

Evolution Of Uzbekistan's Labor Market Over The Past Three Years: Employment Dynamics, In-Demand Professions, Changes In Remuneration, And The Impact Of Economic Reforms On The Labor Market

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Abstract:

The present research paper is focused on analyzing the shift in the labor market of Uzbekistan from 2022 to 2024 by looking at the aspects of employment, wage trends, and the impact of economic reforms on the workforce growth. Among numerous other factors, the digital transformation initiatives, like 300 priority projects which are a part of the “Digital Government” and “Digital Region” programs, have played an essential role in the restructuring of the sectors while simultaneously creating a huge demand for technologically competent professionals. The sector of sales and customer service registered the most significant activity, covering 11.4% of the overall vacancies and showing a 92% increase in job openings.

Keywords: labor market, employment dynamics, wage growth, digital transformation, economic reforms, job market competition, workforce development, youth unemployment, informal employment

Introduction

The labor market in Uzbekistan has changed a lot in the last three years due to the economic reforms, digital transformation, and demographic factors. The population in Uzbekistan is expected to be around 37.13 million in mid-2024 and with 56.4% of the population in the working age, the country has to deal with both challenges and opportunities in terms of employment and workforce development [1]. The yearly increase in the number of people in the working age group by about 250,000 has led to a constant requirement for jobs, while changes in the economy are taking place in terms of the skills needed for the professions and the power of the wages [2]. Under the "New

Uzbekistan" development model, the country has been reforming itself since 2017 and has placed great importance on digitalization, making the economy more free, and developing human resources. The COVID-19 pandemic of 2020-2021 changed the patterns of employment a lot and made the adoption of digital technologies and remote work practices faster, at the same time, it caused temporary disruptions in the traditional sectors [3].

The bounce back from 2022-2024 has been impressive, with levels of labour market performance reaching new highs, and data from online job boards up together in terms of employer vacancies and job seeker registrations. Understanding these changes requires a systematic approach to examining: employment and wage trends, by sector, and the effects of policies. In providing a response to this challenge the current research aims to conduct a detailed assessment of labour market transitions in Uzbekistan 2022–2024 considering quantitative labour market indicators, analysing occupational demand and wage levels and assessing the importance of economic reforms on human capital development. In line with National Development Strategy "Uzbekistan-2030" that aims the country to be classified as an upper-middle-income country by 2030, understanding labor market trends is paramount for an effective policy making and economic planning [4].

Methodology

The methodology of the present study is a comprehensive literature review, a detailed and systematic analysis of different sources, including statistics, government reports, international evaluations, and scholarly papers. The main input for the research comes from official data provided by the Agency for Statistics under the President of Uzbekistan, the Ministry of Employment and Labor Relations, and the major online job board hh.uz. hh.uz, which is the largest online recruitment marketplace in Uzbekistan, is the main data source among the three [5]. The methodology combines the quantitative data analysis of employment indicators, wage statistics, and sectoral distribution with the qualitative approach of analyzing policy documents and reform implementation reports. Among the statistical indicators are total employment, unemployment rates split by different demographic groups, wage levels in different industries and regions, online job vacancy and resume activity, and labor market tightness indices that show where workers are most in demand. The main focus of the research is to monitor the progress of implementing the "Digital Uzbekistan-2030" strategy, which was launched in October 2020, and that created a thorough plan for the development of information and communication technology and the digital transformation of all government and economic sectors [6].

