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Article

Organizational and Economic Mechanisms of Labor Competence Development in Service Enterprises

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Abstract: The service sector has become a key driver of economic development in Uzbekistan, significantly contributing to GDP and employment. As globalization and digital transformation progress, effective management of labor potential within this sector is essential. Labor potential, comprising employees' knowledge, skills, and motivation, plays a crucial role in service enterprises' competitiveness and efficiency. Previous studies have highlighted labor productivity and employee qualifications as primary factors affecting service quality and economic outcomes. While much research has focused on labor productivity and economic efficiency, limited attention has been given to the comprehensive development of labor potential, including education, professional skills, and innovative capabilities, particularly in the context of Uzbekistan's service enterprises. This study aims to analyze the labor potential in Uzbekistan's service sector, identify key factors influencing labor productivity, and develop organizational and economic mechanisms to enhance labor potential. The research reveals that labor productivity in the service sector has increased by 36.6% from 2020 to 2024, driven by digital technologies, innovative services, and workforce training. However, challenges remain in certain areas, including low-skilled labor and regional disparities. The study introduces region-specific recommendations for enhancing labor potential through targeted employee training, digitalization, and innovative service development, contributing new insights to the field. The findings suggest that improving labor potential is crucial for enhancing economic stability and competitiveness in Uzbekistan's service sector. Further research is needed to explore the integration of international best practices in labor potential development tailored to national conditions.

Keywords: Labor Potential, Service Sector, Human Resources, Labor Productivity, Professional Skills, Motivation, Innovative Skills, Organizational And Economic Mechanisms, Employee Competitiveness, Efficiency

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1. Introduction

The service sector has become a cornerstone of economic growth in Uzbekistan, with its contribution to GDP and employment steadily increasing. As the global economy shifts towards digital transformation, effective management of labor potential within the service sector has become crucial for maintaining competitiveness and ensuring sustainable development. Labor potential, which encompasses knowledge, skills, qualifications, and motivation, directly impacts productivity and service quality. This article examines the concept of labor potential in Uzbekistan's service enterprises, focusing on its relationship with labor productivity and organizational management. The theory of human capital, which stresses the importance of education, skills, and health in boosting productivity,

serves as the theoretical foundation for this study. While prior research has focused on labor productivity and economic efficiency, comprehensive studies addressing the broader aspects of labor potential such as innovation, motivation, and continuous professional development remain limited in the context of Uzbekistan.Existing literature has primarily centered on economic efficiency and technical skills, overlooking the innovative and motivational dimensions of labor potential. This gap is especially relevant in Uzbekistan, where the service sector is undergoing rapid digitalization. Therefore, this study aims to fill this gap by analyzing labor potential in service enterprises through a combination of theoretical analysis, statistical methods, and expert assessments. The results reveal a positive trend in labor productivity, with a 36.6% increase from 2020 to 2024. However, sectors like tourism and transport still face challenges in fully realizing their labor potential. The study concludes that enhancing labor potential through targeted employee training, digital technologies, and regional development is essential for improving service quality and economic competitiveness in Uzbekistan. Further research is needed to refine these strategies for national implementation.

Literature Review

The issue of the service sector and the role of labor potential in it has been widely discussed in economic research, and various scientists have put forward their own approaches to this concept. First of all, foreign economists interpret labor potential as a complex of human knowledge, skills, health, motivation and creative potential. For example, T. Schultz emphasizes that the level of education and skills in the theory of "human capital" is the main factor in increasing labor productivity [1]. G. Becker scientifically substantiates that investments in human capital (education, health care, professional training) directly affect economic growth [2].

Uzbek scientists have also been paying special attention to this issue. In particular, A. Vakhobov and Sh. Toshmatov show in their studies that effective management of labor resources is an important factor in increasing the competitiveness of service enterprises [3]. In the works of B. Khodiev, the level of qualification of personnel, their participation in the production process and labor productivity indicators are highlighted as the main criteria for assessing labor potential [4]. M. Kholikov emphasizes the need to improve the professional skills of human resources, retraining and the introduction of digital technologies in the development of the service sector [5]. O. Ortikov analyzes the organizational and economic mechanisms for increasing labor potential in service enterprises, the system of employee motivation and factors affecting efficiency [6].

A review of the literature shows that domestic scientists, when studying labor potential in service enterprises, have focused more on economic efficiency, labor productivity and employment. In foreign literature, labor potential is studied more broadly - inextricably linked with a person's intellectual, social and innovative abilities [7]. Therefore, an analysis of the existing scientific literature shows that it is necessary to study foreign experiences in assessing and developing labor potential in service enterprises of Uzbekistan, while developing approaches adapted to national conditions.

