

## 'KEY CHALLENGES OF EMPLOYMENT IN UZBEKISTAN AND THEIR SOLUTIONS'

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### ABSTRACT

*This article examines the issues of ensuring employment and reducing the unemployment rate in Uzbekistan's economy by creating new jobs. This problem is of not only economic but also social significance, playing an important role in improving the well-being of the population and ensuring the sustainable development of the state. The article highlights the impact of technological development on employment and issues related to the informal labor market. It analyzes measures to address the unemployment problem, employment and unemployment indicators in the Republic of Uzbekistan, as well as the distribution of employed individuals across formal and informal sectors*

In our country, numerous reforms are implemented annually to ensure employment for the population. Additionally, issues related to job placement in vacant and quota-based positions are being addressed, and various methods of self-employment are being introduced. Although large-scale reforms have been carried out in recent years to increase employment and reduce the unemployment rate, the labor market continues to face pressing challenges. In particular, youth unemployment, limited job opportunities in rural areas, and the prevalence of the informal labor market negatively impact the country's socio-economic development.

In his Address to the Oliy Majlis, the President of the Republic of Uzbekistan, Sh. Mirziyoyev, emphasized "the implementation of a qualification certification system for in-demand occupations starting from January 1, 2021." Additionally, during the Youth Forum, a decision was made "to allocate \$100 million to support youth entrepreneurship and employment. Furthermore, it was highlighted that 1 trillion UZS and \$50 million would be allocated to finance youth business projects through credit schemes and to provide vocational training."<sup>1</sup> This, in turn, signifies that during the era of innovative development, extensive opportunities are being created for young people. As a result of such initiatives, partial unemployment is expected to decrease, and youth employment will be enhanced. The ongoing reforms are aimed at fostering individuals' comprehensive development and independent professional growth. A gradual reduction in unemployment and an increase in employment can only be achieved if trust in entrepreneurship and the private sector continues to grow within the country.

### DISCUSSION AND RESULTS

Labor economics studies various aspects of the labor market, labor resources, employment, labor relations, wage systems and employee income, labor productivity and efficiency, labor standardization, and personnel management methods.

<sup>1</sup> Address of the President of the Republic of the Oliy Majlis, 29.12.2020.

Employment refers to the engagement of the able-bodied population in socially beneficial labor activities that are not contrary to the law and provide labor income while fulfilling both personal and social needs. Employment also represents interpersonal relations regarding the integration of workers into a specific labor cooperation system based on the social division of labor.<sup>2</sup>

According to the official data of the Ministry of Employment and Labor Relations of the Republic of Uzbekistan, as of today, 13.7 million people are employed in the Uzbek labor market. Among them, 5.8 million are engaged in the formal sector, while 7.9 million work in the informal sector, including 2.6 million individuals employed as labor migrants.<sup>3</sup>

Categories of Employment in the Formal Sector of the Economy:

- Employees of government administration bodies;
- Workers in the education and healthcare sectors;
- Employees of law enforcement agencies;
- Personnel in the defense sector;
- Employees of state-owned enterprises and organizations;
- Workers in the social sector and regulatory agencies.

Categories of Employment in the Informal Labor Sector:

- Agricultural workers;
- Employees in the construction sector;
- Representatives of the service sector;
- Small business owners and artisans;
- Participants in labor migration;
- Individuals engaged in unregistered trade and commercial activities.
- The insufficient availability of formal job opportunities and the lack of necessary qualifications to enter the labor market are the primary factors compelling individuals to seek employment in the informal sector. Workers engaged in this sector often lack social protection and labor rights guarantees, making them vulnerable to economic instability.

According to Table 1, between 2017 and 2019, the proportion of individuals employed in the formal sector decreased by 8.5%, while employment in the informal sector declined by 5.2%. In 2019, the highest share of formal employment was recorded in Tashkent city (81%), Navoi region (67%), and Tashkent region (47.4%). Conversely, the highest levels of informal employment were observed in Namangan (68.1%), Surkhandarya (67.8%), and Samarkand (66.8%) regions.

These trends highlight the need for a comprehensive analysis of structural changes in the labor market, regional employment levels, and the effectiveness of ongoing reforms aimed at expanding formal job opportunities.

#### **Distribution of Employment by Formal and Informal Sectors Across Regions<sup>4</sup>.**

Regions	2017		2019	
	Formal	Informal	Formal	Informal

<sup>2</sup> "Employment", Wikipedia, <https://uz.wikipedia.org/wiki/bandlik> (30.04.2025)

<sup>3</sup> Official data of the Ministry of Employment and Labor Relations of the Republic of Uzbekistan. 2022.

