

LABOR MARKET AND UTILIZATION OF LABOR RESOURCES IN ENTERPRISES, CAPITAL INVESTMENTS AND THE CAPITAL MARKET: THE CASE OF UZBEKISTAN

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Abstract. This article provides a comprehensive analysis of the labor market and capital market in Uzbekistan, focusing on recent developments, challenges, and future prospects. It examines the dynamics of labor resource utilization, the impact of economic reforms on employment, the role of the informal sector, and regional disparities. Furthermore, it delves into the growth of capital investments, the development of the capital market infrastructure, and the regulatory environment. The study concludes by highlighting the importance of continued reforms for sustainable economic growth and the modernization of both markets.

Keyword: Uzbekistan, Labor Market, Capital Market, Employment, Informal Sector, Foreign Direct Investment (FDI), Economic Reforms, Human Capital, SMEs, Skills Mismatch, Liberalization, Economic Growth.

Introduction. Uzbekistan is currently undergoing a pivotal phase of economic transformation, spurred by a comprehensive agenda of liberalization and market-oriented reforms initiated in 2017. This ambitious transition aims to shift the country from a state-controlled model to a dynamic, open, and competitive market economy integrated into the global system. At the heart of this transformation lie two fundamental pillars of any modern economy: the labor market and the capital market. The effective development and integration of these markets are not merely parallel objectives but are deeply interconnected, forming the bedrock for sustainable and inclusive growth.

The labor market, characterized by a young and rapidly growing population, presents both a significant demographic dividend and a formidable challenge in terms of job creation and skills development. Simultaneously, the capital market is emerging from a period of dormancy, attracting substantial foreign investment and building the financial infrastructure necessary to fund new enterprises and large-scale projects. Understanding the current state, key trends, and inherent challenges within these two domains is essential for assessing the trajectory of Uzbekistan's economic future.

This article provides a detailed analysis of these two critical sectors. It begins by examining the dynamics of the Uzbek labor market, focusing on demographic pressures, the challenge of formalization, and the utilization of human resources within enterprises. It then shifts focus to the burgeoning capital market and investment landscape, assessing the impact of reforms, the influx of foreign capital, and the evolving regulatory framework. By synthesizing the findings, the article aims to present a comprehensive picture of Uzbekistan's progress, identify persistent challenges, and highlight the synergistic relationship between a skilled workforce and a robust financial system in achieving the nation's long-term economic ambitions.

The labor market in Uzbekistan has developed significantly in recent years due to demographic growth, economic reforms, and the reduction of the informal sector. As of 2023, the country's labor resources amounted to approximately 19.7 million people, with an economically active population of 15.0 million and an employed population of 14.0 million. This is a substantial increase from 2000, when labor resources stood at 12.5 million. This growth, linked to population increase and state programs, has led to the creation of over 500,000 new jobs annually. The working-age population (15-64 years) constitutes about 57% of the total population, and the high influx of young people into the labor market (approximately 650,000 annually) creates pressure for job creation.

Table 1: Key Labor Market Indicators in Uzbekistan (2000 vs. 2023)

Indicator	2000 (Approx.)	2023	Change
Labor Resources (million people)	12.5	19.7	+57.6%
Economically Active Population (million)	N/A	15.0	-
Employed Population (million)	N/A	14.0	-
Annual New Job Creation	N/A	>500,000	-
Annual Youth Entering Labor Market	N/A	~650,000	-

Informal employment remains a key feature, although it has decreased from 58-60% in 2018-2019 to 41% (approximately 6 million people) in 2022. This decline is attributed to reforms such as tax simplification and pension guarantees. However, informal workers persist in sectors like agriculture, construction, and trade, often characterized by cash payments, lack of contracts, and limited social protection. This situation is particularly prevalent among young people (15-29 years old).

Table 2: Informal Employment Dynamics and Sectoral Breakdown

Metric	Figure
Informal Employment Rate	
2018-2019	58-60%
2022	41% (approx. 6 million people)
Sectoral Share of Informal Workers (2022)	

Metric	Figure
Agriculture	34%
Construction	14%
Trade	14%
<i>Note: Agriculture itself is 80-90% informal.</i>	

The utilization of labor varies by sector and type of enterprise. Since 2005, the non-corporate private sector has been responsible for nearly all job growth, increasing its share of total employment from 50% to 81% by 2019. In contrast, the corporate sector has remained stable but is more capital-intensive. Small and medium-sized enterprises (SMEs) in Uzbekistan are the primary job creators and exhibit higher labor productivity than large state-owned enterprises, but they face barriers such as high tax burdens and limited access to finance.

