



## EMPLOYER IN THE PRIVATE SECTOR OF THE COUNTRY STATUS OF THE CURRENT DEMAND AND ITS EMPLOYMENT ROLE IN SUPPLY

**Oltaev Sh.S.** - PhD, Associate Professor of the Department of Economic Analysis and Statistics of Samarkand Institute of Economics and Service. Uzbekistan. Samarkand.

**Annotation.** This article describes the state of demand for labor in the private sector of the country and its role in providing employment and objective reasons for its analysis. Also, the article describes the demography of enterprises that form the demand for labor force in the private sector, as well as the distribution of labor force employment in the sector of the economy. In the market economy, it is important to ensure that existing and newly created enterprises are proportionate to the supply of labor force in terms of quality and quantity in order to keep unemployment at a low level, which is a macro-level problem for the country.

**Keywords:** economically active population, economically inactive population, labor force demand, labor force employment, jobs, demography of enterprises, firms, private entrepreneurship.

**Introduction.** Today, when the whole world economy is experiencing various unexpected changes, the demand for labor force is constantly changing in terms of quantity, composition and quality, which increases the importance of conducting research in this direction for all countries. As it is known from the economic theory, the labor force is one of the factors of production. As stated in the speech of the President of the Republic of Uzbekistan Shavkat Mirziyoyev at the open dialogue meeting with entrepreneurs of our country, "Creating all the conditions for rapid and wider development of entrepreneurship is our most important task." Therefore, the more production and service volume increases, the greater the demand for labor and the increase in the country's gross income and per capita income. We all know that all the governments of the world, especially for developing countries, the issues of their people having permanent jobs, living a comfortable life and having a permanent

source of income are the issues on the agenda. In particular, based on the data of the Statistics Committee of the Republic of Uzbekistan, the growth rate of the population of our country has been on average 1.65 percent since 2000, and if we take into account that the growth rate in general has the characteristic of growth, this situation makes the above-mentioned issues even more relevant for Uzbekistan. Therefore, it is very important to ensure the proportionality of the volume of those who create the demand for labor force to the number of those who offer it.

It is known that if we look at the demand for labor force by sector, it is divided into the public and private sectors. Not only in Uzbekistan, but also in the experience of the whole world, the private sector is the largest source of demand for labor resources. We will prove our opinion through the following analysis. If we look at employment by ownership types in the labor market, when analyzing the data between 2010 and 2020, the increase in the volume of employment in the public sector was on average 0.31 percent, and in the private sector was 1.6 percent. Employment in private business entities made 81.4 percent of the total employment, and 18.6 percent in the public sector. The analysis shows that the employment in the non-state sector is 5 times higher than the employment in the public sector, which requires constant measures to be taken in this area.

It is very important to have an effective economic policy and legal framework that creates conditions for the country's population to find free work. However, these legal frameworks must operate in harmony with economic growth and increased aggregate demand for goods and services. Also, in order to achieve the above goal, not only the legal framework, but also the support of fiscal and monetary policy, which stabilizes the business cycle and provides investments that serve to create new jobs, will be necessary. Generally, many countries around the world have fewer jobs than workers. In recent years, achieving price stability through inflation targeting has become one of the main goals of the monetary policy implemented by the central bank. In their scientific article, Islam and Kucera argue that it is important to control

inflation in the economy, but it should not be achieved at the expense of increasing unemployment, but it should serve to increase the number of investments and new jobs [1]. Also, changes in the minimum wage and corporate income tax affect the elasticity of employment demand. Research shows that business entities should be considered as a unique factor in the formation of labor demand [2]. However, in the 1990s, in order to maintain balance in the labor market, giving entrepreneurs freedom to decide on wages, and various measures related to fiscal and monetary policy did not bring enough benefits. did not give [3]. The labor market is constantly changing. While most of the workers lose their jobs, most of the unemployed find new jobs for themselves. While some firms try to survive by cutting jobs, others grow by creating vacancies. In some cases, the employed move directly from one employer to another. These jobs and the flow of workers fluctuate significantly over business cycles [4]. The OECD Jobs Strategy highlighted the importance of active labor market policies in ensuring high-quality inclusive employment. In particular, such a policy helps to distribute workers across firms, economic sectors, and regions, and to protect the unemployed and equip them with the necessary skills [5].

According to China's experience, between 1986 and 2005, a 10% increase in the number of people offering their own labor to private enterprises in their cities led to an increase in the wage rate from 1.8% to 3.2%, increasing the elasticity of labor demand from 3.1 to 5.5. The authors recommended to the government representatives to consider increasing the mobility of production factors towards the private sector in order to prevent wages from approaching the minimum level in the private sector labor market [6].

