International Labour Organization

Assessment of the impact of COVID-19 on the socio-economic situation in Uzbekistan: income, labour market and access to social protection

Overview of crisis measures and ways to improve state policy

CABINET OF MINISTERS
OF THE REPUBLIC OF UZBEKISTAN

UNITED NATIONS
UZBEKISTAN

JOINT SDG FUND

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September 2020

First published 2020

ISBN 9789220327395 (print) , 9789220327401 (web PDF)

Also available in Russian language: Оценка влияния COVID-19 на социально-экономическую ситуацию в Узбекистане (доходы, рынки труда и доступ к социальной защите): обзор антикризисных мер и направления дальнейшего совершенствования государственной политики (ISBN 9789220327418 (print), 9789220327425 (web PDF), Moscow, Russia: International Labour Organization, 2020.

The study was conducted within the framework of the United Nations Joint Programme on Strengthening Social Protection in Uzbekistan, sponsored by Joint SDG Fund.

Funding is provided by the United States Department of Labor under cooperative agreement # IL-26691-14-75-K-11. 21.78 per cent of the total costs of the project is financed with Federal funds, for a total of 2325 dollars. This material does not necessarily reflect the views or policies of the United States Department of Labor, nor does mention of trade names, commercial products, or organizations imply endorsement by the United States Government.

Printed in Russia

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▶ Acknowledgments and Disclaimer

This report was prepared by the joint team from the International Labour Organization (ILO) and national consultants from Republic of Uzbekistan, comprising Jasmina Papa and Azizkhon Khankhodjaev (ILO), Janna Fattakhova, leading national consultant economist and Sergey Chepel, econometric modelling specialist. Guidance was provided by Jasmina Papa (ILO).

This work would not have been possible without the support of the Ministry of Employment and Labour Relations of the Republic of Uzbekistan and Confederation of Employers of Uzbekistan and the cooperation and willingness of the Federation of Trade Unions of Uzbekistan to share their valuable experiences.

The study was conducted within the framework of the United Nations Joint Programme on Strengthening Social Protection in Uzbekistan. The UN Joint Programme, sponsored by Joint SDG Fund and implemented by the International Labour Organization (ILO), the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) jointly with the Government of Uzbekistan, aims to support the Government in building and delivering a high-quality social protection system that offers all citizens of Uzbekistan – in particular those at risk of being left behind – income security and social support throughout their lives.

This report was carried out with funding provided by the United States Department of Labor under cooperative agreement # IL-26691-14-75-K-11. 21.78 per cent of the total costs of the project are financed by federal funds, for a total of 2325 dollars.

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The views expressed herein are those of the authors.

▶ Introduction

In 2020 Uzbekistan, like most countries, faced severe shocks from the spread of the COVID-19 pandemic.

The first cases of COVID-19 appeared on 15 March. The spread of infection forced the government to impose quarantine (self-isolation), call a halt to internal and external transport links, and restrict work at enterprises. Despite those efforts, the epidemiological situation continues to put maximum strain on the health care system.

Uzbekistan next had to deal with the effects of the global crisis caused by the COVID-19 pandemic. Uzbekistan was not spared from those effects, which have taken the form of: a) reduced economic growth; b) increased fiscal deficit (from expenditures to support the economy and population together with increased costs of health care); c) increased current trade balance deficit (less income from exports and reduced remittances from abroad); d) a surge in unemployment, especially in small and micro businesses and the informal sector.

The government passed several packets of support measures. While the initial concern was about how and when to discontinue the quarantine, now the concern is how to allocate the growing economic losses caused by the crisis. The principle underlying governmental support evolved from taking an indirect form as *benefits and deferral* of taxes and payments and took on a somewhat direct form as *exemptions and forgiveness* of taxes and fees.

The purpose of this report is to assess the effects of the COVID-19 crisis on Uzbekistan's social and economic condition and on that basis to arrive at recommendations for additional governmental support focused on employment and the labour market.

The report consists of five sections and seven annexes.

The first section highlights the distinctive features of Uzbekistan's economic profile, demography and labour market. This section reflects the International Labour Organisation's (ILO) approach to an immediate diagnosis of the impact of COVID-19 that was articulated during the webinar of 30 April 2020 in which the ministries of employment, trade union federations and employers' associations from three Central Asian countries (Kazakhstan, Kyrgyzstan and Uzbekistan) took part.

The second section describes the direct and indirect impact of the global COVID-19 crisis on Uzbekistan.

The third section analyses the measures adopted since 19 March 2020 to mitigate the negative impact of COVID-19 in Uzbekistan.

The fourth section presents an assessment of risks to industries and sectors of the economy due to the COVID-19 crisis. The assessments **were arrived at separately for the formal and informal sectors of the economy**.

Analysis of the **formal sector** (governmental and non-governmental sectors including small and micro enterprises) employed an input-output method, which is currently one of the primary methods for economic analysis and prognosis. The drawback to this method is that it is difficult to apply it to small and micro companies because of limited statistics. Therefore, assessment of potential decline in small and micro businesses was arrived at through a flash survey which had 562 respondents (346[1] small enterprises and 216[2] micro enterprises) from all of the country's fourteen regions. The methodology of the survey and its questionnaire were developed by the Research Centre of the Ministry of Employment and Labour Relations (MELR) of the Republic of Uzbekistan with support from local experts at the ILO regional office (in Moscow). Small enterprises were canvassed by specialists from the Research Centre of the Ministry of Employment and Labour Relations. Micro enterprises were canvassed by the Chamber of Commerce and Industry.Analysing the **informal sector** (individual entrepreneurs and the self-employed) was especially difficult. Although the existence of a broad informal sector is one of the distinguishing features of Uzbekistan's socio-economic profile, there are no official statistics, as is the case in many countries. Analysis must therefore be based only on high-quality data from surveys. The methodology of the survey and its questionnaire were developed by the Research Centre of the Ministry of Employment and Labour Relations of the Republic of Uzbekistan with support from local experts at the ILO regional

1 Small enterprises were selected from the registry of legal entities of the State Committee on Statistics.

2 Micro enterprises were selected by the Chamber of Commerce and Industry of the Republic of Uzbekistan.

office. The survey included 407 respondents from all of the country's regions, of whom 302 were self-employed and 105 were individual entrepreneurs.

The survey encountered some obstacles. The first one concerned sampling. The State Tax Committee provided assistance in selecting individual entrepreneurs, but it was far more difficult to arrive at a sample of the informally employed. **The problem was to find people with an informal status.** That category might include: a) *vulnerable groups in the population* receiving social benefits; b) people engaged in *traditionally informal kinds of jobs* – drivers, domestic workers, etc.

There were also difficulties in conducting the survey itself. It was a telephone survey, and people who were already being canvassed would sometimes refuse to answer. As a result, there were several incomplete surveys for every complete one. The employees of the Research Centre of the Ministry of Employment and Labour Relations and those in charge at that Ministry all of whom carried out the survey in the midst of quarantine restrictions when the degree of alarm throughout society was at its peak deserve special thanks.

The fifth section contains recommendations for additional measures to mitigate the negative effects of COVID-19 on labour and employment.

This Report was prepared during April and May 2020.

▶ 1. Socio-economic profile of Uzbekistan[3]

1.1 Economy

Leading economic sectors. Three quarters of GDP are derived from agriculture, trade and transport. However, the leading sectors omit some others with good prospects for steady and inclusive growth (pharmaceuticals, electronics, tourism, research, etc.). This is an indicator of the *ineffectiveness of the structural transformations implemented prior to 2016*.

Sectoral composition of exports. Only two sectors among the top ten produce readymade goods (clothing and fabrics/textile items). These two sectors account for 8.8 per cent of exports, while the other eight raw material and extractive sectors (fruits and vegetables, gas, metals, fertilizers and other chemical products) make up 80 per cent. This economy's dependency on raw materials is compounded by its low degree of engagement with the global economy. Exports accounted for 13.7 per cent of GDP, while the average of exports stood at 45 per cent of GDP for developing countries that had economic and demographic indicators[4] comparable to Uzbekistan's in 2018.

At the same time, second place among the top ten exporters is occupied by transportation services. Vigorous development of transportation infrastructure (automotive, pipeline and aviation) has been a characteristic of the country's development over the last fifteen years, as it enables Uzbekistan to make full use of its substantial potential for transit.

Inflation. Along with export growth and other positive economic effects, the liberalization of the economy and of currency exchange that began in 2017 has also brought about a sharp rise in macroeconomic instability. This took the form of a simultaneous 50 per cent devaluation of the national currency (the som) and steeply increased inflation. Although inflation (adjusted by the GDP deflator) up until 2017 had been steadily decreasing and was not far from the global target (less than 10 per cent), during 2017 it increased rapidly and by 2018 reached 30 per cent.

Income structure. Total wages (accrued earnings of individual persons from wages)[5] accounted for less than 20 per cent of GDP, which is significantly less than global benchmarks (50 to 70 per cent). The preponderance of income (68 per cent) is from the service sector. Mineral extraction is a leading industry, for which average employee income is 2.5 times greater than the average across the entire economy. However, the low and still decreasing level of employment in that sector from 2017 to 2019 (2.7 and 1.9 per cent respectively) does not allow it to take up the slack in employment caused by quarantine.

Household consumption. Essential goods (food, transport, clothing, medicine) make up 83per cent of consumption. Many items are imports (for example, over 70 per cent of pharmaceutical consumption) which indicates that the populace is quite dependent on stable exchange rates for the national currency and on external economic factors which were the first to be adversely affected by COVID-19.

Resource efficiency. The country's energy consumption as a share of GDP exceeds the global average by 2 to 2.5 times. Figures for energy consumption expenditures[6] (per 1,000 som of value added) indicate that the most energy-intensive sectors are oil refining (at 1,220 som as compared to the average of 100 som across 78 industries and sectors of the economy), electricity production (554 som), fertilizers and other manufacture of chemicals (427 som), paper and paper products (367 som), coal mining (267 som), non-ferrous metals (206 som) and transportation (205). *Conservation of resources is a strategic priority for the country for the next decade.*

1.2 Demographics

Population. Uzbekistan has a positive annual population growth rate, although it has decreased somewhat between 1991 and 2018 (from 2.26 to 1.49 per cent).[7] As of 1 January 2019 the population was 33,254,100 persons, which is almost equal to the *UN's forecast for 2025* (34,203,000).[8]

3 Annex1 has a visual rendering of this section's information..

4 Out of more than 200 countries worldwide, there are 75 developing countries according to the World Bank's statistics (World Development Indicators [WDI]).

5 Source: State Committee on Statistics.

6 The total of intermediate consumption of production: coal; petroleum and gas; oil refining; electricity, gas and steam.

7 Source: https://countrymeters.info/ru/Uzbekistan.

8 UN report. World Population Ageing 1950-2050. UN, New York, 2002.

Age distribution. From 1991 to 2018 the working-age proportion of the population increased from 49.1 to 60–61 per cent, which indicates *substantial growth of the available workforce*. At the same time, the proportion of the population under sixteen years of age diminished from 43.1 to 30.3 per cent,[9] which shows a steady *increase in the aging of the population*.

Gender distribution. The population counts nearly 50 per cent male and 50 per cent female. In 2018 women comprised 48.2 per cent of the working-age population. This is comparable to the proportion of women who are employed (45.8 per cent).[10]

Urban and rural distribution. In 2018 the urban population was 49.5 per cent of the total. As urbanization accelerates, the urban population is expected to increase to 65–70 per cent.[11]

1.3 Employment and labour market

Age distribution of employment. Two youthful age groups (ranging from 18 to 39 years of age) account for 59 per cent of total employment. These age groups are concentrated mostly in the service sector (financial services, health care, social services, retail), which has suffered most severely during the quarantine restrictions (the service sector makes up over 35 per cent of GDP).

Formal and informal employment. *A high proportion of labour concentrated in the informal sector* is a distinguishing feature of Uzbekistan's current labour market. About 8 million persons or 58.6 per cent of the country's employment are in the informal sector.[12]

Unemployment. Unemployment (not including labour migration) stands at 9 per cent of the economically active population. Youth unemployment (between 16 and 30 years of age) is 15 per cent and for women is at 12.8 per cent.[13]

Labour migration. A substantial flow of labour migration is a *distinguishing feature of Uzbekistan's current labour market*. There are about 2.5 million labour migrants or roughly 19 per cent of total employment in the economy. Any massive repatriation of labour migrants would complicate the already strained labour market.

9 Source: calculated with date from the State Committee on Statistics.

10 Source: State Committee on Statistics.

11 Decree of the President of the Republic of Uzbekistan 'On measures to radically improve the urbanization process' No. 5623 dated 10 January 2019.

12 Source: A study conducted by the Research Centre for Employment and Occupational Safety of the Ministry of Employment and Labour Relations in December 2018. Available online at: http://old.mehnat.uz/upload/file/dlya_sayta_ btr_25_01_2018.pdf

13 Source: A study conducted by the Research Centre for Employment and Occupational Safety of the Ministry of Employment and Labour Relations in December 2019. Available online at: https://mehnat.uz/ru/news/uroven-bezraboticy-po-itogam-2019-goda-sostavil-9

▶ Table 1: Basic labour market indicators for Uzbekistan, 2018

Indicator	Value	Source
Total population	33,254,100	State Committee for Statistics
Work force:	18,829,600	State Committee for Statistics
consisting of:		
economically active population	14,641,658	Workforce composition, MLER, 2018
economically inactive population	4,187,942	Workforce composition, MLER, 2018
Employment	13,273,082	Workforce composition, MLER, 2018
Total unemployment	5,556,518	Calculated: 18,829,600 less 13,273,082
consisting of:		
unemployed seeking work	1,368,576	Calculated: 14,641,658 less 13,273,082
secondary school and other students of employable age	1,671,892	Workforce composition, MLER, 2018
labour migrants	2,378,779	Workforce composition, MLER, 2018
others (voluntarily unemployed, women on maternity leave and on leave to care for children under 2 years old, etc.)	137,271	Workforce composition, MLER, 2018
For reference: Total number of taxpayers	4,071,615	State Committee for Statistics
Unemployment		
unemployed seeking work	1,378,576	Workforce composition, MLER, 2018
Coverage by current programmes:		
Employed through employment programmes	255,539	2018, surveys by the MLER
Covered by community service jobs	355,869	2018, surveys by the MLER
At training and retraining centres	20,543	2018, surveys by the MLER
Recipients of unemployment benefits	14,477	2018, surveys by the MLER

Source: authors.

▶ 2. Ways in which the global COVID-19 crisis is affecting Uzbekistan

The spread of COVID-19 resulted in three shocks for Uzbekistan: loss of income for the employed because of self-isolation, reduced influx of remittances, and lower demand for exports. The first is the most difficult – the economy had not previously dealt with a crisis brought on by medical problems.

1. Direct effect: Mass cessation of work at enterprises and organizations (except for essential services) across the country due to restrictions on personal movement and economic activity (quarantine).

▶ Box 1: Chronology of quarantine restrictions in Uzbekistan.

The first case of COVID-19 was discovered on 15 March 2020. By 19 March a special commission with emergency powers had been created to prepare programmes for prevention of penetration and transmission of COVID-19. As of 16 March: 1) air and highway traffic from all countries was cut off; 2) an early break began at all educational institutions.

By 22 March all public transport was closed in Tashkent and subsequently in other cities (except for freight). All non-food stores and markets were shuttered. On 1 April self-isolation was introduced and made mandatory from 5 April). These restrictions did not apply to employees of state and public organizations during the performance of their duties. Everyone was required to wear a mask outdoors.

From 30 March to 20 April automobile trips were prohibited (except with a permit sticker). On 20 April the quarantine was extended through 10 May and then until 15 June. Beginning on 5 May, restrictions began to be gradually rolled back in various regions depending upon their epidemiological condition

Quarantine has had the following adverse socio-economic effects:

- *substantial losses due to shortfalls in the projected quantity of goods and services.* The Central Bank anticipates a decline in GDP growth for 2020 to 1.5 to 2.5 per cent[14] rather than the 5.5 per cent forecast by the Ministry of Finance during the preparation of the state budget for 2020;[15]
- *a large number of bankrupt companies, especially small businesses and private enterprises (see below the survey's results).* Because of their small size, those companies lack the reserves to support their employees. This results in a large number of people who need social protection;
- *a huge number of people who have lost their jobs and income in the informal sector (see below the survey's results),* because this category lives mostly on day-to-day earnings, an immense number of 'newly' unemployed people needing social protection have appeared;
- *a larger deficit in the state budget* from: a) *direct expenditures* for supporting the economy and the population; b) *less revenue* due to reduced tax receipts, insurance premiums, deferral of payment, and zero rates for customs duties and excise taxes, etc.

14 Source: Central Bank of Uzbekistan. Available online at: https://cbu.uz/upload/iblock/31e/Monetary_Policy_Report_2020Q1_Ru.pdf

15 Source available online at: https://kun.uz/ru/news/2019/11/01/minfin-prognoziruyet-rost-vvp-uzbekistana-v-2020-godu-na-urovne-55

2. Indirect effect: Decreased remittances due to deterioration of the financial condition in countries that have accommodated labour migration from Uzbekistan. Remittances accounted for over 10 per cent of GDP in the previous year.[16] Quarantine restrictions led to the following:

- *a lower average amount for remittances* because of reduced income and devaluation of the currencies in the accommodating countries (Russia and Kazakhstan);
- *fewer labour migrants* because they could not travel to jobs in the spring in the accommodating countries (Russia, Kazakhstan, etc.) due to prohibitions on entry and exit.

Remittances are particularly important for Uzbekistan because they have a substantial effect on:

- *domestic demand* as most families spend remittances on current consumption (of essentials) and on improving their standard of living;
- *the well-being of vulnerable groups*. The World Bank's study 'Listening to the Citizens of Uzbekistan' found that without remittances the poverty level in the country could increase by 16.8 per cent.[17] This makes it more difficult to find a way to combat poverty, which was declared a high priority for 2020 in a message from the President of Uzbekistan to the Parliament on 24 January 2019;
- *exchange rate*. Remittances (USD 6.01 billion in 2019)[18] almost entirely offset the trade deficit (USD 6.4 billion in 2019) and are an important factor of exchange rate stability;employment and social protection. Disruption of the flow and expectations for migration is putting substantial strain on the labour market and increasing demand for social protection.

3. Indirect effect: Decrease in foreign exchange earnings and investment due to reduced financial well-being in other countries. The negative consequences are:

- *worsening foreign trade balance.* The crisis negatively affected foreign economic activity, as in other countries restrictions began to be applied earlier. For the first quarter of 2020 the foreign trade balance amounted to almost negative USD 1.4 billion;[19]
- *reduced demand for exports from Uzbekistan due to poor growth prospects for the major trading partners.* Three countries (China, Russian Federation and Kazakhstan) account for nearly 42 per cent of Uzbekistan's exports.[20] In 2020 prospects for growth in those countries will be weak (1.2 per cent for China) and even negative (Russia's growth is expected to fall by 5.5 per cent and Kazakhstan's by 2.5 per cent);[21]
- *reduced imports into Uzbekistan.* About 40 per cent of imports consist of equipment, machinery and accessories used in building new capacity, reconstruction and technical re-equipment of enterprises as part of major investment initiatives. Delays in import deliveries will cause damage by: a) delaying projects; b) shifting repayment and interest payments on foreign loans;
- *reduced foreign investment and loans.* An impressive investment trend has been achieved in recent years. In 2019 investment in Uzbekistan came to 220.7 trillion som[22] (or 43.1 per cent of GDP). A third of it (32.3 per cent) was made possible by foreign investment and loans. Because of financial restrictions in them, the major foreign sources of investment and grants (China, Russia and Germany) will probably not be able to continue them. A financial deficit is evident in the global financial markets.

16 Uzbekistan's GDP in 2019 was USD 511.8 trillion or USD 58.3. Source: State Committee on Statistics. Available online at: https://stat.uz/ru/2-uncategorised/6693-makroekonomicheskie-pokazateli2

17 About 12 to 15 per cent of Uzbekistan's population are in poverty. Source: Remarks of the President of the Republic of Uzbekistan in a video conference on 27 February 2020. Available online at: https://cbu.uz/ru/publications/balance-of-payments/ index.php?sphrase_id=47.

18 Source: Central Bank, 'Balance of payments, international investment and external debt for the Republic of Uzbekistan in 2019'. Available online at: https://cbu.uz/ru/publications/balance-of-payments/index.php?sphrase_id=478

19 Source: State Committee on Statistics.

20 Source: Ministry of Investment and Foreign Trade of Uzbekistan. Available online at: https://nuz.uz/ekonomika-i-finansy/46076-minvneshtorg-uzbekistana-obnarodoval-itogi-vneshney-torgovli-za-2019-god.html

21 Source: IMF World Bank economic outlook. Available online at: https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020

22 Source: Ministry of Investment and Foreign Trade of Uzbekistan. Available online at: https://invest.gov.uz/ru/mediacenter/news/results-of-investment-activity-of-the-republic-of-uzbekistan-for-2019/

▶ 3. Survey of measures adopted by Uzbekistan to mitigate the effects of COVID-19

Six packages of support measures for the economy, businesses and the population were adopted by 20 May 2020.

1. First package: Decree of the President of the Republic of Uzbekistan 'On immediate measures to limit the adverse effects of the coronavirus pandemic and the global crisis on sectors of the economy' No. 5969 dated 19 March 2020. The measures are meant mostly to support financial and economic stability in industries and sectors of the economy. The Anti-crisis Fund (of 10 trillion som or about USD 1 billion) was created, and the Anti-crisis Commission under the Prime Minister of the Republic of Uzbekistan was called upon to urgently develop additional anti-crisis measures.

2. Second package: Decree of the President of the Republic of Uzbekistan 'On additional measures to support the population, economic sectors and businesses during the coronavirus pandemic' No. 5978 dated 3 April 2020. This package announced measures for broadening social protection of the population and supporting businesses under restrictions from quarantine.

3. Third package. Resolution of the President of the Republic of Uzbekistan 'On measures to attract foreign aid to support the population, budget, basic infrastructure and businesses during the coronavirus pandemic' No. 4691 dated 22 April 2020. The package is meant to secure foreign aid to strengthen the medical infrastructure (health care and public health services) along with other infrastructure (agricultural, public utilities, and energy).

4. Fourth package. Decree of the President of the Republic of Uzbekistan 'On additional measures to support the population and businesses during the coronavirus pandemic' No. 5986 dated 27 April 2020. These measures concern social assistance and social support for the population: charity, tax exemptions, pensions, financial aid, etc.).

5. Fifth package. Announced on 14 May 2020 as quarantine was beginning to be relaxed. It includes direct financial support for businesses and also broadened coverage of social benefits for the customary categories of recipients.

