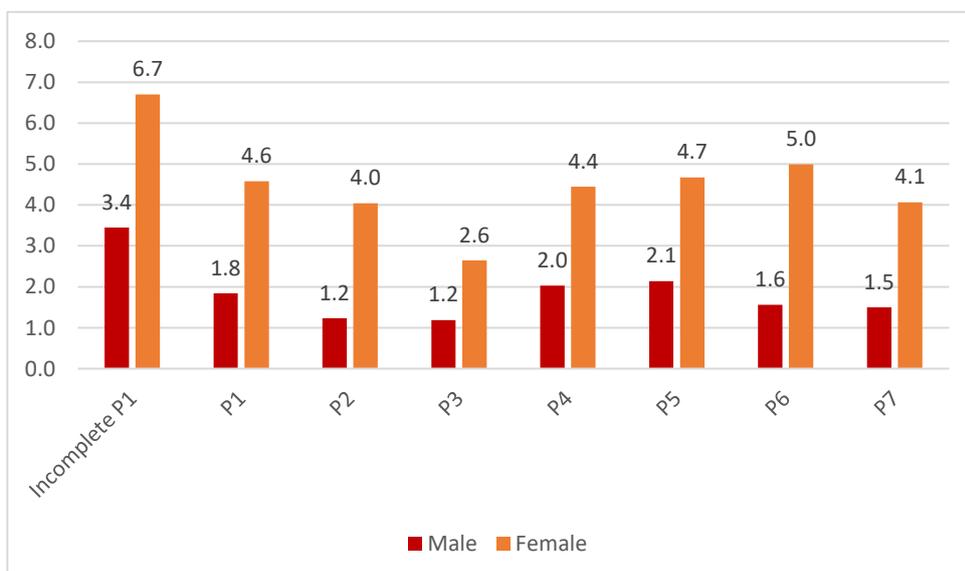
4.3 Potential Contribution of the Youth NEETs to attaining the Demographic Dividend

If there are deliberate efforts to reduce youth NEETs by increasing the mean years of schooling (S4 for girls and S6 for boys) at the current (2020/21) GDP per capita rate of 954, GDP growth rate of 3.4 percent, capital stock growth rate of 4.4 percent and a labour participation rate of 43 percent. Results from the DemDiv Model compared to the results in 2018 remodelled DD are shown below in Table 4.1.

Per capita GDP

The **Economic Emphasis Scenario,** in which the country prioritises economic reforms and invests at the level articulated in Vision 2040, projected that per capita GDP would increase to USD 9,008 compared to the USD 6,084 estimated earlier in 2017. This is in line with the Vision 2040 target and would move Uganda into the upper middle-income category.

In the **Combined Economic and Demographic Emphasis Scenario**, where the country would prioritise economic, education and demographic reforms to achieve the socio-economic transformation envisaged in Vision 2040. It concurrently prioritizes implementation of job-oriented economic reforms and investments in family planning and education. This would result in the GDP per capita increasing to USD 12,136 compared to the USD 9,523 estimated earlier in 2017. This is beyond the Vision 2040 target.

Capital formation per capita

Capital is an important factor that determines the quantity and the composition of output in an economy. Capital includes dwellings (modern and traditional), other buildings, structures (dams, roads, railways, airports and water pump stations), transport, ICT and other equipment and machinery, biological and mineral resources and, research and development.

Under the combined interventions scenario, Capital formation per capita is projected to slightly increase from USD 2,188 estimated in 2017 in 2040 to USD 2,210 estimated in 2022. This implies there will be increases in labour productivity hence increased rate of economic growth and, consequently higher standard of living for the population. For Uganda to maximize the gains from its capital, an effective combination of its capital with other factors like skilled workforce, healthy population, effective government policies, social justice, attitude of the people to work, among others should be considered.

Extra GDP realised

The Demographic Dividend is the extra GDP realised when combined interventions (human capital interventions are implemented on top of economic interventions) compared with what is realised when only economic interventions are implemented.

Given the current reduction in the labour force participation rate from 52% (UNHS 2016/17) to 43% (UNHS 2019/20), and 48% in 2021, the DD (extra GDP) will be USD 135 billion in 2040 slightly lower than USD 148 billion estimated in 2017. In other words, because of the additional investments in human capital (health, education and family planning), Uganda's GDP will be 20 percent higher than the level where it would be in 2040 if the country only focused on economic reforms. It is thus clear that the best development results are achieved when combined economic and human capital interventions are designed and implemented concurrently.

Table 4.1: Results of the DemDiv Model

		Modified Demdiv Model, 2022		Updated DemDiv Model, 2017	
		Economy only	Economy & education	Economy only	Economy & education
1.	Labour force (Millions)	14.8	14.9	22.4	22.5
2.	Gap between Working age Population and Employment (Millions)	19.7	19.8	15.6	15.7
3.	Gap as a percentage of Working Age Population	51.7	51.9	41.0	41.0
4.	Capital formation per Capita (USD)	1,575	2,188	1,525	2,210
5.	GDP per capita (USD)	9,008	12,136	6,735	9,523
6.	Demographic Dividend (Billion)	418	135	398	148
7.	Demographic Dividend % of GDP	77	20	80	23

Source: Computed by the Author using the Demdiv model

In conclusion, a reduction in youth NEETs without improving the labour force participation rate will slow/reduce the anticipated DD. On a positive note, the NDP III aims to increase labour productivity in the agro-industrial value chain as well as improve labour productivity in manufacturing by 2025. However, Uganda's human capital is generally characterised by low labour productivity partly attributed to a weak foundation for human capital and lack of appropriate knowledge skills and attitudes (NDP III).

