

### ***Labor market in Uzbekistan: problems and prospects.***

The big economic transformations, which take place on the territory of the CIS countries, are characterized by positive tendencies in economy stabilization. The constant growth of Gross Domestic Product (GDP) can serve as an example to that. But sometimes the general official statistics does not disclose those problems, which accompany the big economic reforms. One of problems in transitive economy is the problem of unemployment and poverty of the population. The majority of the population on the territory of CIS countries has not been psychologically prepared for new economic relations and therefor appeared to be unprotected and subjected to the poverty risk.

Many people have lost their work, and many professions became unclaimed. At the same time, work itself is not a guaranteed security from poverty. It is figured out, for example, that the most part of people with low income in Uzbekistan live in families with the working head of the family<sup>1</sup>. Nowadays labor market characteristics reflect the most difficult problems, which should be solved for the country to achieve full realization of its manpower potential and increase the population income. The share of the working population is insignificant in Uzbekistan, especially among women. Unemployment, which adjoins partial employment, has appeared. The significant part of a manpower is involved in shadow sector of economy both inside the country, and behind its borders. Many working people receive low wages. Delays in payment are also frequent. Difficulties on the labor market are mostly influencing the needy groups of the population.

The labor market serves as a channel through which the economic growth affects the poverty level. For the economic growth to reduce poverty level, it is necessary to provide essential increase in demand of a manpower. It is important to form a powerful private sector, including small and medium enterprises, which are the basic means of increasing employment. For the economic growth to be accompanied by all-round increase of the standard of life, it is necessary to

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<sup>1</sup> According to the World Bank 2003 report data

improve conditions for private sector development, to provide the flexible labor market allowing to use manpower most effectively, to award workers for corresponding productivity, to promote the increase of their qualification, to liquidate tender, regional and ethnic inequality in opportunities of the labor market.

Unfortunately, the low level of economic activity is observed recently. It reflects the lower offer level of persons who either continue their studies, or stay at home to take care of children, or retire earlier on pension. The decision not to work reflects the attitude of people towards the possible economic losses connected with the absence of the labor income. Many stay at home simply because they do not hope to find work.

The analysis of the economic activity determinants of the population allows to understand the reason of such low occupation level. Predictably, the share of economically active population grows with the age, reaching its peak at mature age and decreasing at approach of pension age. The significant disorder is observed in regional aspect as well, thus in some areas employment parameters among men and women differ. Taking into consideration such factors as education, nationality, age, etc., the lowest parameters of economically active population both among men and women have been registered in Samarkand, Karakalpakstan, Surkhandarya and Kashkadarya. This factor, most likely, reflects deficiency of employment opportunities in these areas. The reasons of such discrepancy of employment opportunities in the regions can be explained by non-uniform distribution of capacities on the territory of the country. According to the official data, the rate of unemployment in the country is low (about 0,4 %)<sup>2</sup> and, probably, it reflects the unwillingness of job seekers to be registered as unemployed. However, according to the Household Budget Survey data and the definition of the unemployed accepted at the international level<sup>3</sup>, the unemployment level reaches approximately 6 %, besides, the rate of unemployment among men makes 6,7 %, and among

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<sup>2</sup> Official data on the unemployment level is defined on the basis of the data on the number of registered unemployed and administrative definition of the "work power" notion.

<sup>3</sup> This is the definition of the International Labor Organization (1996-2002). According to this definition all the people who do not have work or are seeking it, no matter whether they are registered or not are considered to be unemployed.

women - 4,4 %<sup>4</sup>. The most part of the unemployed is not registered. Only 8 % were registered on labor stock to receive the unemployment allowance.

