



Policy Brief

**Green and Digital Transitions in Selected
CAREC Countries:**

**- Importance of Decent Work in
Addressing Inequalities**

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Introduction

During the era of two-track transitions—green and digital—countries in the Central Asia Regional Economic Cooperation (CAREC) region are at a pivotal juncture to promote Decent Work while ensuring equitable economic growth. Introduced by the International Labour Organization (ILO) in 1999, the concept of Decent Work goes beyond the mere availability of jobs and includes productive employment that guarantees fair income, workplace safety, and access to social protection, participation in decision-making, and the elimination of discrimination in the workplace. As countries navigate the two-track transitions to green and digital economies, embedding the principles of Decent Work into these transformations is imperative.

CAREC Institute’s recent study ‘Addressing Socio-Economic Inequality: Decent Work in CAREC’S Green and Digital Transitions’ (Akizhanov et al., 2026) looks at the selected countries of the region: Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan, which are transition economies emerging from the post-Soviet era. These countries have a particularly unique opportunity through the digital and green transitions to disrupt historical trends of socio-economic inequality. These transitions are supported by the regional economic cooperation under the CAREC Strategy 2030, focusing on economic and financial stability, trade, tourism, and economic corridors, infrastructure and economic connectivity, agriculture and water, and human development. Central to these transitions are the labor market dynamics that emerge, bringing new risks and opportunities for Decent Work across the region. This policy brief is derived from the above-mentioned study to explore policy directions that address the unique challenges faced by countries ensuring that no worker is left behind in the pursuit of sustainable development.

Importance of Decent Work

Understanding Decent Work

The concept of Decent Work was first introduced to the wider public as the ILO’s main goal for the next century in June 1999 by ILO Director-General Juan Somavía in the ILO’s report for the International Labour Conference.¹ It is defined as much more than just having a job—it involves productive work that provides a fair income, workplace security, and access to social protection. More importantly, it also includes freedom of association, the right to participate in decisions affecting workers, and demands equal opportunity and treatment for all, without discrimination.

This concept differs from other definitions of work in its relevance during periods of economic transition. For instance, some economists prefer the term “Good Jobs,” which has multiple interpretations. The 2019 Asian Development Bank (ADB) report “Good Jobs for Inclusive Growth in Central Asia and the South Caucasus” provides the following definition: “Jobs are ‘good’ when they are well-paid and secure due to their high productivity, thereby contributing to inclusive growth” (ADB, 2019, p.1). While “good jobs” are important for economic growth, this concept has a narrower focus, focusing only on economic aspects such as well-paid, secure jobs linked to high productivity and inclusive growth.

In contrast, the concept of Decent Work is broader and more holistic. While it incorporates key aspects of good jobs such as fair income and job security, it goes significantly beyond that by including fundamental labor rights, social protections, and the inherent dignity all workers deserve. Therefore, decent work is important for achieving fair globalization, poverty reduction, and sustainable and inclusive economic growth, and it has been recognized globally in the 2030 Agenda as the UN’s Sustainable Development Goal 8, “Promote inclusive and sustainable economic growth, employment and decent work for all”.^{2,3}

¹ <https://www.ilo.org/resource/brief-history-6>

² <https://www.ilo.org/topics-and-sectors/decent-work>

³ <https://globalgoals.org/goals/8-decent-work-and-economic-growth/>

Empowering Transitions: Role of Decent Work in Reducing Inequalities

Decent work is important for the critical challenges and opportunities of our time—the green and digital transitions—faced by the CAREC region, because it can ensure that these transitions are fair and inclusive, without leaving any worker behind.

The most important attribute of the concept of decent work is that it can ensure fairness in jobs. The rise of digital jobs, such as platform or gig work (ETF, 2024), is often associated with a lack of stability, social protection, paid annual leave, and fair pay (Zhou, 2023). In this regard, decent work provides the framework to ensure the necessary protections for workers are in place. Similarly, while green jobs in emerging sectors are vital to green growth, they should be inclusive and safe, not just highly paid. In this regard, decent work ensures that these jobs not only offer good wages but also provide the necessary training to meet the new sector’s skill demands and comprehensive worker welfare programs that protect their well-being.

