
Impact of the COVID-19 Pandemic on Unemployment in the Republic of Uzbekistan: Analysis and Prospects

Ishonkulova Feruza Asatovna

Samarkand Institute of Economics and Service

Rakhmonov Azizbek Mansurovich

Student, Samarkand Institute of Economics and Service

Abstract: This article examines the impact of the COVID-19 pandemic on unemployment rates in the Republic of Uzbekistan. Utilizing an analysis of official data, statistical methods, and literature review, the article highlights changes in the economic landscape caused by the global crisis. Particular attention is devoted to the sectors most impacted by the pandemic and the measures undertaken by the government to stabilize the labor market. The study's findings reveal the extent to which the pandemic has influenced employment and incomes, providing valuable insights for the development of future economic and social policies in Uzbekistan.

Key words: COVID-19, unemployment, labor market, economic crisis, Republic of Uzbekistan, informal sector, pandemic impact, socio-economic consequences, employment policy.

Introduction: In 2020, the world faced one of its greatest public health and economic challenges: the COVID-19 pandemic. This global crisis has had a particularly noticeable impact in the realm of employment. The Republic of Uzbekistan, like many other countries, experienced significant economic shocks, which led to changes in the labor market and increases in unemployment rates..

Before the pandemic, Uzbekistan had demonstrated steady economic growth; however, the labor market was marred by structural issues such as high levels of informal employment and labor migration. The introduction of COVID-19 restrictions, including lockdowns and restrictions on movement, significantly impacted key economic sectors, leading to increased unemployment and reduced incomes.

The purpose of this article is not only to assess the scale and nature of unemployment during the pandemic but also to evaluate the effectiveness of government measures in supporting employment and mitigating the socio-economic consequences of the crisis. By analyzing data on the labor market and economic activity, we aim to identify the key factors influencing unemployment rates and offer recommendations for improving employment policies in the post-pandemic period.

An overview of the economic conditions in Uzbekistan before the COVID-19 pandemic provides insight into the state of the labor market and the country's overall economic situation. At the beginning of 2020, Uzbekistan was undergoing significant economic and social reforms aimed at liberalizing the economy and attracting foreign investments.

The government's pre-pandemic reforms in Uzbekistan included market deregulation, improvement of the business climate, and strengthening of the private sector. These measures led to growth in small and medium-sized enterprises (SMEs) and, consequently, an expansion of jobs in the private sector. Additionally, there was progress in digitalization and innovation, creating new employment opportunities.

Before the pandemic, the Uzbek labor market displayed distinctive characteristics, including high levels of 'informal' employment, particularly in rural areas, and significant labor migration, especially to Russia and Kazakhstan. The government was actively working to improve employment conditions, particularly for youth and women, and to reduce poverty levels.

The Uzbek educational system underwent reforms aimed at enhancing the quality of education and aligning it more closely with labor market needs. These reforms included improvements in vocational education and training, as well as strengthening the connections between educational institutions and employers.

Uzbekistan's investment climate was improving due to a number of reforms, including the simplification of procedures for obtaining visas and licenses, making the country more attractive to foreign investors. This facilitated the creation of new jobs and attracted new technologies and knowledge into the country's economy.

However, despite these positive trends, Uzbekistan's economy still faced a number of challenges, including a dependence on a few major exports, insufficient infrastructure development, and ongoing issues with corruption and bureaucracy. Additionally, there was a significant mismatch between graduates' skills and labor market requirements.

Overall, the economy of Uzbekistan before the COVID-19 pandemic was experiencing positive changes and growth, but it still retained a number of structural and social challenges that required further attention and solutions from the government.

Literature review: A review of the literature on the impact of COVID-19 on unemployment in the Republic of Uzbekistan requires a detailed analysis of various sources, including academic articles, reports from governmental and non-governmental organizations, as well as statistical observation data. The study begins by setting the overall context of the pandemic and its global impact on the economy, with a particular focus on the labor market. Numerous studies have highlighted how the pandemic has caused unprecedented shocks to economies around the world, leading to increased unemployment and decreased output. Reports from the International Monetary Fund and the World Bank discuss the macroeconomic impacts of COVID-19, highlighting significant income losses and increases in poverty.

