



Harnessing the Development Potential of Household Enterprises in the COVID-19 Environment in Uganda

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Abstract

Household enterprises have received limited policy attention in Uganda despite playing a crucial role in providing family employment and serving as a catalyst for poverty reduction. This Policy Note utilises the most recent Uganda National Household Survey 2019/20—collected prior to and after the COVID-19 pandemic disruptions to understand the early effects of Covid-19 on household enterprises. We show that the share of households with enterprises decreased by about 7% during the Covid-19 period—equivalent to an estimated 200,000 households. Western Uganda registered the most significant decrease, followed by Northern Uganda. With sales and revenues, the share of household enterprises reporting decreased sales/revenues almost doubled during the Covid-19 period compared to before Covid-19. We also show that the business environment worsens during Covid-19 especially obtaining start-up capital for female-owned HEs. Other constraints during the pandemic included finding clients/markets and accessing raw materials to a limited extent. Furthermore, the government's COVID-19 containment measures negatively affected those enterprises operated away from home. Female owned businesses dominate the HEs sector. This could be an avenue or entry point for interventions targeting women empowerment. The policies can explore women empowerment by identifying and targeting the growth and development of HEs run by women or generally in communities.

Introduction

Household enterprises¹, defined as unincorporated nonfarm enterprises/businesses owned by individuals or households, have received limited policy attention in Uganda. Yet, like in any other developing country, they play a crucial role in providing family employment and a catalyst for poverty reduction.² Despite the continuous collection of data on Household Enterprises (HEs) by the Uganda Bureau of Statistics (UBoS), not much analysis³ has been undertaken to provide the critical evidence needed to understand and provide policy direction for these enterprises. More specifically, during these difficult times of COVID-19, there has been no direct public response regarding support to the development of HEs. Therefore, this policy note provides a snapshot of HEs in Uganda with a view of providing a deeper understanding of their potential in employment creation, poverty reduction, and labour productivity. In addition, the Note identifies lessons learned and implications for policy going forward.

The Policy Note utilises the most recent Uganda National Household Survey 2019/20 (hereinafter UNHS19/20) data.⁴ The UNHS19/20 data is cross sectional and collected on households in a phased manner due to the Covid-19 disruptions. One sample was collected before the pandemic (September 2019 - February 2020) and the other during Covid-19 (July-November 2020). The two survey periods present an opportunity to understudy the early effects of Covid-19 on HEs. The findings⁵ are presented for a pooled sample and two samples separately by national, sub-national and socio-economic groupings.

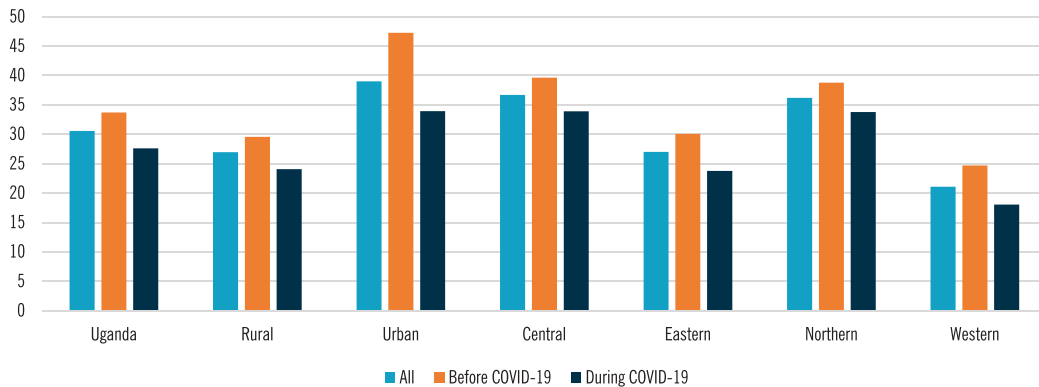
Key Highlights

Household level

Operational status of HEs.⁶ Nearly 2.8 million households had operated HEs prior to the survey; of these, 0.2 million had their enterprises closed either temporarily or permanently.⁷ The urban households were more likely to report business closure relative to their rural counterparts. The discussion hereinafter focuses on those HEs operating and/or closed temporarily at the time of the survey.

Nearly three in ten households operate at least one HEs, but the shares vary significantly across geography. There are 2.7 million households (with 13.3 million persons) with HEs in Uganda, with nearly 1.7 million in rural areas. While, in absolute numbers, households with HEs are higher in the rural areas, the share is higher in urban areas at 39.5% (see Figure 1). The number of households with such enterprises varies across and within regions, with more than 1 million households in the central region. The western region registers the lowest share of households with HEs. While not shown in Figure 1, sub-regionally, Buganda South lead in the central region, Busoga in the eastern region, West Nile in the northern region and Ankole in the western region.

Figure 1 Share of households with HEs in 2019/20, %

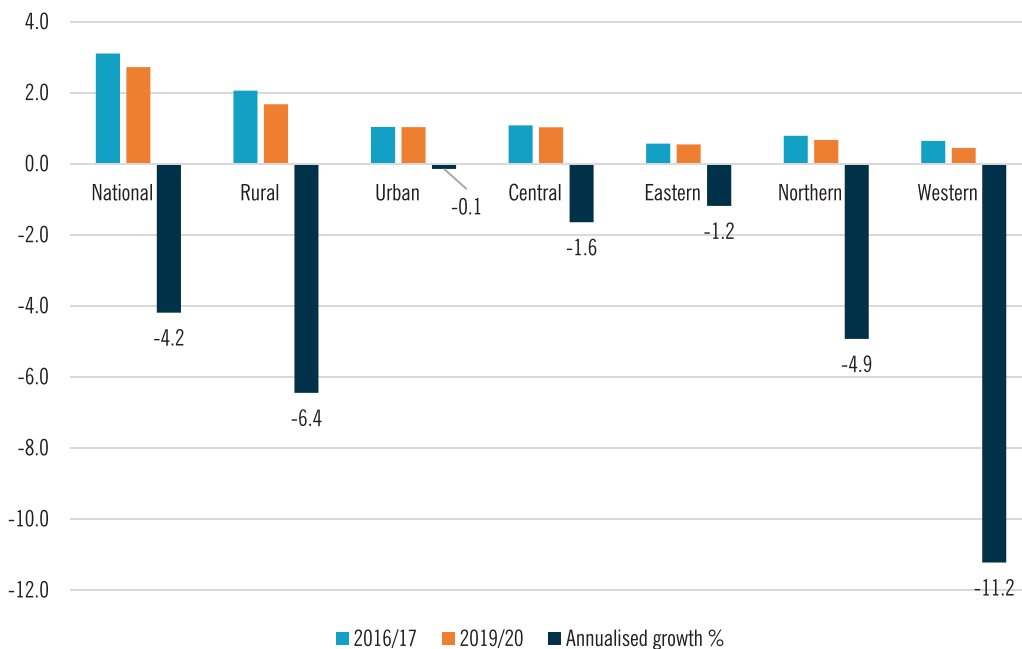


Notes: Analysis at the household level.

