

KEY DRIVERS OF YOUTH UNEMPLOYMENT IN DEVELOPING ECONOMIES

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Annotation: Youth unemployment remains one of the most pressing socio-economic challenges in developing economies. Despite rising levels of education and digital awareness among young people, many countries face persistent gaps between the skills acquired in formal education and those demanded by the labor market. This article examines the key structural and policy-related drivers of youth unemployment, including demographic pressure, inadequate vocational training, slow-paced job creation in the formal sector, and weak labor market institutions. It also considers the long-term consequences of youth unemployment, such as economic stagnation, increased crime rates, political instability, and brain drain. The paper further explores successful case studies and policy interventions, highlighting the potential of targeted education reforms, entrepreneurship promotion, and digital skills development to improve youth employability. By evaluating both the challenges and opportunities, the article aims to provide actionable insights for policymakers, educators, and development organizations to reduce youth unemployment and harness the economic potential of young populations in developing regions.

Keywords: youth unemployment, developing economies, labor market, education mismatch, job creation, government policy, economic growth, vocational training, entrepreneurship, social impact.

Introduction

Classical theory of unemployment affirms unemployment depends on the level of real wages. It occurs when real wages are fixed over the equilibrium level because of rigidities provoked by minimum-wage policies, union bargaining or effective salaries. Today's economists point to three main types of unemployment: frictional, structural, and cyclical. Frictional unemployment is the result of voluntary employment transitions within an economy. Frictional unemployment is a temporary and voluntary type of unemployment caused by people looking for new jobs. It's the most common type of unemployment. 3-mar, 2025. Cyclical unemployment happens when the demand for goods and services in an economy decreases, forcing companies to lay off workers in an effort to cut costs. Companies generate revenue from the sale of goods and services, and when revenue decreases

dramatically, businesses experience a drop in their profits. Structural unemployment is a more serious form of unemployment. This type of unemployment occurs when there are fundamental structural changes to the economy such as changing industries.

The main causes among them today are the quality and relevance of education, the inflexible labor market, and harsh regulations. In some cases, youth unemployment is caused by structural racism impacting racial minorities, spatially concentrated poverty, and structural changes in the labor market.

According to data gathered from Saving to Invest, the states with the biggest unemployment checks are: Washington, Massachusetts, New Jersey, Oregon and Colorado — all pay between \$800 and over \$1,000 per week maximum. Massachusetts pays unemployment benefits for the longest time period: up to 30 weeks.

Main causes of youth unemployment involve many factors:

1. Lack of Experience – The Gap Between Knowledge and Life

Young people graduate with academic knowledge, but the labor market demands “competence” — the ability to solve problems, manage time, and collaborate. This reveals a fundamental disconnect between the education system and real-life demands. Although a graduate holds a degree, they are often unprepared for practical challenges. This issue calls for structural reforms in education, transitioning from theory-based to dual (academic + vocational) learning systems.

2. Mismatch Between Education and Labor Market – An “Army of Unemployed Specialists”

There exists a paradox in society: thousands of graduates remain unemployed because the fields they are trained in (e.g. law, economics) are saturated, while the market demands skilled workers in IT, engineering, and healthcare. For instance, if 10,000 lawyers are trained annually and only 500 jobs exist, the rest form a pool of educated but jobless individuals. This reflects an inefficient allocation of national human capital.

3. Insufficient Job Creation – The Inertia of a Passive Economy

In some regions, especially those dependent on natural resources or a centralized government economy, job creation is not automatic. Low entrepreneurial activity and underdeveloped private sectors hinder labor absorption. In contrast, innovative economies generate new jobs through services, tech, and startups. Transitioning to such a model requires not only policies, but also institutional strengthening and strategic vision.

4. Lack of Entrepreneurial Skills – Absence of Independent Thinking

Many youth believe that their success depends solely on being hired by someone else. This mentality stems from a rigid education system that rarely encourages free thinking, calculated risk-taking, or failure as part of learning. In reality, every young person carries within them a world of ideas, but they must learn to become not job-seekers, but solution-creators. This transformation requires economic literacy, mentorship, and motivational ecosystems.

5. Regional Disparities – Not Equal Opportunities, But Rooted Inequality

Resources, infrastructure, and opportunity are unequally distributed across a nation. While major cities concentrate potential, rural areas often lack even the basics. This disparity drives internal migration, especially among youth. However, such migration is frequently disorganized, leading to urban unemployment and increased social stress in cities. Addressing this demands policies for regional development and decentralization.

Here, it is possible to analyze the impact of youth unemployment on economic growth – a socioeconomic-philosophical reflection

1. Underutilization of Productive Capacity – “Dormant Capital”

Youth represent the most dynamic segment of human capital. Their energy, creativity, and adaptability are essential for economic growth. If unemployment sidelines them, the nation wastes its own developmental potential. Each unemployed young person represents a lost innovation, an unrealized idea, a missed future.

2. Reduced Tax Revenues – An Economy That Cannot Breathe

Unemployed youth do not contribute to the tax base but often rely on government aid. This creates a fiscal double burden: lower revenue and higher expenditure. It's an economic paradox — less oxygen for the state, weaker infrastructure, lower service delivery, and a further decline in growth.

