

Ways to Increase Labor Productivity in Conditions of Sustainable Economic Growth

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Abstract:

The ultimate effectiveness of the economic policy of the countries of the world is mainly focused on ensuring employment of the population and further improving welfare and quality of life. When carrying out practical work in this direction, it is important to create new jobs, open a wide path for entrepreneurship, comprehensively support large production entities of the real sector of the economy, and implement measures in other areas.

Increasing labor productivity is the basis for accelerating the growth rate of real wages and raising the standard of living of the population. Real income per unit of time worked can increase only to the extent that the volume of production in real terms increases. The more output that can be produced for each unit of time worked, the more real income can be distributed at the expense of this time worked. The most important indicator of the standard of living - the growth of real GDP per capital - takes place after the dynamics of labor productivity.

The Strategy of the President of the Republic of Uzbekistan "Uzbekistan-2030", adopted on September 11, 2023, defines the goals and priorities for raising the well-being of the population to a higher level by further increasing the sustainability of economic growth. According to him, the goal and objectives of its implementation by 2030 are based on the task of doubling the size of the economy of Uzbekistan and joining the ranks of "upper-middle income countries".

Accordingly, the increase in the gross domestic product to 160 billion dollars and per capita income to 4 thousand dollars; ensure macroeconomic stability and economic development with the necessary level of energy, water and infrastructure resources; ensure annual inflation at the level of 5-6 percent by 2030 by continuing structural reforms aimed at mutual coordination of foreign trade policy and improving the competitive environment in the market of goods and services; priority tasks such as continuing transformation and institutional reforms in the economy, ensuring a

favorable investment and business environment in the country, implementing a balanced monetary policy.

Labor productivity in Uzbekistan in 1991-1995 returned to the level of 6.8% of real GDP per capita. During this period, the population increased by 2.2 percent. At the same time, the macroeconomic stability ensured in the country and the intensification of the use of intensive factors of economic growth, in particular, an increase in foreign and domestic investment in fixed capital, ensure stable GDP growth rates. In 1991-1995, GDP declined by an average of 4% per year, while in 1996-2003 its growth was equal to 4%. GDP growth averaged 8.1 percent from 2004 to 2008, 8.2 percent over the next 8 years, and 5.5 percent growth from 2017 to 2023. Such a growth rate, despite the constant increase in the population, ensures constant growth of GDP per capita since 1996. During this period, the average growth in labor productivity was 2.8 percent (1996-2003), in 2009-2016 it was 11.7 percent, and in the period 2017-2023, growth of 23.4 percent was achieved.

Decree of the President of the Republic of Uzbekistan dated September 11, 2023 No. PF-158 "On the strategy "Uzbekistan-2030".

**Table 1 Population dynamics, real GDP growth and labor productivity
in Uzbekistan**

Years	Growth rates, %			
	Population	GDP	GDP per capita	Labor productivity
1991-1995	2,1	-4,0	-6,8	-
1996-2003	1,5	4,0	2,9	2,8
2004-2008	1,2	8,1	6,8	3,9
2009-2016	2,0	8,2	13,8	11,7
2017-2023	1,9	5,5	3,5	23,4

Source: Compiled based on data from the Agency on Statistics under the President of the Republic of Uzbekistan.

It is worth saying that the constant growth of the population's income, in turn, creates the basis for increasing the domestic demand of the national economy, increases economic activity in industries and sectors of the economy, and serves to increase the volume of production and services.

By using the potential of regions and economic sectors in our country, special attention is paid to the development of effective forms of employment, taking into account demographic factors and the situation on the labor market. This, as a result of the implementation of comprehensive and interrelated measures to create jobs and ensure employment of the population, leads to the rapid development of the level of employment in the main sectors of the economy, including industry, agriculture and the service sector.

In recent years, as a result of the effective implementation of practical measures aimed at increasing employment, employment has been steadily increasing. In particular, in 2015, the number of jobs in the economy was 13.1 million people, and by 2023 this figure will exceed 14.0 million people, or an increase of 6.9% (Figure 1). The average number of jobs in the economy increased by 0.9% per year during 2015-2023.