6. Sixth package. Adopted 20 May 2020 containing measures to support the self-employed.

A total of twelve decrees of the President of the Republic of Uzbekistan were adopted during the first two months of quarantine in order to counteract the effects of the pandemic on the living standard of the population and the economy. They allocated nearly 30 trillion som[23] or 5.9 per cent of GDP (2019).

A brief analysis of the measures adopted by Uzbekistan follows.

Economic and employment policy measures [24]

Financial policy. Most of the measures adopted belong to this group. They may be arranged in four subgroups by their fundamental goals:

- deferred payment of certain taxes, bank loans and rent for small businesses and the population;
- reduced tax withholding, lower tax rates and preferential loans;
- exemptions for small businesses from certain taxes, rent, some fines and interest payments to service loans;
- elimination of certain bureaucratic hurdles for small business and the general population.

23 Source: Video conference on 19 May 2020 chaired by the President of the Republic of Uzbekistan concerning additional measures in support of business and the population.

24 A schematic presentation is provided in Annex 2.

The effect of these measures on stimulating demand and preserving employment will be limited. *The bulk of these measures are guarantees and deferred payments.* This may have a beneficial effect on at most a *few essential enterprises* during the quarantine. However, the great majority of companies will probably not resume their operations once the quarantine is lifted. The companies that attempt to resume operations will have to pay a substantial amount of taxes and other fees (which were deferred but not forgiven) *while lacking working capital and having lost clients and market share*.

Monetary policy. The global model for offsetting the effects of the pandemic, which includes monetary easing by 'flooding the crisis with money' from central banks and lowering refinancing rates, has no counterpart in Uzbekistan. On 14 April 2020 the Central Bank reduced refinancing rates by 1per cent (down from 16 to 15 per cent annually). This cautious monetary policy reflects a desire to avoid stagflation (in a relatively inflationary environment). Uzbekistan has little external indebtedness[25] and a sound state budget, which is precisely why it has more leeway for anti-crisis manoeuvers.

There are likewise no measures for *reducing the cost of borrowing*. In 'normal' times such measures would have been very appropriate for Uzbekistan (rates for bank loans reached 24–28 per cent per annum). However, during the crisis the interest rate has little impact on the situation in economic sectors because so much of the economy has been shut down.

Support for certain industries. The worst problem for any enterprise during quarantine is the lack of working capital. *Support for loans to build up working capital* is being arranged in two ways: a) via the State Fund for Support of Entrepreneurship, which is the basic institution for supporting businesses; and b) via banks.[26] Particular emphasis was placed on supporting these particular sectors:

- *Textiles.* This sector has the potential to bring the volume of exports to USD 15 trillion (1.6 trillion in 2019) and to provide 3 million jobs (365,000 in 2019). Measures adopted to support this sector were aimed at precisely those objectives;[27]
- *Agriculture.* More than half of the country's population resides in rural areas and is engaged insubsistence farming. This enables families to be fed even during the crisis. Farmers have been offered new fields, greenhouses and vineyards *under lease for 7 years with a 3-year grace period*. Direct assistance to farmers has been added by *reducing the rate of social benefit taxes from 12 to 1 per cent for three months (from May through July)*;
- *Construction.* The State Fund for Support of Entrepreneurship has begun offering private contracting companies *compensation for payments on borrowing and sureties* up to 50 per cent of the amount of debt. In addition, *loans to the population for construction and remodelling of individual dwellings* have been introduced in order to create seasonal jobs in Tashkent;
- *Tourism.* This sector has received the most substantial assistance. Among other measures, the rate for social benefit taxes has been reduced (from 12 to 1 per cent) only for hotel and tourist businesses. This gives the sector an important advantage for strong post-crisis recovery;
- *Health care.* As of 27 May 2020, expenditures for medical needs (ensuring public health and epidemiological security as well as constructing quarantine facilities, specialized hospitals, etc.) took up 32.1 per cent of the Anti-crisis Fund (see Table 2).

25 As of 1 January 2020 the country's external debt was USD 15.6 billion or 27 per cent of GDP. Source: Ministry of Finance.

26 Banks will be allocating 30 trillion som to restoring working capital for manufacturing enterprises. Source: Conference chaired by the President of the Republic of Uzbekistan (9 April 2020).

27 Measures for organizing major companies under well-known brands (a) extending the payment period from 90 to 150 days for cotton fibre in effect from 1 April 2020; b) introducing a mechanism for immediate refund of VAT once export documentation has been filed with customs, and also beneficiary status in the GSP+ system for duty-free trade with the Europe Union market (exporters from Uzbekistan had been required to pay 15 per cent duties in order to enter the EU market).

Broadening social protection and supporting private enterprise [28]

Broadening social protection. Unlike other countries, Uzbekistan has refrained from direct social protection (payments) **to all groups** of the population. Broadened social protection during quarantine was adopted for **particular groups**.

Social protection measures target the following particular groups:

- *groups already regarded as vulnerable.*[29] The number of recipients of benefits in the early stages was increased by 10 per cent (from 595,400 to 655,000) and subsequently by another 10 per cent (to 725,000). In addition, the procedure for evaluating the need for benefits was streamlined, as was the receipt of benefits and their extension;
- *the elderly living alone and persons with disabilities who require care* during quarantine began receiving free baskets of food and personal hygiene products along with disposable masks and antiseptics. At the same time problems with the mechanism for social security appeared. For example, volunteer groups (civil society organizations, non-profit NGOs and associations of persons with disabilities) were prohibited from operating. Voluntary assistance was organised exclusively by the Coordinating Centre. However, many people with disabilities were unable to contact the Centre by phone (hotline number 1197) and receive assistance. It was also evident from the Coordinating Centre's actions that the consolidated registry of those in need had not been updated and that the *lists from the mahallah committees did not meet requirements*. Furthermore, these lists omitted some people in need of social protection;
- *medical, public health and other workers* involved in combatting COVID-19 began to receive a supplement to their daily wages of 6 per cent of their monthly wages. Special incentive payments were also introduced for every 14 days workers were in contract with patients or working in institutions where the infected were housed or in laboratories involved in detecting COVID-19.

Indirect measures for social protection (for all segments of the population) were:

- *price containment.* Customs duties were set at zero through the end of 2020 for 20 foods and other essential items (meat, milk, cooking oil, onions, flour, sugar, gauze, personal hygiene items, ventilators, etc.) and so were the excise taxes on importing them into Uzbekistan;
- *price containment on construction of medical infrastructure.* Building materials required for constructing medical and quarantine facilities to combat COVID-19 together with goods necessary for their functioning were exempted from customs duties and VAT through the end of 2020.

The Decree of the President of Uzbekistan'On subsequent measures to support the population and businesses during the coronavirus pandemic', which exempted the self-employed (who represent over 60per cent of occupations) from income tax was adopted only on 18 May, i.e. two months into quarantine.

Preserving jobs through transition to part-time work, paid leave and other subsidies. The following methods were applied for this purpose:

- *paid leave for workers in the governmental sector (with guaranteed retention of their jobs).* Wages were paid during quarantine for 1.04 million workers at educational, sports and cultural institutions and governmental agencies financed by state funds;
- *benefits for temporary incapacity to work paid for persons under quarantine at 100 per cent of their average monthly wages.* Other measures introduced were: a) a simplified system for submitting documents to qualify as temporarily incapacitated to work; b) prohibition on dismissing parents whose children had contracted COIVD-19 or had been placed in quarantine;
- *subsidies for expansion of community service jobs.* Even before the crisis, the Community Service Fund under the Ministry of Employment and Labour Relations had been an important institution for carrying out state employment policy. During quarantine, the Fund received 200 billion som for the construction and repair of infrastructure in mahallas all across the country.[30]

28 A schematic presentation is provided in Annex 3.

29 The three basic benefits for vulnerable groups are: 1) for families with children under 14 years of age; 2) for care of children under 2 years of age; 3) for low income (financial assistance).

30 Facilities for water supply and sewage and for health care, repair of streets and highways, repair of irrigation and land reclamation facilities, remodeling general education schools and other social facilities.

Financial and tax benefits for micro and small businesses. Measures adopted for this purpose are:

- *broadened access to working capital*. The capital of the State Fund for Support of Entrepreneurship was increased to 500 billion som. The Fund began providing: a) *increased guarantees* up to 75 per cent of a loan for bank loans to replenish working capital (prior to the crisis the guarantee had been 50 per cent); b) *increased compensation* for interest on loans to replenish working capital. In addition, the Fund offered a new kind of support: *subsidies* of 3 trillion som to cover interest payments;
- *deferral of tax payments, rents and other payments*. The inadequacy of the deferred payment approach has already been mentioned. Its worst shortcoming is that it does not prevent massive bankruptcies among small businesses.

▶ Table 2: Profile of Anti-crisis Fund expenditures

In accordance with Decree of the President of the Republic of Uzbekistan No. 5969 dated 19 March 2020 Total budget: 10 trillion som		**Actual status as of 27 May 2020 Amount received: 7.4 trillion som* Total disbursed: 3.306 trillion som****	
Financing activities to combat COVID-19	1 trillion som	Ensuring public health and epidemiological security	0,573 trillion som
		Irrigation and water supply projects	0.504 trillion som
Support for entrepreneurship and employment	5.5 trillion som	Constructing quarantine facilities, special hospitals and equipping them	0.487 trillion som
Broadened social support	0.7 trillion som	Social support	0.294 trillion som
Ensuring stable employment in sectors of the economy	2.8 trillion som	Support for sectors of the economy	1.4 trillion som

* According to data from the Ministry of Finance of the Republic of Uzbekistan.
** The amount of financing for separate major initiatives is provided in Annex 4.

Obviously, *reduced income and job loss are inevitable consequences of the quarantine restrictions.* Since the inception of quarantine, efforts to provide support have been announced several times, and the list of them is not closed. However, judging their effectiveness would be premature because:

a) *most of the support for small and micro businesses is in the form of deferrals and benefits.* However, to *forestall massive bankruptcies of companies more decisive methods are necessary*. The survey of small and micro companies indicates that the **sector must be the central focus in reworking anti-crisis measures**. Although most government-funded organizations and major manufacturing enterprises have continued to work during the quarantine, 55 per cent of companies in the small business sector have completely ceased operating, and for micro companies that figure has reached 60 per cent. Because this sector provides a substantial proportion of employment, the situation *may lead to a severe destabilization of the labour market and a sharp increase in poverty*;

b) *some of the most important measures may not been completely implemented*. The implementing a certain range of measures requires other systemic ones. For example, deferring interest payments due on loans and partial coverage of interest payments are important, but it cannot happen without restructuring every loan (i.e., not only deferred payments but also revisions of interest rates). *Banks on their own will not take these steps*, because an integrated strategy through which banks may hedge their risks and be compensated for losses is needed;

c) *social protection measures are inadequate.* The Anti-crisis Fund allocated 294 billion som, or less than 9 per cent of its expenditures for social protection of 34 million people (see Table 2). At the same time, subsidies for Uzbekneftegaz, Uzbekistan Airways and Uzbekistan Airports – large-scale monopolies – came to 401 billion som, 406 billion som and 101 billion som, respectively;[31]

31 Source: Ministry of Finance of the Republic of Uzbekistan.

d) *the amount of social benefits does not correspond to the economic realities*. Disability benefits and benefits for disability from childhood[32] come to 400,000 som, unemployment benefits are 223,000 som. Benefits for care of a child under two years age are 434,000 som; and for a family with children under 14 years of age, from 131,000 som to 304,000 som (depending on the number of children in the family); financial assistance ranges from 326,000 som to 653,000 som.[33]

32 The Agency for Medical and Social Services under the Ministry of Health, including medical labour expert commissions (VTEK), works with persons with disabilities and assigns the benefits for disability.

33 Resolution of the President of the Republic of Uzbekistan 'On measures to ensure implementation of the Law of the Republic of Uzbekistan "On the state budget of the Republic of Uzbekistan"' No. 4555 dated 30 Decem. 2019.

▶ 4. Assessment of the risk from the COVID-19 crisis to industries and sectors of the economy

4.1 Formal sector (based on input-output models and survey results from small and micro enterprises)

Quantitative estimates of potential decline in industries and sectors may be arrived at by *modelling different scenarios for the course of events*. Different scenarios are important because many factors are extremely uncertain (length of quarantine, extent of harm, when travel restrictions will be lifted, etc.). Working with the available statistics, modelling has been carried out for the formal sector (governmental and non-governmental including small and micro enterprises). The input-output modelling that was employed is one of the basic methods for economic analysis and projections (Annex 5). The input variables used were **elements of final consumption** in basic economic sectors: households, government, accumulation of fixed capital, exports in a cross section of **78 industries** including manufacturing, construction, agriculture, and services. The decline in demand may be modelled and its effects on economic activity, income and employment may be assessed.

The first step was to construct two scenarios for quantitative assessment of the potential decline.

▶ **Box 2: Scenarios for modelling potential decline**

1) **The basic (optimistic) scenario (Variant No. 1)** assumes:

- *effectiveness of quarantine* which improves the country's epidemiological situation (quarantine lifted in late May or early June);
- *expanded support for the 'newly' unemployed* (one-off benefits covering the minimum living cost for all workers whose employers have been closed, for individ. entrepreneurs and for those in the informal sector).

The following changes in demand for the output of various sectors in Uzbekistan compared to the demand in 2019 have been projected based on the economic results from the first quarter of 2020, the results of the survey of small and micro companies,[34] and the way the crisis is unfolding in other countries:

- **30 per cent reduction in annual demand** for 21 sectors (**the most vulnerable sectors**)[35] and **15 per cent reduction** in 7 service sectors (**vulnerable sectors**)[36] which are either partly state-financed or may continue operating with limitations during quarantine or will be the first to resume operations after quarantine is lifted;

34 Results of the survey of small and micro enterprises are presented in Annex 6.

35 Textiles; clothing; furniture; transport; warehousing and ancillary transport; lodging; food and beverage services; publishing; real estate services; legal and accounting services; architecture, engineering surveys, technical surveys and analysis; advertising and market research; rentals and leasing; tourist agencies, tour operators and allied services; building maintenance and landscaping; creative and artistic entertainment; libraries, archives, museums and other cultural services; sports and leisure services; services of membership organization; repair of computers, items for personal use and household appliances; other individual services.

36 Motor vehicles; wholesale and retail commerce, motor vehicle repair; postal and courier services; research and development; professional scientific and technical services; employment services; educational services

- **moderate increase in demand for the output of particular sectors:** agriculture (4–6 per cent); information services, pharmaceuticals, and health care (10–12 per cent); construction (5–6 per cent);
- **no change in demand for the 45 remaining sectors;**
- **reduction in demand from the government** in line with the revenues for the state budget. The reduction in government demand will affect all sectors except health care. The overall reduction in government revenues is estimated to be 5 per cent;
- **5 per cent reduction in external demand** for all outputs except agriculture and health care.

2) **Unfavourable scenario** by assuming that quarantine is not effective. There are two variants to this scenario:

- Variant No. 2 – quarantine is completely lifted in **mid-summer** while there is: a) a second wave of infection; b) absence of direct government supports for those employed informally; c) reduction in exports by 10 per cent.
- Variant No. 3 – quarantine is completely lifted in **early autumn** while there is: a) a second wave of infection; b) absence of direct government supports for those employed informally; c) reduction in exports **by 15 per cent**.

The following changes in demand for outputs of various sectors are projected in this scenario:

- **reduction in demand for goods/services** from the most vulnerable sectors (21) *reaches* **45 per cent**, while for goods/ services from the vulnerable sectors (7) it falls by **20 per cent** in Variant No. 2 and by **55 per cent (25 per cent)** in Variant No. 3;
- **less favourable external conditions:** a) exports fall by 10 per cent in Variant No. 2 and by 15 per cent in Variant No. 3; b) reduction in remittances from labour migrants.

Modelling waves of the crisis. The full effects depending on the source of the shock according to the basic scenario are presented in Table 3 and Chart 1.

▶ Table 3: Economic and labour market response to successive shocks from COVID-19 in the basic (favourable) scenario

Successive shocks	Economic response to decreased GDP (per cent per annum), reduced income for the employed and the state (per cent), and idling of personnel (thousands of persons)					
	GDP (per cent)	Income of employed persons (per cent)	State revenues (per cent)	Idled persons (thousands)	Including small businesses	Total loss of employment*
Primary effect from closing companies and reduced demand for goods and services from the vulnerable sectors (28)	0.94	1.26	3.27	89.8	61.0	56.5
Plus the effect on technology-related sectors and deferred consumer demand (78)	1.54	2.03	4.50	116.9	76.1	82.6
Plus the effect of reduced external demand	1.88	2.37	4.88	126.6	80.6	93.3
Plus the effect from reduced demand from the government (full cumulative effect)	2.56	4.10	5.19	187.6	101.7	155.0

Source: projections from the basic scenario.
* Comment: Assuming that some of those idled are employed in growth sectors.

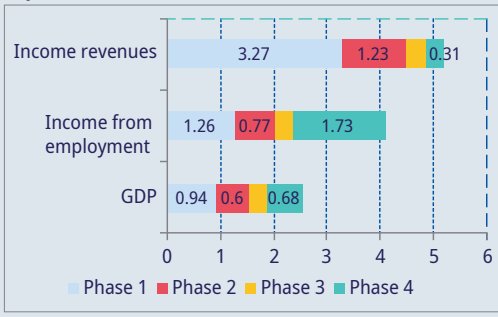
The first economic response to closing most service and small businesses (Phase 1) will be a reduction of 0.9–1.0 per cent GDP (per annum) despite modest increases for agriculture, construction and medical services. This is because the GDP has a large service component (36–40 per cent). The main effect will fall upon the most vulnerable sectors (21), which generally provide services and upon non-food sectors (furniture, clothing, textiles and automobiles). This is because these sectors: a) have limited opportunities to transition to remote work; b) quarantine and reduced income shift consumer demand from durable goods to consumables. The greatest decline in value added indicators is anticipated in real estate services (1,422 billion som in 2016 prices), wholesale and retail trade (931 billion som), and fabrics and textile items (418 billion som).

The next wave of the crisis (phase 2) will begin as companies have run through their financial and inventory reserves. The government understands how serious this situation is and has begun to gradually lift quarantine. Although some companies in construction and certain other services (notarial, audit, veterinary, etc.) are partially returning to business, deferred consumption and reduced demand for resources and intermediate products will bring the crisis to sectors that have not yet been affected. *The decline in the vulnerable sectors (28) will be relayed to sectors integrated with them according to the prevailing relationships between output and consumption of resources.* For example, a loss in transportation services of 1 billion som (Input-output table coefficient of direct costs) will reduce demand for petroleum products by 68 million som, for vehicles by 25 million som and so on; and these losses will inevitably be reflected in the revenues and employment in those industries.

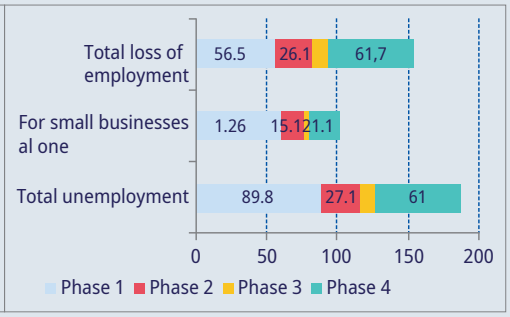
Similar reciprocal relationships have built up among other industries. As a result, the second phase of decline has impacted most sectors, and *GDP will be decreasing by another 0.51 percentage points* to 1.54 per cent annually (Table 4). The steepest reductions in value added in comparison to Phase 1 are anticipated in manufacture of textiles and textile goods (251 billion som), wholesale and retail commerce (178 billion som), financial services (about 100 billion som), electricity and gas providers (95 billion som), industrial building materials (94 billion som) and transportation services (74 billion som).

▶ Chart 1: Economic response to various phases of the COVID-19 crisis

a) Decline in the economy and income (per cent)



b) Increase in unemployment (thousands)



Source: Projections from the favourable scenario (Variant No. 1), input-output model.

Phase 1 (initial) **–** direct effect of a 30 per cent fall in demand on the most vulnerable sectors (21) and cessation of their operations; **Phase 2** – effect on sectors technologically involved with vulnerable sectors (28); **Phase 3** – effect of decline in external demand (5 per cent); **Фаза 4** – effect of reduction of state's demand (6,9 per cent).

The third wave (Phase 3) shows an additional 5 per cent drop in GDP accompanied by declining exports in all sectors (except agriculture and non-ferrous metals). The greatest loss in value added compared to Phase 2 will strike the gas industry (127 billion som), transportation (184 billion som), chemical production (51 billion som), and fabrics and textile goods (49 billion som), i.e. sectors that supply part of their production to external markets. Overall the reduction of external demand by 5 per cent leads to an additional 0.34 percentage point decline in GDP.

In the final phase (Phase 4) the state budget will become a source of instability (government receipts will be off by 5 per cent after three waves of decline). This will result in another decrease of 0.68 percentage points, and the **total loss from the shockwaves will reach 2.5–2.6 per cent of GDP. This is two and half times higher than the direct loss due to reduced consumption during the first phase (0.94 per cent).** The fields dependent on government contracts will experience the greatest risk: education (606 billion som); government services, defence and social security (376 billion som).

The general changes in value added for the various phases of the crisis are presented in Table 4. In the basic scenario the greatest exposure to risk is in services and manufacturing **–** *the very sectors with the best outlook for creating sustainable employment*. Services and manufacturing would account for 95.8 per cent of the decline across all sectors (excluding agriculture, construction, pharmaceuticals and medical services, which were projected to have moderate growth). In comparison to the general decrease (2.5–2.6 per cent), the falloff in these industries is far greater: 4 and 7 per cent, respectively. This will result in reduced investment potential and a more difficult path to their post-crisis recovery.

▶ Table 4: Value added of industries and sectors of the economy during various phases of the crisis according to the basic scenario (billions of som, 2016 prices)

Economic sector	Base year	Phase 1	Phase 2	Phase 3	Phase 4	Fall/ rise (-)	per cent
Agriculture	75,182	76,941	76,953	76,882	76,799	-1,617	-2.2
Mining	5,315	5,315	5,288	5,157	5,145	170	3.2
Manufacturing	34,955	34,334	33,823	33,637	33,547	1,408	4.0
Electricity, gas and water supply, sewage and utilization	4,687	4,687	4,589	4558	4,529	158	3.4
Construction	13,146	13,768	13,757	13,752	13,744	-598	-4.6
Education	14,992	14,622	14,616	14,615	14,008	983	6.6
Other services	71,915	68,451	67,769	67,442	66,790	5,126	7.1
Totals, per cent compared to base year	**100**	**99.1**	**98.5**	**98.1**	**97.4**		

Source: Projections from the favourable scenario (Variant No. 1), input-output model.

