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WAYS TO EFFECTIVELY UTILIZE LABOR POTENTIAL IN UZBEKISTAN: STRATEGIES FOR SUSTAINABLE DEVELOPMENT

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Abstract. In this article, we will explore various ways to utilize labor potential effectively in Uzbekistan, emphasizing approaches that foster skill development, promote innovation, enhance job opportunities, and create a conducive environment for the workforce. By adopting these strategies, Uzbekistan can maximize its labor potential and drive sustainable economic growth. Uzbekistan, with its diverse workforce and abundant labor potential, holds significant potential for economic growth and development.

Annotation. However, to fully harness the benefits of this labor force, it is crucial to employ effective strategies that ensure productivity, development, and sustainability. Labor productivity, also known as workforce productivity, is defined as real economic output per labor hour. Growth in labor productivity is measured by the change in economic output per labor hour over a defined period. Labor productivity should not be confused with employee productivity, which is a measure of an individual worker's output. Labor productivity is directly linked to improved standards of living in the form of higher consumption. As an economy's labor productivity grows, it produces more goods and services for the same amount of relative work. This increase in output makes it possible to consume more of the goods and services for an increasingly reasonable price. Growth in labor productivity is directly attributable to fluctuations in physical capital, new technology, and human capital. If labor productivity is growing, it can usually be traced back to growth in one of these three areas.

Materials and methods. Physical capital is the tools, equipment, and facilities that workers have available to use to produce goods. New technologies are new methods to combine inputs to produce more output, such as assembly lines or automation. Human capital represents the increase in education and specialization of the workforce. Measuring labor productivity gives an estimate of the combined effects of these underlying trends. To address worsening labor shortages, employers are attracting candidates by offering starting and sign-on bonuses and increasing the transparency of salary information in job ads. They are lowering educational requirements and offering more initial job training. The increase in the retirement age will put the economy under pressure to generate additional jobs [1]. The labor force will get older. There will be fewer new young entrants than during previous years, while those already in the labor force will leave at a later age. This may also have implication on labor mobility at a time when the economy is rapidly transforming. A big advantage of the increase in retirement age will be a significant improvement in the dependency ratio. The age-based dependency ratio will improve from 0.66 in 2020 to 0.54 in 2030. The actual dependency ratio, that is the number of non-working persons supported by each employed person, will no doubt also improve significantly, although probably not as much as the age-based dependency ratio as some already work beyond retirement age and as the labor force participation rate in any case tends to fall among people in their late 50s and 60s.

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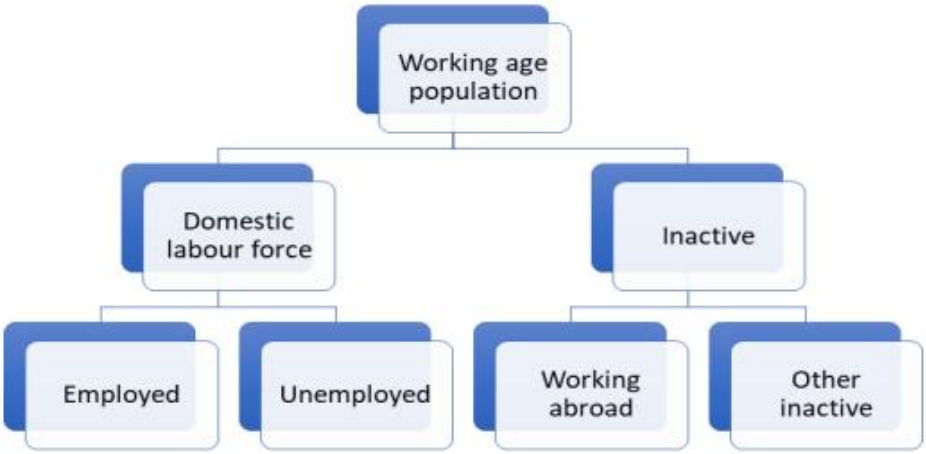

