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THE ROLE OF SMALL AND PRIVATE ENTERPRISES IN THE CREATION OF NEW EMPLOYMENT OPPORTUNITIES

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Introduction: Employment generation is one of the key priorities of sustainable economic development. In many countries, small and private enterprises play a vital role in creating new jobs, increasing household incomes, and reducing unemployment. Their flexibility, innovative capacity, and ability to adapt to changing market conditions make them an important component of modern economies. In Uzbekistan, government reforms aimed at supporting entrepreneurship, expanding self-employment, and improving the business environment have significantly strengthened the role of small businesses in the labor market. At the same time, international experience demonstrates that effective support for small and medium-sized enterprises (SMEs) contributes to sustainable employment, economic growth, and enhanced competitiveness. This study aims to examine the role of small and private enterprises in creating new jobs in Uzbekistan, analyze international experience, and identify measures to improve employment through the development of the small business sector.

Keywords. Small and private enterprises; Small and medium-sized enterprises (SMEs); Employment; Job creation; Labor market; Entrepreneurship; Economic growth; Uzbekistan.

The issue of creating new jobs has become increasingly important due to the surplus labor force employed in production under the conditions of Uzbekistan and its regions.

The surplus of employees, particularly in the agricultural sector, has reached a significant level. At first glance, this situation may appear to ease tensions in the labor market. However, its negative consequences outweigh its positive effects. The primary reason is that the employment of an excessive number of workers reduces labor productivity and limits the possibility of increasing wages. Moreover, it significantly decreases employees' sense of responsibility and motivation toward work.

The experience gained during the transformation of industrial and agricultural enterprises into cooperative entities demonstrates that reducing the surplus labor force and bringing the number of employees in line with normative staffing levels resulted in a 25–30% increase in wages.

At the same time, workforce reduction creates the challenge of providing employment opportunities for dismissed workers. Therefore, it is essential to facilitate their employment in small and private enterprises engaged in the processing of local raw materials and offering better wages and more favorable working conditions. In addition, these workers should be encouraged to participate in the service sector in rural areas**,** as well as in the development of social and market infrastructure**,** which would contribute to sustainable employment and regional economic development.

In recent years, small businesses and private entrepreneurship have become one of the primary sources of employment in Uzbekistan. **According to the** National Statistics Committee of the Republic of Uzbekistan**,** 74.5% of the employed population in the national economy was engaged in small business entities by the end of 2024**.** This indicator demonstrates the decisive role of small businesses in the country's labor market and highlights their significant contribution to increasing household incomes and creating new employment opportunities.

Employment growth in the small business sector has increasingly been driven by individual entrepreneurship, self-employment, family businesses, and microenterprises**.** Government initiatives

aimed at supporting self-employed individuals, simplifying the registration procedures for individual entrepreneurs, and promoting the development of microbusinesses have significantly expanded employment opportunities in this sector. According to the State Tax Committee of the Republic of Uzbekistan**,** as of January 1, 2025, there were 283,866 registered individual entrepreneurs operating across the country**.** The majority of them were engaged in retail trade, household services, handicrafts, and other service-related activities. These figures demonstrate the growing contribution of individual entrepreneurship to employment generation and the diversification of economic activity in Uzbekistan[1]. This confirms that the role of individual entrepreneurship in providing employment within the small business sector has been increasing year by year. Thus, employment growth in Uzbekistan is now primarily driven by the expansion of small businesses, microenterprises, family entrepreneurship, and individual entrepreneurial activities. This demonstrates that the government's policy of supporting small businesses plays a crucial role in ensuring the sustainable development of the labor market and improving the welfare of the population.

The remaining share of employment in the small and private business sector is represented by self-employment in dehkan (household) farms and individual entrepreneurial activities. In Uzbekistan, small and private businesses not only occupy a leading position in the country's gross domestic product (GDP) but also make a substantial contribution to improving household incomes and living standards, reducing unemployment, and creating employment opportunities, particularly in small towns and rural areas. In developed countries, special attention is devoted to expanding the network of small and private enterprises, as these businesses are widely recognized as key drivers of economic growth, innovation, and sustainable employment. Their experience demonstrates that strengthening the small business sector contributes to greater labor market flexibility, regional development, and improved social welfare. International experience demonstrates that small businesses play a decisive role in ensuring sustainable economic growth and employment generation. According to the Office of Advocacy of the U.S. Small Business Administration (SBA)**,** as of 2025, more than 36.2 million small businesses were operating in the United States**.** These enterprises employ approximately 46% of the private-sector workforce**,** highlighting their substantial contribution to national employment. Furthermore, during 2023–2024**,** small businesses accounted for approximately 90% of the net new jobs created in the United States. These statistics underscore the critical role of small businesses as the primary drivers of job creation, entrepreneurship, and economic resilience, particularly during periods of economic transformation"[2].