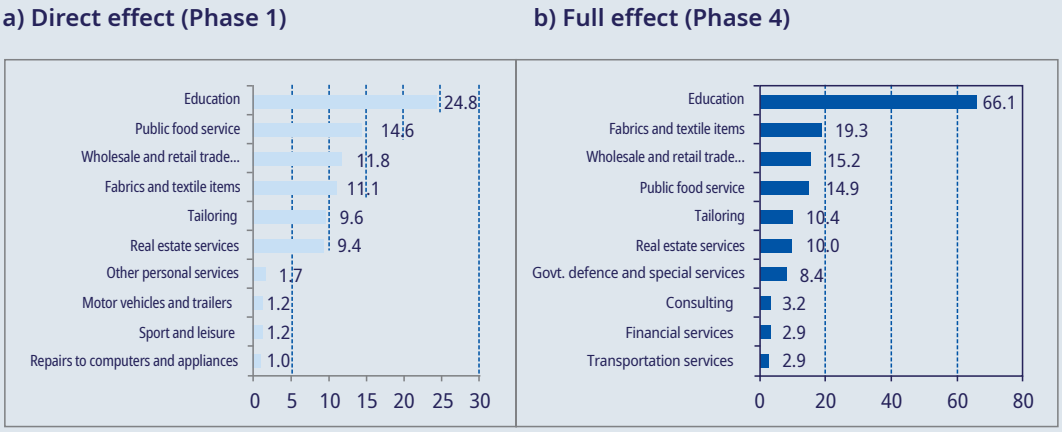
Employment income and government receipts fall as economic activity decreases. The decline in employment income (4.0–4.2 per cent) will far exceed the reduction in economic activity (2.5–2.6 per cent), while the loss of government receipts will come to 5.1–5.3 per cent and *increase the risk of macroeconomic instability*. The bulk of lost receipts to the state budget will come in Phase 1, and this will restrict the ability to use them to support businesses and the population during quarantine and the early stages of its relaxation.

Declining economic activity will strain the labour market. Job losses (mostly in the service sector) may affect 188,000 persons (4.7 per cent of the country's taxpayers). If we assume that some of those unemployed may be absorbed by sectors still growing (agriculture, construction, health care), then unemployment may be held to 155,000 persons (last column of Table 3). However, because of the obstacles to that kind of transition,[37] unemployment should come closer to the upper boundary (188,000). Among the industries and sectors of the economy *at highest risk for unemployment* during the early phases of the crisis (Phase 1, Chart 2a) would be education, public food service, wholesale and retail trade, textile production, clothing, real estate, automotive services, etc. The top ten sectors would account for 86.3 per cent of unemployment.

After all phases of the crisis (Chart 2b) the full effect of lost employment on education will be two and a half times greater than the direct consequences (Chart 2a) and strike 66,000 persons (as compared to 25,000 in the first phase of the crisis); for textiles it will be twice as large (up to 19,000 persons). At this stage the top ten sectors with the largest increase in unemployment will include other kinds of services – governmental administration, consulting, financial and transportation services.

37 Transitioning the newly unemployed in significant numbers from providing services to agriculture or health care seems unlikely, as small businesses in the service sector are located mostly in cities, while employment in medical institutions requires suitable training and practical work experience.

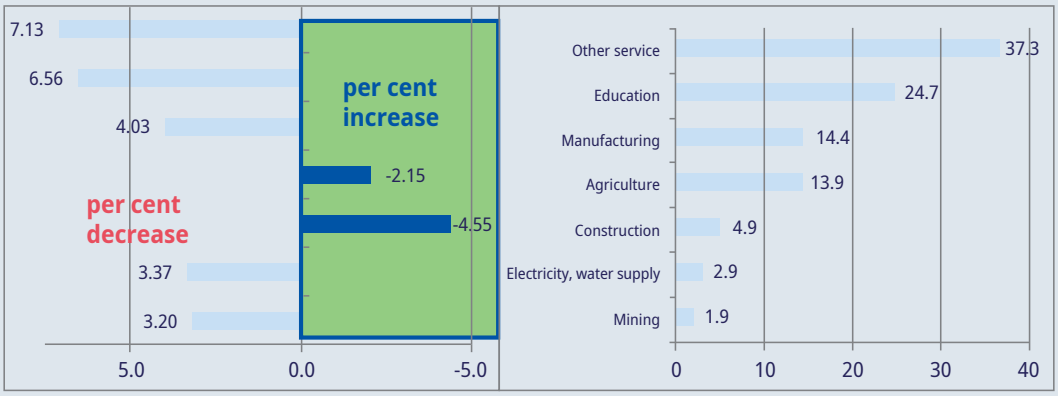
▶ Chart 2: Top ten sectors by increase in new unemployment (thousands), basic scenario



Source: Input-output modelling of the basic scenario.

It is important to look at relative unemployment (the ratio of new unemployment to total employment). Fields that will 'pop out' as having high relative unemployment are restaurants and public food service (27.3 per cent), real estate services (25.5 per cent), tourism (24.5 per cent), repair of home appliances (24.3 per cent), clothing manufacture (18.9 per cent) and textiles (18.3 per cent). At the same, the increase in relative unemployment for education will stand at 6.5 per cent overall. This is due to the distribution of employment across sectors: one million persons are employed in education (about 25 per cent of formal sector employment).

▶ Chart 3: Projected decrease in economic activity (change in value added in percentages on the left) and sectoral structure of employment (in percentages on the right)



Source: Input-output modelling for the basic scenario.

The principal risk to the labour market is that the main decrease in economic activity in the formal sector (4–7 per cent in the basic scenario) **would be concentrated in fields that provide 75 per cent of the country's formal total employment** (education, processing industries and other services).

Calculations also indicate that most of the new unemployment will be coming from **small businesses, especially in the early stages of the crisis –** 67.7 per cent (Phase 1) and 63.8 per cent (Phase 2). Therefore, supporting employment in the formal sector must be aimed above all at small businesses in an amount sufficient to *ward off mass bankruptcies in that sector during quarantine as well as in the early post-crisis months.*

Comparison of crisis effects in the two scenarios. The unfavourable scenarios (Variant No. 2 and 3) differ from the favourable one (Variant No. 1) by assuming a longer quarantine, less coverage by social protection, and a greater slump in external demand. Comparison of these scenarios leads to the **following conclusions:**

- *the decline in economic activity may reach 2.5–6.5 per cent of GDP* despite moderate growth for agriculture, construction and health care (indicated with a minus sign in Table 5). The primary reason for this decline is a 7–14 per cent decrease in value added by the sector;
- *the extent of decline in receipts for the state budget (5–11 per cent) will significantly hamper financing*, especially in education, in which 25 per cent of the country's total employment is concentrated and employment of women predominates (thus aggravating gender issues);
- *the effects of inter-sectoral relations will result in a 4–9 per cent loss of real income for employees*, which may increase poverty over the medium term;
- *the decline in economic activity will lead to a surge in unemployed workers* whose number under the least favourable conditions (Variant No. 3) may reach 381,100 or about 10 per cent of those employed in the formal sector. The service sector (small businesses) would account for 76.2 per cent of the unemployed;
- *many service sectors are exposed to the greatest risk*. In the least favourable scenario (Variant No. 3) the loss of output for 2020 may reach: up to 50 per cent for restaurants and public food service; up to 47 per cent for tourism and real estate; up to 45 per cent for repair of electronics and home appliances; as much as 35 per cent for the textile and tailoring sector; up to 26 per cent for hotels; and up to 20 per cent for consulting.

▶ Table 5: Comparison of decrease in economic activity (per cent), loss of income (per cent), unemployed workers (thousands) in the two scenarios

	Favourable scenario (Variant No. 1)	Unfavourable scenarios	
		Variant No. 2	Variant No. 3
GDP (in per cent for the accounting period)	2.6	5.0	6.8
share attributable to value added from: agriculture	-2.2	-1.4	-0.9
mining	3.2	6.3	9.3
processing	4.0	6.9	9.0
construction	-4.6	-4.4	-4.2
services	7.0	11.0	14.0
Employment income (as per cent of the base year)	4.1	7.0	9.2
Government revenues (as per cent of the base year)	5,2	8.5	11.1
Total persons dismissed (thousands)	187.6	297.9	381.1
including from small businesses (thousands)	101.7	158.2	200.4
Total loss of employment (assuming some hiring in growth sectors) (thousands)	155.0	270.4	357.3

Source: Input-output modelling.

4.2 Informal sector (based on survey results for individual entrepreneurs and the self-employed)

Analysis from the flash survey of those informally employed[38] leads to the following conclusions:

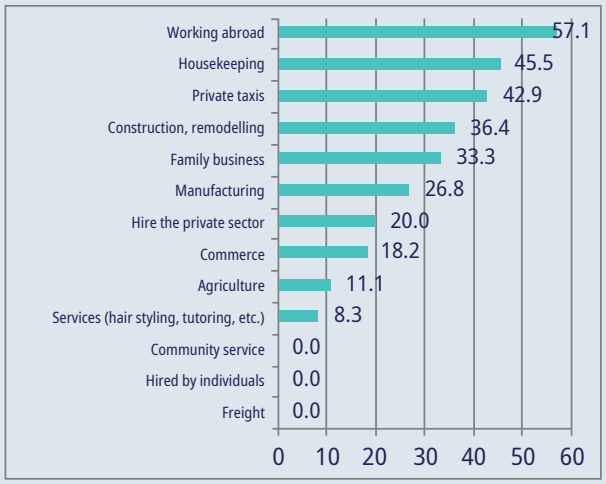
1. The informal sector has withstood the shock better than small businesses (formal sector) with respect to maintaining employment. After the introduction of quarantine, 21.8 per cent of the self-employed and 24.8 per cent of individual entrepreneurs lost their source of income, while the corresponding figures for small and micro companies were much higher (55 and 60 per cent, respectively).

2. Nevertheless, **as many as 1.1 to 1.5 million workers in the informal sector may lose their jobs** because the sector is quite large. This is far higher than the potential number of job losses in the real sector of the economy (381,100, unfavourable scenario, Variant No. 3). The marked increase in newly unemployed workers from the informal sector *creates a risk of social instability.*

3. The most severely affected kinds of self-employment were for labour migrants, menial workers, private transport services, construction and remodelling. The decrease in employment for these categories ranged from 36 to 57 per cent, although the average loss of work for the self-employed was 21.8 per cent.

The kinds of self-employment **most resilient under quarantine** were in agriculture, hair styling, tutoring, education, brokerage, public works, hiring by individuals, community service, and freight. However, *the low income in these categories does not provide any incentive for the newly unemployed to transition to them.* Self-employment in these jobs should not be considered a resource for absorbing those newly unemployed because of quarantine restrictions.

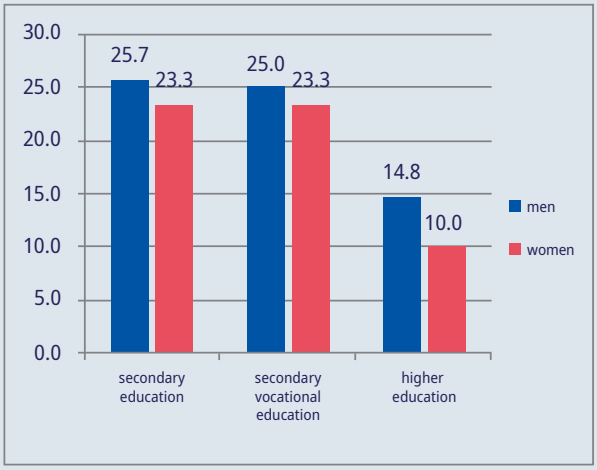
▶ **Chart 4: Type of self-employment ranked by loss of jobs (as per cent of workers prior to quarantine)**



Source: flash survey results.

38 Results of the flash survey are presented in Annex 7.

▶ Chart 5: Share of self-employed (per cent) who have jobs by basic education attained and gender



Source: flash servey results.

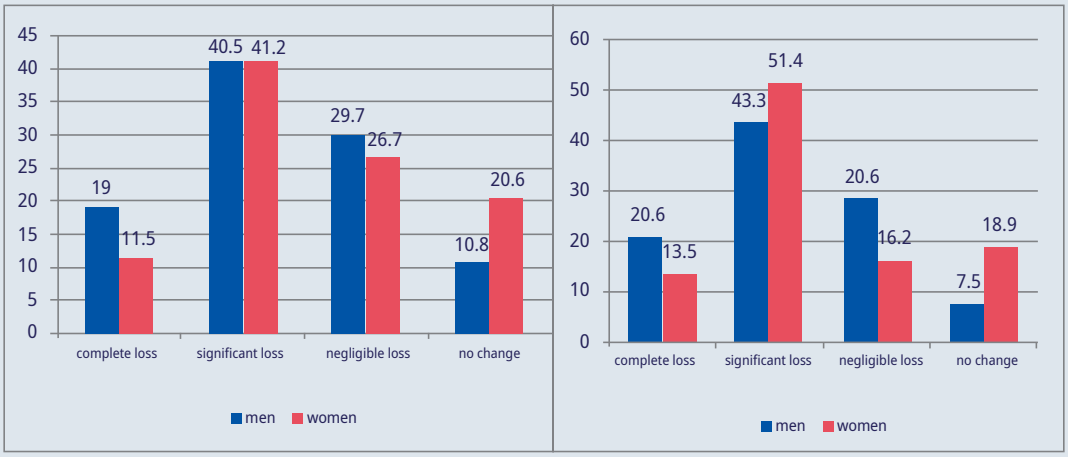
4. The higher the educational level, the less risk of job loss. While 25 per cent of self-employed men with secondary education lost jobs after quarantine was introduced, only 15 per cent of self-employed men with higher education lost jobs. Similar results apply to women (23 and 10 per cent), which underlines the *importance of higher education for sustainable self-employment*, especially for women. However, the proportion of female students in the higher education system is far less than that for men.[39] Improving access of women to higher education is an effective way to *make the labour market more stable*.

5. Quarantine had no effect on gender distribution among the self-employed. The 'pre-quarantine' gender distribution of 38 women of every 100 the employed persisted after quarantine was imposed, although the total number of self-employed dropped.

6. Sharply reduced income from informal employment. Almost 60 per cent of the self-employed and 64.2 per cent of individual entrepreneurs suffered complete or substantial loss of income during quarantine.

39 38.2 and 61.8 per cent, respectively. Source: Uzbekistan Country Gender Assessment: Update. Asian Development Bank. Available online at: https://www.adb.org/sites/default/files/institutional-document/495911/uzbekistan-country-gender-assessment-update-ru.pdf

▶ Chart 6: Distribution of the self-employed (left) and individual entrepreneurs (right) by amount of lost income and gender (per cent)



Source: flash survey results.

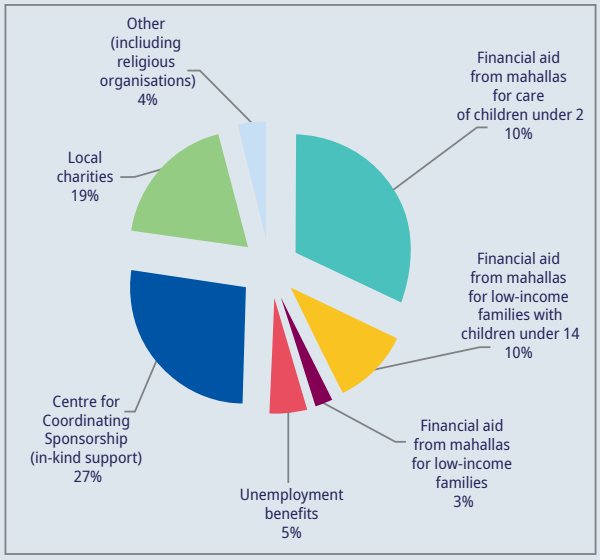
7. Lack of state support. None of the individual entrepreneurs indicated that they had received any kind of assistance from the state or from public associations. Among the unemployed, 82 per cent also had not received any assistance during quarantine. The remaining 18 per cent stated that they or their families had received aid (financial or in-kind). This assistance for the most part consists of conventional social benefits (social assisstance for the low income families). Only 5 per cent of it consisted of unemployment benefits, although *they should have been the most in demand* because they are best suited to address the surge in unemployment. In general, the lack of social support for the informally employed who are without their source of income and without alternative sources during the quarantine has added seriously to the risk of more inequality throughout society, especially in view of the sizable number of the self-employed (3.5 to 4.0 million) and individual entrepreneurs (over 1 million).

8. Haphazard nature of social benefits. Some 29 per cent of the self-employed who needed assistance the most (the self-employed who had no work prior to quarantine and who lost work after quarantine was introduced) have received some kind of benefits. The same level of coverage by benefits applies to the self-employed who still have work. Improving /changing eligibility criteria enabling access to existing benefits is a challenging task'.. One possible kind of solution would be to provide support (such as free medical services) to the self-employed who have obtained patents to perform specific kinds of work for which they have clear, documented confirmation of their occupational skills. It would also seem that one possibility would be to increase funding for unemployment benefits and change the eligibility criteria to extend the coverage (at least temporary).

9. The informal sector is not covered by social security measures. All categories of the employed answered the question about use of such measures during the quarantine in the negative, even though they were well aware of the social security options that they have in Uzbekistan (retirement pensions, occupational pensions, disability pensions, unemployment benefits, paid maternity leave, benefits for temporary incapacity to work, etc.). The lack of social insurance is an infringement of civil rights, which deprives a person of confidence in the event that they lose the ability to work. Developing an adequate mechanism of social security applicable to informal workers may be a factor in legalizing informal labour. A substantial portion of those employed in the informal sector have savings (Chart 8), which might be used to create special insurance funds for informal employment if there were an adequate social security mechanism.[40]

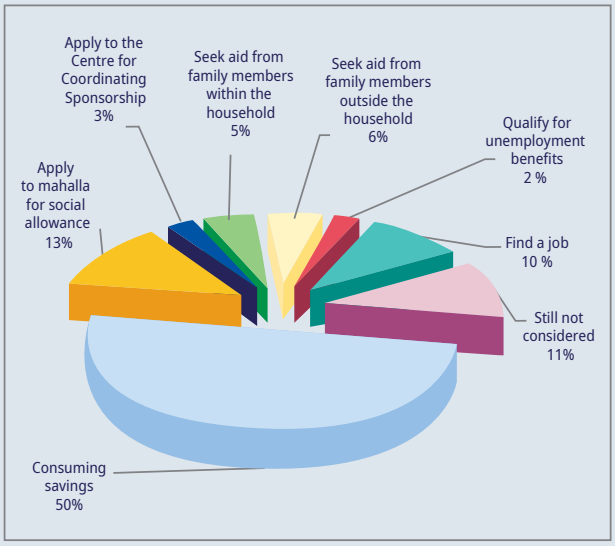
40 Labour migrants at present may have their work tenure included in their pension calculations provided that they have paid social tax for the year in a sum 4.5 times the base estimated amount. However, this mechanism does not extend to other types of social security (illness, job loss, quarantine restrictions) which are no less pressing for Uzbekistan's informal labour market.

▶ Chart 7: Distribution of self-employed (per cent) receiving social support and the actors from whom support was received (of the 18 per cent who reported receiving it)



Source: flash survey results.

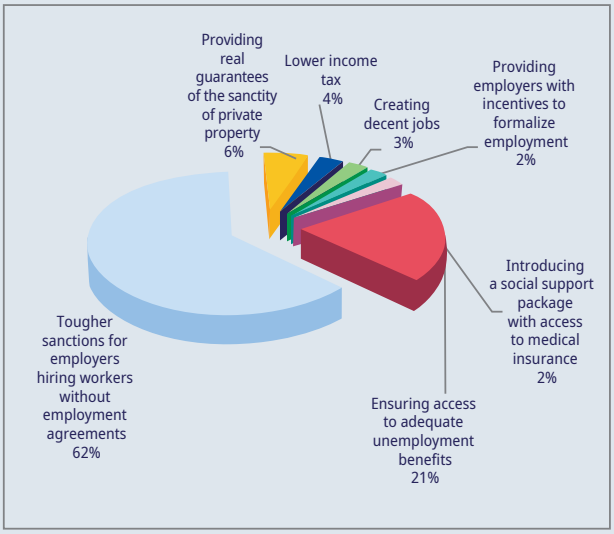
▶ Chart 8: Sources of potential support as perceived by self-employed (per cent)



Source: flash survey results.

10. Understanding the need to legalize employment. Of the respondents 62 per cent (70 per cent of the individual entrepreneurs and 57.3 per cent of the self-employed) answered the question about what measures would encourage legalization of informal labour by naming *tougher sanctions for employers who hire workers without concluding an employment contract*. However, the wide range of jobs for the self-employed makes using this measure problematic.[41] A more promising alternative would be *opening channels of communication* between representatives of the self-employed, employers and the state in order to create the necessary platform and use it to arrange the basic mechanism for gradual legalization of informal employment with due regard for the interests of all parties. A second measure would be *devising adequate benefits for the unemployed*.

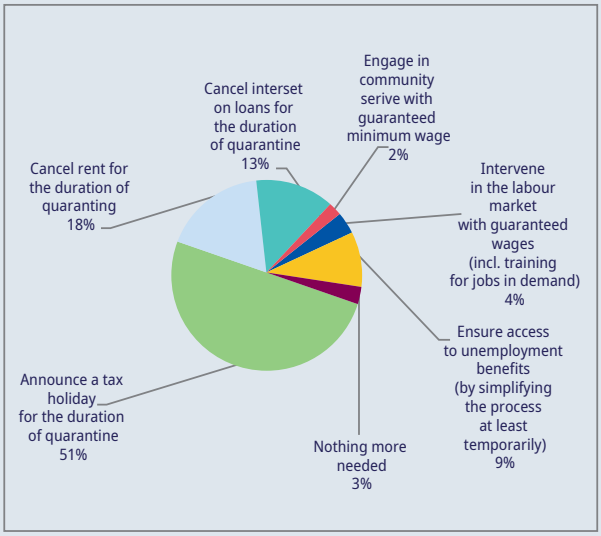
▶ Chart 9: Distribution of the most important measures for legalizing informal employment (per cent)



Source: flash survey results.

41 For example, an employer may be located abroad in the case of labour migrants or be entirely absent in the case of public services (small beauty salons, transportation, etc.).

▶ Chart 10: Measures for retaining/restoring jobs after quarantine is lifted (per cent)



Source: flash survey results.

11. Effectiveness of support measures and post-quarantine recovery of commercial activity. Indicated as the most effective means of direct support were: 1) tax holidays; and 2) cancelling rent for the duration of quarantine – measures that were not in fact implemented. It is noteworthy that a proactive employment policy – community service and retraining employees – was not often considered an effective means of support. This raises a question about revising the goals of the Community Service Fund, which is charged with maintaining employment for temporarily idled workers.

