

The Key Focus Area is Human Capital Development

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ANNOTATION: The article discusses the potential of human capital development as the main engine of economic growth. It notes the importance of improving the quality of intellectual resources in the development of innovative economy in Uzbekistan. The author has studied the concepts of human capital development and highlighted the main concepts and categories. Particular attention is paid to the human capital index of Uzbekistan.

KEYWORD: intellectualization, economy, investment, competitiveness, education, innovation, technology.

Recently, the study of the role of human capital in modern socio-economic development and competitiveness has become widespread in the scientific literature. The level and pace of development of economies around the world increasingly depend on the degree of development of human capital "education and science". Therefore, improving the level and quality of education of the population has become a priority direction of economic policy in many countries.

Development of human capital in modern conditions will significantly increase global competitiveness and GDP per capita. Global experience shows that education, science and innovative technologies based on them have always been the key to efficiency growth.

The economic category of "human capital" was formed gradually and its first interpretation was limited to knowledge and a person's ability to work.

It should be noted that William Petty's Political Arithmetic (XXVII century) contains the first attempt to calculate human capital. W. Petty estimated the value of the population of England at 417 million pounds, and the value of everything of substance at 250 million pounds [1].

In the eighteenth century, Adam Smith, in his Study of the Nature and Causes of the Wealth of Nations, valued the labour skills, knowledge and abilities of the employed population as "the basic capital, as if realized in the personality of the owner" [2]. Thus, A. Smith emphasized the high economic importance of education and regarded it as one of the factors contributing to the wealth of the country.

The first empirical results confirming the important role of human capital in economic growth were obtained already at this stage.

The emergence of human capital theory in its modern form became possible in the second half of the twentieth century thanks to the research of T. Schulz and G. Becker, who are representatives of the "Chicago School".

T. Shultz was one of the first to propose an interpretation of "human capital": *"All human abilities are either innate or acquired. Each person is born with an individual set of genes that determines his or her innate abilities. The valuable qualities acquired by a person, which can be enhanced by appropriate investments, we call human capital"* [3].

As for the theoretical views of G. Becker, he discovered an important regularity: the return on investment in human capital is higher than in fixed assets, but it decreases faster with the growth of investment [4].

Note that while the works of the classics of English political economy on the role of man were based mainly on empirical material, the provisions of the representatives of the "Chicago School" are distinguished by a greater degree of theoretical substantiation.

In spite of the rather deep and long-standing research on human capital, there is no terminological unity between the various scholars who study it. It should be noted, however, that the category can be considered at different levels:

- *individual level* (human capital of individuals);
- *micro level* (human capital of business entities);
- *mesolevel* (human capital of industries, municipal entities and country's regions);
- *macro level* (human capital of the national economy);

According to the first approach, human capital is identical to the concept of human productive capacity, or labour power.

Thus, according to S. Fisher, human capital is a measure of a person's embodied ability to generate income. Human capital includes innate ability and talent, as well as education and acquired qualifications [5].

If we turn to domestic researchers, then we are interested in the position of S.A. Dyatlov who believes that human capital is a certain stock of health, knowledge, skills, abilities, motivations formed as a result of investment and accumulated by a person, which are appropriately used in a particular area of social reproduction, contribute to labor productivity and production efficiency and thereby affect the growth of earnings (income) of a person [6]. The author can record a wider composition of the elements of human capital than S. Fisher's, due to the inclusion of health and motivation. We should also note that S.A. Dyatlov's interpretation to a greater extent takes into account the methodological principle of functional definition, which requires characterizing a phenomenon in terms of not only its internal structure, but also its final purposeful use. A higher precision of the said definition is also achieved at the expense of The definition is more accurate because it indicates not only the results of use of human productive capabilities (growth of labour productivity and income) but also the sources of their formation (accumulation, investment).

M.A. Scherbatykh gives a definition of human capital similar to S.L. Dyatlov's interpretation: *"Human capital is a complex of knowledge, skills, motivations, abilities, experience, skills inherited at birth and acquired during life, as well as physical and mental health of a person, his/her ability to adapt to changing conditions as a potential ability to transform a person and society"* [7]. As we can see, this definition includes such an element of human capital as experience. The emphasis made by the named author on the sources of formation of productive abilities is important, among which, in addition to those specified in S.A. Dyatlov's definition, the abilities inherited at birth are highlighted.