When focusing on the specifics of Uzbekistan, it is important to consider how the local economy, which is dependent on sectors such as agriculture, manufacturing, and services, has been impacted by the pandemic. Research conducted by Uzbek economists indicates that the country has faced several challenges, including declining exports and restrictions on domestic economic activity, leading to job losses, especially in the informal sector, which plays a significant role in Uzbekistan's economy.

In analyzing the consequences of COVID-19 on unemployment in Uzbekistan, studies on employment policy and social protection are crucial. The government of Uzbekistan has implemented a number of measures to support the economy and the population, including programs to support small and medium-sized businesses and temporary unemployment benefits. Assessing the effectiveness of these measures requires detailed analysis, as covered in the works of both Uzbek and international experts.

The socio-economic consequences of the pandemic for various population groups in Uzbekistan are also under discussion. Research indicates that the most vulnerable groups include women, youth, and informal sector workers. The pandemic has exacerbated pre-existing inequalities in access to employment and job quality. Individual studies also focus on the impact of school and higher education closures on the future employment prospects of students and young people.

Another critical aspect is the impact of COVID-19 on migration processes. As a country with high levels of labor migration, particularly to Russia and Kazakhstan, Uzbekistan has felt a significant impact from the pandemic on this sector. Many migrants lost their jobs abroad and were forced to

return, increasing pressure on the domestic labor market. Detailed analysis is required to understand the long-term consequences for the economy and society of Uzbekistan.

Methodology: The study is based on a quantitative analysis of unemployment data obtained from official sources, such as the National Statistical Agency of Uzbekistan, the International Monetary Fund, the World Bank, and other international organizations. These sources provide statistics on unemployment rates, employment across various sectors, including informal ones, and data on migration flows and labor migration. An essential aspect of this analysis is the comparison of data before and during the pandemic to assess the direct impact of COVID-19 on the labor market.

The second key element of the methodology is qualitative analysis, which includes interviews with experts, business representatives, government officials, and the analysis of reports from both governmental and non-governmental organizations. This approach complements the quantitative data by providing deeper insights into the impact of the pandemic on different economic sectors and demographic groups.

Additionally, the study employs a comparative analysis method, enabling a comparison of the situation in Uzbekistan with other Central Asian countries. This comparison helps to identify the unique characteristics of the Uzbek labor market and the effectiveness of measures taken compared to those in neighbouring countries.

Main Part: During the COVID-19 pandemic, Central Asian countries, including Uzbekistan, Kazakhstan, Tajikistan, and Kyrgyzstan, experienced significant economic and social disruptions, with each country responding differently based on their unique economic conditions and resources.

In Uzbekistan, according to the World Bank, GDP growth slowed to 1.6% in 2020, significantly down from 5.6% in 2019.¹ This decline was primarily due to a significant drop in tourism revenues, estimated to have fallen by 70-80%, and an increase in the unemployment rate to 10.5%. In response, Uzbekistan implemented various measures to support the economy, including financial assistance for small and medium-sized enterprises.²

Kazakhstan, with an economy heavily dependent on oil exports, faced serious economic challenges as global oil prices fell. The country's GDP decreased by 2.6% in 2020, compared with a growth of 4.5% in 2019. In response, Kazakhstan has focused on diversifying its economy and supporting entrepreneurship to mitigate the crisis's effects.³