Table 3: Share of Total Employment by Sector Type (2005 vs. 2019)

Sector Type	2005	2019
Non-corporate Private Sector	50%	81%
Corporate Sector	~50%	~19%

Significant regional disparities also exist: Tashkent city offers higher wages and formal opportunities, while populations in rural areas of other regions rely on low-wage and informal employment. External migration also plays a clear role, with 3-4 million Uzbeks working abroad (mainly in Russia and Kazakhstan, which account for 70% of migrants), primarily in construction and services. This helps alleviate internal pressure on the domestic labor market.

Key problems in Uzbekistan's labor market include a skills mismatch (88% of informal workers have only secondary education), low labor mobility, and a shortage of skilled workers for employers in industry and technology. Projections for Uzbekistan until 2030 indicate the need to reduce unemployment to 2% and address a potential shortfall of 2.9 million jobs, requiring the creation of 300,000 to 500,000 effective jobs annually.

Capital Investments and the Capital Market in Uzbekistan. Capital investments and the capital market in Uzbekistan have been growing since 2017 against the backdrop of economic liberalization, attracting foreign inflows and supporting infrastructure development. In 2024, gross capital formation reached 493.7 trillion UZS (approximately \$39 billion), a 127.6% increase compared to 2023 and 2.3 times higher than the 2020 level.

Table 4: Gross Capital Formation Performance

Year	Gross Capital Formation (trillion UZS)	Approx. USD (billion)	Growth
2020	~214.7	~17	Base Year

Year	Gross Capital Formation (trillion UZS)	Approx. USD (billion)	Growth
2023	~387.0	~30.5	-
2024	493.7	~39	+127.6% (vs. 2023)

Foreign direct investments (FDI) amounted to 150.5 trillion UZS, with main contributors being China, Russia, Turkey, and Germany. By sector, manufacturing, energy, and mining were the primary recipients. In terms of technological structure, machinery and equipment, and construction accounted for the largest shares.

Table 5: Foreign Direct Investment (FDI) Breakdown by Country

Country	Share of Total FDI
China	27.9%
Russia	13.2%
Turkey	6.8%
Germany	5.2%

Table 6: Distribution of Capital Investments

Distribution Type	Sector / Category	Share
By Sector	Manufacturing	35.7%
	Energy	19.5%
	Mining	17.1%
By Technology	Machinery and Equipment	46.9%
	Construction	43.1%

Uzbekistan's capital market is still developing but has been actively growing since 2017. The main platforms are the "Tashkent" Republican Stock Exchange (UZSE) and the National Clearing Center. Their trading volume reached approximately \$2 billion in 2024 (a 7.5-fold increase from the previous year), driven by mobile applications, fintech, and retail participation. The stock market capitalization is projected to reach \$20 billion by 2025.

Table 7: Capital Market Growth Indicators

Indicator	Figure / Growth
UZSE Trading Volume (2024)	~\$2 billion
YoY Trading Volume Growth	7.5-fold

Indicator	Figure / Growth
Bond Market Growth	From \$23.7M to \$149.9M
Venture Capital Operations (2023)	>\$110 million
Projected Stock Market Capitalization 2025)	\$20 billion

However, challenges persist, including weak regulation, legal gaps, a prevalence of short-term bonds, and bureaucracy. The number of joint-stock companies has decreased from 3,500 to 650 due to past policies. The potential for the country's capital market includes expanding bonds, international integration, and the potential to soon reach 1 million active investors.

Conclusion. In conclusion, both the labor market and the capital market in Uzbekistan have developed significantly in recent years, influenced by consistent changes and deep economic reforms, and continue to grow. In the labor market, demographic pressures, a large youth population, and rising demand for employment necessitate the acceleration of job creation. The reduction of informal employment, tax simplification, eased formalization processes, and social programs play a vital role in stabilizing the labor market. At the same time, regional disparities, skills mismatch, and a shortage of highly skilled workers remain pressing issues. To improve effective employment by 2030, Uzbekistan must create at least 300,000 to 500,000 high-quality jobs annually.

Similarly, in the capital market and capital investments, rapid growth is observed in the economy. The liberalization policy pursued since 2017 has increased the volume of investments, with gross capital formation reaching record levels in 2024. The flow of foreign investments, infrastructure projects, and the activation of the stock exchange support economic growth. Nevertheless, regulatory gaps, the limited scope of the bond market, bureaucratic barriers, and the underdeveloped capital market infrastructure hinder its full-fledged development to some extent. Overall, Uzbekistan is achieving important results in modernizing its labor market and developing its capital market. The continuation of reforms to increase employment efficiency, support small and medium-sized businesses, further improve the investment climate, and integrate into international financial systems will contribute to the sustainable and long-term growth of the country's economy.

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