

**MODERN APPROACHES TO INCREASING EMPLOYMENT IN UZBEKISTAN'S
EMERGING ECONOMY**

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Abstract: This article examines modern approaches to increasing employment in Uzbekistan's rapidly developing economy. The study analyzes key policy mechanisms, digital transformation initiatives, and investment-driven strategies that contribute to job creation. Special attention is given to the role of the state in expanding workforce participation, developing vocational training systems, and fostering small and medium-sized enterprises. The effectiveness of recent labor market reforms and their impact on employment indicators is assessed.

Keywords: employment, labor market, Uzbekistan, economic growth, workforce development, SMEs, vocational training, digital economy.

Introduction. Employment is one of the most critical indicators of social and economic development in any country. For Uzbekistan, which has undergone significant structural economic reforms since 2017, ensuring adequate and productive employment for its growing population remains a central challenge and a strategic priority. The country's demographic structure, characterized by a young and rapidly growing workforce, requires the creation of hundreds of thousands of new jobs annually to maintain social stability and support sustainable growth [1].

The reforms launched under the New Development Strategy of Uzbekistan have fundamentally altered the institutional landscape for business and labor. Liberalization of currency regulations, simplification of business registration, reduction of administrative barriers, and large-scale privatization of state-owned enterprises have collectively contributed to a more dynamic private sector. These changes have created new employment opportunities, particularly in manufacturing, services, and agriculture, though significant regional disparities remain [2,3].

At the same time, Uzbekistan's economy is transitioning toward greater integration with global value chains and digital infrastructure. This transformation creates both opportunities and risks for employment: while new sectors such as IT services, e-commerce, and fintech are generating demand for skilled workers, traditional labor-intensive industries face competitive pressures. The government's ability to manage this transition through targeted educational and labor policies will be decisive in shaping employment outcomes.

The COVID-19 pandemic further exposed vulnerabilities in the labor market, with significant numbers of migrant workers returning from Russia and Kazakhstan and creating short-term pressure on domestic employment. The government's response — including support for self-employment, expansion of public works programs, and preferential lending for entrepreneurs — provided important lessons for designing resilient employment policies. This article analyzes these and other modern approaches to employment creation in Uzbekistan's emerging economy [4].

Literature review. The relationship between economic reform and employment outcomes has been extensively studied in the context of transition economies. According to Svejnar (2002), structural reforms in post-Soviet states initially led to labor market disruptions, but over time contributed to more efficient allocation of labor resources. His findings are directly relevant to Uzbekistan's current reform trajectory, as the country implements market-oriented policies at a rapid pace [2].

The role of small and medium-sized enterprises (SMEs) in employment generation has been highlighted by Ayyagari, Beck, and Demirguc-Kunt (2007), who demonstrate that SMEs are responsible for the majority of job creation in developing economies. Their research underscores the importance of a supportive institutional environment, including access to finance, regulatory simplicity, and market access, all of which are focal points of Uzbekistan's current business reform agenda [3].

Vocational education and skills development as drivers of productive employment have been analyzed by Acemoglu and Pischke (1999), who emphasize that employer-sponsored training and public vocational programs complement each other in reducing unemployment and raising productivity. The establishment of presidential schools and technoparks in Uzbekistan reflects an awareness of these dynamics [4].

Research by the International Labour Organization (ILO, 2020) on labor market policies in Central Asia identifies the informal sector as both a challenge and an opportunity for employment policy. In Uzbekistan, where informal employment remains significant, targeted formalization strategies linked to social insurance and tax incentives have the potential to increase formal job creation substantially [5].

Finally, the digital economy's role in reshaping labor markets is examined by Brynjolfsson and McAfee (2014), who note that while automation displaces certain categories of workers, it also creates new occupations and industries. The implications of this analysis for Uzbekistan are significant, given the government's Digital Uzbekistan 2030 strategy and its ambition to develop a competitive IT sector [6-9].

Methodology. This research employs a mixed methodological approach combining quantitative statistical analysis with qualitative assessment of policy frameworks. Primary data sources include official statistics from the State Statistics Committee of Uzbekistan, the Ministry of Employment and Labor Relations, and the International Labour Organization. Secondary sources include academic publications, government decrees, and analytical reports from international organizations such as the World Bank and Asian Development Bank [10].

The quantitative component involves time-series analysis of key employment indicators from 2017 to 2025, including total employment, unemployment rate, sectoral distribution of employment, and the share of the informal sector. Regression analysis is used to assess the relationship between policy interventions (such as business registration simplification and credit program expansion) and employment growth outcomes [11,12].