Current government efforts to enhance skills and vocational Development:
The government has therefore put in place mechanisms to support and prioritize the youth NEETs as part of the human resource. The NDP III aimed to prioritize skills and vocational development to address unemployment, especially among the youth to create potential to contribute to Uganda's development processes and harnessing of the DD. These include:

- The skills projections in the national and sectoral human resource plans done through undertaking quick skills mapping with emerging or anticipated job opportunities in the economy.
- Government would then review the current Skilling Uganda Strategy and align it to the national and sectoral human resources plans and develop a comprehensive strategy to address the gaps in a coherent manner through existing or new vocational and tertiary institutions.
- Support building capacities of the existing vocational and tertiary institutions to start or expand programs that produce graduates with the required skills, while at the same time reducing intakes for courses that no longer address the needs of our economy. For instance, vocational and tertiary institutions would be supported to develop a pool of national expertise in the emerging mining, light manufacturing, oil and gas industries.
- Overall, all skilling initiatives aimed at providing Ugandans with Knowledge, Skills and Values for employment, job creation and productivity in the NDPIII growth areas.

Over the NDP II period, total enrolment in Technical Vocational Education Training (TVET) more than doubled from 42,674(28,024 male; 14,650 female) in 2013 to 109,305(Female: 39,325 and Male 69,980) in 2017. The Skills Development Facility (SDF) a GoU project funded by the World Bank in 2018 benefited more than 500 companies, 46 559 members of the private sector of whom over 80 percent are youth in areas such as accreditation, training and provision of equipment among others.

CHAPTER FIVE: RECOMMENDATIONS

The Government of Uganda through its Vision 2040 pronounced investing in the country's human resource to create human capital and thereby harness the Demographic Dividend (DD), as one of the strategies that will be adopted to enhance the country's chances of realizing the Vision 2040. However, The National Labour Force Survey 2021 showed that that the majority of the youths in Uganda (87%) do not possess any technical or vocational skill, yet the youths constitute 43 percent of the population of working ages (14 – 64 years) of Uganda. The National Labour Force Survey 2021 further showed that 41 percent (two out of every five) of the youths were 'Neither in Employment, nor Education or Training' (NEETs).

The current study showed that the existence of Youth NEETs in Ugandan households had a forgone personal income of UGX 42,500 per month per Youth NEET in 2019/20. At the macro level, Uganda lost an average of UGX 11.3 trillion worth of goods and services annually (over the period 2012/13 – 2019/20) due to the continued inactiveness of the Youth NEETs. Similarly, Uganda's economy loses UGX 89 billion in Pay as You Earn (PAYE) Taxes annually due to the inactiveness and disengagement of the Youth NEETs. The findings imply that, Uganda's economy loses more in GDP due to the inactiveness of NEETs than due to general unemployment in the country.

In order to achieve the desired development outcomes, the country needs to implement reforms that among others lead to increased labour productivity through having a healthy, properly educated and appropriately skilled human capital. In light of the study findings, there is a need for policy interventions to guide policy and decision makers and other stakeholders to address the problems of Youth NEETs in all sectors in the country. The major areas identified for policy interventions are Retention of Children in School, Employment Creation, Human Capital Development and Increasing the knowledge about Youth NEETs.

5.1 Retention of Children in School

The 2018 modelling of the Demographic Dividend for Uganda recommended keeping children in school for 13 years as one of the strategies of attaining the DD results. The Government of Uganda has implemented the Universal primary education (UPE) since 1997 and the Universal secondary education since 2007. However, findings from the Annual School Census (of the MoES) show that out of the 1.8 million Primary 1 Intake in 2011, only one third reached Primary seven. The current study shows that many children drop out of school in/after Primary Five (P5). The Annual School Census further shows that out of the nearly 350,00 Senior One (S1) intake in in 2014, about one quarter (24%) did not reach Senior Four. Therefore, the study makes the following recommendations in view of increasing retention of children in School:

  i. **Make Basic Education Mandatory**: Given the existence of UPE (since 1997) and USE (since 2007), there is an urgent need to make both primary and post-primary education compulsory and to target the attendance of girls in particular. Designing of a national incentive program to keep girls at school and the establishment of a long-term strategy for boosting their skills base remains a burning priority. Given that the majority of youths dropped out of school for funding related reasons, the Government should put in place measures to minimise the non-tuition fees requirements.

j. **Decommercialize education and training services to reduce the unnecessary competition especially among primary and secondary schools.** The commercialization of education has completely altered the purpose of education and this has led to loss of value of education and promoting cram work with limited child creativity and drop out for those that fail to cope up.

k. **Improve the capitation grant to effectively deliver the required education services and taking regard of locational differences**. This is because, the unit cost of education is higher in urban compared to rural areas and has continued to accelerate school dropout.

l. Strengthen general education at pre-primary, primary, secondary and tertiary levels to enhance learner's ability to think critically, develop communication skills and stimulate their capacities for creative and innovative thinking

m. Promote partnerships between primary and secondary schools with tertiary institutions and employers for career guidance at a young age to increase students' innovativeness, creativity, and participation in higher education

n. Undertake effective investments in physical education and sports following strategic planning and a revised policy framework.

o. Provide the required physical infrastructure, instruction materials and human resources at all levels of Education and Training including Special Needs Education.