2. Materials and Methods

The methodology of this study is based on a combination of theoretical analysis, statistical methods, and expert assessments to explore labor potential in Uzbekistan's service enterprises. First, theoretical approaches were employed to define labor potential and its components, focusing on the human capital theory, which emphasizes the importance of knowledge, skills, and motivation in driving productivity. A comprehensive review of existing literature helped identify key factors influencing labor productivity, such as professional skills, technological innovation, and employee motivation. To assess the current state of labor potential, statistical data from the State Statistics Committee and official enterprise reports were analyzed. This involved examining employment figures,

labor productivity indicators, and the qualification levels of employees within the service sector. The study used dynamic series methods and percentage growth indicators to track changes in labor productivity from 2020 to 2024. Comparative analysis was conducted to compare labor potential across different service sectors, including banking, tourism, transport, and information technology, with a particular focus on the skills composition of employees. Expert assessments were also incorporated to identify the most influential factors affecting labor potential, including education, professional training, and technological innovation. This mixed-method approach provided a comprehensive understanding of the labor potential in Uzbekistan's service sector, allowing for the identification of key areas for improvement. The findings from the analysis were then used to propose organizational and economic mechanisms aimed at enhancing labor potential, with practical recommendations for workforce training, digitalization, and regional development.

3. Results and Discussion

The service sector in the economy of Uzbekistan has been showing steady growth in recent years. The labor resources involved in this sector constitute a significant part of total employment. In particular, according to the State Statistics Committee, the share of those employed in the service sector is about 50 percent of the total labor market [8]. This indicates that the composition of labor resources in service enterprises is very diverse.

Labor resources in service enterprises can be divided into the following groups [9]: highly qualified specialists (banking, tourism, information technology employees), medium-skilled employees (trade, transport, household services), as well as low-skilled labor (simple service and auxiliary service providers). The share of young people and women is especially high, which further strengthens the social character of the service market.

Labor productivity in service enterprises is measured differently than in material production enterprises. Because here the main result is expressed not in the volume of products, but in the quality, speed of the service provided and the level of satisfaction of consumer needs. According to the analysis of statistical data, in recent years the share of the services sector in GDP has been steadily increasing, and labor productivity has also shown a tendency to increase. However, in some areas (for example, tourism and transport services), labor productivity is not high enough [10].

Therefore, in order to increase labor efficiency in service enterprises, it is important to introduce modern management technologies, regularly retrain employees, and digitize service processes.

The service sector of Uzbekistan has become one of the most rapidly developing sectors of the economy in recent years [11]. The share of the population employed in this sector is increasing every year. The table below shows employment indicators in the service sector for 2020–2024.

This process demonstrates the effectiveness of economic reforms in the country, in particular, the state policy aimed at developing the services sector. In particular, an increase in new jobs is noticeable in the areas of trade, transport and logistics, tourism, financial services and information technology. Therefore, the service sector is emerging as a key factor not only providing employment, but also strengthening economic stability.

As can be seen from the data in this table, the share of those employed in the services sector has been steadily increasing between 2020 and 2024. If in 2020 this figure was 44.5%, then by 2024 it reached 50.3%. This represents an increase of almost 6 percentage points over five years, see Figure 1.

