

Investments in Human Capital and their Impact on National Economic Development

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Abstract

The article discusses the concept of human capital, the need to invest in human capital and its impact on the development of the national economy, and also discusses conclusions and recommendations based on international experience for the full use of the physical and intellectual capabilities of the human factor in economic development.

Keywords: human capital, innovation, human capital index, research and development, experimental design, social investment.

Introduction

Innovations, new knowledge and information become important in entering the stage of industrialized industrial development of the economy of Uzbekistan, intellectualization of the economic environment, innovative entrepreneurship, mastering of information flows serve as the basis for the existence of a highly efficient and competitive market economy. In this regard, there is an objective need to form a new - innovative approach to man as a factor of modern production development. This approach is embodied in increasing attention to the activation of the human factor, which includes the full use of physical, intellectual, psychological and physical capabilities. In the context of building an innovative economy, there was a need to review the requirements for personnel qualifications. New types of professional activities appear every year. Changes in the economic behavior of workers, changes in the system of value orientations in the selection of professions and fields of employment, led to significant changes in the content of traditional professions and specialties.

As Uzbekistan also aims to keep pace with the countries of the world, it is impossible to achieve this without developing the knowledge economy. President of the Republic of Uzbekistan Sh. Mirziyoev: "As we aim to turn Uzbekistan into a developed country, we can achieve this only through rapid reforms, science and innovation. For this, first of all, we need to educate new generation personnel who will be proactive reformers, who think strategically, and who will be

educated and qualified... Where there is no knowledge, there will be backwardness, ignorance and, of course, straying from the right path.

Such changes in this area will become invisible with the implementation of investments related to the formation and use of people.

Literature Analysis

The theoretical foundations of the concept of human capital were developed by world economists G. Becker, W. Petty, A. Smith, T. Studied by Schultz and other scientists.

As research scientists of the CIS countries, who conducted research on theoretical and practical aspects of human capital, I.P. Artyukhov, N.A. Gorbach, S.A. Demin, A.I. Dobrynin, S.A. Dyatlov, M.A. Istomin and others can be mentioned.

Scientists of Uzbekistan also pay great attention to human capital in the innovative development of the national economy. Among them are K.Kh.Abdurakhmanov, B.Islamov, B.Kh.Umurzakov, N.K.Zokirov, N.Kh.Rahimova, Z.Ya. Khudayberdiev, O. Ochilov and others conducted scientific research.

Research Methodology

Along with general economic methods, special approaches to data structuring, such as comparison, compilation of theoretical and practical materials, systematic analysis, abstract-logical thinking, generalization, etc.

Analysis and discussion of results.

K.R. McConnell and S.L. Brew correctly defined the category of "Investment in Human Capital" in his book "Economics": "Investment in human capital is any action that increases the skills and abilities of workers and thereby increases labor productivity."

People acquire useful skills and knowledge, which is a form of capital. Investments in human capital are one of the main reasons for increasing labor productivity. The most obvious example of investment in human capital is the cost of education. Investments in education can be made at different levels: at the macro level - funding from the budget, at the meso level - enterprise investments, and at the micro level - investments of private individuals.

There is an international index of countries in the world on the expenditure of investments aimed at developing human mental capacity and ensuring health, which is called the human capital index. The Human Capital Index is a composite index describing the level of human capital development in countries and regions of the world, developed by the World Bank Group and used as part of the Human Capital Project. It is assumed that the index should be used by countries to analyze problematic issues in their socio-economic policies and to assess their readiness to transition to a sustainable development model. The project also prepares international and national reports on this issue.

Table 1 Ranking of world countries by human capital index (2020)

№	Country	Index
1	Singapore	0.88
2	Hong Kong	0.81
3	Japan	0.80
4	South Korea	0.80
5	Canada	0.80
6	Finland	0.80
7	Macau	0.80
8	Sweden	0.80
9	Ireland	0.79
10	The Netherlands	0.79
55	Kazakhstan	0.63
56	Brunei	0.63
57	Uzbekistan	0.62

It can be seen from the above table that in 2020, among 174 countries, Uzbekistan took 57th place with an index of 0.62. The first Top-10 is mostly developed countries.

The index includes three components:

Survival. This component reflects that a child born today should live to see the beginning of the accumulation of human capital in the formal education system. Survival rates are measured using mortality data for children under 5 years of age.

Expected years of schooling adjusted for learning outcomes. Information on the amount of education a child can receive by age 18 is combined with information on quality, that is, what a child can learn in school, as measured by a country's performance on international tests of school achievement. When these data are combined, quality-adjusted expected years of study can be calculated. Adjusted for the quality of schooling, this component reflects the fact that children in some countries learn significantly less than children in other countries, even though they spend roughly the same amount of time in school.

Health status. To assess the general health status of the country's population, this component uses two indicators: 1) prevalence of underweight children among children under 5 years of age; 2) Adult survival rate, defined as the percentage of 15-year-olds who survive to age 60. The first indicator reflects the state of health of a child of primary school age; the second indicator is used as a measure of the health status of a child born today as an adult.

These three measures are standardized to numerical values between 0 and 1, and their geometric mean represents the composite index. The reference value of the index for a country where a child born today can expect health and full education is 1. The components of the health status and the level of education included in the index are used together, which reflect their contribution to the level of production and accumulation of public goods, according to the data of empirical studies conducted at the microeconomic level.

Human capital is the knowledge, skills, and health that people acquire over their lifetimes that enable them to fulfill their potential as useful members of society. Investing in people through improved nutrition, health, quality education, job creation and skills development contributes to the development of human capital, which is critical to ending extreme poverty and building socially cohesive societies. When talking about investments in human capital, it should be recognized that special attention is paid to support of the social sphere in our country. Among the expenditures of the state in the social sphere are education, health care, and social security. Special attention is paid to social security in Uzbekistan (Table 2).