At the same time, small businesses also make a substantial contribution to the U.S. economy. According to official data for 2024, small businesses generate 43.5% of the country's Gross Domestic Product (GDP). Their high level of innovation, ability to respond rapidly to market demand, and strong capacity for job creation have made them one of the key drivers of economic growth.

This experience is also highly relevant for Uzbekistan. Strengthening legal and financial support for small businesses, improving the entrepreneurial environment, and expanding access to financial resources can significantly contribute to increasing employment, creating new jobs, and enhancing the competitiveness of the national economy.

The experience of industrially developed countries further demonstrates the growing importance of small and medium-sized enterprises (SMEs) in both national economies and international trade. For example, in Germany, small and medium-sized enterprises (the *Mittelstand*) account for more than 99% of all businesses and employ approximately 55% of the private-sector workforce. This highlights

[1] O‘zbekiston Respublikasi Soliq qo‘mitasi. 2025 yil 1 yanvar holatiga yakka tartibdagi tadbirkorlar to‘g‘risidagi statistik ma’lumotlar. – Toshkent, 2025.https://soliq.u

[2] New Advocacy Report Shows the Number of Small Businesses in the U.S. Exceeds 36 million. https://advocacy.sba.gov/2025/06/30/new-advocacy-report-shows.

the strategic role of SMEs in promoting sustainable economic development, increasing productivity, fostering innovation, and ensuring long-term employment growth"[3]. In addition, SMEs generate more than half of the country's value added and play a significant role in foreign trade. Their strong integration into domestic and international markets enables them to make a substantial contribution to export growth, industrial competitiveness, and sustainable economic development.

Similarly, small and medium-sized enterprises dominate the Italian economy, accounting for more than 99% of all enterprises in the country. SMEs play a particularly important role in Italy's export-oriented industries, including machinery manufacturing, furniture production, food processing, textiles, and the leather and footwear industries. Their substantial contribution to exports has strengthened Italy's international competitiveness and supported long-term economic growth"[4].

In Japan, small and medium-sized enterprises (SMEs) account for approximately 99.7% of all businesses and employ nearly 70% of the country's workforce. These enterprises play a vital role in industrial cooperation, innovation-driven manufacturing, and export supply chains. Their strong integration into production networks and continuous technological development has enabled them to make a significant contribution to Japan's economic growth, industrial competitiveness, and employment generation"[5].

According to the Organisation for Economic Co-operation and Development (OECD) and the European Commission, small and medium-sized enterprises (SMEs) constitute the majority of exporting firms in developed countries. "However, since export volumes vary depending on each country's industrial structure and export model, it is not scientifically appropriate to apply a single percentage indicator to all countries. Therefore, the contribution of SMEs to exports should be assessed in the context of each country's specific economic structure, industrial composition, and trade specialization."[6]. Consequently, contemporary studies focus less on the share of total exports generated by SMEs and more on their proportion among exporting enterprises and their integration into global value chains (GVCs).

International experience demonstrates that small and medium-sized enterprises (SMEs) are key drivers of sustainable economic development, employment generation, and innovation. According to the Organisation for Economic Co-operation and Development (OECD) and the European Commission**,** SMEs account for more than 99% of all enterprises in most developed countries and employ approximately 60–70% of the private-sector workforce. In addition, they generate 50–60% of the value added created in the private sector**,** highlighting their substantial contribution to economic growth, productivity, and competitiveness."[7].

«In Germany, small and medium-sized enterprises (SMEs), commonly referred to as the Mittelstand, account for more than 99% of all businesses in the country. They employ approximately 55% of the private-sector workforce and generate more than half of the value added created in the national economy. These enterprises constitute the backbone of Germany's industrial sector and make a significant contribution to innovation, export competitiveness, and sustainable economic growth.»**[8].** These enterprises play a particularly important role in industrial cooperation, high-technology manufacturing, and enhancing export capacity. Similarly, small and medium-sized enterprises (SMEs) constitute the backbone of the Italian economy. According to the European Commission, 99.9% of all enterprises in Italy are SMEs, employing approximately 76% of the private-sector workforce. Their

[3] Germany Trade & Invest (GTAI). *The German Mittelstand*, 2024.
[4] European Commission. *Annual Report on European SMEs 2024/2025*. Brussels, 2025.
[5] Small and Medium Enterprise Agency, Japan. *2024 White Paper on Small and Medium Enterprises in Japan*, 2024.
[6] European Commission. *SME Performance Review*, 2024
[7] European Commission. Annual Report on European SMEs 2024/2025. Brussels, 2025
[8] Germany Trade & Invest (GTAI). The German Mittelstand, 2024.

contribution is particularly significant in key industries such as machinery manufacturing, furniture production, textiles, food processing, and design, where they play a central role in strengthening industrial competitiveness, export performance, and economic growth[9].

