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LABOR PRODUCTIVITY IN UZBEKISTAN: CHALLENGES AND OPPORTUNITIES

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Abstract. This article examines Uzbekistan's labor productivity, highlighting major issues and areas for development. The report makes recommendations for methods to increase labor productivity while highlighting structural issues and economic reforms. The findings demonstrate the potential significance of focused policies, technology advancements, and educational changes in guaranteeing long-term productivity development. These strategies will raise worker skill levels and aid in modernizing the Uzbekistan's economy. The report also emphasizes the necessity of developing fresh avenues for social progress and economic expansion. Through these procedures, Uzbekistan will be able to improve its standing in international competitiveness.

Key words: labor productivity, economic growth, economic reforms, innovation

O'ZBEKISTONDA MEHNAT UNDORLIGI: MUAMMOLAR VA IMKONIYATLAR

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Annotatsiya. Ushbu maqolada Oʻzbekistonda mehnat unumdorligi koʻrib chiqilib, asosiy muammolar va rivojlanish yoʻnalishlari koʻrsatilgan. Maqolada tuzilmaviy muammolar va iqtisodiy islohotlarni yoritib, mehnat unumdorligini oshirish usullari boʻyicha tavsiyalar berilgan. Olingan natijalar uzoq muddatli samaradorlikni oshirishni kafolatlashda yo'naltirilgan siyosat, texnologiya vutuqlari va ta'lim sohasidagi o'zgarishlarning potentsial ahamiyatini ko'rsatadi. Bu strategiyalar ishchilarning malaka darajasini oshiradi va Oʻzbekiston iqtisodiyotini modernizatsiya qilishga yordam beradi. Maqolada ijtimoiy taraqqiyot va iqtisodiy kengayish uchun yangi yoʻllarni ishlab chiqish ta'kidlangan. Ushbu chora-tadbirlar zarurligi ham orqali 0'zbekiston xalgaro raqobatbardoshlikdagi oʻrnini oshirish imkoniyatiga ega boʻladi.

Kalit soʻzlar: mehnat unumdorligi, iqtisodiy oʻsish, iqtisodiy islohotlar, innovatsiyalar

ПРОИЗВОДИТЕЛЬНОСТЬ ТРУДА В УЗБЕКИСТАНЕ: ВЫЗОВЫ И ВОЗМОЖНОСТИ

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производительность труда рассматривается Аннотация. В статье в Узбекистане, выявляются основные проблемы и направления развития. В статье освещаются структурные проблемы и экономические реформы, а также даются рекомендации по путям повышения производительности труда. Полученные результаты демонстрируют потенциальную важность целенаправленной политики, технологических достижений и образовательных изменений для обеспечения долгосрочного роста производительности. Эти стратегии повысят уровень квалификации работников и помогут модернизировать экономику Узбекистана. В статье также подчеркивается необходимость разработки новых путей социального прогресса и экономического развития. Благодаря этим мерам Узбекистан получит возможность повысить свои позиции в международной конкурентоспособности.

Ключевые слова: производительность труда, экономический рост, экономические реформы, инновации

Introduction

Labor productivity is a crucial factor in economic growth and development. It serves as a key indicator of economic achievements and future potential for both individual businesses and national economies (Bykovskaya et al., 2021). Labor productivity reflects an organization's management effectiveness, technological capabilities, and employee skill levels (Bykovskaya et al., 2021). It is closely linked to long-term growth, living standards, and inflation (Steindel & Stiroh, 2001). In the context of globalization, countries compete intensely, with technological advancements playing a significant role in improving productivity and reducing production costs (Korkmaz & Korkmaz, 2017). Developed countries generally exhibit higher factor productivities compared to developing nations (Korkmaz & Korkmaz, 2017). A study of seven OECD countries from 2008 to 2014 found a unidirectional causality relationship from economic growth to labor productivity (Korkmaz & Korkmaz, 2017). Understanding the determinants of labor productivity is essential for assessing the current state and future prospects of various economic sectors, including agriculture (Bykovskaya et al., 2021).

Labor productivity, a crucial economic indicator, has shown varying trends across regions and time periods. In Latin America, productivity has declined since 1975, with social factors like equitable access to services and income distribution playing significant roles alongside traditional economic variables (Caceres & Caceres, 2017). The measurement of labor productivity is best achieved using classical-Marxian labor values rather than monetary aggregates (Flaschel et al., 2013). Historical data from the United States

reveals fluctuations in productivity growth rates, with significant implications for living standards and economic output (Jin, 2013). In MENA countries, multiple factors influence labor productivity, including human capital, oil rent, trade openness, and innovation (Samargandi, 2018). Understanding these determinants and trends is crucial for policymakers, as even small improvements in productivity growth can lead to substantial economic gains over time (Jin, 2013).