Table 2 State allocations to the social sector (in billion soums, except for special funds)

State spending on the social sphere	2014	2016	2018	2020	2022
Social sphere and social support of the population	18493,7	22766,0	34664,0	74 231,8	117 691,9
From this					
Education	10673,5	13851,7	19504,3	29961,1	50 271,3
Health care	4507,2	5811,6	9562,0	19397,2	27 288,3
Culture and sports	361,5	460,6	1165,4	2340,7	4289,6
Science	187,0	238,2	389,3	823,8	1 447,1
Social security	126,2	161,1	3385,4	8190,9	19 397,1
Social benefits including families with children	1805,0	2043,2		3200,0	11442,4

Based on the data in the table, it can be said that the state's expenditures on the social sector are increasing year by year, and education and health care expenses are taking the leading place in the total expenditures. However, if we take into account that the share of social sector expenditures in the total state budget expenditures was 56.3% in 2018, 51.5% in 2020, and 49.7% in 2022, we can observe a slight decrease in expenditures for this sector. Before the state of Uzbekistan, the issues of achieving macroeconomic stability, the development of social spheres in the implementation of deep structural changes of the economy, and the social protection of the disadvantaged part of the population are the pledge of economic reforms. Because the social interests of every person or a social group, moreover, of the nation, are always reflected in the relations of the social system that satisfies its social needs and in the expenses of the state budget.

The main aspect of human capital is its intellectual activity. Intellectual activity of people is the main effective activity of individual enterprises and branches, as well as the entire national economy. Scholars of foreign countries began to emphasize this term, and began to see it as a new form of human capital. Figure 1 below shows the statistics of the world's countries spending on research and development.

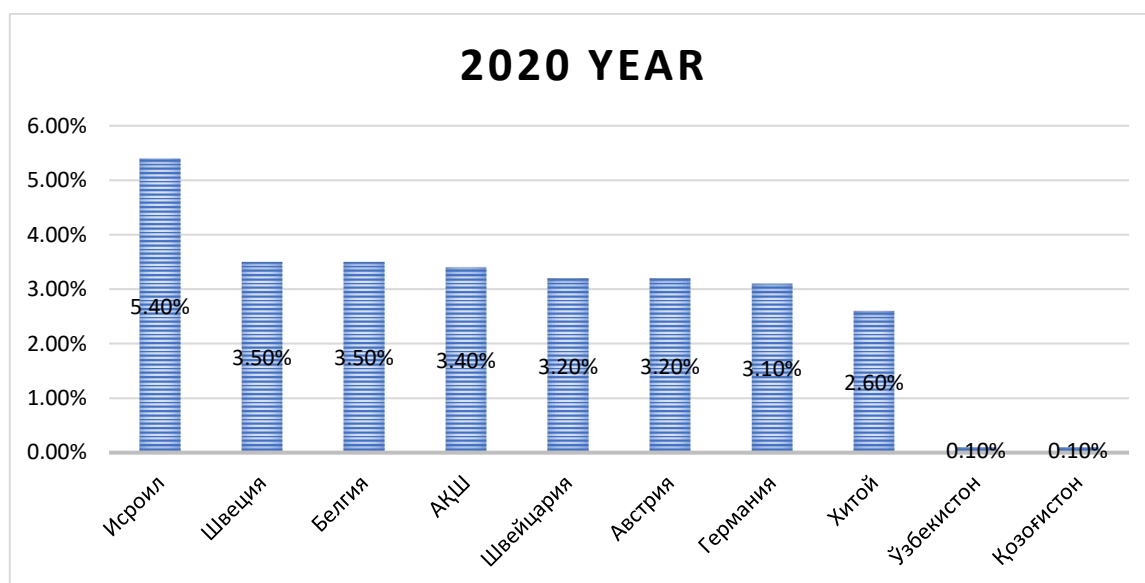


Figure 1. Countries' expenditure on research and scientific development (in % of GDP)

In general, scientific-research and experimental-constructive developments mean a set of activities aimed at obtaining new knowledge and their practical application to solve specific problems. ITTK includes three main groups of activities: basic research; case studies; experimental design and technological developments. Expenditures for national research and development work are one of the main indicators of the country's scientific and technical development. According to the data of Figure 1, it can be observed that a lot of funds are spent on scientific research and experimental development in developed countries. This indicator is only 0.1% of the gross domestic product in Uzbekistan.

Conclusions and Suggestions

In conclusion, in order to improve these indicators, we think it is appropriate to implement the following works in Uzbekistan:

- it is necessary to ensure the mutual coherence and continuity of pre-school education, general secondary education and higher education, especially the uniformity of the curricula of private education and state educational institutions;
- Sharp reduction in the mortality of children under 5 years of age;
- from the 5th grade in general secondary educational institutions, students should be divided into general educational groups for vocational education and subjects;
- reducing the number of public educational institutions and increasing the quality of education due to the increase of private pre-school education and general secondary education institutions;
- it is necessary to sharply increase the responsibility of educational institutions for early identification of the interests of graduates of pre-school educational institutions in specific fields and subjects and to legally strengthen this activity;

- it is required to increase the monthly salaries of the pedagogues-employees of pre-school education and general secondary education institutions;

- strict control of the issues of sports and health care of children of pre-school educational institutions and students of general secondary educational institutions, etc.

In general, since the future is in the hands of young people, it is necessary to develop and implement mechanisms that encourage all parents and teams of educational institutions not to spare investments in the process of providing exemplary education and quality education to the young generation.

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