



## The Concept of Reducing Poverty in Uzbekistan

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**Abstract.** In order to solve the problems of increasing the standard of living and quality of life in the country, the concept of eliminating the poverty of the working-age population is necessary. Taking into account the measures clearly stated by the President of the Republic of Uzbekistan in this regard, the authors try to substantiate this concept and clarify a number of measures and conditions for the independent exit of the working-age population from poverty on the basis of decent work.

**Keywords:** poverty, labor market, population income, subsistence minimum, vocational training, entrepreneurship training, poverty reduction.

The problem of poverty cannot be effectively solved today without the improvement of the labor market policy and labour remuneration policy in Uzbekistan. Recognizing the critical need to develop targeted social assistance programs for the population, it should be noted that in the current conditions, these programs in many respects struggle with a high level of poverty in the majority of the labour-intensive population. A real reduction in the level of poverty will be achieved if the policy of state regulation is aimed at increasing employment, the restoration of new jobs and the formation of the organizational and financial basis for the maintenance of existing ones.

Poverty has been a "closed topic" for many years in Uzbekistan. In the appeal to the Oliy Majlis on January 24, 2020, the head of the state spoke openly about this issue and for the first time in country's history the reduction of poverty was defined as a priority task.

In accordance with the Presidential Decree and Resolution dated from February 18, 2020, the Ministry of Mahalla and Family Support was established with the aim of supporting vulnerable and low-income families, effective involvement of the population in entrepreneurship. Positions responsible for business development and poverty reduction have been introduced at mahalla, district (city), regional and national levels, and a vertical system has been created.

As a result of the consistent policy of the President, the post of Deputy Prime Minister for Finance, Economy and Poverty Reduction has been introduced in the government, and a special secretariat has been established in the government, in addition to the establishing of the Ministry of Economic Development and Poverty Reduction.

The President of Uzbekistan Shavkat Mirziyoyev chaired a video conference on February 27, 2020 on measures to reduce poverty through entrepreneurship. "According to preliminary estimates, 12-15% or 4-5 million people are poor. This means that their daily income does not exceed 10-13 thousand soums. Or a family may have both a car and a pet, but if a person is seriously ill, at least 70 percent of the family income goes to treating him. Is it possible to call such a family self-sufficient? "As president, I am tormented every day by



the question of what is going on in the lives of our people, such as food, treatment, education and clothing for their children." At the meeting he further added: "Poverty reduction does not mean an increase in monthly or pension benefits, mass lending. To do this, first of all, it is necessary to introduce vocational training, financial literacy, entrepreneurship, infrastructure, education of children, quality treatment, targeted benefits", - said the President.

Currently, there are about 1.4 million officially unemployed women and young people in Uzbekistan. The unemployment rate is 13 percent among women and 15 percent among young people. This figure is particularly high in Fergana, Samarkand, Andijan, Kashkadarya and Tashkent regions.

At the same time, taking into account the need for 104,000 specialists in construction, 71,000 in the utilities sector, 68,000 in the service sector and 46,000 in the light industry, it is necessary to develop measures and train unemployed specialists in these areas. The main direction of significant reduction of poverty in Uzbekistan is to follow the words of President Sh. Mirziyoyev: "We must give our people a hook, not a fish.". That is, it is essential to develop a comprehensive program of measures to implement job creation in the interests of vulnerable groups who are not protected from the social security policy in the labor market, by providing them with vocational training, entrepreneurship training and assistance in starting it.

A new category of poor - the emergence of working poor intensifies the role of the state for competitiveness of the national economy, the implementation of industrial policy and employment aimed at improving production efficiency, competitiveness of Uzbek enterprises and supporting domestic production as the basis of economic growth in order to conditions for policy support. Creating such circumstances is an important condition for the working population to earn enough money and thus provide opportunities to feed themselves and their families.

Therefore, all issues related to employment, wages and poverty reduction or poverty eradication in Uzbekistan can be addressed under the National Program for Poverty Reduction. The program should have two directions in overcoming the poverty of the population:

1. Development and improvement of the labor market, including employment, and labor incentives, improvement of the wage system and increasing its productivity, promoting vocational training and entrepreneurship among the population, creating all favorable conditions for people for good work and life will lead to a significant reduction in poverty of the economically active population in the short-term, and its complete elimination in the long-term. This is the main condition for the effective implementation of the country's labor potential and is the foundation of economic, scientific, technological and social development in society.