Number and share of households with HEs decreased during the Covid-19 period: The number of households with HEs during the Covid-19 period (1.2 million) is significantly lower compared to before the pandemic period (of 1.5 million) (see Table A 1). The result is primarily driven by rural areas, and especially those in the eastern region. On the other hand, Figure 1 reveals a lower share of households with HEs during Covid-19 relative to before the pandemic with uneven change across geography. For instance, the urban areas registered a nearly 13 percentage points reduction compared to about 6 percentage points for rural areas.

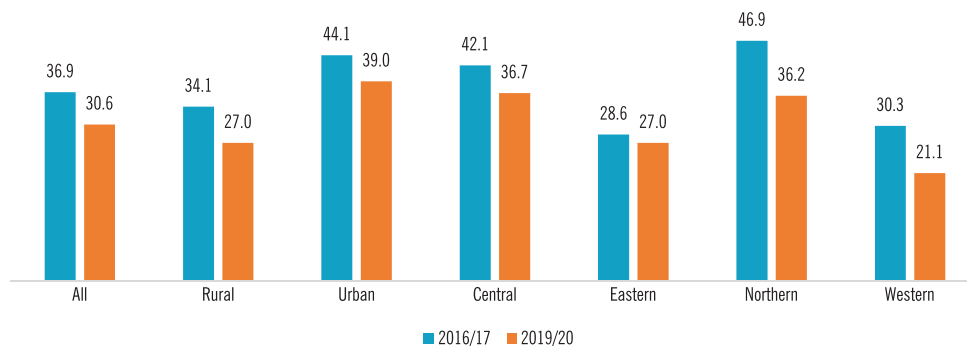
Uganda registers a reduction in the number of households with enterprises over time. Figure 2 shows that the number reduces from 3.1 million households in 2016/17 to 2.7 million in 2019/20, translating into an annualised growth of -4.2%. Similar patterns are observed by rural/urban and regions. However, there are spatial variations in the annualised growth in households with enterprises. The reduction was highest in the western region at -11.2% and least in the eastern region at -1.2%. The change in urban areas was negligible relative to -6.4% among rural households.

Figure 2 Number of households (millions) with HEs in 2016/17 and 2019/20, and annualised growth rates (%)



Source: UNHS 2016/17 and UNHS 2019/20.

Figure 3 Shares of households with HEs in 2016/17 and 2019/20 (%)



Source: UNHS 2016/17 and UNHS 2019/20.

The share of households with HEs reduces by -6.9 percentage points. The reduction is mainly driven by the western region (-10.7 percentage points) followed by the northern region (-9.2 percentage points). The share for the rural areas reduced faster than that of the urban areas.

HEs are more prevalent among wealthier households. The share of households that operate at least an enterprise increases with the consumption quintile (Figure 4). The share for the households in the top 20% with HEs (39.9%) is nearly two times that for the bottom 20% (20.7%). Wealthier households are more likely than poorer households to start/engage in HEs. Important to note is that the start-up or operational capital is mostly from own personal savings/retained earnings (for more than eight in ten enterprises). This could partly explain the higher prevalence of enterprises among the wealthier households. Despite government efforts to support SACCOs, these have been a source of start-up or operational capital to less than 2% of HEs.

The before and during Covid-19 comparisons reveal a higher share of households with at least one enterprise in the former than in the latter period. However, the differences are only significant for the top two richest consumption quintiles. For instance, among the top 20%, shares are about 10 percentage points – from 44.9% to 35%. The sector of main activity as well as the location of HEs partly explains this finding as explained later.

HEs are poverty-reducing: The households with HEs are better off than an average Ugandan household – with a poverty head count of 14.1% against 20.3%. Figure 5 reveals that income poverty is disproportionately higher in households without business enterprises (23.3%) compared to their counterparts with at least one such enterprise (14.1%). The finding corroborates with earlier results that households with HEs tend to be richer. However, households covered during the Covid-19 period are significantly poorer than their counterparts surveyed before the pandemic. This confirms that Covid-19 disrupted the activities of the HEs to the extent of making households poorer than before.

Figure 5 Income poverty headcount by HEs status, %

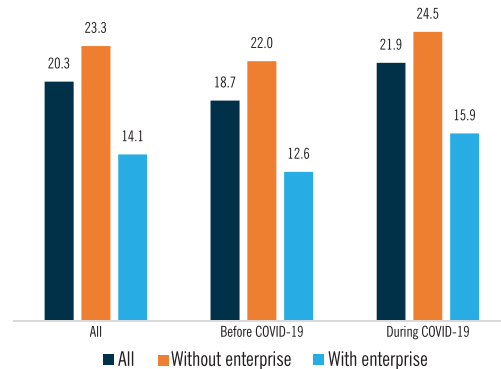
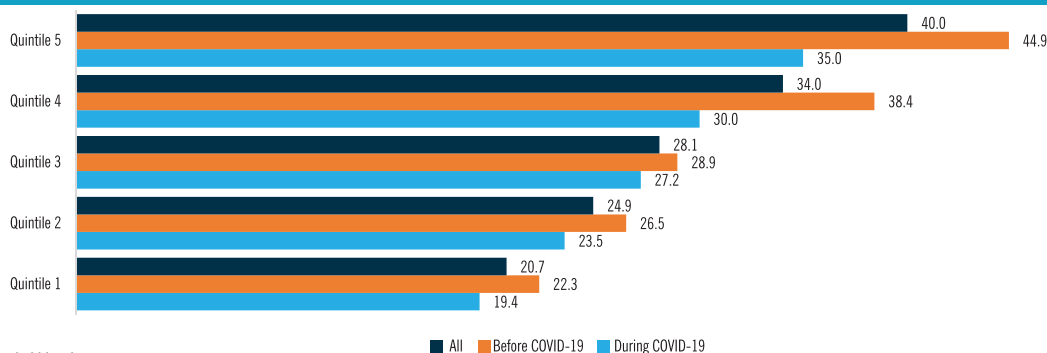


Figure 4 Share of households operate at least a HEs by consumption quintile in 2019/20, %



Notes: Analysis at household level.

Enterprise level

Selected HEs characteristics

At least each household in Uganda is running one HE, with the majority owned by females and operating informally. There are 3.1 million HEs operated by 2.7 million households, implying there are 1.1 enterprises per household. Compared to UNHS 2016/17, the number of HEs reduced by an annualised growth rate of -4.9% from 3.6 million in 2016/17 to 3.1 million in 2019/20.