How does International Labor Organization treat labor productivity? An economy's competitiveness, growth, and living standards are all strongly correlated with labor productivity, a crucial economic indicator. The total amount of output (calculated in terms of GDP) produced per unit of labor (calculated in terms of the number of employed individuals or hours worked) over a certain reference period is known as labor productivity (ILO).

The economic development observed in Uzbekistan can be analyzed in three areas.

The economic reforms from 1991 to the present. This period can also be divided into two phases: the centralized economic model from 1991 to 2016, and the market-based economy based on free market principles from 2016 to the present.

Labor market trends. Uzbekistan's labor market is characterized by a predominance of young workforce, high levels of labor migration, and widespread informal employment. In order to address these issues, the government is implementing comprehensive reforms aimed at developing the domestic labor market, legally supporting labor migrants abroad, and increasing economic activity by formalizing entrepreneurial entities.

The latest government initiatives since 2020. The government is implementing reforms aimed at developing the private sector, attracting foreign investments, and privatizing state assets under the framework of the "Uzbekistan – 2030" strategy to stabilize economic development and the labor market. Additionally, agreements on labor force exchange with countries such as Russia, South Korea, and others are being made, and vocational training centers are being established for migrants.

Furthermore, in order to promote IT and innovations, incentives are being provided to the startup ecosystem, and a plan to train 1 million IT specialists is in place. As part of education and professional development programs, vocational training centers are being opened to adapt young people to the labor market, and vocational education is being modernized in collaboration with foreign companies.

Despite the economic reforms and positive changes being implemented in Uzbekistan, labor productivity is not increasing in line with economic growth. This is due to factors such as slow technological modernization, issues within the vocational skills and education system, high levels of informal employment, insufficient innovations and scientific research, as well as ineffective working conditions and incentive systems. To enhance labor productivity, it is essential to promote educational reforms, technological advancements, and innovations.

Based on the above considerations, the following research questions have been formulated:

What are the key factors affecting labor productivity in Uzbekistan?

What opportunities exist to improve labor productivity in the country?

This research aims to analyze the current labor productivity issues and propose solutions to enhance it.

Methodology

To conduct this research, both qualitative and quantitative analysis will be applied using reports and labor statistics from the World Bank, the International Labor Organization, and the government of Uzbekistan. Additionally, labor productivity trends will be compared, and case studies from similar economies will be examined.

Results

Understanding the link between economic growth and productivity in Uzbekistan is essential to grasp the general state and structural composition of the country's economy.

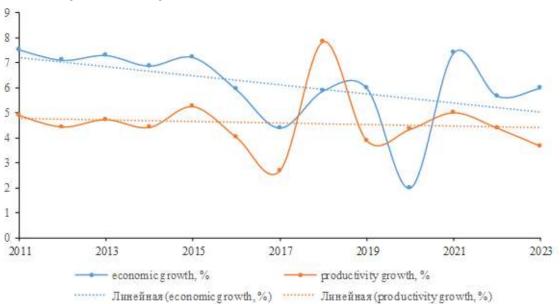


Figure 1. Economic growth and productivity of Uzbekistan between 2011 and 2023.

Based on the analysis, the following key periods can be distinguished:

Between 2008 and 2016, Uzbekistan's economy grew steadily at a rate of 6–8%. This growth stability was supported by a centrally managed economy, dependence on raw material exports such as cotton and natural gas, and large-scale public investments in infrastructure and manufacturing projects.

However, productivity remained between 4–5%, which is lower than the economic growth rate. This disparity can be attributed to underdeveloped production technologies and inefficient resource allocation. Growth was mainly achieved through increasing labor and capital inputs rather than

efficiency improvements. The economy relied on cheap labor, had slow technological upgrades, and was under strong state control with limited market mechanisms. Despite high economic growth, productivity was low, indicating extensive growth based on input expansion rather than efficiency. Growth was mainly based on intensive labor, focusing not on increasing productivity but on creating new jobs.

From 2016, Uzbekistan began transitioning toward a market-oriented economy. Major reforms were introduced, including the liberalization of the national currency in 2017, promotion of the private sector, and improvements in the investment climate through reforms in tax and customs systems.

