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*Article*

# Trends in the Development and Diversification of the Services Sector in Uzbekistan in Connection with Population Employment

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**Abstract:** This article examines the development trends of the service sector in the economy of Uzbekistan and its diversification processes in close relation to employment. Based on official statistical data for the period 2020–2025, as well as reports from the World Bank and the International Labour Organization (ILO), the study analyzes the share of the service sector in gross domestic product (GDP), its sectoral structure, regional distribution, and the dynamics of employment within the sector. The findings indicate that in 2024 the service sector accounted for 47.4% of GDP, becoming the main driver of the country's economic growth. However, employment remains concentrated in low-productivity activities, such as retail trade and transportation, while knowledge-intensive services, including information and communication technologies (ICT), financial services, and professional services, account for no more than 4% of total employment. The article proposes practical recommendations for diversifying the service sector, increasing labor productivity, and creating high-quality employment opportunities.

**Keywords:** service sector; employment; gross domestic product (GDP); diversification; labor market; informal employment; labor productivity; digital economy; regional development; Uzbekistan

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## 1. Introduction

In the modern global economy, the service sector has become not only the largest contributor to gross domestic product (GDP) but also the most dynamic source of employment. In developed countries, the service sector accounts for 70–80% of GDP, whereas in developing economies this figure generally ranges between 40% and 55%. In the Republic of Uzbekistan, comprehensive economic reforms initiated in 2017—including the liberalization of the

foreign exchange market, trade policy reforms, and the promotion of private entrepreneurship—have created favorable conditions for the rapid development of the service sector[1].

The Uzbekistan–2030 Strategy and President Shavkat Mirziyoyev's objective of increasing the country's GDP to USD 200 billion by 2030 have made the further diversification of the service sector and the enhancement of its employment potential a national priority. According to the World Bank, Uzbekistan needs to create approximately 10 million additional high-quality and well-paid jobs over the next 7–10 years, with the service sector expected to play a central role in achieving this goal[2].

Despite the steady increase in the service sector's contribution to GDP—from 41% in 2010 to 44% in 2022 and 47.4% in 2024—its employment structure remains dominated by low- productivity activities, including retail trade, local transportation services, and food service establishments, which account for nearly 60% of all service-sector jobs. At the same time, high-productivity and knowledge-intensive services, such as information and communication technologies (ICT), financial services, and professional services, provide only about 4% of total employment, although their productivity is approximately twice that of the manufacturing sector[3].

The purpose of this study is to analyze the development and diversification trends of the service sector in Uzbekistan in relation to employment indicators, identify the existing challenges, and develop scientifically grounded recommendations for the further development of the sector. The objectives of the study are to examine the dynamics of the service sector's contribution to GDP, analyze its sectoral and regional structure, evaluate the employment structure within the service sector, assess the issue of informal employment, and identify the main directions for further diversification of the sector.

The relationship between the service sector, economic growth, and employment has been widely examined in the field of economics. The classical three-sector theory developed by Fisher, Clark, and Fourastié explains the gradual transformation of economies from agriculture to industry and subsequently to the service sector. According to this theory, as national income increases, the share of the service sector expands because consumer demand gradually shifts from tangible goods to intangible services[4].

The World Bank's 2024 report, At Your Service? The Promise of Services-led Growth in Uzbekistan, provides a comprehensive analysis of the historical development of Uzbekistan's service sector between 1991 and 2022. The report notes that although the service sector's share of GDP increased from 41% in 2010 to 44% in 2022, employment in the sector remained relatively stable at around 50%, indicating a slowdown in structural transformation. The study also concludes that liberalizing trade in services could increase GDP by up to 17%, while the financial, telecommunications, and insurance sectors have growth potential of approximately 23%, 39%, and 45%, respectively[5].

The International Labour Organization (ILOSTAT) provides comprehensive statistical data on Uzbekistan's labor market, including sectoral employment distribution, the scale of informal employment, and wage dynamics. Similarly, the International Monetary Fund (IMF DataMapper) offers macroeconomic indicators that facilitate the analysis of GDP growth and structural changes within the national economy.

Previous studies have also paid considerable attention to the diversification of the service sector. According to official statistics from the Statistics Agency of the Republic of Uzbekistan, trade, transportation, communications, tourism, and financial services have demonstrated steady growth, while the information and communication technology (ICT) sector recorded a remarkable growth rate of 24.7% in 2024, largely driven by the increasing use of mobile and Internet services. At the same time, researchers emphasize that the substantial size of the informal economy—estimated at approximately 20% of GDP—limits an accurate assessment of the actual potential of the service sector[6].

Overall, the existing literature indicates that although the relationship between the service sector, economic growth, and employment has been extensively studied, further research is still needed in the context of Uzbekistan, particularly regarding regional disparities, the relationship between the service sector and informal employment, and strategies for expanding knowledge-intensive services. Addressing these issues constitutes the main scientific contribution of the present study.

## 2. Materials and Methods

This study utilized secondary data obtained from official national and international statistical sources, including the Statistics Agency of the Republic of Uzbekistan, the World Bank, the International Monetary Fund (IMF), the International Labour Organization (ILO), and other publicly accessible statistical databases.