Furthermore, decent work actively reduces socio-economic inequalities by protecting the most vulnerable workers, including women, youth, rural and informal workers, and people with disabilities. While good jobs may primarily benefit those with advanced digital and green skills, thereby creating wage premiums for these groups, this approach risks widening disparities during green and digital transitions. In contrast, decent work guarantees that marginalized workers receive equal pay, access to upskilling and reskilling training programs, and essential social protection, ensuring no worker is left behind during these two transitions.

As outlined above, decent work supports sustainable development that extends beyond mere economic productivity. Decent work requires balancing sustainable and inclusive economic growth by pursuing profitability while upholding dignity, fairness, and workplace rights. Such a decent work approach lays a more stable foundation for societies as they transition toward green and digital economies

Green and digital transitions will face challenges in societies if the input and interests of affected workers are overlooked. Decent work promotes social dialogue and worker participation in decision-making that impacts them, ensuring workers can influence employment and labor market policies—particularly in automation and decarbonization. This approach helps mitigate job losses, lessen workplace harm, and promote a fair transition.

Decent Work: Challenges and Progress

A recent analysis of developments in national labor markets of selected CAREC countries—Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan—indicates that implementing decent work principles in these countries faces significant challenges (Akizhanov et al., 2026).

A major challenge in promoting decent work is the high prevalence of informal employment (Marnie, 2024). In the studied CAREC economies, informal employment accounts for a large share of the labor market, and workers do not participate in national social security programs, have no formal contracts, and lack access to occupational safety standards. Informal workers receive low wages, work longer hours, have no paid annual leave or access to skills development, and lack representation in trade unions, thereby making them vulnerable to economic shocks. Moreover, the studied countries face economic conditions that sometimes undermine efforts to ensure full formalization and decent work for all. For example, in some cases, informal workers are earning higher wages than formal workers in the public sector. During the key informant interviews and focus group discussions, respondents highlighted that informal employment can be considered as surviving strategy for poor families.

Labor emigration brings another significant challenge in promoting decent work in migrant-sending countries of the Central Asia—the Kyrgyz Republic, Tajikistan, and Uzbekistan, where predominantly economically active men migrate for better employment opportunities in the richer economies of Kazakhstan and Russia (Abdulloev, Gang, and Epstein, 2020). For many households, labor emigration serves as a coping strategy, involving difficult choices that affect the labor force participation of other

household members, including women, the elderly, and children. Children often take on additional household chores, and women and the elderly do agricultural work or work in local markets to compensate for the absence of male family members. Paradoxically, labor emigration reduces informal income, becoming a substitute for migrant families who lack other informal work opportunities (Abdullov, Gang, and Landon-Lane, 2012). Furthermore, the desire to work in higher-paid low-skilled jobs in destination countries caused the “forsaken schooling phenomenon” in these countries, where young men, after completing compulsory education, often choose to migrate for low-skilled work, while young women take on domestic responsibilities—both forgoing further professional education as a result (Abdullov, Gang, and Epstein, 2024).

The countries studied also face persistent skills mismatch—the skills and competencies provided through formal professional education often do not align with the evolving job market and employers’ needs. While continuously improving the quality and equity of education remains important, weak cooperation between industries and vocational institutions exacerbates the problem. The post-Soviet privatization process led to enterprise restructuring, breaking traditional ties with educational institutions and resulting in outdated curricula and study equipment. Furthermore, vocational and technical schools suffer from low prestige among youth, often perceived as educational options for families with lower incomes and social status (ADB, 2021).

CAREC countries’ skills mismatch may further widen as new digital and green jobs require different or new skills. Workers will need to upgrade their skills or acquire new competencies to work with new technologies. Furthermore, new automation processes and the use of robotics may reduce work hours. For example, several developed countries are already experimenting with a four-day workweek, which could give workers more time for leisure and opportunities for skills training.⁴

Low labor force participation among women and youth remains a persistent challenge in achieving decent work across the studied countries. Youth unemployment is another major concern in many CAREC countries, driven by demographic trends and structural challenges. In addition, young people exhibit high rates of job discouragement—they do not actively seek employment because of perceived barriers or their belief that suitable job opportunities are absent. This high job discouragement contributes to labor emigration, as previously discussed, and to a larger share of women who are Not in Education, Employment, or Training (ILO, 2024).