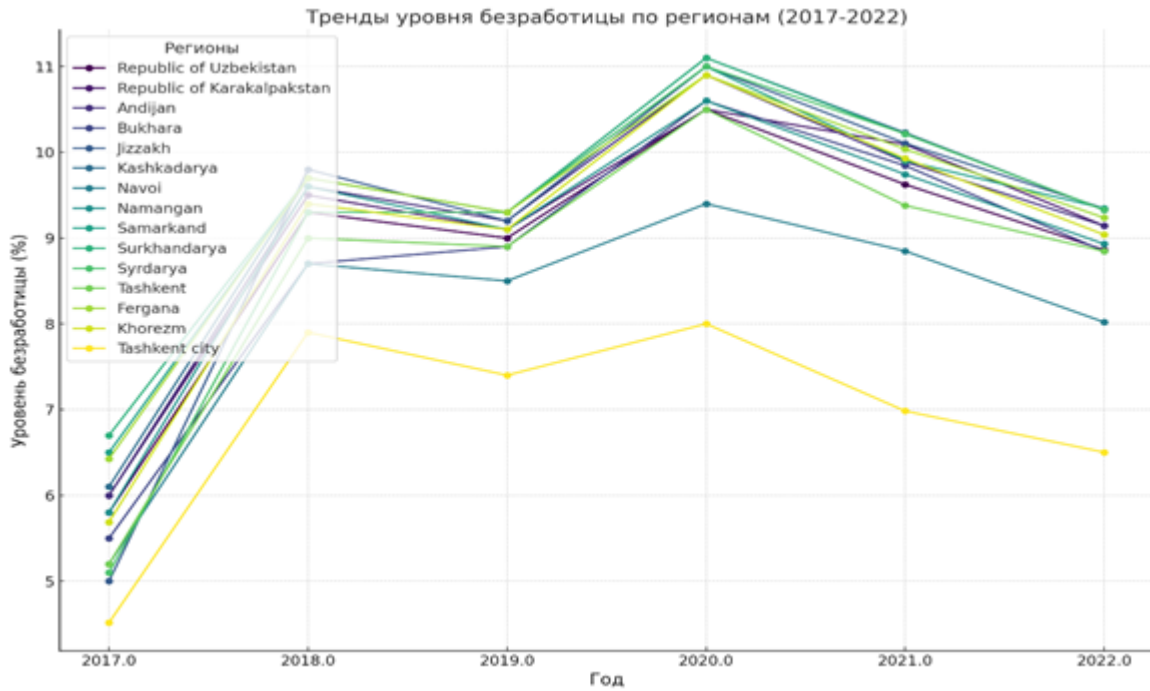
Tajikistan and Kyrgyzstan, which have lower economic development levels, were particularly hard-hit by the pandemic, largely due to their dependence on remittances from migrant workers abroad. In 2020, Tajikistan's GDP growth slowed to 4.5% from 7.5% in 2019, while Kyrgyzstan experienced an 8% decline in GDP, a stark contrast to the 4.5% growth observed the previous year. Both countries have faced decreased incomes and increased needs for international assistance.

Before the onset of the COVID-19 pandemic, Uzbekistan was experiencing stable economic growth, and unemployment rates were relatively low. By the end of 2019, the unemployment rate had reached 9.2%, marking a record low for the preceding years. This achievement was due to the active development of various economic sectors and the legalization of employment, particularly in the informal sector.

¹ Unemployment in Uzbekistan has returned to pre-pandemic levels – Uzbekistan News (gazeta.uz)

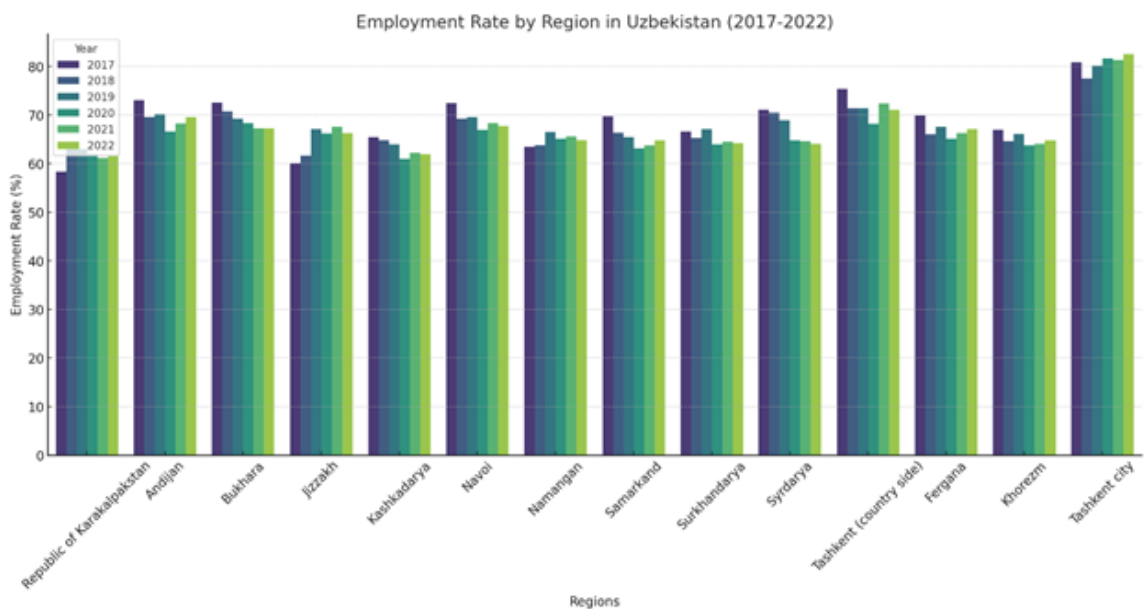
² <https://www.gazeta.uz/ru/2021/02/18/imf/>

