

# Human Capital the Main Factor of Development of Innovative Economy

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**Abstract.** This article discusses aspects of human capital as the main factor in the development of an innovative economy. The author proposed scientific proposals and practical recommendations for improving the effective use of the natural and personal-human factors, its importance in increasing the country's gross domestic product.

**Keywords:** Human capital, GDP, natural factors, labor force factors, manpower resources, innovative economy.

## I. INTRODUCTION

Gross domestic product determines the economic power of each country, its access to the world community and its role in the world economy. Therefore, each country strives to maximize the volume of goods and services being created in its territory. This, in turn, makes it an objective necessity to thoroughly study, analyze and analyze the GDP, its constituents and factors affecting their behavior and, thus, to improve the country's economic policy.

## II. LITERATURE REVIEW

Economic development is one of the predominant research areas in economics. Many theories have been developed to better understand the causes and consequences of economic development and growth. For example, some of the most important fundamental factors for long-run growth are the quality of institutions [4] and geography and naturally given geographical conditions [5]. Approximate causes of growth include income inequality by Persson and Tabellini [6], land inequality Galor, O., O. Moav, and D. Vollrath [7] and human capital accumulation. For instance, an increase in human capital may induce a rise in the number of innovative entrepreneurs and products, thus indirectly spurring economic development through the channel of innovation. In fact, the crucial role of innovation for economic development and growth has been underlined by a large literature in this area [8;9]. Nevertheless, the long-run implications of human capital on innovation and economic development need further research because this issue has only been touched upon in few context. Therefore, the question remains whether pre-existing human capital is important for the creation of long-run development.

Thus far, most of the studies in this area only take a national perspective by focusing on countries. However, regional differences in human capital may be at least as important as national ones. The use of regions allows to overcome the inherent problems of cross-country analyses and may explain why some regions are richer than others. In particular, human capital may play a crucial role in regional development. In fact, in their recent seminal paper Gennaioli et al. show the ‘paramount importance of human capital in accounting for regional differences in development [10].

## III. ANALYSIS AND RESULTS

Uzbekistan has been confirmed to be the leader in stocks of gold, uranium, copper, natural gas, tungsten, potassium salts, phosphorites, kaolin, not only in the CIS, but also worldwide. In particular, gold is ranked fourth in the world, seventh in gold production, tenth and eleventh in copper reserves, seventh and eighth in uranium reserves, eleventh and twelfth place in mining.

Works on construction of new buildings, reconstruction and modernization of existing ones based on modern requirements are in full swing. Favorable conditions, opportunities and privileges are being created for increasing the efficiency of production, increasing the share of domestic products in the domestic market, expanding the localization, and developing inter-enterprise cooperation.

After a thorough analysis of a number of scientific studies on GDP growth, we conclude that there are several socio-economic factors that influence its growth, and one of the most important is labor resources.

"Creation of conditions for full implementation of labor and entrepreneurial activity of able-bodied population, improvement of quality of labor force, expansion of system of vocational training, retraining and

advanced training of persons in need of employment" the fact that the use of labor resources in the country is an important factor in the GDP creation process.[1]

The main criterion for the inclusion of human resources in the workforce is labor capacity. Typically, labor resources include men between the ages of 16 and 60, and women between the ages of 16 and 55. But retirees who work in social production and other sectors can also work.[2]

The higher the volume and quality of manpower in the country, the higher the GDP will be. For example, China (China) and India, the most populous countries in the world, account for the purchasing power parity of the currency for 2014-2016, according to the GDP, which is the 1 st place in the world (\$ 18.2 trillion, 2014). \$ 19.7 trillion in 2015 and \$ 21.3 trillion in 2016, while India ranked 3rd (\$ 7.3 trillion in 2015, \$ 8.1 trillion in 2015 and \$ 8.7 trillion in 2016). trillion dollars) [7]. The implication is that GDP is directly dependent on the quantity and quality of manpower in the country.

It is worth noting that the main source of GDP growth in our country is the volume of labor resources and their employment in the economy. This is because the same subjects of the economy participate in the creation of real new value and are the main factor in GDP growth. In recent years, along with the population growth in the country and its regions, the number of manpower and its employment in the country is increasing every year.

For example, in 2000, the labor force was 12.5 million, the economically active population 9.02 million, and the employed 8.9 million. In 2016, the figure was 6 million, 5 million, and 4.4 million, respectively. per person. It is well-known that as a result, GDP increased in the country during those years.

Not only the labor force's resources, but also their composition, play an important role in increasing GDP. Significant changes have occurred in the structure of the population and labor resources of the country in recent years. This is mainly due to the increase in the share of working age people in the total population (Table 1).

