THE ROLE OF STATE ECONOMIC POLICY IN INCREASING EMPLOYMENT

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Abstract: This article explores the multi-dimensional role of state policy, educational institutions, and private sector initiatives in increasing employment, with a specific focus on the case of Uzbekistan. Drawing on national statistics and international best practices, the study examines employment trends from 2020 to 2023 and identifies key drivers of job creation such as vocational education, entrepreneurship promotion, and digital economy development. The literature review highlights how technological innovation, gender inclusion, and skills alignment have become central to modern labor market strategies. The discussion section offers a critical analysis of the structural challenges facing Uzbekistan's labor market, including informal employment, youth unemployment, and the mismatch between education and industry needs. Based on these findings, the article proposes a set of policy recommendations aimed at improving the quality, inclusiveness, and sustainability of employment in both urban and rural contexts. The research emphasizes the need for holistic, cross-sectoral coordination to ensure long-term employment growth in a transitioning economy. Keywords: employment growth, vocational education, labor market, skills mismatch, informal sector, youth unemployment, gender inclusion, policy reform, digital economy, sustainable development.

Аннотация: В данной статье рассматривается многомерная роль государственной политики, образовательных учреждений и инициатив частного сектора в повышении уровня занятости, с особым акцентом на примере Узбекистана. Опираясь на национальную статистику и передовой международный опыт, исследование рассматривает тенденции занятости с 2020 по 2023 год и выявляет ключевые факторы создания рабочих мест, такие как профессиональное образование, содействие предпринимательству и развитие цифровой экономики. В обзоре литературы показано, как технологические инновации, гендерная инклюзивность и выравнивание навыков стали центральными элементами современных стратегий рынка труда. В разделе обсуждения представлен критический анализ структурных проблем, стоящих перед рынком труда Узбекистана, включая неформальную занятость, безработицу среди молодежи и несоответствие между образованием и потребностями промышленности.

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Основываясь на этих результатах, в статье предлагается ряд рекомендаций по политике, направленных на повышение качества, инклюзивности и устойчивости занятости как в городских, так и в сельских условиях. В исследовании подчеркивается необходимость комплексной межсекторальной координации для обеспечения долгосрочного роста занятости в условиях переходной экономики.

Ключевые слова: рост занятости, профессиональное образование, рынок труда, несоответствие навыков, неформальный сектор, безработица среди молодежи, гендерная инклюзивность, реформа политики, цифровая экономика, устойчивое развитие.

Annotatsiya: Ushbu maqolada davlat siyosatining ko'p qirrali roli, ta'lim O'zbekiston misolida alohida e'tiborni jalb qilgan holda bandlikni oshirish bo'yicha institutlar va xususiy sektor tashabbuslari. Milliy statistika va ilg‘or xalqaro tajribaga tayangan holda tadqiqot 2020 yildan 2024 yilgacha bo‘lgan davrda bandlik tendensiyalarini o‘rganadi va kasb-hunar ta’limi, tadbirkorlikni rag‘batlantirish va raqamli iqtisodiyotni rivojlantirish kabi ish o‘rinlarini yaratishning asosiy omillarini aniqlaydi. Adabiyotlarni ko'rib chiqish texnologik innovatsiyalar, gender inklyuziyasi va ko'nikmalarni uyg'unlashtirish zamonaviy mehnat bozori strategiyalarida qanday markaziy o'ringa ega bo'lganini ta'kidlaydi. Muhokama bo‘limida O‘zbekiston mehnat bozori oldida turgan tarkibiy muammolar, jumladan, norasmiy bandlik, yoshlar ishsizligi hamda ta’lim va sanoat ehtiyojlari o‘rtasidagi nomuvofiqlik tanqidiy tahlil qilingan.

