

Laying the foundation for more jobs

As we celebrate International Labour Day, the workers have different issues which they always want addressed on occasions like this. One of the concerns of workers in Uganda is about the minimum wage and working conditions generally. The President has on many occasions urged that we go slow on the minimum wage. I will come to that later.

One of the reasons why our workers are not being paid high wages is the supply of labour vs the demand for labour. Our policy has been to attract more factories and as we get more investors, soon the demand for labour will either equal or exceed the supply for labour. That way, it will be automatic that as the employers increase the demand for labour will go high.

Today, apart from factories, hotels, etc, a new form of employment is through the Parish Development Model (PDM). The Government is spending slightly over one trillion shillings annually, under PDM. Over one million households are reached annually. Today, we have reached about 3.7 million households. By the end of the current Financial Year, we will have reached about 4.2 million households, having spent 4.2 trillion shillings. In many cases, one PDM project employs at least two people or three, including the beneficiary. If only 2.5 million beneficiary households have each employed three people, that is 7.5 million jobs created. The pay may still be low in these jobs, but one thing is clear: The demand for labour is going up through PDM.

When the PDM beneficiaries plus their workers earn income, they spend it on goods and services which are mainly produced locally. This is good for the

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manufacturing and the service sectors in Uganda. When the demand for goods manufactured locally goes up, about three things happen. One, with increased sales, the Government earns more revenue through taxes; two, increased sales necessitate increased production. This, in turn, will call for more inputs (raw materials), but above all, more jobs will be created. Three, with more revenue collected by the Government, there is money to invest in human resources, like paying the Government workers better salaries and investment in other sectors like infrastructure, education and health.

When we were writing the 2026–2031 campaign manifesto, I inquired from the chairperson, Uganda Manufacturers Association (UMA), Aga Sekalala Junior, among the many things we discussed was that for their group, UMA, utilisation capacity was at around 56%. This means that the factories are producing for a market that can buy their products. PDM is expanding the market as people spend money on local products after earning from their PDM investments. In fact, recently, I inquired with two manufacturing factories, and their chief executive officers told me that their local sales have gone up. So, on International Labour Day, we should celebrate President Museveni for having introduced PDM. It is creating more jobs and expanding the size of the local market.

On the issue of why the President has not come up to direct the employers not

to raise salaries, apart from the issue of the supply of labour against the demand for it, there is the issue of the cost of doing business in Uganda. The President's line has been first. If you insist on high pay, you will scare away investors who would give jobs to our people. So, the answer has been to create an environment that attracts more investors to come to Uganda. Some of the incentives have been and continue to be industry policies like giving free land to investors, trade policies like tax holidays for both local and foreign investors, cheap capital through Uganda Development Bank, promotion of the integration of East Africa, which is creating a regional market, etc.

On bringing down the cost of doing business, the strategy of the President has been to bring down the cost of power and investment in the road and railway infrastructure. On the road network, we now have 6,300km (this doesn't include about 500km of roads in the cities and municipalities) of tarmac roads with 1,300km of roads under construction. In this coming *kisanja*, we have prioritised tarmacking 1,780km of roads. Another 2,424km of roads are under design. For Greater Kampala, we have planned for the construction of 293km.

On the railway, we have rehabilitated the old Meter Gauge Railway (Malaba-Kampala and Tororo to Gulu), but above all, we recently launched construction of the Standard Gauge Railway, whose construction of the Malaba-Kampala 272km line is expected to be completed in 2029. The railway will reduce the cost of transport by half, from about \$3,500 – 20ft container to around \$1,200. This

will greatly reduce the cost of raw materials that are imported and also reduce the cost of exports. It will also reduce the number of days of transporting

a container from Mombasa to Kampala from seven days to one day.

On electricity, the President has been preaching that we should supply power to the manufacturers at US 5 cents per kilowatt-hour (KWH). After the Government took a decision to buy out UMEME, the cost of electricity in Uganda came down by 14%. Today, the extra-large manufacturers are getting power at US 5.5 cents/KWH compared to US cents 14.8/KWH in Kenya or US cents 5.99/KWH in Tanzania. The next category, the large industries, is getting power at US Cent 8.15/KWH compared to US cent 14.8/KWH in Kenya and US cents 5.99/KWH in Tanzania. The next level of medium industries is at US cents 9.7/KWH compared to US cents 17.6/KWH in Kenya and US cents 7.44/KWH in Tanzania.

The power costs in Uganda are going to go further down, especially for the large and medium industries, as we continue to capitalise UEDCL, the Government distributor. In the first year after taking over UMEME, the NRM Government invested \$50m and this will continue in the next two fiscal years. Soon, we should reach the President's target of US cent 5/KWH for all manufacturers. The President's line has been that when we bring down the cost of power to US cent 5/KWH and invest more in the transport infrastructure, then we will have brought down considerably the cost of doing business in Uganda. This will increase the profitability of the investors. That will be a suitable time to direct the manufacturers to better salaries if they have not done so by themselves through the market forces.

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