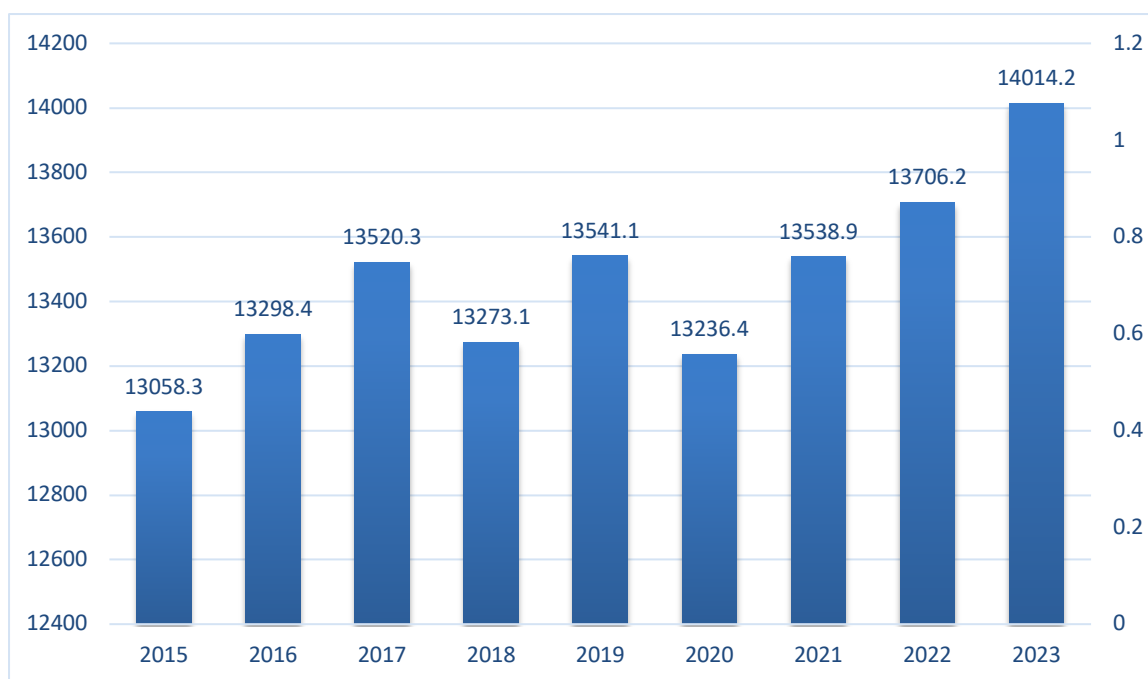


Figure 1. Average annual number of jobs in the economy (thousand)

Source: Data of the statistical agency under the president of the Republic of Uzbekistan

Analyzing the number of jobs in the economy in recent years, it can be seen that relatively high growth rates correspond to the social service sectors (Table 2). In particular, in 2017, the number of jobs in the field of education and art amounted to 1171.9 thousand, and in 2023 this figure will be 1371.4 thousand (growth rate of 117.0%), in healthcare and social services from 602.6 thousand to 694.8 thousand (115.3 thousand%), increased from 1793.5 thousand to 1953.3 thousand (108.9%) in the field of trade and public catering.

In industry, this indicator increased from 1,683.4 thousand to 1,720.8 thousand (or a growth rate of 102.2%), in construction from 1,290.0 thousand to 1,502.2 thousand (116.5%), public administration and defense; increased from 577.8 thousand to 637.9 thousand (114.4%) in the sphere of compulsory social security. The growth dynamics were also formed by the number of jobs in the services, services and finance sectors. During the period under review, the number of jobs in agriculture and public utilities decreased by 91.1 and 80.3 percent, respectively.