Ushbu topilmalarga asoslanib, maqola maqsadli siyosat bo'yicha tavsiyalar to'plamini taklif qiladi shahar va qishloq sharoitida bandlikning sifati, inklyuzivligi va barqarorligini oshirish. Tadqiqot o'tish davridagi iqtisodiyotda uzoq muddatli bandlikning o'sishini ta'minlash uchun yaxlit, tarmoqlararo muvofiqlashtirish zarurligiga urg'u beradi.

Kalit so'zlar: bandlikning o'sishi, kasbiy ta'lim, mehnat bozori, malakalarning mos kelmasligi, norasmiy sektor, yoshlar ishsizligi, gender inklyuziyasi, siyosat islohoti, raqamli iqtisodiyot, barqaror rivojlanish.

Introduction

Employment is not merely a source of income for individuals—it is the cornerstone of sustainable development, economic resilience, and social stability. The issue of job creation and employment growth has gained even more urgency in the post-pandemic global landscape, where labor markets have been disrupted by automation, remote work, and fluctuating demand across various sectors. Today, employment is viewed through a multidimensional lens that includes not only the quantity of jobs but also their quality, inclusiveness, sustainability, and

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adaptability to technological changes. According to the International Labour Organization (ILO), global unemployment reached 6.5% in 2020 due to the COVID-19 pandemic but gradually declined to 5.3% by the end of 2024. However, the ILO notes that youth unemployment, gender disparities, and skills mismatches remain significant challenges, especially in developing and transition economies. The growing need for adaptive labor markets has compelled many governments to introduce structural reforms targeting entrepreneurship, vocational and technical education, small business support, and digital skills development. In Uzbekistan, the employment agenda has become a central pillar of the country's socio economic policy. Under the framework of the "Uzbekistan– 2030 Strategy", special attention is being paid to:

- stimulating job creation in the private sector;
-expanding access to vocational training and higher education;
-promoting women's and youth employment;
-developing green and digital jobs;
-fostering regional industrial zones and agricultural clusters

The Presidential Decree PQ-5000 (2021) and subsequent national programs such as "Youth Employment," "Digital Uzbekistan," and "Each Family is an Entrepreneur" have led to the creation of tens of thousands of new jobs, especially in rural and underdeveloped regions. To better understand the structural changes in employment patterns, the table below provides comparative data on the sectoral distribution of employment in Uzbekistan:

Table 1.

Sectoral distribution of employment in Uzbekistan (2020–2024)

Sector	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
Agriculture	26,1	24,8	23,7	22,5	22,1
Industry	14,3	15,1	16,3	17,2	17,8
Construction	6,2	6,9	7,4	8,0	8,4
Services	53,4	53,2	52,6	52,3	51,7

As shown in the table, there is a gradual shift from agriculture towards industry and construction, reflecting industrialization trends and government-backed infrastructure development programs. The service sector continues to dominate, highlighting the rising importance of retail, IT, education, logistics, and finance in absorbing labor. Moreover, the development of freelancing, remote work, and platform-based gig employment has opened new avenues for young professionals, especially in urban areas. Platforms such as Upwork, Fiverr, and

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local freelance hubs are becoming increasingly popular, particularly among youth with digital skills.

However, challenges remain

-The informal sector still accounts for over 45% of total employment, posing risks to job security and social protection.

-There is a noticeable skills mismatch between higher education output and labor market needs, especially in digital technologies, engineering, and applied sciences.

-Women's employment lags behind men's due to social, cultural, and infrastructural barriers, particularly in rural regions. Given this complex landscape, this article aims to explore the multi-sectoral and institutional role in increasing employment through a structured analysis of policy initiatives, educational systems, private sector dynamics, and international best practices. The goal is to offer evidence-based recommendations to make employment more inclusive, sustainable, and future-oriented.

