

THE ROLE OF THE SERVICE SECTOR IN UZBEKISTAN'S SOCIO-ECONOMIC DEVELOPMENT: IMPLICATIONS FOR HUMAN DEVELOPMENT AND CONSUMPTION PATTERNS

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Abstract

This study investigates the role of the service sector in Uzbekistan amid its socio-economic development and transition toward a post-industrial society. The research identifies the sector's contribution to GDP, employment, household consumption, and its impact on the Human Development Index (HDI). Findings reveal that although Uzbekistan's service sector is expanding, it lags behind developed countries in income generation, consumption patterns, and overall HDI growth. The article underscores the importance of accelerating service sector development and increasing household incomes to enhance living standards and achieve sustainable socio-economic progress.

Keywords

service sector; post-industrial society; human development index; household consumption; socio-economic development; income growth.

Uzbekistan is currently undergoing a critical phase of socio-economic development, aligned with its broad economic reform strategy. The government's policies aim to shape a lifestyle consistent with the country's economic potential and the aspirations of its population, while improving macroeconomic indicators to approach developed nations' levels. A strategic objective for New Uzbekistan is the development of a post-industrial society, applying advanced socio-economic models and implementing them responsibly.

Post-industrial society theory occupies a key position in modern socio-economic doctrines. Many countries aspire to achieve this stage, including advanced Western economies such as the USA, Canada, and Japan. For Uzbekistan, advancing toward a post-industrial society is central to state macroeconomic policy and aligns with the interests of both government and citizens.

To assess Uzbekistan's potential for a post-industrial society, this study analyzed recent trends in the service sector and compared them with countries that have already achieved post-industrial status.

1. High Share of Services in GDP

A defining feature of post-industrial societies is the substantial share of services in total GDP. Experts suggest that services should account for more than 50% of GDP. In 2023, Luxembourg led with 80.6%, the USA 79.1%, the UK and Singapore 72.5%, and France 70.3%. Among CIS countries, Russia and Kazakhstan reported 56.9% and 56.4%, respectively. In Uzbekistan, the share was only 44.1%, indicating significant room for growth.

Table 1. Share of Services in GDP, Selected Countries (2000–2023, %)

Country	2000	2005	2010	2015	2020	2021	2022	2023	Change (2000–2023)	% Growth
Luxembourg	71.9	73.9	78.9	79.7	79.8	79.3	78.4	80.6	8.7	12.1
USA	72.8	74.0	76.3	76.7	78.1	77.6	78.0	79.1	6.3	8.6

Country	2000	2005	2010	2015	2020	2021	2022	2023	Change (2000–2023)	% Growth
UK	66.3	69.3	69.2	70.6	72.6	71.6	70.9	72.5	6.2	9.3
Singapore	60.6	64.0	67.8	69.9	72.0	70.3	70.8	72.5	11.9	19.6
France	66.3	68.5	70.6	70.2	71.1	70.3	70.3	69.7	3.4	5.1
Russia	49.7	48.8	53.1	56.1	56.3	54.1	53.9	56.9	7.2	14.4
Kazakhstan	48.3	52.0	51.7	59.3	56.1	56.1	54.0	56.4	5.1	10.5
China	39.7	41.3	44.1	50.7	54.5	53.4	52.8	54.6	14.9	37.5
Uzbekistan	37.2	37.0	39.8	39.1	35.6	36.8	41.5	44.1	9.0	24.1

Source: State Committee of the Republic of Uzbekistan on Statistics

2. Employment in the Service Sector

Another defining feature is the share of the workforce employed in services. In 2023, Luxembourg recorded 89.5%, Singapore 85.5%, the USA 79.1%, Russia 67.9%, and Kazakhstan 66.3%. In Uzbekistan, 52.3% of the employed population worked in services. Post-industrial society theory emphasizes that this figure should exceed 50%, indicating that Uzbekistan is approaching the threshold but has further growth potential.

3. Impact on Human Development

Service sector development directly influences living standards. The Human Development Index (HDI) measures health, education, and income. Two of these factors—health and education—are closely tied to services.

In 2023, Uzbekistan ranked 106th out of 193 countries with an HDI of 0.727. Leading countries included Iceland (0.972), Germany (0.950), Singapore (0.949), and the USA (0.927). Uzbekistan's HDI growth remained modest at 0.006 points, compared with 0.022 in Azerbaijan and 0.013 in Iceland. Increasing household incomes is therefore critical to enhancing Uzbekistan's HDI.

Table 2. Human Development Index, Selected Countries (2023)

Country	HDI	HDI Change (2022–2023)	Relative to Uzbekistan (%)
Iceland	0.972	+0.013	133.7
Germany	0.950	+0.002	130.6
Singapore	0.949	+0.007	130.5
UK	0.940	+0.009	129.2
USA	0.927	+0.006	127.5
Russia	0.821	+0.003	112.9
Kazakhstan	0.802	+0.001	110.3
China	0.788	+0.003	108.3
Azerbaijan	0.760	+0.022	104.5
Uzbekistan	0.727	+0.006	100

4. Household Consumption and Services

In developed economies, households allocate a large share of income to services. For instance, 71.2% of US household consumption is spent on services, 64.7% in Germany, 48.1% in

Russia, and only 21.2% in Uzbekistan. This low share indicates considerable potential for service sector expansion.

Table 3. Share of Household Expenditure on Services (2023, %)

Country	USA	Germany	Russia	Uzbekistan
Share (%)	71.2	64.7	48.1	21.2

Uzbekistan's service sector demonstrates clear growth potential and is vital for the transition to a post-industrial society. Key conclusions:

1. The share of services in GDP and employment is rising but remains below developed countries' levels.
2. Expanding the service sector is essential to improving HDI, education, health, and household incomes.
3. Low household consumption of services reflects untapped economic potential.

Accelerating service sector growth and boosting household incomes should be central to Uzbekistan's socio-economic strategy, advancing the country toward a post-industrial model and improving citizens' quality of life.

The analysis of the state and dynamics of Uzbekistan's service sector highlights its significant potential to stimulate socio-economic development and improve the population's quality of life. Despite positive trends in the growth of services' share in GDP and employment, the indicators remain substantially lower than those of developed countries and post-industrial economies. The low level of household consumption of services and the modest increase in the Human Development Index indicate the need for targeted policies to raise household incomes and develop a high-quality service sector. Strengthening the role of services in the economy can contribute to a more effective realization of strategic goals for the transition to a post-industrial society, enhancing education, healthcare, and overall living standards.

It is recommended to develop a comprehensive strategy for the accelerated development of the service sector, including the promotion of private investment, modernization of education and workforce training, expansion of access to high-quality services, and measures to increase household incomes. Implementing such a strategy will facilitate Uzbekistan's transition to a post-industrial economic model and ensure sustainable human development growth.

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