³ Support for business in Uzbekistan during quarantine. | United Nations Development Program (undp.org)



In response to the economic challenges posed by the pandemic, the government of Uzbekistan implemented several support measures. These included large-scale additional spending on health, social care, investments, and enterprise support, encompassing tax deferrals and direct financial assistance. Furthermore, a 'Business Clinic' program was launched, offering free legal and business advice to small and medium-sized enterprises, as well as to individual entrepreneurs.

However, the situation changed dramatically with the onset of the pandemic in 2020. The unemployment rate in Uzbekistan for January to July 2020 rose to 13.2%, significantly higher than the previous year's rate of 9.1% for the same period. The pandemic and associated quarantine measures have significantly impacted the labor market, with a reduction in the number of people employed in the formal sector and a decrease of 167,500 individual entrepreneurs, which represents a 46.4% drop compared to the previous year.⁴



⁴ The unemployment rate in Uzbekistan for January-July 2020 was 13.2 percent. (uzdaily.uz)

The International Monetary Fund acknowledged that the support measures implemented by the Uzbek authorities were timely and well-targeted, helping to mitigate the negative consequences of the pandemic on the country's economy.⁵

Thus, the COVID-19 pandemic has significantly impacted Uzbekistan's economy, leading to an increase in unemployment and necessitating the introduction of large-scale support measures to stabilize the economic situation."

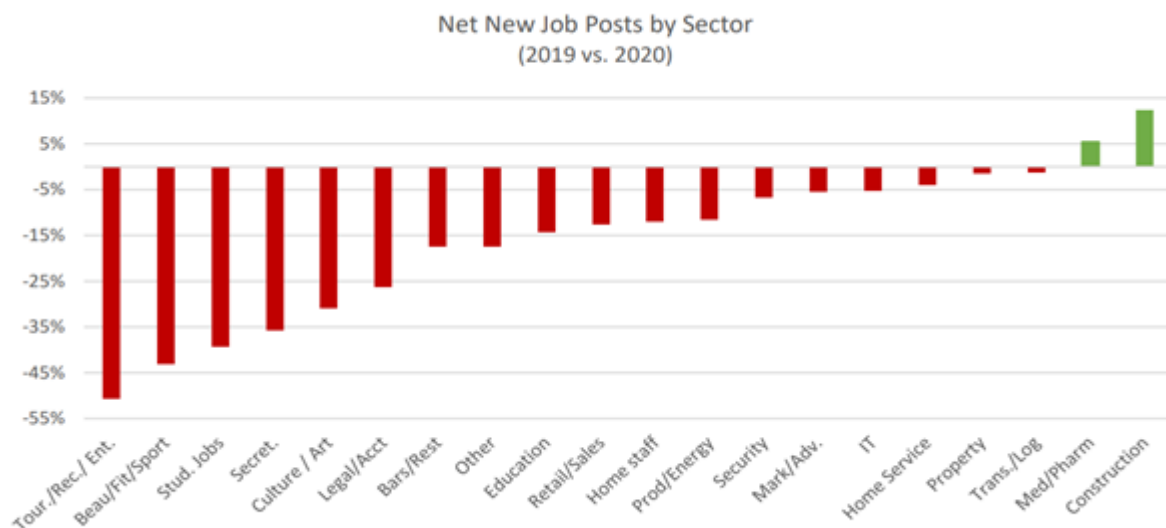
Sectoral analysis: During the COVID-19 pandemic, various sectors of Uzbekistan's economy have suffered to varying degrees, but thanks to the government's prompt support measures, the country's economy as a whole has suffered less than many others. Overall economic growth fell from 5.6% in 2019 to 1.6% in 2020.