Most of the HEs covered in 2019/20 are owned by females (48.5%), 42.1% by males and 9.4% by joint ownership.⁸ In urban areas, a slightly higher share of HEs is female-owned (53%) compared to 39.2% owned by males. HEs have been in existence for an average of 7.7 years and a median of 4.8 years, and nearly 56.7% for four years and above. Most HEs were operating informally. Only a quarter of the HEs had an operating license for the business, but the practice was predominantly among male owners (31.3%) compared to their female counterparts (17.2%). Also, to note is that about 70% had no plans to register their businesses with URSB, whereas nearly 10% were still undecided. Furthermore, 67.4% of the HEs had no concrete plans to expand their business. Whereas the desire to expand might exist, since HEs mostly rely on their own savings, the capacity to expand tends to be limited to available funds. These findings seem to point to transition challenges from informality to formality.

Knowledge of where the HEs are located is critical for policy programming and targeting. From a policy perspective, it is challenging to provide support without knowing where the HEs operate. Nearly three in ten HEs operate in workspace attached to the owners' homes, followed by one in five in an independent place from home; 11.9% in market stalls and 11.1% in no specific location. In terms

of gender, female-owned enterprises are more likely to operate in homes (38%) and market stalls (16.9%). In contrast, male-owned enterprises are more likely to operate in places independent from home (24.7%) and no specific place (21.0%).

Self-reported motivation for starting an enterprise

The survey captured more of the pull and less of the push factors (Figure 6). This is a very restrictive assumption that HEs are started more by choice and less by adverse shocks. At the national level, professional/skill is the most cited reason for starting a given HEs at 27.3%, primarily driven by the high share of male owners (33.9%). Indeed, the motivation to create an enterprise seems to vary by gender of the owner. Female owned HEs are more likely to cite low start-up costs (29%) compared to their male counterparts (12%).

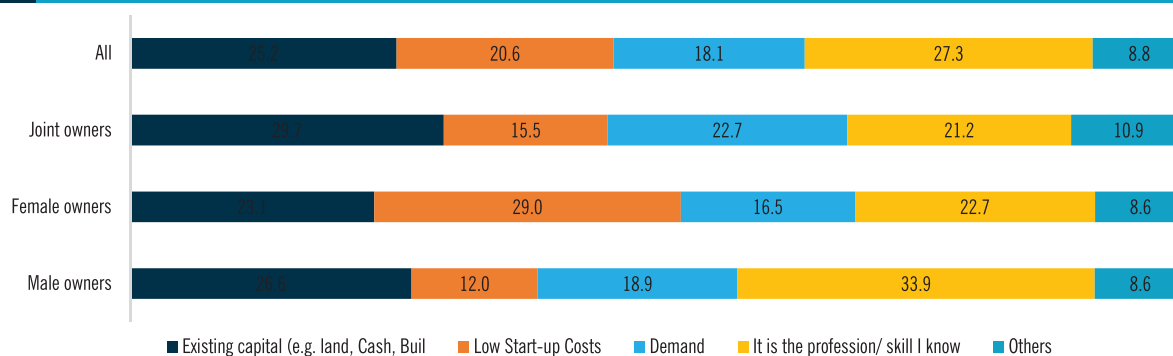
Figure 6: Main reasons for the choice of HEs by gender, %

Type of business

The majority of HEs are in trade-related sectors, and there are sector-specific Covid-19 differences:

Nearly 48% of these enterprises are in trade-related activities, followed by manufacturing at 20.7% (Table 1). They primarily sell goods and/services to households – implying dependency on other households' income for demand for their goods and services. Households surveyed during the Covid-19 period were significantly less likely to operate HEs relative to those surveyed before Covid-19, as earlier discussed. There are notable differences by sector of main activity, as shown in Table 1. Enterprises in non-crop agriculture, manufacturing, transport & storage, and others registered significant reductions. The Covid-19 mobility restrictions significantly explain this finding—implemented to minimise the spread of the virus.

Figure 4 Share of households operate at least a HEs by consumption quintile in 2019/20, %



Notes: Analysis at household level.

Table 1 Number of HEs by sector of the main activity

Sector ^a	All	Before Covid-19	During Covid-19
Non-crop agriculture	228,808	140,845	87,963*
Manufacturing	639,391	375,375	264,016*
Other industry	83,877	51,066	32,811
Trade	1,471,862	748,610	723,252
Transportation & storage	213,091	131,090	82,001*
Hotels, restaurant eating places	163,094	82,678	80,416
Services exc. trade & transportation	74,125	43,065	31,060
Other services	217,355	121,019	96,336
All enterprises	3,091,603	1,693,748	1,397,855

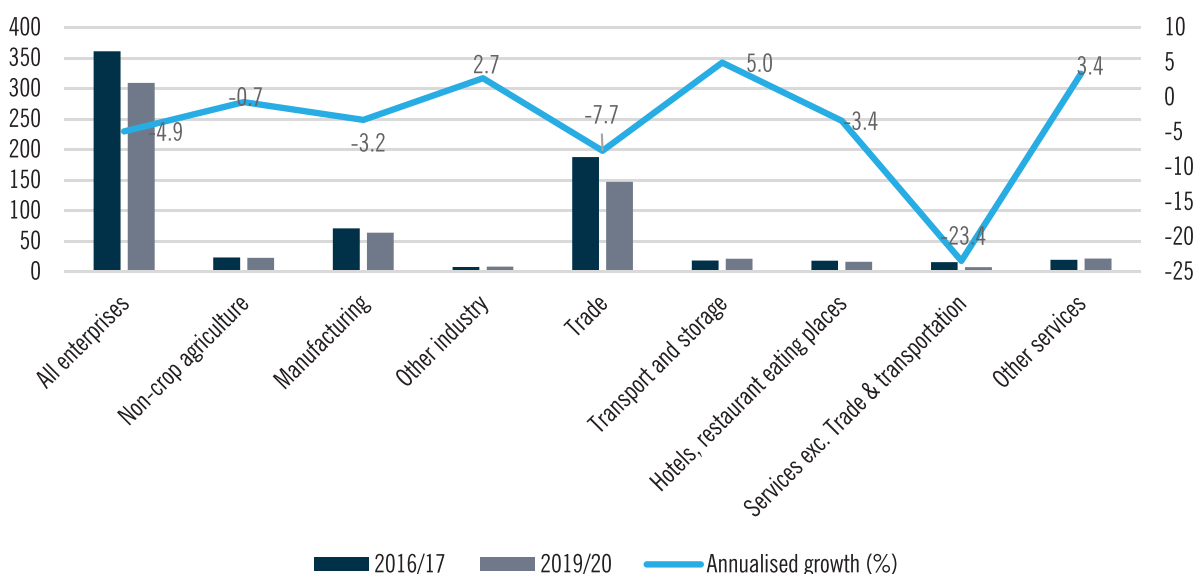
Notes: ^aThe differences before and during COVID-19 periods are statistically significant at 1% level of significance.

Growth of HEs slows down by -4.9% annualised growth rate between 2016/17 and 2019/20. The number of HEs reduces by more than a half a million in a period of three years. The changes vary by the sector of the main activity of enterprises. Negative growth is noted for all sectors except for transport and storage, other industry, and other services. HEs in the trade sector reduced at -7.7% per annum and manufacturing by -3.2%.

