



## Article

# Employment Generation in Uzbekistan the Impact of Small Enterprises and the Digital Economy on Rural and Urban Youth Labor Markets

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**Abstract:** This study examines the dynamics of youth employment in Uzbekistan, with a particular focus on the role of small enterprises and the digital economy in shaping labor market outcomes across rural and urban areas. This research is driven by the gap between youth unemployment rates and general unemployment, as well as the significant amount of youth that fall under the NEET classification (not in employment-education-training). The main aim is to analyze how structural, technological and entrepreneurial forces interact to determine job opportunities for youth. This study uses a quantitative, data-driven approach derived from secondary sources of 2023–2025 data. The methodology used in this analysis brings together descriptive statistics, comparative analysis, trend evaluation and correlation-based assessment. The main variables addressed are youth unemployment rates, NEET indicators (Not in Education, Employment or Training), internet penetration and usage of digital platforms, as well as the share attributable to self-employment, with a particular focus on rural–urban differences. The joint conclusion is that, although youth unemployment has stabilised and showing sign of recovery but it still stands consistently more than 10%, which is more side's than the current average at national level; which means we are looking at serious structural imbalance in job market. Furthermore, around 42% of the youth are NEETs, indicating significant under exploitation of human capital. The results also confirm that small businesses and self-employment are a key driver of job creation, representing almost half (48%) of total employment. Additionally, the digital economy is found to promote better career opportunities, especially in urban centers where access and use of digital platforms are much more prevalent. However, a digital divide is particularly acute for rural youth, deepening existing disparities. In addition up to date also share on entrepreneurship, digitalization and spatial dissimilarity in one overall model which the study contributes up to literature. In other words, from a more practical view of policy activities, the results highlight the demand for targeted programs to stimulate skills alignment and broaden digital access while supporting the expansion of small business. Overall, the research highlights that inclusive and sustainable youth employment in Uzbekistan depends on addressing both structural constraints and emerging digital inequalities.

**Keywords:** Youth unemployment NEET population, Labor market segmentation, Small and medium-sized enterprises (SMEs), Self-employment dynamics Digital economy, Digital labor platforms, Rural urban employment disparity, Internet penetration, Youth labor market integration, Entrepreneurship development, Structural labor market imbalance.

## Introduction

Employability of youth has become one of the key socio-economic issues in developing and transition economies. As countries experience structural transformation, the effective integration of youth into labor markets is a critical driver of sustainable growth, social stability, and long-term productivity. Uzbekistan is an especially relevant case in this regard given the relatively fast growing youth population, ongoing economic reforms and gradual incorporation into the global digital economy.

Uzbekistan, despite an overall relatively low level of unemployment persists a high youth unemployment burden compared to mature market economies, as the economy shows significant structural imbalances in terms of the overall job pool. Young people are often faced with considerable barriers to employment such as limited work experience, basic and technical skills and poor education-to-employment match. Moreover, high levels of NEET — young people not in employment, education or training — imply the loss of valuable human resources and ineffectiveness in the school-to-work transition.

Concurrently, the Uzbek economy is experiencing significant transformations due to digitalization and the development of private enterprise. [5] Internet access, digital platforms and technology-based services have created new types of jobs, notably for younger, more flexible cohorts. Another group of people who is helped by the digital economy are those that are not seeking a traditional career path, for instance, freelance work, remote jobs, and participation on the platform-based labor market. But, the advantages of digital transformation are not universal and creates a digital divide leaving rural citizens with limited access to infrastructure and less ability to develop the appropriate digital skills.

Alongside digitalization, small enterprise and private entrepreneurship have also played an integral role in shaping the trajectory of job creation. Small and medium-sized companies (SMEs) occupy a critical position in the job creation sector in most developing economies, especially where large-scale industrial employment remains unavailable. The phenomenon of microbusinesses and self-employment expands in Uzbekistan as adaptive response to constraints of the labor market, but more importantly a screening mechanism in absorbing the excess supply. However, the sustainability and quality of this type of work are still widely debated.