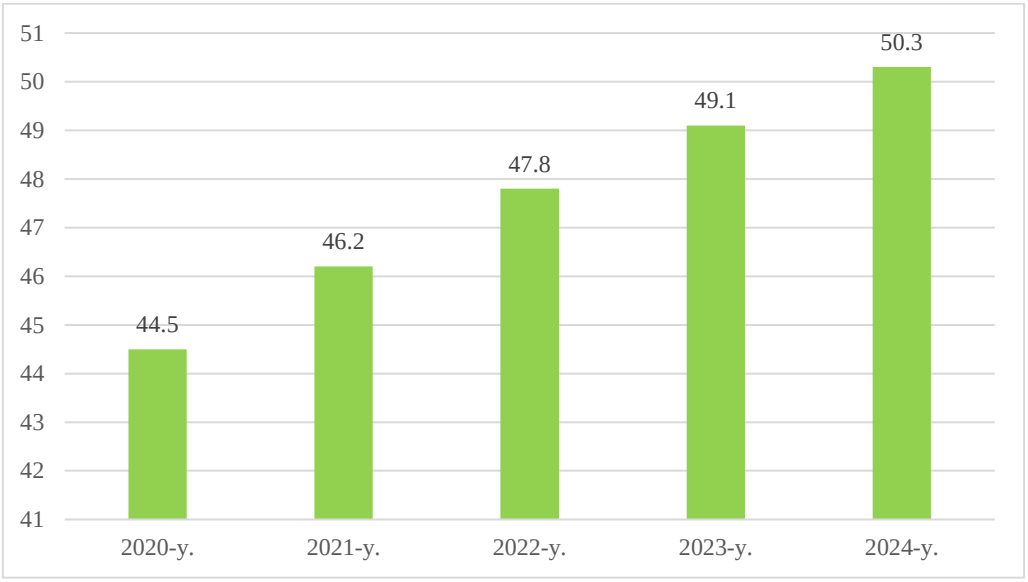


Figure 1. Share of people employed in the services sector, %.

Labor productivity in the services sector is growing steadily. If in 2020 the value added per employee was 65.2 million soums, by 2024 it reached 89.1 million soums. During this period, labor productivity increased by 36.6%.

The main reasons for this growth are [12]:

a. The widespread introduction of digital technologies in service processes;
b. The implementation of innovative forms of services (for example, e-commerce, online services, remote consultations);
c. Increasing staff qualifications and strengthening staff retraining programs, see Figure 2.

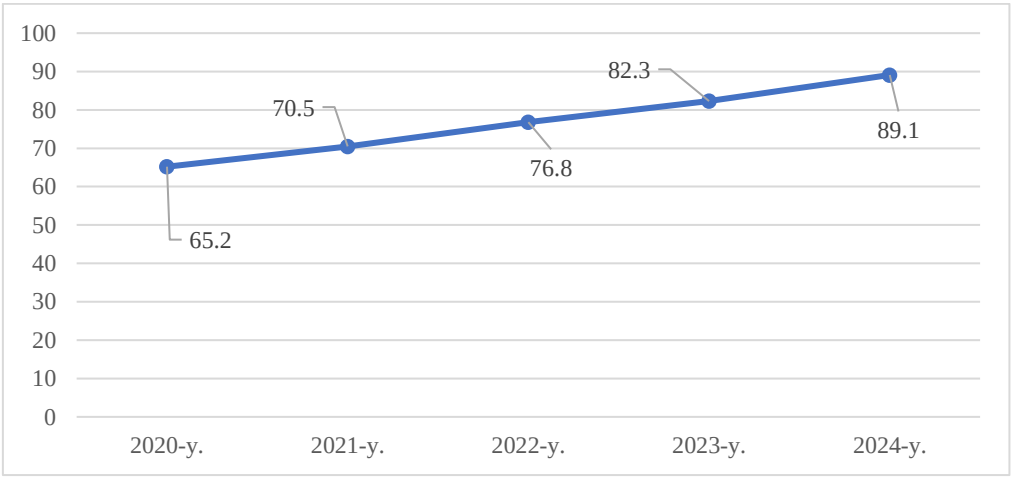


Figure 2. Labor productivity in the services sector (Gross value added / employee, million soums).

At the same time, productivity growth still shows that the potential is not fully realized. For example, technological innovation is slow in some regions or a shortage of skilled workers may slow this process, see Figure 3.

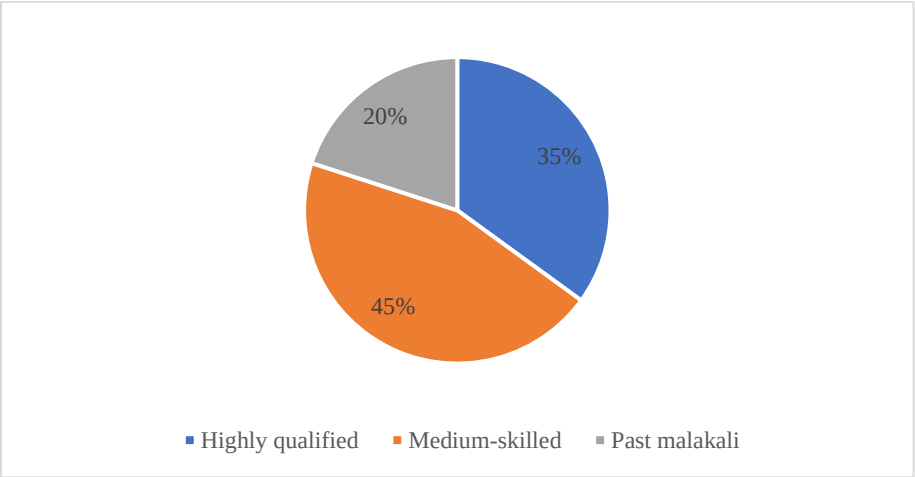


Figure 3. Skill composition of employees in the service sector (2024).