A gender gap exists in labor supply across the studied CAREC countries, as observed in employment, wages, occupational segregation, and leadership representation. The informal workers are mainly female, which increases their vulnerability, as these jobs are usually low-paid and lack social protection. Access to education and finance is also disproportionately lower for women. All these factors reduce women’s opportunities to participate in and benefit from the green and digital economies. There is also evidence that men’s labor emigration may positively affect women’s labor force participation decisions, enhancing their economic empowerment and decision-making (Abdullov, Gang, and Yun, 2014).

All six countries inherited extensive social protection systems from the Soviet Union. While progress has been made toward introducing a social protection floor and expanding social pensions, significant challenges remain. Current social protection coverage remains limited for workers in the informal sector. Even when social protection benefits are available, their amounts are insufficient to provide meaningful support during times of need, and bureaucratic application processes create an additional burden for workers. Digitalization of social protection systems shows promise in addressing these issues, but its implementation is slowed by the digital divide within countries and low levels of digital literacy among their populations.⁵

While all countries maintain trade union representation for workers, informal workers’ participation in

⁴ <https://www.theworkersrights.com/companies-with-a-4-day-work-week-in-2025/>

⁵ For more discussion see ILO (2025).

these unions remains limited. This limited engagement undermines effective negotiations and cooperation with both employers and governments. Innovative approaches to organizing and representing informal workers are being used in some cases in the region and could be shared with other CAREC countries (ILO, 2025).

Additionally, these countries continue to face gaps in rural-urban development. This disparity significantly restricts decent work prospects for rural communities. The studied CAREC countries face a persistent urban-rural divide, with economic opportunities unevenly distributed and rural (remote or mountainous) regions consistently lagging. People in rural areas usually face limited access to quality professional education, healthcare, and formal employment, which exacerbates poverty and pushes the economically active population to emigrate. Such geographic inequality should be considered during the two-track transition by promoting policies that promote inclusive development and social cohesion.

The countries in the CAREC region are also facing a gap in digitalization and access to new technologies. The gap exists both between and within countries (Razzaq et al. 2022). Countries with more advanced technologies can replace low-skilled labor with automation, creating reskilling opportunities and higher wages. This further increases socioeconomic inequalities between countries. During the digital transition, some population groups, such as rural residents, women, older workers, and persons with disabilities, will face limited access to technology, the internet, and digital literacy. Similarly, the benefits of the green transition may not be evenly distributed across countries, districts, and even communities. Areas with high natural endowments may see declines in traditional industries, while other regions may benefit from growth in green sectors. This disparity in opportunities may further exacerbate existing inequalities.

The accelerating pace of green transformation and technological advancements is transforming the nature of work. Automation, artificial intelligence, green skills, and the gig economy are reshaping job roles, requiring workers to adapt to new skills and competencies (Arias et al., 2025). The digital and green transitions will help increase labor productivity and create new job opportunities. However, such structural changes will also result in job displacement and losses (especially in fossil fuel extraction and carbon-intensive industries), as well as temporary unemployment, increasing inequalities between high- and low-skilled workers. Furthermore, the newly created jobs must offer stable, long-term employment.

Job displacement and job loss can lead to stress and mental health issues among workers during transitions, which can further increase socioeconomic inequalities, especially among vulnerable groups. Such fear of job loss can lead to resistance among institutions to adopting new technologies and practices associated with green and digital transitions, which may slow progress.

With digitalization, companies tend to use online platforms to attract workers for gig work. As gig economies grow in the CAREC countries, governments face policy challenges in ensuring social protection coverage, including health insurance, unemployment benefits, maternity leave, and pensions, for gig workers. Such expansion of gig economies may increase inequalities and vulnerabilities, especially during economic restructuring associated with transitions.

Furthermore, environmental vulnerabilities driven by global climate change can deepen socio-economic inequalities. Communities often face disproportionately high costs related to pollution, climate change, and resource depletion. Additionally, unregulated poor working conditions in some industries can heighten health risks and disparities. Without the integration of environmental justice principles into policymaking during transitions, marginalized communities may end up shouldering the brunt of environmental degradation, worsening socio-economic inequalities.