p. Strengthen and integrate entrepreneurship education and training at all levels of education to ensure that learners are equipped with relevant business development skills including financial literacy, bookkeeping, proposal writing, sales and marketing as well as standardization and quality management

5.2 Human Capital

More than half (55%) of young NEETs did not look for employment due to skills related factors including inability to find work for their skills or had looked for job(s) before but had not found any or No jobs available in the area (61%). Additionally, 56 percent of youth NEETs stay for over one year without a job and trying to find one, which phenomenon has been on a rising trend over the years. Currently less than 10% of the working age population is skilled. Therefore, how can we make our population more skilled:

j. **Harness existing efforts:** Government needs to continuously progress with implementation of on-going initiatives across the country as outlined in the strategic development documents (NDP III etc) to realize the identified Technical Vocational Education Training (TVET) Centres of Excellence through the skills development projects and effective implementation of Skilling Uganda Strategy (BTC).

k. **Connect informal sector:** The informal sector remains a stronghold of employment, accounting for 88% of non-agricultural employment in 2021. The TVET system has largely neglected the specific training needs of the informal sector with no systematic approach to skills development for people already in or seeking to enter the informal sector like the youth NEETs. Government should deliberately target the informal sector by for instance ensuring that on-and in-the-job practical learning is inherent of informal businesses through a bye law/ordinance supervised by the Ministry of Local Government.

l. **Traditional old skills should not be forgotten** Skills and vocational development should target diversifying and increase enrolment to the traditional training areas (such as welding, food processing, tailoring etc) now that most of the youth drop out of school at primary level. This should be in addition to the current focus on emerging areas of mining, oil and gas which many are not applicable across the country given the district and the available social status.

m. **Publicise skills development centres:** In addition to government upgrading, advancing, and renovating the TVET centres, attract students to increase the enrolment rates by

reaching out to the community rather than waiting for them to enrol because some are not aware about the existence of the centres. The Parish Development Model (PDM) pillar on mindset change can be used as a driver, the right mindset, and integrated community mobilization are prerequisite for a successful achievement of increased enrolment to skills development centres. This will address the challenge of inability of youth NEETs to find work for their skills which affects 55% of them.

n. **Regional skill-needs assessment:** Many of the TVET training offer supply driven, they are not based on market assessments and they only duplicate formal sector training at very low levels. This calls for a skill-needs assessment to be undertaken for each district to ascertain the required skills that should be availed to the region to ensure efficiency and utilisation of the skills imparted, in line with the available job opportunities and natural resources. This will enhance regionalisation/zoning of skills development. It will also complement the NDP III plan for skills mapping with emerging or anticipated job opportunities in the economy and avoid creation of a national pool of experts but rather regional pools of experts in varied subjects.

o. **Produce and publish national scarce skills report to highlight critical scarce skills and qualifications needs of the country**. The report should inform human resource planning and development; resource allocation and prioritization of development of critical skills; the development of relevant qualifications programmes and curricula review and development; and international recruitment strategies.

p. **Undertake skilling, reskilling or retooling of Uganda's labour force in line with skills demand in the country.** Ugandans, especially the youths should be reskilled/retooled in line with the skills demand to reduce the skills mismatch, reduce unemployment and increase the transition of NEETS into gainful employment both locally and internationally.

q. **Budget underutilisation:** According to the Certificate of Compliance for the Annual Budget FY 2019/20, many of the projects had low expenditure outturn, low absorption capacity of project budget releases relates to Skills Development and yet the share of TVET in the MoES budget is relatively low, approximately 4% to 7%. Development of TVET spent only 29 percent of the allocated funding in FY 2019/20, a problem that happened even in the previous years. Action needs to be made to increase absorption and implementation to avail services for skills development.

r. **Develop a Uganda National Talent Register (UNTR) for all professionals to capture and provide real-time information concerning the demand and supply of talent/skills/manpower at every point in time.** The Uganda National Talent Register (UNTR) should be integrated with the Oil and Gas Talent Register as well as other relevant information systems such as the Teacher Management System, among others and should be aligned with the international standard classification of occupations and education (ISCO & ISCED).

s. **Strengthen the standardization and certification programme to make Uganda's human capital more competitive and employable.** The Directorate of Industrial Training (DIT) should develop, popularise, and implement the Uganda Vocational Qualifications Framework (UVQF) to assess and award certification and accreditation to Uganda's labour force to be employed in targeted sectors and projects. This will help to produce relevant, highly competitive skills, and internationally competitive skills and institute mechanisms for the recognition of prior learning and wider certification of the informal sector competencies. Where necessary, DIT should twin with internationally accredited Institutions to certify Ugandan workers to meet international standards.