Gender variations by HEs sector of main activity: Table 2 shows that, regardless of gender, there is more concentration of HEs in trade followed by manufacturing activities. These sectors probably have low entry barriers and reflect the existing potential demand they intend to target – other households. Nearly 50.8% of the female-owned HEs are in trade compared to 42% of their male counterparts. Similar patterns are noted for manufacturing. While the shares are in single digit, there is a higher concentration of male-owned HEs in transport & storage and non-crop agriculture. Within each main activity sector, the contribution of female-owned HEs is more than half of the total HEs in manufacturing, trade; hotels and restaurant eating places; and other services (Figure 8).

To some extent, there are gender differences before and during Covid-19, as presented in Table 2. During the Covid-19 period, the overall contribution of female owners to total HEs increased by 6.6 percentage points in manufacturing, 9.5 percentage points in non-crop agriculture, and 7.3 percentage points in other industries. In contrast, the contribution in services excluding trade and transportation reduced by 13.5 percentage points – from 31.9% before Covid-19 to 18.4% during Covid-19. Table 2 further reveals a higher effect on male-owned HEs in the transport and storage sector and other industries. The Covid-19 containment measures could explain this.

Figure 7 Number of HEs (in 10,000) and annualised growth rate in HEs (%) by sector of the main activity

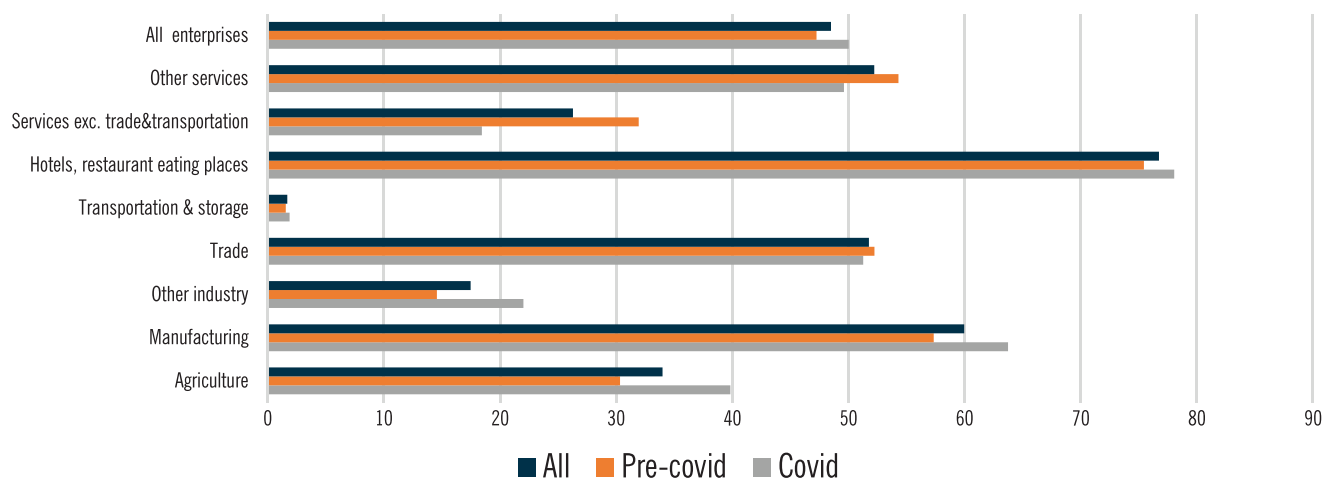


Source: UNHS 2016/17 and UNHS 2019/20.

Table 2 Share of HEs by sector of main activity and gender of owners, %

	Pooled			Pre-Covid-19			Covid-19		
	Males	Females	Both	Males	Females	Both	Males	Females	Both
Non-crop agriculture	8.0	5.2	16.0	8.9	5.3	20.0	7.0	5.0	10.5
Manufacturing	16.2	25.6	15.5	17.7	26.9	18.8	14.3	24.1	10.8
Other industry	5.0	1.0	1.6	5.7	0.9	1.4	4.0	1.0	1.9
Trade	42.0	50.8	56.2	37.8	48.9	49.3	47.2	53.0	66.1
Transportation & storage	16.1	0.2	0.1	17.8	0.3	0.3	13.9	0.2	0.0
Hotels, restaurant eating places	1.8	8.3	5.0	1.9	7.8	3.9	1.7	9.0	6.6
Services exc. trade & transportation	3.5	1.3	3.1	3.4	1.7	2.6	3.6	0.8	3.7
Other services	7.4	7.6	2.4	6.8	8.2	3.7	8.3	6.8	0.5
All enterprises	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Figure 8 Contribution of female-owned enterprises in total HEs by main sector activity, %



Employment creation in HEs

Employment here includes self-employed business owners, members of their households working in the HEs (contributing and paid family members), and hired employees (Figure 9). HEs employ approximately 4.9 million people, of whom 66% are own-account workers and 18.8% as paid hired workers. Seven in ten of these HEs employ only a single person (mainly owners), with more than half-owned by females. This probably points to the micro nature of these businesses. The female owners tend to have less education – with 16.6% having no education compared to their male counterparts (5.3%). Although not presented in Figure 6, female employees dominate owners (51.2%), contributing family members (57.4%) and unpaid workers (81.5%), whereas male employees dominate the paid category.

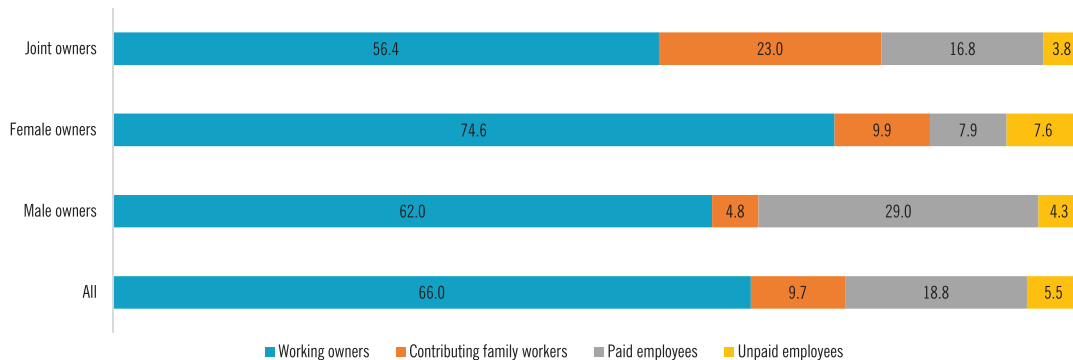
Approximately 11% of HEs hire employees beyond their household labour. By implication, they contribute to employment creation

outside the household. Because more than half of the female-owned HEs provide employment to only the owners, it is not surprising that they are less likely to employ paid employees than those owned by males (see Figure 9). Indeed, more than seven in ten hired employees were working in male-owned HEs.