The studies done on Uzbekistan's labor market have pointed out various ways of analyzing it. The demographic approach is one of the most important and among the earliest, in which the presence of the youth bulge is an important aspect, that is the fact that more than 60% of the population is below the age of 30 and this has both human capital and employment pressure implications [7]. On the other hand, the economic reforms literature focuses on the acceleration of measures that started in 2017, such as making the local currency convertible, cutting down state interference in economic operations, and thus leading to increased foreign direct investments resulting in 30.5% of Uzbekistan's total investments inflow by 2024. Digital transformation research has noted similar trends, namely the phenomenal growth of the ICT sector, where the number of ICT enterprises has risen by 1.8 times in five years and surpassed 12,000 companies that are employing more than 100,000 workers by early 2023 [8]. The ICT services volume increased dramatically by 125.5% in 2022, amounting to 22.9 trillion soums, which is a clear indication of the sector's vigorous growth. The informal workers literature describes the situation as a stark contradiction with around 8 million people having seasonal and temporary work outside the formal sector, which is especially the case in the Fergana, Bukhara, Navoi, Khorezm, and Samarkand regions [9].

International evaluations give a comparative viewpoint on the development of Uzbekistan. The United Nations e-Government Survey for the year 2022 indicated that Uzbekistan moved up 18 positions to the 69th place in the world, thus entering the group of the countries with "high/very high

level of development" [10]. By the year 2024, the country made further progress to the 63rd position with an index of 0,7999, surpassing the 0,75 target set for 2025 in the Digital Uzbekistan strategy [11]. The World Bank's GovTech Maturity Index placed Uzbekistan at the 43rd spot among the best in the world in the government services sector, thus reflecting a 37-position increase since 2020. These rankings point to significant investments in a digital infrastructure and e-government missions. Over the four years the AI Readiness Index of the Government has moved Uzbekistan from 158th to 79th position that tells us the rising capabilities of advance technology taking up. As the study on labor market platforms indicates they are playing an increasingly important role in the employment matching process, hh. Note that in 2024, uZ showed around 130K active postings, which is a 28% y/y growth, while active resumes reached 1.4 mn, reflecting a 84% growth. Such platforms provide real-time data that expose the sequencing of labor demand steps, skill demand, and compensation across industries and regions.

Results and Discussion

Quantitative analysis of the labor market of Uzbekistan for 2022-2024 revealed, on the one hand, a unique dynamics - the human market activity reached very high figures, wage growth accelerated significantly, the nature of professional demand changed, and on the other hand, serious problems for some categories of the population persisted. These trends are further driven by this basic demographic backdrop as the growth of the working-age population continues to put pressure on policymakers to provide jobs. According to the statistical data the economically active population amounted to 14.797 million persons in 2020 and the number of employed population was 13.236 million persons, indicating relatively high labor force participation [12]. However %, the unemployment rate of the youth is particularly startling, as it stands at 17% for the 16-25 age group, and 15.1% for those under-30 - well above the national average.

Table 1. Employment and Labor Force Indicators (2022-2024) [13]

Indicator	2022	2023	2024	Change 2022-2024
Total population (millions)	36,0	36,8	37,1	+3,1%
Working-age population (millions)	19,8	20,4	20,9	+5,6%
Active job vacancies (thousands)	102	101	130	+27,5%
Active resumes (thousands)	761	1,025	1,400	+84,0%
Competition index (applicants per vacancy)	9,7	12,8	13,9	+43,3%
Youth unemployment rate (16-25 years, %)	n/a	17,0	17,0	stable
Informal sector employment (millions)	7,8	8,0	8,0	+2,6%

Data on the vacancy and resume activities from the hh.uz platform make it clear that labor market dynamics have become more intense. The number of active vacancies has increased by 28% reaching 130,000 positions thus revealing demand for labor that is being created by economic recovery and business expansion. The most active months were August, September, and October. On the other hand, the number of active resumes increased by 84% reaching 1.4 million which is a signal of digital literacy that has been increasing along with job-seeking behavior. The resulting competition index of 13.9 applicants per vacancy which is 44% higher than the previous year indicates the labor market has become tighter from the job seeker's perspective. The period of highest competition was June, July, and December [14]. An analysis by sector shows that sales and customer service have been the strongest areas with a share of 11.4% of total vacancies and annual growth rate of 92%. Next come information technology, marketing, finance, and administrative positions. On the other hand, security, transportation, and manual labor were the areas where competition was strongest with indices above 20 indicating that there was an oversupply of candidates compared to the available positions.