3. Increased Social Dependency – Growth of a Passive Society

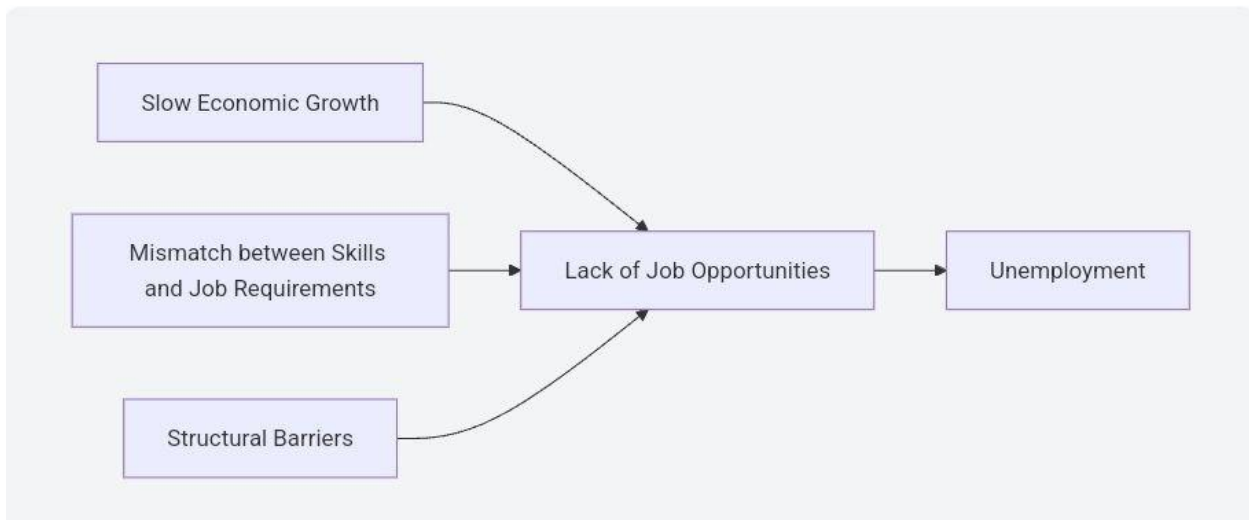
Relying on social support rather than employment fosters a culture of dependency. In such an environment, initiative declines, and a passive population emerges. This weakens social mobility, a core engine of economic dynamism, and undermines the foundation of a self-reliant society.

4. Threat to Social Stability – Explosive accumulation of unaddressed energy youth are full of energy and ambition. If not channeled positively (through education or employment), it may find expression in negative forms: crime, extremism, or illegal migration. As Islam Karimov said: "If we don't engage our youth productively, someone with ill intent will." This is not just an economic issue — it is a national security concern.

5. Slowed Innovation – An Aging Economy

A competitive economy must renew itself constantly through innovation, which primarily comes from the youth. If this generation is jobless, it stalls the flow of new ideas and technologies. Apple, Google, and Tesla were all founded by young minds. Unemployed youth are not merely an economic burden — they are the future that is slipping through our fingers.

The following flowchart illustrates the causes of unemployment:



Some of solutions recommended reduce the unemployment

Addressing unemployment requires a multifaceted approach that involves various stakeholders, including governments, policymakers, and individuals. Some potential solutions to unemployment include:

❖ **Implementing Policies to Stimulate Economic Growth and Job Creation**

Governments can implement policies to stimulate economic growth and job creation. This can include measures such as investing in infrastructure, reducing bureaucratic barriers to entrepreneurship, and promoting foreign investment.

❖ **Investing in Education and Vocational Training**

Investing in education and vocational training is crucial to enhancing employability. By providing individuals with the necessary skills and training, they can compete more effectively in the job market, reducing the likelihood of unemployment.

❖ **Promoting Entrepreneurship and Innovation**

Promoting entrepreneurship and innovation can also help create new job opportunities. By encouraging entrepreneurship and providing support for start-ups and small businesses, governments can help stimulate economic growth and reduce unemployment.

The following mind map illustrates the solutions to unemployment:



Rate of unemployment can be found via the way that is numbers of unemployed people in the country is divided to all numbers of workforce that includes all employed and unemployed people in the certain country then multiplied to 100. It is also possible to describe of calculating unemployment rate in mathematic model. The following formula shows counting unemployment rate:

Unemployment Rate Formula

$$U = \frac{\text{Unemployed People}}{\text{Labor Force}} \times 100$$

Conclusion and recommendations

Unemployment poses significant challenges for individuals, the economy, and society as a whole. For individuals, it leads to financial instability, stress, anxiety, and a diminished sense of self-worth. Economically, high unemployment can reduce consumer spending, hinder economic growth, and increase crime and social unrest.

Here's a more detailed look at the conclusions: For Individuals: Financial Instability: Loss of income can make it difficult to meet basic needs, leading to debt, housing issues, and food insecurity. Psychological Impact: Unemployed individuals may experience stress, anxiety, depression, and a loss of self-esteem due to job loss and the challenges of finding new work. Social Exclusion: Unemployment can lead to social isolation and a feeling of being excluded from society, further impacting mental well-being. For the Economy: Reduced Consumer Spending: High unemployment leads to lower income for households, which in turn reduces their ability to spend, impacting businesses and overall economic growth. Lower Economic Output: A large portion of the workforce being unemployed means a loss of potential production and innovation, hindering economic progress. Increased Social Costs: Governments may face increased costs for unemployment benefits, social welfare programs, and healthcare for those experiencing unemployment. Brain Drain: Skilled workers may seek employment abroad, leading to a loss of valuable human capital and hindering the country's development. For Society: Social Unrest: High unemployment can lead to frustration and anger, potentially manifesting as protests, strikes, and demonstrations demanding better employment opportunities. Increased Crime: Lack of economic opportunities can contribute to increased crime rates, particularly among marginalized communities. Wider Income Inequality: Unemployment can exacerbate existing income disparities, as those who are unemployed are often at the lower end of the income scale. In conclusion, unemployment has far-reaching consequences, impacting individuals' well-being, the overall economy, and the social fabric of a society. Addressing unemployment requires comprehensive strategies, including economic policies, job creation initiatives, and support for those facing job loss.

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