

RELATIONSHIP BETWEEN EMPLOYMENT AND ECONOMIC GROWTH IN UZBEKISTAN

Amirdjanova Sitora Sunnat qizi

PhD student in Tashkent State University of Economics

Abstract. The article is devoted to the issues of the relationship between employment and sustainable economic growth. The logic of the research given in the article is as follows. In order to judge such a relationship, it is necessary to understand what are the features of the current state of economic growth and employment development, through which models and conceptual approaches their evolutionary formation has passed. Using the positions of domestic and foreign authors, the links between stability and growth, growth and employment are presented, as well as to what extent economic growth satisfies the need to increase the number of jobs and increase labor productivity. Attention is focused on the analysis of a number of key issues covering employment trends in Uzbekistan, the growth of total incomes, wage dynamics, as well as the impact on employment of certain aspects of macroeconomic policy.

Keywords: economic growth, employment, macroeconomic policy, sustainability, jobs, GDP, decent work.

Introduction

It is known, economic growth is the most powerful tool for reducing poverty and improving the quality of life in countries, which is confirmed by irrefutable evidence in published studies. Sustainable growth creates a beneficial foundation for prosperity and the development of various opportunities. Thus, economic growth and employment improve incentives for investing in education, which can lead to the emergence of a strong and growing group of entrepreneurs in the country.

Currently, the development of the labor market and the solution of other related areas in Uzbekistan are identified among the priorities. These issues are being addressed through the adoption of strategies and appropriate programs to create jobs and ensure employment. The President of the country, Sh. M. Mirziyoyev, in the Development Strategy of the New Uzbekistan for 2022-2026 [1], among the goals is the creation of new jobs in the country, increasing the incomes of the population and thereby reducing poverty by at least two times by the end of 2026.

The relevance of the research presented in the article is due to the need of modern economics to understand the profound changes taking place in the field of employment and sustainable growth and their interrelationships. The purpose of the study is to study theoretical approaches and identify the specifics of the relationship between employment and the sustainability of economic growth.

Literature Review

Throughout the historical development of any country, special attention and a large number of author's publications have been devoted to economic

growth and employment of the population. In them, employment is crucial for obtaining higher rates of economic growth and ensuring its sustainability. The World Bank's Global Economic Outlook report says that strong global economic growth means that most of the world's working-age population is employed. At the same time, young people make up 25 percent of the working population in the world, but 47 percent of the unemployed [2]. This indicates that in order to ensure the sustainable growth of any state, the solution of the issue of youth employment should be identified among the priorities.

The analysis of economic sources showed the presence of different author's assumptions on the problems of economic growth and employment. For example, economic growth occurs when economic entities are able to produce goods and services with increasing efficiency. According to Adam Naes: "When a whole group of economic entities can produce goods and services more efficiently, this is called economic growth" [3]. An individual worker is more productive and worth more when he can more efficiently turn resources into valuable goods and services. This means that the economy must have the best tools and equipment to ensure real productivity, namely the means of production, greater specialization and labor skills of working people.

The macroeconomic features of a country's development and the policies corresponding to such development, as studies show, can have a significant impact on employment. This interaction between them is a relatively less studied area of research, especially in the context of developing countries. There are certain doubts about the traditional framework of macroeconomic policy, where its main role is to ensure stability, which is expected to ensure sustainable economic growth and employment [5]. One of the reasons for this lies in the representation of the role of such a policy.

Similar views regarding different countries are expressed in a number of foreign publications, for example, in the World Bank's World Development Report on Jobs [6], the World Bank's Strategy in the Field of Social Protection and Labor for 2012-2022 "Increasing sustainability, expanding opportunities". Concept note [7], in the author's research G.Weeks [8], I. Iyanatul and A. Chowdhury [9], D. Kucera [10], etc.