5.3 Employment Creation

More than half (56 percent) of the Youth NEETs in 2021 had been trying to find employment but stayed for one year or more without getting one. The major reason youths front for not searching employment has been the lack of employment opportunities. Many youths seem more focused on finding paid employment yet they are also limited in skills and qualification. Limited focus is paid on self-employment especially in Agricultural sector which may require minimal capital investment[5]. However, with every NEET being productive and in employment recovering the foregone personal income estimated UGX 42,500 per month, poverty levels will drastically reduce. To boost employment creation, therefore, the following interventions are proposed;

f. **Boost productivity of the low productive sectors** especially Agriculture, forestry and fishing that typically employs the most people. With the current ten Zonal Agricultural Research and Development Institute (ZARDI) jurisdiction levels across the country, efforts should be to sensitise communities about their jurisdiction and to change the stereo-type thinking that Agriculture is for the uneducated as well as those who have failed in other pursuits. The ZARDIs can be transformed into agricultural incubation and productivity centres with resources directed to innovations according to the zonal jurisdictions. With such resources may be in form of attractive stabilization funds such as development loans as opposed to commercial loans. Such efforts would boost productivity in the agricultural sector, make it more viable and attract the Youth NEETs creating direct direct in agriculture as well as non-farm jobs (such as value addition) through improved access to finance and more efficient production systems.

g. **Increase access to market**. A large portion of self-employment jobs in the country relate to buying and selling agricultural products, processing raw agricultural materials, or providing services that support farm production. Marketing requires adequate financial literacy which is lacking among the youth in many cases. There is need to incorporate financial literacy in all support to the youth such as YLP, PDM, Emyooga, OWC and NUSAF. With financially literate youth, favourable statutory provisions relating to taxes and tariffs such as tax holiday or reduced tax on initiatives by young people targeting certain groups of goods and employment protection measures will boost access to both local and regional markets reducing the rate of enterprise mortality and creating more employment for young people.

h. **Emphasise rights and responsibilities**. Although Employment should be viewed as a right with the responsibility of government to create enabling environment, the youth have a responsibility to play their role by taking up available opportunities. Some communities have allowed youth too much freedom leading to high HIV prevalence, drug abuse and sexual immorality among the youth. Whereas reduced taxes or tax holidays are recommended for innovative youths, a counterpart development tax may be introduced to individuals within the working age but not in education or a recognised training system. This will be an incentive for the youth to take employment without discrimination. This may be through amendment of employment policies or through ordnances at the local government levels bearing in mind the diverse local customs and practices within the communities.

i. **Promote mutually supportive growth and employment policies so that employment is not just an automatic outcome of economic growth**. Employment growth is conventionally seen as an automatic outcome of economic growth. However, there is improved recognition of the mutually supportive roles of growth and employment promotion policies. The new thinking emphasises the significant synergies between a higher level of employment growth and the attainment of higher economic growth. A higher level of

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[5] The Agricultural Sector has very low productivity per worker estimated at less than USD 1,000 compared to Industry at USD 9,000 and Services at USD 4,000 for the year 2019/20

employment supports growth by generating more effective demand. This effective demand effect is vital for sustaining a high level of investment since it raises the inducement to invest.

j. **Implement policies that address liquidity shortages of firms to ensure their survival and contribute to employment creation.** Uganda lacks a solid development finance sector, which is critical in providing long-term capital for large, medium and small-sized enterprises. Through this, the government should consider negotiations for extensions of the Bank of Uganda credit relief programme where necessary and; the provision of partial interest rate subsidies for loans, among others

5.4 Increasing the knowledge about Youth NEETs

The current analytical study was based on further analysis of secondary information such as the Uganda National Household Surveys, National Labour Force Surveys, Annual School Census and other information from administrative sources. These studies provided quantitative evidence of the characterization of Youth NEETs, and to a limited extent, some of the impact of NEETs to their households and the economy as a whole. However, the existing information and hence the study fell short of providing explanation as to what are the main reasons that lead youths to be NEETs. It is thus recommended that a qualitative study be carried out to provide responses to questions such as:

a. What causes the variations in the NEET rates between Regions (28% for Karamoja compared to 61% for Bukedi)?

b. Why do children of school-going age drop out of school citing funding-related reasons in spite of the existence of the UPE and USE programmes?

c. Why do the skills levels remain low among the youths (less than 15%) despite the various efforts and approaches by Government to skill its population?

Alignment with the existing Government Programmes

Implementation of the proposed recommendations is better implemented by integrating them in the currently existing Government programmes, specifically aligning them with the national development frameworks including the Parish Development Model (PDM). In this regard, it is recommended that the Government can integrate practical skills development programs as part of the PDM implementation.

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Appendices

Appendix 1: Additional Tables on the Characteristics of NEETs

Table A1.1: Projected mid-year Youth Population (millions) by sex, Uganda, 2015 - 2050