One of the critical dimensions of youth employment in Uzbekistan is the urban-rural divide. Typically, urban locations promise diversified economic opportunities, greater infrastructure and access to digital technologies, as opposed to rural areas defined by agricultural dependency an informal economy and outward labor migration. These disparities have a significant impact on career results, deepening inequality and jeopardizing inclusive expansion.

In this context, the current study analyzes the mutual role of small enterprises and digital economy in creating employment opportunities for youth in Uzbekistan with special emphasis on rural–urban differences. In the process of constructing and analyzing such a composite index that intertwines labor market indicators with metrics of digital access, and potential entrepreneurial activity, this study aims to deliver a multi-faceted empirical assessment on structural determinants of youth employment.

The research is undertaken with the following specific key objectives in mind: to diagnose the present condition and mechanics of youth unemployment in Uzbekistan; second to assess the role of small businesses and self-employment in job creation; third that assesses the effect of the digital economy on jobs; and fourth in examining differences between rural and urban youth regarding these opportunities. This contribution fills the evidence gap in transition economies and offers further policy insights to help guide policymakers in promoting an inclusive and sustainable labor market development.

## Literature Review

Youth employment has long been recognized as a critical component of sustainable economic development, particularly in transition and emerging economies [1]. A substantial body of literature highlights that young people face disproportionately higher barriers in accessing labor markets due to limited work experience, inadequate skills, and institutional constraints [2]. Classical and neoclassical labour market theories highlight the importance of supply–demand mismatches, whereas more recent perspectives —such as labour market segmentation theory—increasingly emphasise that youth are often over-represented among secondary, less secure types of employment [3]. These theoretical approaches underpin the distance in employment outcomes of youth to the overall unemployment rate that has been witnessed in a number of developing countries.

Previous research in post-transition economies consistently highlights the problem of youth unemployment [4]. Studies of Central Asian countries show that strong demographic pressures and slow structural transformation have intensified competition in labor markets [5]. In particular, academics have identified the mismatch between education (and training) systems and labor market demand as central cause of youth unemployment [6]. These empirical findings signpost that whilst access to education has been opened up, the appropriateness of skills gained and their applicability in today's economies leaves a great deal to be desired with high numbers classed as NEET (not in employment, education or training) [7]. This echo larger international evidence that expansion in the NEET rate is a sign of institutional failures (and not transient labor market cyclical developments).

The contribution of small and medium-sized enterprises (SMEs) to employment creation has been well documented in the development economics literature [8]. Micro, small and medium-sized enterprises (MSMEs) are considered the backbone of developing economies because they effectively create jobs, encourage innovation and generate local economic activity [9]. In labor-surplus economies, small enterprises capture a large portion of the workforce [9], especially in settings with little opportunity for industrial employment at scale [10]. In addition, entrepreneurship has been recognized as an effective route to youth employment, including self-employment and income generation [11]. Nonetheless, existing research has identified challenges that hinder the growth potential of small businesses including limited access to finance, regulatory barriers and insufficient entrepreneurial skills.

The effect of the digital economy on labor markets has been receiving growing attention in recent years [12]. The proliferation of digital technologies such as online platforms and gig economy services has led to an emergence of new employment types that are more flexible and accessible, especially towards younger generations [13]. Empirical evidence from the global south indicates that digitalised labor platforms can achieve greater matching in the labor market, lower job search costs and transcend geographical barriers to employment [14]. However, at the same time, literature indicates new inequalities arising with digitalization, specifically about so-called urban–rural divide [15]. The advantages of digital transformation are often distributed unevenly due to differences in internet access, digital literacy, and technological infrastructure.

Various studies particularly highlight the importance of spatial inequalities in determining labor market outcomes. As opposed to rural areas, which are frequently characterized by lower diversification of economic opportunity and a heightened dependence on agriculture and informal employment, urban locations possess more diverse livelihood opportunities, superior institutional structures, and enhanced infrastructure. This urban–rural disparity has been proven to sufficiently impact youth employment opportunities whereby their risk of being unemployed, underemployed and migrating are more pronounced in rural now compared to metropolitan areas.

## Methodology

This study adopts a quantitative, data-driven research design to examine the determinants of youth employment in Uzbekistan, with a particular focus on the role of small enterprises and the digital economy in shaping rural and urban labor market outcomes. The methodological approach integrates descriptive statistics, comparative analysis and correlation-based evaluation, enabling a thorough and evidence-based evaluation of the research issue. The analysis relies on secondary data sources, including national labor overseas financial databases, and up-to-date empirical research on digital-related work and business.