Unlike China, the analysis of changes in the demand for labor in the developed countries of Europe and the United States requires taking into account the level of automation of production and the resulting changes. Over the past two centuries, wages have grown mainly at the expense of production efficiency and can be said to have contributed to economic development. However, it can be seen that

technological changes requiring new occupations and skills in the coming decades have a negative impact on labor force participation in the labor market [7].

The demand for labor and the creation of good jobs depends on the change in the number of firms. International experience shows two patterns in countries undergoing structural change: (i) large firms tend to offer better jobs than smaller ones; and (ii) labor flows emerging from existing low-productivity sectors such as agriculture or displaced by rapid productivity growth in other sectors tend to be directed towards small and medium-sized enterprises [8].

If we look at the US economy, we can observe some puzzling situations there in recent decades. In particular, large firms make up the majority of economic activity, the creation of new business entities has slowed down, and the share of workers in GDP has decreased. A decrease in the population reduces the emergence of new firms in the economy, while increasing the share of "old" enterprises. Interestingly, non-manufacturing workers decreased in total employment [9]. By age, firms are "large", "medium", "small" and "infant". According to a Swedish case study, "baby" firms initially offer lower wages to workers due to financial constraints. Workers just entering the labor market, however, may accept lower-than-average wages due to limited skills and experience. As a result, the young worker loses his wages, but avoids the problem of long-term unemployment [10]. Through this, the importance of newly established firms in the private sector can be better understood.

### **Research methodology**

Scientific abstraction, comparative and systematic analysis, synthesis, induction and deduction, statistical grouping and other methods of scientific knowledge were extensively used during the study and scientific research of the formation of the demand for labor force in the non-state sector in our country and the possibilities of its increase.

### **Analysis and results**

For this reason, a lot of work is being done in this regard in our country. In particular, for the further development of the business sector, many legal documents have been adopted and legal bases are being created in this direction. We can see some examples in below.

Based on the information examples of legal frameworks aimed at the control and development of several business sectors. For example, in Article 8 of the Law of the Republic of Uzbekistan "On Guarantees of Freedom of Entrepreneurial Activity", entrepreneurs are allowed to " take loans, borrow money from other legal entities and individuals and to attract other property on the basis of the terms of the contract, including to acquire and (or) rent (leasing) buildings, structures, equipment and other property free of charge and direct them to carry out business activities.

According to the decree of the President of the Republic of Uzbekistan "On measures to further reduce and simplify the licensing and permitting procedures in the field of business activity, as well as to improve the conditions of doing business" from June 1, 2018, the deadline for issuing documents related to licensing and permitting in the field of business activity will be reduced and the implementation of measures such as unifying some of the authorization procedures serves as a significant incentive for the further development of business entities and the start of new activities.

Decision No. 179 of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to further improve the system of providing information on public services to the population and business entities" is also considered important for business entities. According to the decision, it is planned to introduce continuous delivery of the latest LEGAL information in several languages to foreign and domestic investors and entrepreneurs on the Unified Interactive State Services Portal. In general, it is intended to speed up the processes of business entities in matters such as consideration of appeals related to state agencies.

In addition, one of the other important measures implemented by the state in this field is the state fund for the support of entrepreneurial activities. - is Decision No. Today, the State Fund for the Support of Entrepreneurship operates under the Agency for Entrepreneurship Development.

The fund has two types of financial services: 1) guaranteeing up to 50% of the loan amount, but not exceeding 8 billion, for loans taken by small business entities for production activities, and 2) allocating compensation to cover part of the loan interest. Also, there is a practice of simultaneously using the guarantee and compensation service at the same time.

Up to 75% of the loan amount, but no more than 150 times the base calculation amount, is provided as a guarantee for citizens who are registered in the information system of the "Unified Register of Social Protection" who have expressed their intention to start a business activity.

There are many examples like the above. In recent years, we have been witnessing that great work has been done in terms of the formation of new business representatives, expansion of the activities of existing business entities, and further improvement of the business environment.

At the same time, research on the labor market points to the need to develop certain approaches in terms of the ratio of the demand for labor to its supply. Some of the reasons for this need are given below:

firstly, population growth;

secondly, the composition of the demand for labor is constantly changing;

thirdly, the level of integration of the country into the world economy;

fourth, the state of economic policy;

fifth, emergency situations.

