

Makerere University

Stakeholders Consultative Meeting

**Overall Theme: Leadership towards Africa's Transformation in the
21st Century – “Uganda's Focus for Human Capital Development in
the 21st Century”**

By

**Kisamba-Mugerwa (PhD)
Chairman, National Planning Authority**

August, 2012

1) Introduction

The Barcelona Development Agenda, 2004¹ identified several priority areas for reform based on lessons from the effects of economic reforms applied by many developing nations over a period of two decades. Among these was a strong recommendation to developing nations to identify the most binding constraints to growth and to address them through microeconomic and macroeconomic policies. Consequently, in charting out Uganda's development path, the National Planning Authority, through the National Development Plan 2010/11 – 2014/15, identified seven most binding constraints to Uganda's economic growth. One of these constraints was, "inadequate quantity and quality of human resources". Consistent with the Barcelona Agenda recommendation, the strategies developed in the National Development Plan were designed to unlock the binding constraints, using micro and macroeconomic policies and programmes and thereby open the way to growth for the country.

A country's most important resource is its human resource. It is both a factor and a target in the development process. This duality of the human resource makes it a very special one because it is both a producer and a consumer resource. As a result of development, a country provides social services to its population which would include education, health, water, infrastructure etc. as part of the citizens' entitlement. It is however when we think of investing in these human beings as part of a strategy to promote or boost future growth in the economy that we start employing the concept of human capital.

Adam Smith defined human capital as, "...acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labor, and which, though it costs a certain expense, repays that expense with a profit."²

It is noteworthy here that although human resource refers to the potential, human capital only exists when the population acquires those qualities which they would use to promote production and economic growth. It has been said that education,

¹<http://www.bcn.es/forum2004/english/desenvolupament.htm>

²Smith, Adam. 1776. *An Inquiry into the Nature And Causes of the Wealth of Nations, Book 2 - Of the Nature, Accumulation, and Employment of Stock.*

training, and health are probably the most important investments in human capital. So, schooling, a computer training course, expenditures on medical care are capital; but equally so are lectures on the virtues of punctuality, honesty and patriotism. That is because they improve productivity, raise earnings, improve health, or add to a person's good habits and work ethic over much of his lifetime. Therefore, economists regard expenditures on education, training, medical care, and so on as investments in human capital. They are called human capital because people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial and physical assets.

As a country we have to consciously decide on the kind of human resource we need to develop our country. Uganda's vision has been pronounced as; **“A transformed society from a peasant to a modern and prosperous country within 30 years”**. This vision suggests that we shall need a “transformative” human resource. Investing in ensuring that our human resource acquires the kind of qualities that we need for transformation and prosperity is known as human capital development. Human capital development is not generic and does not happen by chance, but must be clearly focused and target-driven. Our target in Uganda has been set as “social transformation from peasantry to modernity and prosperity”.

Human Capital Development (HCD) is functionally different from Human Resources (HR) recognition. HCD is philosophically different from HR's task-driven focus in that HCD recognizes that the development and growth of people in organizations and businesses are an important and essential asset to the organization's future success. In a service organization, the collective attitudes, skills and abilities of the organization's human capital (people assets) establish performance and productivity. It therefore follows that those assets that are needed to produce the results that we desire must be consciously identified, carefully nurtured and systematically imparted to the target groups. Accordingly, expenditures related to such training, skills development, health, and other support are an investment in productivity, not just an expense.

2) Human Resources in Uganda's Development

Human resources are simply the people available to a country for its development efforts, i.e. the labour force. Like the labour force, human resource is simply a potential. Labour force is defined simply by age, i.e. the population falling within the working age bracket, defined in Uganda as 15 – 64. The growth of the labour force is determined largely by demographic factors, mainly fertility and mortality and, to a lesser extent migration in places where international migration is a significant component. In Uganda, international migration has

largely been insignificant, except the small segment of *nkubakyeyos* whose effect is felt more in the area of revenue generation through remittances rather than in changing the size or structure of the labour force. The effect of mortality has also been historically marginal, given that this is usually the segment of low mortality, except during the spell of high HIV prevalence where the epidemic disproportionately decimated this segment.

The key driver of Uganda's labour force has therefore been fertility. The persistently high fertility experienced in Uganda, averaging around 7 births per woman, over the years has meant that ever larger cohorts joined the labour force ensuring its doubling every 20 years. This dynamic meant that the demographic growth of the labour force by far out-stripped the rate of employment creation in the economy.

