

Trade, employment and gender: the case of Uganda

by

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Introduction

- Classical trade theory suggests that trade liberalization induces a shift of production activities (and labour) to reflect a country's comparative advantage
- More recent theoretical developments suggest that whereas trade liberalization is beneficial, it can be associated with significant adjustment costs associated in the labour market

- These propositions have attracted a voluminous amount of work especially in the developed countries and the Latin American Countries.
- Limited attention has been given to the trade-employment nexus in Africa, and not aware of studies addressing these issues in Uganda

- Understanding the trade-employment nexus is important because employment is a key channel through which the benefits of trade and growth can be shared, especially in economies with weak safety nets

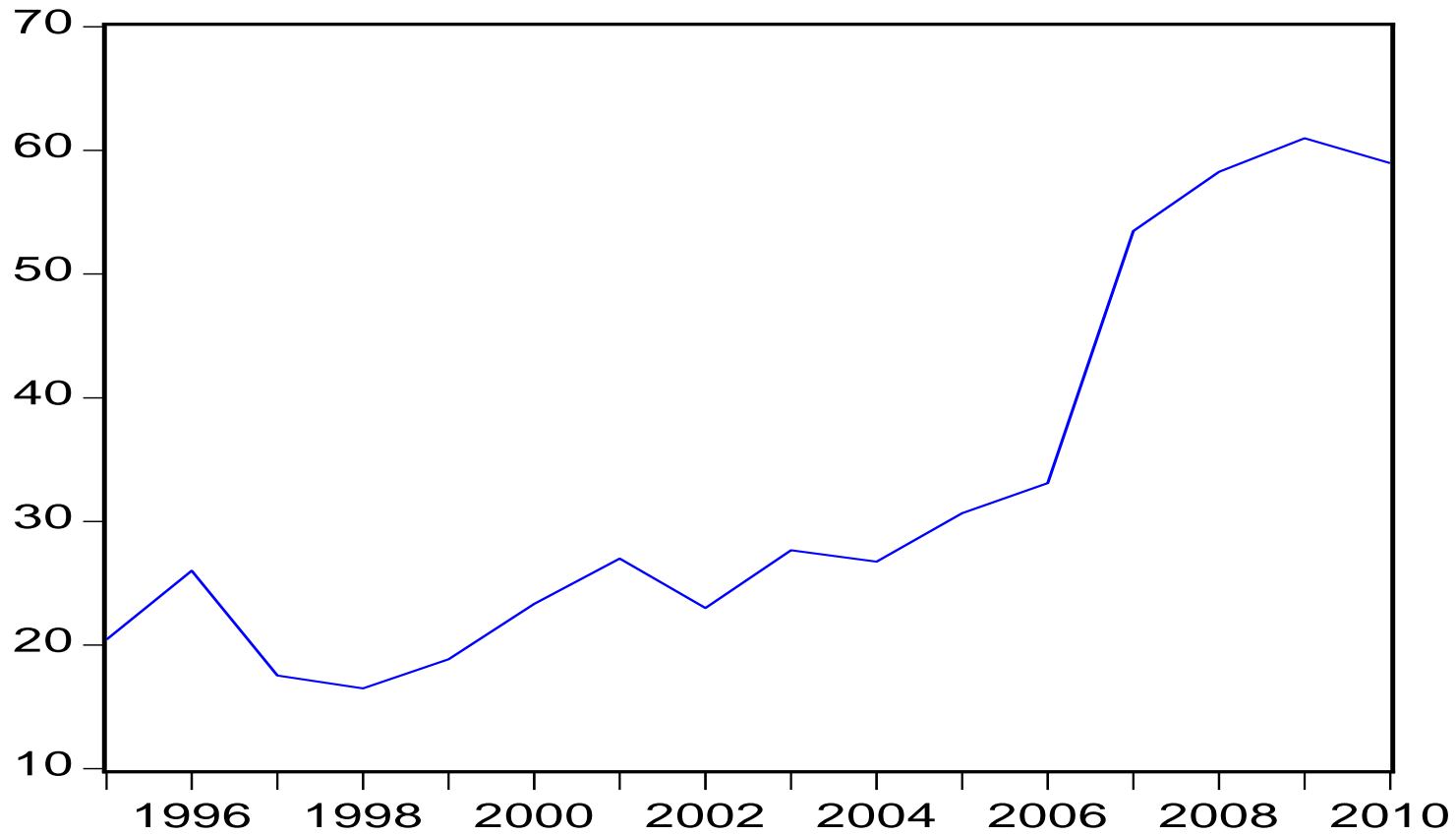
Trade and employment trends in Uganda

- A number of reforms have been made to Uganda's import and export trade regimes.
- Tariffs were lowered and also harmonized.
- The tariff reduction and related policies do not appear to have had an adverse effect on employment.

