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## **HUMAN CAPITAL DEVELOPMENT IN UZBEKISTAN**

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**Abstract:** *The importance of Higher Education for the progress of developing countries is widely researched. Higher Education as generator of new knowledge and skills contributes to the generation of human capital for later incorporation into important sectors such as healthcare, agriculture, new technologies, or tourism. This paper considers human capital as the basis for the innovative component of the state. Investing in human capital is the most important process of investing any tangible and intangible assets that enhance qualifications and improve skills, in other words, make the workflow more efficient.*

**Keywords:** *human capital, education, healthcare, economic growth, motivation.*

### **Introduction**

The economy of Uzbekistan today is far behind in scientific and innovative potential from neighboring economies. The absence of Uzbekistan in world (global) ratings is largely due to the inefficiency of human capital management.

The need to develop a methodology for managing human capital in an innovative economy is determined by the presence of the following interrelated problems:

1. For a country with significant scientific and innovative potential, today is characterized by low innovation activity and susceptibility to innovation. In the year 2018, only 0.93% of enterprises produce innovative products. In high-tech industries, initially focused on high innovation activity, the share of products of new enterprises for the sales market is 1.2% [1]

2. There is a low publication activity of scientists. In the period 1996-2018, the number of scientific publications in leading world journals was 11328 (for comparison, in the Russian Federation – 1760966, in Japan - 2750108, in Germany - 3019959, in China - 5901404, in the USA – 12070144 [2].

3. The economy today is characterized by a lack of highly intelligent and innovatively competent workers. The number of people engaged in research and development in Uzbekistan has increased over the last 18 years from 2000 to 2018 by only 0.4 thousand or by 1,087% [1].

4. Uzbekistan has limited the number of best practices on the problems of developing the ability to think creatively, on the problems of lifelong learning, readiness for entrepreneurship and risk taking.

5. Existing methods and tools for assessing human capital do not fully reveal the professional, intellectual and creative abilities of employees to determine the directions of their formation and development, which reduces the accuracy of forecasting and planning the development of human capital, necessary in an innovative economy.

These problems actualize the need to develop a human capital management methodology in the interests of innovative economic development. The research topic is particularly relevant in connection with the declaration of the state's course on innovative development. The state's attention to the problems has arisen in the development and implementation of the "Strategy for the innovative development of the Republic of

Uzbekistan for the period until 2021”, focused on the transition to the “model of innovative socially-oriented development. At present, human capital plays an important role in the development of the country's economy. Human capital is the basis for the innovative component of the state; this is a significant help to increase the country's competitiveness in the world market, labor productivity and improve economic indicators. This topic is undoubtedly relevant due to the fact that highly skilled workforce is the basis for the country's economic growth, but impossible without the availability of creative potential, certain skills, abilities and knowledge. That is why the state needs to invest in the development of all the listed qualities among domestic specialists in order to maintain a high level of human capital in the country.

The purpose of this article is to determine the level of development of human capital in Uzbekistan.

Tasks:

1. Define the concept of “human capital” and its essence;
2. To consider trends and forecasts of changes in the demographic characteristics of human capital;
3. Track the impact of health and education on human capital;
4. To analyze the demand for human capital in the current economic situation.

### **Materials and methods**

Human capital is a system of knowledge, skills that are used to meet the various needs of a person and society as a whole. The American economist Theodor Schulz first mentioned the term, and then his colleague Gary Becker modernized this concept, explaining the reasons for the effectiveness of investment in human capital. The main features of human capital are:

- specific set of productive qualities and special features of a person that are the result of investments in him;
- knowledge, professional skills possessed by an individual serve as the basis for the growth of labor efficiency and the basis of the country's economic growth;
- with the correct use of the accumulated stock of knowledge, the specialist is rewarded with wages, and the citizens of the country with national income. Effective use of human capital provides a high level of income for the employee and society as a whole;
- increase in the salaries of specialists and the population is an incentive to continuous improvement of human capital.

In modern literature, the following elements of human capital are distinguished:

- scientific capital, which includes both general and specialized knowledge;
- preparatory capital (level of qualification, ability, etc.);
- employee health capital;
- location of economically important information;
- predicted data;
- migration capital, which provides labor mobility;
- motivational component of labor activity.

Currently, human capital is divided into the following types:

1. general (moving) human capital - universal; does not require special training (for example, working on a computer);

2. special (non-relocatable) human capital - a limited set of functions; requires certain special skills that need to be studied separately. Thus, human capital is a certain set of productive skills of an individual: health, natural data of a person, level of education and professionalism, as well as labor mobility of a person.

### **Results and discussion**

In recent years, attention is being paid to the development of human capital, which is considered an integral part of national wealth in Uzbekistan. Social protection, human health, improvement of family relations, improvement of activities of neighborhood institutions and fundamental deviations in education system are amongst it. In the training of personnel, attention was paid to the integration of science, higher education and development, quality of education, regional aspects, improvement of the economic environment, the introduction of the system of training of personnel on the basis of interaction of educational institutions and economic sectors, "targeted training of personnel", systemic solution of the existing problems of production has become staple items on the agenda [3-9].