The high fertility further meant a high child-dependency ratio, meaning that every worker had a burden of supporting a number of unproductive people, too young to be in the labour force. The high dependency ratio in turn meant that the country could not sufficiently invest in services like education and health, thus locking the population in a vicious circle of poverty and under-development.

3) Human Capital Development in Uganda

There have not really been conscious human capital development programmes or efforts in Uganda. Most of the growth seen in the economy and in the labour force has largely the result of individual organizations' or companies' initiatives, in the case of the former and demographic inevitability in case of the latter. It is little wonder therefore that there has developed a mismatch between the labour force and the job market. On the one hand, we have a huge army of unemployed youth; yet on the other, we have identified a shortage of productive human resource. Such a mismatch is not conducive to the kinds of social and economic transformation that we are looking for. It means that our young people either lack employable skills or do not have the requisite productivity ethos or both. If our vision is to be realized, we have to put in place concrete strategies to address this acute shortage in a timely manner.

A proper understanding of the problem of human capital development in Uganda, one must take into account the country's turbulent past.

a) Historical Perspective

Central planning was adopted as the official approach to national development following the country's attainment of political independence in 1962. Every aspect of national development was subjected to central planning, from education, water

and health to industrialization and tourism. The goal was to attain a comprehensive and balanced development while taking due cognizance of the country's resources.

In terms of the human resources, the official policy was to offer basic education, i.e. primary, as a basic right for all children as well as health. Post-primary education was to be offered according to human resource requirements. Although this was the pronounced policy, there was very little human resource planning activity, such as human resource surveys, skills requirement inventories and projections, etc.

It was possible to get away with a lot of that lack of focused planning because the economy was in its infancy and the population was still quite small and it was still possible to absorb all, or most, of the available labour force. For example, all graduates coming out of Makerere University, regardless of qualification, were assured of jobs either in the traditional civil service or in the then flourishing parastatal corporations. The fledgling private sector was also competing to recruit from the same pool. Consequently, there was very little incentive for concerted human capital development because, in terms of skills, it was a seller's market.

However, all that changed with the political mismanagement of the seventies and early eighties which was followed by economic collapse. All the parastatal companies which had spearheaded the economic growth collapsed. Although the public sector remained the biggest employer, the public service turned into a bloated and inefficient monster that could not deliver any services to the people.

Despite many attempts at resurrecting the public service, service delivery is still a mirage that has been evading all public sector agencies. Although the situation has materially changed from that of the sixties of guaranteed public sector employment and public sector-led growth, there is still a lag in the mental frames of both the employees of the public sector which has hindered the development of a competitiveness and efficiency in the public sector that is characterized by situations of scarce resources. The observed mind-set lag is ostensibly a failure of the education and training institutions to revise their curricula to match the changing situations.

Government made a strategic decision to provide the enabling environment for economic growth but to leave the actual investment and running of growth enterprises to the private sector, thereby producing a private sector-led growth. A logical derivative from this strategic decision is that the social and economic transformations that the country is anticipating so much must also be private sector-driven or, at the very minimum through public-private-partnerships. All the

necessary changes that need to be introduced in this regard were outlined in the National Development Plan, 2010/11 – 2014/15. Although progress has been a little slow, the pace is likely to pick up especially with greater diversification in the economy such as oil discovery and the likely derivative industries.

b) Future Focus

What all this points to is that it is no longer valid or useful to assume that our human resource will automatically transform into human capital. We need conscious, systematic and properly targeted plans for human capital development. We must concede that human capital development during the last century was a disaster; but at the same time we must resolve not to make the same mistakes of the twentieth century.

It must be reiterated that the most important investments in human capital are education, training, and health. These will form the core focus of human capital development for Uganda in the twenty first century. To these will then be added the softer assets of hard work, punctuality, honesty and patriotism. This package of interventions will form the backbone for the human capital development strategy in Uganda along the following rationale.

The overarching goal of human capital development will be to make Uganda's human resource the engine of economic growth by making it not only highly productive, but also regionally and even globally competitive. To this end, investing in education will involve not simply extending basic education to every Ugandan child but also revising the curriculum to make it less focused on simply passing examinations and more towards problem solving.

A huge component of Uganda's human capital development strategy will be skills development. At the moment there is too little emphasis put on skills and an overwhelming concentration on academic progression from primary through secondary schools to university. The end result of this approach is that more than 80 per cent of the products of Uganda's education system have no marketable skills, making them unsuitable for the term "human capital" because they can hardly be put to productive use.

