

Innovation and Employment in Sub-Saharan Africa: Evidence from Uganda Microdata

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Abstract : This paper analyses the relationship between innovation and employment at firm level with the objective of understanding the contribution of the different innovation strategies in fostering employment growth in Uganda. We use National Innovation Survey (micro-data of 705 Ugandan firms) for the period 2011-2014 and follow closely Harrison et al. (2014) structured approach, and relate employment growth to process innovations and to the growth of sales separately due to innovative and unchanged products. We find positive effects of product innovation on employment at firm level, while process innovation has no discernable impact on employment. Although there is evidence to suggest displacement of labour in some cases where firms only introduce new process, this effect is compensated by growth in employment from new products, which for most firms are introduced simultaneously with new process. Results suggest that source of innovation as well as size of innovating firms or end users of innovation matter for job growth. Innovation that develops from within the firm itself (user) and involving larger firms has greater impact on employment than that developed from outside or coming from within smaller firms. In addition, innovative firms are one and half times more likely to survive in the innovation driven economy environment than those that do not innovate. These results have important implications for policymakers and stakeholders in innovation ecosystem. Supporting policies need to be correctly tailored since the impacts depend on the innovation strategy (type) and characteristics and sector of the innovative firms (small, large, industry, etc.). Policies to spur investment, particularly in innovative sectors and firms with high growth potential would have long lasting effects on job creation. JEL Classification: D24, J0, J20, L20, O30.

Keywords : employment, process innovation, product innovation, Sub-Saharan Africa

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