Currently, in some developed countries (Germany, the United States of America, the United Kingdom, etc.) 75-80% of the national wealth is used to modernize human resources, and in Uzbekistan – 1-1.53%. The demographic conditions of the formation and functioning of human capital in these circumstances are of particular importance.

Each human capital is inherent in spiritual, psychophysical and demographic qualities, without the development of which the modernization of human capital is unthinkable. The renewal of human capital itself is directly related to the reproduction of the population and its size.

According to D. Coleman, an English specialist in world demography, "a general decline in the European population can begin after 2020, and a decrease in the number of working-age people even earlier". Progressive countries consider, as a solution to this problem, firstly, investing in their specialists and efficiently using their human capital, developing and implementing innovative policies that require labor, and secondly, providing migrants with jobs. Demand for labor will always exist, and residents of third world countries will always strive to improve their financial situation and change their place of residence.

The demographic situation in Uzbekistan currently plays an important role, there is an increase in the share of young people. 30.3% of the total resident population are people under working age, 59.5% - working age and 10.2% - older than working age. The place of Uzbekistan in the world hierarchy is steadily improving. For comparison, permanent population of Uzbekistan on January 1, 2019 amounted to 33,25 million by increasing in 2018 to 598.9 thousand people or 1.8%. This is stated in the report on the demographic situation of the State Committee on Statistics of the Republic of Uzbekistan. In the last census of population conducted in 1989 year. The state of human capital is primarily affected by the health and education systems. The first important component of human capital is health, because without the proper level of health a person will not be able to fully reveal his potential. It is this indicator that does not allow Uzbekistan to take a leading position in the overall ranking of countries in terms of human development index. The past decade has been the key to investing in innovative healthcare development.

The following "pain points" are inherent in the medical care system, which have not been resolved for a long time:

- poor-quality first aid, primarily provided in a rural medical center;
- shortage of general practitioners;
- shortage of narrow specialists in outpatient clinics;
- incompetence of medical workers due to a decrease in the level of professional medical education;
- poor motivation of health workers;
- unstable relations between different levels of medical institutions: diagnostic centers, clinics, hospitals, rehabilitation services, etc.

Consider the most significant strategic goals of healthcare development (up to 2030 g). Listed in table. 1 goals are planned to be achieved using the following processes:

- Increasing the volume of the population involved in a healthy lifestyle (through advertising campaigns, volunteer programs, etc.);
- Lower prices for paid medical services, thereby increasing the availability of medical care for the entire population of the country;
- Use of new medical technologies, modernization of hospitals.

**Table 1.**

**Healthcare Development Goals (Source: Ministry of economy and industry, 2019)**

<i>Life expectancy, years</i>	73.7	75.0	76.6
<i>Implementation of high diagnostic and treatment technologies in the provision of specialized medical care to the population in all medical organizations (%)</i>	20.6	50	75
<i>Total mortality (per 1,000 population)</i>	4.9	4.2	3.8

The second important component is education. This is the part of human capital that always pays off. Without it, the employee will not become a highly qualified specialist. There are plans to build thousands of new kindergartens throughout the country in the coming three to four years and to step up the quality of the education and care they offer. In addition, in view of the importance and impact of early childhood education, Uzbekistan has established the Ministry of Early Education.

Special schools that focus on the science and use innovative and creative teaching methods have been established. There has also been a push to improve the system of higher education. In particular, a comprehensive program for developing the system of higher education in 2017–2021 has been adopted.

With the reorganization of HEI and campuses from foreign universities, there are now a total of 81 institutions of higher education, 15 regional branch campuses and 7 international campuses.

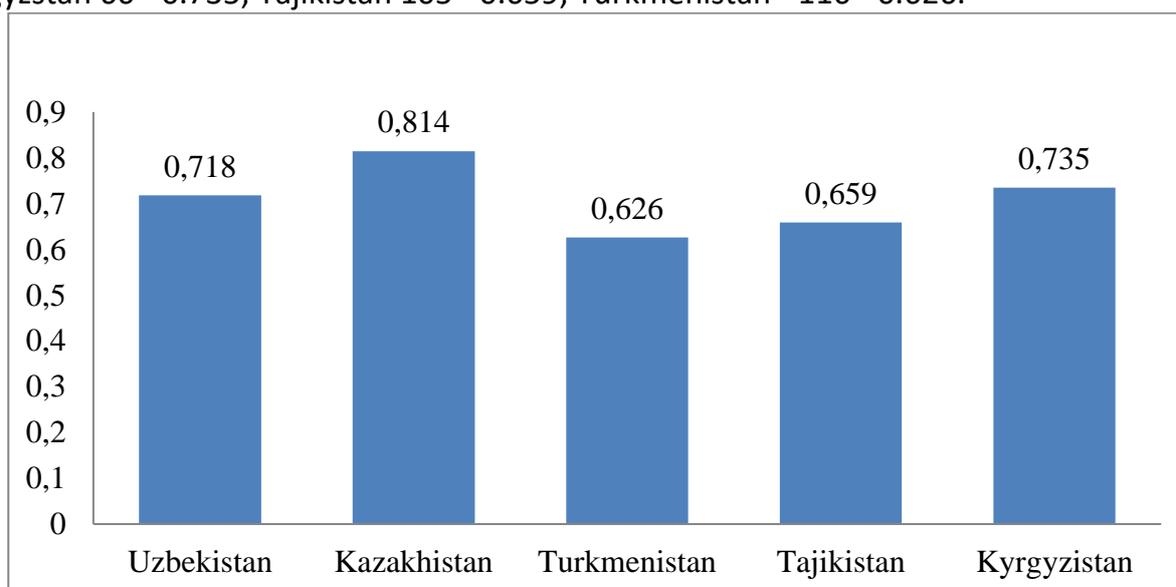
Systemic and infrastructure improvements have been made to the Uzbekistan Academy of Sciences and a number of its research institutes and centers have resumed their work. All these efforts have but one goal: to ensure that Uzbekistan can hold its own against global competition as regards scientific achievement, intellectual potential, a modern workforce and advanced technologies.