Wage dynamics are quite an important factor in the labor market evolution and they have been significant for the most part of the sectors. The average nominal monthly wage rose from about 4,4 million soums at the beginning of 2022 to 4,92 million soums (389 USD) in the first quarter of 2024,

which is nearly 20% inflation-adjusted growth [15]. Median offered wages, which are less affected by outliers and therefore more accurate than means, reached 6,6 million soums in 2024, indicating a 17% annual increase. There are still large regional differences, with Tashkent on top with an 8,1 million soums average monthly wage, followed by Navoi region with 6,5 million soums, while the majority of other areas are below the national average. Such a situation points at the economic supremacy of the capital city and the concentration of high-value services in that area.

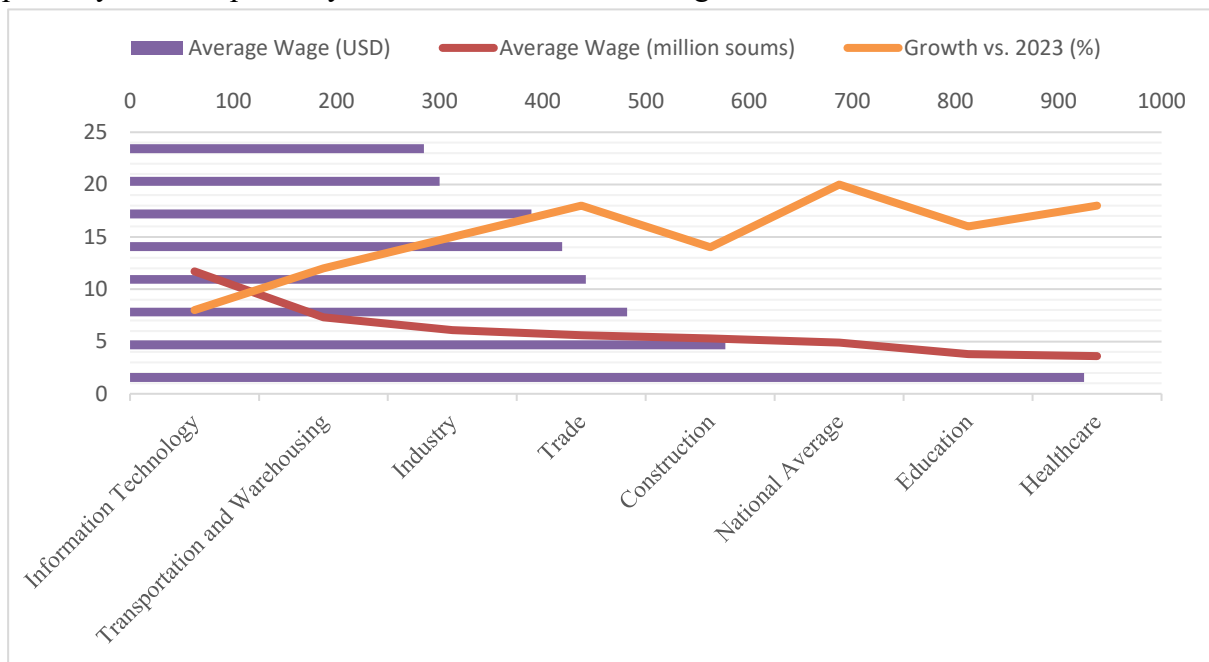


Figure 1. Average Monthly Wages by Sector (2024)

The wage hierarchy among sectors shows a distinct pattern where the highest paid professionals are the IT specialists who take home monthly salaries of 11.7 million soums, which is more than double the national average. All other sectors such as transportation, industry, trade, and construction fall in the 5-6 million soums range, while education and healthcare areas continue to be at the lowest end despite slight percentage increases. The existing wage structure is an indicator of the market valuation of skill and qualification where the technology-related competency is able to secure the highest pay [16]. The high wage for the IT sector, on the other hand, encourages making educational and career decisions towards technology which might eventually lead to a long-term human capital reallocation.