Mid-year	Total Population			Youth Population			
	Male	Female	Total	Male	Female	Total	% Share of the Total Population
2015	17.3	18.2	35.5	3.6	4.2	7.9	22.1
2016	17.9	18.7	36.7	3.8	4.4	8.2	22.4
2017	18.5	19.3	37.8	4.0	4.6	8.6	22.6
2018	19.1	19.9	39.1	4.2	4.7	9.0	22.9
2019	19.8	20.5	40.3	4.4	4.9	9.4	23.2
2020	20.4	21.2	41.6	4.7	5.1	9.8	23.5
2021	21.1	21.8	42.9	4.9	5.3	10.2	23.7
2022	**21.8**	**22.5**	**44.2**	**5.1**	**5.4**	**10.6**	**23.9**
2023	22.4	23.1	45.6	5.4	5.6	11.0	24.1
2024	23.1	23.8	46.9	5.6	5.8	11.4	24.2
2025	23.8	24.5	48.3	5.8	5.9	11.7	24.3
2026	24.6	25.2	49.7	6.0	6.1	12.1	24.4
2027	25.3	25.9	51.1	6.3	6.2	12.5	24.4
2028	26.0	26.6	52.6	6.5	6.4	12.8	24.4
2029	26.7	27.3	54.0	6.6	6.5	13.2	24.4
2030	27.4	28.0	55.4	6.8	6.6	13.5	24.3
2031	28.1	28.7	56.8	7.0	6.8	13.7	24.2
2032	28.9	29.4	58.3	7.2	6.9	14.1	24.1
2033	29.6	30.1	59.7	7.3	7.0	14.4	24.1
2034	30.3	30.8	61.1	7.5	7.2	14.7	24.0
2035	31.0	31.5	62.6	7.7	7.4	15.0	24.0
2036	31.7	32.2	64.0	7.8	7.5	15.4	24.0
2037	32.5	33.0	65.4	8.0	7.7	15.7	24.0
2038	33.2	33.7	66.9	8.2	7.9	16.1	24.1
2039	33.9	34.4	68.3	8.4	8.1	16.5	24.1
2040	34.6	35.1	69.7	8.6	8.3	16.8	24.1
2041	35.4	35.8	71.2	8.7	8.5	17.2	24.2
2042	36.1	36.5	72.6	8.9	8.7	17.6	24.3
2043	36.8	37.2	74.1	9.1	8.9	18.0	24.4
2044	37.6	38.0	75.5	9.3	9.1	18.4	24.4
2045	38.3	38.7	77.0	9.5	9.3	18.8	24.4
2046	39.0	39.4	78.4	9.6	9.5	19.1	24.4
2047	39.8	40.1	79.9	9.8	9.6	19.4	24.3
2048	40.5	40.9	81.4	9.9	9.8	19.7	24.2
2049	41.3	41.6	82.9	10.0	9.9	19.9	24.1
2050	42.0	42.4	84.4	10.2	10.0	20.2	23.9

Source: Population Projections by UBOS

Table A1.2: Selected Characteristics of Youths (18-30 years) by sub-regions, Uganda, 2021

	2014 Youth Population ('000s)	NEET Rate	Youth Labour Under Utilisation
Kampala	557	26.9	36.9
Buganda South	1,079	41.3	46.2
Buganda North	838	36.8	39.9
Busoga	741	43.6	51.4
Bukedi	368	61.4	71.8
Elgon	363	47.1	68.0
Teso	367	39.9	47.8
Karamoja	213	28.3	30.5
Lango	447	49.7	52.5
Acholi	316	35.4	45.2
West Nile	545	43.0	61.1
Bunyoro	465	43.8	45.3
Toro	577	41.7	47.2
Ankole	638	34.4	45.9
Kigezi	291	42.8	36.4
Uganda	**7,805**	**41.1**	**48.1**
Absolute Number		**3,784**	3,304

Source: National Population and Housing Census 2014 & National Labour Force Survey 2021

Table A1.3: Duration NEETs were without job and trying to find one

Duration for Job search	2012/13		
	Male	Female	Total
2021			
Less than 3 Months	16	13	14
3 Months to less than 6 Months	11	14	13
6 Months to less than 1 year	17	18	17
1 year to less than 3 Years	33	34	34
3 Years to less than 5 Years	16	12	13
5 Years or more	6	11	9
Total	**100**	**100**	100
2019/20			
Less than 3 Months	19	16	18
3 Months to less than 6 Months	14	17	16
6 Months to less than 1 year	16	16	16
1 year to less than 3 Years	29	25	27
3 Years to less than 5 Years	9	14	11
5 Years or more	12	12	12
Total	**100**	**100**	**100**
2016/17			
Less than 3 Months	21	14	16
3 Months to less than 6 Months	17	16	17
6 Months to less than 1 year	21	24	23
1 year to less than 3 Years	22	28	26
3 Years to less than 5 Years	7	7	7
5 Years or more	12	11	11
Total	**100**	**100**	**100**
2012/13			
Less than 3 Months	30	11	15
3 Months to less than 6 Months	11	13	12
6 Months to less than 1 year	14	28	25
1 year to less than 3 Years	30	32	32
3 Years to less than 5 Years	13	4	6
5 Years or more	2	11	9
Total	**100**	**100**	**100**

Table A1.4: Household Related Determinants to Youth NEETs

Logistic regression				Number of obs	=	12,092
				LR chi2(14)	=	774
				Prob > chi2	=	0.0000
Log likelihood = -3824.727				Pseudo R2	=	0.0462
NEETs	**Odds ratio**	**Std. err.**	**z**	**P>z**	**[95% conf.**	**interval]**
Residence						
Urban	0.8943	0.0394	-2.5400	0.0110	0.8204	0.9749
Quintiles						
Quintile 2	0.7325	0.0449	-5.0800	0.0000	0.6496	0.8259
Quintile 3	0.5845	0.0354	-8.8700	0.0000	0.5191	0.6581
Quintile 4	0.4336	0.0265	-13.6900	0.0000	0.3847	0.4887
Quintile 5	0.2975	0.0191	-18.8800	0.0000	0.2623	0.3374
Household size						
Two	2.8592	0.4034	7.4500	0.0000	2.1684	3.7701
Three	3.3513	0.4453	9.1000	0.0000	2.5829	4.3482
Four	3.4308	0.4526	9.3500	0.0000	2.6492	4.4431
Five	3.0558	0.4077	8.3700	0.0000	2.3527	3.9689
Six	2.5946	0.3515	7.0400	0.0000	1.9895	3.3837
Seven	2.1576	0.3014	5.5000	0.0000	1.6408	2.8372
Eight	2.0636	0.2986	5.0100	0.0000	1.5540	2.7404
Nine or more	1.9415	0.2605	4.9400	0.0000	1.4925	2.5255
_cons	0.6683	0.0890	-3.0300	0.0020	0.5147	0.8677

