



THE NECESSITY OF ASSESSING THE LEVEL OF PRODUCTIVE EMPLOYMENT DEFICIT IN REDUCING POVERTY

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Abstract. *This scientific article presents evidence-based proposals and recommendations aimed at reducing poverty and increasing the level of productive employment of the population, grounded in the recommendations of the International Labour Organization (ILO) for identifying, recording, and systematically analyzing individuals within the employed population who fall within the scope of poverty.*

Keywords: *International Labour Organization (ILO), productive employment, labor productivity-based employment, efficient employment, working poverty, unemployment, productive employment deficit.*

Reducing poverty, lowering unemployment, and increasing labor incomes have become among the most pressing challenges facing every country today. This is evidenced by the fact that these issues continue to occupy a central place on the agendas of major international organizations such as the United Nations, the World Bank, and the International Labour Organization, as well as at numerous international congresses and symposia in recent years.

The International Labour Organization (ILO) is a specialized agency of the United Nations system, mandated to promote the principles of social justice, internationally recognized human rights, and fundamental rights at work.

Founded in 1919, the Organization became the first specialized agency of the United Nations system in 1946. A significant milestone in its development was the adoption of the Philadelphia Declaration in 1944, which defined its post-war aims and objectives and reaffirmed its fundamental principles, namely: labour is not a commodity; freedom of expression and freedom of association are essential to sustained progress; poverty anywhere constitutes a danger to prosperity everywhere; and all human beings, irrespective of race, creed, or sex, have the right to pursue their material well-being and spiritual development in conditions of freedom, dignity, economic security, and equal opportunity [1].

Poverty should be regarded as a destabilizing element of socio-economic development and must be eradicated in every country through sustainable and coordinated international efforts based on tripartism (workers, employers, and the state). At the same time, the International Labour Organization (ILO), for example, contributes by developing and adopting programs aimed at achieving full employment and raising living standards, as well as protecting the life and health of workers in all workplaces, among other objectives. This,



in turn, requires that the conditions of productive and efficiency-based employment be ensured in the labor market of every country.

The globalization of the economy has led to the need to consider the labor market as a new and specific socio-economic phenomenon. Studying the world of work in the modern global economy requires new approaches, the development of conceptual frameworks, and the resolution of emerging methodological challenges.

As noted by economist Sh. Qudbiyev [2], the global labor market represents a system of relations between buyers and sellers of labor power and market infrastructure institutions (government and local authorities, employment services, international organizations, recruitment agencies, and trade unions). Contemporary processes in the labor market determine the impact of employment and unemployment on economic outcomes and shape people's destinies. Therefore, taking into account the global development aspects of the world labor market, it should be emphasized that the labor market reflects the results of societal development.

In accordance with the laws of the labor market, economically active citizens of working age who enter the labor market—both subjectively and objectively, for various reasons—do not always find their place in employment.

In many countries around the world, there are two approaches to measuring unemployment. The first is based on the results of registration with public employment services. The second is based on regular labor force surveys, in which unemployment status is determined in accordance with the criteria of the International Labour Organization (ILO).

The data indicate that the officially registered and statistically estimated number of unemployed persons differs significantly. This discrepancy arises because the number of citizens formally recognized as unemployed by the competent authorities at their place of residence is substantially lower than the actual number of unemployed individuals, as many of them are not registered with public employment services.

Each country, drawing on both national and international experience, determines its own strategy and tactics for addressing employment and social protection challenges, while simultaneously improving the mechanisms for regulating the labor market.

In recent years, Uzbekistan has undertaken large-scale reforms aimed at actively promoting employment among citizens and strengthening incentives for self-employment. These measures have created the conditions for gradually shifting from unemployment benefits toward broader social assistance mechanisms, including material support and the creation of opportunities for individuals within the scope of poverty.

Although the concept of productive employment developed by the International Labour Organization (ILO) has a solid theoretical foundation, it has undergone significant transformation. It is increasingly recognized as a major policy objective, closely linked with workers' rights, international labor standards, social protection, and social dialogue as integral components of employment policy.



Moreover, productive employment has acquired a comprehensive meaning and has become an essential and indisputable form of employment to be pursued in every country. Its study constitutes one of the key tasks for scholars in the field of labor economics and the world of work.