Table 1. Structure of labor force (at the beginning of the year; million people) [12]

	2000			2010			2016		
	Numbers	With respect to the regular population (%)	With respect to manpower resources (%)	Numbers	With respect to the regular population (%)	With respect to manpower resources (%)	Numbers	With respect to the regular population (%)	With respect to manpower resources (%)
Workforce resources, total:	12,5	50,6	-	16,7	58,6	-	18,5	58,1	-
Including									
Working age population	12,2	49,7	98,2	16,5	57,9	98,9	18,4	57,7	99,4
Adolescents and adult population employed in the economy	0,22	0,9	1,8	0,19	0,7	1,1	0,12	0,4	0,6

The share of working age population is higher in age and sex groups. Thus, in 2000 the working age population was 49.7% of the permanent population and 98.2% of the labor force, compared with 54.5% and 98.7% in 2005, and 57 in 2016, respectively. 7% and 99.4% respectively. This is the result of the relative stabilization of the demographic situation in the country, the re-creation of the workforce, the establishment of an effective system for enhancing their knowledge, skills and qualifications, and the creation of new jobs.[11]

The workforce resources include both those employed in the economy and those who can work if not employed. In other words, workforce resources are active (real) and potential employees.

It should be noted that in recent years our country has undergone small changes in the ratio between active and potential labor resources (Table 2).

Table 2. Share of active and potential components in labor resources in Uzbekistan (thous. Persons)

	2010	2015	2016	2017*
Total workforce resources	16726,0	17814,1	18492,7	19440,8
City	9134,1	9599,5	10208,0	10206,7
Percentage of total	54,6	53,9	55,2	52,5
Village	7591,9	8214,6	8284,7	9234,1
Percentage of total	45,4	46,1	44,8	47,5
Active part of the labor force	12286,6	13163,0	15382,6	15941,6
City	6840,8	7098,7	8414,3	8927,3
Percentage of total	55,7	53,9	54,7	55,8
Village	5445,8	6064,3	6968,3	7014,3
Percentage of total	44,3	46,1	45,3	44,2
Potential part of the workforce	4439,4	4651,1	3110,1	3499,2
City	2293,3	2500,8	1713,7	1889,6
Percentage of total	51,7	53,8	55,1	54,2
Village	2146,1	2150,3	1397,0	1609,6
Percentage of total	48,3	46,2	44,9	45,8

Source: Developed by author on the basis of stat.uz site.

As can be seen from Table 2, the correlation between the active and potential part of the labor force in our country has been negligible in recent years. This is explained by the fact that the active labor force in each period analyzed is retiring in recent years, replacing new workers (potential labor force in previous periods). In addition, the percentage of employed in urban areas in both parts of the workforce remains high.

Since labor resources in the country are heavily influenced by GDP growth, it is advisable to use those resources effectively. Effective use of labor resources is influenced by many factors that change the status and composition of the labor market, the supply and demand of the labor force, and the demand for it. Therefore, a factorial approach is required to analyze the mobilization of manpower in the economy and its sectors. When analyzing the factors that influence the efficient use of labor resources, they should be grouped into groups, such as geographic and natural-climatic, demographic, and socio-economic factors.[3]

Regional employment is also dependent on the natural resources available in the region. Natural resources give the peculiarities of regional economic sectors. For example, Navoi, Tashkent, Bukhara and Ferghana regions, which are rich in natural resources, have well-developed industrial and manufacturing sectors, and most of these regions are employed.

Demographic factors have a significant impact on the efficient use of labor resources. At the same time, demographic factors cause natural changes in the labor force and employment patterns. The mortality rate of the population, including the workforce, has a slight effect on employment. If this indicator is high, then it will lead to a qualitative and quantitative reduction in the country's labor force. However, an increasing number of illnesses, especially as a result of occupational diseases and injuries, may result in loss of jobs and loss of employment.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

It is clear from the above that gender factor occupies a special place among the demographic factors influencing the efficient use and mobilization of labor resources. The involvement of women in the economy and the inclusion of the active population in Uzbekistan is distinctive.

We should revise the Regulation “On the procedure for submitting information on vacancies and positions to the labor agencies”. As the practical implementation of the Regulation is low, the mechanism of providing employers with information on available vacancies and positions to the labor departments is ineffective. Analyzes show that less than 50% of large businesses provide job vacancies, while small businesses and firms are almost certainly not involved in job creation. As a result, the number of vacancies registered with the labor agencies is several times lower than their actual number. These circumstances require revision and improvement of the interaction of labor agencies with employers.

Fourth, it is necessary to increase the involvement of the private sector in the employment of the unemployed and to support the activities of private human resource agencies. Today, there are practically no private HR agencies in the country. Only some websites provide job and job seekers information. Competition in the labor market results from the use of private sector employment and employment services. Healthy competition

ensures supply and demand, and convergence between the quantitative and structural components.

In sum, one of the most important factors in increasing GDP of our country is the size, composition and quality of labor resources. Therefore, it is advisable to use the aforementioned scientific proposals and practical recommendations for the efficient use of labor resources in the country.

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