The demand for professionals coincides with the economic transformation to the service and technology-intensive activities. A study involving 172 specializations in 7800 employers across 180 districts found out that electronic commerce specialists, marketers, IT programmers, accountants, and HR specialists are the most wanted professionals in the public and private sectors. The demand for construction specialists and architects is also high because of the ongoing infrastructure projects and urbanization. On the other hand, the demand for professionals in the tourism, hospitality, and restaurant, government service, sports, and insurance sectors has gone down, which can be partly attributed to the pandemic aftereffects and structural adjustments. The demand for unskilled labor such as cleaners, drivers, and gardeners is still high due to high turnover rates in these occupations.

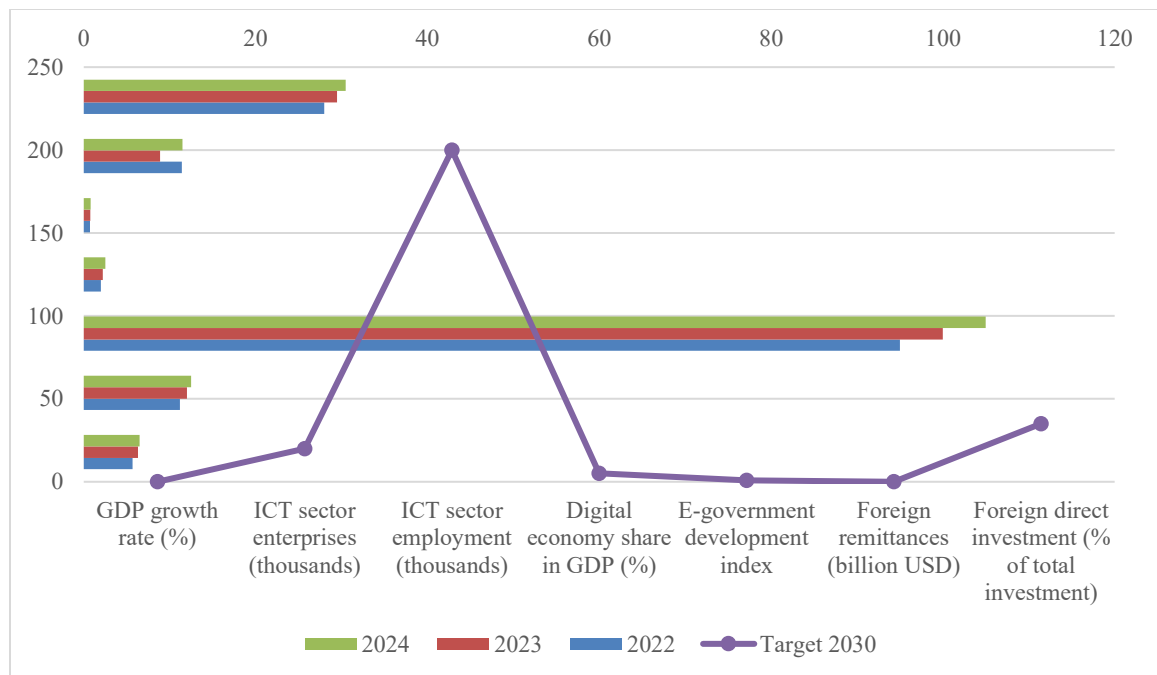


Figure 2. Economic Reform Indicators and Labor Market Impact (2022-2024) [17]

