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## ECONOMIC ASPECTS OF LEGAL SUPPORT FOR EMPLOYMENT IN UZBEKISTAN

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**Abstract:** This study examines the employment sector in Uzbekistan within the framework of the country's new development strategy for 2022-2026, focusing on job creation, social protection, and legislative enhancements. Drawing upon legislative frameworks such as the laws "On Employment" and "On Private Employment Agency," and recent enactments including the Labor Code and the Law on External Labor Migration, the study investigates the modernization efforts within Uzbekistan's labor market. Additionally, the study explores the impact of minimum wages on employment through a meta-analysis of data from emerging economies, providing insights into the employment dynamics in Uzbekistan. Through the analysis of Presidential Decree No. UP-5052, measures to fortify workforce rights and enhance employment-related activities are scrutinized, offering a comprehensive overview of Uzbekistan's endeavors to advance its labor sector.

**Keywords:** Uzbekistan, Employment Sector, Labor Market, Legislative Frameworks, Minimum Wage.

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### Introduction

Uzbekistan's developmental trajectory for 2022-2026 underscores the centrality of employment, job creation, and social protection within its strategic priorities. Bolstered by a robust legal framework encompassing key laws such as "On Employment" and "On Private Employment Agency," the nation is actively modernizing its labor market infrastructure. Recent legislative developments, including the adoption of the Labor Code and the Law on External Labor Migration, signify a concerted effort to align with contemporary labor standards and practices.

In response to evolving socioeconomic dynamics, Uzbekistan has embarked on a series of reforms aimed at introducing novel labor relations. Notably, provisions facilitating remote work during pandemics and exempting self-employed income from total individual income calculations reflect the nation's adaptability to emergent challenges. International collaboration, particularly with the International Labour Organization (ILO), remains integral to Uzbekistan's pursuit of legislative refinement, monitoring, and analysis, as evidenced by its ratification of numerous ILO conventions.

The implementation of the Decent Work Country Program (2021-2025) underscores Uzbekistan's commitment to fostering a conducive environment for employment and labor relations. Through initiatives aimed at enhancing working conditions, curbing informal employment, and

fortifying social protection mechanisms, Uzbekistan seeks to elevate its labor sector to new heights.

#### Literature Review:

The employment sector in Uzbekistan has been the subject of extensive scholarly inquiry, reflecting its critical importance in the country's socio-economic landscape. Recent research by Abdurakmanov, K. H., & Zokirova, N. K. (2020) has contributed significantly to understanding the nuanced dynamics of Uzbekistan's labor market, particularly in the context of the nation's transition towards an innovative economic paradigm. This work emphasizes the necessity of adapting to emergent trends in labor market functioning, highlighting factors such as economic openness, international labor migration, and the intensification of foreign economic relations as pivotal influencers of contemporary labor dynamics. His research underscores the imperative of fostering regulatory frameworks conducive to the proliferation of green jobs while addressing pertinent concerns such as illegal employment and labor market mismatches. Additionally, their emphasis on upskilling and reskilling initiatives tailored to the exigencies of a knowledge-based economy aligns with endeavors aimed at promoting green employment and sustainable development.

Moreover, other scholars also have explored various dimensions of employment sector. For instance, studies by scholars such as Barbieri et al. (2021) have investigated the economic implications of green employment initiatives, demonstrating their potential to stimulate job creation, enhance productivity, and foster innovation. Furthermore, Fernandez et al. (2022) have highlighted the social and environmental benefits associated with green jobs, emphasizing their role in mitigating climate change and promoting public health.

Research by Broecke, S., Forti, A., & Vandeweyer, M. (2019) has focused on policy interventions aimed at promoting green employment, emphasizing the importance of targeted incentives and regulatory frameworks. Hafner et al. (2023) have emphasized the need for coordinated efforts at the local, national, and international levels to maximize the impact of green employment policies.

Moreover, studies on labor market have examined the impact of legislative frameworks on labor market dynamics and social protection measures. Additionally, research has explored the economic implications of minimum wages on employment opportunities, with findings suggesting minimal overall effects but disproportionate harm to vulnerable groups (Fernandez, X., et al., 2022).

#### Analysis and Discussions

The demographic situation in our country is healthy, the population and economy are growing proportionally. According to the analysis, if the birth rate remains at its current level until 2030, 710-720 thousand boys and girls will enter the labor market annually. This requires the rapid creation of new jobs in the country and further acceleration of reforms to attract them to the relevant sectors of the economy.

In this situation, as a result of many years of reforms carried out under the leadership of the President, our strategic path aimed at maintaining peace and stability in every home and increasing human dignity is being more consistently pursued.

In particular, thousands of new jobs are created annually on the basis of economic reforms and diversification, modernization of leading industries, and active development of entrepreneurship through an active investment policy. This provides employment for the population, especially young people. This increasing trend of employment requires a legal support that can protect the rights of both employee and employers.

