



## THE CURRENT STATE OF HUMAN CAPITAL DEVELOPMENT IN THE ECONOMY OF UZBEKISTAN

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### ABSTRACT

This article examines the introduction of a modern system for developing human capital and its application in the conditions of Uzbekistan, considering the views of both foreign and local scholars. It also highlights the approaches to human capital development, the challenges of implementing them in Uzbekistan, and provides suggestions. The prosperity of any country depends not only on the amount of income but also on how effectively that income is utilized. Income alone does not guarantee human development. Thus, there are two characteristics of human development that need to be distinguished: the formation of opportunities and the use of those opportunities. Human development involves not only ensuring economic growth but also ensuring the fair distribution of its outcomes.

**KEYWORDS:** Human capital, economic growth, Third renaissance, human resource management systems, economic system, innovative development, concept, economic criteria, global innovation index, international rankings, PISA, PIRLS, workforce, labor resources, human resources, flexibility, skills.

### INTRODUCTION

Nowadays, the development of human capital plays a key role in addressing important issues of societal development and social progress worldwide. Evaluating the level of development has become a multifaceted process that requires assessment based on certain criteria and indicators, and it has gradually, yet fundamentally, begun to change. An important measure of human development in society is the Human Development Index, which reflects life expectancy, literacy, and the ability to access resources. The welfare level of any country depends not only on the amount of income but also on how effectively this income is utilized. Income alone does not guarantee human development. Therefore, human development has two distinct aspects: the formation of opportunities and the utilization of these opportunities. Human development not only ensures economic growth but also considers the fair distribution of its outcomes.

The reforms implemented in recent years in the new Uzbekistan are aimed at human development. As emphasized by the President of the Republic of Uzbekistan Shavkat Mirziyoyev, our main goal is to "build an open democratic rule-of-law state based on a steadily developing economy, where the individual, their interests, rights, and freedoms are elevated to the highest value not just in words but in practice, and to establish a society that has gained international respect and recognition."

### MAIN PART

Human capital, that is, resources related to individuals' knowledge and skills, is an important component of economic development. To understand and monitor the formation of

human capital, it is necessary to study indicators that can be compared with those of countries globally. The increasing use of international achievement tests is an important step in this direction. However, such tests are mainly conducted in developed countries, which limits our ability to analyze educational methods in developing countries that could benefit the most from human capital formation.

Many researchers, when defining the concept of 'human capital,' take into account the following characteristics:

1. Human capital is the main value of modern society as well as a key factor of economic growth;
2. The formation of human capital requires significant investment both from the individual and from society as a whole;
3. Human capital can be accumulated, that is: a person can acquire certain skills and abilities, and improve their health. A person's knowledge becomes obsolete, meaning the economic value of human capital changes;
4. Investments in human capital generally bring higher returns to the individual in the future;
5. Investments in human capital are relatively long-term. This applies both to human capital in the field of education and in health capital;
6. Human capital differs from physical capital in terms of liquidity. Human capital cannot be separated from its bearer – the living human being;
7. Direct income received by an individual, regardless of the source of investment, is controlled by them;
8. The functioning of human capital depends on the person's decision and their ability to exercise will.

The rate of return on human capital depends on a person's personal interests, preferences, material and moral benefits, worldview, and overall level of culture. Thus, summarizing the above, it can be emphasized that in economics, human capital refers to a person's knowledge, health, skills, and experience used to earn income. Moreover, it is not just a set of knowledge and abilities possessed by a person.

The concept of 'human capital' includes the following: the stock of acquired knowledge, abilities, and skills; the potential to use this stock effectively in a specific area of social activity that contributes to labor productivity and the growth of production; the increase in income that contributes to an employee's interest, which leads to further investment in human capital; human abilities, talents, and other attributes that are an inseparable part of every person; motivation, which has a significant impact as a necessary element for the full completion of the process of increasing (developing, accumulating, and utilizing) human capital.

Global development and technological progress create a wave-like process, and indicators play a special role in assessing the development of a particular field. The term 'indicator' comes from the Latin 'indico,' meaning 'to show' or 'to determine.' In this sense, the term is used to refer to a tool, device, or element that facilitates the perception of a process's progression or the state of the observed object. The development indicators of various fields and sectors, as well as the solutions to issues arising in this process, are identified through one or several indicators and provide an evidence base for evaluating the relevant issue. Indicators are divided into three types: quantitative indicators — official statistical data, including those used in household surveys.

Additionally, quantitative studies calculate data collected by private internet companies based on reliable parameters and indirect indicators; institutional indicators are used in organizing and regulating the activities of executive bodies according to constitutional principles; quality indicators determine the quality metrics of the activities of state bodies. Quality indicators are identified through respondents' answers within the framework of consultations during the use of sources from international organizations, scientific community representatives, media sources, professional research data, as well as interviews and evaluations with experts. These indicators and metrics represent a measure of the ultimate impact of education on the individual, society, and the economy.