2. Government support for the able-bodied population who are unable to get out of poverty independently. Special measures should be taken in case of mass unemployment as a result of pandemics, man-made and natural disasters leading to bankruptcy.

It is necessary to avoid making the state social assistance to the employable population on a massive scale, and to refrain to the maximum extent from providing state social assistance to the working population in place. In this regard, the measures taken by the head of our state to determine the real living wage and the poverty line and set a real minimum



wage must certainly yield effective results. In the context of globalization of the economy and the growth of international competition, priority is given to creating an active society, helping enterprises and workers to adapt to the global economic environment, adapting the workforce to the ever-changing demands of the labor market, helping the economically active population to realize their potential.

Creating conditions for the population to emerge from poverty independently includes the following aspects:

1. Improving the quality of human resources:

- increase the competitiveness of the labor force and the formation of a labor market based on competition between employers;
- opening the economy to foreign trade and investment, the gap between the wages of men and women, which is available in all countries and cannot be explained by work experience or type of information - helps to reduce the gender gap;
- creation of an in-depth study of the conditions for the modernization of the system of vocational education and the organization of demand;
- the formation of admission quotas in the training of specialists in higher education institutions based on industry, sectors and regional requirements;
- the organization of teaching and advanced training complexes on the basis of regional employment centers, secondary special and higher education institutions;
- active involvement of non-governmental organizations in the establishment of vocational training centers;
- The Ministry of Employment and Labor Relations will establish mono-centers and vocational training centers in each region to teach the unemployed professional knowledge and skills, as well as foreign languages as needed;
- training of unemployed citizens and unemployed people on the basics of entrepreneurship in conjunction with business centers;
- 70% of the funds under family business programs to be directed to small and medium business projects aimed at creating jobs for the poor;
- provision of bank loans to enterprises that employ poor people;
- creation of interactive mobile applications, "business navigators" that answer all questions, understandable to those who want to be self-employed;
- increasing the number of shopping and entertainment centers and the development of mobile trade, the removal of unnecessary restrictions in this area;
- formation of an effective system of training highly qualified specialists in high-income activities;
- payment for the education of young professionals by employers: the inclusion in regional and sectoral agreements of employers of primary vocational, secondary special and higher education for young professionals and the terms of payment and working conditions of young professionals in organizations that finance education;
- payments for training of young professionals by employers: the inclusion in regional and sectoral agreements of the conditions of payment by employers for higher and secondary special education of young professionals and the conditions of work of young professionals in organizations where training is funded;
- introduction of the practice of long-term forecasting and programming of training in higher and secondary special education institutions, their distribution on the orders of the



state and other organizations;

- creating conditions for the population who want to solve their housing, education and health problems independently: assistance of young professionals in the purchase of housing by employers.

It is necessary to provide targeted assistance to the families of young professionals in the purchase of housing under mortgage lending programs and to include in legal and sectoral agreements on working conditions of young professionals in organizations that assist them in the purchase of housing.

2. Elimination of interregional disparities in the development of labor resources, labor market and employment:

- encourage the establishment of small businesses in rural areas (cooperatives, private farms);

- introduction of the principles of small mechanization in agricultural production;

- formation of living standards of the rural population, providing reproduction of the labor force by intensive type that meets the requirements of agricultural reform;

- creation of a developed consumer market in rural areas, which stimulates labor and entrepreneurial activity of the rural population;

- organization of centralized procurement of agricultural products from small production units (cooperatives, personal auxiliary plots);

- creating conditions for equal placement of wealthy citizens between urban and rural areas.

This action plan should mainly be aimed at encouraging the construction of cottage houses in recreational, suburban and rural areas of the country.

- more complete calculation of wages in the production environment;

- allocating one-time compensation to certain working groups and households in order to reduce the negative impact of the globalizing economy. A comprehensive reform program could hurt workers who make huge profits from protecting certain industries. While this group typically has an average income, it can become an open competitor to public policy.