The new development strategy of Uzbekistan for 2022-2026 identifies employment, job creation and social protection as important priorities. The laws of the Republic of Uzbekistan “On

Employment” and “On Private Employment Agency” serve as a solid legal basis in the process of employment and the formation of the labor market.

The Labor Code of the Republic of Uzbekistan and the Law on External Labor Migration, designed to bring labor legislation into line with modern requirements, were adopted by the lower house of parliament and sent for approval to the Senate.

Today, as part of ongoing reforms in the employment sector, a number of new labor relations are being introduced. In particular, a method of remote work during a pandemic has been introduced and its legal framework has been created. The law establishes that income received by self-employed persons as a result of work activities is not included in the total income of individuals. It is no secret that the need for new specialists in the labor market is growing day by day. This requires training of specialists in new areas and directions.

It should be noted that the Committee on Labor and Social Affairs pays special attention to international cooperation in order to improve legislation in the field in accordance with modern requirements, study the implementation of adopted laws through monitoring and analysis, increase efficiency and innovation.

In particular, when analyzing important international documents in the field of employment, active work was carried out to implement them into our national legislation. Since 2019, 5 conventions of the International Labor Organization (ILO) (No. 81, 129, 144, 187, 167) and Protocol No. 29 to the Forced Labor Convention have been ratified. To date, our country has adopted 18 ILO conventions.

One of the important tasks facing us is the successful implementation of the new Decent Work Country Program of the Republic of Uzbekistan for 2021-2025 in cooperation with the ILO. According to the program, it is planned to bring the sphere of employment and labor relations to a new level by creating decent working conditions, decent wages, reducing informal employment, strengthening social protection, and improving the legal framework governing labor relations.

There is an influential view that minimum wages undermine employment opportunities, especially for vulnerable groups in the labor market, and discourages foreign direct investment (FDI). Yet, the credibility of such views has not been tested by a systematic review of the evidence. A recent meta-analysis of the minimum wage-employment nexus in emerging economies offers a nuanced conclusion. To start with, consider figure 1 which shows the minimum wage as a proportion of the average wage in a diversified sample of 14 emerging economies. The minimum wage/average wage ratio – the so-called ‘Kaitz index’ - for the sample of emerging economies is 0.47 vis-à-vis Uzbekistan which is 0.38. The employment rates are roughly equal. Thus, the lower Kaitz index in Uzbekistan is not associated with a better employment rate.

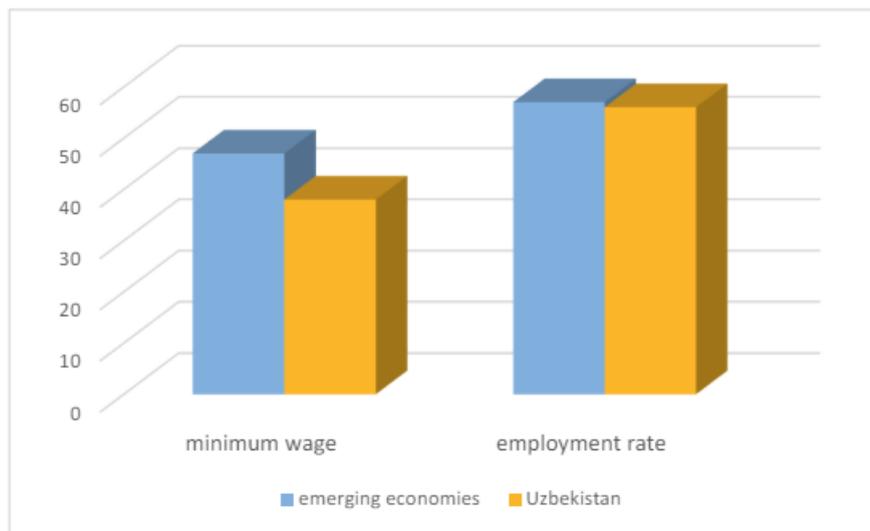


Figure 1. Minimum wage vs employment rate

Source: Stijn Broecke, Alessia Forti & Marieke Vandeweyer (2017) 'The effect of minimum wages on employment in emerging economies: a survey and meta-analysis', *Oxford Development Studies*, 45:3, 366-391

A thorough meta-analysis reveals that there hasn't been much of an effect of minimum wages on employment. Increases in the minimum wage appear to disproportionately harm more vulnerable people, although overall the effects are usually negligible. The study also highlights the "negative reporting bias" that many empirical studies in this subject have, or the propensity to report unfavorable findings (minimum wages decrease employment). Regardless, a minimum of 70% of the evaluated estimations were found to be statistically insignificant.