▶ 5. Improving state policy for offsetting the impact of the COVID-19 crisis

Recommendations are made on the 4th pillar of the ILO Framework Strategy for responding to the COVID-19 crisis[42] in line with international standards of decent work They are: 1) Stimulating the economy and labour demand; 2) Supporting enterprises, employment and income; 3) Protecting workers in the workplace; 4) Employing social dialogue to find solutions.

5.1 Stimulating the economy and labour demand

1. Small businesses in the service sector must be the principal focus for developing new anti-crisis measures. Although large and medium-size companies (in chain store retail sales, for example) have some reserves, small and micro companies have no reserves. In answering the question, 'Does the company have a "safety cushion?' about 50 per cent of companies said they had no reserves or that their accumulated reserves would last only through mid-May. This situation underlines the *urgency of extending interest-free loans to small businesses in order to provide working capital*. This would prevent mass bankruptcies among small businesses, especially now that mid-May has passed but the quarantine is still restricting many kinds of services.

2. Adequate information is needed in order to broaden support for small businesses. The survey results for small and micro enterprises indicate that they face a high degree of uncertainty. This is demonstrated by the widely scattered responses to the question about the amount of decline in domestic demand and the elongated distribution curve (Chart 11), which lacks any prominent frequency distribution peak where the opinions of the respondents converge. The uncertainty of the economic situation exacerbated by misgivings about the ability of clients and counterparties to make payments complicates acceptance of effective solutions for recovery of business and investment. The government should develop a programme with consistent business guidelines together with priorities and regulatory steps for recovery of demand, supply chains, investment, etc.

3. Effective channels are needed to deliver state aid to targeted groups, economic units and businesses. The state support measures adopted remain inadequate. It is already obvious that loan support for businesses does not work. Entrepreneurs are not ready to take on even no-interest loans. The survey indicates that only 22 per cent of small businesses and 7 per cent of micro-firms have taken advantage of the lending benefits which were announced as part of the packet of anti-crisis measures.

The question, 'What additional measures would help to eliminate the risk that your company will go bankrupt?' showed that 90 per cent of small businesses and almost 80 per cent of micro-firms were in favour of *resorting to direct support measures*, such as: a) reduction of interest rates on loans or interest-free loans; b) a tax holiday while quarantine is in effect.

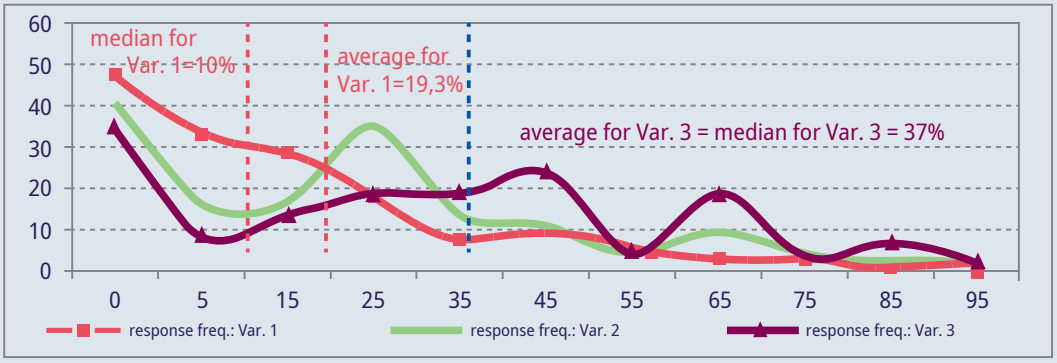
One of the obstacles to a shift to direct measures is the urge to save money, which is to be expected for the financial branch of government, but also perplexity about *how such aid will be delivered to its intended targets*. While there are certain established channels for providing direct state aid to major companies, the lack of any straightforward and transparent mechanism for delivering similar support to tens of thousands of small and micro businesses inclines sceptics to believe that it will go to waste.

In order to broaden direct aid to small businesses there must be *adequate channels* for it to reach its targets. Who could offer the infrastructure needed for such interactions? The tax inspectorate probably would not because its background is in collecting taxes rather than issuing subsidies. But there are other players who could represent the interests of the state. The 'big three' state banks – the National Bank of Uzbekistan for Foreign Economic Activity (NBVED), Asaka Bank and Halk Bank. Their branches cover all the country's regions, and a substantial number of small and micro businesses already use these banks. These banks could monitor the intended use of allocated funds by opening accounts to which the state would transfer direct aid funds and also maintain control over movement of funds in those accounts.

Such an approach to providing direct aid to small businesses might be viewed as a step toward 'nationalization' of the economy. However, to expedite aid as much as possible, it is important to rely on all the players that are trusted by the state and whose activities can be maximally brought under

42 Source: ILO publication 'COVID-19 and the World of Work: Impact and Policy Responses', 18 March 2020.

▶ Chart 11: Frequency distribution of respondents' answers concerning loss of domestic demand under different scenarios (per cent on the horizontal axis)



Source: analysis of flash survey of small and micro enterprises.

control. Then too, key public associations and trade unions might be recruited to exercise control over distribution of this aid (section 5.4).

4. Recovery of supply chains. The models have shown that over half of the negative effects of COVID-19 on employment are indirect rather than direct. In the favourable scenario (Variant No. 1) then, 90,000 of the 188,000 newly unemployed would lose jobs in the first phase of the crisis (direct effect) while the remaining 98,000 became unemployed in its subsequent phases (Phases 2–4). The reason for such sizable effects in the subsequent phases lies in the *supply chains between industries and sectors* that involve consumption of intermediate products (or services) and supply of goods for manufacturing and non-manufacturing needs. Therefore, **the faster supply chains recover, the less COVID-19 will depress employment**. The following measures may expedite recovery of supply chains:

- *write off half of the bank loans borrowed by manufacturers to replenish working capital* provided that they maintain at least 80 per cent of employment by the end of 2020 (as it stood at the beginning of 2020) or else completely recover economically, including maintaining satisfactory relations with the key suppliers of materials and components and with the consumers of those manufacturers' output;
- *reduce VAT to 5 per cent through the end of 2020 with an option to defer payment provided that at least 70 per cent of employment is maintained*, which will have a very positive financial effect on manufacturing enterprises as they provide 15 per cent of employment and the most sustainable jobs;
- *create up-to-date information platforms for suppliers* of resources needed by enterprises in the real economic sector when they launch new products that conserve resources and are competitive;
- *support for manufacturers whose share of domestic goods and services in the cost of intermediate output exceeds 50 per cent* (specific measures would require additional research).

Emphasis on intermediate supplies from local producers in the system of measures to rebuild industrial supply chains would *ensure maximal growth of employment* in contrast to supporting manufacturing where a significant share of parts and materials are foreign-made (for instance, in automobile manufacturing).

5.2 Supporting enterprises, employment and income

Supporting promising kinds of services from small and micro businesses that have high employment multiplier and income multiplier

As the distinctive features of industries, cost structure and distribution of production, and the prevailing relationships between industries may vary, growth of final demand by a certain amount (for example, by 1 billion som) will have various effects on the economy based on one criterion or another. One such criterion for employment would be the demand for new employment called the **final demand employment multiplier**.

Calculations from input-output modelling have shown that the values of the multiplier for Uzbekistan's industries vary widely. The average value for the multiplier is 25, but it is substantially higher in service industries. For courier services it is six times greater; for waste recycling, five times greater; and for health care, three times, etc. Therefore *state support for those services in which the employment multiplier is above average will have the most stabilizing effect on employment*.

A **final demand employment income multiplier** can also be derived from input-output modelling. The average value is 0.367 (i.e., growth in final demand by 1 billion som results in employment income growth of 367 million som), but it is greater for certain sectors. For example, the education multiplier is 2.53 times greater; social services, 2.44 times; building maintenance and upkeep, 2.3 times, etc. *Stimulating demand in those sectors ensures maximum growth of income and consequently recovery of economic demand*.

The most promising targets for state support would be the types of services whose development will bring about rapid income growth along with wider employment. These are the sectors that have **values considerably above one for both multipliers**. Calculations for the multipliers and grouping of sectors meeting that criterion are presented in Table 6. Of course, the limitations on stimulating demand should be taken into account for certain kinds of services that produce 'non-marketable goods' (except for tourism to some extent and transportation) because of insufficient capacity in the domestic market.

▶ Table 6: Sectors that should be first in line for support in order to have the greatest effect in broadening employment and increasing income

Industries and sectors of the national economy	Income multiplier	Employment multiplier
Education	2.03	2.54
Libraries, archives, museums and other cultural services	1.70	2.49
Veterinary services	3.38	2.48
Cinema, video and television production, sound recording and music publishing	1.39	2.45
Social services (excluding residential care)	7.20	2.44
Services with lodging provided (including residential care)	3.58	2.43
Architecture, engineering surveys, technical testing and analysis	1.50	2.40
Research and development	2.11	2.12
Health care	2.05	2.06
Employment services	1.24	1.92
Water treatment and supply	1.84	1.85
Postal and courier services	4.42	1.78
Management consulting	9.40	1.46
Other vehicles and equipment	1.21	1.46

Source: calculations from input-output modelling, data for 2016.

Broadening coverage of social protection

The COVID-19 pandemic has exposed more clearly the problems with the principle of charity in Uzbekistan's social protection. **Social protection must be based on human rights and not on charity**. For this purpose we can put forward the following recommendations:

1. Creating a single body responsible for social protection. This matter has long been discussed, but quarantine has brought it to the fore. The social protection function is scattered across different bodies. The Ministry of Health is responsible for care of people with disabilities in the *Muruvvat* and *Sakhovat* homes. Improving the efficiency of the social protection system in the country makes it possible to increase the efficiency of the social protection system in the country. The Ministry of Public Education is responsible for special boarding schools and orphanages. The Ministry of Employment and Labour Relations is responsible for assigning jobs to persons with disabilities. The non-budgetary pension Fund under the Ministry of Finance administers matters pertaining to financial benefits for disability. As a result, neither the *mahallas* nor any other state institution has access to complete information on who stands in most need of assistance. Each state body maintains its own roster of the needy. The lack of a single body and a single registry for recipients is one of the fundamental reasons for the ineffectiveness of the social protection system. The introduction of the Unified Register of Social Services throughout the Republic, piloted jointly with UNICEF in the Syrdarya region, will significantly improve the efficiency and quality of the social protection system in the country.

2. Providing an adequate amount of unemployment benefits. The inadequate amount of benefits is another reason for the ineffectiveness of the social protection system. Based on the principles of human rights, the amount of benefits should be increased to at least enough to guarantee the minimum standard of living. Of course, the lack of legislatively vetted figures for the living standard and consumer basket[43] makes increase the size of any benefits premature. Nevertheless, in view of how the employment situation has been complicated by quarantine restrictions, the proposal would be to *increase unemployment benefits to 1 million som*. Alternatives for financing are presented in Table 7. Funds from international financial institutions as well as some of the resources of the *Community Service Fund* may be available.

Direct payments may signal to society that the state is adhering to the principles of human rights because social support may be granted to any **worker** *whether they work in the formal or informal sector*. This would not only increase confidence in the state, but also moderate the social disintegration that has been brought on by quarantine. This would also stimulate *consumer demand*. In addition, experience with this may be regarded as a pilot project for developing a social insurance system for informally employed workers. It would conform to the ILO's two-pronged approach to extending social security in accordance with the ILO Social Protection Floors Recommendation, 2012 (No. 102) and the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).[44]

43 A legal foundation for the minimum standard of living and minimum consumer basket is to be developed by 1 October 2020. Source: video conference concerning issues in reducing poverty held on 3 June 2020 led by the President of the Republic of Uzbekistan. Available online at: https://president.uz/ru/lists/view/3624

44 Available online at: https://www.ilo.org/ilc/ReportsavailableinRussian/WCMS_379225/lang–en/index.htm

▶ Table 7: Cost of increased unemployment benefits taking into account the newly unemployed in the formal and informal sectors and duration of payments (as per cent of GDP)

Amount of benefits and number of newly unemployed	Payment for one month	Payment for three months
Benefit of 1 million som: ▶ For **all** the newly unemployed from the formal sector (381,100) ▶ For **all** the newly unemployed from the informal sector (1.0–1.5 million) **Total cost:**	 0.17 0.45/0.67 **0.62/0.84**	 0.51 1.34/2.0 **1.85/2.51**
Benefit of 1 million som: ▶ For **all** the newly unemployed from the formal sector (381,100) ▶ For **half** of the newly unemployed from the informal sector (0.5-0.75 million) **Total cost:**	 0.17 0.22/0.33 **0.39/0.5**	 0.51 0.67/1.0 **1.18/1.51**
▶ **Benefit of 1 million som for all** the newly unemployed from the formal sector (381,100) ▶ **Benefit of 500,000 som for half** of the newly unemployed from the informal sector (0.5–0.75 million) **Total cost:**	0.17 0.11/0.17 **0.28/0.34**	0.51 0.33/0.51 **0.84/1.02**

Source: authors' calculations. The number of newly unemployed in the formal sector is from modelling for the most unfavourable scenario (Variant No. 3); for the informal sector, based on a flash survey of those employed in the informal sector.

Comment: A variant of support for the newly unemployed in the informal sector which takes into account the **type of informal employment** may be considered. For example, benefits might be offered only to individual entrepreneurs registered with the tax authorities. In view of the fact that at the beginning of quarantine there were about 1.2 million individual entrepreneurs, some benefit would indirectly go to about 4 million people (as one individual entrepreneur on average hires 3 to 4 employees).

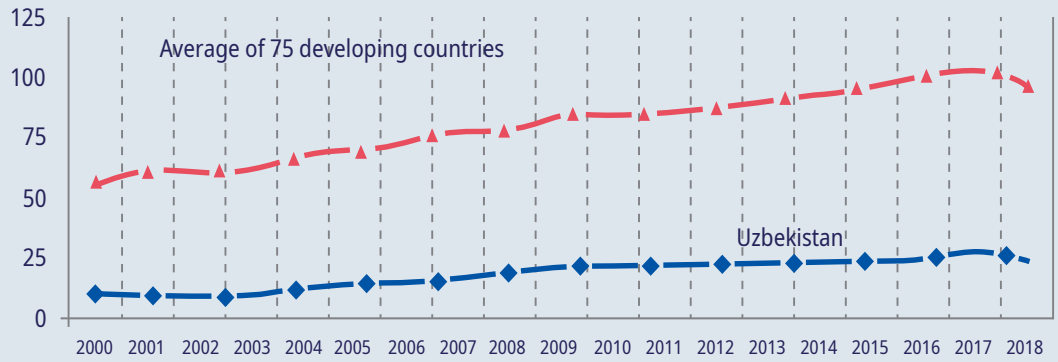
One of the usual objections against to direct financial support for the newly unemployed is the concern that inflation will rise steeply because of increased money supply. However, for Uzbekistan those concerns are unjustified.

- **Uzbekistan has one of the lowest rates of monetization of any country.** For the past 15–20 years, monetization of the economy (the money supply [M2] as a percentage of GDP) has been well under the international trend. In fact, the average monetization of 75 developing countries that are comparable to Uzbekistan for scale of the economy and population reached 50 per cent in 2000 and 95–100 per cent in 2018. During those years, Uzbekistan's monetization ranged between 10 and 25 per cent.

45 World Bank bulletin. Uzbekistan: Toward a new economy, summer 2019. Available online at: http://documents. worldbank.org/curated/en/750691563976140831/pdf/Uzbekistan-Toward-a-New-Economy-Country-Economic-Update.pdf

- **Uzbekistan's inflation for the most part is not monetary** because it 'mainly reflected increases in administrative prices for energy and food and utilities, wage increases to certain public employees, and exchange rate depreciation.' [45]

▶ Chart 12: Level of monetization (M2 as per cent of GDP) in Uzbekistan and 75 developing countries, 2000–2018



Source: calculated by authors based on World Bank WDI2019.

Formalizing informal employment

Any measures designed to formalize the informal sector must facilitate: a) recovery of demand; b) replenishment of the state budget. **Extending social security to groups employed informally is one of the effective ways to legalize them.** The following measures may be employed for this purpose:

1. Adjusting financial mechanisms to match potential contributions. International practice indicates that poor understanding of social protection mechanisms and difficult access to financial services are basic problems that are faced by the informally employed. Ways to overcome these limitations are: a) *simplifying registration/regulation and b) adjusting tax payment mechanisms and social contributions (such as a single tax) as well as subsidizing low-income groups through progressive tax rates*.

It should be noted that these elements were incorporated in the Decree of the President of the Republic of Uzbekistan 'On measures to simplify state regulation of entrepreneurial activities and self-employment' adopted 8 June 2020. The basic idea is to *liberalize* regulation of self-employment and individual entrepreneurship. Among the basic measures are:

a) expanding the list of activities open to self-employment from 24 items to 67;

b) as of 1 June 2020 registration of the self-employed will be arranged as a *notification* via a special mobile app or through the personal account of the taxpayer upon submission of a QR-code which will serve as confirmation of registration for self-employment;

c) self-employed persons who offer services online (freelancers) will have the right to be paid for their work by non-residents from abroad in foreign currency wired to Uzbek banks without entering information about it with the Consolidated Electronic Information System for Foreign Trade Operations. They may also provide services to foreign individuals and legal entities *without concluding a contract* (by accepting a public offer or electronic messages, or else by presenting invoices including electronic ones);

d) self-employed persons are exempt from income tax and required to pay **only social taxes** at 50 per cent of the base estimated amount, regardless of the hours worked. This is sent to the Non-budgetary Pension Fund for subsequent calculation of retirement benefits.

2. Using digital technology in legalizing informal employment. Reworking social security measures for workers in the informal sector must be accompanied by intensified digitalization (because this involves working with large data sets) and also by a marked improvement in the legal regulatory framework. The international practice for this purpose is to create a *digital platform* with technology not only for collecting data on the informally employed, but also for simplifying their access to social security options, monitoring payment, and evaluating the effectiveness and coverage of social protections, as well as reacting flexibly to changes in the labour market.[46]

5.3 Protecting workers in the workplace

1. Transforming labour legislation in response to changes in the format and regime of work. The period of quarantine has brought to the fore the need to revise labour legislation particularly for regulating remote work, employing digital technology on the job, and changing the template for *employment agreements*. Labour law must take all these aspects into account in order to protect workers and improve the situation of employers.

There is also a need to regulate a new form of non-standard employment – *platform employment*. 'Platform' here refers to a digital service that facilitates interaction between user groups that are separate but connected with each other via the internet. These workers use apps or websites (online platforms) to provide services for money or submitting work or receiving payment (which distinguishes platforms from conventional intermediaries in the labour market). This may be a main job or source of ancillary earnings.

It is first of all necessary to determine how to establish the amount of platform employment inasmuch as it is difficult judge the number employed this way and what their jobs are. Next, it is crucial to understand the prospects for protecting the labour rights of these workers. A platform might tell workers how they must work (for example as Yandex Taxi drivers), and the workers have official employment agreements and pay taxes (which is not typical for the usual informal worker). However, the drivers frequently work 16-hour days and earn nothing, which leaves them without a proper balance between work and time off. In other words, platform workers are *not formalized with respect to labour rights and social protection*.

2. Changing the model for personnel management. The prevailing management model at enterprises, organizations and companies – wherever there is hired labour – has managers all day long 'overseeing' the productivity of their subordinates, controlling whether they arrive and leave on time, etc. But this has nothing to do with actual performance.

The widespread transition to remote work during isolation has shown the uselessness of the supervisory approach to personnel management. In many countries the *principle of psychological incentives* long ago replaced coercion, and global human resources management systems which are computerized and structured, have been established – not to mention the well-known KPI[47] approach that is still very little used in Uzbekistan.

3. Broadening opportunities for paid leave. It is difficult to speak of this as an option for the informal sector when workers are *at the same time* their own employers. However, in small and micro enterprises this must apply to all workers. Nevertheless, only 60 per cent of small and micro enterprises in the survey indicated that paid leave was a way to preserve jobs during quarantine. Remote work and partial reconfiguring the company were considered more promising by just 18 per cent of companies.

4. Extending occupational safety and health measures to informal sector workers. Human rights mandate that workers engaged in any form of employment have social insurance for occupational injuries. There may be a number of ways to combine that insurance with health insurance for informal categories of employment.

46 Materials from the webinar (held 4 June 2020) by the ILO's Moscow Country Office for Eastern Europe and Central Asia on the topic 'Extending social security coverage to workers in the informal economy'. Available online at: https://www.ilo.org/moscow/information-resources/publications/WCMS_747032/lang–ru/index.htm

47 **KPI** (key performance indicators) are indicators that reflect to what extent the goals set for specific workers or divisions have been reached.

5.4 Employing social dialogue in the search for solutions

Constructive social dialogue[48] between the state and society may facilitate a rapid and sustainable post-crisis recovery. The basis for Uzbekistan's social dialogue is set forth as the **General Agreement** on socio-economic issues for 2020 to 2022 which was signed on 28 January 2020 by the Cabinet of Ministers, the Council of the Federation of Trade Unions of Uzbekistan, and the Confederation of Employers of Uzbekistan. The General Agreement identified the following types of jobs that are beneficial to the *development of the labour market and stimulating employment:*

- encouraging completion of annual employment programmes with emphasis on creating jobs with steady earnings and safe work conditions, especially in agricultural localities;
- revising and carrying out the Concept for Transitioning from the Informal to the Formal Economy;
- preventing unemployment above 5 per cent of the economically active population (according to ILO methodology), improving occupational training and retraining of the unemployed, developing a network of short-term innovative courses for training in viable occupations;
- encouraging employment of socially vulnerable sectors of the population, including by reserving 10 per cent of jobs at enterprises created within free economic zones;
- establishing public control over observance of the rights of citizens with unstable forms of employment and over the activities of private employment agencies by including trade union representatives and employers as members of working commissions under the *khokimiyats*.

These additional topics for dialogue may be singled out:

1. Strengthening the capacity of the state in the ongoing process of transforming informal employment. Dialogue here should be aimed at: a) developing new legal acts for regulating and liberalizing non-standard forms of employment; b) auditing and systematizing the activities of all current measures and programmes pertaining to employment policy (active or passive), as they often duplicate each other and do not correspond to the economic realities or else are quite ineffective for informal workers. For example, subsidies from the Employment Assistance Fund have thresholds that are difficult to understand for the amounts of subsidies allocated to different kinds of activities; c) arriving at a reasonable balance between tax and insurance payments by employers and employees; d) finding sources of financing for creating digital platforms, etc.

2. Raising the level of minimum social protection (social security) for all workers, regardless of their form of employment. The existence of a developed system of standards and guarantees is a sign of a socially oriented, democratic society. In this regard it is necessary to have broad social dialogue not only to discuss and adopt acts providing legislative standards for the 'consumer basket' and 'living standard' concepts, but also to engage in wider processes for assessing poverty and social stratification in society, and adjusting the work of social services, etc.

