



A MECHANISM FOR REDUCING POVERTY BY INCREASING EMPLOYMENT

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Abstract

This study examines the mechanism for reducing poverty through the expansion of employment opportunities. It focuses on the role of inclusive labor market policies, entrepreneurship development, small business support, and human capital investment as key drivers of sustainable income generation. By promoting self-employment, facilitating the transition from informal to formal economic activity, and encouraging the creation of decent jobs, employment growth becomes a central instrument for poverty reduction. The proposed mechanism integrates institutional reforms, financial inclusion, skills development, and regional economic specialization to enhance labor market participation, productivity, and income stability. The findings highlight that increasing employment not only improves individual welfare but also contributes to long-term socio-economic stability and sustainable development.

Keywords: Poverty reduction, employment growth, labor market, entrepreneurship, small business, self-employment, human capital, income sustainability, socio-economic development, regional development, institutional reforms, sustainable development.

Introduction

The poverty reduction mechanism through employment is based on transforming the labor force into a source of stable income. It includes job creation, retraining, and support for entrepreneurship, which improves the population's well-being, reduces dependence on benefits, and stimulates economic growth, ensuring increased household incomes.

The poverty line is the income level considered acceptable in a given country. The official or common understanding of the poverty line is significantly higher in developed countries (with an HDI greater than 0.700) than in developing countries. It is the percentage of the population living on less than \$1.25 per day.





Key components of the mechanism:

Creation of productive employment: The state stimulates the creation of jobs in high-value-added industries, which improves quality of life and reduces poverty.

Training and retraining: Developing programs to teach unemployed people new skills that meet market needs helps increase their competitiveness.

Entrepreneurship support: Assistance in starting a business, providing microloans and grants, enabling people to generate their own income.

Structural reforms: Modernizing the economy, developing infrastructure, and attracting investment increase labor demand.

One of the most important conditions for economic development is ensuring employment for the population and reducing poverty. In particular, engaging the unemployed and low-income segments of the population in economic activity has become one of the priority directions of socio-economic policy. Developing human resources, reforming the labor market, and introducing modern forms of employment are among the key tasks today in designing measures to reduce poverty. Starting from 2025, it is planned to increase annually by 10 percent the number of mahallas specialized in relevant sectors and industries of the economy through the involvement of leading entrepreneurs; and to implement measures to gradually transform 50,000 self-employed citizens each year into small business entities.

Many families find themselves trapped in poverty due to low wages and job insecurity. If only one parent is employed, escaping poverty may be impossible due to a lack of income.

Entrepreneurship, in this process, emerges as one of the most effective mechanisms, playing a crucial role in creating sustainable sources of income for the population, expanding opportunities for self-employment, and generating new jobs. Small business plays an important role in ensuring sustainable economic development, creating jobs, increasing employment, and reducing unemployment. The purpose of this study is to examine the impact of small business development on employment in the regional labor market. This article explores the role of small business in ensuring the efficient use of the region's labor force.

In 2025, Uzbekistan achieved one of the most significant reductions in poverty in recent years. According to the National Statistics Committee and the World Bank, the poverty rate in the country fell from 8.9% in 2024 to 5.8% in 2025.

The five targets include: eradicating extreme poverty; halving poverty; implementing social protection systems; ensuring equal rights to property, basic services, technology, and economic resources; and building resilience to environmental, economic, and social disasters.





Attracting poor and unemployed citizens to entrepreneurship not only solves economic problems, but also ensures social stability, reduces social dependence, and develops human capital.

Some factors influencing employment levels in the context of economic change:

-Demographic:

-Natural and climatic:

-Economic:

-Social:

-Organizational:

-Legal:

-Structural changes in the economy.

Main Part

One of the negative consequences of poverty for any country is the stifling of human development, when a lack of funds for healthcare and education prevents a significant number of citizens from fully realizing their economic and social potential. This hinders the qualitative improvement of the country's productive forces and the economic activity of the population.