The main lesson of research conducted for more than half a century in the world in the field of development, according to Adams S. [11], Ravallion M. and Chen S. [12], is that economic growth is the most effective way to "pull people out of poverty and achieve their broader goals for a better life." The estimates given by these authors show that a 10 percent increase in the average income in the country will reduce the poverty level by 20-30 percent. On average, a one percent increase in per capita income reduces poverty by 1.7%. Therefore, the constant maintenance of a certain level of employment in the economy is not an easy task, especially in the manifestation of certain crisis phenomena. It is for these reasons that developing countries are trying

to reduce the consequences of such recessions by economic measures and pursue a balanced macroeconomic policy. This was confirmed in the measures taken regarding the recent coronavirus pandemic.

Sound macroeconomic policies in developing countries are an important factor determining the stability of the labor market, and are very effective in preventing a reduction in employment during economic downturns. At the same time, recent published studies on developing countries [13] indicate that the relationship between economic growth, inflation and budget deficits does not always support the generally accepted framework. None of the links — that is, between stability and growth, as well as between growth and employment - is automatic. Although stability is necessary for growth, it does not guarantee that growth will follow, much less sustainable growth.

In addition, the relationship between economic growth and employment is also not invariant. According to A.R. Khan [14], similar growth may be associated with different results in terms of employment. One of the reasons for such differences may be the nature of growth, which, in turn, is influenced by macroeconomic and sectorial policies.

A study of published works by various authors has shown that today there are a significant number of definitions of employment. In Uzbekistan, the economic content of employment is expressed in its definition given in paragraph 1 of Article 4 of the Law of the Republic of Uzbekistan "On Employment" (the Law), and is implemented in the economy in the main socio-economic forms through the sale by an employee of his labor force to the owner of the means of production, or through entrepreneurial activity. The Law establishes that "employment is an activity of citizens that is not prohibited by law, related to the satisfaction of their personal and social needs, bringing them earnings (labor income)" [15].

Over the past decade, practical activities in the field of employment in conditions of sustainable growth have acquired a global scale and play an extremely important role in overcoming the consequences of the coronavirus pandemic, which deserves further analytical research and knowledge exchange on this issue.

Research methodology

Methods of data grouping, analysis and systematic analysis, comparison and expert evaluation were used effectively in the preparation of the scientific article. In addition, monographic observation and analysis of its results were studied.

Analysis and results

At the present stage of social development, the relationship between the state of employment and macroeconomic features and sustainable growth is increasing. In practice, there are the following levels of movement of economic dynamics: firstly, economic growth is a progressive movement of the economy, its improvement and development; secondly, an economic

decline characterizes a drop in the level of production volumes, a violation of proportions in reproduction, loss of market ties, which leads to an imbalance of the entire economic system.

The change in the directions of the dynamics of economic growth is the basis influencing the change in employment, which is one of the main macroeconomic indicators. It is comparable in importance to such socio-economic indicators as GDP, price level, real monetary income, etc. With the growth of employment, GDP production increases, real prerequisites for expanded reproduction and social life are created.

The most common indicators representing various aspects of economic growth are: GDP (annual growth, %), GDP per capita, imports of goods and services (% of GDP), inflation, total reserves (including gold). Low inflation, export orientation and small taxes on labor can affect employment, or more specifically, the number of jobs that are created due to growth. At the same time, structural factors, such as the balance of the economy between agriculture, production and services, are also important. In the table. 2 shows the indicators characterizing the growth of the economy and employment.

Table 1 – Indicators characterizing the economic growth of Uzbekistan, growth rates in % compared to the previous year

Index	2017 y.	2018 y.	2019 y.	2020 y.	2021 y.
GDP	104,4	105,4	105,7	101,9	107,4
GDP deflator	119,1	127,0	117,9	111,6	113,6
Inflation rate (increase compared to the previous year)	14,4	14,3	15,2	11,1	10,0
Industrial products	105,2	110,8	105,0	100,9	108,8
Consumer goods	106,7	114,7	110,3	105,7	113,9
Agriculture, forestry and fisheries	101,2	100,3	103,1	102,9	104,0
Investments in fixed assets	119,4	129,9	138,1	95,6	102,9
Construction works	106,0	114,3	122,9	109,5	106,8
Retail turnover	101,9	106,5	109,1	105,7	113,2
Market Services Provided	110,7	108,9	113,2	103,0	119,5
Export	103,8	111,4	124,8	86,5	110,0
Import	115,4	138,7	125,0	87,1	120,4

Source: compiled by the author.