Despite these challenges, it is important to recognize the substantial efforts underway across the region to advance decent work. National governments are collaborating with the International Labor Organization and international development partners on multiple initiatives. These include promoting labor market formalization, improving the quality and equity of education, ensuring its relevance to

evolving skill demands, strengthening collective bargaining through tripartite social dialogue, and expanding social protection coverage. Furthermore, increased ratification of ILO conventions is helping align national labor laws with international standards, thereby creating a stronger foundation for protecting workers' rights and dignity. In addition, countries may consider integrating their current policies on decent work and active labor market programs with the crucial green and digital transitions.

Such progress may benefit more from regional collaboration and sharing the best policy practices in the CAREC region. The member countries need to learn from each other's experiences in implementing effective labor and social protection policies and active labor market programs. There are good examples in the region. For example, in Kazakhstan, the Employment Platform is established to automate worker registration, helping with formalization, and ensuring better social protection.⁶

In Tajikistan, public efforts are focused on the socio-economic reintegration of returned migrants. The initiatives aim to help migrant returnees rebuild their livelihoods, formalize the professional skills acquired during overseas employment, and find employment or start their own business (Eurasia Today, 2024). Uzbekistan has introduced an innovative policy measure — the Self-Employment Tax Incentive — which imposes a 1% turnover tax on self-employed individuals (Government of the Republic of Uzbekistan, 2025). This type of initiative can help with the formalization of self-employed people, while fostering entrepreneurship development, especially among marginalized groups of population and in rural areas.

Implementation of Economic and Decent Work Policies During Two-Track Transitions

Emerging Policy Opportunities in Dual Transitions

Green and digital transitions while posing challenges also create opportunities for reducing socio-economic inequalities through implementation of economic and decent work policies in the CAREC region. Policymakers should use these emerging opportunities to promote fairer and inclusive societies through targeted policy measures which address labor markets, economic institutions, and social dynamics.

The transitions driven by urgent needs for environmental sustainability and technological advancement may benefit narrow interest groups and select corporations. As explained by the *Economic and Political Feedback Effect*, these beneficiaries may gain disproportionate influence over policies. To ensure these transitions benefit the whole society rather than select groups, collective action is needed to mitigate the potential adverse effects of these power gains. Therefore, decent work is crucial during such transitions to safeguard inclusive development by guaranteeing workers' bargaining power and participation in policy decisions that affect their livelihoods.

Furthermore, countries want to benefit from the opportunities for advancement these transitions create. However, they face a traditional dichotomy between *Efficiency and Equity* in policymaking. To achieve necessary progress, these countries must balance promoting market efficiency with ensuring equitable outcomes for their populations. Policies that heavily support workers or certain regions (improving equity) may inadvertently distort markets or slow economic growth (decreasing efficiency). Conversely, some efficiency-focused, market-driven policies may leave vulnerable groups behind, increasing socio-economic inequality. Therefore, addressing the challenges brought by green and digital transitions requires carefully calibrated policy approaches.

Promoting decent work becomes an important policy measure in reducing socio-economic equality during green and digital transitions. Decent work as one of major pillars of inclusive and sustainable development helps maintain social cohesion; while ignoring this concept in policymaking may exacerbate existing disparities. With a new window of opportunities brought up by green and digital transitions, policymakers should adopt the necessary policies needed to navigate during these transitions effectively both by reacting to problems and proactively building a better future for all. Table 1 outlines

⁶ www.enbek.kz

the policy challenges and opportunities.

To be better prepared for possible job losses during transitions, such as in fossil fuel and other high-carbon industries, policymakers need to prioritize creating new jobs in green and digital sectors. Technological advancements in these areas can enhance labor productivity and benefit the broader economy. As transitions create additional skill mismatches that may widen the skills gap, governments need to ensure that the national workforce has adequate skills to support the growth of new industries. To avoid the potential unemployment and socio-economic inequalities caused by skill mismatches and gaps, especially among vulnerable workers—youth and women—governments and industries should proactively invest in and contribute to national education systems, including higher, technical, and vocational education. Continuing education units should actively fund reskilling programs to equip current workers with the skills needed for future jobs in the green and digital sectors. These proactive efforts will help turn the skills gap into a skills bridge.