According to the recommendations of the International Labour Organization (ILO), productive employment refers to employment that provides “sufficient returns to labor to permit workers and their dependents a level of consumption above the poverty line” [3].

Moreover, productive employment constitutes a decisive element that links economic growth with poverty reduction and, alongside social protection, serves as a primary instrument for alleviating poverty.

The problem may be partially addressed through the payment or increase of social benefits and financial assistance to citizens affected by poverty. However, such measures represent a one-sided approach and do not provide a comprehensive and sustainable solution to the issue.

Sustainable economic development requires directing employment toward modern sectors of the economy [4] and supporting it through measures that enhance the efficiency of each type of economic activity. This includes, for example, investment in technological upgrading, skills development, and at a minimum, the effective utilization of existing institutional capacities.

A. Lavopa and A. Szirmai, in analyzing the relationship between trajectories of structural modernization and countries’ prospects for escaping poverty, emphasized that merely increasing the share of modern sectors in the economy is insufficient to ensure sustainable growth. The process of technology absorption is essential for narrowing the technological gap [5]. Economic development and labor productivity are closely linked to countries’ knowledge capital and innovation capacity, as education—particularly higher education institutions—is regarded in many countries as a key driver of productivity and economic growth.

In the context of economic growth, systematic research on productive employment, the labor potential embedded in the economically active and unemployed population, and the specific features of working poverty has been conducted by scholars such as A. Karnani, E. Herman, M. Georgescu, R. Islam, A. Szirmai, A. Lavopa, M. Dekker, S. Beugelsdijk, J. Heyes, and R. Gammarano.

Sustained growth in gross domestic product (GDP) per capita, rising employment rates, the continuous reduction of poverty and income inequality, the stability of human development indicators, and comprehensive coverage of all population groups by basic social protection systems are intrinsically linked to a country’s economic growth and development [6].

It is particularly important to emphasize that production efficiency is regarded as the connecting link between economic growth and poverty reduction [7].



A report by the World Bank [8] highlights jobs as the foundation of economic and social development. Although effective employment and inclusive growth are widely promoted in development policy discourse, productive and efficiency-based employment in much of the Global South remains “more an aspiration than a reality” [9].

In our view, reducing poverty through ensuring employment for the population represents one of the most effective reforms any country can undertake.

Numerous scholars have studied poverty reduction through employment. For example, in the research of Professor A. Karnani of the University of Michigan, poverty reduction through employment requires three key factors: job creation, enhancement of employability, and improved efficiency of labor market functioning. These factors are described as follows [10]:

- The first factor operates on the demand side of the labor market by creating jobs that match the skills of the poor.
- The second factor relates to the supply side of the labor market and increases the employability of the poor through education and vocational training programs.
- The third factor concerns labor market functioning itself. Particularly in developing countries, labor markets face numerous challenges due to insufficient data for adequate analysis and limited labor mobility. Therefore, programs such as job-matching and placement services through labor market portals can enhance market efficiency and, consequently, increase employment.

Improving employment opportunities, employability, and labor market efficiency is certainly not a simple task with immediate solutions.

In countries with well-developed social protection systems, productive employment does not include the working poor but consists only of the unemployed. Both individuals who join the ranks of the unemployed and those employed persons who fall within the scope of poverty represent forms of unproductive employment. These phenomena, in turn, are shaped and potentially mitigated by prevailing economic conditions and institutional factors.

In their studies on employment and living standards, scholars such as E. Herman, R. Anker, I. Chernyshev, R. Egger, F. Mehran, and J. Ritter have identified productive employment as a driving force of broad-based and sustainable development [6; 11].

Researchers from the United Nations University—including A. Szirmai, M. Gebreyesus, F. Guadagno, and B. Verspagen—have suggested that productive and efficiency-based employment encompasses three key job-related dimensions: wages, employment stability, and working conditions [12].

Productive employment is accordingly understood as employment that ensures sufficient returns to labor to enable workers and their dependents to maintain a level of consumption above the poverty line.

Measuring productive employment helps to assess the extent to which growth in absolute income is significant in relation to poverty status. The indicator of productive



employment does not merely reflect a specific monetary value but rather captures changes in income relative to its initial level.