«In Japan, small and medium-sized enterprises (SMEs) account for 99.7% of all enterprises and employ approximately 68% of the country's workforce. In addition, they generate more than half of the value added produced by Japanese enterprises, making them a key contributor to the national economy. SMEs also play a pivotal role in industrial cooperation, innovation-driven manufacturing, and integrated production and supply chains, thereby strengthening Japan's industrial competitiveness and sustainable economic development»[10]. "Within the European Union, small and medium-sized enterprises (SMEs) represent the cornerstone of the economy. According to 2024 data, SMEs account for 99.8% of all enterprises in the European Union. This sector employs approximately 65% of the private-sector workforce and generates around 53% of the total value added created within the EU economy. These figures highlight the pivotal role of SMEs in promoting employment, fostering innovation, strengthening competitiveness, and supporting sustainable economic growth across the European Union»[11]. These indicators clearly demonstrate the strategic importance of small and medium-sized enterprises (SMEs) in promoting economic growth, generating employment, and enhancing national competitiveness.

The decisive role of SMEs in employment generation has been widely confirmed by international experience. According to the Organisation for Economic Co-operation and Development (OECD) and the European Commission, SMEs constitute the backbone of the economies of developed countries and employ approximately 60–70% of the private-sector workforce. Their substantial contribution to job creation, entrepreneurship, and innovation makes them an essential driver of sustainable economic development and labor market stability.

According to the U.S. Small Business Administration (SBA), more than 36.2 million small businesses were operating in the United States as of 2025. These enterprises employ approximately 46% of the private-sector workforce and account for the majority of newly created jobs in the country. Their strong capacity for job creation highlights the critical role of small businesses in promoting employment and sustaining economic growth.

Within the European Union, small and medium-sized enterprises (SMEs) account for 99.8% of all enterprises and employ approximately 65% of the private-sector workforce. In addition, this sector generates more than 53% of the total value added created within the European Union, demonstrating its substantial contribution to economic development, productivity, and competitiveness. In Japan, SMEs represent 99.7% of all enterprises and provide employment for nearly 68% of the country's workforce. They also play a vital role in strengthening industrial development, technological innovation, and export capacity, thereby contributing significantly to Japan's economic resilience and international competitiveness.

In Latin American countries, small and medium-sized businesses are also among the principal participants in the labor market. According to the World Bank and the Development Bank of Latin America and the Caribbean (CAF), SMEs account for an average of 60–70% of formal-sector employment across the region, while in some countries this share is even higher. These figures indicate that SMEs play a crucial role in expanding employment opportunities, supporting inclusive economic growth, and reducing unemployment. As noted above, in order to improve the assessment of labor market conditions and enhance the methodology for estimating employment levels, the Cabinet of

[9] Germany Trade & Invest (GTAI). The German Mittelstand, 2024.
[10] Small and Medium Enterprise Agency (Japan). 2024 White Paper on Small and Medium Enterprises in Japan. Tokyo, 2024.
[11] OECD. SME and Entrepreneurship Outlook 2024. Paris: OECD Publishing, 2024.

Ministers of the Republic of Uzbekistan adopted Resolution No. 42 in 2002, introducing a methodology for compiling the labor resources balance and identifying the population in need of employment. In subsequent years, significant structural changes in the labor market, the rapid development of the digital economy, and reforms aimed at strengthening the social protection system led to a comprehensive modernization of the legal and institutional framework governing employment policy and labor market regulation.

In particular, the Law of the Republic of Uzbekistan "On Employment of the Population," adopted in 2020, together with subsequent regulatory and legal acts, established modern mechanisms for labor market monitoring, employment promotion, and the reduction of informal employment. In recent years, reducing informal employment and formalizing labor relations have become among the government's key policy priorities.

According to the International Labour Organization (ILO), as of 2025, informal employment accounted for approximately 40% of total employment in Uzbekistan. In response, the government has implemented comprehensive measures aimed at formalizing employment relationships, registering self-employed individuals, expanding digital labor market services, and broadening social insurance coverage.

At present, Uzbekistan is actively implementing a range of employment initiatives, including the "Mahallabay" (neighborhood-based) employment system, the electronic employment record book, the Unified National Labor System (YNLS) digital platform, simplified registration procedures for self-employed individuals, and vocational education, training, and retraining programs. These measures are intended to increase labor market participation, reduce the share of informal employment, and create sustainable employment opportunities. At the same time, new programs have been introduced to regulate labor migration, enhance the domestic and international mobility of labor resources, and promote decent employment opportunities for the population.