Over the course of the year, fruitful practical work was carried out to provide employment and vocational training to low-income and unemployed individuals. Specifically, to ensure permanent employment for this category of citizens through training (with a choice of 30 types of professional activities in demand on the labor market), 68 institutions, 15 "Ishga Markhamat" single-centers, and 53 vocational training centers were established in the republic, with a combined capacity to reach 70,000 unemployed individuals.

Measures to reduce poverty and unemployment through the implementation of small and medium-sized projects in mahallas are presented, including the development of infrastructure in border and enclave areas, the creation of 24-hour streets, tourist mahallas, industrial micro-centers, and the development of coastal and road infrastructure.

The involvement of poor and unemployed individuals in entrepreneurship is limited by a number of barriers: lack of start-up capital, lack of knowledge and skills, and psychological fear of risk. Additional barriers include high taxes, bureaucracy, difficulties in obtaining credit, and economic uncertainty.

The involvement of poor and unemployed citizens in entrepreneurship is constrained by a number of barriers, including the lack of start-up capital, insufficient knowledge and experience, excessive bureaucracy, and psychological fear of risk. The main





challenges include a high tax burden, lack of collateral for loans, absence of clear business plans, and shortage of qualified personnel.

-Financial barriers: Inability to obtain bank loans due to the absence of personal savings, lack of collateral, or a low credit rating.

-Social and psychological factors: Fear of failure, lack of self-confidence, low motivation, and the absence of an entrepreneurial culture and experience.

-Professional and educational constraints: Lack of managerial skills and insufficient knowledge of marketing, finance, and legislation.

-Administrative and economic barriers: Difficulties in business registration, high tax burden, unclear procedures, and in some cases, corruption.

-Infrastructure problems: Limited access in regions to information, training programs, and mentoring support.

Poverty is not limited only to income deprivation; it is also characterized by limited access to education, healthcare, and opportunities to enter the labor market. Unemployment, in turn, leads to the underutilization of human capital potential, social passivity, and a decline in economic efficiency. From this perspective, these two problems are interrelated and require a комплекс approach to be effectively addressed.

Social Darwinists such as Adam Smith, Thomas Malthus, Henry Spencer, and David Ricardo saw the cause of poverty in humanity's very existence. Malthus's law of progression reflects the dependence of poverty on excessive population growth. He believed that as population growth increases, the goods of life will become increasingly scarce, inevitably leading to the impoverishment of a portion of the population.

The thinker identified natural causes such as famine, epidemics, and war as mechanisms for regulating population size.

Malthus blamed the state for the generation of poverty and misery, which supports the reproduction of the poor.

Global and regional data on poverty and unemployment highlight the importance of comprehensive macroeconomic and social policies to address these issues. Statistics show that economic growth combined with active social policies can significantly reduce poverty and increase employment. This requires improving the quality of education, developing retraining programs, and investing in small and medium-sized businesses. Effective macroeconomic strategies, such as infrastructure support and sustainable growth, will help overcome current challenges.

D. Ricardo explained the cause of poverty through the distribution of the wage fund. Wages, by determining the population's income, influence the number of workers.





An increase in their number contributes to the impoverishment of the population, while a falling birth rate, conversely, leads to an improvement in well-being due to a reduction in the number of workers.

J. Proudhon saw the expansion of production and consumption as the cause of poverty. The thinker laid the foundation for measuring poverty based on basic needs. Our country's policy is aimed at introducing effective labor market mechanisms, increasing the economic activity of the population, and training poor and unemployed citizens in modern vocational and entrepreneurial skills. On this basis, they are involved in labor and entrepreneurial activities that generate stable income, ensuring their employment and facilitating their transition out of poverty.

Entrepreneurial activity serves as an effective tool in solving these problems, as it transforms citizens into economically active agents, increases social participation, and creates independent sources of income.

Small business is an independent sector of the economy that produces specific goods (performs work, provides services), relies on personal labor, private and individual property, and limited resources, while at the same time possessing significant innovative potential.

The main causes of poverty are:

Demographic – single-parent households with a large number of dependents; Educational – low levels of education, insufficient vocational training; Political – military conflicts, forced migration.