Literature Review. The issue of employment has been extensively studied in the fields of economics, sociology, political science, and public policy. Scholars have long argued that employment plays a foundational role in poverty reduction, social cohesion, and economic resilience. The classical theory of employment, as presented by Keynes (1936), emphasized the importance of aggregate demand in stimulating job creation. According to Keynesian economics, government interventions such as public works, subsidies, and tax incentives are necessary during periods of economic downturn to reduce unemployment and maintain consumer confidence. In contrast, neoclassical economists like Friedman (1968) viewed unemployment as largely voluntary or frictional and advocated for minimal government interference, suggesting that the labor market would naturally reach equilibrium through wage flexibility. However, in today's complex globalized and technologically driven economies, most modern theorists agree that a balanced approach—combining state regulation and market mechanisms—is essential for sustainable employment growth. Recent literature increasingly emphasizes the role of structural transformation, technological innovation, and skill development in employment generation. According to the World Bank (2020), economies that have successfully transitioned from agriculture to industry and services have witnessed significant improvements in employment quantity and quality. The World Employment and Social Outlook Report (ILO, 2024) highlights that economies that invest in vocational education, entrepreneurship, and small and medium enterprises (SMEs) experience more inclusive and resilient labor markets.

Scholars such as Acemoglu and Restrepo (2018) have explored the implications of automation and artificial intelligence (AI) on employment. Their

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research suggests that while technological innovation may displace low-skilled jobs in the short run, it simultaneously creates new job categories—particularly in digital, creative, and service sectors—thereby necessitating adaptive workforce policies and lifelong learning strategies. Another stream of literature focuses on youth employment and gender equity. According to the ILO's Youth Employment Trends 2023, global youth unemployment rates remain significantly higher than those of adults, primarily due to education-to-work mismatches, lack of experience, and slow job creation. Scholars such as Kabeer (2012) and Grown (2016) have emphasized the need to eliminate gender-based barriers to employment, especially in traditional societies where women's participation is hindered by cultural norms, lack of childcare infrastructure, and limited access to finance.

In the context of Uzbekistan, national scholars and institutions have begun addressing employment challenges through localized studies. For example, Karimov (2021) analyzed the impact of the "Every Family is an Entrepreneur" program, noting a 17% increase in micro business activities in rural areas and significant job creation, particularly among women and youth. Likewise, Yuldasheva (2022) conducted a sectoral employment analysis and found that industrial zones and regional clusters played a key role in creating high-productivity jobs in non agricultural sectors. Further, the Ministry of Employment and Poverty Reduction of Uzbekistan (2023) has emphasized the critical importance of strengthening the vocational education system, expanding digital literacy, and encouraging youth entrepreneurship to narrow the employment gap. This aligns with international recommendations provided by the World Economic Forum (2021), which calls for "reskilling revolutions" and public-private partnerships to bridge future skills gaps.

In summary, the reviewed literature reveals a broad consensus that increasing employment requires multi-level policy interventions encompassing:

- macroeconomic stability and infrastructure investment;
- educational reforms focused on market-relevant skills;
- inclusive support for vulnerable groups (e.g., youth, women, rural populations);
- digital and green economy transition.

This body of research provides a foundation for further analysis in the following sections, where empirical data and country-specific strategies will be examined to assess the effectiveness of various employment-enhancing initiatives.

Discussion. The issue of employment cannot be approached from a one-dimensional perspective, as it is deeply intertwined with economic growth, education systems, institutional capacity, demographic trends, and technological innovation. The review of literature, along with global and national employment

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trends, reveals that increasing employment requires a coordinated, multi-sectoral approach that involves not only governments but also private enterprises, civil society, and educational institutions.