Figure 1. Labor market structure

Labor force participation has increased over the past decade from 73.5 to 77.7 per cent of the total labor resources. The increase in labor force participation was particularly sharp in rural areas where it increased from 71.7 to 79.1 per cent of the total rural labor resources. However, the increase in labor force participation was not matched by a similar increase in the employment rate, which increased by a mere percentage unit. As a consequence, the unemployment rate increased from 5.5 to 9.0 per cent. A disaggregation of employment and unemployment by sex, main age groups and rural and urban areas would be needed to interpret and understand the aggregate figures. Unfortunately, the published statistics do not provide such breakdowns. It would also be necessary to explore the causes behind the large increase in labor force participation in rural areas, in order to ascertain to what extent, it reflects real changes or is a statistical artefact. Total employment increased by more than 1.9 million between 2010 and 2019, representing an annual growth of 1.7 per cent per year. However, all jobs are not good jobs, and all employment does not meet basic criteria for offering decent working conditions and earnings. As people have to work to make ends meet, total employment is to a large extent a function of the need to work [2]. If no productive jobs are available, poor people will resort to distress self-employment, earning their living as best they can and often compensating very low productivity by working excessively long hours. The number of people employed is not always a good indicator of the performance of the economy and the labor market. Hence, targets for employment creation need to have a qualitative as well as a quantitative dimension. However, as discussed earlier, the planned increase in the retirement age will significantly increase the need for creation of new jobs. Assuming that the retirement age is increased to 60 for women and 65 for men by 2030, net job creation would need to increase from 213 thousand per year 2010-2019 to 360 thousand per year between 2019 and 2030. While the annual growth in productive employment would need to increase from 270 thousand per year to 500 thousand per year. However, on the positive side it should be noted that an increase in the retirement age would significantly reduce the dependency ratio, the number of mouths each breadwinner has to feed, which will make it easier to reduce working poverty. We note at the outset that this is largely a problem of the inadequate demand for labor to employ all those who would wish into formal, productive jobs [3]. This is the fundamental problem, although this problem does preclude challenges relating to the quality of labor supply. The education and training reform agenda in Uzbekistan are impressively comprehensive. Among initiatives currently tabled is a major project on the “Development of Skills for a Modern Economy in Uzbekistan” proposed jointly with the Asian Development Bank and with the overall objectives of improving the linkage between the labor market and the vocational training system and

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the establishment of sector skills councils strengthening the linkage between the demand for and supply of labor in manufacturing industries.