The 6 % of unemployment level can not be stated as very high. However, in such country as Uzbekistan where there are a lot of people with low level of income, and programs of employment provision are not effective and the shadow sector is developed, the available data on open unemployment level does not give the full information. As employment is crucial, many people prefer to be engaged in unproductive work in the shadow sector, and/or temporary or casual employment to the full absence of work. Official definition of partial employment does not exist as such. This is, probably, connected with the absence of such concept in the old system. However, the data on shadow sector development (from 20 % up to 50 % depending on definition), the distribution of temporary employment circuits (approximately 19 % of the over-all working people number) and parameters of partial employment (approximately 10 % of employees work less than 80 hours per month)<sup>5</sup>, point out the fact that the problem of unemployment in Uzbekistan is more urgent, than it is possible to assume according to the official unemployment level data.

Besides, the average figures of unemployment level do not show the distinctions in age, regions and years. The level of unemployment among youth (from 16 till 25 years old) makes 12,7 %, that is twice higher than the average number of unemployed all over the country. This figure is very high both with men and women. Taking into account the demographic structure of the population of Uzbekistan and its labor power, the wide spread of unemployment among youth means that young people make up almost the half of all the unemployed. 60 % of all unemployed make up women. The wide spread of unemployment among youth means that their interests are not covered by the economy. In the villages unemployment level among youth is higher (approximately 53 %), than in the city (approximately 47 %), which means that in the countryside this problem stands up more sharply than in city. Besides, the wide spread of unemployment among youth

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<sup>4</sup> According to the World Bank 2003 report data.

can mean that the vocational training of new generation does not answer the present demand of the labor market. This factor proves that it is necessary to assess the validity of the Institutions of Higher Learning (IHL) and vocational schools programs.

Much work should be done in the sphere of gathering the statistical information on the labor market. The data for work statistics, as a rule, comes from three sources: population censuses and inspections of labor power; inspections of the establishments or enterprises, statistic reports data and various registration data. The last population census in Uzbekistan was carried out in 1989. Periodic Inspection of Labor Power (PILP) is the major means of monitoring and analysis of the information on employment, unemployment, partial employment, including seasonal, casual and informal work, amount of hours worked, occupation level at different sectors and professions, alternatives of employment in official sector, including work at home or in informal sector, the incomes connected with the specified kinds of employment, and also their ratio including such characteristics, as age, education and so on, of individuals. Regular PILPs were not carried out in Uzbekistan, though, recently, the government had made the certain steps to improve this omission. So, in November 2001 a full-scale inspection of labor power started.

The situation on Uzbekistan labor market develops in such a manner that though Gross Domestic Product (GDP) of the country increases, the employment level tends to decrease. The latest administrative reforms present quite a vivid picture. Many civil servants have lost their work and accordingly will be seeking for other working places either inside the country or abroad. It will not be right to say that the situation is really bad. At first sight it may seem that unemployment collapses the country, when, actually, we witness the process of manpower redistribution. Lately, labor migration has become a perspective direction in distribution of superfluous manpower. Nowadays the economy of Uzbekistan is not capable "to swallow up" such amount of labor power. We should also take into

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<sup>5</sup> See the same source.

account the fact that the newly established enterprises (since the times of CIS creation) are built as a rule with the use of new technologies and mechanisms, which replace "living" labor of workers. Automobile factory "UZDAEWOOAVTO" in Asaka (Uzbekistan), can serve as a vivid example. It is 60 % robotized and is a leader of the Uzbek industry at present. While establishing big industrial enterprises it is desirable to use more manpower, as it will soften social tension and provide population with employment during the period of transitive economy.

Apparently, economists understood the advantages of the investments in more labor-consuming technologies with a view of supplying the population with work. A new line on producing automobile Matiz (UZDAEWOOAvto), which was put into operation in 2001, is 30 % robotized in comparison with 60 % robotized lines on producing the first automobiles.