3. Improving the quality of collective bargaining and the coverage of collective bargaining agreements. The surveys have shown that strict sanctions for employers who hire workers without concluding an employment agreement are one of the basic steps toward legalizing informal labour. Therefore, discovering what incentives employers have to use 'grey' labour is a serious topic for social dialogue in order to seek effective means to change the situation and increase coverage by collective bargaining agreements that provide robust social protection for workers.

4. Broadening the number of participants in social dialogue. The General Agreement is a good start for full-fledged social dialogue in which executive bodies in localities, local self-government bodies, civil society and other parties must be involved.

48 Social dialogue refers to the process of discovering and merging positions, reaching general agreements and taking joint decisions agreed upon by the parties to social dialogue which represent the interests of workers, employers, governmental authorities and local self-government bodies in formulating and implementing state socio-economic policy and labour relations.

▶ Conclusions

Quarantine restrictions and the negative impacts of the global crisis caused by COVID-19 have had a significant impact on the socio-economic situation in Uzbekistan and especially on employment. This impact has the following specific features:

- *The effects of the crisis on the economy will arrive in four waves or phases*. The *first* wave is from the closure of most service enterprises and small businesses. The second wave begins as the financial and inventory reserves of companies are exhausted. The third wave includes additional negative effects from loss of exports. In the final phase, the source of instability will be the state budget.
- *The full effect from all waves of the crisis will produce a reduction in economic activity of 2.5–6.8 per cent of GDP* (depending upon the scenario). The main reason for this reduction will be 7–14 per cent less value added in the service sector.
- *A surge in idled workers in the formal sector* could reach 381,100 persons or about 10 per cent of total employment in the formal sector according to the least favourable scenario. Of these newly unemployed workers, 76.2 per cent will come from the service sector (small businesses).
- *A surge in idled workers in the informal sector* may reach 1.0-1.5 million persons despite this sector's greater resilience compared to the formal sector when it comes to retaining jobs.
- *Overall unemployment may reach 1.9 million persons* or over 14 per cent of total employment (2019). If adequate measures for social and financial support are lacking while the economy is forced to change its structure, this may lead to increased risk of social instability.

During the two months since the inception of self-isolation (19 March 2020), twelve decrees and resolutions of the President of the Republic of Uzbekistan have been adopted (in the amount of 5.9 per cent of 2019 GDP) for support of the economy, businesses and the population. Packets of measures are still being worked out for problem areas that have appeared. At the same time: a) most of the support measures are *deferrals and benefits*, i.e. indirect ones, and often of doubtful effectiveness; b) a portion of the important measures *have not been completely implemented* as can be ascertained by the comments in the media from small businesses; c) the *social protection* measures are inadequate, as they have been provided to workers in the state sector (retention of wages for the duration of the quarantine) and to the customary recipients of benefits (coverage of vulnerable groups increased by 10 per cent); however, a broad segment of the informally employed are outside the coverage of social protection; d) *the amount of social benefits* does not cover minimal living expenses, which indicates the ineffectiveness of the *charitable model of social protection*.

Improving state policy for mitigating the effects of the COVID-19 crisis must be aimed, first of all, at ensuring **rapid and sustainable post-crisis recovery**. Economic recovery measures may be of various kinds. **The main challenge is to have them attain rapid and sustainable economic recovery while maintaining labour standards and guarantees** because most employers will inevitably be inclined to exploit in one way or another a situation in which the supply of workers exceeds the demand for them (as has already happened during quarantine). In this connection, the ILO Policy Framework for responding to the COVID-19 Crisis, which has been based on international standards for decent work, would be a useful guide.

1. Stimulating the economy and labour demand. In view of the out-sized share that small businesses have in the structure of GDP and employment, support for this sector would expedite post-crisis recovery. For a robust recovery in small business activity it is necessary to:

a) switch to *direct* measures for supporting this sector;

b) ensure *effective channels* to deliver direct state aid;

c) restore the *supply chains* between sectors for consumption of intermediate goods (services) and delivery of goods for manufacturing and non-manufacturing needs;

d) reduce the uncertainty surrounding how small businesses are to make investment decisions by having the state provide *sufficient information* concerning priorities and mechanisms for regulating economic recovery.

2. Supporting enterprises, employment and income. For this effort the following is proposed:

a) develop state support measures for the 14 kinds of services that have both *high employment and income multipliers*. Support for these industries will permit maximum stabilization from the recovery in employment and in the economy;

b) begin to transition from a charitable principle underlying social protection to social protection *based on human rights*. To do this it is necessary to:

- *formulate a definite status for social protection of the population* by creating a single body responsible for social protection;
- *provide unemployment benefits in amounts adequate* for a minimal living standard and pay benefits to the newly unemployed. To finance these direct payments the resources of international financial institutions as well as those of the Community Service Fund may be employed.

Direct payments may signal the society that the state is adhering to the principle of human rights because any **worker** *whether they work in the formal or informal sector* may have social insurance for unemployment. One of the typical objections to direct financial aid to the population is that it would fuel inflation brought on by a larger money supply. However, in Uzbekistan's case that concern is groundless because Uzbekistan's degree of monetization is one of the lowest in the world. Furthermore, the price inflation in Uzbekistan is mostly non-monetary;

c) *liberalization of the informal sector.* Among the effective measures for this effort are:

- *simplifying registration and regulation;*
- *adjusting financial mechanisms to match potential contributions.* Some effective measures would be: a) combining tax and social contributions into a single tax and b) subsidizing low-income groups through progressive tax brackets. Some of these elements are already part of the Resolution of the President of the Republic of Uzbekistan 'On measures to simplify state regulation of entrepreneurial activities and self-employment' (dated 8 June 2020);
- *using digital platforms* to collect information about informal employment, simplify access to and tools for social security, monitor payments and coverage of social protections, as well as to react flexibly to changes in the labour market.

3. Protecting workers in the workplace. The quarantine has made clear the need to:

- *revise* labour legislation particularly for regulating remote employment and use of *digital technology* for work, for changing the template of *employment agreements*, and for regulating *platform employment;*
- *change the model for personnel management.* In many countries the supervisory approach to personnel management has long been replaced by the principle of psychologically motivating personnel, introduction of global systems for managing human resources which have already been computerized and structured, not to mention the well-known KPI approach, which is not yet much used in Uzbekistan;
- *increase coverage of paid leave.* It is difficult to speak of this as an option for the informal sector when workers are at the same time their own employers. However, in small and micro enterprises this must apply to all workers;
- *extend occupational safety and health measures to workers in the informal sector.* Human rights mandate that workers engaged in any form of employment have social insurance for occupational injuries. There may be a number of ways to combine that insurance with health insurance for informal categories of employment.

4. Employing social dialogue in the search for solutions. The basis for Uzbekistan's social dialogue is set forth as the General Agreement on socio-economic issues for 2020 to 2022 between the Cabinet of Ministers, the Council of the Federation of Trade Unions of Uzbekistan, and the Confederation of Employers of Uzbekistan, which was signed on 28 January 2020. It contains a series of measures to support the labour market and promote employment.

Among them one may identify **additional topics** for social dialogue, such as:

- *strengthening the capacity of the state in the process of transforming the informal sector.* Dialogue here should be aimed at: a) developing new legal acts for regulating and liberalizing non-standard forms of employment; b) auditing all current measures and programmes pertaining to employment policy

(active or passive), c) arriving at a reasonable balance between tax and insurance payments by employers and employees; d) finding sources of financing for creating digital platforms, etc.;

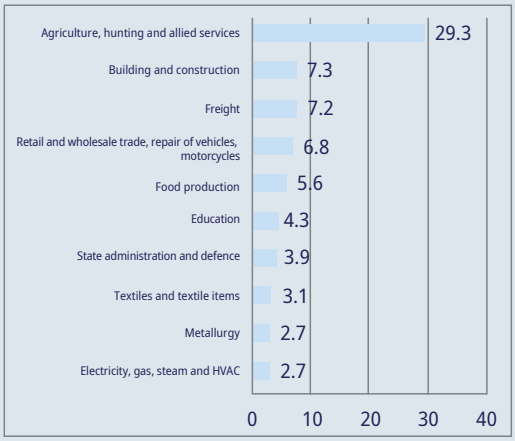
- *raising the level of minimum social protection for all workers, regardless of their form of employment.* In this regard it is necessary to have social dialogue not only to discuss and adopt acts to provide the legislative standards for the 'consumer basket' and 'living standard' concepts, but also to engage in wider processes for assessing poverty and social stratification in society, modifying the work of social services, etc.;
- *improving the quality of collective bargaining and coverage by collective agreements*, as discovering what incentives employers have to use 'grey' labour is a serious topic for social dialogue in order to seek effective means to change the situation and increase coverage by collective agreements that provide robust social protection for workers;
- *increasing the number of participants in social dialogue.* The General Agreement is a good start for full-fledged social dialogue in which executive bodies in localities, local self-government bodies, civil society and other parties must be involved.

▶ Annex 1: Socio-economic profile of Uzbekistan

Economy

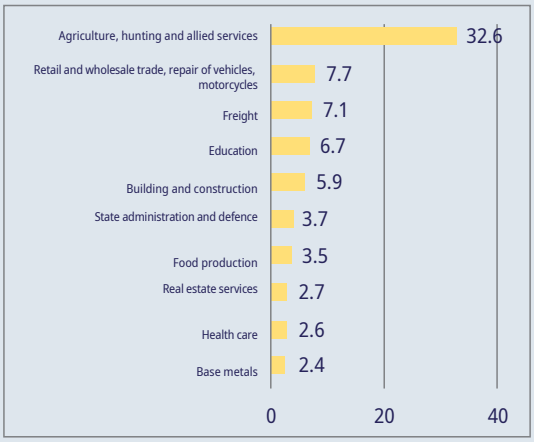
▶ Chart 1: Top ten industries (sectors) according to separate criteria and indicators pertinent to a profile of the national economy (from the input-output table for 2016, in per cent of each indicator as a share of the whole economy)

a) By gross output (economic profile by volume of output)



Comment: These sectors accounted for 70.3 per cent of total output in 2016.

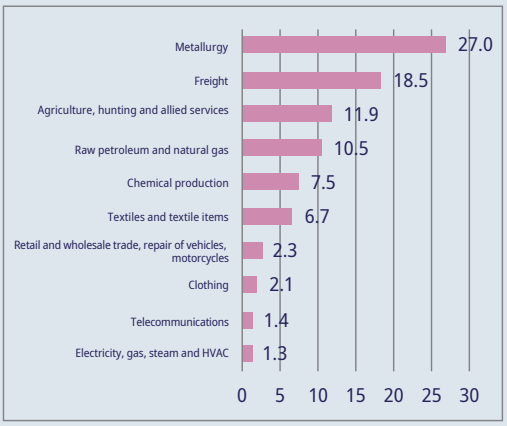
b) By value added (profile as a component of GDP)



Comment: These sectors accounted for 75 per cent of total GDP in 2016. There was little change in the economic struc-ture from 2016-2019. Construction increased only slightly (from 6 to 6.4 per cent) while agriculture declined (from 34.0 to 28.1 per cent). Despite the decline in agriculture's share of GDP, production of staple foods outstripped the in-crease in population through per capita increases for many kinds of food. For example, potatoes per capita increased 2.5 times over that period; vegetables and fruits, 2.2 times; grapes, 1.9 times; melons, 2.4 times; meat and dairy, 1.8 times; and eggs, 3 times.

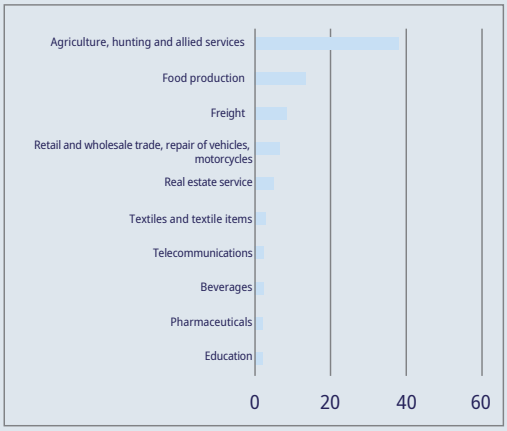
▶ Chart 1: Top ten industries (sectors) according to separate criteria and indicators pertinent to a profile of the national economy (from the input-output table for 2016, in per cent of each indicator as a share of the whole economy)

c) By export (source of foreign currency earnings)



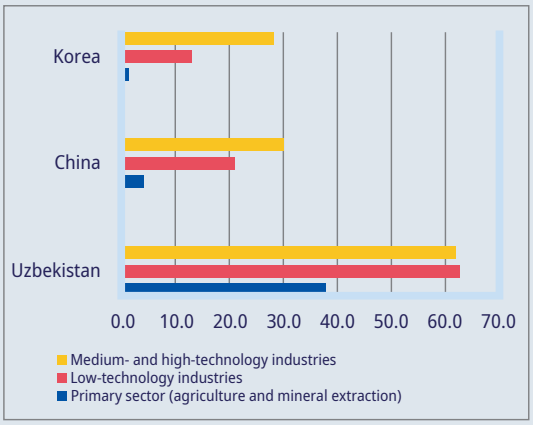
Note: These sectors accounted for 89.1 per cent of exports in 2016.

d) By final products purchased by households (production or import of products answering consumer needs)



Note: These sectors accounted for 83.2 per cent of final con-sumption in 2016.

▶ Chart 2: Consumption of basic materials in the main economic sectors of Uzbekistan, China and Korea (amount of intermediate consumption as per cent of sector's output, 2016)



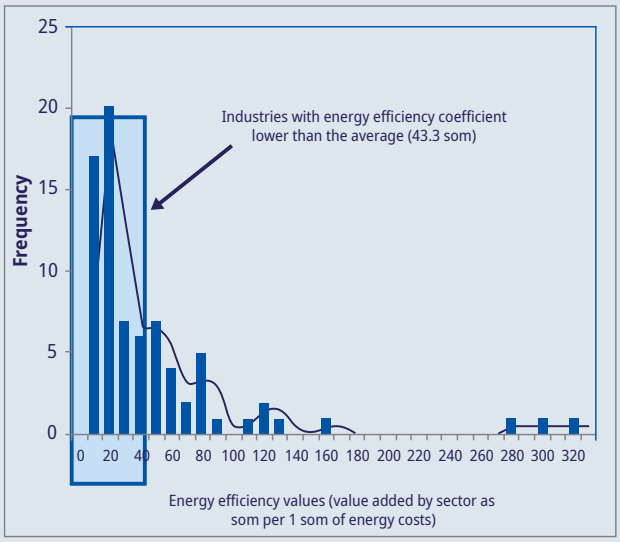
Note: According to standard CCEA (See: ADB, Economic Indicators for Eastern Asia. Input-output tables. December 2018. p. 2) The sectors in expanded detail are:

Primary sector (agriculture and mineral extraction): agriculture (1), forestry (2) and fisheries (3). Extractions of coal (4), oil and gas (5), metal ores (6), other minerals (7), mining and extraction services (8);

Low-technology industries: food products (9), beverages (10), to-bacco items (11), textiles and textiles items (12), clothing (13), leather and leather items (14), wood (15), paper (16), reproduction services (17), rubber and plastic items (21), mineral, non-metallic and other items (22), furniture (30), other products (31);

Medium- and high-technology industries: coke and petroleum refin-ing (18), chemicals (19), pharmaceuticals (20), base metals (23), metal products (24), computers (25), equipment (26), machinery (27), vehicular transport (28), other transport services (29).

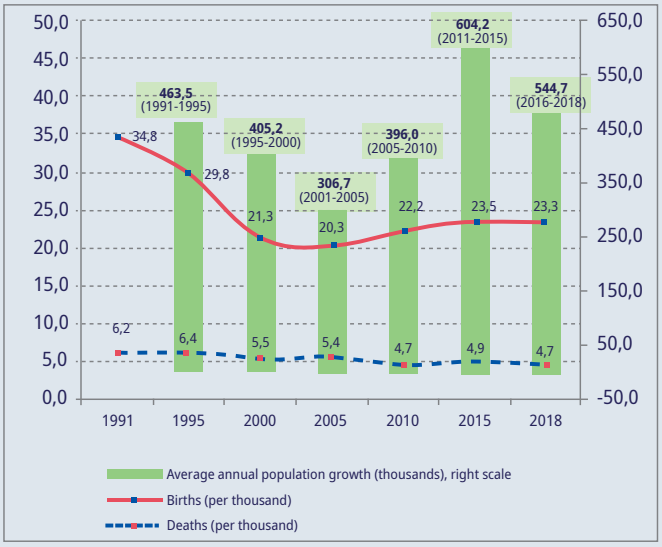
▶ Chart 3: Industries and sectors distributed by energy efficiency



Source: Calculations from input-output modelling for 2016.

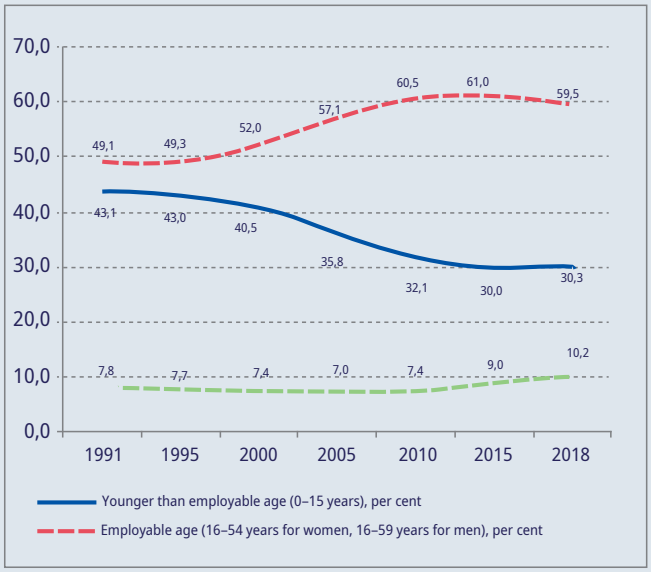
Demography

▶ Chart 4: Births, mortality, average annual population growth, 1991–2018



Source: Calculated from State Committee for Statistics data.

▶ Chart 5: Age distribution, 1991–2018, per cent



Source: Calculated from State Committee for Statistics data.

▶ Table 1: Structure of the workforce, thousands, 2000–2018

	2000	2005	2010	2015	2018
Permanent population	**24,487.7**	**26,021.3**	**28,001.4**	**31,022.5**	**32,656.7**
Work force	**12,469.0**	**14,453.2**	**16,726.0**	**18,276.1**	**18,829.6**
as per cent of permanent population	50.6	55.2	58.6	58.4	57.1
consisting of:					
able-bodied population of employable age	12,245.4	14,263.7	16,533.9	18,167.7	18,712.1
as per cent of permanent population	49.7	54.5	57.9	58.0	56.8
as per cent of workforce	98.2	98.7	98.9	99.4	99.4
older people and adolescents employed in the economy	223.6	189.5	192.1	108.4	117.5
as per cent of permanent population	0.9	0.7	0.7	0.4	0.4
as per cent of workforce	1.8	1.3	1.1	0.6	0.6

Source: State Committee for Statistics.

▶ Table 2: Economically active and inactive population, thousands

	2000	2005	2010	2015	2018
Total workforce	**12,469.0**	**14,453.2**	**16,726.0**	**18,276.1**	**18,829.6**
urban	5,211.6	5,667.6	9,134.1	9,768.4	10,032.5
as per cent of total workforce	41.8	39.2	54.6	53.4	53.3
rural	7,257.4	8,785.6	7,591.9	8,507.7	8,797.1
as per cent of total workforce	58.2	60.8	45.4	46.6	46.7
economically active population*	**9,018.4**	**10,224.0**	**12,286.6**	**13,767.7**	**14,641.7**
urban	4,181.3	4,395.7	6,840.8	7,442.8	7,682.0
as per cent of economically active population	46.4	43.0	55.7	54.1	52.5
rural	4,837.1	5,828.3	5,445.8	6,324.9	6,959.7
as per cent of economically active population	53.6	57.0	44.3	45.9	47.5
economically inactive population**	**3,450.6**	**4,229.2**	**4,439.4**	**4,508.4**	**4,187.9**
urban	1,030.3	1,271.9	2,293.3	2,325.6	2,350.5
as per cent of economically inactive population	29.9	30.1	51.7	51.6	56.1
rural	2,420.3	2,957.3	2,146.1	2,182.8	1,837.4
as per cent of economically inactive population	70.1	69.9	48.3	48.4	43.9
Share of the economically active population in the total workforce, per cent	72.3	70.7	73.5	75.3	77.8
Share of the economically inactive population in the total workforce, per cent	27.7	29.3	26.5	24.7	22.2

Source: State Committee for Statistics.

Notes:
*Includes both the employed and unemployed.
** Includes: a) secondary and higher level students receiving instruction away from work sites and without earnings or em-ployment income; b) unemployed persons with disabilities; c) homemakers and unemployed women caring for children; d) unemployed persons deriving income from real or chattel property; e) the voluntarily unemployed.

Labour market

▶ **Table 3: Employment distribution by age group in 2017, per cent****

	Total	Consisting of age groups, years of age					
		Younger than 18	18–29	30–39	40–49	50–54	55 and older
For the whole economy	**100.0**	**0.0**	**28.8**	**30.1**	**25.0**	**10.9**	**5.2**
consisting of:							
agriculture, forestry, fishing	100.0	0.0	22.1	28.1	27.6	14.1	8.1
manufacturing	100.0	0.0	28.7	29.9	24.8	10.4	6.2
construction	100.0	0.0	27.3	28.5	23.0	12.6	8.6
trade	100.0	0.0	33.6	28.4	21.6	10.5	5.9
freight and warehousing	100.0	0.0	27.2	28.8	23.8	11.6	8.6
lodging and food services	100.0	0.1	32.3	29.2	25.1	8.6	4.7
information and communication	100.0	0.0	30.3	30.3	21.5	10.2	7.7
finance and insurance	100.0	0.0	37.3	36.9	17.4	5.8	2.6
education	100.0	0.0	27.5	30.8	26.7	11.2	3.8
health care and provision of social services	100.0	0.0	34.6	29.1	23.6	9.2	3.5
art, entertainment and leisure	100.0	0.1	27.1	29.4	24.4	11.3	7.8
others	100.0	0.0	23.4	29.9	25.2	13.0	8.5

Source: State Committee for Statistics, calculations by the authors.

**Note:* The table shows the population employed by enterprises and organizations (excluding small enterprises and farming).