The majority of employees in the service sector have medium and high qualifications. In particular, highly qualified employees account for 35%, and medium-skilled employees for 45%. This indicator indicates that there is a certain potential for providing quality services in the sector.

However, the share of low-skilled employees is still around 20%. This can negatively affect the quality and efficiency of services. Therefore, it is urgent to reduce this indicator by retraining employees in enterprises, developing modern skills, and increasing practical experience [13], see Figure 4.

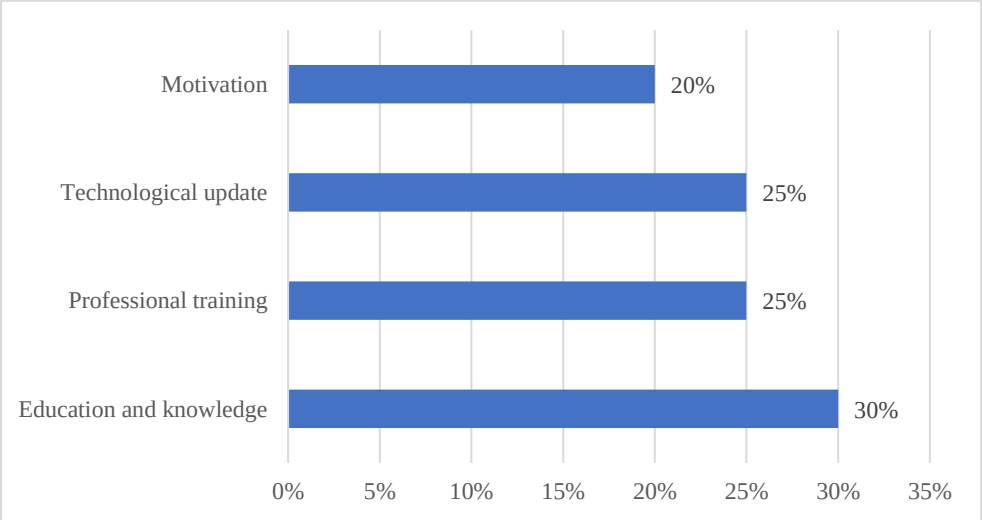


Figure 4. Main factors influencing labor potential (expert assessment, %).

The factor that has the greatest impact on labor potential in service enterprises is education and knowledge (30%). The quality of services inherent in this industry largely depends on the level of theoretical and practical training of employees.

Also, professional training and technological innovation play an important role with a share of 25%. The effective use of modern technologies and the training of qualified personnel ensure that services are innovative and competitive.

The fact that the motivation factor is 20% indicates the need to further strengthen the system of material and non-material incentives for employees in enterprises. Because the continuous improvement of the quality of services directly depends on the interest and attitude of employees to work [14].

The service sector is becoming increasingly strategic in the economy of Uzbekistan, and its share in gross domestic product and employment is increasing year by year. Practical analysis has shown that:

Employment in the service sector increased from 44.5% to 50.3% during 2020–2024. This indicates the direct impact of economic reforms and job creation on this sector [15], [16].

Labor productivity increased by 36.6% over five years, confirming the improvement of efficiency and value indicators in service enterprises.

4. Conclusion

In conclusion, this study highlights the significant progress in Uzbekistan's service sector, particularly in labor productivity, which increased by 36.6% from 2020 to 2024. However, challenges remain in sectors like tourism and transport, where labor potential is still not fully realized. The findings emphasize the critical role of education, professional training, and technological innovation in enhancing labor potential. The research underscores the need for continuous workforce development, digitalization, and regionally tailored strategies to improve service quality and competitiveness. The implications of these findings are substantial for policymakers and enterprises, as they point to the necessity of strengthening personnel training systems, integrating digital technologies, and offering innovative services to enhance labor productivity further. Moreover, the study suggests that further research is needed to explore the impact of regional disparities and to refine strategies for enhancing labor potential in service enterprises, particularly in rural areas. This will help ensure a more balanced development of the service sector and promote long-term economic stability.

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