Following measures have been taken to support legally the rights of workforces and employees in the Presidential Decree No. UP-5052 "About measures for further enhancement of state policy in the sphere of employment and to radical increase in efficiency of activities of bodies for work" of May 24, 2017.

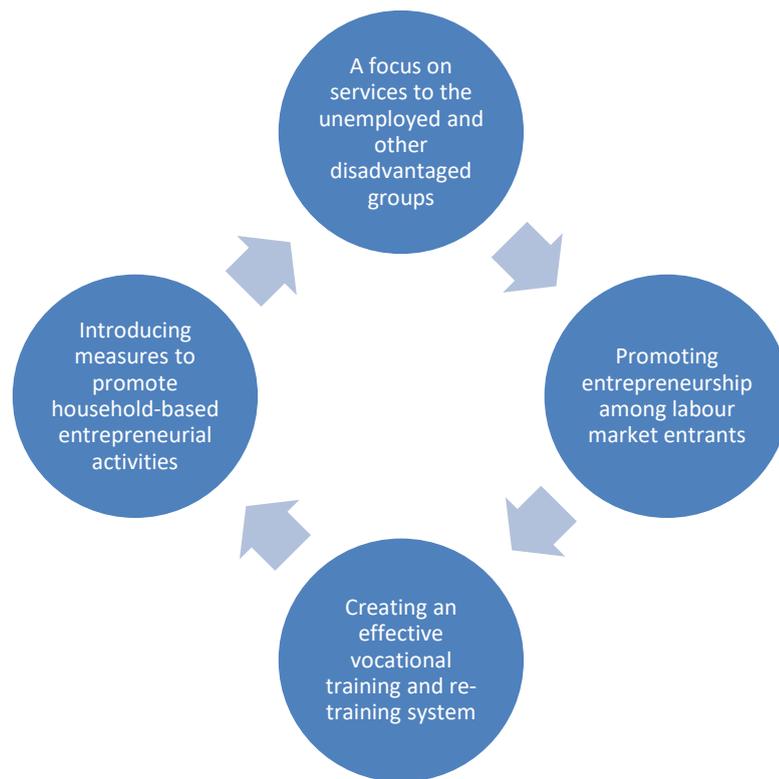


Figure 2: Measures to enhance state policy in the sphere of employment

**Source:** made by the authors based on data provided by lex.uz

Amidst debates surrounding the impact of minimum wages on employment, a meta-analysis suggests nuanced outcomes, with overall effects being minimal but with some adverse impacts on vulnerable groups. Presidential Decree No. UP-5052 further underlines Uzbekistan's dedication to bolstering workforce rights and streamlining employment-related activities, indicative of its unwavering resolve to propel its labor sector towards greater efficiency and inclusivity.

## Conclusion

In conclusion, this study provides a comprehensive analysis of the employment sector in Uzbekistan within the context of the country's new development strategy for 2022-2026. Through an examination of legislative frameworks, including key laws and recent enactments, Uzbekistan's efforts to modernize its labor market have been elucidated. Furthermore, the study sheds light on the impact of minimum wages on employment dynamics in Uzbekistan, drawing insights from a meta-analysis of data from emerging economies.

The findings underscore the importance of continuous reforms and legislative enhancements to foster a conducive environment for job creation, social protection, and labor market modernization. While challenges such as informal employment persist, Uzbekistan's commitment to international cooperation, exemplified by its engagement with the International Labour Organization, bodes well for future advancements in the employment sector.

Based on the analysis conducted, several recommendations can be proposed to further enhance Uzbekistan's employment sector:

1. Strengthen Implementation of Legislative Reforms: Uzbekistan should prioritize the effective implementation of legislative reforms aimed at modernizing the labor market. This includes ensuring compliance with existing laws and enacting additional measures to address emerging labor market challenges.

2. Enhance Monitoring and Evaluation Mechanisms: The establishment of robust monitoring and evaluation mechanisms is essential to track the progress of employment-related initiatives and identify areas for improvement. Regular assessments can inform policy adjustments and optimize resource allocation.

3. Promote Skill Development and Training: To meet the evolving demands of the labor market, Uzbekistan should invest in skill development and training programs tailored to emerging sectors and industries. Collaboration with educational institutions and vocational training centers can facilitate the acquisition of relevant skills among the workforce.

4. Address Informal Employment: Efforts to reduce informal employment should be intensified through targeted interventions, including awareness campaigns, financial incentives for formalization, and improved access to social protection measures for informal workers.

5. Foster International Collaboration: Uzbekistan should continue to engage with international organizations such as the International Labour Organization to exchange best practices, leverage technical assistance, and align domestic policies with international standards.

By implementing these recommendations, Uzbekistan can further advance its employment sector, foster inclusive growth, and contribute to the realization of its development objectives outlined in the new strategy for 2022-2026.

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