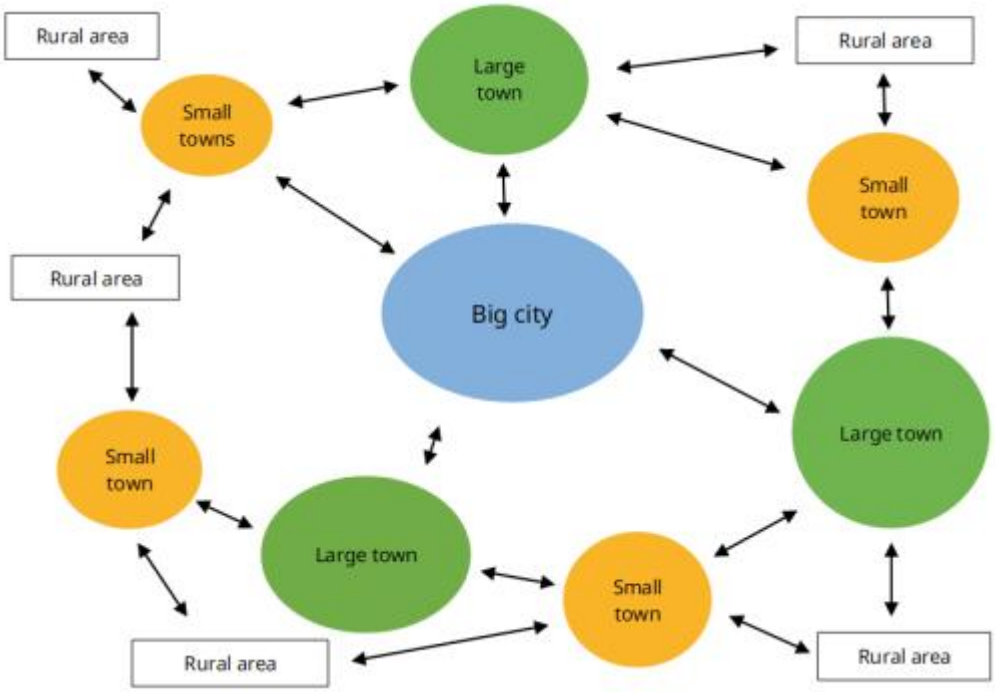

Figure 2. Economic linkages between rural and towns and between towns and cities

The first is a national assessment framework which would enable authorities to assess progress of its reform agenda in both a central and decentralized, i.e., individual school, manner. The second is a national curriculum framework, which should ensure consistency in application of curricular reforms across the educational system. A national higher education framework is to be created to evaluate the reform process at the tertiary level. Monitoring and evaluating the outcomes of reform, of course, rely on the data to do so and the capacity to analyses those data. These are currently lacking. Upgrading current monitoring and evaluation capabilities will require a significant investment in training for data collectors, data users, and, more fundamentally still, data analyzers. Well beyond the education system alone, data inadequacy, data disclosure, and data analysis constitute the major impediment to monitoring and evaluating the numerous reform proposals that have been advanced or are underway [4]. However, there are other reasons as well why Uzbek youth do not always attain the education and skills needed to make them attractive on the labor market. As discussed earlier in this chapter the very high rates of secondary school completion are clouded by shortcomings with regard to the quality, relevance and affordability of education. As is the case in most countries such shortcomings play out much more strongly in rural and in urban areas. Weaknesses and inequalities in employability among youth are compounded by problems of access to productive jobs. Uzbekistan has a comprehensive system of state employment services. However, it was set up to serve an economy dominated by state and public actors and needs to reform its modes of functioning in order to maximize its potential to serve as an efficient institution for active labor market intermediation and policies in a new economic context increasingly dominated by a multitude of private actors. Such reform has already been decreed and is in progress. As the institutions for labor market intermediation are discussed in greater detail, the focus here will be on a few specific issues.

Conclusion. Effective utilization of labor potential is crucial for Uzbekistan's sustainable economic development and social progress. By implementing the strategies outlined in this article,

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such as strengthening education and vocational training systems, creating a favorable business environment, fostering innovation, promoting labor mobility, ensuring gender equality, encouraging green jobs, and safeguarding worker's rights, Uzbekistan can unlock the full potential of its labor force. It requires collaborative efforts from the government, private sector, educational institutions, and civil society to create an environment that nurtures skills development, entrepreneurship, and innovation. With proactive measures and sustained commitment, Uzbekistan can pave the way for a prosperous future, benefiting both the workforce and the nation as a whole [5]. Economic development and productive transformation, that is the movement of labor and other production factors from lower- to higher-productivity sectors (structural transformation) and within-sector productivity growth, go hand in hand. The movement of labor and capital from lower productivity to higher-productivity activities (labor reallocation), and an increased sophistication and complexity of tasks and jobs within sectors are the prime key drivers of economic development. Labor reallocation impacts labor productivity not only directly, through a shift of labor from low productivity to higher productivity sectors, but also indirectly by reducing surplus labor in the source sectors and fostering economies of scale in the destination sectors. Within-sector productivity growth entails the adoption of innovations, new technologies and modes and organization of production that increase efficiency and productivity, but it can also follow from economies of scale and external factors such as agglomeration effects [6]. It can come about as a result of the increased efficiency of existing firms or as a result of the reallocation of resources away from the least productive firms towards more productive firms. Increased economies of scale, positive agglomeration effects and increased efficiency and depth of factor and product markets help fueling the productive transformation. Seen from an employment perspective, Uzbekistan is in the middle of a transformation from an agriculture-dominated to an industrialized economy, a process that is accompanied by a geographic relocation of people from rural to urban areas.

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