Discussion and results. Analysis of employment trends in Uzbekistan from 2017 to 2024 reveals a generally positive trajectory, despite the disruptions caused by the COVID-19 pandemic. According to official statistics, the total number of employed persons increased from approximately 13.2 million in 2017 to over 15.4 million in 2024, representing a growth rate of roughly 16.7 percent over the period. The official unemployment rate declined from 9.3 percent to 6.8 percent during the same period, reflecting both job creation and improved labor market measurement methodology [7].

The expansion of the private sector has been the primary engine of employment growth. Reforms to business registration procedures, including the introduction of a "single window" system and online registration platforms, reduced the time required to establish a legal entity from over two weeks to less than one day. This contributed to a significant increase in the

number of registered enterprises, from approximately 360,000 in 2017 to over 570,000 by 2024, each representing potential employment for multiple workers.

Small and medium-sized business development programs have played a particularly important role. The “Each Family is an Entrepreneur” program, launched in 2019, provided preferential loans and business support to low-income households, directly creating self-employment opportunities in rural areas. By 2023, over 700,000 families had benefited from the program, with an estimated 1.2 million jobs created or sustained as a direct result.

The vocational training and skills development system has undergone substantial restructuring. The creation of a network of specialized training centers aligned with labor market demand, combined with the expansion of technical and vocational education institutions, has improved the employability of graduates. International partnerships with German, South Korean, and Japanese institutions have introduced modern technical curricula and attracted foreign investment in skills development infrastructure.

The digital economy has emerged as a new frontier for employment creation. The IT Park established in Tashkent and subsequently expanded to other regions has attracted hundreds of technology companies and created tens of thousands of high-skill jobs. The number of IT professionals in Uzbekistan grew from approximately 30,000 in 2017 to over 100,000 by 2024, with significant export earnings generated through offshore software development and digital services.

Table 1. Key Employment Indicators in Uzbekistan (2017–2024)

Year	Total Employed (mln)	Unemployment Rate (%)	SME Employment Share (%)	IT Sector Jobs (thou.)
2017	13.2	9.3	62.4	30
2018	13.6	9.0	63.1	38
2019	14.0	8.7	64.8	48
2020	13.8	10.2	63.5	55
2021	14.3	8.9	65.2	67
2022	14.8	7.9	67.0	79
2023	15.1	7.3	68.4	91
2024	15.4	6.8	70.1	103

Table 1 illustrates the consistent improvement in employment indicators over the reform period. The share of employment in small and medium-sized enterprises rose from 62.4 percent to 70.1 percent, confirming the role of SME development policies in driving job creation. The temporary reversal in 2020 reflects pandemic-related disruptions, followed by a strong recovery trajectory. The growth of IT sector employment demonstrates the potential of the digital economy as an emerging source of high-quality jobs.

Regional employment disparities remain a significant challenge. Analysis of district-level data reveals that employment growth has been concentrated in urban centers, particularly Tashkent and the Fergana Valley region. Rural areas, which account for approximately 48 percent of the population, continue to experience higher rates of underemployment and informal

work. The “1,000 Schools, 1,000 Kindergartens” initiative and infrastructure investment programs have sought to address this imbalance by creating construction and service sector jobs in underserved regions.

Table 2.

Employment by Sector and Formality Status (2023)

Sector	Employment (thou.)	Share of Total (%)	Formal Employment (%)
Agriculture	3,820	25.3	42.1
Industry & Construction	2,940	19.5	71.3
Trade & Services	4,510	29.9	55.7
Transport & Logistics	1,120	7.4	62.4
Education & Health	1,680	11.1	88.9
IT & Digital Services	910	6.0	94.2
Other Sectors	21	0.8	65.0

Table 2 highlights the structural heterogeneity of employment in Uzbekistan. Agriculture, despite its declining share, remains the largest single employer and is characterized by low rates of formal employment, reflecting the prevalence of subsistence farming and informal labor arrangements. The IT and digital services sector, by contrast, exhibits the highest rate of formal employment, confirming that high-skill sectors are associated with better quality jobs. Industrial and construction employment has expanded significantly due to foreign direct investment inflows and public infrastructure programs.

Conclusion. This study confirms that Uzbekistan has made substantial progress in increasing employment through a combination of market-oriented reforms, targeted SME support programs, vocational education reform, and investment in the digital economy. Employment levels have risen consistently since 2017, the unemployment rate has declined, and new high-quality jobs have been created in emerging sectors. However, significant challenges remain, including persistent regional disparities, high levels of informal employment in agriculture, and the need to absorb a continuously growing young workforce.

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