If we approach the issue from the point of view of labor demand, it can be said that the role of 1) legislative, 2) executive and 3) judicial authorities, which are

independent from each other, in ensuring its proportionality with respect to supply, is equally strong.

Resolution No. 1011 of the Cabinet of Ministers of the Republic of Uzbekistan dated 23.12.2017 "On determining the number of people in need of employment, including conducting studies on employment issues of households, as well as improving the methodology of forming the balance of labor resources, employment and employment of the population" according to Uzbekistan

Between the demand for the labor force of the Republic and its offer it is planned to put the balance into practice starting from April 1, 2018. Also, the Ministry of Employment and Labor Relations of the Republic of Uzbekistan, the Ministry of Economic Development and Poverty Alleviation of the Republic of Uzbekistan and the State Statistics Committee are responsible for maintaining this balance.

If we look at the statistics of those who form the demand for labor force in the private sector in Uzbekistan, we can see the following data in terms of satisfied demand.

Table 2

Demographic analysis of enterprises and organizations in Uzbekistan

Year	operational instructions (in units) (A)	operating enterprises and external lots (in units) (B)	registered enterprises and external lots (units) (C)	enterprises and organizations that have been terminated - (in units) (D)	newly established enterprises and external lots (units) (E)	Difference (in kda) (E - D)	D/E (in percent)	A/B (in percent)	A/C (in percentage)
2010	28953	200951	229904	19459	34326	14867	56.7	14.4	12.6
2011	31420	214084	245504	20762	32715	11953	63.5	14.7	12.8
2012	28866	228736	257602	20025	21890	1865	91.5	12.6	11.2



<b>2013</b>	30445	229177	25962 2	21305	27819	6514	76.6	13.3	11.7
<b>2014</b>	25196	241201	26639 7	19974	26933	6959	74.2	10.4	9.5
<b>2015</b>	26940	246687	27362 7	23667	27915	4248	84.8	10.9	9.8
<b>2016</b>	20694	257758	27845 2	27220	32747	5527	83.1	8.0	7.4
<b>2017</b>	16933	268428	28536 1	26475	41013	14538	64.6	6.3	5.9
<b>2018</b>	14709	285531	30024 0	16673	55011	38338	30.3	5.2	4.9
<b>2019</b>	15517	323517	33903 4	16880	96743	79863	17.4	4.8	4.6
<b>2020</b>	21357	398133	41949 0	11547	95311	83764	12.1	5.4	5.1
<b>2021</b>	28341	475197	50353 8	48676	102804	54128	47.3	6.0	5.6

As can be seen from the above table, the share of inactive enterprises and organizations in the total registered enterprises and organizations decreased sharply in the last decade, but slightly increased in the last three years. Another noteworthy point is that the number of enterprises with passive activity increased to 13,632 from 2018 to 2021, when it reached its lowest level (14,709). Also, in 2012, the number of enterprises closed almost equal to the number of newly established enterprises, and it can be seen that a sharp decrease was achieved during the given period. However, the result in 2021 (48,676), which is almost four times more than last year 2020, is alarming. If we take 2010 as the base year, then by 2021, the number of non-operating enterprises and organizations will remain almost unchanged, the number of operating enterprises and organizations will increase by 2.4 times, the number of registered enterprises and organizations will increase by 2.2 times, and the number of enterprises and organizations that will cease to operate will increase by 2.5 times (negative situation), it is known that the number of newly established enterprises and organizations has increased by 3 times.



### **Conclusions and suggestions**

As a result of the reforms implemented in our country, opportunities for economic activity have expanded:

first, the legal framework regulating business activities was formed;

secondly, the right to property inviolability was improved;

thirdly, the obstacles to establishing a new entrepreneurial activity have been eliminated, and the required time has been drastically reduced;

fourth, the financial support system for firms with financial constraints has been improved.

As a result, the number of start-ups, which are seen as job creators, has increased dramatically. However, there are some inconsistencies in this case. In recent years, it can be observed that the number of newly established firms in the trade sector is higher than in other sectors, but the employment rate is decreasing. 5

In our opinion, it is appropriate to take into account the following aspects when increasing the demand for labor in the private sector:

firstly, a systematic analysis of the objective and subjective reasons that some of the newly established business entities have a short-term viability period;

secondly, keeping statistics of business entities based on their "age" grouping;

thirdly, proportional distribution of employment among existing and newly created firms in various sectors of the economy;

fourth, to consider the disparity between the change in the number of firms in the industry and the change in employment.

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