Stable economic growth has been observed in Uzbekistan in recent years, characterized by a 2.3-fold increase in the physical volume of GDP in 2017-2021. In 2021, compared to 2020, this figure increased by 7.4% to 734.6 trillion. sum, where the largest contribution was made by the industry, which provided an increase of 8.8%. Also, the growth rate of the economy in 2021 was provided due to the received volumes of construction works by 106.8%, the rendered market services by 119.5% and the agriculture, forestry and fisheries industries by 104%. Economic growth at this level is the highest

since 2016 (+5.9%), and is partly technically due to the "low base" of the previous year associated with the consequences of the coronavirus pandemic. Meanwhile, the inflation rate showed a decrease of 1.1 percentage points compared to 2020.

Economic growth, which is accompanied by job generation, is a common and necessary prerequisite for achieving rational employment and reducing unemployment. The subject of the analysis of economic development from the point of view of employment is an assessment of the extent to which economic growth satisfies the need to increase the number of jobs and increase labor productivity (income), which must be carried out in the sectoral context for a more meaningful study.

Employment opportunity refers to the ability of people to adequately perform work in the workplace, in the current and future time, inside and outside the current organization. The ability to keep or find a job may depend on the characteristics of the labor market and people, their abilities, skills and knowledge. In order not to lose their skills and maintain employment, it is important for an economically active person to constantly develop and update their professional level and experience. Therefore, the country needs to pursue a policy aimed at improving the quality of the workforce. Special emphasis should be placed on the formation of highly qualified personnel.

Employment opportunities are directly affected by the attractiveness of individual specialties for the internal and external labor market, which is important for stable employment. To date, more than 55% of vacant jobs in state institutions of Uzbekistan require higher education from applicants, and in the private sector, the main requirement is work experience. For example, in large companies, more than 60% of vacant jobs require higher education, in small enterprises only 5%. Only 18% of young people entering the labor market for the first time have a higher education [17].

Studies show that economic growth increases the number of jobs and their quality. This is especially true for the poor and vulnerable segments of the population. However, it implies only the initial condition for the growth of productive employment. Therefore, the rate of economic growth is the highest level or "shelf" in this process. Within it, employment growth and labor productivity can occur.

At the same time, the structure or nature of growth is particularly relevant, since the impact of economic growth on employment depends, firstly, on its pace, secondly, on the degree of transformation of productive jobs by it, and thirdly, on a number of factors of job creation, including the sectoral structure of growth and the capital intensity of the growth of individual sectors.

The creation of jobs and employment of the population remains an urgent direction and the main challenge for the development of the republic, as one of the factors to this is the demographic situation that exists today,

which shows a trend towards population growth at a stable pace. During the period from 2010 to 2021, the population increased by 5435.5 thousand people. The number of permanent population of working age increased from 17379.2 (2010) to 20226.8 thousand people (2021) or by 2847.6 thousand people, and the density increased from 54.6 to 78.6 the number of inhabitants per 1 sq. km.

The reforms of the republic's economy and the implementation of program measures for the development of the labor market and directions for job creation contributed to the fact that the number of employed people increased from 11.6 million people (2010) to 13.5 million people (2021), almost 1.2 times (Fig. 1).

Simultaneously, the link between sustainable growth and employment lies not only in the jobs created by the growth in the number of jobs, but also in their types. This is due to the risks associated with the fact that the number of jobs, along with the growth of the formal sector, is also increasing in the informal ones. However, there is an opinion that informal employment is still better than its absence, but in many respects inferior to formal employment.