The industrial sector showed production growth of 3.8% compared to 1.9% in the same period the previous year. A slowdown in the mining industry and rising manufacturing output contributed to the increase. High-tech industries in the structure of the manufacturing industry also increased to 2.5% compared to 1.9% in January-March 2020.

The agricultural sector also showed positive dynamics. The volume of production of agricultural, forestry and fishery products increased by 103.1% compared to the previous year.

The service sector in Uzbekistan grew by 5.8% in January-March 2021. The highest indicators were in the field of education, financial services, rental and rental, as well as in the field of communications and information technology. At the same time, the transport sector has suffered due to ongoing restrictions, especially in the passenger segment.⁶

"One of the hardest hit sectors was tourism. Bans on international flights and quarantine measures have led to a crisis in the tourism industry. The industry lost about 45-50 thousand international tourists and about \$31 million in revenue. In response, the government began to actively promote domestic tourism, offering subsidies and encouraging domestic travel." - Deputy Prime Minister Aziz Abdulkhakov spoke in an interview with Nikita Makarenko about what measures the government is preparing to take during the crisis period.



The industry of Uzbekistan also felt the consequences of the pandemic. Interruptions in supply chains and lower external demand have led to production cuts. Experts emphasize that "industrial

⁵ IMF: "Support measures during the pandemic were timely and well-targeted" – Uzbekistan News – Gazeta.uz (gazeta.uz)

⁶<https://podrobno.uz/cat/economic/postpandemiynny-mir-kak-ekonomika-uzbekistana-proshla-koronakrizis-i-vybralas-iz-nego/>

enterprises, especially those dependent on exports, are facing serious challenges due to the global economic downturn."

In addition, the pandemic has had an impact on the education and healthcare sectors, as educational processes have been suspended and the healthcare system has been faced with increased pressure and the need to focus on combating the virus.

The retail sector has also experienced significant difficulties. The introduction of quarantine and restrictions on the movement of citizens led to a reduction in consumer demand and a decrease in sales. Small and medium-sized businesses, in particular, are facing serious financial problems. "Many small businesses are facing closure due to falling sales and a lack of labor," - local business associations said in reports.

Despite the challenges posed by the pandemic, some sectors of Uzbekistan's economy, such as industry and agriculture, were able to adapt and show growth, while other sectors, particularly tourism, experienced significant difficulties.

Regional differences: Throughout the pandemic, there has been a decline in unemployment rates, which are approaching pre-pandemic levels. However, this decline has been uneven across regions and economic sectors, with notable differences between urban and rural areas and between the formal and informal sectors.

As of April 2021, the overall unemployment rate in the country had fallen to 9.2%, nearly reaching the pre-pandemic level of 9.1%, indicating recovery from the 2020 peak, when the rate soared to 13.2%.⁷ The easing of health restrictions in late 2020 led to a decline in the number of individuals seeking employment, with the overall unemployment rate decreasing by more than 2%, and among youth, by 3%.⁸

By the summer of 2021, the unemployment rate had dropped below 10% of the labor force, reaching 9.4% by the end of September. However, it experienced a slight increase in the final quarter of the year. This fluctuation may reflect varying economic dynamics across different Uzbek regions. For instance, urban areas, particularly major cities like Tashkent, where key economic and industrial enterprises are located, might exhibit lower unemployment rates compared to rural areas.