<sup>4</sup> Official data (2017-2019) from the State Committee of the Republic of Uzbekistan on the regional distribution of employment by formal and informal sectors.

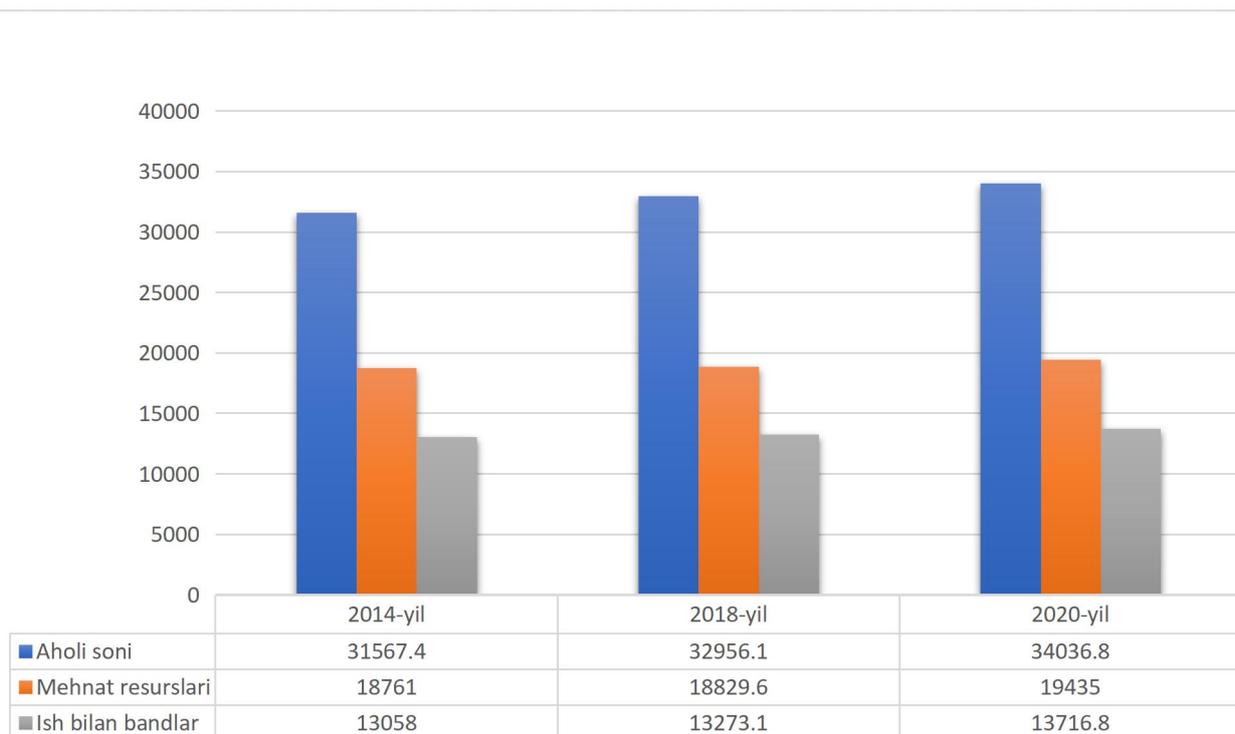
Andijan	31,2	68,8	36,3	63,7
Bukhara	41,3	58,7	46,9	53,1
Jizzakh	37,5	62,5	37,6	62,4
Kashkadarya	38,9	61,1	35,6	64,4
Navoi	56,5	43,5	67,0	33,0
Namangan	29,7	70,3	31,9	68,1
Samarkand	32,2	67,8	33,2	66,8
Surkhandarya	32,2	67,8	32,2	67,8
Sirdarya	45,4	54,6	46,8	53,2
Tashkent	38,8	61,2	47,4	52,6
Fergana	34,4	65,6	35,9	64,1
Khorezm	34,4	65,6	37,2	62,8
Tashkent city	69,2	30,8	81,0	19,0

In 1942, in U. Beveridge's speech titled "Full Employment in a Free Society" in the British Parliament, the fundamental principles of the "welfare state" were outlined, and for the first time, the idea of a guaranteed national minimum income was introduced. Achieving these goals required the state's social policy to be closely linked with its economic policy aimed at ensuring full employment for the working-age population.<sup>5</sup>

If employment is not adequately guaranteed by the state, it may lead to various socio-economic challenges. Key employment-related issues include:

- Elevated unemployment rates – The rapid increase in the working-age population surpasses the pace of job creation, resulting in insufficient employment opportunities.
- Regional disparities – The underdevelopment of industrial and service sectors in rural areas leads to restricted employment prospects.
- Labor migration – Both internal and external migration contribute to a significant outflow of the workforce seeking better job opportunities abroad.
- Seasonal and temporary employment – High dependence on seasonal jobs in sectors such as agriculture and tourism hinders workers from obtaining stable, long-term employment.