As earlier discussed, the number of HEs reduced during the Covid-19 period. As expected, this had negative implications on total employment in the HEs sector – from 2.7 million persons to 2.1 million persons during the Covid-19 period. Similar changes in employment patterns are observed across different employment status.

Table 3 shows the distribution of employment by the HEs sector of the main activity. HEs in trade created the most employment (42.9%), followed by the manufacturing sector. More than half of employees are own-account workers with variations across sectors. This confirms the informality nature of these businesses. The exception is

Figure 9 Employment status by HEs ownership, %



the services excluding trade and transport with 38.1% (see Column 3). Table 3 (column 4) shows that the share of female-owned HEs in total employment varies across sectors with a higher share in the hotel, restaurants eating places followed by other services. Despite their higher share in total HEs (see Table 3 column 6), female-owned HEs contribute less to total employment (see column 4). Table 3 column 5 shows the employment share below 50% during the Covid-19 period except for Hotels and services excluding trade and transportation sectors.

Table 3 Employment by sector of the main activity

Sector of the main activity	Numbers	Employment share of (%)			% female-owned HEs
		Self-employed	Female owner	Covid-19	
(1)	(2)	(3)	(4)	(5)	(6)
Non-crop agriculture	410,579	60.7	24.8	30.9	34.0
Manufacturing	1,028,270	63.5	45.5	37.6	60.0
Other industry	181,676	58.7	10.1	27.6	17.5
Trade	2,112,256	71.4	42.9	48.4	51.8
Transportation & storage	254,679	77.3	-	35.7	1.7
Hotels, restaurant eating places	288,402	53.6	67.4	50.9	76.7
Services exc. trade & transportation	284,411	38.1	10.4	58.4	26.3
Other services	293,084	76.5	53.7	44.8	52.2

Sales/revenue and productivity of HEs

Male owned HEs, and those in trade were more likely to earn more revenues. The survey captured information on monthly gross revenue based on the months that the HEs operated. The results are presented in Table 4. On average, the HEs earn about UGX 1 million per month with significant variations across subgroupings. The median gross income is UGX 300,000 per month. Male owned HEs are more likely to earn higher revenues than female-owned

enterprises. Indeed, revenues from female-owned HEs are 30% lower than the national average. The gross revenue increases with household welfare, with revenues for HEs whose households, are in the top 20% quintile nearly five times the bottom 20%. There are significant sectoral differences with revenues, on average, ranging from UGX 427,500 (manufacturing) to UGX 1,369,136 (trade). In terms of economic value-added, computed as the HEs' monthly sales/revenue minus the cost of operation¹⁰, the national average stood at UGX 911,949 per month with variations across subgroupings.

Table 4 Average monthly gross revenue/sales and economic value-added, UGX

	Revenue ^a	Revenue per worker	Value added ^b	Value added per worker
All	1,034,306	684,517	911,949	588,260
Male owners	1,271,490	848,645	1,076,244	751,369
Female owners	717,598	556,497	665,759	472,872
Joint owners	1,612,629	610,590	1,470,038	489,303
Non-crop agriculture	623,594	352,453	671,465	412,533
Manufacturing	427,500	269,262	360,931	214,720
Other industry	610,288	407,296	554,780	348,987
Trade	1,369,136	960,840	1,075,143	773,876
Transportation & storage	819,849	650,695	685,978	533,614
Hotels, restaurant eating places	1,801,721 ^c	917,736	2,113,407 ^c	1,003,183 ^c
Services exc. trade & transportation	1,736,767 ^c	438,454	2,685,373	387,920
Other services	546,312	435,386	548,427	513,638

	Revenue ^a	Revenue per worker	Value added ^b	Value added per worker
Quintile 1	392,489	317,219	340,547	272,757
Quintile 2	449,232	375,327	433,357	371,609
Quintile 3	585,385	447,427	503,797	380,923
Quintile 4	753,072	555,393	681,886	474,000
Quintile 5	1,895,130	1,134,501	1,624,412	944,332

Notes: ^a excludes 1.3% due to missing revenue information; ^b Restricted to only those HEs with positive profits 68.8%; ^c Estimates have very high CVs and must be interpreted with caution.

Heterogeneity in labour productivity across HEs. Given the informality nature of these HEs, measuring labour productivity is a challenging task. Nonetheless, the Note provides insights on productivity issues to stimulate debate on how to support these enterprises to boost their labour productivity and foster sustainable poverty reduction. Labour productivity is measured via two indicators – gross revenue per worker and value-added per worker. The former includes the full sample of HEs, whereas the latter is restricted to only those HEs with a positive value-added. Regardless of the indicator, labour productivity within subgroupings is significantly lower than the national average. The patterns of gross revenues per worker seem not to change much from those of gross revenues. However, on average, the gaps between groups (household welfare, main activity sector, and gender of HEs owners) narrow when workers adjust gross revenues. On average, the HEs economic value

added per worker is UGX 588,260 per month with variation across subgroupings. Economic value added per worker is significantly lower for females compared to male-owned HEs. The low start-up capital as a motivator for women to run an enterprise partly explains the less productive nature of female-owned HEs. While not presented in Table 4, rural HEs are less productive compared to urban HEs.

Further to note, the economic value added per worker for those HEs is only above the national average in trade, for male-owned HEs; and for the top 20% consumption quintile. Relating these findings to those presented in Table 2, notably, the highest concentration of HEs is in the relatively more productive sector – trade. This holds for all genders. Labour productivity is higher for males than female-owned HEs – for instance, the ability for the former to hire workers would bring in more skills and hence more productivity. This holds before and during the Covid-19 period. However, the gender differences are only significant during the Covid-19 period. Male owned HEs were likely to have higher economic value-added and productivity during the Covid-19 period compared to their female counterparts – productivity was almost two times. Despite being the next dominant main activity sector, the manufacturing sector is characterised by low labour productivity. The low productivity could be explained by the scale of operation and type of activities these households engaged in – such as brewing alcoholic drinks, tailoring. Productivity improves with household consumption quintile, with the productivity of the top 20% quintile being more than threefold that of the bottom 20%. Overall, the HEs sector is marked with significant variations in return to human capital.