The digital transition is accelerating the expansion of gig economies, particularly in countries where regulations to support gig workers with essential social protections have not been established, leaving them vulnerable and insecure. Governments and international organizations are working together to expand existing labor laws and legal and social protections for gig workers as part of their formalization policies. The targeted approach can further improve the quality of jobs and security and ensure fair treatment of all types of employment, including the newly emerging ones.

Different groups might be unevenly impacted by transitions. Vulnerable populations (such as women, youth, elders and rural workers) can find it difficult to access and benefit from emerging opportunities in green and digital economies. To address this, policymakers should expand educational programs, including vocational training, for marginalized groups. These programs help develop green, technological, and digital skills required in newly created jobs. In reducing the digital divide, governments should prioritize investments in digital and green infrastructure, especially in underserved, rural areas.

Table 1. Challenges and opportunities during green and digital transitions

CHALLENGES	POLICY OPPORTUNITIES
Job Displacement: Transitions may lead to job losses, particularly in fossil fuel extraction and carbon-intensive industries.	New Job Creation: The transitions can create new job opportunities in green sectors (e.g., renewable energy) and digital industries, potentially increasing labor productivity.
Skills Mismatch and Gap: Workers, especially youth and women, may lack the skills for emerging roles, leading to increased unemployment and inequality.	Skills Development Initiatives: Investment in vocational training and reskilling programs can equip workers with the skills needed for future job opportunities in green and digital sectors.
Growth of Informal Employment: The rise of gig economies may leave many workers without social protections and rights, increasing vulnerability.	Strengthened Labor Rights: Expanding labor rights and protections to gig and informal workers can improve job quality and security, ensuring fair treatment.
Access Barriers: Vulnerable groups (women, youth, elders, rural population, etc.) may benefit less from the green and digital economies.	Inclusive Education Policies: Tailored training programs and educational initiatives can enhance access to green, technology and digital skills for marginalized groups. Infrastructure Investment: Investment in digital and green infrastructure, particularly in underserved areas, will help to reduce the digital divide.
Environmental Vulnerabilities: Communities may unequally bear the costs of pollution and climate change, exacerbating existing inequalities.	Green Investments: Promoting investments in sustainable practices and technologies can help mitigate environmental impacts while creating jobs in green sectors.
Resistance to Change: Fear of job loss and the stress associated with transitions may lead to resistance from institutions and workers.	Stakeholder Engagement: Fostering collaboration among governments, businesses, and civil society can facilitate smoother transitions and address concerns effectively.

Mental Health Challenges: Job displacement and uncertainty can lead to increased stress and mental health issues among workers.

Powerful Rentier Interests: Entrenched political and economic elites benefiting from resource rents may resist diversification and inclusive reforms that threaten existing privileges.

Regressive Distributional Patterns: Resource and income concentration within urban or capital-intensive sectors widens inequality and limits the redistributive impact of growth.

Comprehensive Social Protection: Implementing robust social protection systems can provide support for affected workers, including mental health resources and unemployment benefits.

Governance and Transparency Reforms: Strengthening fiscal transparency, enforcing anti-corruption frameworks, and linking rent revenues to inclusive green and digital investment funds can realign incentives toward equitable development and decent work outcomes.

Progressive Redistribution and Local Empowerment: Implementing progressive taxation, decentralized budgeting, and targeted social transfers can redistribute transition gains to rural, low-income, and informal workers, fostering social cohesion and shared prosperity.

Source: Author's compilation.

The impacts of climate change and the costs of pollution are not shared equally across different groups of population, creating burdens for certain communities and increasing socioeconomic inequalities. In efforts to avoid this, policymakers need to apply distributional policies and to invest in sustainable practices, technologies, and skills, creating good quality jobs in green sectors. As job losses during transitions can be mitigated but not fully eliminated, the supporting policies targeting both workers and institutions affected by these impacts should be developed through close collaboration with affected communities, workers' groups, trade unions, and businesses. Such collaborative approach helps address specific concerns and develop inclusive policies targeting affected groups with social protection, unemployment benefits and mental health support, helping navigate periods of change.