Table 2 Dynamics of the growth of the number of items in the sectors of the economy of Uzbekistan

(in comparison to total,%)

Networks	2017	2018	2019	2020	2021	2022	2023	2023 as a percentage of 2017
Industry	1683,4	1677	1697,7	1690,2	1736,4	1687,6	1720,8	102,2
Agriculture	3671,3	3537,2	3544,6	3499,2	3414,7	3438,7	3344	91,1
Construction	1290,0	1205,5	1324,6	1305,6	1350,8	1314,3	1502,2	116,5
Public administration and	577,8	631,7	636,6	635,9	637,3	636,8	637,9	110,4

defense; mandatory social security								
Communal economy	143,4	125,9	123,8	119,3	126,8	123	115,1	80,3
Financial and insurance activities	72,0	73,5	75,8	72,5	70,4	69,6	73,4	101,9
Transport and communication	719,2	707,9	708,3	669,2	724,7	710,4	728,2	101,3
Trade and catering	1793,5	1703,7	1751,7	1708,2	1876,7	1874	1953,3	108,9
Education and art	1171,9	1177,3	1200,4	1225,2	1290,7	1340,4	1371,4	117,0
Provision of health care and social services	602,6	604	616,7	669,5	650,8	671,3	694,8	115,3
Others	1795,2	1829,4	1860,9	1641,6	1659,6	1840,1	1873,1	104,3

Source: Compiled based on the data of the Statistical Agency under the President of the Republic of Uzbekistan

An increase in the number of jobs in the economy, as noted above, increases domestic demand in the economy and has a positive effect on the rate of economic growth.

Acceleration of diversification processes in the economy, modernization of real networks, technical and technological renewal as a result of rapid introduction of new and modern equipment into the network. This, in turn, leads to an increase in labor productivity, which is considered one of the most important indicators in the economy, along with an increase in the quality of production and competitiveness of products.

Labor productivity in our country's economy increased by an average of 15.4% in 2010-2023 (Figure 2). This indicator was 5.7% in 2010, 5.5% in 2012, 5.6% in 2014, 15.4% in 2016, 32.3% in 2019, 16.8% in 2021 and 19.1% in 2023. equals %. In the dynamics of labor productivity growth, a decrease was observed in 2017 (by 112%) and 2021 (by 117%), while in 2018 this indicator reached its maximum level, i.e. a growth rate of 44%.

As is known, continuous increase in labor productivity, in turn, serves as an important factor in the development of the national economy.