The data were analyzed using three main methods. Statistical analysis was employed to identify patterns and changes in the relevant indicators. Comparative analysis was used to examine differences among the observed indicators and periods. Structural analysis was applied to evaluate the composition and relative proportions of the components under investigation.

## 3. Results

According to official data from the Statistics Agency of the Republic of Uzbekistan, the country's gross domestic product (GDP) reached UZS 1,454.6 trillion (USD 114.96 billion) at current prices in 2024, representing a real growth rate of 6.5%. The largest contribution to GDP growth came from the service sector, accounting for 3.3 percentage points, followed by industry (1.7 percentage points), construction (0.6 percentage points), agriculture (0.6 percentage points), and net taxes (0.3 percentage points). The gross value added generated by the service sector reached UZS 657.3 trillion, reflecting a 7.7% increase compared with 2023[7-9].

Table 1. Dynamics of Uzbekistan's GDP Sectoral Structure, 2020–2024

| Year | Services, % | Industry, % | Agriculture, % | Construction, % |
|---|---|---|---|---|
| **2020** | 43.4 | 24.0 | 24.9 | 7.7 |
| **2021** | 43.6 | 24.3 | 24.0 | 8.1 |
| **2022** | 44.0 | 23.5 | 24.4 | 8.1 |
| **2023** | 46.2 | 25.3 | 21.2 | 7.3 |
| **2024** | 47.4 | 26.4 | 19.2 | 7.0 |

Source: Statistics Agency of the Republic of Uzbekistan.

As shown in Table 1, the share of the service sector in GDP increased steadily from 43.4% in 2020 to 47.4% in 2024, representing a growth of 4 percentage points. During the same period, the share of agriculture declined from 24.9% to 19.2%, reflecting the classical pattern of structural transformation in which economic activity shifts from agriculture toward the service sector. The share of industry also increased moderately, from 24.0% to 26.4%, primarily due to the expansion of mining, manufacturing industries, and favorable export prices for commodities such as gold, copper, and uranium[10].

A sectoral analysis of the service industry shows that in 2024, trade services expanded by 11.5%, accommodation and food services by 10.7%, transportation and warehousing by 8.5%, while information and communication services recorded the highest growth rate of 24.7%. Within the trade sector, retail trade (excluding motor vehicle sales) accounted for 56.1%, wholesale trade for 30.9%, and the sale and repair of motor vehicles for 13.0%. The transportation and warehousing sector represented 5.4% of GDP, with road transport accounting for 55.7% of its total output[11].

The analysis of employment indicators reveals additional important trends. According to the World Bank, the share of employment in the service sector increased from 37% in 1991 to approximately 50% in 2022, largely compensating for the decline in agricultural employment. However, although the service sector's contribution to GDP increased from 41% to 44% between 2010 and 2022, its share of total employment remained relatively stable at around 50%, indicating a slowdown in labor productivity growth within the sector[12].

Table 2. Key Indicators of the Service Sector and Labor Market in Uzbekistan

| Indicator | 1991 | 2022–2025 |
|---|---|---|
| **Share of employment in the service sector** | 37% | ~50% |
| **Share of informal employment** | — | 33% (first half of 2025) |
| **Number of self-employed persons** | — | 4.5 million (2024) |
| **Unemployment rate** | — | 4.4–5.1% (2024–2025) |
| **Labor migrants (working abroad)** | — | 6.2 million (2024) |

As of the third quarter of 2025, Uzbekistan's labor resources totaled 20.35 million people, the economically active population reached 15.57 million, and total employment amounted to

14.81 million, representing a 4.1% increase compared with the same period of the previous year. Employment in the formal sector increased by 17% to 8.58 million people, while informal employment declined by 26.9% to 4.38 million people. This trend indicates that policies aimed at the formalization of the economy have begun to produce positive results. Nevertheless, the share of informal employment remains above 30%, posing significant challenges for social protection and tax revenue generation[13].

It is noteworthy that the number of self-employed individuals reached 4.5 million in 2024, representing a 1.8-fold increase compared with 2023, while the number of individual entrepreneurs grew by 18% to 284,000. Most of them are engaged in retail trade and personal services, indicating that a substantial share of employment in the service sector is still concentrated in informal and low-productivity activities. According to the Central Bank's online labor market monitoring system, during the fourth quarter of 2024, 21% of job vacancies were in retail trade, 16.1% in manufacturing, and 15.7% in accommodation and food services.

The unemployment rate remained relatively stable over the study period. It stood at 4.46% in 2022, fluctuated between 4.43% and 4.50% in 2023, and remained around 4.44–4.50% in 2024. In the second and third quarters of 2025, the unemployment rate was recorded at 5.1% and 4.9%, respectively. Labor migration also expanded considerably. In 2024, the number of citizens working abroad reached 6.2 million, representing a 29% increase compared with 2023, while remittances from labor migrants increased by 30% to USD 14.9 billion. Although these remittances contribute to higher household incomes, they also increase the risk of reducing the country's supply of skilled labor[14].