In the first quarter of 2022, the number of labor resources in Uzbekistan increased by 0.2%, totaling 19.4 million people, with 13.6 million employed in various economic sectors, an increase of 0.45%. However, out of the 6.1 million people working in the formal sector, another 5.7 million are employed in the informal economy, which saw a 3% decline in the first three months of the year.⁹

These figures indicate that small businesses, particularly in urban areas, have been severely impacted by the pandemic. They also highlight the significant role of the informal sector in Uzbekistan's economy, which may stem from the lack of integration of these jobs into the formal economy.

Overall, analyzing the differences in unemployment rates between regions during the pandemic underscores the importance of considering regional characteristics when developing employment and economic recovery policies. It also emphasizes the need to support small businesses and integrate the informal sector into the formal economy to ensure sustainable growth and reduce unemployment.

Discussion and results:

Impact of government support measures: During the COVID-19 pandemic, the government of Uzbekistan, in collaboration with international agencies and financial institutions, implemented

⁷ <https://m.kun.uz/en/news/2022/07/20/unemployment-in-uzbekistan-returns-to-pre-pandemic-levels>

⁸ <https://m.kun.uz/en/news/2022/07/20/unemployment-in-uzbekistan-returns-to-pre-pandemic-levels>

⁹ <https://m.kun.uz/en/news/2022/07/20/unemployment-in-uzbekistan-returns-to-pre-pandemic-levels>

significant measures to mitigate the pandemic's impact on the economy and labor market. These measures included establishing an anti-crisis fund and a comprehensive support package encompassing social assistance, healthcare, infrastructure, and business support. Seventeen United Nations agencies and six international financial institutions joined forces to assist Uzbekistan in seven priority areas: health, macroeconomics, social protection, job creation, and education.

These initiatives led to a gradual recovery of the labor market and a decrease in unemployment, despite the substantial impact of the crisis on the economy and social sphere. The crisis severely affected exports and remittances, leading to the closure of most small businesses and a significant reduction in household employment. Particularly affected were women and the self-employed, who saw their incomes drop by 67%.

International financial institutions contributed approximately \$3 billion in loans to support various economic sectors and the populace. These efforts aimed not only to alleviate the immediate effects of the crisis but also to promote a long-term reform agenda that includes developing low-carbon business models and advancing the digital economy.¹⁰

The key strategies involved financial support for individuals and businesses, infrastructure development, digital economy stimulation, workforce training and retraining, agricultural support, international cooperation, and enhancing public administration's transparency and efficiency.

Direct financial aid to citizens, particularly those who lost jobs or experienced income reductions, along with measures to support small and medium-sized enterprises, such as low-interest loans and tax deferrals, played a crucial role in preserving jobs. Investment in infrastructure projects not only generated new employment opportunities but also laid the foundation for sustained economic growth. Accelerating the digitalization of the economy and endorsing remote work practices helped maintain employment levels during quarantine. Training and retraining initiatives allowed individuals to adapt to new circumstances and secure employment in sectors less affected by the pandemic.

In the agriculture sector, a vital component of Uzbekistan's economy, measures to support farmers financially and introduce new technologies were implemented, contributing to the sector's stability and growth. International cooperation facilitated access to additional investments and technology, while improvements in governance and transparency in fund allocation enhanced the efficiency of the implemented measures.

Overall, these actions significantly contributed to stabilizing Uzbekistan's labor market and mitigating the economic repercussions of the pandemic. However, a more in-depth analysis is necessary to fully evaluate their effectiveness, considering both the immediate outcomes and the long-term prospects for the country's economic and social development.

Research results: Research results indicate a significant increase in unemployment in Uzbekistan during the COVID-19 pandemic, which can be partly attributed to business closures and movement restrictions implemented to control the virus's spread. These measures have severely impacted sectors such as tourism, hospitality, and retail, which depend heavily on daily operations and direct customer interaction.

Additionally, Uzbekistan has experienced a decrease in the number of temporary and informal jobs, a challenge common in many developing countries. The informal sector often represents a critical income source for the population, and its reduction has significantly impacted many families' livelihoods.