Noteworthy is the point of view of H.A. Filippova, who defines human capital as a set of interdependent human characteristics, such as innate and acquired abilities, life experience, business contacts, formed motives that are formed as a result of socio-economic relations and used by an individual for maximizing

personal and social well-being, affecting the performance of national economy, and which after the person leaves life are materialized in the results of physical and economic activity.

The analysis of this viewpoint highlights several key points. First, unlike other interpretations, there is an emphasis on the interdependence of human characteristics. Secondly, what makes this interpretation particularly significant is the reference to intergenerational continuity.

The position of M.M. Kritsky, who believes that human capital acts as a universal specific form of human life activity and the result of the historical movement of society to its present state, is similar in essence. L.G. Simkina, considering human capital as the main economic relation of modern post-industrial society, notes that the essence of global regularities and trends of social development consists in the strengthening of socialization and humanization of social relations, a fundamental change in the place and role of man, transformation of his intellect into a decisive factor in social progress, the appearance of such phenomenon as "human capital" [9].

In summary, it can be argued that the representatives of the second approach, implementing the historical-logical method of Cognition, pay special attention to the conditions under which labor force is transformed into human capital. Such conditions, in particular, include: socialization and humanization of social relations. Some of the limitations of this approach are that to a certain extent it loses the essence of the category of "capital", as manifested in its ability to generate income. Nevertheless, this disadvantage is justified by the special aspect of the analysis inherent in this approach.

The fundamental works of L.I. Abalkin [10] are devoted to the theoretical issues of the human capital category and its manifestation in socio-economic development.

Scientists of Uzbekistan also pay much attention to the importance of human capital in the innovative development of the national economy. This is reflected in scientific works by K.Kh. Abdurakhmanov, B.Kh. Umurzakov, N.K. Zokirova, Sh.R. Kholmuminov, G.K. Abdurakhmanova and others.

However, despite the presence of a large number of publications on the development of human capital, many aspects concerning its impact on global competitiveness and GDP per capita growth in a market economy are still debatable.

Human capital is one of the main drivers of competitiveness, economic growth and sustainable development that focuses on efficiency and innovation.

The present time can be characterized as the formation of the sixth technological mode, the distinguishing feature of which is the rapid spread of new technologies based on the functioning of nanosystems, the use of artificial intelligence, leading to a radical reduction in the resource and energy intensity of production and other processes [11].

The importance of human capital for the development of an innovation economy has been recognised in the expert community, both globally and in Uzbekistan. Nevertheless, the implementation of the declared priorities and attitudes faces considerable difficulties, which implies the need for some adjustments. These points to the need in modern practice for new theoretical approaches based on an analysis of the formation and development of human capital in the context of global trends towards the intellectualization of the economy and the creative use of available historical experience.

For the first time, the World Bank has released the Human Capital Index of Uzbekistan, which is 62% and has identified a higher HAI for girls than for boys. This index measures a child's trajectory of development (from birth to adulthood) based on several indicators:

- probability of survival (from birth to age 5);

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- the expected duration of primary and secondary schooling;
- the percentage of children with developmental delays;
- survival rate of adult population.

The main objective of the Strategy is the development of human capital as the main factor determining the level of the country's competitiveness on the world stage and its innovative progress. The main objectives of the Strategy are defined as follows:

- Inclusion of Uzbekistan by 2030 in the top 50 countries of the world according to the Global Innovation Index;
- Improving the quality and coverage of education at all levels, developing a system of continuing education and ensuring the flexibility of the system for training personnel on the basis of the needs of the economy
- Strengthening of the scientific potential and efficiency of scientific research and development, creation of effective mechanisms for the integration of education, science and entrepreneurship for the wide implementation of the results of scientific research, experimental design and technological work;
- Increasing public and private investment in innovation, research, experimental design and technological work, and the introduction of modern and effective forms of financing for activities in these areas;
- Increasing the efficiency of public authorities through the introduction of modern management methods and tools;
- Ensuring the protection of property rights, the creation of competitive markets and a level playing field for business, and the development of public-private partnerships
- Creation of a sustainable socio-economic infrastructure.

During the implementation of the strategy, Uzbekistan plans to significantly improve its position in 34 indicators, and the assessment of achievements in 47 indicators will be conducted for the first time at all [12].

The index provides an opportunity to quantify the importance of health and education for the productivity of the next generation of workers.