Students' achievements in education during their school or university years, the knowledge and skills they have acquired, help their social adaptation and successful socialization. Continuously improving the literacy level of the population is closely linked to the development of the country's economy and the productivity of labor. Specifically, as indicators of the final results, we use the level of economic development and labor productivity (Gini index) (Gini) coefficient. Other factors also significantly affect the values of these indicators. However, having a positive impact on the economy and reducing social inequality are the main tasks of the education system, which requires constant monitoring of the relationship between education and the economy.

The most important outcome of education for a person is adapting to post-school life – successfully entering the labor market or progressing to the next level of education. To assess success in this transition process, the indicator of the 'ratio of young people who neither work nor study' is used. This indicator was identified in the comprehensive research conducted by G. Graysi and S. Kelli at the University of London on the topic 'Effective Education at Preschool, Primary, and Secondary Levels,' which revealed the problems of graduates outside the education system regarding their integration and adaptation in social and economic life. According to the results of empirical research, the problem of young people who do not continue their studies at higher education institutions and are not engaged in vocational work stems from low-quality primary education in schools. The correlation in these issues indicates that the quality of education negatively affects young people's adaptability and activity in independent life.

In our country, a state policy based on building the foundation of the Third Renaissance, improving the living standards of the population, ensuring the welfare of our people—in short, satisfying the people and honoring human dignity—is being implemented. In achieving the noble goals set for the construction of the New Uzbekistan, the human factor plays a decisive role in the economic, social, cultural, and educational development. In line with these goals, developing human capital by providing healthcare, quality education, decent living, and working conditions has become an urgent task on the agenda.

As President Shavkat Mirziyoyev emphasized: "Ensuring that the new Uzbekistan joins the ranks of the world's most developed, socially and economically stable, and high human capital democratic countries constitutes the essence and substance of our sustainable development strategy." In the Decree No. PF-5712 of the President of the Republic of Uzbekistan dated April 29, 2019, "On Approval of the Concept for the Development of the Public Education System of the Republic of Uzbekistan until 2030," it was set as a priority task for our country to enter the top 30 advanced countries in the world according to the "PISA" ranking by

2030. The strategic goals of the public education system are to provide opportunities for quality education in the general education system in accordance with the innovative development of the economy, advanced international experience, and the modern demands of society.

In the second half of the 18th century, the countries of the Organization for Economic Cooperation and Development began collecting and analyzing statistical data on various education systems. The purpose of maintaining this statistics was to meet the demand for skilled specialists in industrial countries by planning education with a long-term perspective. Collecting this data was not only of economic interest but also socially and politically significant, providing the necessary statistical information to analyze issues of equal access to education. International programs such as PISA – the Programme for International Student Assessment evaluating students' achievements, PIRLS – an international study assessing reading and comprehension levels, and TIMSS – an international monitoring program examining the quality of mathematics and science education in schools, can be recognized as indicators determining the quality, level, and standard of education worldwide. These international programs and indicators are widely used in developed countries as key measures to improve the quality of education and further develop human capital. PISA, the Program for International Student Assessment in English, assesses the literacy levels (reading, mathematics, science) and the ability to apply knowledge in practice of 15-year-old students in various countries. This program is conducted once every three years. In PISA studies, it is not the mastery of the program by the student that is evaluated, but rather the extent to which they can apply their knowledge and skills in real-life situations.

An increase of 50 points in PISA scores ensures a one percent increase in annual GDP. The purpose of conducting international studies organized by the Organisation for Economic Co-operation and Development, including the PISA tests, is precisely to reflect such changes in the education system and to focus on developing skills and competencies in school students that will be useful in independent life.

## CONCLUSION

Debates surrounding human capital began in the early 20th century and continue to this day. Many researchers argue about what should be included in human capital. However, most of them agree that the quality of education is the most important factor. Thus, we propose the following measures to improve the quality of human resources and, in turn, develop the country's economy:

- 1) Ensure a lower student-to-teacher ratio in primary schools, as this is one of the key indicators of quality education. The fewer the students, the more time teachers can devote to working with each individual student, which is very important in shaping a skilled workforce;
- 2) Support reforms in primary schools and encourage people to work in schools by increasing salaries for qualified teachers and offering other bonuses.
- 3) Reform the education system so that universities and institutes can be financially independent and create a competitive market for local higher education institutions;
- 4) Organize more marketing campaigns to promote the achievements of scientists and support knowledgeable youth;
- 5) Create a favorable environment for cooperation between enterprises and higher education institutions to involve laboratories more in real commercial projects.

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