#### **Economy development and employment in Uzbekistan\***

<i>Parameters</i>	<i>1992.</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
Real increase of GDP (increasing %)	-11,2	-2,3	-5,2	-0,9	1,7	5,2	4,3	4,3	3,8	4,5	4,2	4,4
Employment (thousand per.)	8271	8259	8379	8449	8561	8680	8800	8885	8983	9136	9333	9589
Employment in government sector (for thousand per.)	4743	4647	4338	4109	3897	3835	3693	2232	2161	2197	2180	2186
Population of working age (thousand per.)	10463	10707	10975	11222	11508	11824	12176	12550	12942	12718	13181	13597
Employment factor (%)	79,0	77,1	76,3	75,3	74,4	73,4	72,3	70,8	69,4	71,8	70,8	70,5
<b>Employment share in government sector (%)</b>	57.3	56.3	51.8	48.6	45.5	44.2	42.0	25,1	24,1	24,0	23,4	22,8

\* According to the State Statistics Committee of the Republic of Uzbekistan data

From the above-stated table we can track the tendency of state sector employment to reduce and employment as such to increase, and it is natural, as the population of the country increases. According to all the available information its number has exceeded 25,5 million people. Though, it is necessary to note, that, as it was mentioned above, the last population census was carried out in 1989. The exact data that can be collected while holding population census could play a big role in the construction of new social and economic programs.

It is obvious that on the background of all the happening events Uzbek market attracts foreign economic partners. Only for the last fiscal year (2003) direct

foreign investments and credits represented without guarantees of the government, have increased in 2,5 times. Agriculture, namely farmers' movement, develops and has become the most effective form of work in villages at present. Shirkats (cooperative societies) did not prove to be effective in villages, probably, because there was no difference between "old" collective farms and "new" shirkats. The fact that during the last three years 20 thousand farms have been created on the basis of 336 unprofitable shirkats (cooperative societies) proves it. These farms mean additional employment for the countryside population, where unemployment problems are even more urgent. Taking into consideration the fact that farmers, as a rule, are members of one family and relatives, it is possible to assume that approximately 20 thousand families will be provided with work (average number of family 5-6 people). This will accordingly raise the productivity, as their result will depend directly on their work. They prove to be more effective from the point of view of resource economy. The fact that material resources are spent twice less than in shirkats and crop capacity and labor productivity is higher, speaks for itself. Farming is a perspective direction in agriculture that should develop<sup>6</sup>.

The sphere of consumers and human services is a big prospect for creation of new workplaces. For example, the share of services in the structure of gross domestic product of economically advanced countries makes: in the USA - 80 %, in Great Britain, France and Canada - over 70 %, in Germany, Italy, Japan - about 68 %. Unfortunately, in Uzbekistan this parameter for today makes 40 %, so it is twice less. Nowadays, the sphere of services is the most quickly developing sphere in the economy of the advanced countries. It "absorbs" the basic part of people that lose their working places in other branches and are looking for work. More than half of world economy labor power works in service sphere. In Sweden, for example, 70 % of people work in the service sphere. In Uzbekistan this parameter makes only 35-40 %.

Export of labor power on the international labor market has become a perspective direction in the development of national labor market during the last

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<sup>6</sup> «Narodnoye slovo» 10 February, 2004.

several years. Gustrabuyters, namely people who go abroad to earn money, are powerful potential investors in national economy. Such examples already exist in the international practice. Labor power from Turkey made up 3 million people in Germany in the second half of the last century, and of course, most of the earned means has been sent to Turkey. It is possible only to assume the real sums that have been invested in Turkish economy by gustrabuyters. The same tendency is traced in Uzbekistan lately, the number of people going abroad legally and illegally (the second prevails of the first) increases.

The last meeting of the Presidents of the countries of Shanghai Agreement that took place on 17 June 2004 in Tashkent, once again proves the perspectivity of the Central Asian region economic development. In particular, only China is ready to finance \$900 million for development of economic relations between members of the Shanghai Agreement, and Russia invests in fuel and energy sphere of Uzbekistan 1 billion of US dollars. Increase of investments will favorably influence both the labor market, as it will lead to creation of new workplaces, and the branches where the money is invested, and branches that are connected with them directly or indirectly.

This step can be realized as a tendency to broaden the economic relations between members of Shanghai Agreement in particular, and to develop national economies in general, and this, in its turn, will give new capacities and new workplaces.

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