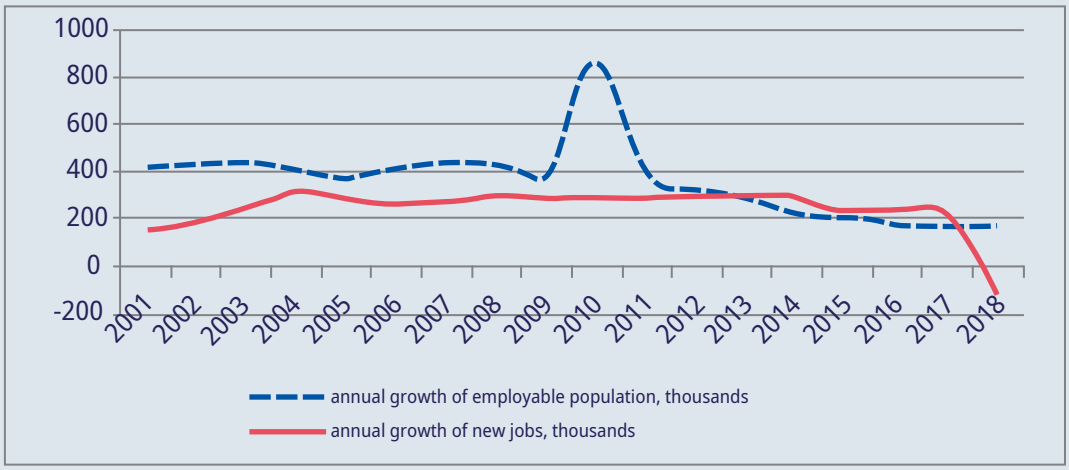
▶ Table 4: Employment in economic sectors, 2000-2017*

	2000	2005	2010	2015	2017	Share of employment:	
						2000	2017
Total employment	8,983.0	10,196	11,628	13,058.3	13,273.1	100	100
consisting of:							
manufacturing	1,145.0	1,348.0	1,539.6	1,768.7	1,801.2	12.7	13.5
agriculture, forestry and fishing	3,093.0	2,967.0	3,127.5	3,601.7	3,551.4	34.3	27.2
construction	676.0	849.0	1,065.1	1,222.2	1,192.6	7.5	9.5
transport and communication, freight and warehousing	382.0	488.0	603.8	614.7	640.3	4.3	5.3
trade, public dining	754.0	904.0	1,243.2	1,413.8	1,390.3	8.4	13.3
health care and social services	587.0	736.0	894.1	601.5	604.1	6.5	4.5
education, culture, art, research	1,146	1,385	1,609.9	1,175.3	1,154.4	12.8	8.7
finance and insurance	52	54	66.3	69.8	66.4	0.6	0.5
other sectors	1,200	1,519	1,545.2	2,730.4	2,980.5	13.5	17.5

Source: State Committee for Statistics, calculations by the authors.

**Comment:* The table shows the population employed by enterprises and organizations (excluding small enterprises and farm-ing).

▶ Chart 6: Annual growth of employable population and new jobs, 2000–2018, thousands



Source: calculations by the authors.

Annex 2. Adopted macro-economic and employment policies measures

Analysis of state support for businesses and the population implemented as part of the government of Uzbekistan's anti-crisis packets

Stimulating the economy and demand for labour: macro-economic and employment policies

Content and mechanisms of the measures	Target for support (beneficiaries)	Effects on business, the population and the economy as a whole	Compliance with ILO measures derived from international labour standards
I. Deferred payment for taxes, loans and rent: for the population and small businesses			
Payment of property and real estate taxes extended from 15 April to 15 October for individual persons. Deadline for individual persons to submit 2019 income declarations extended from 1 April to 1 August. Banks are to defer payment of 5 trillion som until 1 October on loans extended to tour operators, hotels, transportation and logistics companies, private educational organizations, caterers, and others encountering financial difficulties. Small businesses whose gross revenues have fallen by 50 per cent compared with February 2020 are entitled to defer payment of sales tax, real estate tax, property tax, social and water tax until 1 October of this year. Loan payments of 12 trillion som due for individual persons, individual entrepreneurs, and enterprises facing financial difficulties are to be deferred. Repayment of loans taken out in 2019 by cotton textile clusters[1] for harvesting cotton is to be extended to 1 October.	Small businesses still open. Small businesses that are closed provided that they reopen after quarantine is lifted.	Farmers and others officially employed in agriculture for sowing and early harvest will benefit most. Little effect on small businesses and the economy as a whole because of the large number of small busi-nesses not in operation. Little likelihood that they will reopen after the pandemic because they will lack the necessary financial resources. The businesses that will be able to reopen after quarantine is lifted will have to pay significant sums for deferred loans and taxes at a time when their working capital has been depleted.	Active financial policy.

1 Cotton textile clusters are a way of producing cotton goods in which textile enterprises directly place orders for raw cotton with farm owners and others agricultural producers and provide advances to them. In 2018 the cluster system was introduced on a trial basis across 160,000 hectares in 20 regions of the country. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan 'On additional measures to fur-ther advance cotton textile production' dated 19 September 2018.

Content and mechanisms of the measures	Target for support (beneficiaries)	Effects on business, the population and the economy as a whole	Compliance with ILO measures derived from international labour standards
II. Tax deductions, lower tax rates and subsidized loans			
From 1 April to 1 October the minimum social tax for individual entrepreneurs was reduced form 100% to 50 per cent. The Base Estimated Amount for a month went from 223,000 som to 111,500 som. Fees for water used to irrigate farmland were reduced by 50. per cent. The social tax for hotel and tour operators was reduced from the usual 12 to 1 per cent. Banks are to provide 30 trillion som in revolving credit to replenish working capital in the private sector. Broadened financial aid from the Fund for Support of Entrepreneurship: ▶ Prior to the crisis the Fund reimbursed 8 per cent of interest on loans with interest rates under 24 per cent per annum. Currently 12 per cent is reimbursed on rates up to 28 per cent per annum. ▶ The Fund will guarantee up to 75 per cent (up from 50% per cent pre-crisis) of loans to entrepreneurs with good credit history loan guarantee. The upper limit for these guarantees has been raised from 8 trillion som to 10 trillion. ▶ The Fund is in addition allocating over 400 trillion som to cover inter-est on loans of 3 trillion som.	Over 1,000 compa-nies in hotel and tour businesses. Individual entrepre-neurs and farmers still in operation. Small businesses that are closed provided that they reopen after quarantine is lifted.	Only a modest boost for small businesses and indi-vidual entrepreneurs because most small businesses are closed under strict quarantine. The need for new loans when domestic demand is falling rapidly is becoming less important.	Financial and loan support for small businesses and private enterprises in particular sec-tors: ▶ hospitality industry; ▶ agriculture.

2 The Base Estimated Amount is a figure used since 1 September 2019 to determine the amounts of taxes, fees, fines, customs duties, and other payments for public services. It replaced the minimum wage by Decree of the President of the Republic of Uzbekistan 'On improving the procedure for setting the amount of wages, pensions, and other payments' No. 5723 dated 21 May 2019. The Base Estimated Amount is less than the minimum wages. As of 1 February 2020 the Base Estimated Amount was 223,000 som, and the minimum wage was 679,330 som; the minimum retirement benefit and the benefit for persons with disabilities from childhood was 466,680 som; the minimum benefit for the elderly and people incapacitated to work who did not have the required seniority was 286,390 som.

Content and mechanisms of the measures	Target for support (beneficiaries)	Effects on business, the population and the economy as a whole	Compliance with ILO measures derived from international labour standards
III. Exemptions for small businesses from taxes, rent, certain fines and debt service			
From 1 April to 1 July the tourism (hotel) fee was suspended. From 1 October penalties applicable to business entities for overdue for-eign trade receivables have been suspended. Entrepreneurs operating hotels are exempt from land and property taxes through the end of 2020. Accrual of fixed income tax for individual persons and social taxes for indi-vidual entrepreneurs who have been forced to close for quarantine has been suspended.	Over 1,000 compa-nies in hotel and tour businesses. 150,000 individual entrepreneurs.	Effective for the beneficiaries, but their small share in the economy as a whole means that the positive effects overall will be negligible.	Financial and loan support for small businesses and private enterprises in particular sectors.
IV. Elimination of bureaucratic hurdles for small businesses and the general population			
Entrepreneurs may export goods without a guarantee payment if the over-due receivables are less than 10 per cent of their annual volume of ex-ports. Moratorium on tax inspection of businesses through the end of the year. As of 1 April 2020 prepayment required from legal entities for gas and elec-tricity consumption has been reduced from 100 to 30 per cent.	Individual entrepre-neurs still in opera-tion. Small businesses that are closed provided that they reopen after quarantine is lifted.	Positive effects on individual entrepreneurs still in operation and on small businesses that are closed provided that they reopen after quarantine is lifted and that these measures are retained post-crisis. No significant beneficial effect on the economy and labour market during quarantine because of the large number of companies and firms that are closed.	

Annex 3. Adopted measures on broadening coverage by social protection and support of private enterprise

Analysis of state support for businesses and the population implemented as part of the government of Uzbekistan's anti-crisis packets

Supporting employment and income: broadening coverage by social protection and support of private enterprise

Content of the measures	Target for support (beneficiaries)	Effect on business, population and the economy as a whole	Compliance with ILO measures derived from international labour standards
I. Direct social protection			
Wages will be paid during quarantine for 1.04 million workers at educa-tional, sports and cultural institutions subject to closure. Since 1 April 2020 the number of recipients of benefits for families with children under 14 years of age, for leave to care for a child less than 2 years of age and for maternity leave has increased by 10 per cent from 595,400 to 655,000. Starting in May, the measures will be extended to other 70,000 families, which is a 10 per cent increase. Automatic extension (with no additional application required) of benefits for families with children for child care and financial assistance whose benefits would have terminated from March to June of this year. Supplement to daily wages (of 6 per cent of monthly wages) for 5,482 medical, public health and other workers involved in combatting COVID-19. For example, doctors are to receive an additional 160,000 som per day. Essential foods (18 kinds), personal hygiene products, disposable masks and antiseptic cleansers provided free of charge during quarantine to the elderly and persons with disabilities.	Employees at state-funded organizations and at educational, cultural and sports institu-tions. Medical workers. Low-income families with children. Categories of the population customar-ily considered vul-nerable.	Positive effects in enabling minimal levels of con-sumption by the beneficiaries during quarantine. The measures do not extend to employees in gov-ernmental administration, research, state-sponsored banks, other state institutions and organizations and therefore do not enable minimal levels of consumption by most of those employed in the governmental sector. The measures do not extend to employees in the non-governmental and informal sectors of the economy and therefore do not avert a massive collapse in consumer demand and consequently in economic growth.	Broadening access to social protection for **groups custom-arily considered** vulnerable segments of the population. Partially consistent with the phrasing in the ILO's approach which clearly states 'Extend social protection **to everyone'**.

Content of the measures	Target for support (beneficiaries)	Effect on business, population and the economy as a whole	Compliance with ILO measures derived from international labour standards
From 1 April 2020 to 1 October 2020, donations of money, goods and ser-vices to the *Mahalla*, Kindness and Support and Uzbekistan Mekhr-shavkat wa Salomatlik foundations and also to individual persons registered as need social support: ▶ are deductible as expenses for calculating tax on retained earn-ings; ▶ are exempt from VAT; ▶ are not included in the taxable base for VAT.			
II. Support for the employed			
Guaranteed job retention in the governmental sector of the economy. Prohibition on dismissing parents with children infected by the coronavirus or placed under quarantine. Provision of leave during quarantine for parents with children in kindergar-ten or primary school. Benefits for temporary incapacity to work (sick leave) of 100 per cent of average wages for parents under quarantine and persons caring for their children. Simplified system for arranging sick leave. Transition to remote work and flexible schedules or work from home for workers, especially for pregnant women, the elderly, and persons with limited abilities and chronic illnesses. In 2020 the amount of financial aid to workers that is not subject to indi-vidual income tax was increased from 4.22 to 7.5 times the minimum wage.	Employees in the governmental sector. Support for workers under quarantine. Support for workers with children. Lenient work sched-ule for vulnerable groups	Positive effects on a modest proportion of vulner-able groups. Positive effects manifested in supporting minimal levels of consumption during quarantine for recipi-ents of financial aid.	Retention of jobs through tran-sition to part-time work, paid leave and other subsidies.

Content of the measures	Target for support (beneficiaries)	Effect on business, population and the economy as a whole	Compliance with ILO measures derived from international labour standards
III. Benefits and direct support for private enterprise			
Simplified qualification for interest-free deferral until 31 December 2020 of taxes due from individual entrepreneurs. Interest accrued on leases deferred by lessors is excluded from total income in calculating tax on retained earnings during the period of deferral. From May 2020 the social tax rate for small businesses and farming opera-tions is to be reduced from 12 to 1 per cent from May through July. Exemption from land and property taxes for the next three months. Deferred payment for 120 days of customs duties. Individual persons are entitled to interest-free deferral of personal income tax on income from rental of residential and non-residential property. The amount deferred is to be paid in equal instalments by 1 April 2021.	Individual entrepreneurs still in operation. Small businesses and farmers not bankrupt as of May. Small business and indi-vidual entrepreneurs. Entrepreneurs. Individual persons.	Positive effects on individual entrepreneurs still in operation provided that they reopen after quarantine is lifted and that these measures are retained post-crisis. More than 260,000 enterprises and farming operations will be able to save a total of 650 billion som and apply it to investment and working capital. This measure will have a noticeable positive effect on financial savings and increased working capital. This measure will have a certain effect on users of imported raw materials and components. These measures will not have a noticeable positive effect because of the small number of landlords.	Financial and tax benefits for micro, small and medium-size enterprises. Same as above.
IV. Indirect social protection for all segments of the population			
Customs duties and excise taxes were set at zero through the end of 2020 for 20 foods and other essential items (meat, milk, cooking oil, onions, flour, sugar, gauze, personal hygiene items, ventilators, etc.) for import into Uzbekistan. Building materials required for constructing medical and quarantine facili-ties to combat COVID-19 together with goods necessary for their function-ing were exempted from customs duties and VAT through the end of 2020	All segments of the population.	Lowering tariffs on the import of essential goods is a progressive measure as it assists households which spend most of their budget on those items.	Extending social protection to everyone.

▶ Annex 4: Itemized cost of individual pandemic support measures for the general population, the economy and enterprises

Measures	Cost, billions of som	Proportion of total, per cent	Type of effect
1	2	3	4
Setting customs duties and excise taxes to zero for import of the most essential food and hygienic goods	125	3,4	Indirect social protection for the general population
Automatic extension of benefits that were to expire from March to June 2020 for families with children under 14 years of age, for care of a child under 2 years of age, and benefits for low income	570	15.8	Direct social protection for groups customarily considered vulnerable
Providing disposable masks, antiseptics and soap to the elderly living alone and to persons with disabilities	2	0.1	Direct social protection to particular groups
Exemption beginning 1 April through the end of the year from property tax and from taxes on tour and hotel operators, Uzbekistan Airways, Uzbekistan Airports, and state-owned enterprise Uzaeronavigation Centre	70	2.0	Direct support for particular sectors
Easing the social tax rate for the above entities from 12 to 1 per cent	65	1.8	Direct support for particular sectors
Changing from monthly to quarterly VAT payments for businesses with gross revenues up to 1 billion som using electronic invoice	150	4.2	Restructuring payments for enterprises and businesses
Suspension of higher rates for property and land tax and also of interest and mandatory penalties for areas in payment for unused manufacturing facilities and non-residential properties	250	6.9	Deferrals
Cancelling higher rates for excise taxes on final sales to consumers of gasoline, diesel fuel and gas, and also for producers of spirits and alcoholic products	450	12.5	Direct support for particular sectors
Suspending accrual of fixed amounts of income tax for individual persons and of social taxes for individual entrepreneurs	400	11.1	Deferrals
Reducing mandatory prepayment by legal entities for consumption of gas and electricity to 30 per cent	2.4	0.1	Deferrals
Easing mandatory reserves that commercial banks are required to hold in the Central Bank and introducing a special mechanism to provide liquidity to commercial banks for up to three years	4.6	0.1	Deferrals
Deferring loan payments for individual persons, individual entrepreneurs and business entities that have encountered financial difficulties	11.7	0.3	Deferrals
Excluding loan interest payments accrued and deferred by banks from their total income when calculating retained earnings tax during the period of deferral	200	5.5	Deferrals
Suspending accrual and collection of rent for use of state property by enterprises that are closed	30	0.8	Deferrals

Measures	Cost, billions of som	Proportion of total, per cent	Type of effect
1	2	3	4
Specific interest-free financial aid: income based on the Central Bank refinancing rate is not subject to the taxes on retained earnings or gross revenue	2	0.1	Direct support for particular categories of workers
Exempting those with preferential VAT rates from mandatory use of the funds released for designated purposes	400	11.1	-
Having local authorities defer payment by businesses of property and land taxes and fees for use of water resources	870	24.2	Deferrals
Total for above measures	**3.6 trillion som**	**100 per cent**	

Source: Ministry of Finance (columns 1 and 2). Other columns from indicators and estimates.

▶ Annex 5: Brief description of input-output modelling

The input-output method (input-output table) has become widely accepted because it provides an analysis of the material and financial flows within an economy at a systemic level. The input-output table is the core of the system of national accounts and extends across GDP and other macroeconomic indicators broken out by industries, while tying together productivity indicators and creation of value added along with their intermediate and final consumption (including household consumption, government expenditures, investment, and exports – see Chart 1). Hence, for every sector, just as for every economy as a whole, balances are maintained in the national accounts (production equals con-sumption) as well as in the GDP accounts by industry, by consumption and by cost factors.

▶ Chart 1: Simplified schema for a typical input-output chart

		Intermediate Uses				Final Uses						Gross Output
		Industry 1	Industry 2	...	Industry n	Households	NPISHs	Goverment	GFCF	CIIs	Export	
Domestic	1	Z_{11}	Z_{12}	...	Z_{1n}	f_{11}	f_{11}	f_{11}	f_{11}	f_{11}	e_1	x_1
	2	Z_{21}	Z_{22}	...	Z_{2n}	f_{21}	f_{21}	f_{21}	f_{21}	f_{21}	e_2	x_2
	...	...	...	...	...	...	...	...	...	...	...	...
	n	Z_{n1}	Z_{n2}	...	Z_{nn}	f_{n1}	f_{n2}	f_{n3}	f_{n4}	f_{n5}	e_n	x_n
Imports		Zm_1	Zm_2	...	Zm_n	fm_1	fm_2	fm_3	fm_4	fm_5		
Value-Added		v_1	v_2	...	v_n							
Total Inputs		x_1	x_2	...	x_n							

Source: R. Miller P. Blair. (2009). Input–Output Analysis Foundations and Extensions. Second Edition, p.14.

Note: Z_{ij} is the interindustry flow of intermediate production (the intermediate product of an industry *i* used to make the product of industry *j*, first quadrant), f_i is the elements of the final product (household consumption, individual consumers, etc., second quadrant); Zm_i is intermediate and final imports; e_i is exports; v_i is value added; and x_i is inputs (total cost).

One of this method's main advantages is *accounting for technological factors* in the interrelations between all economic sectors by production and consumption of intermediate production and expressed as technical coefficients of direct costs (for example, the quantity of gas in Uzbek som used to produce 100 som of electricity or the amount of electricity in som used to produce fertilizing minerals, etc. [first quadrant of the table in Chart 1]). This permits analysis of the structure of costs in any industry, includ-ing intermediate costs, labour costs, transportation costs, capital expenditures, etc.; it indicates the distribution of an industry's production according to the requirements of other industries depending on the level of their industrial output and also on requirements for final consumption.

Understanding the flows of supply and production permits the most accurate and complete account possible of the *effect of a change in final demand on the industrial outputs required to satisfy it*. This is accomplished with linear algebra and algorithms that show the relation between the industrial outputs (tenders) and demand from individual consumers, government, foreign industry, and also from the economy as such (demand for intermediate production and capital goods).

Conventional input-output supply modelling employs a system of linear equations of the type:

$$x_i = \sum_j a_{ij} \cdot x_j + f_i \qquad i = 1 - n,$$

where n is the number of industries and sectors in the economy; x_i is the gross output of the i-th industry; f_i is the final demand for the product of industry i; a_{ij} is the technological coefficient of direct costs (or the Leontief matrix, which determines the actual values of interindustry flows of goods Z_{ij}^{o} and industrial outputs x_i^{o} during an accounting period such that $a_{ij} = Z_{ij}^{o} / x_j^{o}$).

Final consumption f_i (or final demand[1]) may be divided into domestic fdi and foreign nei consumption; i.e. $f_i = f^{d}_i + ne_i$. Domestic demand fd_i in turn consists of household demand (consumption) hc, government demand gc and gross capital formation gs; i.e. $f^{d}_i = hc_i + gc_i + gs_i$, while foreign demand is net exports $ne_i = e_i - m_i$.

In making projections all the elements of final demand may be used as input (assigned) indicators which describe future states of economic development (for example, a decline in household demand will introduce a decreasing parameter as a lower coefficient k_i, and change the value of $hc_i^* = hc_i \cdot k_i$).

In matrix format the conventional input-output model takes the form:

$$x = A \cdot x + f,$$

where x and f are vector columns of output and final demand, respectively; and A is the square matrix of direct costs. Hence, if final demand increases by Δf, then the increase in output to meet the in-creased final demand is given by the algorithm: $\Delta x = D \cdot \Delta f$, where D is the matrix of total costs deter-mined from the matrix of direct costs as the inverse of (I-A), where I is the unity matrix, i.e. $D = (I-A)^{-1}$.

In addition to its use in determining outputs x elements of the matrix of total costs, D has an *important semantic dimension*. It indicates how much industrial output increases if the final product increases by one unit. Hence, all the relationships contained in the economic flows of intermediate production, i.e. all the direct and indirect effects, are taken into account. This is one of the greatest advantages of the input-output method.

Furthermore, if all elements of the first column of matrix D are summed, then the value obtained indicates how much output has increased in the whole economy $\sum_i \Delta x_i$ in response to an increase in final consumption of the production of the first industry by a unit $\Delta f_1 = 1$. The indicator $mul(o)_i$ is called the *final product output multiplier*.

The input-output table can be used to derive other multipliers, such as the final demand *employment multiplier*, the *employment income multiplier*, the *government expenditure multiplier* and a number of others. This broadens the model's analytical potential and may be used to justify the targets for gov-ernmental support which will have the most immediate effect on recovery of consumer demand and the labour market while providing guidelines for adjusting current economic models to the anticipated global changes in the world economy caused by the pandemic crisis.

1 The input-output method assumes economic equilibrium at the time statistics are gathered and considers that the supply and demand which are determined by the indicators of industrial output and of intermediate and final consumption are equal.