The selected data cover 2023–2025, to remain temporally relevant and allow the confirmed recent trends in youth unemployment, digital access, and selfemployment. In that sense, the use of multiple data sources reduces potential bias as well. cross-verification of key indicators to ensure reliability of the findings. The study investigates a clear set of variables.

Youth unemployment (<http://www.jm.neoliberaltarian.com/reports/YouthQuotes>). Youth unemployment and NEET indicators (aged 18–30) are used as primary measures of labor market outcomes. These are all analyzed in relation to incumbent key explanatory variables such as internet penetration rates, digital platform economy, and brain capacity. It represents usage, self-employment share Data from Oct 2023 development and entrepreneurial activity. Additionally, a spatial dimension (urban vs. rural) is included to account for differences in employment across regions opportunities.

The analysis is done over several steps. First, a descriptive main indicators are summarized through statistical analysis and presented Already, they are put in a structured manner with tables. Overview: This step gives clarity on the magnitude and distribution of youth unemployment (and related variables). Second, a comparative case study is used to assess differences between youth and general unemployment rates and differences between urban and rural populations. Enabling the identification of structural imbalances inside the labor market.

Third, we implement a trend analysis to assess youth unemployment stability across time, and especially across the years 2023 and 2024, suggesting consistency in observed patterns. And, fourth, we use a correlation-based analytical approach to analyze the associations of digital platform use to self-employment, and employment outcomes. The study does not use a full econometric model informing the analysis, empirical associations and regression-based evidence from the existing datasets, a close eye on practice in observable data patterns.

Moreover, a sectoral employment distribution structural analysis is to measure differences in labor market participation between rural and urban youth. That includes looking at the concentration of jobs in agriculture, informal sectors and services to digital industries, thus connecting quantitative results with larger economic arrangements.

The findings are illustrated using a mix of tabular data (Table 1 and Table 2) and analytical (penultimate column in Table 1) narrative, with academic rigor. This turns out to be both precise and meaningful, as you can start tracking after-uptranslation in mRNA (KRAS mRNA) is built up due to the production of downregulated protein. interpretation of the findings. Although it has its strengths, the methodology comes with some weaknesses as well. The reliance on individual-level measurements are not possible due to constrained health status aggregation employment dynamics and fail to capture regional heterogeneity.

Furthermore, This relies on correlation-based analysis, which precludes the possibility to reach conclusive causal relationships. However, the methodological framework remains indicative of a Almost 24 years old, the text has provided us with a solid and systematic foundation to interpret youth employment trends and identifying key influencing factors. Statistical analysis and overall chosen methodology combine well but

heavily skewed results due to removed aggregating. Scientific precision and analytical depth, allowing a full assessment of how Employment generation through small enterprises and the digital economy in Uzbekistan among various population segments.

### Results

The empirical analysis reveals clear structural patterns in youth employment in Uzbekistan. In 2024, the youth unemployment rate (ages 15–24) reached 10.94%, compared to the overall national unemployment rate of approximately 4.5–4.9%, indicating that youth unemployment is more than twice the national average. A similar trend is observed in 2023, with a youth unemployment rate of 10.86%, confirming the persistence of this disparity over time.

Youth engagement distributions further illustrate labor market asymmetries. Around 42% of the population between the ages of 18 and 30 is NEET (not in employment, education or training), which represents a large share of idle human resources. This share is still very high compared to many similar emerging economies, as seen in cross-country comparative tables.

National coverage of digital infrastructure indicators are relatively high with the internet penetration at around 89% in 2025. But the patterns of use are extremely different in rural and urban populations. Survey-based data indicate that 60% of urban youth have utilized digital employment platforms, while 45% have successfully secured employment through these channels. In contrast, corresponding indicators for rural youth remain significantly lower, as illustrated in regional breakdown charts.