The emphasis on skills development must start with a human resource survey. This survey will provide an inventory of all potential workers together with their ages, location and skills. This inventory will be matched with another inventory of available jobs, their locations and skills requirements. In an ideal situation, the two inventories should match one-to-one. In reality, there is likely to be a mismatch. The gaps found between the required skills and the skills of our

human resource will spell out the skills that have to be generated in our human capital development programme.

Developing these skills will call for an approach that goes beyond the academic track. Some of the skills will require special training after secondary school, while others may need training after, or in lieu of, university education. This approach will go a long way in solving the currently anomalous situation where there are huge human resource gaps in the economy and at the same time a vast army of unemployed youth.

In this connection, Makerere must be congratulated on its robustness in responding to market demands on the side of university education. Following the many years of economic collapse, no investment was made in the university's infrastructure with the result that it is now almost busting at the seams from the sheer numbers that they have to serve. Since the university decided to drop its original "Ivory Tower" image, to make itself more relevant to the country's current and changing development needs, it must introduce structured and systematic career guidance to complement the explosion of courses on campus. From its vantage point, the university would know about existing, emerging and frontier industries to which it can both tailor trainings and skills development programmes as well as support in form of cutting edge research and development.

Another area of investment will be health. It has been established that the health of human beings has a direct relationship with their productivity. It has equally been proven that well-nourished children will grow up as healthy and productive adults. A strategic area of focus that has been selected in this regard is the nutrition of women in the reproductive age bracket as well as children up to two years of age. Research has amply demonstrated that malnourished women are more likely to give birth to low weight babies who will face problems of both cognitive and physical development. Similarly, the most crucial period in a human being's development is that from conception up age two, known as the window of opportunity. Any damage done to the individual during this period due to malnutrition will be irreversible. Conversely, any investment in the proper nutrition of the individual, and the individual's mother, between conception and age two, will pay life-long dividends.

Investing in the nutrition of pregnant women and young children will therefore form one of the strategic areas of focus in human capital development. This is because Ugandan workers of tomorrow who are not properly nourished today will grow up mal-developed, less productive and thereby less competitive. To this end, the Government of Uganda developed the Uganda Nutrition Action

Plan (UNAP) to ensure the systematic tackling of the nutrition problem in this key strategic segment of the population.

In addition to these “hard-core” qualities that have an obvious bearing on productivity, there will be need to inculcate into future Ugandan workers the virtues of hard work, punctuality, honesty and patriotism. These qualities greatly affect a person’s productivity and can easily negate the effect of the direct factors of human capital recounted above. Although these are virtues commonly taken for granted in many countries, the several years political turmoil and institutional decay in Uganda have taken their toll and there is a real need for collective renaissance.

The school system would be an ideal place to start on these values. However, today’s schools instead emphasize short cuts to passing exams, such as cramming, spotting and coaching which has given birth to the ugly practice of cheating. In the curriculum revision that has been proposed, there should be a large component of character formation and value system re-engineering.

Many of these values were part and parcel of the informal education that children used to get while growing up. Unfortunately, the challenges of modern living has eroded many cultural institutions and left people without real value identities. There might be need to partner with cultural, religious and opinion leaders to re-start value orientation programmes in various fora.

Patriotism is a virtue that can be very crucial in promoting productivity and service delivery. Unfortunately, it is one that has been most often misunderstood due to misrepresentation. Patriotism is not associated with any political party or political thinking. It simply is, love for one’s country. It can be said that if people loved their country, then they would not engage in the evils of corruption, wastage of public resources or stealing of public funds. Therefore, patriotism, if properly imparted, can be a very powerful component of human capital that can promote efficiency, hard work, honesty and productivity.

c) Conclusion

In conclusion, it can be said that human capital development is not only relevant but actually very crucial to nation building. The country must have a clear system of human capital development embedded in curricula at all levels of the education system. In this era of globalization, no country can claim or try to be self-sufficient in anything anymore. It is very crucial that our human resource is sharpened to the maximum. Human capital development strategies, as discussed above offer the best hope for this human resource to be most productive and most competitive in national, regional and international markets.

Finally, we are not going to re-invent the wheel. We must be ready to “leap-frog” in those areas where we see a clear advantage. For example, many Ugandans who have lived in the diaspora have acquired different attitudes and work habits from the developed markets where they have lived. We can use these individuals as change agents in developing our human capital.