The innovative scenario of Uzbekistan's development, as outlined in the Presidential Decree "*Concept of Integrated Social and Economic Development of the Republic of Uzbekistan until 2030*", envisages ensuring long-term inclusive and sustainable economic growth through intensive factors - increasing labour productivity, resources and innovation, as well as improving the quality of state institutions and improving the business climate. The biggest difference between the innovation scenario and the inertia and energy scenarios is outrunning growth of investments in human capital, ICT and science. At the same time the indicators of increasing economic efficiency and GDP growth are, as a rule, significantly behind the growth of investment in human capital, ICT and science.

An important problem is the need to consider issues of change in the socio-economic position of man under conditions of the digital economy, the specifics of the motivational mechanism of formation and accumulation of human capital, and motivation in the structure of human capital reproduction. In addition, the relevance of the research topic is conditioned by the fact that economic analysis of the motivational mechanism of human activity provides an opportunity to solve many problems in creating a holistic concept of transformation of economic relations in the conditions of transition to digital economy. The analysis of motivational processes allows us to study and solve such problems as economic growth, income distribution, content of labour processes, etc.

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The concept of human capital makes it possible to study many phenomena and processes of the market economy from a unified perspective, to make sense of new forms of interaction between production and consumption arising in the development of the digital economy.

As of today, there are 119 higher educational institutions, of which 93 are domestic and 21 are foreign higher educational institutions and their branches. In particular, in the last 3 years 6 higher educational institutions and 17 branches, as well as 14 branches of foreign higher educational institutions have been established (Figure 1).

On the basis of proposals of the customers of the staff, the Classifier of Higher Education Fields and Specialties includes 329 fields of education and 582 master's specialties.

In 2020 alone, the admission parameters to higher education institutions increased 2.5 times compared to 2016, and the level of coverage of our young people with higher education increased from 9.0% to 25.0%.

For the first time, about a thousand girls from low-income families were admitted to higher education institutions on the basis of special state grants.

Uzbekistan was ranked 44th in the International Open Data Index, moving up 125 places. An important factor in this was the introduction of the practice of publishing indicators in 20 areas of State and public administration.

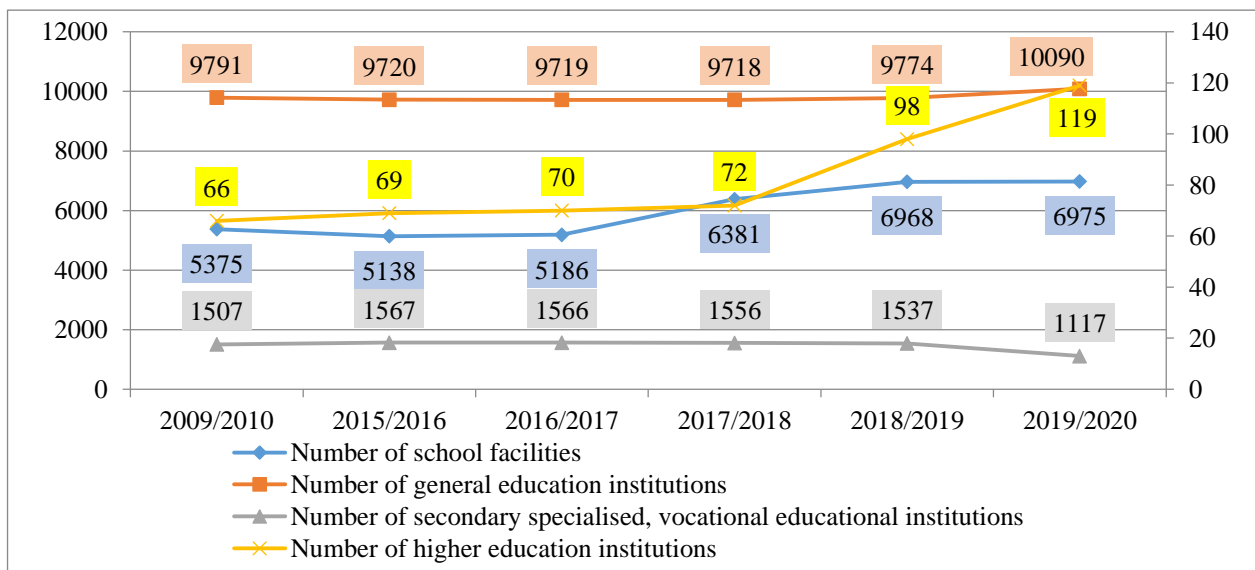


Figure 1. Evolution of the number of educational institutions

Source: developed by the author

The number of students studying in Bachelor's fields of education of higher educational institutions of the republic is 410 thousand people, in Master's fields of education - 13 thousand people and for the last 3 years it has increased by 1,7 times. 54,8% of students are studying in humanitarian and pedagogical spheres, 25,2% - industrial-technical, 5,2% - social sphere, economics and law, 5,9% - agriculture and water management, 4,4% - health care and social security, 4,5% - service sphere. 40.8% of master students are studying in the humanities and pedagogical sphere, 23.3% in industrial-technical, 13.3% in social sphere, economics and law, 5.9% in agriculture and water management, 13.5% in health and social security, and 3.2% in services. (Figure 2).

