

POLICY OF PROMOTING EMPLOYMENT BY REDUCING INFORMAL JOBS IN THE LABOR MARKET AND ENHANCING INTERAGENCY COOPERATION

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Annotation

Reducing informal employment in the labor market, increasing employment, and promoting interagency cooperation are among the key priorities of state policy in Uzbekistan. These issues are crucial for the country's economic development, social justice, and improving the quality of life for the population. Below, the main issues related to this topic are outlined.

Keywords

legalization, informal sector, self-employment policy, tax incentives.

In Uzbekistan, consistent reforms are being implemented to create additional conveniences for utilizing state employment services, ensure transparency and openness through the digitalization of this sector, improve labor legislation, support unemployed individuals, provide them with vocational training, and reduce poverty through employment.

Efforts are aimed at improving the efficiency of services provided to the population for job placement, addressing emerging challenges in this direction, simplifying the process of employers providing relevant information to local labor authorities, preventing excessive document requirements from citizens applying to local labor authorities, strengthening the social protection of employees, and enhancing public trust in government institutions.⁹

Discussing the issues of promoting employment by reducing informal jobs and developing interagency cooperation, it is essential to collaborate with countries that have successful experience in reducing informality in the labor market,

⁹ Law of the Republic of Uzbekistan, dated September 27, 2024, No. 967.

strengthen regional cooperation, and develop integrative projects in labor migration and employment policies with Central Asian countries.

Through these approaches, Uzbekistan can implement new initiatives and projects contributing to the stable development of the labor market and the social well-being of the population.

Currently, the prevalence of the informal sector significantly reduces economic efficiency and deprives workers of social protection. To address these issues, various measures and practical actions need to be taken. Encouraging the formal registration of jobs and supporting employers are essential in this process. This requires legally reducing tax burdens, supporting small businesses, and simplifying formalization processes. Furthermore, conducting public consultations on allocating temporary subsidies by the state and implementing programs to retrain unemployed and informally employed individuals for in-demand professions in the labor market are necessary steps.

Regarding tax policy, it is important to note that such measures have also helped prevent economic stratification in some developed countries. Taxation and tax policy contribute to reducing social inequality and play a noble role in ensuring social stability within the state and society.

Due to insufficient awareness and promotion of social benefits, pension savings, and health insurance provided under formal labor contracts, uninformed citizens often fall victim to unfulfilled promises.

From the perspective of employment policy, when developing regulatory programs, priority is given to analyzing how the state addresses informal labor activities and their associated shadow economy. After the legalization of the labor market, disparities in income distribution among formally employed individuals may inadvertently increase demand for informal employment.

The level of informality varies across sectors. For example, the household service sector has the highest levels of informality, followed by agriculture. This indicates the necessity of modernizing the informal sector. There is a general consensus on the importance of focusing on the informal sector due to its significance. Informal sector activities often arise under pressure from surplus labor. Modernizing the informal sector can be achieved through various complementary tools integrated into the process.

Social protection has always been among the most crucial and urgent responsibilities of the state and society. Ensuring employment is one of the fundamental conditions for social protection.

In accordance with several legislative and regulatory acts, such as the Decrees of the President of the Republic of Uzbekistan on “Measures to Establish Mutually Beneficial Cooperation with Business Entities in Reducing Poverty” and “Creating Favorable Conditions for Developing Handicrafts,” as well as the Cabinet of Ministers' Resolution on “Additional Measures to Support Certain Socially Vulnerable Categories of the Population and Promote Their Employment,” various measures are being implemented to promote self-employment.

Self-employed individuals earn income by finding and performing work independently. Self-employment offers numerous advantages, including the legal opportunity to work from home. This ensures their social protection, including the accumulation of pension benefits, with minimal tax obligations. For instance, they are only required to pay a social tax equivalent to one basic calculation rate annually.

Many citizens, unable to find suitable jobs, engage in seasonal work or earn income through household activities like farming. Examples of self-employment include tutors, nannies, plumbers, barbers, couriers, car washers, artisans, and programmers. In rural areas, people engage in processing and selling dairy products, pottery, carpet weaving, and crafting items from gypsum or plaster. Self-employed individuals are not required to register as sole proprietors.

Historically, crafts such as blacksmithing, carpentry, jewelry making, and hairdressing have been integral to people's lives. Now, such activities also require legal recognition. Expanding the types of self-employment will foster a more flexible labor market, allowing every citizen to realize their potential and contribute to economic development. Improving conditions for self-employed individuals and broadening the range of activities will create a more stable and equitable economic environment, leading to long-term economic growth and social well-being.

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