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NEWSLETTER

German Economic Team

UZBEKISTAN

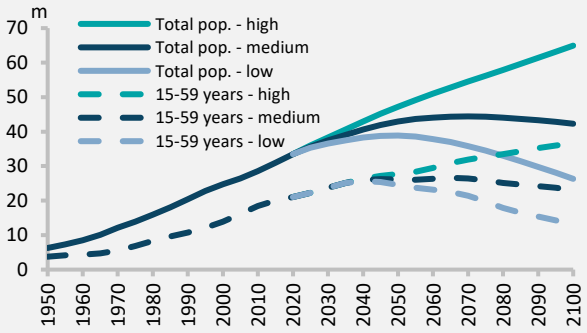
Demographic transition, COVID-19 and labour migration

Uzbekistan's working-age population will increase by up to 1% per year until 2040, thus requiring up to 300,000 new jobs per year. Under optimistic assumptions about the economic recovery from the COVID-19 pandemic, the number of Uzbekistani labour migrants abroad could grow by 50,000 per year in the long run, so that one in six extra jobs needed could be found abroad. In the short run, however, the COVID-19 pandemic has reduced the number of migrants by one fifth to 2 m during the first half of 2020 with unemployment and economic inactivity rising sharply. To harness labour migration for job creation and development, Uzbekistan is implementing a comprehensive set of measures including job placement abroad, obligatory language and skills training and consular support for migrants. These measures are well-advised and, going forward, will benefit from evaluation, prioritization, and updating in line with international best practices.

Demographic change and the need for extra jobs

Over the coming decades, Uzbekistan will experience more demographic change as birth rates will likely continue to decline. Under the United Nations' medium scenario, which is based on a modest decline in birth rates, Uzbekistan's total population will peak at ca. 45 m in 2060 and then decline slightly. The population in prime working age (15-59 years) will continue to grow by 200,000 to 300,000 per year until 2040.

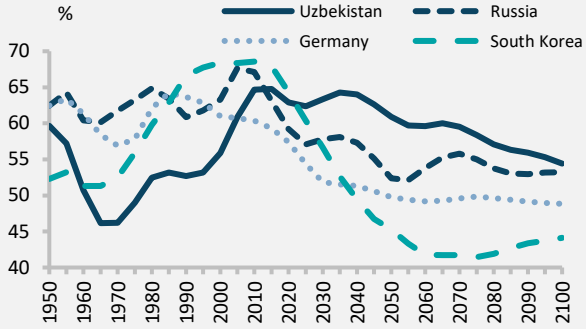
Total and working-age population



Source: United Nations Department of Economic and Social Affairs

The share of working-age people in the total population in Uzbekistan will remain broadly constant until 2040 and only then decline gradually. Thus, there is no demographic dividend that might otherwise facilitate the necessary investment in additional jobs in Uzbekistan. At the same time, important destination countries for Uzbekistani migrants like Russia and South Korea are seeing the share of working-age individuals decline. Their demand for immigrant workers, including Uzbekistani, is therefore likely to remain strong.

Share of working-age in total population



Source: United Nations Department of Economic and Social Affairs

Labour market response to COVID-19

For several years, the Ministry of Labour has estimated labour balances that indicate changes in the main population aggregates. Total labour resources have grown by less than 200,000 per year; this is also a good measure of the number of extra jobs required for the growing population. Notably, this highly disaggregated estimate is in line with the United Nations' projections although they use a conceptually different data source.

Population aggregates, 2017-2020 (m; period average)

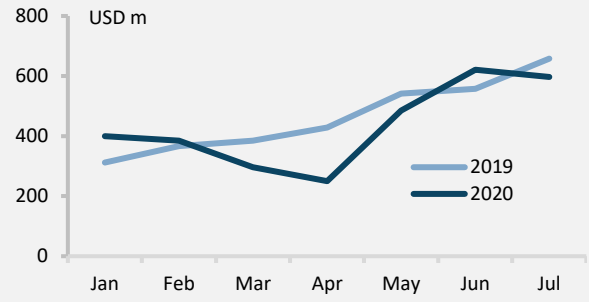
(in m)	2017	2018	2019	1H2020
Total population, 1 January	32.1	32.7	33.3	33.9
Working-age population, 1 January (men: 16-59; women: 16-54)	19.4	19.6	19.8	19.8
Total labor resources	18.7	18.8	19.0	19.1
Economically active population	14.4	14.6	14.9	14.7
Employed	13.5	13.3	13.5	12.7
Official sector	5.3	5.4	5.7	5.6
Informal sector: Uzbekistan	6.9	5.5	5.4	5.1
Informal sector: abroad	1.3	2.4	2.5	2.0
Unemployed (mostly not registered)	0.8	1.4	1.3	1.9
Economically inactive population	4.3	4.2	4.1	4.4
Between 2017 and 2018, there is a break in the time series for informal employment in Uzbekistan and abroad and unemployment.				