Table A1.5: Household Related Determinants to Youth NEETs

Logistic regression				Number of obs	=	8,995
				LR chi2(9)	=	712
				Prob > chi2	=	0.0000
Log likelihood = -3346.9614				Pseudo R2	=	0.0587
NEETs	**Odds ratio**	**Std. err.**	**z**	**P>z**	**[95% conf.**	**interval]**
Sex						
Male	0.433	0.020	-18.160	0.000	0.396	0.474
Highest Education Level Completed						
Lower Primary	0.829	0.442	-0.350	0.725	0.292	2.358
Upper Primary	0.966	0.513	-0.060	0.949	0.341	2.738
O-Level	0.686	0.365	-0.710	0.479	0.242	1.946
A-Level	0.653	0.354	-0.790	0.431	0.226	1.887
Post Primary & above	0.414	0.221	-1.650	0.099	0.145	1.181
Migration Status						
Yes	0.594	0.046	-6.780	0.000	0.511	0.690
Disability status						
Yes, with Disability	1.616	0.161	4.810	0.000	1.329	1.965
Current Consumption of Alcohol						
Yes, in the past	1.267	0.200	1.500	0.134	0.929	1.726
No	1.922	0.140	8.980	0.000	1.666	2.216
_cons	1.621274	0.867076	0.9	0.366	0.568361	4.624758

Table A1.6: Reasons why Youth NEETs did not search for Employment

Reason	Male	Female	Total
Family responsibilities or housework	8.5	43.4	29.7
Had looked for job(s) before but had not found any	14.7	7.6	10.4
No jobs available in the area/district	33.0	18.7	24.3
Pregnancy	0.0	2.7	1.6
Does not know how and where to look for work	13.1	9.7	11.1
Unable to find work for his/her skills	14.8	6.0	9.5
Illness, injury or disability	2.1	2.1	2.1
Awaiting the season for work	7.2	4.3	5.5
Other reason	6.7	5.4	5.9

Source: National Labour Force Survey 2021

Table A1.7: Logistic Regression model of NEETs by highest educational attainment

```
Survey: Logistic regression

Number of strata    =          15         Number of obs    =      12,129
Number of PSUs      =       1,623         Population size  =   7,830,590
                                          Design df        =       1,608
                                          F(  16,   1593)  =       50.55
                                          Prob > F         =      0.0000
```

neet	Odds Ratio	Linearized Std. Err.	t	P>|t|	[95% Conf. Interval]	
somep1	10.5268	6.382928	3.88	0.000	3.204658	34.57892
comp1	6.954466	1.715821	7.86	0.000	4.286425	11.2832
comp2	5.804427	1.010034	10.11	0.000	4.126001	8.165625
comp3	4.420232	.6066236	10.83	0.000	3.377069	5.785624
comp4	7.427933	.8284275	17.98	0.000	5.968471	9.244275
comp5	7.946238	.8313677	19.81	0.000	6.471997	9.756292
comp6	7.328457	.6802073	21.46	0.000	6.108673	8.791809
comp7	6.384323	.575327	20.57	0.000	5.34996	7.61867
coms1	6.890096	1.079436	12.32	0.000	5.06724	9.368695
coms2	5.997965	.815377	13.18	0.000	4.594122	7.830786
coms3	4.944232	.6196192	12.75	0.000	3.866736	6.321981
coms4	4.78623	.4332513	17.30	0.000	4.007601	5.716138
coms5	4.87126	1.835453	4.20	0.000	2.326342	10.20021
compostpri	3.629712	.4948235	9.46	0.000	2.778075	4.742423
compostsec	3.094426	.4679517	7.47	0.000	2.300175	4.162931
compostdeg	2.278951	.4463564	4.21	0.000	1.552003	3.346395
_cons	.2332028	.0141942	−23.92	0.000	.2069595	.2627738

Note: _cons estimates baseline odds.

Table A1.8: Logistic Regression model of NEETs with primary by sex and specific class completed

```
Survey: Logistic regression
```

```
Number of strata   =          15          Number of obs    =      12,129
Number of PSUs     =       1,623          Population size  =   7,830,590
                                          Design df        =       1,608
                                          F(  16,   1593)  =       38.59
                                          Prob > F         =      0.0000
```

neet	Odds Ratio	Linearized Std. Err.	t	P>|t|	[95% Conf. Interval]	
Fsomep1	6.696739	6.019713	2.12	0.035	1.148524	39.04691
Msomep1	3.449693	2.672511	1.60	0.110	.7548302	15.76564
fcomp1	4.576871	1.692014	4.11	0.000	2.216423	9.451148
mcomp1	1.839204	.6163323	1.82	0.069	.9531698	3.548864
fcomp2	4.039091	.8652727	6.52	0.000	2.653371	6.148502
mcomp2	1.231335	.3308775	0.77	0.439	.7268982	2.085829
fcomp3	2.641434	.4916352	5.22	0.000	1.833543	3.805296
mcomp3	1.189902	.2064654	1.00	0.316	.8466504	1.672316
fcomp4	4.446069	.6070827	10.93	0.000	3.401437	5.811523
mcomp4	2.030803	.283782	5.07	0.000	1.543947	2.671181
fcomp5	4.672611	.6028001	11.95	0.000	3.627988	6.018017
mcomp5	2.137366	.259326	6.26	0.000	1.68471	2.711645
fcomp6	4.992369	.4867232	16.49	0.000	4.12342	6.044435
mcomp6	1.562541	.1677537	4.16	0.000	1.265837	1.928789
fcomp7	4.061871	.4106464	13.86	0.000	3.331245	4.95274
mcomp7	1.495652	.152843	3.94	0.000	1.223995	1.827603
_cons	.573108	.0201846	-15.81	0.000	.5348536	.6140985

Note: _cons estimates baseline odds.