Researchers such as E. Herman, R. Islam, and A. Fosu have emphasized that the real challenge for national economies lies in their limited capacity to generate employment growth during the process of economic expansion [13; 14; 15]. Professor R. Islam further notes that this limited capacity to ensure employment growth indicates insufficient inclusiveness in economic growth and development processes [16].

Empirical research findings [6] demonstrate a positive bidirectional relationship between quality jobs and per capita income. Moreover, it has been emphasized that sustainable development cannot be achieved without decent and productive work [17]. Another crucial factor for sustainable economic development and improved living standards is the effective utilization of the potential of structural transformation to generate a large number of quality jobs [18]. Thus, the movement of workers from agriculture to the service sector—particularly toward high-productivity, skill-intensive services—requires the creation of jobs capable of generating productive employment.

Recognizing that economic growth is not automatically inclusive or sustainable, research by M. Škare and R. Družić highlights that the nature and quality of economic growth are essential determinants for job creation and poverty reduction [19].

The empirical findings of European scholar E. Herman and Professor R. Islam reveal a positive bidirectional relationship between quality jobs and per capita income [6; 14]. They emphasize that sustainable development cannot be achieved unless jobs are embedded in decent and productive work [17]. In this context, it is important to distinguish between the concepts of “labor” and “employment,” as they differ in their substantive meaning and analytical scope.

In their research, Dutch professors A. Lavopa and A. Szirmai analyze the relationship between trajectories of structural modernization and countries’ prospects for escaping poverty. They argue that merely expanding the size of the modern sector is insufficient to ensure sustainable growth, since narrowing the technological gap requires an active process of technology absorption [5].

It is also noted that economic development and labor productivity are closely linked to countries’ knowledge capital and innovation capacity [20]. In particular, a market economy stimulates the competitiveness of human capital, which plays a decisive role in productivity growth and structural transformation.

In E. Herman’s research, productive employment is identified as a driving force of broad-based and sustainable development [6]. While her studies strongly advocate for productive employment, they primarily associate it with economic growth, placing particular emphasis on increasing the level of productive employment.

Professor J. Heyes examines the main causes and mechanisms underlying the existence of working poverty. He highlights factors such as low wages, the individual characteristics and professional qualifications of wage earners, temporary and part-time employment,



household composition, and various adverse conditions within labor markets and social protection systems. These factors, in essence, manifest as a form of productive employment deficit [21]. This perspective underscores that working poverty constitutes an inherent indicator within the broader structure of the economy.

The emergence of situations in which individuals fall within the scope of poverty despite being employed can primarily be attributed to insufficient wage levels, unstable or inadequate labor income, and unsatisfactory working conditions. Conversely, poverty among the unemployed or economically inactive population is generally associated with limited access to appropriate employment opportunities and insufficient social protection coverage.

From the perspective of stakeholder interests, productivity-based employment is characterized by the existence of stable jobs that provide employees with adequate wages and decent working conditions. In the case of productive employment, however, not only must decent working conditions be ensured in a stable job, but wages must also be sufficient to maintain the worker and their dependents above the poverty line. Thus, productive employment implies a guaranteed income level that “sustains” consumption beyond the poverty threshold.

In defining productive and productivity-based employment, it is essential to proceed from the principles of effective employment and decent work. Based on this approach, the author proposes the following definition:

Effective employment is a qualitative characteristic of employment reflecting the alignment between the population’s demand for work and the availability of jobs. From an economic perspective, it implies the most rational utilization of labor resources; from a social perspective, it signifies that labor activity corresponds as closely as possible to human interests and well-being [21].

Our authorial definitions of productive employment and vulnerable employment are as follows:

Productive employment is an activity not prohibited by law, in which an individual utilizes his or her productive and creative labor capacities to generate guaranteed labor income sufficient to ensure a level of consumption for themselves and their dependents above the national poverty line.

Vulnerable employment is an activity not prohibited by law, in which an individual utilizes his or her productive and creative labor capacities but is unable to generate guaranteed labor income sufficient to ensure a level of consumption for themselves and their dependents above the national poverty line.