#### Dynamics of labor Resources and the Employed Population in the Republic of



**Uzbekistan, ( in thousand person)<sup>6</sup>**

Unemployed individuals in need of job placement – These include persons officially registered as unemployed in accordance with legal regulations, as well as those of working age who are not engaged in paid employment or income-generating activities, are independently seeking work, and are ready to accept a job offer if one is available. Issues related to unemployment constitute a fundamental aspect of social and labor relations in the labor market. The existence of unemployment leads to significant and often irreversible economic losses for society.

One of the reasons for temporary unemployment in our country is the imbalance between labor supply and demand. In other words, a significant portion of the unemployed population consists of unskilled workers and young individuals entering the labor market for the first time.

In order to promote self-employment among vulnerable populations and support their entrepreneurial initiatives, subsidies are allocated from the Entrepreneurship Promotion Fund through the “Unified Social Protection Registry” information system to individuals recognized as low-income. These subsidies aim to encourage employment and engage them in entrepreneurship. According to the Regulation on the Procedure for Allocating Subsidies from the Entrepreneurship Promotion Fund of the Agency for Mahalla-Based Work and Entrepreneurship Development, approved by the Cabinet of Ministers’ Resolution No. 252 of May 11, 2022, an amendment has been introduced. This amendment removes the requirement that subsidy recipients must own a household plot in order to receive subsidies for the installation of lightweight greenhouses, the purchase of seeds, seedlings, and irrigation equipment.<sup>7</sup>

The improvement of economic well-being plays a crucial role in the social life of the employed population. However, employment does not always guarantee an escape from poverty. A significant portion (around 50%) of households with low consumption expenditures consists of employees working in the public sector. Workers engaged in seasonal and temporary jobs are at a higher risk of poverty, as their occupations often provide income only for a limited period, while at other times, they may face a lack of stable earnings.

A number of solutions can serve as a foundation for addressing seasonal and temporary employment issues:

- Formalizing seasonal jobs by the state: Introducing labor contracts for seasonal and temporary workers and integrating them into the social protection system.
- Modernizing agriculture: Developing year-round income-generating activities in agriculture, where seasonal employment is dominant (such as greenhouses and agricultural processing industries).
- Implementing innovative technologies: Utilizing new technologies in agriculture and industry to reduce seasonal employment and create permanent jobs.

These measures contribute to overall economic stability and enhance social well-being.

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<sup>6</sup> Official data from the State Committee of the Republic Of Uzbekistan on the dynamics of labor resources and the employed population in the Republic of Uzbekistan for the years 2018, 2020, and 2024.

<sup>7</sup> Resolution No.252 of the Cabinet of Ministers of the Republic of Uzbekistan, dated May 11, 2022.

In the newly revised “Law on Employment of the Population,” support for self-employed individuals through tax benefits and incentives has been strengthened, and their work experience is now officially recorded.

Employment refers to activities that are not contrary to legal regulations, allow individuals to meet their personal and social needs, and generate wages (labor income).

Self-employment includes individuals engaged in entrepreneurial activities, artisans, members of family businesses, members of dehqan farms and production cooperatives, and farmers. According to legal regulations, both unemployed individuals and self-employed persons can secure employment through these means.

Research findings indicate that employment in both the formal and informal sectors has been analyzed across different regions, revealing that economic growth has not always been accompanied by an increase in job opportunities and overall employment. The proportion of workers in the informal sector remains significantly higher than that in the formal sector, leading to various challenges. To address these issues, the formalization of the informal sector is essential.

Entrepreneurship and the private sector should be supported, particularly for young people and the unemployed, as this will contribute to economic liberalization and stability. In Uzbekistan, employment challenges and strategies for their resolution are outlined in the Presidential Decree on the Development Strategy of New Uzbekistan for 2022–2026. This document sets forth key development priorities, measures to increase employment, and initiatives to reduce unemployment.<sup>8</sup>

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<sup>8</sup> Decree of the President of the Republic of Uzbekistan on the new Uzbekistan Development Strategy for 2022-2026.