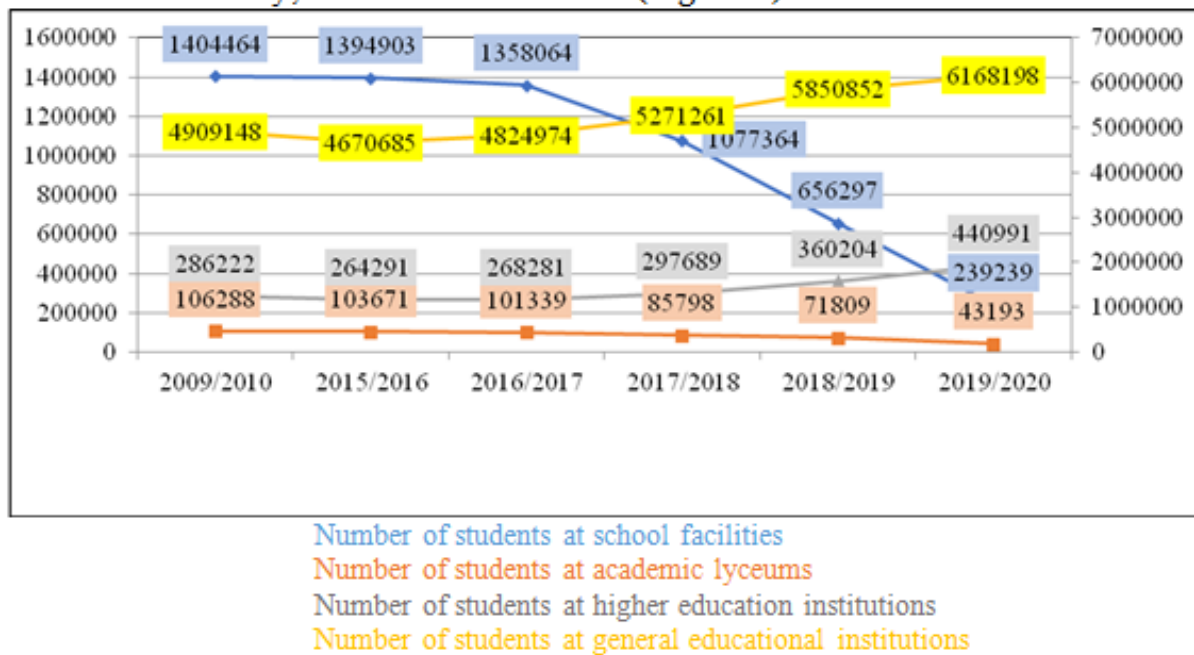


Figure 2. Trends in the number of pupils and students in educational institutions

Source: Developed by the author

One of the significant challenges for Uzbekistan is the need to create a large number of jobs to alleviate unemployment. Internationally, the problem for a country that provides high quality education is that there is a potential for a brain drain of skilled workers abroad, where businesses would be willing to provide the emigrant with housing and higher wages.

Education is a key factor in the development of human capital. Continuing education is an integral part of higher education and belongs to one of the important sectors of intellectual production in which the human capital of society is formed and is a complex process that requires cognitive and emotional engagement, ability and willingness to innovate [13].

Modern investment strategies should be aimed at increasing the quality of intellectual resources. The increase in intellectual resources will ensure the digital transformation of business entities and the successful development of the organization in the long term.

In the case of building an innovative model of economic development, where the main profit will come from knowledge, technology and human intelligence, the growth rate of wages of the republic's enterprises will increase at a slower pace. The basis of wage growth will be the increase in labor productivity [14]. There should be a clear chain for achieving economic growth with human capital and highly productive labour as the main link. This requires the creation of an appropriate environment for building up intellectual capital. At the same time, the increase in the profitability of human capital will be observed only as its intellectual potential is accumulated.

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