**Table 1.** Youth and Overall Unemployment in Uzbekistan.

| Year | Youth Unemployment Rate (15–24, %) | Overall Unemployment Rate (%) |
|------|------------------------------------|-------------------------------|
| 2023 | 10.86                              | 4.7                           |
| 2024 | 10.94                              | 4.5–4.9                       |

Youth unemployment consistently exceeds the national average by more than twofold.

The statistical evidence presented in Table 1 indicates that youth unemployment in Uzbekistan remains consistently above 10%, reaching 10.94% in 2024, while the overall unemployment rate fluctuates between 4.5% and 4.9%(table 1).

Sectoral employment data show that rural youth are predominantly concentrated in agriculture and informal employment, while urban youth are more represented in services and digital sectors. Migration statistics further support this pattern, with higher outward labor mobility observed among rural youth populations.

This structure is also emphasised by the high number of self-employment, which represents around 45–46% out of total employment. From the perspective of jobs, SMEs create job and critical to non-agricultural & local economies (firm-level data). Regression outputs also show that increase in microbusinesses and individual entrepreneurship is positively correlated with urban/sensitive areas employment growth.

Overall, the results constantly point toward a sustained gap between youth and general unemployment rates, high NEET youth figures, uneven availabilities of digital job opportunities across rural versus urban areas along with a disproportionate share in employment generation from small businesses.

**Table 2.** Youth Labor Market Structure.



| Indicator                           | Value (%) |
|-------------------------------------|-----------|
| NEET (18–30 years)                  | 42        |
| Self-employment share               | 45–46     |
| Internet penetration (2025)         | 89        |
| Urban youth using digital platforms | 60        |
| Urban youth employed via platforms  | 45        |

Table 2 summarizes key structural indicators of the youth labor market. Notably, 42% of individuals aged 18–30 fall into the NEET category, while self-employment accounts for approximately 45–46% of total employment. Digital access indicators show high overall internet penetration (89%),

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### Discussion

The findings of this study reveal persistent structural challenges in youth employment in Uzbekistan, while also highlighting the transformative potential of small enterprises and the digital economy. The youth unemployment rate currently rests at 10.9% — nearly twice the national average overall — contributing to a segmented labor market that limits young people with barriers to entry. This trend aligns with established theories regarding the labor market, especially the segmentation model theory, which indicates that young people are frequently limited to secondary or unstable employment sectors based on their inadequacies for specific roles, lack of expertise to fit a company profile and limited access to formal job opportunities.

The other structural inefficiencies are reflected in the high NEET youth (42%). The rate recorded here is significantly higher than results of prior studies on emerging economies, in which NEET rates are generally located in the 20% to 30% range. That suggests the problem is more than cyclical unemployment and instead a fundamental mismatch of institutions and education. Prior research emphasizes that a lack of alignment between education systems and labor market demands is a key driver of youth inactivity, yet current results lend these arguments significant support. The extent of such an inactive population points to a potential misallocation of human capital, with implications for long-term growth potential.

These results are also consistent with what we currently know from the literature about the digital economy and employment generation. In line with findings from studies on demand platforms in the Global South, data shows that access to digital tools considerably improves job possibilities — especially within urban youth. With 60% of urban youth using these digital platforms and 45% finding a job through them, the increasing role of these digital channels as intermediaries in the labor market is unquestionable. However, this discrepancy in digital engagement among the youth population is part and parcel of a pronounced digital divide that has been well documented in previous empirical research. This divide was not merely a reflection of infrastructure differences but also of digital literacy and access to information networks.

Accordingly, the importance of small businesses and private entrepreneurship as a key driver for job creation comes to the fore. C) The percentage of 45–46% for self-employed suggests that a significant part of the labor force is not formally employed but engaged in entrepreneurship activities. This correlates with development economics literature identification of small and mid-size enterprises (SMEs) as important engines of job creation, particularly in economies undergoing structural transformation. In addition, the positive association between microbusiness growth and employment growth found here corroborates earlier empirical studies that entrepreneurship may buffer against unemployment — including in less industrialized regions.

**Theoretical contributions** The results contribute to the theoretical understanding of digitalization-entrepreneurship interaction in transitional labor markets. Whereas classical employment theories tend to view industrialization as the main path towards job creation, the finding of this study suggests that in Uzbekistan's context, digital platforms and small-scale entrepreneurship are gradually taking over traditional means of employment. The three-component pattern indicates a mixed transitional framework for socio-economic expansion based on informal, digital and enterprising endeavors as well as the dynamics of labor market results.