- Whereas the demand for imports appears to be inelastic, most of the imports are in the form of raw materials.
- The tariff code also continues to offer protection to sector that are sensitive with respect to employment.
- The export trade regime has also been made more favourable (exchange rate liberalized, direct taxes on exports reduced to zero)...

- Uganda also participates quite actively in regional groupings
- Exports have increased. The export diversification index improved from 0.8230 in 1996 to 0.6224 in 2010.
- The regional market is becoming quite important – but largely due to demand pull factors
- Niche products for the Kenyan market (Coffee and tobacco) and limited productive capacity (e.g. DRC and Sudan)

- These patterns suggest that Uganda has not been able to take advantage of the preferential regional market access (both in the EAC and COMESA trading blocs) – possibly because of similarity of their exports.
- The trade policy reform has also led to increased FDI inflows and changed the structure of the economy.



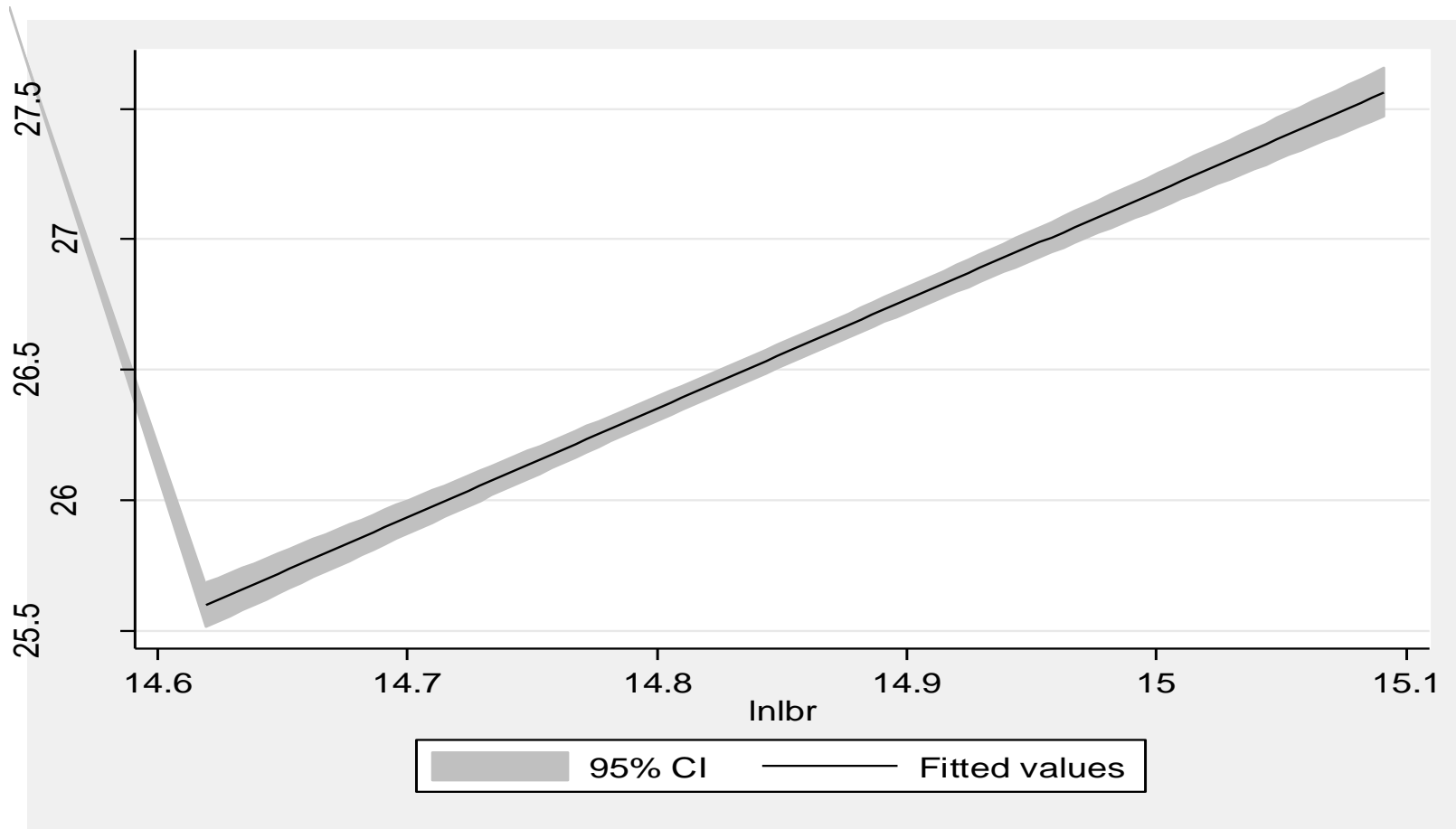
— Exports to the COMESA Region (% of Total Exports)

