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THE RELATIONSHIP BETWEEN THE EFFICIENCY OF LABOR RESOURCE
UTILIZATION AND UNEMPLOYMENT INDICATORS.

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Abstract. This article illuminates the concept of unemployment, its historical formation process, and its economic substance. Methods for measuring the unemployment rate are discussed, and the relationship between unemployment and economic growth is analyzed based on Okun's law. Furthermore, based on data from the International Labour Organization, the unemployment rate for the world and its regions, as well as the state of the labor market in the Republic of Uzbekistan for 2023–2025, are analytically presented.

Keywords: Unemployment, economic analysis, employment rate, labor market, Okun's law, economy of Uzbekistan.

Introduction. Unemployment is the state of individuals of working age (from 15 to 65 years old) who are willing to work but do not have a job or source of income. In modern economics, unemployment is one of the important indicators of economic stability, directly affecting the state's social policy, production volume, and the standard of living of the population. The problem of unemployment exists in every country, and various economic and political measures are applied to manage it.

The concept of unemployment emerged in human history in connection with the development of production, the division of labor, and the formation of economic systems. In ancient and medieval societies, all able-bodied people were engaged in some form of labor—agriculture, animal husbandry, or craftsmanship. Therefore, the term "unemployment" did not exist in those times. The Industrial Revolution, which began in Europe in the 18th-19th centuries, laid the groundwork for the emergence of the concept of unemployment. During this period, technological progress and the introduction of machines partially displaced human labor. As a result, many workers were laid off from factories and plants, and an imbalance arose between labor market demand and supply. It was this process that gave rise to the economic phenomenon of "unemployment." By the mid-19th century, economists began to analyze this problem in depth. Classical economists—Adam Smith, David Ricardo, and later Karl Marx—studied the relationship between the labor market, capital, means of production, and employment. Karl Marx introduced the concept of the "reserve army of labour," scientifically substantiating that unemployment is a permanent feature under the capitalist system. In the early 20th century, the English economist John Maynard Keynes made "unemployment" a central problem of economic policy. In his 1936 work, "The General Theory of Employment, Interest and Money," he proved that if the state does not intervene in the economy, unemployment will remain permanently high due to a lack of demand. Since then, unemployment has been



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regarded not only as a social but also as an important indicator affecting the stability of the economic system.

Okun's law is used by economists to determine the relationship between the unemployment rate and economic growth. Okun's law shows that there is a close relationship between a country's Gross Domestic Product (GDP) and the unemployment rate. A 3% decrease in GDP from its potential level leads to a 1% increase in the unemployment rate due to underutilization of the workforce and a lack of jobs. Conversely, a 3% increase in GDP from its potential level reduces the unemployment rate by 1%.

This relationship indicates that the quantity of labor and the level of employment are directly linked to the production process in the economy. If GDP increases, labor force participation, working hours, and labor productivity rise, resulting in a decrease in unemployment. At the same time, the relationship between GDP and unemployment varies by country. For example, in countries with less flexible labor markets, such as France and Germany, the same 1% change in GDP has a smaller impact on the unemployment rate compared to the United States.

Okun's law is more often accepted as a statistical correlation. The relationship between GDP and unemployment can be unstable at times because other factors also affect production. Nevertheless, over the long term, this law is useful for analyzing economic activity and making policy decisions. In general, a 1% change in the unemployment rate usually leads to a 2–3% change in GDP, which shows that the country's economy is directly linked to production and employment. For this reason, Okun's law is considered an important tool for understanding the relationship between unemployment and the economy.

Unemployment is one of the main problems of macroeconomics, and economists have analyzed it through various theories. Adam Smith, in his work, focuses on the natural equilibrium between the labor force and the market mechanism. He argues that if the labor force corresponds to demand, resources, including labor, are distributed most efficiently through the "invisible hand" of the market, and temporary unemployment resolves itself. At the same time, John Maynard Keynes emphasizes that production and employment must be stimulated not only by market mechanisms but also through the state's fiscal policy and investments. According to Keynes's theory, if demand is insufficient, the labor force remains idle, and unemployment can become permanent. Therefore, state intervention is considered necessary. In the Shapiro-Stiglitz efficiency wage model, the relationship between worker efficiency and wages is analyzed. Firms pay wages above the market-clearing level to prevent workers from shirking, resulting in a certain level of structural unemployment being maintained in the economy. These theories generally show that unemployment is not just a phenomenon of being unable to find a job, but is considered an economic process directly related to production, demand, wages, and worker efficiency.