Policy Discussions and Recommendations

As CAREC countries undergo green and digital transitions, they can catch up on emerging opportunities to support efficient and fair transformations by promoting decent work and reducing inequality. This section of the policy brief provides recommendations for forward-looking policies to CAREC countries that highlight the importance of decent work principles embedded into the two-track transitions, ensuring that no one is left behind as economies modernize and grow.

Integrating Re- & Pre-Distribution

To promote fairer societies through socio-economic equity, redistribution is a key concept. By taxing income or wealth, the government can redistribute funds to support essential welfare programs. The progressive income tax is an example that ensures those who earn more or have more wealth contribute more to supporting vulnerable communities and groups. However, implementing redistribution, as economic theory suggests, is not as simple as taxation, its main component, because it faces several challenges. It distorts economic decisions, creates additional administrative costs, and leads to deadweight loss by interfering with market efficiency.

As countries transition to a digital economy, the use of automation and AI is rising rapidly. This raises another concern: traditional wage taxes may make labor relatively more expensive than machines, accelerating the shift toward automation as capital tends to receive more favorable tax treatment. If this trend continues, automation and AI use could shrink the tax base derived from labor, reducing revenue from payroll and wage taxes as more and more firms substitute labor for machines. This will have a particularly severe impact on developing countries, which rely on wage taxes as a source of public revenue. These countries will struggle to fund essential public goods and comprehensive social protection systems if labor tax revenue declines.

The mechanisms for income redistribution should be strengthened to support individuals affected by economic transitions and ensure a minimum standard of living. Governments can strengthen green taxation (including taxes on carbon emissions and environmentally harmful practices) to fund sustainable initiatives, and provide tax incentives for businesses adopting sustainable practices,

investing in green technologies and infrastructure. At the same time, the use of digital technologies can improve transparency and accountability in both tax collection and expenditure, helping build public trust and demonstrate governments' commitments to social welfare. Programs with targeted support for displaced workers (which include unemployment benefits and social assistance) will help them manage the job losses caused by transitions.

The CAREC countries should combine redistribution with proactive pre-distribution policies to reduce socio-economic inequality. This includes funding social programs and skills development for marginalized populations. Revisiting living wage standards on a regular basis helps ensure that workers receive sufficient compensation for their basic needs, reducing poverty incidences and dependence on social assistance (avoiding costly redistribution mechanisms). Governments may also consider both increasing and improving access to capital, technology, and training for marginalized populations, micro-entrepreneurs, and farmers, improving their participation and competitiveness in green and digital economies. Reforms in corporate governance, financial regulations, inheritance taxes, and land reform are necessary to influence the distribution of ownership and capital, thereby reducing income inequality.

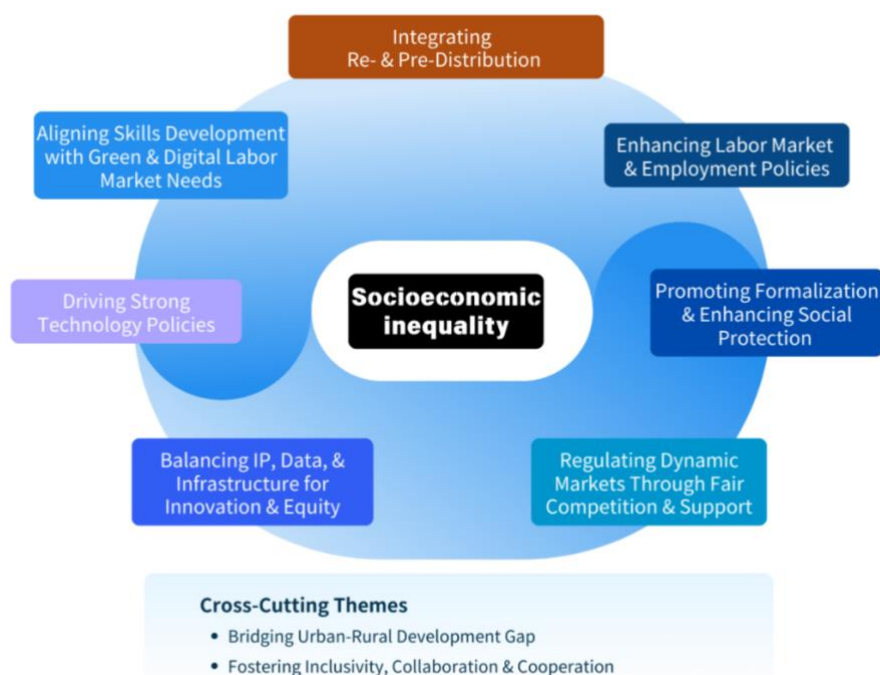
Enhancing Labor Market & Employment Policies