In addition, in practice, there is an opinion that informal employment should be a legitimate alternative that promotes the development of entrepreneurial ambitions, and not be considered as being infringed by the analogue of the formal sector. The combination of these two views in the near future may become actively developed in most developing countries.

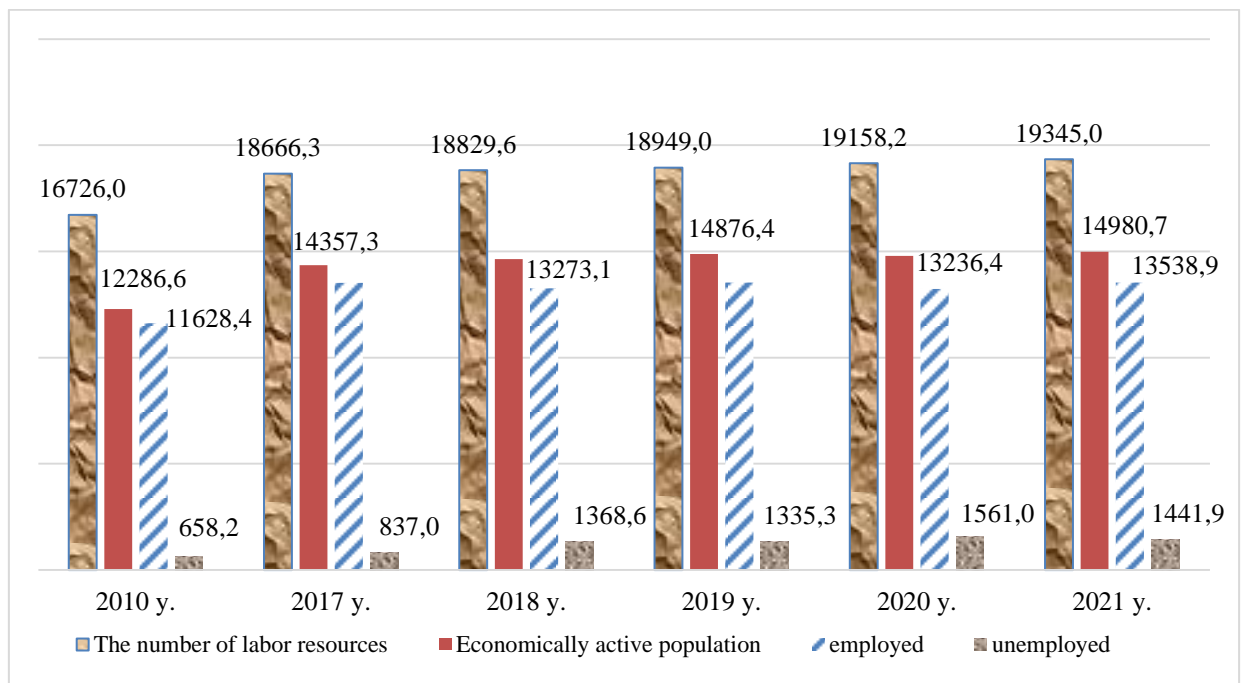


Fig. 1 – Development of the labor market in Uzbekistan, thousand people

Source: Compiled according to the State Statistics Committee of the Republic of Uzbekistan.

In Uzbekistan, the employment structure shows an increase in those employed in the official sector of the economy and a decrease in employment in the informal sector. According to the Ministry of Employment and Labor Relations of the Republic of Uzbekistan, the informal sector in which women are employed decreased from 27.1% (2018) to 24.3% (2021) of the total number of employed (without the agricultural sector), and for men, on the contrary, increased from 40.5% to 46.4%.

In the report "Diagnostics of decent work", ILO experts [18] expressed the opinion that the reduction in the growth of indicators related to employment should be alarming. The inclusion of the aspects of employment and decent work in the economic growth policy contributes to the maximum dissemination of the results of growth to the entire population, ensuring its sustainable and inclusive nature.