▶ Annex 6: Results of the flash survey of small and micro enterprises

The reason for the survey was the need to understand how much small and micro business operators would expect domestic demand to fall off under different projections for the duration of quarantine restrictions and also to see whether they thought that the state support measures already undertaken were adequate or that additional new measures were needed.

Objects studied: small and micro businesses of the Republic of Uzbekistan (the survey respondents were principals in small enterprises and micro firms).

Survey method. The questionnaire was composed by specialists from the Research Centre of the Ministry of Employment and Labour Relations with support from national experts and the ILO Country Of-fice in Moscow. The survey was conducted in all of the country's regions. The selection of small businesses was based on the registry of legal entities at the State Committee for Statistics. The survey was carried out by specialists from the Research Centre of the Ministry of Employment and Labour Rela-tions of the Republic of Uzbekistan. The survey of micro firms was carried out by employees of the Chamber of Commerce and Industry of Uzbekistan.

The study took place in several stages:

- Composition of instructional and methodological documents, including the questionnaire, instructions for interviewers and also selection of a sample of companies on the basis of the registry of enterprises in principal sectors (such as services that were particularly harmed by quarantine restrictions).
- Conducting the survey via telephone interviews.
- Data entry and processing using specially developed software.

Characteristics of the enterprises selected. The total number of respondents was 562.

▶ Table 1: Distribution of respondents by type of enterprises

	Small enterprises			Distribution of enterprises by location		
	Respondents (total)	Micro firms	Small enterprises	Respondents (total)	Urban	Rural
Karakalpakstan	35	15	20	20	8	12
Andijan	42	16	26	26	18	8
Bukhara	35	15	20	20	9	11
Jizzakh	35	15	20	20	9	11
Qashqadaryo	53	15	38	38	16	22
Navoiy	36	16	20	20	8	12
Наманганская	41	15	26	26	15	11
Samarkand	43	15	28	28	13	15
Surxondaryo	35	15	20	20	12	8
Sirdaryo	37	15	22	22	10	12
Tashkent district	41	15	26	26	10	16
Fergana	46	19	27	27	15	12
Xorazm	35	15	20	20	9	11
Tashkent city	48	15	33	33	33	
UZBEKISTAN total	**562**	**216**	**346**	**346**	**185**	**161**

▶ Table 2: Proportion of women employed by the enterprises surveyed (per cent)

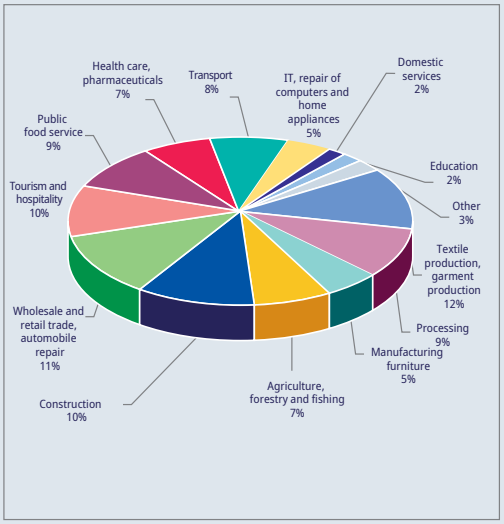
Type of enterprise	0	1–10	11–25	26–50	51–75	76–99	100
Small enterprises, per cent	11	23	12	26	17	10	1
Micro firms, per cent	17	19	17	20	11	13	3

▶ Table 3: Proportion of full-time employees in the enterprises surveyed (per cent)

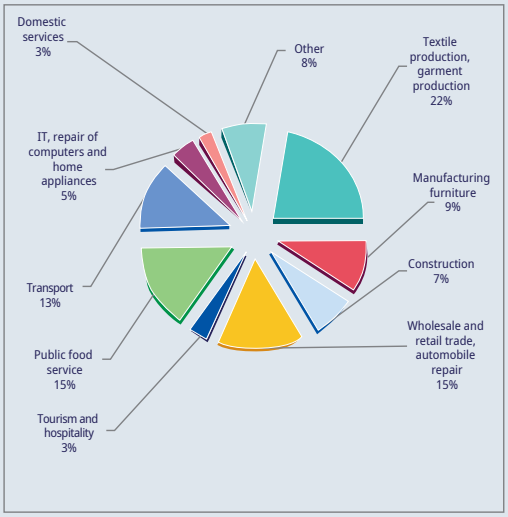
Type of enterprise	0–25	26–50	51–75	76–100
Small enterprises, per cent	3	4	5	88
Micro firms, per cent	11	7	13	70

▶ Chart 1: Sectoral distribution of the enterprises surveyed (per cent)

Distribution of small enterprises by sector

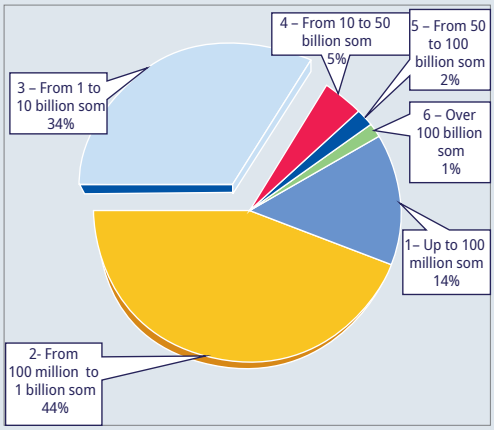


Distribution of micro enterprises by sector

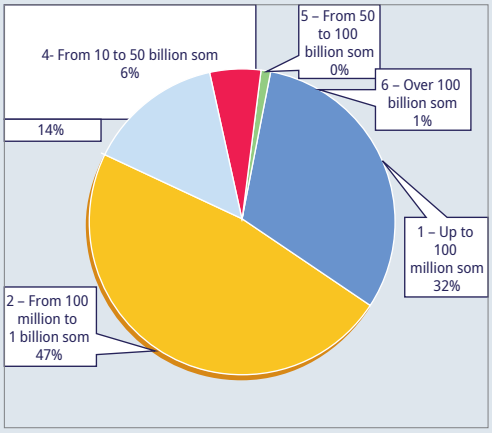


▶ Chart 2: Distribution of surveyed enterprises by annual revenue (per cent)

Distribution of small enterprises



Distribution of micro enterprises

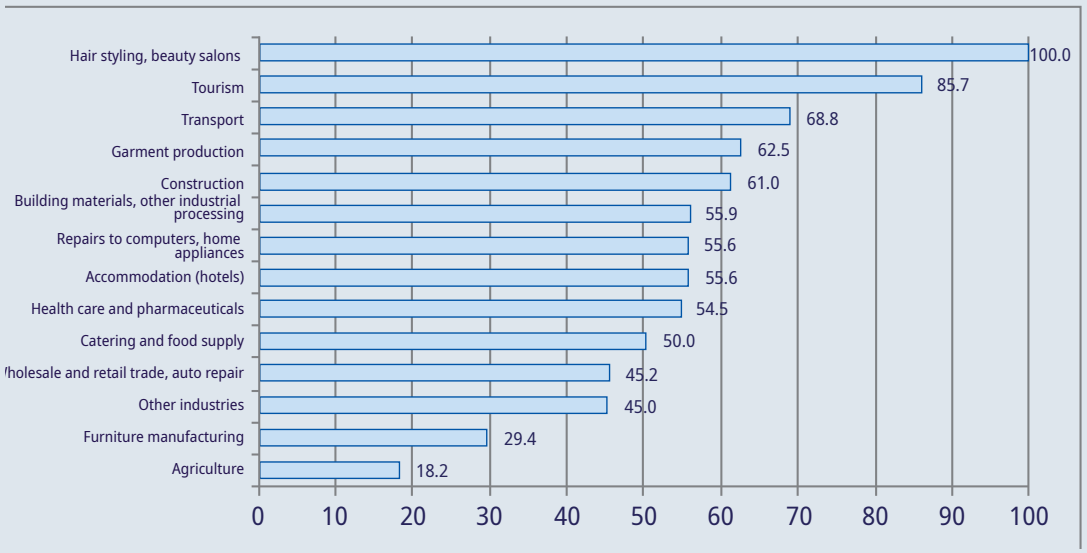


Main survey results. Analysis of the flash survey results supports the following conclusions:

1. Small and micro businesses should be the main consideration in devising anti-crisis measures. Although the majority state-funded organizations and major industrial enterprises were not forced to cease operations because of quarantine restrictions, 55 per cent of small businesses were completely closed. That figure for micro firms is 60 per cent. Because the SMSE sector accounts for more than 70 per cent of the country's total employment and because the support measures so far adopted lack any direct assistance to the 'newly' unemployed, the situation as it stands **may lead to a fundamental destabilization of the labour market and sharply increased poverty.**

2. The **kinds of businesses most damaged are transport, tourism, beauty salons, garment production and construction** (in which 60 to 100 per cent of enterprises have been closed, see Chart 3). According to the State Committee for Statistics, garment production and assembly of textile items alone employed over 150,000 workers.[1] The least damaged enterprises are in agriculture and furniture production (under 30 per cent).

▶ Chart 3: Most vulnerable fields for small and micro businesses



Source: analysis of the results of the flash survey.

3. Companies with higher gross revenues[2] are better able to withstand domestic and external shocks. This conclusion is borne out by the *probability of closure* for the first four categories (as ranked by this criterion), which comprise 94.5 per cent of the sample. In the first group of companies with revenues under 100 million som, the ratio of those that had closed to the total number in the group (probability of closure) stood at 0.66 (33 out of 55); it was clearly lower in the second group with gross revenues of 100 million to 1 billion som at 0.59 (89 out of 152) as well as in the third at 0.49 and the fourth at 0.25. Therefore, the small and micro business sector must be enlarged in order to strengthen it. One possible solution would be to **raise the extremely low threshold for applying the general tax regime, which now stands at 1 billion som of annual gross revenue.[3]**

4. The answers to the question about how much decline in domestic demand is expected indicate that small businesses are facing significant uncertainty. This is shown by the large variations in the estimates of the respondents as well as by the elongated distribution curve (Chart 4) without any clear frequency distribution peak that would indicate a broadly held opinion on the questions asked. The lack of clarity in the economic situation makes it difficult for businesses to choose an effective way to survive

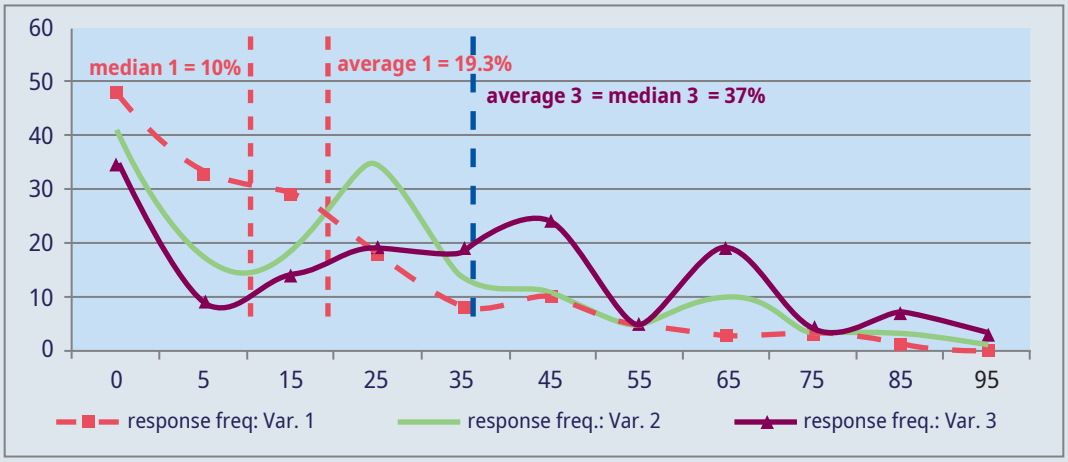
1 These are only the workers with official employment records. The sector also employs a significant proportion of informal workers.

2 1 – annual revenue less than 100 million som; 2 – from 100 million to 1 billion som; 3 – from 1 to 10 billion som, etc.

3 In the sample analyzed 202 small businesses out of 349 (about 58 per cent) had annual revenues less than I billion som (groups 1 and 2), i.e. being under that threshold means that they qualify for a simplified tax system. However, the large proportion of such businesses may indicate a strategy on the part of the entrepreneurs to fragment their businesses so that they retain the less burdensome simplified form of taxation, and this would prevent using this solution to improve the anti-crisis resilience of small businesses.

the crisis. Under these conditions the government should be arranging an anti-crisis programme with clear and consistent guidelines for businesses and with steps and priori-ties in macroeconomic regulation for the first and subsequent stages for recovery of demand, re-building disrupted supply chains and restoring investment.

▶ Chart 4: Frequency distribution of respondents' answers concerning loss of domestic demand under different scenarios (per cent on the horizontal axis)



Source: analysis of the results of the flash survey.

5. There was a substantial differentiation in opinions about how much domestic demand was expected to fall across different kinds of businesses. In the three scenarios proposed to the respondents, the decline in demand for Variant No. 1[4] might reach anywhere from 7.2 per cent (for other services) to 41.2 per cent (for accommodations). The corresponding opinions for Variant No. 3 (the least favourable one) were 21 and 73.7 per cent, respectively. The entrepreneurs thought that demand would fall off most for tourism, accommodation (hotels), weaving and garment production and furniture. These results indicate the **fields that should be the focus of state support in the period of recovery of demand and return to operations for small businesses.**

4 The favourable scenario (Variant No. 1) differs from the unfavourable ones (Variants No. 2 and 3) by having a shorter period of quarantine restrictions, more coverage by social protection and less external demand. For more details, see the fifth section of the report.

▶ Table 4: Average respondent estimates of decline in domestic demand across sectors

Type of business		Averages for small businesses			Averages for micro enterprises		
		Var. 1	Var. 2	Var. 3	Var. 1	Var. 2	Var. 3
1.	Tourism	30	70	70	н.д.	н.д.	н.д.
2.	Accommodation (hotels)	41.2	57.5	73.7	25.3	32.7	49.3
3.	Transport	11	16.5	25	21.7	31.4	31.4
4.	Wholesale and retail trade, automobile repair	23.3	29.1	37	11.8	20.8	33.5
5.	Repairs to computers and home appliances	17.5	25	35	14	26	37
6.	Lodging and food supply	14.3	22.5	33	10.9	15	24.1
7.	Construction	14.2	22.8	30.6	20.5	32	37.6
8.	Furniture manufacturing	19.6	34.6	46.3	10.4	11	19.2
9.	Garment production	27.7	37.7	48.3	22.1	28.5	38
10.	Hair styling and beauty salons	n/a	n/a	n/a	n/a	n/a	n/a
11.	Agriculture	15.6	19.4	24.4	0	0	0
12.	Health care and pharmaceuticals	22.2	27.7	35.5	0	10	10
13.	Building materials and other industrial processing	20.7	28	38.7	40	40	40
14.	Other industries	7.2	10.9	20.9	33	35	40
	Average across the whole sample	**20.3**	**30.9**	**37.4**	**17.5**	**23.5**	**30**

Source: analysis of flash survey results.

6. About 50 per cent of companies answered the question, 'Does the company have a safety cush-ion?' by saying it had none or that it would 'hold out' only through mid-May. That situation underlines the *urgency in extending no-interest loans for replenishing working capital*. It would avoid mas-sive bankruptcies for small and micro businesses, especially now that mid-May has passed but the quarantine restrictions are continuing to limit the operation of many types of businesses and expose them to the risk of bankruptcy.

7. The attitude toward retaining personnel is positive for 83 per cent of small businesses and 56 per cent of micro firms that are not planning to reduce their staff in the coming month. However, if they do not have sufficient working capital (see point 6 above), *then additional direct support measures for small and micro companies should be expedited*.

8. Limited opportunities to retain employment. The most readily available means for the small business sector to keep workers employed is paid vacation (indicated by about 60 per cent of respondents). *However, extended quarantine (more than two months) would make this expedient less useful.* More promising measures, such as remote work and partially reconfiguring how the company oper-ates, were indicated by only 18 per cent of companies. The low usage of remote work (9 per cent) shows **both an underdevelopment in information technology and also a low level of qualifications among managers.**

9. Availability of loans on easy terms to support employment is poor. Only 22 per cent of small businesses and 7 per cent of micro firms were using such loans. Considering that measures to provide loans

on favourable terms to businesses are already in place, this result shows that the method for getting those loans to recipients is ineffective.

10. Some 90 per cent of small businesses and almost 80 per cent of micro firms answered the question, 'What additional measures would help to eliminate the risk that your company will go bankrupt?' by saying they favour transition to direct support measures. Among such measures are: a) radi-cal reduction of interest on loans to support employment (including even no-interest loans); b) tax holidays for the entire length of quarantine; c) providing all the newly unemployed with unemploy-ment benefits for a specified period in accordance with information submitted directly by employers and with confirmation of taxpayer status[5] by tax authorities. In connection with this, the amount of the benefits might depend on the amount of taxes and withholdings for social funds paid by workers in 2019.

5 Measures of this kind are among the recommendations of the ILO. (See: 'COVID-19 and the World of Work: Impact and Policy Responses', 18 March 2020. Available online at: https://www.ilo.org/global/lang--en/index.htm)

▶ Annex 7: Results of the flash survey of the self-employed and individual entrepreneurs

The reason for the survey was to gather information for estimating the underemployment of individual entrepreneurs and the self-employed due to reduced consumer demand and quarantine restrictions, and also for arriving at recommendations for supporting employment, preparing for legalization of informal employment and supporting the general population.

Objects studied: individual entrepreneurs who had not formed a legal entity but had a patent (license) and the self-employed.

Survey method. The questionnaire was composed by the Research Centre of the Ministry of Employment and Labour Relations with support from national experts and the ILO Country Office in Moscow. The survey was conducted in all of the country's regions. The selection of individual entrepreneurs (105 respondents) was based on the registry of the State Tax Committee. The self-employed (302 respondents) were selected from among those who had lost their jobs and were seeking employment through labour authorities. The survey was conducted by specialists from the Research Centre of the Ministry of Employment and Labour Relations.

The study took place in several stages:

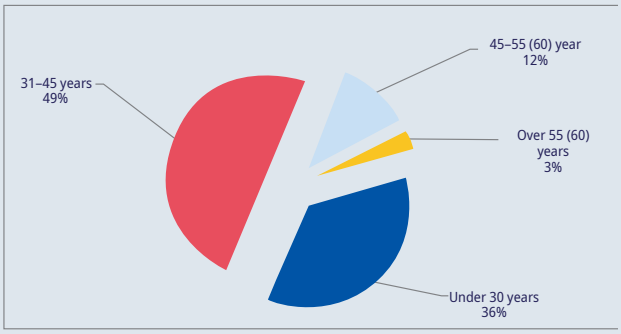
- Composition of instructional and methodological documents, including the questionnaire, instructions for interviewers and also selection of a sample of individual entrepreneurs and the self-employed.
- Conducting the survey via telephone interviews.
- Data entry and processing using specially developed software.

Characteristics of the respondents. Of the respondents 57 per cent were men and 43 per cent women; 54 per cent were urban and 46 per cent rural.

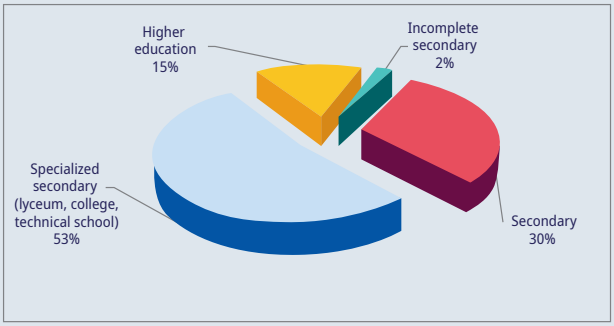
▶ Table 1: Distribution of respondents by gender and location (per cent)

Region	Number of respondents	Consisting of		Consisting of	
		Men	Women	Urban	Rural
Karakalpakstan	29	16	13	14	15
Andijan	28	15	13	18	10
Bukhara	34	22	12	17	17
Jizzakh	22	13	9	7	15
Qashqadaryo	38	25	11	11	27
Navoiy	25	16	9	14	11
Наманганская	30	14	16	19	11
Samarkand	29	16	13	16	13
Surxondaryo	26	7	19	16	10
Sirdaryo	27	16	10	8	19
Tashkent district	33	19	16	17	16
Fergana	27	15	12	16	11
Xorazm	28	16	13	14	14
Tashkent city	31	23	8	31	0
UZBEKISTAN total	**407**	**233**	**174**	**218**	**189**

▶ Chart 1: Age distribution (per cent)

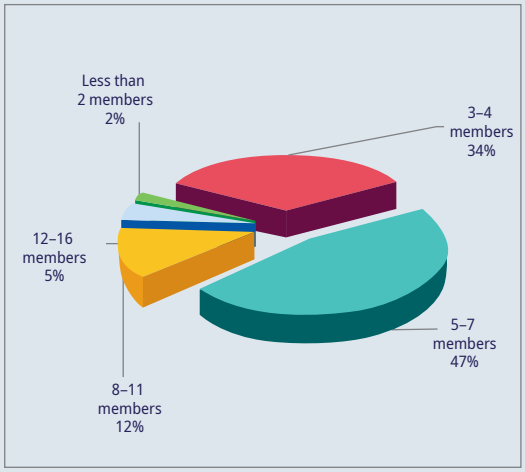


▶ Chart 2: Distribution of respondents by level of education (per cent)

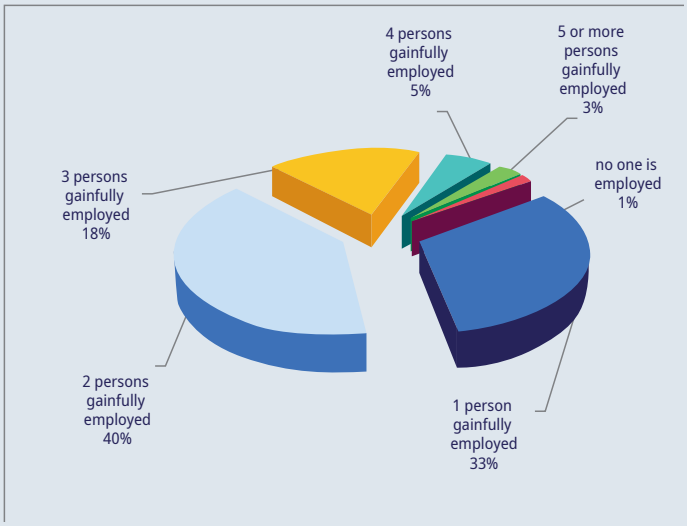


Of the respondents surveyed 60 per cent live in households with their nuclear family; 27 per cent live in households with two families; and 13 per cent live in households with three or more families.