Unemployment is one of the main problems of macroeconomics, and the unemployment rate, as a key indicator expressing the percentage of the working-age population that cannot find a job, is of great importance. This indicator is widely used to



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assess the state of a country's labor market, the level of economic activity, and the effectiveness of the state's employment policy. The unemployment rate is determined by the percentage share of individuals who cannot find a job out of the total economically active population. In the calculation, only those who want to work, are actively seeking a job, and are ready to start working are considered. According to the criteria of the International Labour Organization (ILO), unemployed individuals are recognized as those who are currently not working, are actively seeking a job, and are ready to start working in the near future. Based on this, the unemployment rate is determined by the following formula.

$$\text{Unemployment Rate} = \frac{\text{Number of Unemployed}}{\text{Total Economically Active Population}} \times 100$$

According to the International Labour Organization's (ILO) report titled "Global Employment and Social Outlook: Trends 2023," the global unemployment rate has been slowly rising in recent years. According to the organization's data, at the end of 2022, the number of unemployed people in the world was 205.2 million. This is 11.2 million more than in 2021, but 30 million less than in 2020, when the pandemic began. Nevertheless, this figure is 13.3 million higher than in the pre-pandemic period of 2019. According to ILO forecasts, the number of unemployed people in the world will increase by another 3 million in 2023 to 208.2 million, and to 210.9 million in 2024. While the global unemployment rate was 5.8% in 2022, this is a lower result than the 6.2% in 2021 and 6.9% in 2020. At the same time, this indicator remains higher than the 5.5% level of 2019. The organization predicts that the global unemployment rate will stabilize at around 5.8% in 2023–2024.

Regional Analysis According to ILO data, the lowest unemployment rate was recorded in the Asia-Pacific region, where it stood at 5.2%. In 2023–2024, this indicator is expected to decrease to 5.1%. In the countries of Latin America and the Caribbean, the unemployment rate is 7.0%, In North America (USA and Canada) - 3.8%, In Europe and Central Asia - 6.1%, And in Africa - 7.1%. The highest unemployment rate was recorded in the Arab countries—this figure is 9.3%. The highest unemployment rates in the world are observed in Eswatini (34.4%), South Africa (33.2%), Djibouti (25.9%), Botswana (23.1%), and Gabon (20.1%). The lowest rates are recorded in Qatar (0.1%), Cambodia (0.3%), and Niger (0.4%).

Table 1: Unemployment Rate by Region (According to ILO Data)

| REGION | UNEMPLOYMENT RATE (%) | FORECAST FOR 2023-2024 (%) |
|---------------------------------|-----------------------|----------------------------|
| Asia-Pacific region | 5.2 | 5.1 |
| Latin America and the Caribbean | 7.0 | - |
| North America (USA and Canada) | 3.8 | - |
| Europe and Central Asia | 6.1 | - |

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| | | |
|-----------------------|-----|---|
| Africa | 7.1 | - |
| Arab countries | 9.3 | - |

This table shows the current unemployment rates for world regions and the forecast for the Asia-Pacific region.

Table 2: Countries with the Highest and Lowest Unemployment Rates

| COUNTRY | UNEMPLOYMENT RATE (%) |
|----------------------------------|-----------------------|
| Highest Unemployment Rate | |
| Eswatini | 34.4 |
| South Africa | 33.2 |
| Djibouti | 25.9 |
| Botswana | 23.1 |
| Gabon | 20.1 |
| Lowest Unemployment Rate | |
| Qatar | 0.1 |
| Cambodia | 0.3 |
| Niger | 0.4 |

This table lists the individual countries with the highest and lowest unemployment rates in the world.