Figure 10 Profit and profit per worker by gender, UGX

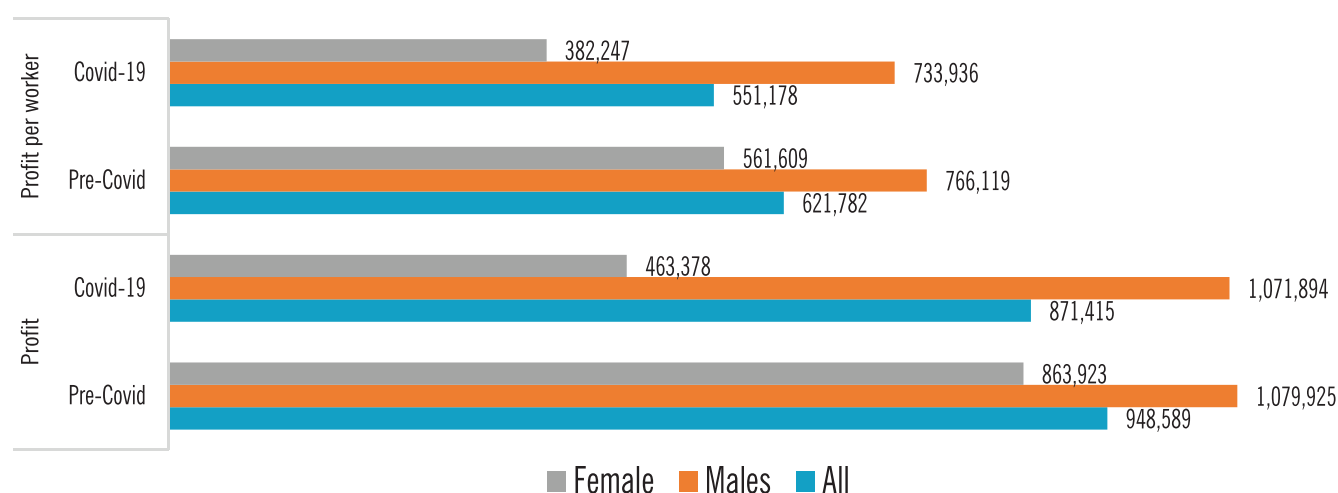
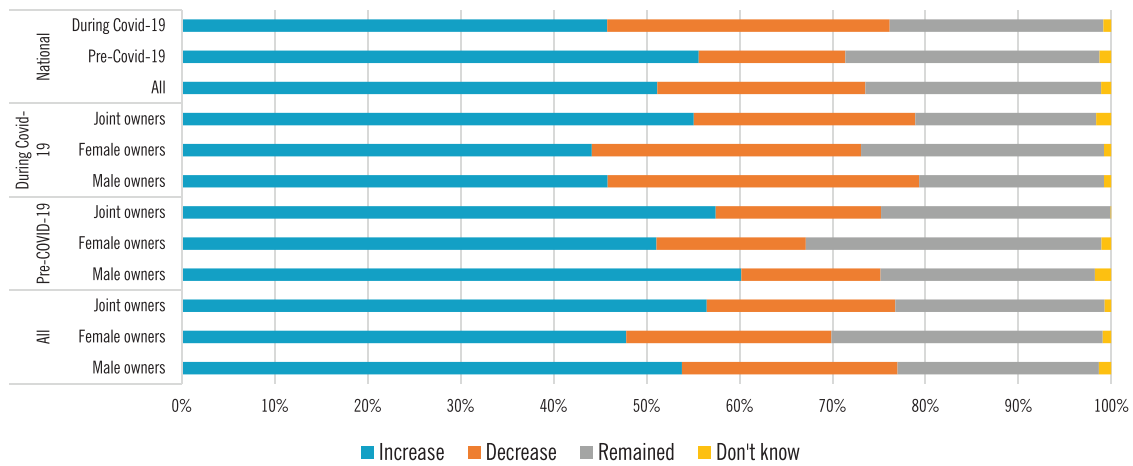


Figure 11 Changes in HEs sales/revenues in the past three years prior to the survey, %

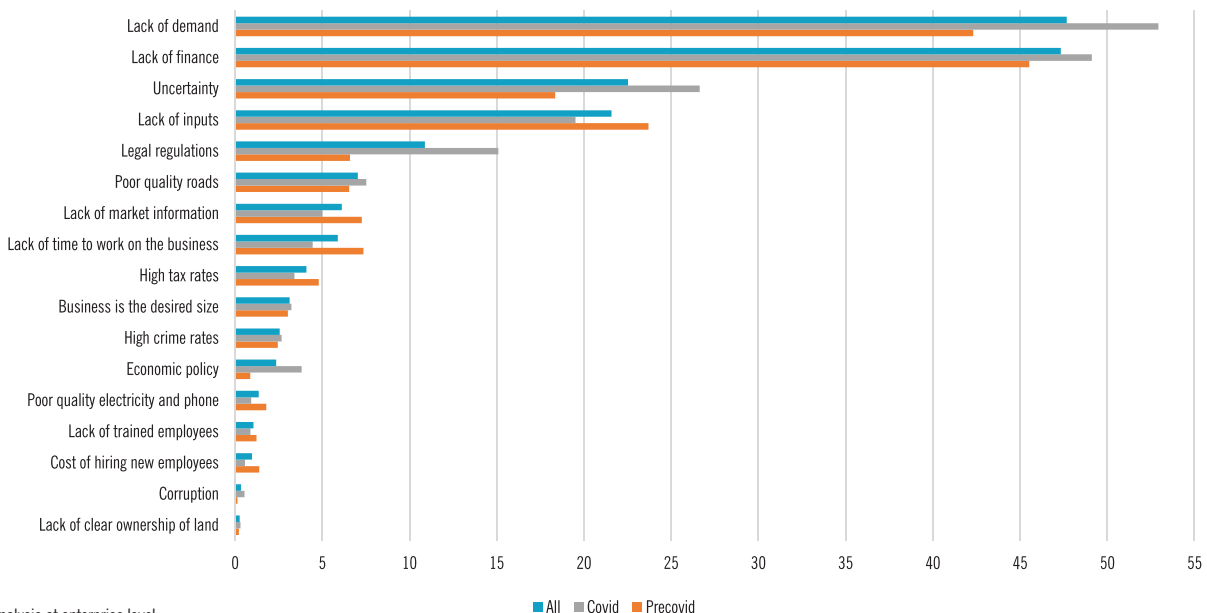


How have the sales/revenues changed over a longer period? The HEs owners were requested to indicate whether their sales/revenues increased, decreased, or remained the same in the past three years prior to the survey. At the national level, Figure 11 shows that a higher share of the HEs covered before Covid-19 were more likely to report increased sales (55.8%) than those covered during Covid (45.8%). Those HEs with decreased sales/revenues almost doubled during the Covid-19 period (30.4%) compared to before Covid-19 (15.9%). The gender of the HE owner exhibits similar patterns. The likelihood of citing increases in sales/revenues is higher among male-owned HEs than female-owned HEs. Those male-owned HEs cited increased sales reduced by 14 percentage points before and during Covid-19 relative to 7 percentage points for female-owned HEs. To sum up, these findings pose concerns over the resilience of HEs and the extent to which it varies, especially across gender.