In the course of our recent research, it has been revealed that the low level of labor income and its “shadowing” (as a result of existing taxes and mandatory contributions) constrain the growth of social transfers, particularly by preventing pensions and benefits from being set at higher levels. This, in turn, contributes to the persistence of poverty within





the population, especially increasing the risk of economically inactive individuals falling within the scope of poverty.

The presence and persistence of working poor individuals within the population serve as a warning signal that the social functions of the labor market are undergoing transformation. Moreover, the existence of working poverty should prompt relevant ministries and agencies to take measures aimed at developing strategies that support all able-bodied citizens in accessing decent, productivity-based, and productive employment.

The implementation of the most effective social reforms aimed at comprehensively supporting public welfare requires strict adherence to targeting principles. Identifying the factors influencing productive employment and examining the nature of their manifestation is therefore of critical importance. At the same time, specialized empirical research is needed not only to identify but also to characterize the “root causes” of this negative socio-economic phenomenon.

International practice places particular emphasis on research focused on promoting full, productive, and decent employment as a central instrument for poverty reduction. Priority is given to studies aimed at reducing unemployment, increasing household incomes, improving quality of life, continuously enhancing labor productivity and efficiency, and ensuring that workers in newly created sustainable jobs are engaged in decent, productive, and efficiency-based employment.

Monitoring and systematically reducing the level of productive employment deficit constitutes an essential component of both international and national human development strategies.

Research conducted in Uzbekistan confirms that improving living standards and quality of life, as well as reducing poverty through increased employment, requires particular attention to self-employment, the development of small businesses and private entrepreneurship, and especially the expansion of family entrepreneurship.

Scientific studies demonstrate that, in the process of reducing poverty, it is particularly important to identify, record, and monitor individuals within the employed population who fall within the scope of poverty. These findings have also played a significant role in formulating the following conclusions and policy recommendations.

First, the presence of individuals within the employed population who fall under the scope of poverty negatively affects the effectiveness of poverty reduction measures implemented in the country. In this regard, the practical application in Uzbekistan of a “Methodology for Calculating the Productive Employment Deficit”—with due consideration given to persons engaged in household-based work, as well as economically inactive individuals receiving income from movable and immovable property—would enhance the effectiveness of anti-poverty reforms by preventing the employed population from falling into poverty.

Second, it is advisable to develop effective measures aimed at promoting decent, productive, and productivity-based employment that ensures income growth, encouraging



not only state involvement but also active participation from the private sector. Responsibility for poverty reduction should be shared among all stakeholders. In particular, the persistence of working poverty not only in the public sector but also in the private sector should prompt greater engagement from private actors.

Third, when estimating the number of employed individuals within the scope of poverty, it is appropriate to continuously consider the proportions of productive and productivity-based employment, effective employment, and poverty-affected employment within the national economy. The assumption that all employed individuals are free from poverty may be far from reality.

Fourth, to address productive employment deficit among economically active unemployed youth, it is advisable to enhance the effectiveness of expenditures directed toward vocational guidance, skills development, entrepreneurial training, and retraining in demanded professions. Furthermore, in order to ensure productivity-based employment for youth, a system of fixed-term and open-ended “voluntary employment” arrangements between employers and young people could be introduced. Traditional labor contracts may not always adequately prepare young people for professional practice, and employer requirements may not fully correspond to their qualifications.

Fifth, increasing population income, ensuring employment for youth and women, facilitating labor market entry for first-time graduates, and engaging vulnerable groups in economic activity depend primarily on productive employment as a decisive factor, while vulnerable employment can only provide limited support.

Sixth, mechanisms for identifying and monitoring employed individuals within the scope of poverty as part of the productive employment deficit should be further improved through the Information System of the “Unified Social Protection Register” and the interagency software and hardware complex “Unified National Labor System.”

Seventh, an effective and efficient system for promoting productive employment should be developed jointly by state, non-state, and informal institutions.

Eighth, within the prospective framework of productive and productivity-based employment in the labor market, the classification of labor resources should be revised in accordance with the principles of decent work and within the broader context of effective employment.

The above proposals and recommendations are aimed not only at reducing poverty but also at ensuring compliance with international recommendations, improving public welfare, alleviating demographic pressure on the working-age population, and strengthening the effectiveness of reforms directed toward sustainable economic growth.



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