Additional Global Indicators. The ILO report presents the state of the world labor market with the following figures: 165 million people do not earn a sufficient wage for their work; 120 million people are not officially registered as unemployed but are, in fact, not working; In total, the crisis in the labor market affects 470 million people; 630 million workers (i.e., one in five) are living in conditions of poverty; The number of unemployed young people aged 15–24 is 267 million.

In the first half of 2025, Uzbekistan's labor resources amounted to 20.3 million people. Of these, the economically active population was 15.4 million people, and the economically inactive population was 4.9 million people. Of the economically active population, 14.6 million are employed, of which 8 million are in formal jobs, 4.8 million are informal workers, and 1.8 million are working abroad. At the same time, 781,600 people of the economically active population are in need of employment and are considered unemployed.

Table 3: Composition of Labor Resources (First Half of 2025)

| CATEGORY | NUMBER OF PEOPLE (MILLIONS) |
|------------------------------|-----------------------------|
| Total Labor Resources | 20.3 |

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| | |
|---|-------|
| | |
| Economically Active Population | 15.4 |
| Employed | 14.6 |
| Formal Jobs | 8.0 |
| Informal Workers | 4.8 |
| Working Abroad | 1.8 |
| Unemployed | 0.78* |
| Economically Inactive Population | 4.9 |
| *781,600 people | |

This table provides a hierarchical overview of Uzbekistan's total labor resources and how they are categorized.

The economically inactive population consists of 4.9 million people, the main part of which is young people receiving education (2 million people, 41%) and women caring for children under 2 years of age (2.2 million people, 44%). Additionally, 0.8 million people are individuals who are not immediately ready to work or have no desire to work. These indicators provide a complete picture of the composition of the labor market and the main reasons for economic inactivity. According to statistics for the last three years, the unemployment rate in Uzbekistan is characterized by a significant decrease. While on July 1, 2023, the unemployment rate was 8.1%, on July 1, 2024, it fell to 5.8%, on January 1, 2025, to 5.5%, and on July 1, 2025, to 5.1%. This trend of increase and decrease is explained by the growth in formal jobs and the reduction in informal employment. A 19% increase in formal jobs and a 13.6% decrease in the informal workforce indicate the formalization of the labor market and the stable growth of the economy. Uzbekistan's data for the first half of 2025 shows that formal employment has increased, informal employment has decreased, and the majority of the economically active population ready for work has found its place in the labor market. At the same time, young people and women with family responsibilities make up the majority of the economically inactive population, which indicates the demographic stability of the labor market. Ultimately, the decrease in the unemployment rate to 5.1% confirms the presence of a positive trend in the country's labor market and the effective implementation of employment policy.

Table 4: Unemployment Rate Trend (2023-2025)

| DATE | UNEMPLOYMENT RATE (%) |
|--------------|-----------------------|
| July 1, 2023 | 8.1% |

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| | |
|-----------------|------|
| July 1, 2024 | 5.8% |
| January 1, 2025 | 5.5% |
| July 1, 2025 | 5.1% |

This table shows the significant decrease in Uzbekistan's unemployment rate over the last three years.

Conclusion. This analysis demonstrates that unemployment is a complex and historically rooted economic phenomenon with profound implications for social stability and national prosperity. From its emergence during the Industrial Revolution to its examination through key economic theories like Okun's Law and Keynesian principles, its intricate link with economic growth is undeniable. The global data from the International Labour Organization confirms that unemployment remains a significant worldwide challenge, with considerable disparities across different regions.

However, the specific case study of Uzbekistan's labor market between 2023 and 2025 offers a compelling narrative of positive change. The remarkable decline in the unemployment rate from 8.1% to 5.1% signifies the success of the nation's policies aimed at economic reform and job creation. This progress is largely driven by the formalization of the economy, evidenced by the growth in official employment and the reduction of the informal sector. Ultimately, while unemployment continues to be a critical global issue, the Uzbekistan example illustrates that with strategic intervention and sustained economic growth, it is possible to achieve tangible improvements, fostering a more stable and prosperous labor market for the future.

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