▶ Chart 3: Distribution of respondents by number of residents in the household (per cent)

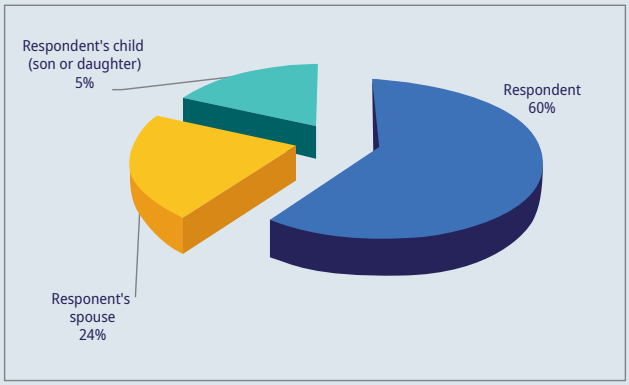


▶ Chart 4: Distribution of respondents by number of household members who are gainfully employed (per cent)

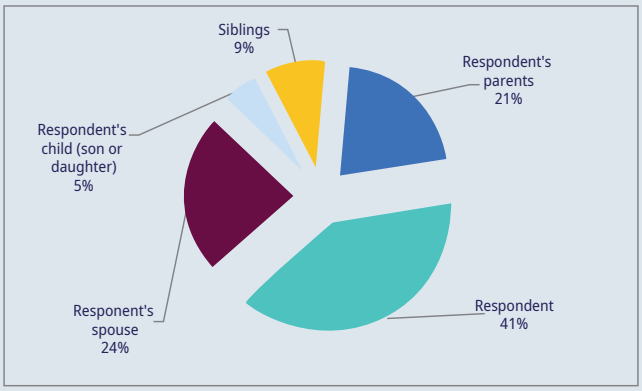


Prior to the introduction of quarantine restrictions, the respondents who had jobs until quarantine was announced were the principal wage earners in their households.

▶ Chart 5: Principal wage earner (breadwinner) in households of individual entrepreneurs (per cent)



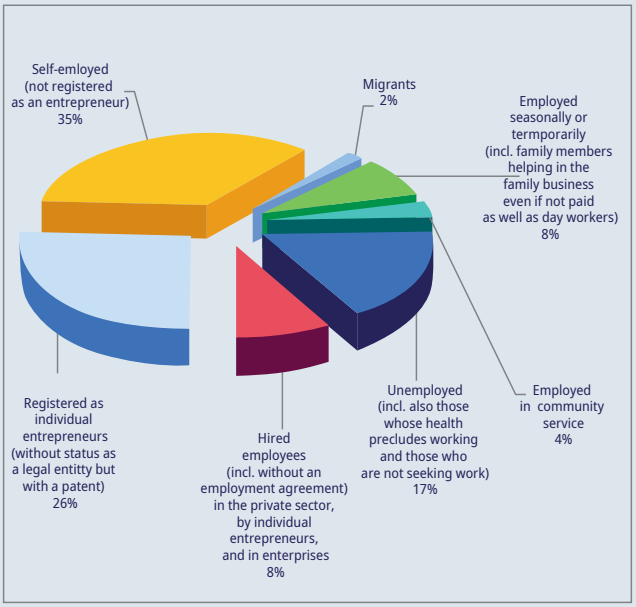
▶ Chart 6: Principal wage earner (breadwinner) in households of the self-employed in the survey (per cent)



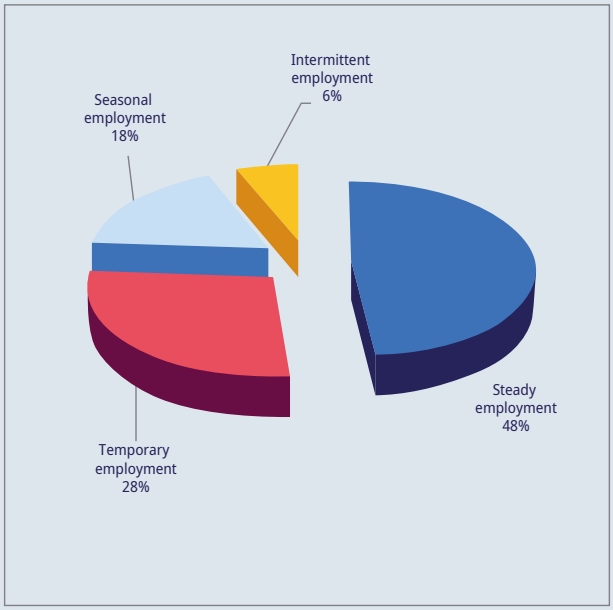
Employment and income: The self-employed

Prior to quarantine restriction 48 per cent had steady employment.

▶ Chart 7: Distribution by employment status before quarantine was announced (per cent)

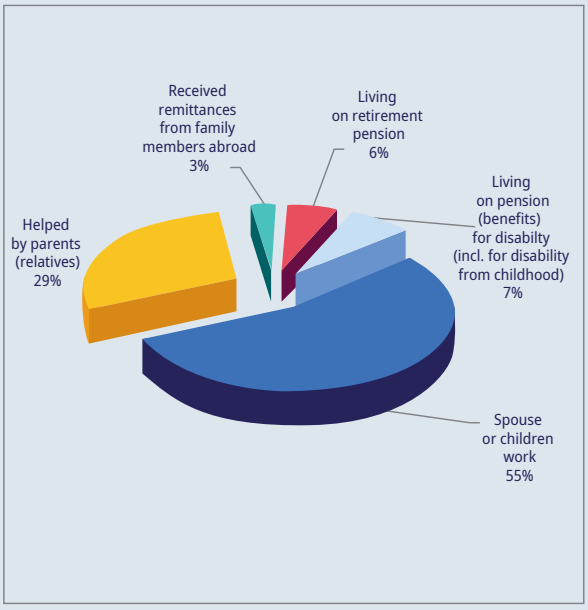


▶ Chart 8: Distribution by kind of employment prior to quarantine (per cent)

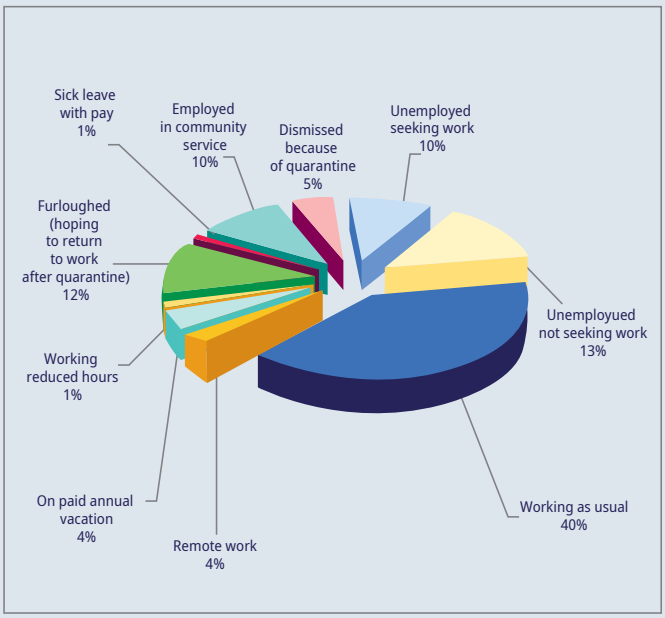


Of respondents who were unemployed when quarantine was announced, 84 per cent depended on family and friends to cover their expenses. After quarantine was imposed, 40 per cent of the self-employed continued to work as usual.

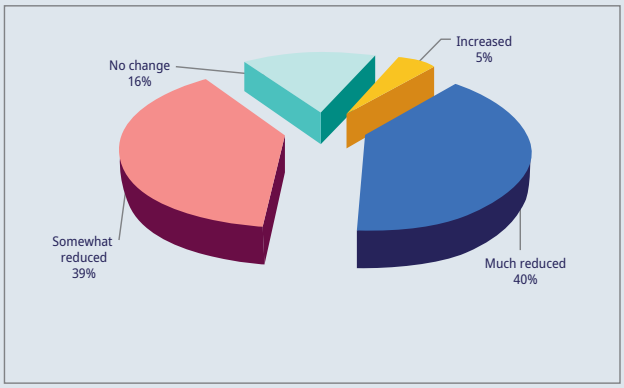
▶ Chart 9: Distribution of respondents by coverage of expenses (per cent)



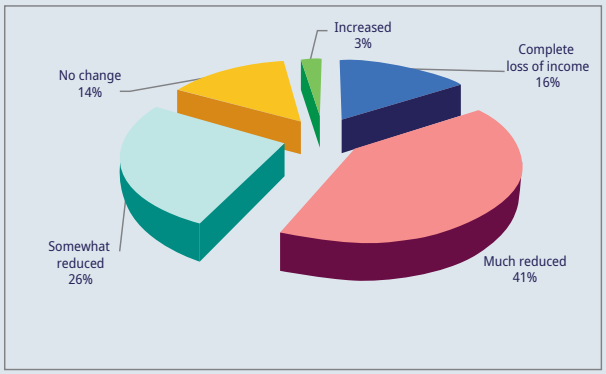
▶ Chart 10: Distribution of respondents by employment status after quarantine was announced



▶ Chart 11: Distribution of respondents by effect of quarantine on family expenses (per cent)

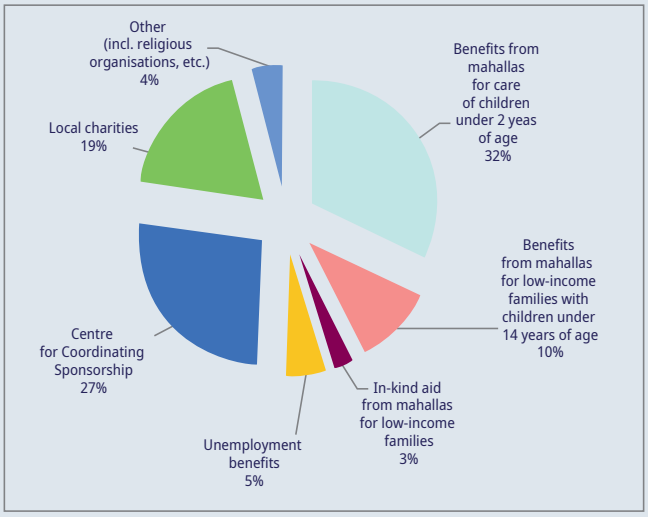


▶ Chart 12: Distribution of respondents by effect of quarantine on family income (per cent)

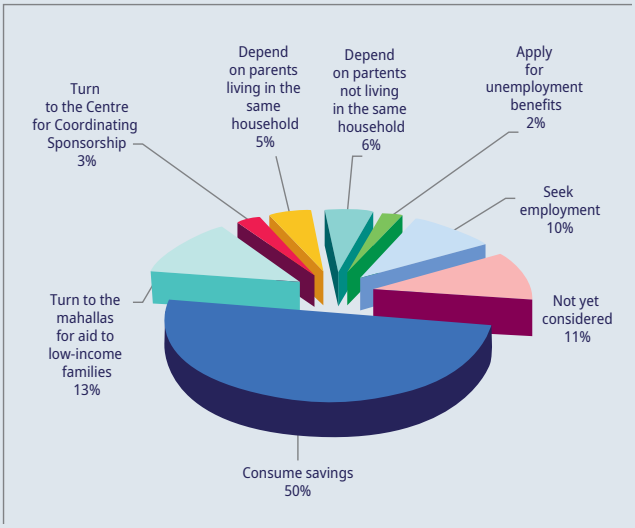


No assistance at all was available to 82 per cent of self-employed respondents. The rest (18 per cent) indicated that someone in their household had received assistance (monetary or in-kind) during quarantine.

▶ Chart 13: Distribution of the 18 per cent of respondents who received some kind of assistance (per cent)

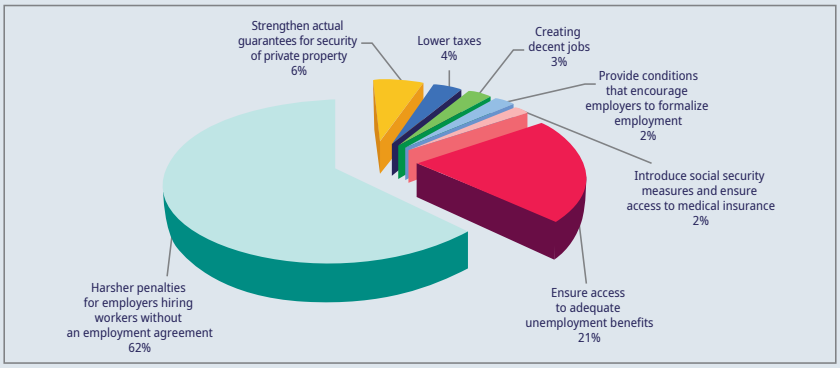


▶ Chart 14: Distribution of respondents by plans to cover expenses (per cent)



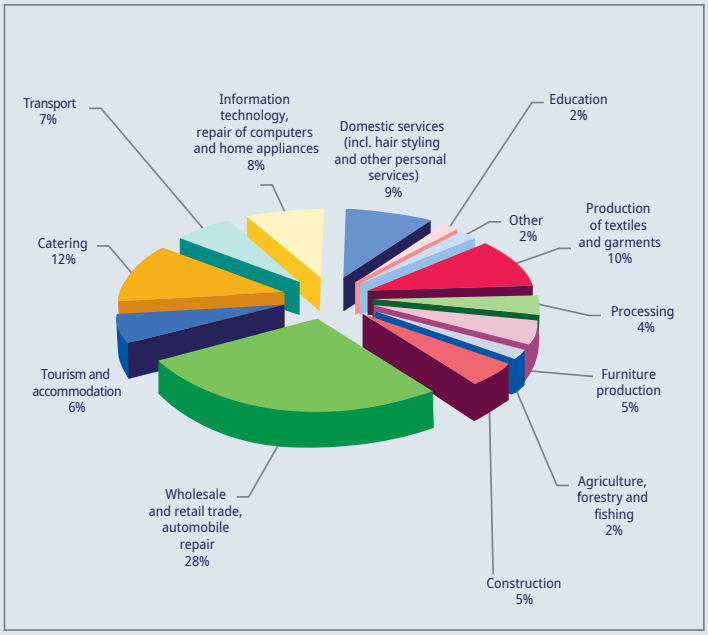
Opinion of the self-employed on how to legalize informal employment:

▶ Chart 15: Distribution of respondents concerning the most important ways to encourage legalization of informal employment (per cent)

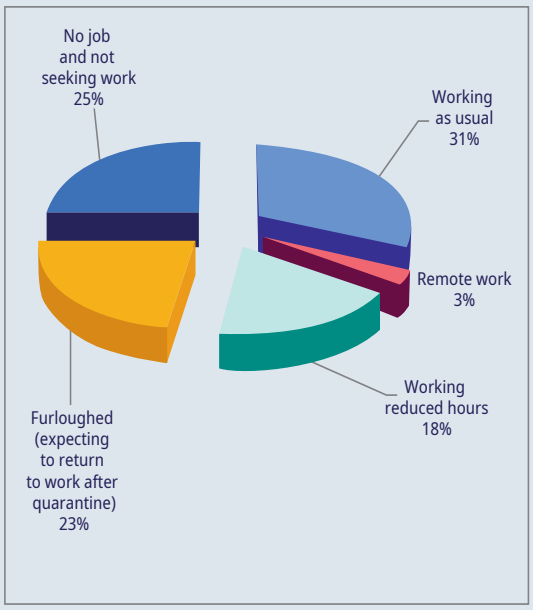


Employment and income: individual entrepreneurs

▶ Chart 16: Distribution of individual entrepreneurs by sectors and fields (per cent)

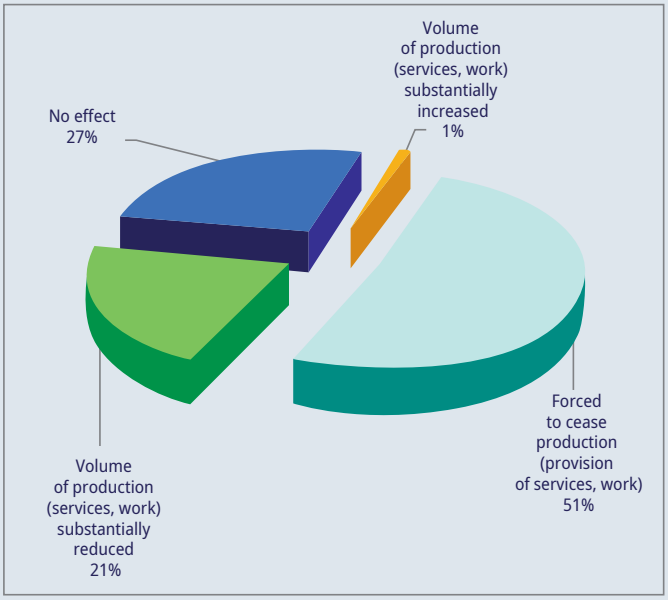


▶ Chart 17: Distribution of individual entrepreneurs by employment status after quarantine was announced (per cent)

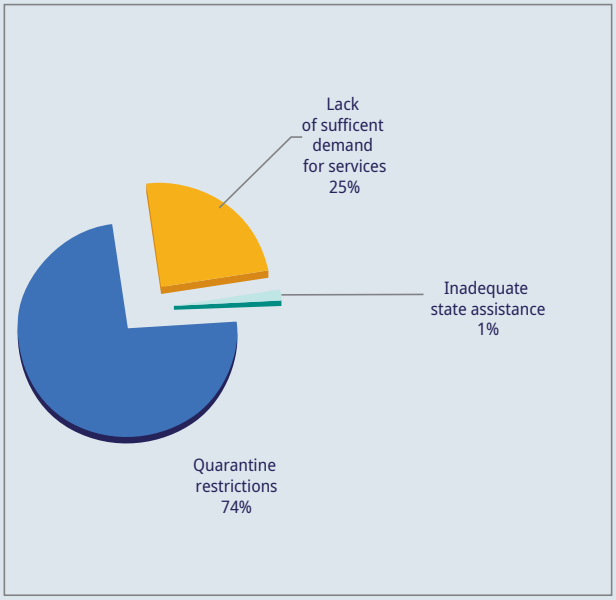


The businesses of 72 per cent of individual entrepreneurs have been closed or substantially reduced. The quarantine is mostly responsible for that.

▶ Chart 18: Effect of quarantine and reduced consumer demand on the businesses of individual entrepreneurs (per cent)

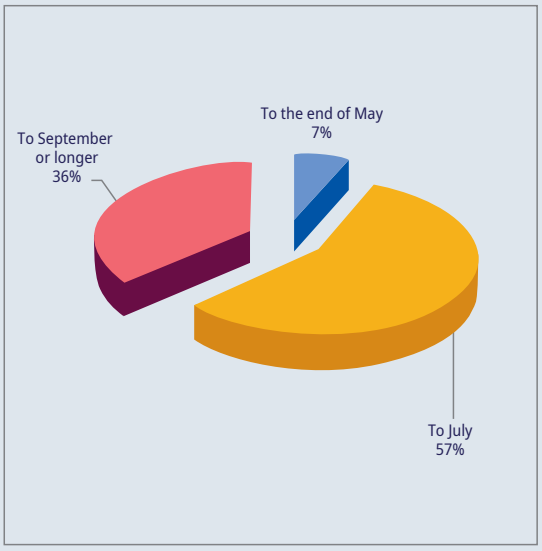


▶ Chart 19: Reason for cessation (reduction) of production (work, services) among individual entrepreneurs (per cent)

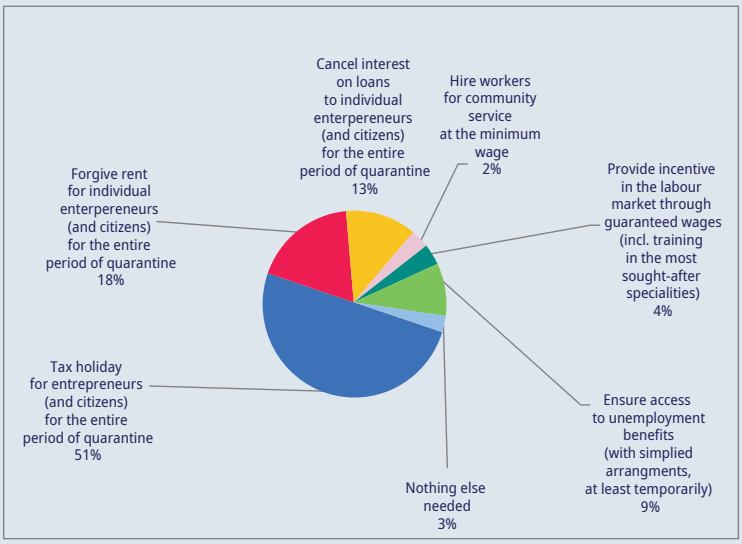


Some 57 per cent of individual entrepreneurs have a safety cushion that will enable them to hold out until July without seeking relief from banks or the government. At the same time, 69 per cent were in favour of two direct measures (tax holidays and rent forgiveness) in order to save their businesses and resume operation after quarantine is lifted.

▶ Chart 20: How long the business can hold out without seeking relief from banks or the government (per cent)



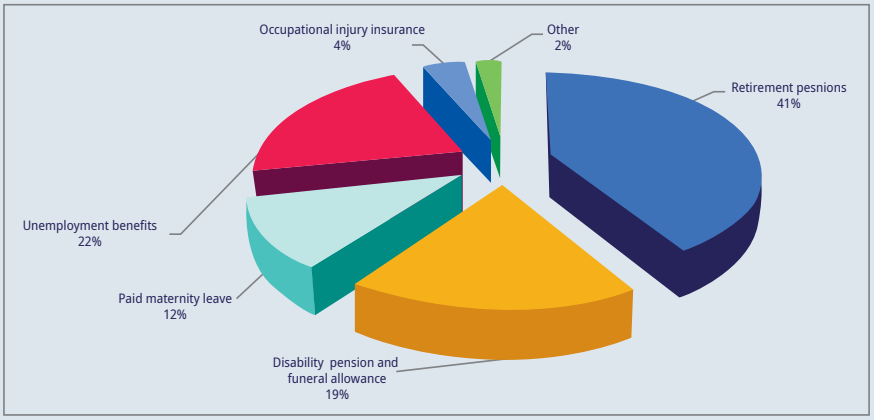
▶ Chart 21: Measures required to save businesses and resume operation after quarantine is lifted (per cent)



Social (medical) insurance

All respondents surveyed mentioned their lack of medical insurance. The responses concerning awareness of social insurance provisions that could be used had the distribution below.

▶ **Chart 22: Awareness of social insurance provisions (per cent)**



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