Socio-economic inequalities in countries can be reduced through implementation of efficient employment policies, which are fair and inclusive.⁷ This requires efficient labor laws, robust social protection, workplace safety, and workforce adaptability programs. Governments should prioritize ratifying and enforcing ILO conventions and aligning national labor laws with international standards to foster a more equitable labor market that ensures coverage for all workers, regardless of employment status.

As new technologies reshape labor markets, it is imperative that governments also consider labor-market and employment policies that address the future of work. Countries should continue strategically investing in emerging and future sectors, such as green industries and technologies, to create sustainable, inclusive, and equitable jobs that benefit everyone and foster long-term prosperity. Governments need to integrate environmental justice into labor policies, reinforcing workplace safety regulations and ensuring compliance to protect workers in newly emerging sectors from hazards. This ensures the green transition is just and protects vulnerable workers and disadvantaged communities. Policies must adapt to new technologies and support work-life balance through flexible arrangements that enhance quality of life. Flexible work arrangements, including remote work and reduced work hours, can encourage work-life balance, enhancing both quality of life and productivity.

⁷ For more discussions see: Beegle et al. (2013)

Figure 1: Recommended Policy Areas



Source: Author's contribution.

Promoting Formalization & Enhancing Social Protection

For CAREC countries, formalization and social protection are important policies for dealing with the impacts of green and digital transitions on the workforce. To promote formalization, the simplification of business registration, incentives for formal jobs in emerging sectors, labor inspections and enforcing standards, and participation in decision-making (helping workers to negotiate better conditions) are important policy tools.

Formalization programs can be complemented by new green and digital skills development programs and adequate social protection. Workers need training, which also incentivizes formalization, to become competitive in emerging sectors. Universal social protection systems are important, covering healthcare, unemployment, and pensions for all workers, including those in non-standard employment—such as informal and new forms of work. This requires legal reforms, innovative financing, and fintech, especially for non-traditional workers, to ensure that vulnerabilities across all segments of the workforce are addressed and to provide a safety net during transitions.

Regulating Dynamic Markets Through Fair Competition & Support

As new markets emerge, driven by rapid innovations during the green and digital transitions, countries need to address the fundamental nature of these markets. In new markets, innovative firms often enjoy substantial profits as first movers. Economic theory holds that in contestable markets—where entry and exit are easy and no significant administrative barriers exist—initially, substantial profits will be competed down to zero as new competitors enter.

However, in practice, legal barriers may protect innovative firms by providing incentives for R&D investment. In addition, if innovations demand highly specialized and scarce skills which are difficult for competitors to replicate, first movers will benefit from larger profits for longer, increasing inequality. Furthermore, due to the nature of their operations, tech companies collect vast amounts of information about their customers and suppliers. While this information helps provide valuable goods and relevant services, it may also create the monopolization of data. These companies will own large datasets, making market entry difficult for competitors. To mitigate these effects, CAREC governments must ensure fair competition policies to support the dynamic markets which benefit consumers and firms (and workers). These policies include antitrust regulations, preventing excessive market concentration

by new technology companies or tech giants, while creating opportunities for smaller firms and promoting innovations. Policies should support startups and SMEs through grants, technical assistance, low-interest loans, business angel programs, providing access to market opportunities, promoting innovation and job creation.

Balancing IP, Data, & Infrastructure for Innovation & Equity

Data privacy and security require governments to establish data regulations. These regulations are not sufficient and need to be balanced with intellectual property (IP) rights, data governance, and digital infrastructure to promote innovation and competition. By adopting appropriate IP frameworks, countries can encourage innovation, knowledge and technology sharing, especially in green and social sectors (like AI adoption in health and education). Open-source and open-access initiatives make publicly funded research and technologies available to all, maximizing societal benefits. In safeguarding data privacy and promoting fair data use for all stakeholders, governments should implement policies that enable ethical, responsible data access for researchers and businesses. Expanding digital infrastructure is essential, requiring policies that improve affordable, high-quality digital connectivity, especially in underserved and rural areas. CAREC governments can accelerate this expansion by strengthening public-private partnerships and international cooperation.