Investment environment worsens with Covid-19

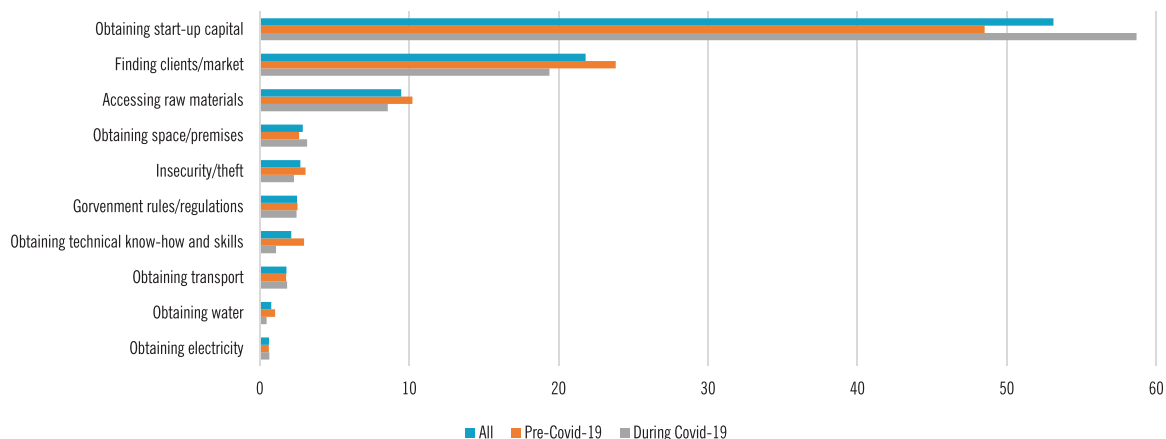
Figure 12 shows the average response for investment constraints for those HEs with no change or decreased sales/revenue. The four most-cited constraints include lack of demand, followed by lack of finance, uncertainty, and lack of inputs in that order. The ranking on these top four constraints does not vary before and during Covid. Nonetheless, the Covid-19 pandemic seems to have worsened the investment environment, with a higher proportion of HEs citing these constraints during than before Covid-19. Uncertainty is cited as one of the constraints, with 22.3% for the pooled sample and 18.2% pre-covid and 26.3% during covid. This uncertainty impacts planning. Significant declines are noted for inputs, market information, work time limitations for businesses. Also, there is a higher share citing legal regulations and economic policy before Covid-19 than after. All these factors combined will impact on HEs productivity.

Figure 12 Investment constraints as cited by HEs, %



Note: Analysis at enterprise level.

Figure 13 Top business environment constraints for HEs start-ups, %



Business environment worsens during Covid-19

The topmost business environment constraint cited was obtaining start-up capital by more than 53.1% of the HEs, with more than half were female-owned HEs. This is followed by finding clients/market by 21.8% and accessing raw materials by 9.5%. This pattern does not vary by when a household was interviewed – before or during Covid-19. However, the share of the HEs citing constraint of start-up capital increased significantly during the Covid-19 period to 58.7% from 48.5% before the pandemic. As discussed earlier, access to start-up capital through SACCOs remains very low. This highlights an important question, to what extent can the Emyooga funds address existing credit market failures—with the ultimate aim of boosting the productivity of the HEs sector.

HEs contribute more than half of household income

Figure 14 reveals that the share of income from HEs accounts for 17.5% at the national level. At a disaggregated level, households with HEs are more likely to derive a higher share of their income from such enterprises. In contrast, their counterparts are likely to derive it from subsistence farming. On average, income derived from HEs account for about 52% of total household income. Furthermore,

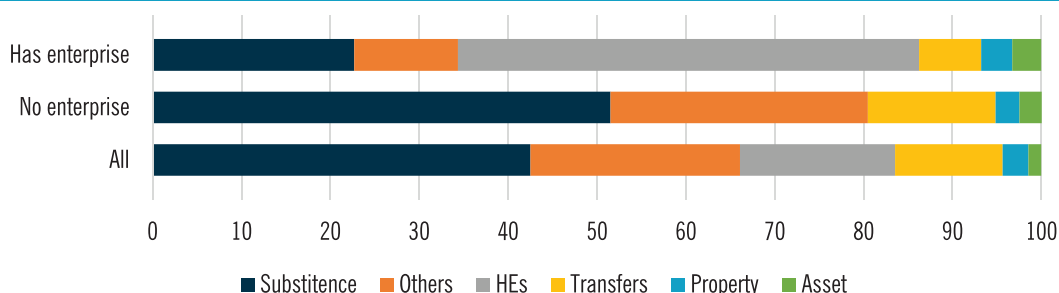
16.2% of the households with HEs had their businesses as the only source of income, and 24.5% for the urban households and 11.1% for rural households. In contrast, 64.3% of the households with HEs reported diversified sources of income, with urban households at 58% and rural households at 68.2%.

Although not presented here, the share of income from HEs increased from 47.4% before Covid-19 to 59.4% during the Covid-19 period; for urban areas from 51.5% to 61.7% and rural areas from 45.5% to 57.7%, respectively. This points to the critical role of HEs in providing cash flow for households when a shock occurs.

Key messages and possible actions for policy consideration

Household-based enterprises are a livelihood strategy to three in ten households in Uganda, contributing nearly 52% of household income. HEs mainly employ one person, likely to be a female with less than primary education and engage in a diversity of non-crop activities. But also, to note, 11 in 100 HEs employ non-family members hence complementing the Government efforts towards addressing unemployment. There are differences in labour productivity across and within subgroups – there are gender, sectoral and locational dimensions. For instance, female-owned HEs are less productive,

Figure 14 Household income derived from different sources by HEs status, %



partly explained by the low start-up capital, limiting their ability to hire non-family members and grow and low education levels.

Undoubtedly, Covid-19 negatively impacted the HEs sector mainly through the government’s pandemic containment measures. This affected mainly those HEs with a place of operation away from the household. The impact had gender, sectoral and living standard dimensions. The reduction in the number of households with HEs during Covid-19 resulted in lost employment, especially for family members. Labour productivity was also affected, with female-owned HEs less likely to be productive.

The number and share of households with HEs reduced in a period of three years from 2016/17 to 2019/20. There was a contraction in the growth of these enterprises. The reduction does not in any way imply the transition of these enterprises from informality to formality. Instead, the results could be picking on the potential impact of COVID-19 on HEs in the later year – 2019/20. The most affected enterprises were those whose sector of main activity was in trade followed by manufacturing. There was also a spatial effect with the western region the most affected, followed by the northern region. Also, important to note is that more than two in five HEs had existed for three years or less prior to each of the survey year. Demonstrates a high rate of new entrants in the sector; probably in the later years the enterprises are likely to close, or owners move into other non-household enterprises.

Notwithstanding these challenges, HEs contribute to household income, family employment and in turn, sustainable poverty reduction. These critical roles need to be recognised by policy makers and practitioners to address the binding constraints to the growth of the HEs, especially labour productivity. As argued in most literature,¹¹ there is a need to consider HEs as an economic unit, where the government develops policies and strategies to promote their growth instead of focusing efforts to reduce the sector’s size.