In the case of Uzbekistan, the government has made notable strides in improving labor market outcomes over the past five years. Programs such as "Youth Employment," "Every Family is an Entrepreneur," and "Digital Uzbekistan" have directly contributed to the expansion of micro enterprises, job placements, and training opportunities. The decrease in the unemployment rate from 9.5% in 2020 to 5.1% in 2024 (State Statistics Committee) reflects the preliminary success of these interventions. However, a deeper analysis shows that quantitative employment growth must be matched with qualitative improvements, especially in rural areas where informal employment dominates and labor productivity remains low. A major challenge lies in aligning education and training systems with labor market needs. Although significant investments have been made in vocational and technical education, there remains a skills mismatch—especially in high-demand fields like information technology, industrial automation, and business services. For example, a 2024 survey by the Ministry of Higher and Secondary Specialized Education found that over 37% of graduates struggle to find jobs within six months, primarily due to lack of practical skills or outdated curricula. This indicates a need for stronger collaboration between educational institutions and employers, including more internships, dual training systems, and public-private partnerships in curriculum design.

Another crucial dimension is gender disparity in employment. While legal reforms have aimed to promote women's participation in the labor market, societal norms, caregiving responsibilities, and lack of access to affordable childcare continue to hinder full female inclusion. According to UN Women Uzbekistan (2024), the female labor force participation rate remains at 42.3%, significantly lower than that of men (67.1%). This gap is more pronounced in rural areas, where traditional family roles and limited mobility further restrict women's access to income generating activities. Addressing this imbalance requires targeted measures such as:

- subsidized childcare centers,
- flexible work arrangements,
- women-focused entrepreneurship training and finance programs.

In addition, youth unemployment remains a persistent issue. Despite constituting more than 60% of Uzbekistan's population, young people face barriers such as lack of experience, low access to capital, and limited exposure to entrepreneurship education. Programs like Startup Initiatives and MyFirst Business

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have shown promise but need broader reach and better mentorship systems. From an international perspective, several best practices offer valuable lessons:

- Germany's dual education system, which combines academic learning with on-the-job training, has successfully reduced youth unemployment.
- South Korea's SME support policies and innovation incentives have helped create high tech jobs in emerging industries.
- Finland's reskilling and lifelong learning strategies have enabled older workers to remain employable despite automation trends.

Uzbekistan can draw from these models by prioritizing:

scalable, quality-oriented vocational programs;

digital platforms for job matching;

tax incentives for firms that hire and train vulnerable groups;

comprehensive labor market information systems for policy planning.

It is also essential to address the informal sector, which accounts for nearly 45% of total employment. Informal workers often lack legal protection, social security, and access to upskilling programs. Bringing these individuals into the formal economy requires simplified business registration, tax reform, and incentives for formal job creation. Lastly, the transition to a green and digital economy represents both a challenge and an opportunity. Investments in clean energy, sustainable agriculture, and digital infrastructure have the potential to create thousands of new jobs—if the workforce is adequately prepared. A "just transition" framework is needed to ensure that workers in traditional sectors are not left behind. In sum, while progress has been made, sustainable employment growth in Uzbekistan depends on:

structural reforms in education and labor market institutions,

inclusive policies that address regional and demographic disparities,

and future-oriented strategies that prepare the workforce for a digital and green economy.

Conclusion. This study has demonstrated that increasing employment is a complex and multi dimensional process that requires the coordination of government policies, education systems, private sector engagement, and inclusive social strategies. The experience of Uzbekistan over the past four years shows significant progress in reducing unemployment and expanding vocational opportunities, especially through targeted programs for youth and rural communities. However, substantial challenges remain—such as skills mismatch, gender disparity, and the dominance of informal employment—that threaten the sustainability of current gains. To move toward long term employment growth, the government must continue its reforms in vocational education, promote public-

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private partnerships for skill development, and expand inclusive policies for marginalized populations. Moreover, the integration of digital and green economy initiatives offers a unique opportunity to generate future-oriented, high-quality jobs. A successful employment strategy must focus not only on job quantity but also on job quality, productivity, and formalization. This research contributes to the broader discourse on labor market development in transition economies and emphasizes the need for evidence-based, context specific policy interventions. Cross-sector collaboration, adaptive training systems, and support for entrepreneurship remain critical pillars in building a resilient and inclusive labor force.

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