

# **Economic Mechanisms for Enhancing the Effectiveness of Decision-Making in Employment Policy within Public Administration: Public Expenditure and Labor Market Outcomes**

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## **Abstract**

Employment policy plays a central role in public administration, as labor market outcomes directly determine income distribution, social stability, and overall social welfare. Since 2017, Uzbekistan has implemented comprehensive economic and institutional reforms aimed at increasing employment, formalizing labor relations, and improving workforce productivity. This thesis analyzes the economic mechanisms through which public administration enhances the effectiveness of decision-making in employment policy, with a particular focus on public expenditures and their impact on labor market outcomes. Using a social welfare economics framework, the study evaluates how government spending on employment programs, vocational training, entrepreneurship support, and labor market institutions contributes to improved employment indicators. The thesis identifies key achievements, existing inefficiencies, and priority directions for employment policy decision-making in the coming years.

## **1. Introduction**

Employment policy is one of the most important components of public administration, as it directly influences economic growth, poverty reduction, and social welfare. In economic theory, employment is not only a source of income but also a key mechanism for achieving allocative efficiency and social equity. High unemployment or low-quality

employment leads to welfare losses through reduced output, increased inequality, and higher fiscal pressure on social protection systems.

In Uzbekistan, employment policy has gained particular importance since the start of large-scale reforms in 2017. Rapid population growth, a young demographic structure, and structural changes in the economy have intensified pressure on the labor market. In response, the government has expanded public spending on employment-related programs, reformed labor market institutions, and introduced new policy instruments aimed at increasing labor demand and improving workforce skills.

This thesis examines how economic mechanisms within public administration contribute to more effective decision-making in employment policy. Special attention is paid to the role of public expenditures and their influence on labor market outcomes, such as employment rates, job quality, formalization, and productivity. The analysis is grounded in social welfare economics, emphasizing the relationship between employment policy and overall societal well-being.

## **2. Theoretical Framework: Employment Policy and Social Welfare**

From the perspective of social welfare economics, employment is a primary channel through which economic resources are distributed among individuals. Employment policy affects social welfare by influencing income levels, income stability, and access to social protection. According to welfare theory, government intervention in the labor market is justified in the presence of market failures such as information asymmetries, skill mismatches, externalities in human capital formation, and structural unemployment.

Public expenditure on employment policy can be viewed as an investment in human capital and productive capacity rather than merely a fiscal cost. Well-designed employment programs increase labor productivity, expand the tax base, and reduce long-term dependency on social transfers. Conversely, inefficient spending may distort labor incentives, misallocate resources, and reduce overall welfare.

In this context, effective decision-making in public administration requires aligning employment policy instruments with measurable labor market outcomes. This includes evaluating not only the quantity of jobs created but also their quality, sustainability, and contribution to inclusive economic growth.

### **3. Employment Policy Reforms in Uzbekistan since 2017**

Since 2017, Uzbekistan has undertaken significant reforms to modernize its employment policy framework. One of the key institutional changes was the strengthening of the Ministry of Employment and Poverty Reduction, alongside the introduction of active labor market policies (ALMPs). These policies shifted the focus from passive support toward job creation, skills development, and entrepreneurship.

Public expenditures on employment policy increased substantially during this period. Government-funded programs expanded vocational education and short-term skills training aligned with labor market needs. Special attention was given to youth employment, women's labor force participation, and the reintegration of migrant workers into the domestic labor market.

Another major reform area was the support of small business and self-employment through subsidized loans, grants, and tax incentives. These measures aimed to stimulate labor demand, particularly in regions with high unemployment. At the same time, efforts

to formalize employment relationships were intensified through labor inspections, digital labor contracts, and incentives for formal job creation.

These reforms reflect a broader shift in public administration toward results-oriented employment policy, where public spending decisions are increasingly linked to labor market performance indicators.

#### **4. Public Expenditure and Labor Market Outcomes**

Public expenditure is a key economic mechanism through which employment policy decisions are implemented. In Uzbekistan, employment-related spending can be broadly categorized into four areas: active labor market programs, vocational education and training, support for entrepreneurship and self-employment, and labor market institutions.

Evidence from recent years suggests that increased spending on training and re-skilling programs has contributed to improved employability, particularly among young people and low-skilled workers. However, challenges remain in ensuring that training programs are closely aligned with private sector demand.

Spending on entrepreneurship support has played an important role in job creation, especially in rural areas. Microfinance programs and start-up subsidies have helped absorb labor supply, but their effectiveness varies across regions. This highlights the need for better targeting and performance evaluation mechanisms in public spending decisions.

From a social welfare perspective, employment gains achieved through effective public expenditure reduce poverty, increase household income stability, and lower inequality.

At the same time, inefficient or poorly monitored programs can lead to fiscal waste and

limited long-term impact, underscoring the importance of outcome-based policy evaluation.

## **5. Policy Challenges and Priorities for the Coming Years**

Despite notable progress, several challenges continue to limit the effectiveness of employment policy decision-making. One key issue is the mismatch between labor supply and demand, particularly in terms of skills. Addressing this requires closer coordination between education policy, labor market institutions, and private employers.

Another priority is improving the efficiency of public expenditures by strengthening monitoring and evaluation systems. Employment programs should be assessed based on clear labor market outcomes, such as job retention rates, wage growth, and transitions to formal employment.

Looking ahead, digitalization of labor market services, regional differentiation of employment policy, and stronger integration of employment objectives into broader economic planning will be crucial. These measures will enhance the contribution of employment policy to social welfare and sustainable economic development.

## **6. Conclusion**

Employment policy is a cornerstone of public administration and a key determinant of social welfare. In Uzbekistan, post-2017 reforms have significantly expanded the role of economic mechanisms—particularly public expenditure—in improving employment outcomes. While important achievements have been made, further improvements in decision-making effectiveness require stronger outcome orientation, better targeting of resources, and deeper integration of employment policy with long-term development goals.

By viewing employment policy through the lens of social welfare economics, public administration can ensure that labor market interventions not only increase employment rates but also enhance the overall well-being of society.

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