As part of an effort to achieve deeper reforms and the Sustainable Development Goals, 2018 has been declared the year for entrepreneurship, innovation and technology in Uzbekistan.

As a matter of priority, entrepreneurs will be provided with the fullest support, specifically by making it easier to import high technologies and the latest scientific breakthroughs and to integrate them into production processes. In addition, special measures are planned to create a broad range of opportunities for upgrading skills, training at leading international companies and organizations and engaging in mutually beneficial cooperation with them.

Uzbekistan is embarking on the path of innovative development that seeks to fundamentally improve every aspect of the nation's Government and society. To that end, the Ministry of Innovative Development was established in 2017 to address specific challenges. The Ministry will be the driving force behind the execution of key projects having to do with the national economy and with the life of Uzbek society more generally. Specifically, it will focus on developing scientific research activity and innovation by mobilizing the funding required, providing every kind of support for the participation of talented young people in this process, and promoting creative ideas and proposals.

Today, Uzbekistan is ranked 76th in the world ranking by the education index in the countries of the world (education index), which is calculated as the ratio of the average duration of education to the expected duration of education. This is the third indicator among the countries of Central Asia: Uzbekistan -76 - 0.718; Kazakhstan - 40 - 0.814; Kyrgyzstan 66 - 0.735; Tajikistan 105 - 0.659; Turkmenistan - 116 - 0.626.



**Fig. 1. Education Development Index among Central Asian Countries [11]**

The adoption of decrees by the President of the Republic of Uzbekistan from 2017-2019 years, which were aimed at improving the education system, allowed [10]:

1. Raise the salaries of teachers and make this profession more attractive;
2. Develop additional education;
3. To increase the number of places of preschool education institutions and improve its quality in connection with the adoption of a single educational standard in Uzbekistan;
4. To modernize the system of secondary vocational education and the system of professional training of future specialists;
5. Make educational environments accessible for children with disabilities;
6. To ensure the maintenance of the competitiveness of universities.

In 2019, 21.3 trillion soums were allocated for the educational sector, in 2020,

according to the budget, it is planned to spend 28.4 trillion soums.

What is the demand for human capital? In order to answer this question, it is necessary to understand what its productivity is, what is the “return on education”, how new jobs are created, and what is the share of high-tech jobs.

The efficient use of human capital depends on the structure of the economy: how many people are employed in industry, how many are in trade, and in agriculture. It is clear that each industry implies a specific demand for human capital. A case in point is the trade sector, in which there are highly qualified specialists of various profiles, as well as ordinary sellers. By the way, this is one of two professions in Uzbekistan that are in high demand. The second is the drivers of cars.

There is an active reduction in employment in industry, that is, human capital, which may be necessary in this area, is needed less and less every year. Trade, restaurants and hotels are the main employers today who form the main demand for human capital. But, in most cases, jobs in these sectors do not require high qualifications. We have practically no people with the appropriate education who would love to work as a maid in a hotel or as a waiter in a restaurant.

### **Conclusion**

For many centuries, instead of the concept of “human capital”, the concept of “labor force” was used, which indicated the use of man only as a tool for fulfilling standards at work. His personal data, his individual characteristics and talents were not taken into account. Over time, experiencing crisis after crisis, global thinkers in this area have come to the conclusion that all this happens due to the lack of incentives for effective work. This served as the birth of the concept of "human capital", which combined the features of the functioning of the "workforce", which must be taken into account for the effective operation of the entire organizational system and the economic system of the country as a whole.

The structure of human capital is composed of affiliation with the industry, the nature of the person’s work, the degree to which the dynamics of labor income is related to various classes (subclasses) of financial assets, etc.

Investing in human capital is the process of investing any tangible and intangible assets that enhance qualifications and improve skills, in other words, make the workflow more efficient.

The main areas of investment in human capital are:

1. Education and training;
2. Healthcare.

The tasks stated at the beginning of this article were fully resolved.

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