The regional distribution of the service sector reveals substantial disparities across Uzbekistan. In 2024, the gross regional product (GRP) of Tashkent City reached UZS 281.1 trillion, representing a 10.4% increase compared with 2023. The service sector accounted for 63.0% of the city's GRP, with an annual growth rate of 111.5%. This was the highest share in the country, while Tashkent City contributed 19.3% to the national economy. In contrast, the Navoi region, where industry accounts for 72.1% of the regional economy, recorded a service sector share of only 13.0%. These figures highlight the significant regional disparities in the diversification of the service sector across Uzbekistan[15].

Table 3. Share of the Service Sector in Gross Regional Product (GRP) in Selected Regions, 2024

| Region | Share of Services in GRP, % | Growth Rate, % |
|---|---|---|
| **Tashkent City** | 63.0 | 111.5 |
| **Namangan Region** | 45.5 | 108.8 |
| **Bukhara Region** | 35.2 | 108.6 |
| **Andijan Region** | 34.3 | 108.6 |
| **Jizzakh Region** | 36.0 | 109.0 |
| **Republic of Karakalpakstan** | 48.0 | 107.3 |
| **Navoi Region** | 13.0 | 106.9 |

The analysis of wage dynamics indicates that by the end of 2024, the average nominal monthly wage had reached UZS 5.4 million, representing a 17.4% increase compared with 2023. However, in real terms, wage growth amounted to only 7.1%. During the last quarter of the year, wage growth accelerated primarily due to salary increases in the public sector, particularly in education and healthcare. At the same time, wages in the retail trade sector continued to rise steadily, supported by strong consumer demand. Further digitalization of trade, information technology, and service industries is expected to contribute to continued wage growth in the coming years[16].

## 4. DISCUSSION

The findings of this study are generally consistent with the conclusions presented in the World Bank's At Your Service? report. Although the share of the service sector in GDP has increased steadily, this growth has not been accompanied by a corresponding improvement in labor productivity. Between 2010 and 2022, the service sector's contribution to GDP increased by three percentage points, while its share of total employment remained almost unchanged. This suggests that the sector has been expanding in size rather than improving in productivity, with more workers being employed but without a significant increase in value added per employee[17[.

One of the main reasons for this situation is that nearly 60% of service-sector employment remains concentrated in low-skilled activities such as retail trade, transportation, and personal services. In contrast, knowledge-intensive services—including information and communication technologies (ICT), financial services, and professional services such as consulting, legal, architectural, and engineering services—account for only about 4% of total employment, despite being approximately twice as productive as the manufacturing sector. This imbalance reduces the international competitiveness of Uzbekistan's service sector and limits the quality of long-term economic growth.

The high level of informal employment, reaching approximately 33%, represents another significant challenge. Workers employed in the informal sector often lack social protection, pension coverage, and legal labor guarantees, which may negatively affect living standards and social stability in the long run. Nevertheless, recent data for

2025 indicate encouraging progress: formal employment increased by 17%, while informal employment declined considerably, suggesting that government policies aimed at labor market formalization have started to produce positive results[18].

Regional disparities also remain a major concern. The substantial difference in the share of services between Tashkent City (63.0%) and the Navoi Region (13.0%) reflects the uneven distribution of infrastructure, investment, and skilled human capital across the country. Such imbalances contribute to increased internal migration toward economically developed regions and may further widen regional socio-economic inequalities. Therefore, policies aimed at diversifying the service sector should address not only sectoral development but also balanced regional development.

The rapid growth of labor migration, which reached 6.2 million people in 2024 (an increase of 29% compared with the previous year), requires a balanced assessment. On the one hand, remittances totaling USD 14.9 billion have strengthened household incomes and stimulated

domestic demand, particularly in retail trade and other service industries. On the other hand, the outflow of young and skilled workers may create labor shortages in knowledge-intensive sectors, potentially limiting the future diversification and technological development of the service sector[19].

Finally, Uzbekistan's accession to the World Trade Organization (WTO) should be regarded as an important external factor supporting service sector diversification. According to World Bank estimates, full liberalization of trade in services could increase the country's GDP by up to 17% while reducing the national poverty rate by approximately 1.6 percentage points. Growth potential is estimated at 23% for financial services, 39% for telecommunications, and 45% for insurance services. In addition, positive spillover effects are expected in manufacturing industries such as pharmaceuticals, electronics, and machinery production, where output could increase by approximately 24%, 30%, and 23%, respectively. These findings highlight the strategic importance of further liberalization and modernization of the service sector for achieving sustainable economic growth in Uzbekistan.

## 5. Conclusion

The findings of this study demonstrate that the service sector has become the leading component of Uzbekistan's national economy, with its share in gross domestic product (GDP) and its contribution to economic growth increasing steadily. At the same time, regional disparities, the relatively low share of high value-added services, and the high level of informal employment highlight the need for further diversification of the sector. Based on the research findings, practical recommendations have been developed to promote digital services, strengthen support for small and medium-sized enterprises (SMEs), ensure balanced regional development of service infrastructure, and improve the training of a highly skilled workforce. The implementation of these measures will contribute to improving the quality of employment, increasing labor productivity, and ensuring the sustainable economic development of Uzbekistan.

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