Unemployment and underemployment are not only social and economic problems that can occur, but also hinder stable growth and development. Низкий уровень занятости и растущие экономические неравенства оказывают серьезное воздействие на социальную стабильность и эффективность макроэкономических стратегий. Важно понимать, как макроэкономические факторы, такие как инфляция, темпы роста экономики и государственные расходы, взаимодействуют с механизмом обеспечения занятости и сокращения бедности.

The share of small entrepreneurship in total employment in Andijan region is higher than the national average, which can be explained by the steady development of small business in the region and the creation of favorable conditions for the population to engage in entrepreneurial activity.

Small business contributes to the balanced development of the economy and the diversification of national production, as it represents an effective pathway for introducing innovations into mass production.



Education plays a decisive role in preparing poor and unemployed citizens for entrepreneurship. Short-term training courses, vocational retraining programs, financial literacy development, and the formation of business planning skills constitute the fundamental foundation of entrepreneurial activity.

The study shows that, due to its specific characteristics, small business is capable of addressing key employment challenges. To achieve sustainable employment in the region, it is necessary to develop small business through improving support infrastructure, simplifying tax legislation, introducing incentive mechanisms, and other supportive measures.

Business incubators, coworking centers, production workshops, service centers create a favorable environment for entrepreneurial activity. This reduces the risks of new business entities entering the market. Cooperation with experienced entrepreneurs, a business mentoring system, consulting services serve to reduce the mistakes of new entrepreneurs and ensure business stability.

The expansion and development of the small business sector in the economy and the creation of conditions for private entrepreneurship should be considered as important requirements for the successful development of the country, which, among other things, depends on the level of employment of the working-age population and the effective use of labor resources.

Attracting poor and unemployed citizens to entrepreneurship is an important factor in socio-economic development. This process serves not only to reduce the level of unemployment, but also to increase the economic activity of the population, develop human capital, and strengthen social stability.

The research findings show that for poverty alleviation through entrepreneurship to be effective, education, finance, infrastructure, and mentoring mechanisms must work together. This integrated approach can achieve sustainable socio-economic outcomes.

The cycle of poverty can be broken by: increasing the rate of growth of capital accumulation, raising the level of investment to 10% of GDP while simultaneously controlling population growth.

One of the best ways to reduce poverty in developing countries is education. Education can help break the cycle of poverty by providing people with the skills they need to earn higher incomes and lead successful lives. The power of education is well documented, and it has a transformative impact on people's lives.

Education development is a key long-term mechanism for combating poverty, ensuring income growth through vocational training, advanced skills development, and improved cognitive abilities. An effective strategy includes full preschool





coverage, tuition reimbursement, vocational training, and a combination of human capital investment and targeted social programs.

Key areas of education development to combat poverty:

Preschool education: Ensuring the early development of children from low-income families to prevent developmental delays and cognitive problems.

Availability of vocational training: Reimbursement of up to 80% of the costs of learning foreign languages and acquiring vocational skills, helping to break the cycle of poverty.

Equitable education: Particular attention is paid to returning children to school, especially girls, to stem the rising dropout rate.

Vocational training and retraining: Improving the quality of education with a focus on in-demand skills to eliminate the phenomenon of "working poverty."

The effectiveness of any measures and program strategies ultimately depends entirely on those who implement them. Resolving the country's poverty problem is impossible without attracting modern-minded people with the necessary knowledge and skills, as well as effective managers, to poor villages.

Improving the well-being of Uzbekistan's population is a strategically important objective that is being consistently addressed. However, in more recent periods, the fight against poverty has been consistently integrated into state economic policy and formalized as a national goal, taking into account the development and implementation of strategic programs and development plans for Uzbekistan.

In recent decades, China has successfully addressed the specific challenges facing Uzbekistan today, including improving living standards, reducing unemployment, encouraging entrepreneurship, and raising incomes. This has further strengthened the Chinese economy, which ranked second in the world and is close to eliminating poverty in the country. Drawing on China's experience will allow Uzbekistan to more successfully achieve its goals in this area.

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