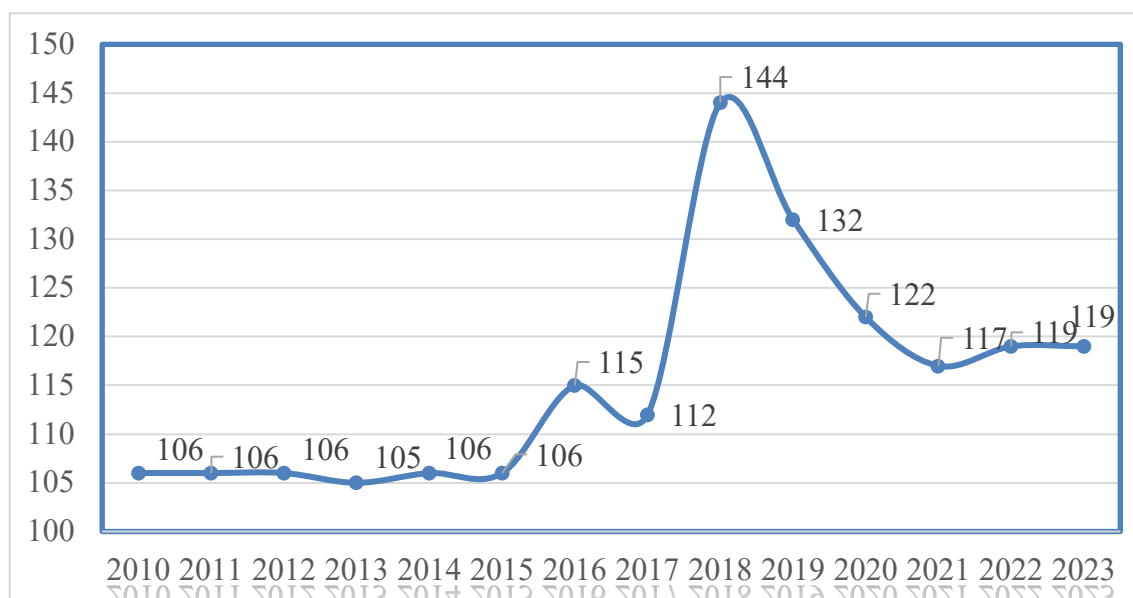


Figure 2. Dynamics of labor productivity in the economy

Source: statistics on attendance of the President of the Republic of Uzbekistan

If we analyze the dynamics of labor productivity by industry, in particular in industry and agriculture, we can see that from 2017 to 2023 this indicator increased by 28.3% per year in industry and by 19.9% in agriculture (Figure 3).

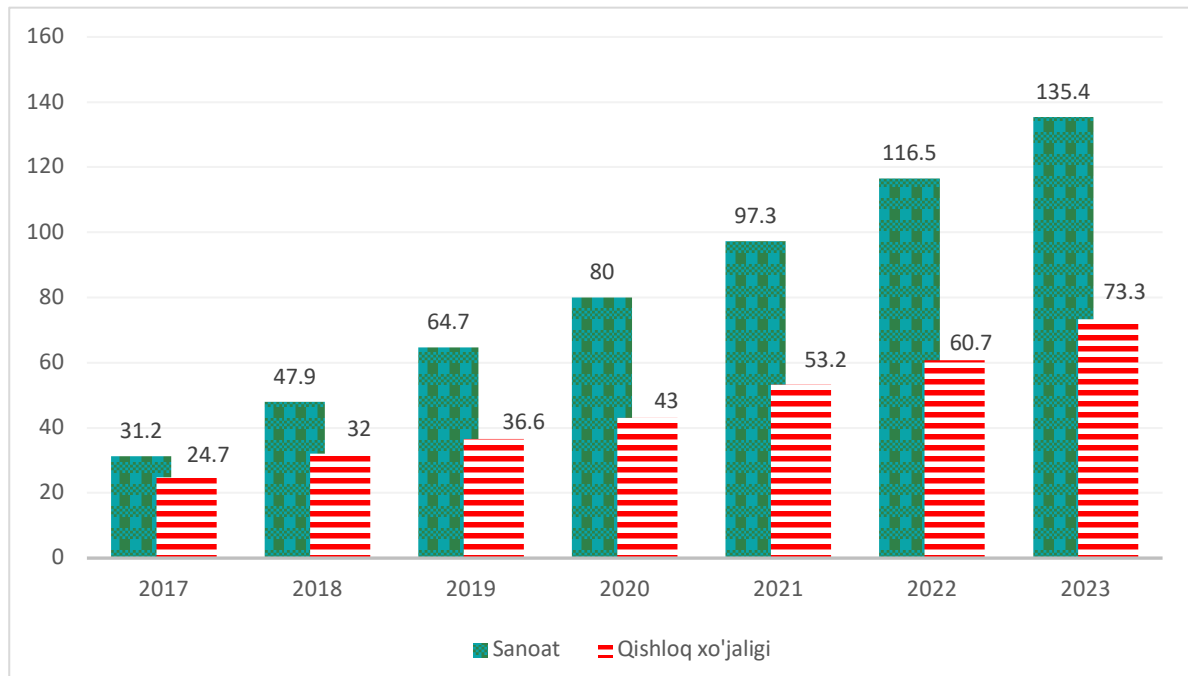


Figure 3. Dynamics of labor productivity in industry and agriculture

Source: Compiled based on data from the Agency on Statistics under the President of the Republic of Uzbekistan.