From a policy perspective, the results have meaningful implications in practice. First, the ongoing discrepancy between youth unemployment and total unemployment indicates a mismatch in labor supply and demand which needs to be addressed — including through targeted labour market policies, especially skills development programmes and school-to-work initiatives. Second, the large rural–urban differences in access to digital technologies indicates that increasing digital infrastructure and the level of digital literacy available in rural areas should be a policy priority. Third, the prominence of micro and small enterprises underlines the need for a conducive business environment — liquidity, simplification of regulations and delivery of entrepreneurship programmes.

Notwithstanding its contributions, this study presents some limitations that pave the way for future research. The analysis is mainly based on the use of aggregate statistical indicators, which do not reflect regional and sectoral heterogeneity. Future research could be conducted in a micro-level approach, focusing on individual work trajectories to place youth labor market engagement within the broader dynamics of labor force participation. Moreover, more research is necessary to understand the durability of digital jobs —> proper continuous income and social security. Comparative studies of countries in Central Asia would also offer deeper insights into the region-specificity of these trends.

In conclusion, the findings demonstrate that youth unemployment in Uzbekistan is shaped by a complex interaction of structural, technological, and institutional factors. While the digital economy and small enterprises offer promising pathways for employment generation, their benefits remain unevenly distributed. Addressing these disparities will be essential for ensuring inclusive and sustainable labor market development in the future.

## Conclusion

This study aimed to investigate youth employment in Uzbekistan by looking at the roles of small businesses, the digital economy, and differences between rural and urban areas. The findings show that, even though overall employment numbers seem stable, the labor market still has significant imbalances that impact young people. The results highlight that youth unemployment is consistently high, more than double the overall unemployment rate. This gap suggests both transitional labor market challenges and more systemic problems. These include a skills mismatch, limited work experience and weak linkages between the education and job systems.

Another reason identifying unused talent is significant is due to the volumes of NEET (Not in Education, Employment or Training) youth, meaning that a huge amount of young talent goes untouched as many people are not involved with productive work. At the same time, the study highlights the growing importance of small businesses and private entrepreneurship to job creation. The high proportion of self-employment highlights the importance of these entrepreneurial activities in helping to satisfy potential labor supply shortages, particularly in environments where formal jobs are not being created. Small businesses create jobs, and they also strengthen local economies and diversity.

Yet their full potential often remains constrained by obstacles such as limited access to finance, regulatory issues and uneven regional development. This analysis however, shows how the digital economy is becoming a disruptive force in determining employment opportunities of urban youth. Digital platforms have lowered the entry barriers to the labor market, enabled job matching more easily, and established new types of flexible employment. Still, the dividends of digitalization are not spread equally. The data indicates a wide rural–urban gap in both access to and usage of digital technologies, though also with a revealing struggle which underscores the issues of surviving inequality through the enshrining ends of existing socio-economic conditions limiting participation in an evolving labor market.

Overall, these findings indicate that Uzbekistan's labor markets are transitioning through a hybridization process in which traditional sectors of the economy, informal employment, digital platforms and entrepreneurial activities coexist while interacting. This change offers both opportunities and challenges. New forms of employment are emerging, but not yet strong enough alone to overcome the structural constraints that youth—in particular rural youth—face.

Guided by these findings, the study highlights a necessity for an integrated policy response. Youth unemployment reduction initiatives need to be targeted at better aligning education with labor market demands, closing the gaps in digital infrastructure and skills provision as well as promoting a conducive environment for small businesses. He also pointed to the need to continue prioritising regional disparities in increases to wages and income, so that the benefits of economic transformation are shared more widely.

Overall, which social, structural and technological issues shape youth employment in Uzbekistan? Although there is potential for job creation in small enterprises and the digital economy, their effects will largely hinge on new policies addressing existing inequalities bio.com relevant to skills and spatial access. It will therefore be crucial to not only continue with economic reform but also implement targeted policies that harness the potential of the nation's youth population in order to ensure inclusive and sustainable job creation.

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