It is important for the sustainability of economic growth in the medium and long term to determine to what extent economic growth is associated with productive transformation [18]. As a rule, useful information about the results of sustainable economic growth can be provided by certain dynamic indicators, measured by the ability of the economy to create sufficient opportunities for employment. Such indicators include the unemployment rate, the share of employed in the total population, the level of economic activity of the population (Table 2).

Table 2 - Indicators for measuring the ability of the economy in providing employment, %

Indicator	2017 y.	2018 y.	2019 y.	2020 y.	2021 y.
Unemployment rate	5,8	9,3	9,0	10,5	9,6
Employment rate	69,2	67,4	68,1	66,0	66,9
The level of economic activity of the population	73,5	74,3	75,0	73,8	74,1
Percentage of permanent working-age population in relation to the total population	60,3	59,8	59,2	58,6	57,9

Source: compiled by the author according to the data of the Ministry of Employment and Labor Relations of the Republic of Uzbekistan.

Studies of foreign sources have revealed an uneven distribution of income in conditions of low economic growth. Thus, income inequality has increased in most countries and the poverty rate is declining too slowly. In addition, there is an increasing polarization of wages against the background of an increase in the proportion of people with low wages, as well as a trend in which gender differences in wages are decreasing too slowly.

Today, employment in Uzbekistan characterizes various forms of participation of the able-bodied population in public activities with the receipt of appropriate income. The share of the permanent population of working age in relation to the total population in 2021 was 57.9%, and the level of economic activity of the population has increased over the past five years from 73.5% to 74.1%.

As a rule, in addition to increasing the number of jobs, one of the factors is an increase in labor productivity, as well as the level of income from employment, which in turn activates consumer spending of the population. In Uzbekistan, over the past five years, the total income of the population has increased 2.2 times, and per capita - 2 times. The real total income per capita within the country in 2021 increased by 9.9%. This is a record high growth rate of real total income since 2014. In the period from 2014 to 2019, the average growth rate was 6.3%.

Wages also have a stable growth, characterized by an increase of 2.4 times over the past period. The average monthly nominal accrued salary in 2021 increased by 16.2% (+14.8% in 2020). Wage growth occurred against the background of an increase in the minimum wage last year, first to 747 thousand, and then to 822 thousand soums. Thus, the possibility of employment of the population is a vital and necessary condition for the growth of the national labor force and the welfare of society.

It should be noted that consumer spending is a component that turns out to be among the most influential on the country's GDP. If consumers do not spend the money earned from their labor to purchase goods and services, and enterprises do not invest in capital and labor, do not try to expand their production capacities to increase the production of goods and products to meet consumer demand, then the current trend leads to a slowdown in economic growth and an increase in unemployment. All this creates conditions for an economic downturn.

Let's consider some aspects of the impact on employment of monetary policy, fiscal policy and fiscal space that ensure macroeconomic growth. There are few statistics characterizing these aspects of development in Uzbekistan in 2021. For example, monetary conditions remained stable, and the rate of the Central Bank of the Republic of Uzbekistan remained at 14% throughout 2021. The slowing dynamics of consumer price growth in the country contributed to the preservation of the rate. Thus, annual inflation slowed from 11.1% in 2020 to 10.0% in 2021. Against the background of growing geopolitical tensions and uncertainty in foreign economic conditions, but in order to ensure macroeconomic and financial stability in the country, the basic rate has increased to 17% per annum. The loan portfolio of commercial banks in 2021 increased by 17.8% (30.9% in 2020) to 326 trillion soums or \$30.8 billion.

Research has revealed one problem. The point is that the key point of monetary policy implemented in any state is the question of whether the central bank has the goal of providing employment. As world experience shows, there is a certain difference between developed and developing countries in this regard. Employment in many developed countries (USA, Australia and European countries) is a legally fixed goal along with price stability [19]. Unlike developed countries, this is not the case in developing countries. Moreover, the number of countries paying special attention only (or mostly) to inflation is growing. However, there are very few programs and actions in terms of systematically developed policies aimed at ensuring employment.