Driving Strong Technology Policies

Innovation and new technologies entail significant uncertainty and potential risks. For example, labor-saving technologies (automation and AI) can be attractive for firms in developed countries, where low-skilled labor is expensive. Using technologies for these firms will be attractive as they boost productivity and reduce labor costs.

Developing countries, which traditionally rely on cheap, abundant, low-skilled labor, may need to reformulate their development strategies, going beyond labor-intensive sectors such as agriculture and manufacturing. Because of the rapid cross-border diffusion of technology, these countries may lose the comparative trade advantage that was initially relied on, which relied on low-skilled labor, advantage being used in domestic production and even labor emigration. Given these anticipated shifts, CAREC countries should proactively implement strong industrial and technological policies to shape future development strategies and ensure that new technologies benefit all: i) targeted R&D investments that prioritize social welfare and environmental sustainability, along with open access to research results to maximize public benefits; ii) robust regulatory frameworks to address ethical dilemmas, privacy concerns, and labor-market disruptions caused by emerging technologies; iii) investment climate supporting sustainable and inclusive growth, promoting strong ESG standards.

Aligning Skills Development with Green & Digital Labor Market Needs

In supporting effective technology policies, CAREC countries need to enhance education systems to train workforce with the important skills demanded by businesses in emerging green and digital economies, promoting collaboration between educational institutions and companies. Public-private partnerships can enhance skills matching through apprenticeships, internships, and on-the-job training programs. The efforts should focus on improving both quality (e.g., vocational curricula and training facilities) and equity (e.g., access for youth and women) of education and training. Career counseling and comprehensive labor market information systems should help job seekers identify sustainable, future-focused careers by offering necessary information on employment trends and necessary skills.

Cross-Cutting: Bridging Urban-Rural Development Gap

There is no one-size-fits-all approach for all regions. CAREC countries, therefore, should tailor robust subnational policies to meet the specific needs of different areas affected by green and digital transitions. The policies should drive infrastructure investments, capacity-building for rural workers, social dialogue, and social protection to support local economies' adaptation. Targeted investments in rural areas, such as renewable energy, smart and sustainable agriculture, communication and transport, agro- and eco-tourism, can create new jobs, improve food security and farmers' livelihoods, and, more importantly, increase local economic resilience. Creation of additional jobs in rural areas will also

reduce migration.

Cross-Cutting: Fostering Inclusivity, Collaboration & Cooperation

Inclusive economic development is ensured through collaboration and stakeholder engagement in both policy development and its implementation. CAREC governments should facilitate ongoing discussion with businesses, labor unions, and civil societies about challenges and jointly develop policy solutions. Robust tripartite dialogue mechanisms among governments, employers, and workers help address labor market challenges during the green and digital transitions in a timely and effective manner. Grass-root consultations on green and digital policy initiatives with local communities will ensure that their needs are considered. Inclusive labor market policies, including provisions like equal pay for equal work, parental leave, flexible working arrangements, tailored training programs, should target marginalized groups. In addition, recognizing and remunerating care work would be essential for achieving gender equality in labor force participation.

Since no single country has all the solutions, regional and global cooperation is important for sharing knowledge to effectively address transition challenges. CAREC countries should use regional and international platforms—such as CAREC, bilateral agreements, and global organizations—to exchange best practices, pool resources, and access expertise. This approach will strengthen the CAREC region’s collective ability to manage transition challenges more effectively.

Conclusion

The green and digital transitions in CAREC countries present real challenges, but they also offer opportunities for governments to address socio-economic inequalities. By pairing Decent Work with specific economic policies, CAREC governments can ensure these transitions actually benefit marginalized groups. Ultimately, the success of green and digital transitions will not be measured only by economic growth, good jobs, or technology adoption, but by whether every worker has tangible improvements in their livelihoods.

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