Source: Ministry of Labour, Labour Market Balances

The number of migrants is reported at roughly 2.5 m during 2018 and 2019, following a reclassification of informal employment data from 2017 and a break in several time series. However, during the first half of 2020, the number of migrants went down by 0.5 m to 2.0 m due to COVID-19. Domestic employment declined by ca. 400,000, with most of the decline in the informal sector. Conversely, unemployment went up by 600,000 and economic inactivity by 300,000.

In contrast to this sharp labour market response, remittances recovered quickly from the initial COVID-19 shock. While remittances in April 2020 were lower than one year earlier, they had almost regained their former level in May. This rapid recovery may be due to some savings being repatriated to Uzbekistan because even when migrants remain abroad, their incomes were frequently hit by the COVID-19 induced shock.

Monthly remittances



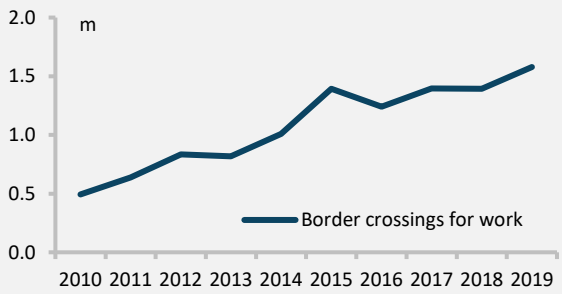
Source: Central Bank of Uzbekistan

Labour migration from Uzbekistan over time

So, what is a reasonable estimate of the feasible annual increase in the number of migrants abroad until 2040? This is equivalent to asking how many new jobs for Uzbekistani workers can be found abroad rather than created through investment in Uzbekistan. As the disruption due to COVID-19 will take time to resolve, the best readily available indicator is the growth in the migrant stock over the past two decades (that is, after the upheavals of the 1990s).

With few time series data available, one possible indicator is border crossings by Uzbekistani citizens into Russia (by far the most important destination country) for business or work. These have increased by ca. 1 m since 2010. However, some of the reported increase may reflect better enforcement rather than more migration.

Uzbekistani labour migrants in Russia



Source: Federal State Security Service Russia

Based on migrant stock estimates from various sources at different points in time, while acknowledging that these may not always be consistent, we may state cautiously that the number of migrants may have increased by 1 m over the last twenty years – about 50,000 per year. Thus, of the 200,000 to 300,000 jobs that are needed every year for the growing Uzbekistani labour force, up to 50,000 could be found abroad.

Policy implications

Hence, most extra jobs for the growing Uzbekistani labour force will have to be created within Uzbekistan through domestic investment. It is key, therefore, to continue the economic reforms already under way for systemic transformation and sustainable growth and maintain a favourable investment climate.

Similarly, migration will only contribute to expanding employment opportunities for Uzbekistani workers in a sustainable manner if the additional jobs abroad are safe, legal, and adequately paid. Accordingly, the Uzbekistani authorities have recently started to implement a comprehensive package of measures to facilitate labour migration and enhance migrant incomes and remittances. Measures range from language courses to better access to consular services abroad. The authorities may want to draw on international experience with similar measures to update and develop their policies further.

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A more comprehensive analysis will be released soon in the Policy Study "Demographic transition and access to jobs in Uzbekistan".

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The German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Georgia and Uzbekistan regarding the design of economic policy reform processes and a sustainable development of the economic framework. It is funded by the Federal Ministry of Economic Affairs and Energy and implemented by the consulting firm Berlin Economics.