Appendix 2. Okun's Framework-Economic Model of Impact of NEET

To estimate the lost GDP that is associated with NEETs, the study adopted Okun's Framework. This is an econometric technique underpinned by Okun's law coined by Arthur Okun, a Yale economist in 1962. Okun's law states that a one percent (1%) increase in the unemployment rate results in a loss in GDP (output) growth by roughly three percent or more. Reversing the causality, Okun's law implies that a one percent (1%) reduction in the unemployment rate would raise output (GDP) growth by approximately 3 percent or more.

Using this framework, it was possible to estimate the would-be GDP value if all the NEETs were fully committed and productive and thus determine the GDP loss to the economy due to the NEETs. Okun's relationship between GDP and unemployment dynamics is reflected in equation i as follows:

$$U_t - U_t^* = \beta(Y_t - Y_t^*) + \varepsilon_t, < 0 \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots . i$$

Where:

Y_t^* is the potential GDP at period t. This would be the real output produced if all resources including labour were fully exploited, assuming a full employment condition. Y_t is the actual output at period t. U_t is the actual unemployment rate at period t. U_t^* is the natural rate of unemployment at period t. β is Okun's coefficient relating changes in unemployment to changes in output. Okun's law illustrates the fact that the higher the unemployment rate, the longer the output gap between the actual and the potential GDP. Equation i can be written in change version as in ii:

$$\Delta U_t = \alpha + \beta \Delta Y_t + \omega_t, < 0 \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots . \dots \dots . \dots \dots \dots \dots \dots \dots \dots . ii$$

Therefore, using this framework, the study estimated the lost GDP that is associated with NEETs in Uganda. Table 3.1 presents the building blocks/inputs into the estimation of the cost of NEETs in Uganda. The ideal rate of unemployment also known as the natural rate of employed in the framework. The study adopted a relaxed natural rate of unemployment from 5% to 6.5%, and the average transition duration to the employment of 24 Months in line with the school-to-work transition survey of 2015/16 (see table 3.1).

However, it is important to note that, although it is possible to estimate the lost GDP value due to the NEETs not being productive, this analysis is only partial, and only provides an indicative view since the economy is very dynamic with so many inter-linkages.

To estimate the lost income and tax revenue, a standard resource cost framework as used by Godfrey et al. (2002) was utilized. This framework provides a mechanism for estimating the loss to the economy arising out of inactiveness due to being NEETs by tracing the impact on foregone earnings (opportunity cost) and unpaid taxes (both loss of direct and indirect taxes). Foregone earnings are estimated as the difference between the earnings that would be generated by the NEETs and the earnings generated by those in employment. The framework was based on several inputs and or assumptions (*see table 3.1*). For example, the average life expectancy was taken at 63.3 while the retirement age was taken to be 65 as the official retirement age of the country; the average duration of transition to employment was taken at 29 months meaning that, it takes a young person an average of 24-29 months to transition into employment; the mean monthly income was taken UGX 510,000 and UGX 160,000 for public and private sectors respectively. Other inputs are as highlighted in Table A1.1.

Appendix Table A2.1: Building Blocks for estimating the Cost of NEETs

ASSUMPTIONS/INPUTS	2012/13	2016/17	2019/20	SOURCE
1. GDP and Selected KLMIs				
GDP (Constant LCU), Trillion UGX	94.8	115.2	130.9	
GDP (Current LCU), Trillion UGX	82.4	120.4	148.3	
Working Age Population (total), Million	16.5	19.1	21.4	
Working Population, Million	13.9	15.1	15.9	
Employed persons (total), Million	7.9	9.1	8.3	
Subsistence farmers (total), Million	6.0	6.0	7.4	
Unemployed persons (total), Thousand	817.0	905.0	796.0	
Unemployment rate Actual (%)	11.1%	9.2%	8.8%	
Unemployment rate-Natural rate (%)	6.5%	6.5%	6.5%	
NEET Youths (total), Million	2.1	3.1	3.7	
NEET Youths (%)	32.9%	40.6%	46.7%	
NEET Youths-Natural Rate (%)	10.0%	10.0%	10.0%	
Life Expectancy at Birth (Total)	50.4	63.3	63.3	
Official Retirement Age	60	60	60	
Average duration of transition to employment (Months)	35	29	24	
2. Earnings indicators				
Median Monthly Earnings (average), Thousand	120	168	200	
Median Monthly Earnings (Public), Thousand	324	458	510	
Median Monthly Earnings (Private), Thousand	110	150	150	
3. Return on extra year of schooling				
Average years of schooling	3.8	4.2	4.3	
Return to education (primary)	17.3%	15.5%	10.2%	
Return to education (secondary)	11.1%	6.8%	4.0%	
Return to education (Tertiary)	38.8%	30.2%	28.6%	
Labour with Post-Secondary Education and training	6.5%	9.2%	8%	

The URA taxable revenue estimation is based on the taxable income threshold and PAYE tax rates as follows: 10% for 235,001 - 335,000, 20% for 335,001 - 410,000, 30% for 410,001-10,000,000. To avoid exaggeration, the study takes a conservative tax rate of 10% for the first income threshold assuming only 85% of the NEETS get into employment within 24 months which is the estimated average transition period.