Labor productivity in the industrial sector is higher than labor productivity in the economy as a whole, as evidenced by the rapid growth of production in this sector, the competitiveness of manufactured products and the growth in the skills of workers in the industry.

There are several important factors in ensuring more sustainable development of our country and high rates of economic growth. According to many economists, labor productivity and its growth rate depend on the level of inflation in the country. Theoretically, productivity growth could compensate for the costs of increasing the minimum wage and mitigate the effects of inflation as expenses increase. All other things being equal, labor productivity will lead to a decrease in growth rates, an increase in labor costs and inflationary processes. From this point of view, ensuring a decrease in the level of inflation in the country's economy affects the growth of labor productivity.

Another factor influencing the growth of labor productivity is investment. The higher the share of investment in GDP, the higher the rate of growth of labor productivity in the country.

There is a strong positive correlation between the share of investment in GDP and the growth of labor productivity. By investing in entrepreneurial activity, they lead to an increase in production volumes. However, increasing government intervention in business can lead to such a change in the structure of investment that the benefits of the changes for society as a whole increase, but do not lead to an increase in the volume of output of entrepreneurial products.

At the same time, high taxes on enterprises and personal income reduce the size of profits and this hinders the implementation of new investment projects. A sharp increase in prices for resources

(equipment, electricity, gas, etc.) forces the use of labor-intensive, less efficient technologies. All these make it difficult to attract investment to the economy, and as a result, labor productivity in industries and sectors decreases.

Another important factor in increasing labor productivity is the quality of labor. In this regard, it is necessary to provide young people entering the labor force with sufficient experience and professional training. Currently, the level of employment among women is increasing significantly, many of them have families, so it is necessary to ensure that they have work experience.

A high level of employment in the economy must grow proportionally to the increase in the volume of fixed capital. This is the basis for improving the quality of labor and saving it.

Technological progress in a country leads to an increase in the quality of capital and the efficiency of the composition of all costs, including an increase in labor productivity. Technological development is determined by the volume of expenditure on scientific research and experimental design development. Given this, it is necessary to increase the share of these expenses in GDP in proportion to its annual growth rates. Otherwise, new technical and innovative developments may not occur, and the level of economic growth may gradually decline.

Another factor of labor productivity growth can be attributed to the institutional factor. This is the structure of labor organization, internal production relations, behavior and communication of workers and managers, their mutual actions. Compared with foreign experience, these factors play a key role in organizing production. The fact is that it is necessary to provide guarantees of lifelong employment to most employees, actively involve them in the decision-making process, ensure a holistic connection between remuneration calculated from the company's profits and economic well-being. the company's activities and the income of its employees. At the same time, this gives employees the opportunity to directly participate in the competitiveness and profitability of their company, reducing the need for middle managers. As a result, there is a community of interests and interaction between the enterprise's management apparatus and ordinary employees, greater organizational flexibility and the readiness of workers and employees to switch to new technologies. In addition, lifelong employment brings benefits to entrepreneurs from the constant increase in costs for advanced training and retraining of personnel.

The analysis conducted means that the solution to the problem of increasing labor productivity as an important factor in economic growth in the country requires a revision of the principles of organizing production.

Based on the above, we consider it advisable to implement the following practical measures in order to further increase labor productivity in the economy. *Including:*

Firstly, to accelerate the processes of diversification, modernization, technical and technological renewal of economic sectors;

Secondly, to develop high-tech production based on world standards in economic sectors, primarily in the industrial sector;

Thirdly, to continue to create a comprehensively favorable investment and business environment for sectors that are considered the engine of the economy. In this regard, mainly, to increase attention by applying special benefits to large manufacturing enterprises;

Fourthly, to take the necessary measures to further improve the business environment created in them, taking into account the fact that the bulk of jobs in the economy are business entities;

Fifthly, to increase the productivity of agricultural products and further improve the condition of irrigated lands using innovative technologies;

Sixthly, to increase the level of knowledge of the employed population working in economic sectors based on foreign experience.