THE IMPACT OF DIGITALIZATION ON UZBEKISTAN'S TRADITIONAL LABOR MARKET

Fayziev Z.A., *PhD in Economics,*
Associate Professor of the Department of
"Accounting and Marketing"

Note: *This article discusses the mechanisms through which digitalization affects labor demand and supply in Uzbekistan, regional disparities, the risks of increasing inequality, and possible policy measures aimed at ensuring an inclusive transformation of the labor market.*

Annotation. *The article examines the mechanisms of the impact of digitalization on the supply and demand for labor in Uzbekistan, regional differences, the risks of growing inequality, and possible policy measures to ensure an inclusive transformation of the labor market.*

Abstract. *This article examines the mechanisms by which digitalization impacts labor supply and demand in Uzbekistan, regional differences, the risks of increasing inequality, and possible policy measures to ensure an inclusive transformation of the labor market.*

Official and model-based estimates show a consistently low overall unemployment rate: according to government sources and ILO/World Bank assessments, unemployment in 2023 stood at around 4–5%. State registries also record a significant increase in the number of self-employed individuals and registered small businesses, indicating a shift in the structure of employment (in 2024–2025, a sharp increase in the number of registered self-employed was observed) [1].

Based on theoretical principles and empirical observations, the key channels of influence can be identified as follows:

1. Creation of new jobs in the digital sector.

The development of IT services (software development, BPO, cloud services, cybersecurity, data analytics, digital marketing) forms a growing demand for highly skilled professionals. Such jobs are typically concentrated in urban areas and are often connected to export-oriented sectors, which increases both employee income levels and the country's export revenues. Data from IT Park confirms a significant inflow of employment in resident companies and an increase in the number of specialists [2].

2. Transformation of skill demand (skill-biased change).

Automation and digitalization reduce the need for routine tasks (operators, entry-level accountants, cashiers) while increasing demand for analytical, programming, and communication skills. This creates a "dual-speed" labor market: the demand for

"digital" specialists grows, while the competitiveness of workers without digital skills declines. In theory, this leads to an increase in the skill premium and to rising income inequality unless supported by adequate retraining policies.

3. The gig economy and platform-based employment.

The growth of online platforms (marketplaces, freelance platforms, delivery services) provides fast access to employment for a large number of self-employed individuals. In Uzbekistan, signs of rapid growth in self-employment are observed: according to tax and government sources, the number of registered self-employed individuals increased significantly in 2024–2025 (growth of several tens of percent compared to the previous year), which indicates a shift of part of the workforce into flexible employment forms. However, platform-based employment often lacks social protection and is associated with income instability [3].

4. Regional effects and the digital divide.

Opportunities for digital employment are concentrated in major cities (Tashkent, Samarkand, etc.), where infrastructure, educational institutions, and IT clusters are located. In rural areas, access to high-quality internet, equipment, and educational programs remains limited—this increases territorial inequality and slows the inclusive nature of the digital transformation [2].

5. Dynamics of internet users (2022–2025).

DataReportal shows continuous growth: approximately 27.8–29.5 million users in 2022–2024, and an estimated 32.7 million in Digital 2025. This growth reflects both increased mobile access and the expansion of fixed internet in households and offices. Large-scale digitalization of public administration has driven demand for connectivity and digital services, expanding the potential for remote employment [4].

6. IT Park: residents and employment.

IT Park officially reported more than 1,652 residents and over 26,000 employees as of early 2024; a significant share of this workforce is employed in export-oriented companies (according to estimates, more than 13,000 people work in companies focused on external markets). This demonstrates that the digital sector is capable of creating a substantial number of well-paid jobs [2].

7. Export of IT services and foreign markets.

By the third quarter of 2024, the number of companies providing IT services abroad exceeded ~900; industry reports indicate a noticeable increase in exports and ambitious government targets to expand IT service exports by 2030 (with goals to multiply the indicators of the early 2020s). [5]

8. Employment structure and unemployment.

Government data and World Bank/ILO model-based assessments indicate a general unemployment rate of around 4–5% in 2023–2024. However, it is important to note that official unemployment figures do not capture the full picture: widespread self-

employment and hidden employment are common in the economy, and the recent growth in self-employment (re-registration and active registration of entrepreneurship) requires separate analysis [1].

9. Benefits for workers and employers.

- **Increased productivity:** automation frees resources for more analytical and creative tasks.
- **New income opportunities:** IT service exports provide access to foreign markets and higher wage levels.
- **Flexibility:** remote work expands employment geography and increases employers' access to talent [2].

10. Risks for workers and employers.

- **Unequal distribution of benefits:** individuals with digital skills and access to infrastructure benefit the most.
- **Social vulnerability:** gig workers and many self-employed lack stable social guarantees.
- **Regional inequality:** concentration of opportunities in major cities increases migration pressure and uneven development [3].

Policy Recommendations (Practical Measures)

Based on the analysis, a set of interconnected policy measures can be proposed:

1. Education and reskilling.

Large-scale professional retraining programs: short-term practical courses in programming, data analytics, cybersecurity, and digital marketing. Inclusion of digital literacy modules in secondary and higher education; promotion of internships in IT companies.

2. Infrastructure and access.

Investments in broadband internet beyond major cities (support for regional telecom operators and public–private partnerships). Support for local IT hubs and incubators in the regions to create "local ecosystems" and retain talent.

3. Social protection for new forms of employment.

Designing social insurance mechanisms for gig workers: funded pension schemes, flexible contribution systems, temporary income insurance mechanisms. Simplified and transparent taxation for freelancers to encourage income legalization and expand access to public services.

References:

1. Uzbekiston Open Data Portal. https://data.egov.uz/
2. IT Park Uzbekistan. https://it-park.uz/
3. Eurasianet
4. DataReportal. https://datareportal.com
5. Outsource Uzbekistan. https://outsource.gov.uz/en