Furthermore, the growth of domestic demand in China and India, for example, was driven by lending [20]. In China, the growth of consumption stimulated by subsidies led to an intensive recovery in employment, and in India, the same boom in consumer demand, financed by credit, is cited as a factor that allowed to increase the production of capital-intensive goods and their share in total industrial production. Other examples of subsidies provided through various schemes are given in foreign publications, including: for capital investments, for an interest rate and a capital subsidy linked to a loan for technological modernization of small enterprises in industries.

Fiscal policy to ensure employment operates mainly at the expense of taxes, government spending and subsidies. Due to its impact on economic activity, it can have important implications for employment. If economic growth is linked to job creation, then fiscal policies that stimulate economic growth can also have a positive impact on employment.

Fiscal policy is being adjusted to provide additional support to sectors of the economy with higher employment potential. Also, government spending, especially investments in infrastructure and social sectors such as health, education and skills development, can contribute to job creation directly and indirectly.

It should be noted that some foreign authors [21, 22] pointed to two reasons for the weak effect of a financial instrument on employment. Firstly, it will take quite a long time (about six months) for the money from the tax cuts to get into the hands of consumers. Secondly, those who pay taxes are not so poor that they start spending money at a discount immediately after receiving them.

On the other hand, according to estimates [23], the consumption multipliers for tax cuts and unemployment benefits ten years ago were 1.22 and 1.61 US dollars. Every dollar paid through tax cuts created additional demand in the amount of \$1.22, and the same amount spent on unemployment benefits creates additional demand in the amount of \$1.61. Based on this, let's assume that strengthening unemployment benefits, for

example, by extending the validity of unemployment benefits, can become an even more effective measure.

Conclusion

The systematization of approaches to the study of economic growth and employment is carried out and the evolution of conceptual approaches of scientific economic schools to the study is considered. In order to judge their relationship, an analysis of the features and current state of economic growth and employment development was carried out, through which models and conceptual approaches their evolutionary formation passed.

Using the positions of domestic and foreign authors, the links between stability and growth, growth and employment are presented, as well as to what extent economic growth satisfies the need to increase the number of jobs and increase labor productivity. The world practice of developing theoretical and practical approaches to ensuring sustainable growth and employment has shown that developed and developing countries have produced a significant amount of research and gained knowledge, from which individual countries have now been able to draw pragmatic lessons. We are talking about which policy is likely to work better in certain economic and social conditions, and how the employment sphere will affect this.

The study of the analysis of the impact of sustained economic growth on employment of the population allowed us to highlight the following key points: firstly, during a period of sustained economic growth, there is a parallel coincidence of GDP growth rates and employment growth rates; secondly, during the peak of economic growth, there is a maximum lag in employment growth rates from the growth rates of production, with characteristic voluntary unemployment; thirdly, during the period of deterioration of economic growth, there is an excess of GDP growth over the rate of decline in employment, since there are forms of incomplete, hidden, secondary employment, self-employment, where forced unemployment is characteristic.

Uzbekistan has established strong organizational and legal foundations for sustainable economic growth. Against the background of the crisis phenomena after the coronavirus pandemic, an integrated approach to the implementation of economic and social programs in our country allows us to ensure sustained high rates of economic growth and the effectiveness of social policy.

Economic growth is ensured by:

- creating jobs and ensuring employment of the population;
- commissioning new facilities;
- modernization, re-equipment and fuller use of existing production capacities;
- accelerated development of small businesses, including individual and family entrepreneurship, farms and dehqan farms;

- increasing the possibilities of home-based forms of work.

The analysis of a number of key issues covering trends in employment in the republic, the growth of total incomes, wage dynamics, as well as certain aspects of the impact of macroeconomic policy on employment is carried out.

Thus, employment is among the priorities of state policy, it is a kind of indicator by which one can judge national well-being, the effectiveness of the chosen course of reforms, their attractiveness to the population. In this regard, it is necessary to further study the theoretical and practical issues of ensuring employment and the impact on this process of conditions that ensure sustainable economic growth, in order to develop development directions that take into account their interrelationships.

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