Appendix Table A2.2: PAYE Tax Rates for Uganda

Attributes	235,001 - 335,000	335,001 - 410,000	410,001-10,000,000	
Monthly PAYE rates	10%	20%	30%	
Local Service Tax Range	Up to 100,000	100,001 - 200,000	200,001 - 300,000	
Local Service Tax Rate	0	5,000	10,000	
Local Service Tax Range	300,001 - 400,000	400,001 - 500,000	500,001 - 600,000	
Local Service Tax amount	20,000	30,000	40,000	
Tax revenue collection (PAYE-Actual)	157,500,000,000	225,000,000,000	338,000,000,000	

Source: Various (UBOS, NPA, URA & WB)

Appendix 3. Demdiv model- Demographic Model of Impact of NEET

The DemDiv model has two inter-related components namely the demographic component and the economic component. The demographic component projects the population, its age-sex structure and characteristics. This information is fed into the economic component which projects total production as a function of the labour force, capital formation and total factor productivity. The detailed explanation of the DemDiv model is given in Annex 3.1.

The 2014 modelling of Uganda's Demographic Dividend was developed using the DemDiv Model with 2011 as the base-year. However, implementation of the recommended policy interventions only started in 2015 with the beginning of the NDP II. The same model (the DemDiv) was updated in 2018 using the 2017 as the base-year given that there was new demographic and health data in 2016. This therefore builds on the work done in 2018 because there is no new available data as yet on demographic and health indicators.

The base used in the update of the modelling is 2020 calendar year. However, where the input requires information at a given point in time, information as at mid-2021 is used. The projection period is 2020 to 2040. The new assumptions made are with respect to education and the new data on the economy. The modelling provided for two distinct scenarios. These are described below:

Economy Scenario (Economic emphasis only)
This assumes that extra intervention in physical infrastructure development in addition to the usual recurrent expenditure on human capital development. However, because of the economic interventions and the routine expenditures of human capital, the quality of human capital (education and health) is expected to be improve slightly compared to the current status.

Appendix Table A3.1: Assumptions for the economy scenario

Sector	Assumptions
Human capital Development	To increase the **Mean Years of Schooling** from 4.8 for females and 7.0 for males to 12 years for females and 13 for males i.e. completion of secondary education;
Family Planning	A moderate increase in use of Modern Family Planning Methods from the current level to 50 percent
Economy	The target is to have Global Competiveness Indicators for Uganda in 2040 similar to those of Malaysia in 2017.

Combined Scenario (Economic emphasis and Human capital development)
This assumes that there is extra intervention in the physical infrastructure development, coupled with targeted investment in human capital development.

Appendix Table A3.2: Assumptions for the combined scenario

Sector	Assumptions
Human capital Development	The target is to ultimately provide each learner with post-secondary or BTVET or Tertiary education, and eliminate gender differences in educational attainment.
Family Planning	Use of modern contraceptive methods (CPRm) increases from the current level to 65.0 percent in 2040. This is equivalent to satisfying almost all the current demand for Family planning.
Economy	The target is to have Global Competiveness Indicators for Uganda in 2040 similar to those of Malaysia in 2017, which has attained the Demographic Dividend through fertility reduction.

Table A3.3 gives the assumptions made for these indicators under each of the scenarios.

GDP EDUCATION

Education services comprise of both private and public services. The activities declined by 4.2 percent in FY2020/21, compared to a decline of 2 percent in 2019/20. The continuous decline is attributed to the closure of the majority of school activities in the two periods. (See Appendix Tables 4.1 B(ii), 4.1 C(i) and 4.1 C(ii)). In nominal prices, the activity recorded a value addition of Uganda Shillings 5,565 billion shillings in FY2020/21 compared to Uganda Shillings 5,767 billion shillings in FY2019/20. Education activities contributed 3.8 percent to GDP in FY2020/21, compared to 4.1 percent contribution registered in FY2019/20.

In nominal terms, the GFCF was estimated at 34,538 billion shillings in FY2020/21

Appendix 4: Individuals and Institutions that have contributed to the Report

Category	Names of Individuals
Steering Committee	1. Dr. Hamis Mugendawala – NPA 2. Ms Judith Mutabazi – NPA 3. Mr. Kuraish Ssebulime – NPA 4. Mr. Emmanuel Katumba - NPA 5. Ms Edith Kangabe - NPC 6. Ms Florence Tagoola – UNFPA 7. Dr. John Ssekamatte- Ssebuliba – TA, NPA/NPC
MDAs (during validation)	8. MGLSD 9. MoES 10. MoH 11. MoLG 12. Zoe – NPC 13. Sam – NPC
Engagement with the Human Capital Development (HCD) Team	14. Hajati Musene - MGLSD 15. Suda – NPC 16. Musana – NPC 17. NCDC 18. UNCC 19. UBC 20.
Engagement with the Community Moblisation and Mindset Change Team	21. MoICT&NG 22. MoICT&NG 23. MoICT&NG 24.
Engagement with Civil Society Budget Advocacy Group	25.
Engagement with Higher Local Governments	26.
Consultants	27. Mr. Andrew L. Mukulu – Lead Consultant