These policy measures have also helped to temporarily maintain unemployment at a manageable level across different regions of the country. According to recent labor market assessments, approximately 500,000 people in Uzbekistan are currently in need of employment, representing around 4% of the economically active population. This situation underscores the need for more proactive and coordinated efforts by the government, local authorities, and public organizations to improve labor market outcomes and expand sustainable employment opportunities.

Therefore, ensuring a balance between labor demand and labor supply through the creation of new jobs has become one of the key priorities of the current stage of economic development. Without the creation of permanent, well-paid jobs that provide favorable working conditions, the establishment of small enterprises engaged in the processing of local raw materials, and the expansion of the service sector and market infrastructure, it will be difficult to improve living standards or secure sufficient financial resources to effectively address social protection challenges. From the perspective of economic development, labor market equilibrium is also essential for resolving fiscal and socio-economic issues at the local level, including increasing local budget revenues, strengthening the tax base, maintaining macroeconomic stability, supporting low-income households, financing social benefits, and ensuring the sustainability of pension systems.

In this context, the allocation of investment resources for the creation of new jobs is of particular importance. Investments and financial flows not only stimulate the development of the sectors in which they are directly invested but also generate positive spillover effects across related industries. At present, investment is concentrated primarily in urban areas, where capital tends to yield faster returns and investment risks are relatively lower. However, greater attention should be paid to channeling investment through microcredit schemes to small-scale producers and family businesses, particularly in rural areas.

Family entrepreneurship has the potential to address both employment and household income challenges simultaneously. Therefore, establishing a collateral-free microcredit mechanism for family businesses, backed by local self-government institutions, has become an increasingly important policy priority. Such a mechanism would improve access to finance for aspiring entrepreneurs while stimulating local economic development and employment generation.

International experience further supports this approach. For example, in India and Egypt, approximately 70% of those employed in the small and private business sector are engaged in family entrepreneurship. This demonstrates the significant role of family businesses in promoting self-employment, expanding income-generating opportunities, and supporting inclusive and sustainable economic development.

Another important challenge in balancing labor demand and supply is ensuring that job seekers enter the labor market with skills and qualifications that correspond to current market needs. Individuals with insufficient qualifications inevitably face limited employment opportunities. At the same time, the labor market should not become oversaturated with specialists in a single profession, as this leads to an oversupply of qualified workers and increases structural unemployment. Therefore, regulating the supply of skilled labor and training specialists in accordance with labor market demand depends largely on the effectiveness of the national education and vocational training system. In Uzbekistan, the National Program for Personnel Training was introduced precisely to address these challenges by aligning human capital development with the needs of the economy.

In this regard, it is essential to identify the demand for specialists in each region while taking into account the specific characteristics and development prospects of local economies. Under the ongoing process of economic liberalization, sustainable economic growth increasingly depends on the ability to anticipate the demand for particular occupations and professional skills in the short, medium, and long term. This issue is especially important for the development of small and medium-sized enterprises (SMEs), which require a flexible and highly skilled workforce. Accordingly, policymakers must possess reliable information regarding occupations facing labor shortages as well as those in which specialists are being trained in excess of market demand. Training specialists whose qualifications are not aligned with labor market needs represents an inefficient allocation of human and financial resources and reduces the overall efficiency and competitiveness of the economy.

Another key instrument for improving labor market efficiency is the price of labor, namely the level of wages offered for employment. If wages remain low or are not paid on time, many qualified specialists are encouraged to seek employment in other sectors or migrate to different regions or countries in search of better opportunities. This is one of the principal reasons for the current shortage of highly qualified professionals in several strategically important occupations. Therefore, improving wage levels and ensuring timely remuneration are essential prerequisites for attracting and retaining skilled labor and enhancing the effectiveness of labor market policies.

In conclusion, it should be emphasized that the New Uzbekistan «Development Strategy sets out a number of strategic priorities aimed at accelerating the country's socio-economic development over the next five years. Particular emphasis is placed on strengthening support for entrepreneurship, continuing reforms to improve the business environment and develop modern infrastructure, reducing poverty by half, and promoting the sustainable development of regions and the agricultural sector». These priorities represent a logical continuation of the reforms implemented under the Action Strategy and the Development Strategy, laying the foundation for a new stage of economic transformation. Their successful implementation is expected to enhance national competitiveness, expand employment opportunities, improve living standards, and ensure the long-term economic prosperity of Uzbekistan.

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