Economic reforms have had a major impact on labor market structures and dynamics. The "Digital Uzbekistan-2030" strategy, which is further supported by the "Digital Government" and "Digital Region" programs that include 300 priority projects (112 for the digitalization of government, 51 for the real sector, and 137 for the transformation of regions), has played a key role in changing the structure of the labor market and creating new kinds of employment. The GDP growth rate is expected to rise to 6.5% in 2024 from 6.3% in 2023, backed by a 27.6% increase in real investments and significant foreign direct investment which will account for 30.5% of total investments, thereby creating job opportunities in different sectors. The reduction of the current account deficit from 7.6% of GDP in 2023 to 5.0% in 2024, which has been made possible by a 19.6% increase in net remittance inflows, has contributed to macroeconomic stability that has been favorable for business confidence and hiring.

Digital transformation initiatives have been the main driving force behind the changes in the quality and efficiency of government services and the process of economic digitalization. By the beginning of 2022, 56% of government services had been made available via the interactive government services portal, and this greatly improved the access of citizens and cut down on the time and effort needed for dealing with bureaucracy [18]. The rankings of the UN e-Governance Survey clearly indicate the noticeable progress, as Uzbekistan has been moving up from the 87th place in 2020 to the 69th in 2022 and 63rd in 2024. Building of the infrastructure has resulted in the realization of near-universal internet connectivity, while the government aims to have all places covered by broadband mobile communication and data transmission networks by the end of 2024. The growth of the ICT sector, which has seen the number of enterprises increase 1.8 times and the workforce exceed 100,000, is not only a direct contributor to labor absorption but also enables the gradual digitalization of other economic sectors through indirect support.

While the overall situation shows positive trends, still there are some major issues that need to be addressed through policies. The youth unemployment rate in the 16-25 age group is 17% and it is significantly higher than the overall rate, which signals difficulties in moving from schools to employment and possible lack of proper matching of skills with jobs. The informal sector, with its 8 million workers approximately doing temporary and seasonal jobs outside the formal structures, is the major reason why social protection coverage is low and tax revenue generation is affected negatively. The gender gap in employment results, which is characterized by females having greater non-employment rates, indicates both the need for interventions to improve labor and the equity issue

that has to be addressed. Economic activities are mainly concentrated in Tashkent and the other big regional centers creating a situation where, besides agriculture, rural areas have very little formal employment opportunities. The rise in the competition index to 13.9 applicants per vacancy shows that supply of labor is growing faster than the demand in many categories, which might eventually lead to credential inflation and educated workers being underemployed.

Conclusion

Uzbekistan's labor market development from 2022 to 2024 showcases a dynamic transformation that is characterized by an activity boom in the labor market, a great rise in wages and changes in the professions that are in demand due to the government reforms and the introduction of technology in business. The labor market activity is shown by the job vacancies increasing by 28% to 130,000 and active job seekers rising by 84% to 1.4 million. At the same time, the median wage improvement is shown by the 17% increase to 6.6 million soums. The IT sector's rise to the position of the highest-paying industry at 11.7 million soums monthly, along with the sales and customer service areas becoming the most active with a 92% growth in vacancies, shows the labor movement toward the use of technology and the rendering of services. Economic reforms, particularly to be noted here are the non tariff barriers imposed under the "Digital Uzbekistan-2030" strategy having 300+ priority projects, the volume of foreign direct investment rising, and the 6.5% GDP growth has not only created employment and changed the structure of skill demands, but also improved the supply side of labour. Uzbekistan's rise to 63 in the UN e-Government rankings (up from 72nd) and 43rd in GovTech Maturity Index shows recognition of progress and thus success of the reforms. However, these achievements are not without their attendant problems. Youth unemployment remains at 17 per cent for those aged 16 to 25, the informal sector accounts for 8 million jobs and competition for jobs has reached 13.9 applicants per vacancy. These show the underlying structural vulnerabilities that require ongoing policy response. And working-age population is growing annually by 250,000 people so the job market is under increasing pressure that is beyond being compensated for by employment generation at current levels.

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