Initially, in 2017–2018, productivity declined due to transitional difficulties and systemic challenges arising from rapid reforms. However, with increased foreign investment and the introduction of new technologies, productivity started to rise in 2018. The growing private sector also boosted efficiency, as firms in a market economy are incentivized to operate more productively.

In 2020, the COVID-19 pandemic had a significant negative impact on Uzbekistan's economy. Economic growth sharply declined, and productivity also dropped due to reduced industrial and service sector activities.

From 2021 onwards, the economy started to recover, with growth rates returning to 6–7%. Productivity began to rebound as well, although it did not yet reach a consistent or stable level. During this period, the government promoted new strategies such as the development of the digital economy and industrial diversification.

In 2023, economic growth remained relatively stable, but productivity declined again. This was likely due to the continued dependence on traditional sectors, slow technological modernization, and low labor productivity. Although new jobs were being created, the efficiency of labor improved slowly.

Discussion

The labor productivity patterns in Central Asian nations from 1991 to 2025 are depicted in this graph. Based on the facts, Kazakhstan and Turkmenistan are clearly the most productive nations in the region. These nations' economic model, which is predicated on the export of natural resources, a comparatively high degree of industrialization, and investment, explains this. Specifically, Kazakhstan's increased economic growth, which capitalized on the rise in oil prices in the 2000s, helped to boost labor productivity. Conversely, Turkmenistan has experienced rapid growth since the 2010s, which might have been brought about by the nation's technological advancements and investments in the energy sector.

This period has seen lower labor productivity indicators in Uzbekistan, Kyrgyzstan, and Tajikistan; these disparities can be explained by variances in their economic models, labor market structures, and levels of technical progress. Since 2005, Uzbekistan has steadily raised labor productivity

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through infrastructure expansion, diversified output, and incremental economic reforms. Economic growth has been slow in Kyrgyzstan and Tajikistan, and the growth of worker productivity has been impeded by low capital intensity and high migration rates. These variations are a reflection of the various Central Asian nations' structural transformation processes and economic policies.

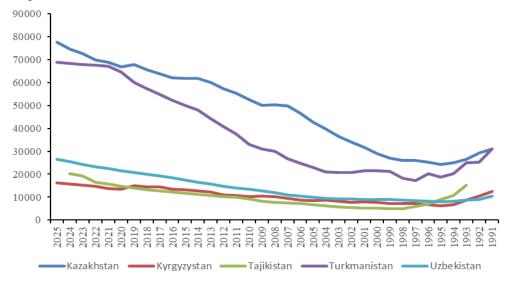


Figure 2. Labor productivity in Central Asian countries¹⁶

The government should place a high priority on innovation and human capital investment in order to promote sustainable labor productivity growth in Uzbekistan. Enhancing the caliber and applicability of education, especially in STEM and vocational disciplines, will give workers skills that meet market demands. In order to promote knowledge-driven productivity, it is also crucial to establish innovation hubs, boost research and development funding, and improve industry-academia cooperation. Together with focused investments in infrastructure and digitalization, regulatory changes that support labor market flexibility and ease of doing business can foster an environment that encourages businesses to expand and develop.

In order to increase productivity, the private sector is equally essential. To improve operational efficiency, businesses should invest in upskilling their employees through ongoing training and technology use. Employee performance and motivation can be increased by implementing productivitybased reward programs and encouraging an innovative culture. Furthermore, the skills gap can be closed via increased collaboration between businesses and academic institutions through talent pipelines, internships, and collaborative research. Both sectors may coordinate efforts to improve worker competitiveness and create a more resilient, high-productivity economy by growing public-private partnerships.

¹⁶ Generated by the author based on data of World bank (<u>www.worldbank.org</u>)

Conclusion

The falling trend lines show that Uzbekistan's economic growth and labor productivity growth rates generally declined between 2011 and 2023.

The discrepancy between productivity growth and economic growth, especially in years like 2017 and 2020, indicates that factor accumulation (such as labor or capital) rather than efficiency improvements has been the main driver of Uzbekistan's economic success. The sustainability of long-term economic growth is called into question by the comparatively flat trend in productivity growth. To guarantee that productivity becomes a more important driver of economic growth, our findings highlight the necessity of structural reforms targeted at improving labor efficiency, technological adoption, and innovation capability.

In conclusion, while this study sheds light on important aspects of productivity challenges in Uzbekistan, there are several areas that warrant further exploration. Future research could expand on these findings by using different methodologies, broadening the scope, and focusing on industryspecific, policy-driven, and gender-sensitive analyses to enhance our understanding of the issue.

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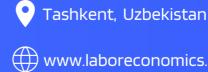
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