HEs should be supported to deepen their operations as they contribute more than half to household incomes. Beyond the provision of incomes during normal times, the HEs act as shock absorbers and prevent households from falling into poverty. This will also help to avoid productivity loss, especially for female-owned HEs.

Organising women better and targeting the development of their HEs for increased productivity and empowerment. Female owned businesses dominate the HEs sector. This could be an avenue or entry point for interventions targeting women empowerment. The policies can explore women empowerment by identifying and targeting the growth and development of HEs run by women or generally in communities. If effectively done, the multiplier effects can be great, beyond women economic empowerment - jobs in communities and community empowerment/development at large.

This could as well be linked to or explored as one of the catalysts for the Parish Development Model (PDM), given the focus on grassroots

or community level development. Organise women running the same HEs to come together and be supported through the PDM initiatives to improve the economic activities they are undertaking. Some critical sectors may have to be prioritised for support, e.g., manufacturing, production, and vital service-related enterprises – mobilise production, manufacturing, services at the community level, beginning with the micro-enterprises, and gradually transform them into bigger/large economic ventures.

Target trade-related HEs for short-term impact: HEs whose sector of main activity was trade had higher productivity well above the national average. In the short run, these enterprises should be supported for change as poverty reduction avenue and job security.

Increase productivity of HEs with a higher transformative potential: There is a need to increase the productivity of the low productive sectors especially manufacturing, which is key for transformation. Trade which has the highest productivity (according to the results) may not be as transformative as manufacturing, e.g., the multiplier effects of manufacturing should be way above that of trade. So, interventions should be deliberate in supporting a sector like manufacturing, improving and probably diversifying the manufacturing activities and increasing productivity and jobs.

Table A 1 Households with HEs in 2019/20

	In absolute numbers			% share		
	Pooled	Pre-covid	Covid	Pooled	Pre-covid	Covid
Uganda	2,729,396	1,458,404	1,270,992*	30.6	33.7	27.6*
Rural	1,687,447	978,328	709,119*	27.0	29.6	24.1*
Urban	1,041,949	480,076	561,873	39.0	47.2	33.9*
Central	1,038,230	548,207	490,023	36.7	39.6	33.9*
Eastern	552,860	315,849	237,011*	27.0	30.1	23.8*
Northern	680,470	349,934	330,536	36.2	38.8	33.8
Western	457,836	244,414	213,422	21.1	24.7	18.0*
Region/Rural/Urban						
Central urban	392,745	223,418	169,327	28.9	28.9	29.0
Central rural	645,485	324,789	320,696	43.8	53.2	37.2*
East rural	431,588	246,418	185,170*	25.8	28.5	22.8*
East urban	121,272	69,431	51,841	32.6	37.3	27.9*
North rural	526,554	289,047	237,507	34.6	38.1	31.2*
North urban	153,916	60,887	93,029	42.8	42.4	43.1

	In absolute numbers			% share		
	Pooled	Pre-covid	Covid	Pooled	Pre-covid	Covid
West rural	336,560	219,445	117,115*	19.7	24.0	14.8*
West urban	121,276	24,969	96,307*	25.9	32.9	24.6*
Sub-region						
Kampala	225,295	111,752	113,543	45.3	55.6	38.4*
Buganda South	514,458	264,380	250,078	38.5	42.0	35.3
Buganda North	298,477	172,075	126,402	30.0	31.1	28.6
Busoga	199,935	117,017	82,918	24.2	27.1	21.0*
Bukedi	133,190	74,077	59,113	30.4	33.7	27.0*
Elgon	80,529	46,334	34,195	19.7	23.8	15.9*
Teso	139,206	78,421	60,785	37.2	38.4	35.9
Karamoja	148,050	78,197	69,853	56.4	66.8	48.0*
Lango	145,348	72,850	72,498	28.9	28.1	29.8
Acholi	61,091	34,057	27,034	14.6	19.5	11.1*
West Nile	325,981	164,830	161,151	46.7	47.0	46.5
Bunyoro	88,451	55,580	32,871	16.8	21.9	12.1*
Toro	123,934	58,337	65,597	19.8	24.5	16.9*
Ankole	184,016	96,032	87,984	27.5	30.0	25.2
Kigezi	61,435	34,465	26,970	17.5	19.4	15.6

Note: Analysis at household level; *Estimates before and during COVID-19 are statistically significant at 1% level of significance.

Endnotes

- These are enterprises that are identifiable through households and whose operational location may not necessarily be at household level.
- See Fox L. and T.P. Sohnesen (2016), 'Households Enterprises and Poverty Reduction in Sub-Saharan Africa', Development Policy Review, 34(2): 197-221. <https://onlinelibrary.wiley.com/doi/10.1111/dpr.12152>; Nagler P (2017), A profile of non-farm household enterprises in Sub-Saharan Africa, UNU MERIT Working Paper Series #2017-048. Also, in Fox and Sohnesen (2012). Fox L. and T. P. Sohnesen (2012), 'Household Enterprises in Sub-Saharan Africa: Why they matter for Growth, Jobs, and Livelihoods, Policy Research Working Paper, No. 6184. World Bank, Washington, DC @World Bank.
- Some studies on Uganda include Fox and Sohnesen (2016).
- Where necessary, analysis using UNHS 2016/17 is done to bring out the changes over time. The main source data is UNHS 2019/20, unless stated otherwise.
- Estimates are weighted based on the sample weights provided by UBOS.
- Households were requested to indicate the non-farm enterprises they engaged in during the past 12 months prior to the survey interview.
- Nearly 1.2% of total household enterprises were closed permanently, of which 48.9% were in trade sector. Eight in ten were engaged in good only; and the most cited reasons for closure were financial

constraints followed by government regulations including lockdown.

- The gender dimension of owning at least a HEs is captured as female only owners (hereinafter referred to as female owners), male only owners (hereinafter, male owners) and joint ownership for both sexes (hereinafter, joint owners).
- Other industry includes mining and quarrying; electricity generation; water generation and construction. Services excluding trade and transport includes information and communications; financial and insurance activities; real estate activities; professional, scientific, and technical activities; administrative and support activities, public administration, education; human health and social work activities; human health and social work activities; and arts, entertainment, and recreation. Other services include other service activities; activities of household employers; activities of extraterritorial organisations and bodies; and not stated.
- Here we assume seasonality to be revenue neutral. The workers include enterprise owners, contributing family workers, paid/hired workers, and paid family workers.
- Studies such as Thomas, A. (2015), Sub-Saharan Employment Developments: The Important Role of Household Enterprises with an Application to Rwanda, IMF Working Paper WP/15/185. <https://www.imf.org/external/pubs/ft/wp/2015/wp15185.pdf>; Fox L. and T.P. Sohnesen, 2012, Household Enterprises in Mozambique Key to Poverty Reduction but Not on the Development Agenda? World Bank Policy Research Working Paper #6570, <https://openknowledge.worldbank.org/bitstream/handle/10986/16003/WPS6570.pdf?sequence=1&isAllowed=y>

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