When comparing Uzbekistan's situation with other nations, commonalities emerge in the pandemic's impact on the labor market and the responses to it. Countries worldwide, regardless of their development status, have faced similar challenges. However, the economic and labor market support measures have varied based on each nation's economic stability and available resources.

¹⁰ <https://www.undp.org/ru/uzbekistan/>

Like many other countries, Uzbekistan has implemented several measures to support the economy, including social support programs, business subsidies, and employment incentives, aimed at alleviating the pandemic's immediate effects and facilitating economic recovery.

Despite these interventions, the economic downturn triggered by the pandemic has profoundly affected the labor market. Job losses and income reductions have deteriorated living standards and purchasing power, exerting pressure on other economic sectors due to decreased consumer demand impacting production and trade.

Furthermore, the pandemic has underscored some structural weaknesses in Uzbekistan's economy, such as sectoral dependence and the urgent need for diversification. This situation has sparked discussions on the necessity of further economic reforms and investments in human capital to enhance the country's resilience to future crises.

The pandemic has also ignited debates on the significance of investing in healthcare and social services. Uzbekistan's healthcare system, similar to many countries, faced considerable challenges, which were particularly evident during the pandemic. This raises questions about finding the right balance between economic activity and public health concerns.

In conclusion, the COVID-19 pandemic has acted as a catalyst for numerous changes, revealing vulnerabilities in Uzbekistan's economic structure. It has also highlighted the importance of flexibility and adaptability in changing conditions.

Conclusion: The conclusion of the study on the impact of the COVID-19 pandemic on unemployment in Uzbekistan highlights the extensive and multi-faceted impact of the crisis on the nation's economy and social fabric. The pandemic has triggered considerable economic upheaval, resulting in a surge in unemployment rates, particularly within the vital informal sector. The downturn in economic activities, a drop in exports, and challenges in sectors reliant on physical labor presence have placed intense pressure on the labor market.

The Uzbek government's policy responses to mitigate the economic fallout of the crisis warrant particular attention. While initiatives, such as support for small and medium-sized enterprises (SMEs) and temporary unemployment benefits, have provided essential relief, a deeper evaluation of their effectiveness and long-term economic repercussions is essential. Furthermore, the pandemic has intensified pre-existing social and economic disparities, notably impacting vulnerable demographics, including women, the youth, and informal sector employees.

Moreover, the pandemic has significantly influenced migration patterns, a critical component of Uzbekistan's economy. The influx of returning labor migrants has compounded existing challenges in the local labor market, necessitating innovative approaches to migration and labor policy.

In summary, the study underscores the need for a holistic strategy that addresses both the economic and social dimensions to surmount the obstacles presented by the pandemic. Employment and social protection policies must evolve to reflect new realities, ensuring a resilient economic revival and diminishing social disparities in Uzbekistan's post-pandemic future.

Bibliography:

1. <https://stat.uz/ru/ofitsialnaya-statistika/labor-market>
2. Unemployment in Uzbekistan has returned to pre-pandemic levels – News of Uzbekistan – Gazeta.uz (gazeta.uz)
3. The unemployment rate in Uzbekistan for January-July 2020 was 13.2 percent. (uzdaily.uz)
4. <https://www.gazeta.uz/ru/2021/02/18/imf/>
5. Support for business in Uzbekistan during quarantine. | United Nations Development Program (undp.org)

6. IMF: “Support measures during the pandemic were timely and well-targeted” – Uzbekistan News – Gazeta.uz (gazeta.uz)
7. <https://podrobno.uz/cat/economic/postpandemiynyy-mir-kak-ekonomika-uzbekistana-proshla-koronakrizis-i-vybralas-iz-nego/>
8. <https://www.gazeta.uz/ru/2020/03/12/tourism/>
9. <https://m.kun.uz/en/news/2022/07/20/unemployment-in-uzbekistan-returns-to-pre-pandemic-levels>
10. <https://m.kun.uz/en/news/2022/07/20/unemployment-in-uzbekistan-returns-to-pre-pandemic-levels>
11. <https://m.kun.uz/en/news/2022/07/20/unemployment-in-uzbekistan-returns-to-pre-pandemic-levels>
12. <https://www.undp.org/ru/uzbekistan>