- The agricultural sector remains the most important source of employment and export earnings
- Employment in general has been expanding
- The expansion in employment is reflected in gains in poverty reduction

Employment growth rates

	1992-1996	1996-2002	2002-2006	1992-2006
Composite	6.13	10.5	1.03	18
Agriculture	4.5	0.4	8.6	14
Manufacturing	8.5	14.9	-5.6	18
Services	5.4	16.2	0.1	22

- The reversal in the poverty trends between 1999/00 and 2002/3 coincided with a reduction in the international market price of Uganda's main export commodity—coffee.
- The correlation between exports and employment also depict a positive pattern.
- The correlation coefficient for total exports is higher than that for exports to the region



	Female			Male			Ratio of females to males		
	All	Rural	Urban	All	Rural	Urban	All	Rural	Urban
Self employed	43.7	43.8	43.2	58.1	60.8	42.7	75.2	72.0	101.2
Unpaid family worker	45.9	49.4	22.9	17.6	19.4	7.7	260.8	254.6	297.4
Government employee	2.9	2.3	6.7	5.2	4.7	7.8	55.8	48.9	85.9
Private employee	7.4	4.5	27.1	19.1	15.1	41.8	38.7	29.8	64.8
Total	100	100	100	100	100	100			

	Share of total employment	Gender intensity of production %		
		Female	Male	Row total
Self employed	50.7	44.4	55.6	100
Unpaid family worker	32.2	73.4	36.5	100
Government employee	4	37.1	62.9	100
Private employee	13.1	29.1	70.9	100
Total	100	51.5	48.5	100
Industry of activity				
Agriculture	71.5	57.9	42.1	100
Fishing	1.5	5.7	94.3	100
Manufacturing/mining/quarrying	5.1	31.8	68.2	100
Construction	1.9	0.9	99.1	100
Retailing	7.1	44.2	55.8	100
Restaurants and hotels	1.5	87.3	12.7	100
Transport and communication	2.4	8.3	91.7	100
Other commercial activities*	0.7	35.3	64.7	100
Public administration	0.9	9.9	90	100
Social services (Education, Health)	6.9	44.7	55.2	100
Other sectors**	0.5	58.3	41.7	100
	100			

Sectoral analysis of trade and employment

- The international price of coffee has been an important driver of the temporal poverty dynamics but absence of gender-differentiated data in Uganda's coffee production makes it hard to analyze the effects of trade liberalization from a gender perspective.
- Anecdotal evidence (see Baden, 1993; Elson and Evers; 1996; World Bank, 2005) suggests that coffee trade liberalization has generally been less favourable to women.

- Women undertake the majority of maintenance and harvesting work while marketing and control over coffee income lie in male hands
- As a result of this, women tend to have little control over the harvest proceeds (UDHS).
- Only 54% of married women solely control how earnings are used.

- Of the 3.8 million persons who work outside agriculture, 2.2 million (58%) are in the informal sector.
- The proportion is higher for females (62%) than males (55%).
- None of the reasons for informality in Uganda are directly related to trade policy reform

Econometric results

- The model for estimation is based on the H-O in the context of a typical developing country with a CA in labour intensive export activities
- Trade expansion should result in increased demand for labour (subject to the cost of labour)
- Need to control for non trade factors

Equilibrium relationship

Variable	Coefficient
LBR	1.000
GFCF	-0.214
INF	0.064
EXPORTS	-0.006
C	-0.064

Conclusions and Policy

- Uganda's trade reform has been designed in such a way that it provides some degree of protection to domestic sectors that have a high job creation potential.
- The increase in exports has been largely demand pulled.
- The increase in exports has also been reflected in increased labour demand and gains in poverty reduction.

- Women continue to be more than proportionately represented in low productivity activities such as unpaid family labour
- So the benefits of trade liberalization have not been distributed equitably between men and women
- The equilibrium labour demand relationship suggests that investment and exports positively influence the demand for labour but has a negative relationship with inflation

- The nature of exports suggests that there is a real danger of losing the current markets.
- The limited exports to the regional market (in the EAC and COMESA trading blocks) suggest that the intra-industry trade argument weakens in the case of primary agricultural exports.
- There is thus need for policy to find avenues of diversifying the export base away from primary agricultural products to more competitive export products.

- From a gender perspective:
- Need to work on the bargaining power
- Commitment saving devices