3. Development of the labor market and promotion of effective employment:

- reduction of hidden unemployment by improving the organization of production and labor;

- development and implementation of measures to legalize the shadow economy and wages, to put an end to the practice of informal employment, including in the consumer market, education and medicine;

- elimination of structural unemployment, development of long-term assistance programs for those who lost their jobs: unemployment insurance;

- development of additional employment, creation of additional employment opportunities for the disabled;

- ensuring that the unemployed participate in various employment programs in close connection with the periods of unemployment and the level of skills. At the same time, in the development of measures to include the unemployed in employment programs, it should be taken into account that there is competition among the target groups of the population who apply to join these programs;

- pre-vocational training of employees of organizations at risk of dismissal,



internships for graduates of educational institutions in order to gain work experience;

- encouragement of enterprises that create jobs for people with disabilities;
- effective solution of existing problems in the prevention of poverty, stimulation of the work of local authorities, which are active in increasing the income of the poor, involvement in entrepreneurship or other labor activities;

- creation of new jobs in newly established enterprises, especially in the field of small business;

- social protection of youth from unemployment. Organization of targeted (on-demand educational specialties) vocational training for graduates in the field of continuing education;

- formation of socially responsible employers' institutions in the regions. To give structure and vitality to this process, we identify three priority areas:

- a) training of entrepreneurs in proper social behavior in the labor market, this means promoting and popularizing the principles of social responsibility.

One of the main conditions for the creation of a "moral economy" is the formation of a new type of economic thinking and, as a result, the responsibility of business in the labor market. Modern business must think large-scale and forward-looking: it is necessary to understand that responsibility to society is not only necessary, but also profitable. In particular, directing investments in human capital (training, health care, etc.) is always preferable, because in the future, smart and healthy employees will benefit the employer.

- b) creating a model of relations with all participants of the social partnership, the main goal is to develop technologies, criteria, motivation, incentives that contribute to the formation of a responsible business culture;

- c) institutionalization of the concept of social responsibility of business, adoption of new laws establishing the norms of public-private partnership;

- development of codes of corporate responsibility, introduction of criteria of social responsibility of business;

- preparation of the Regulations on the organization and conduct of regional competitions that create new jobs, provide high wages, employ people with disabilities, provide financial assistance to war and labor veterans, direct funds to support vulnerable groups; organization and holding of regional competitions among employers;

- encouragement of honest employers and employees, development of a system of economic and social indicators that determine the level of economic and social integrity of employers to employees, the honesty of employees to their performance, the introduction of incentive mechanisms based on a system of indicators;

- exemption from personal income tax for citizens whose income is below the subsistence level in the region;

- eliminating the negligence of private enterprise owners who neglect the physical and mental health of the workforce;

- encouragement of enterprises that have improved working conditions;

- improving the actions of trade unions to strengthen the collective bargaining process;

- development of a mechanism for organizing trade unions in the private sector of the economy;

- expanding the base of taxpayers; increase tax revenues, including in the field of trade



and paid services (from private education and health services);

- registration of housing and real estate, keeping an annual mandatory declaration of luxury homes, cars, yachts, jewelry and other valuables belonging to civil servants and their families; taxation of luxury and valuable property;

- implementation of a policy of cost allocation in the financing of the education and health sectors through the provision of paid services between the budget and the rich;

- improving the composition of GDP (GRP), reducing the share of intermediate consumption and increasing the volume and share of resources and final consumption with a high share of value added, ensuring a corresponding increase in wages to workers in accordance with the growth rates of labor productivity;

- development of a program for the development of handicrafts and traditional crafts for the formation of the labor market and services;

- formation of a competitive position of women in the labor market, industrial policy should focus not only on the development of extractive industries, which are mainly focused on male labor, but also on the development of a concentrated processing industry (light, food, chemical, etc.) of women's employment;

- defining the nomenclature of public works (roads, construction, etc.), which are now more focused on men, taking into account the opportunities for women to work, care for the sick and elderly, child supervision, participation in sociological and other observations;

- creating conditions for the realization of a woman's professional potential: ensuring the right to use children's institutions to care for children outside the home or at home, but with the use of special services;

- the development of the service sector, on the one hand, will create jobs for women, on the other hand, will allow working single mothers to combine production and domestic employment;

- changes in income policy: increase the level of wages and all types of income of the economically active population in the budgetary and commercial organizations. The conditions for the officially independent exit of the able-bodied population from poverty, the creation of well-paid and productive jobs due to the ability of citizens to provide themselves with decent living standards, should be the main focus of poverty prevention in society and pensions only for those who can not provide for themselves and benefits should be paid at a rate that allows the economy to grow.

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