

## DEMOGRAPHIC TRENDS AND HUMAN CAPITAL DEVELOPMENT IN UZBEKISTAN

**Shakhnoza Ganisherovna Akramova**

Researcher, Research Center “Scientific bases and problems of the development of the economy of Uzbekistan” under Tashkent state university of economics

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**Abstract**

*This article investigates the channels through which human capital development could stimulate economic development in case of demographic transition. The ways of the efficient use of the demographic situation for the effective functioning of the human capital have been proposed.*

**Keywords:** human capital; economic growth; age structure; demographic trends; fertility rate; life expectancy.

In condition of innovative economy formation, human capital has become one of the main factors of economic development of any country and well-being of any nation. In fact, human capital is an integral resource which consists of stock of inborn abilities, education and skills, intellectual, cultural, moral, creative and professional abilities, accumulated experience, sheer professionalism, and health, motivation that ensures higher productivity and income growth, which are continuously accumulated and improved in the process of investing in them.

The development level of human capital and its main components is not only a driver of economic growth and competitiveness, as well as a factor of human development and well-being, which is the main objective and purpose of each state in the new millennium. Nowadays human capital is one of the major factors of the development of society and economic growth through technological progress. It should be noted that in Uzbekistan, the structure of GDP changed in a positive direction in terms of industrialization, the share of manufacturing and services is growing, against the decline in the share of agriculture. Well-being of the people is continuously improving; the real growth of total household incomes average is about 20% per year. The share of savings in the structure of total income rising continuously, which increases the demands on the quality of institutions involved in ensuring the well-being and quality of life of the people.

On this basis, we made an attempt to estimate the level of human capital development in Uzbek society from the demographic point of view and identify the problems hindering its development through analyzing of the statistic data and the survey result.

**Materials and Methods:** Informational source of the article is normative legal acts of the Republic of Uzbekistan, monographs, articles in period journals, official materials of the State Committee of Republic of Uzbekistan, survey results, reference materials, expert-analytical reviews of the internet. The article is prepared using methods such as, generalization, comparison and statistical analyze, sociological survey.

**Discussion:** It is proved that the reproduction of the labor force, as well as reproduction of human capital, first of all, depends on demographic factors. Since human capital cannot exist without its host, that is, human being. According to a number of recent World Bank studies, physical capital (produced assets) is not the main—much less the only—component of a country’s wealth. Most important for all

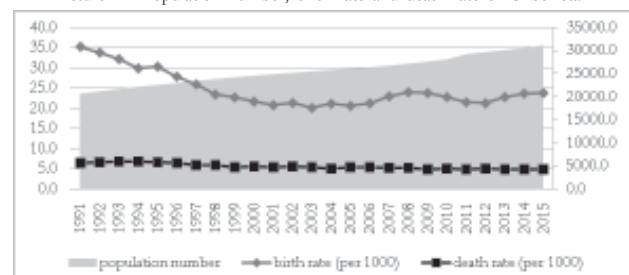
countries are human resources, which consist of «raw labor», determined mainly by the number of people in a country’s labor force, and human capital (World Bank, 2004).

For a long time, economists and social thinkers have debated about the influence of population change on economic growth. As a result three alternative positions have been formulated: the first one is that population growth restricts economic growth, the second one is that it promotes, and the last one is that population growth is independent of economic growth. Proponents of each explanation can find evidence to support their cases. All of these explanations, however, focus on population size and growth (Bloom, D. et al 2001). Economic factors play significant role in demographic processes formation, however demographic processes influence on economic processes (Ulanis, 1974). Demographic potential of a country can serve like a driver of economic growth.

During the years of independence (1991-2015) the population of Uzbekistan increased by 10.9 million people and at the beginning of 2016 it was amounted about 31,5 million people (The State committee of Republic of Uzbekistan on statistics). Uzbekistan is the most populous country in Central Asia and occupies the 3rd place among the CIS countries (after Russia and The Ukraine), 43rd in the world and 18th in Asia. The main source of population growth over the last decades is the natural growth. According to UN specialists’ projection the overall population of Uzbekistan will reach 33,3 million by 2025 and 40,6 million by 2050. Our projection which has been done by cohort component method estimates that the number of population will reach 36 million by 2025.

During the years of independence the new demographic situation has been formed in Uzbekistan. It is characterized with the fall of population growth rate despite of increase in total population number and the decline of fertility and mortality rates (picture 1.).

Picture 1 - Population number, birth rate and death rate of Uzbekistan



Source: The information of the State committee of Republic of Uzbekistan on statistics. [www.stat.uz](http://www.stat.uz)



It can be seen that there has been a significant decline until 2005 followed by a gradual increase in birth rate. The main source of population growth today is a natural growth, which is characterized by a decrease in fertility and mortality. In recent years, the average annual population growth is around 1,6% in compare with 2,5% during 1981-1990, and 1,2% in 2001-2006. It should be noted that the highest population growth rate in Uzbekistan observed in 1959-1970, and accounted for 3.8% (Ubaydullayeva, 2007).

As already noted, in Uzbekistan there is a decrease in fertility during the years of independence. In the first stage of fertility decline is primarily due to socio-economic factors that are associated with the transition period. The period up to 2005 is characterized by a reduction in both absolute and relative indicators of population growth. This trend was due to both the reduction of the crude birth rate from 34.5 in 1991 to 20.3 in 2005, and the migration outflow from the country of non-titular nations.

Since 2006, there has been a positive shift in demographic trends. The increase in the birth rate in this period is explained by the following factors: first, the improvement and stabilization of the socio-economic situation in the country, and secondly, the high birth rates achieved with entry of cohort born in the 1980s during the pick of fertility. In 2015 absolute number of birth exceeded the highest point of 1991. If in the first stage the reason of decreasing fertility was due to the socio-economic factors that are associated with transition period, nowadays there are several other factors occurred. They are: increase in the duration of education, the introduction of a unique universal mandatory education model "9 + 3", which in turn rises the average age of marriage; formation in the society of reproductive attitudes aimed at creating medium-sized family; increase of the childcare and human capital formation expenses; spreading of a healthy lifestyle, as well as increasing of knowledge about contraceptives; expansion of opportunities for women to participate actively in the labor market, etc.

Analysis of statistical data makes it possible to assert that the general trend in reproductive attitudes is a vital fertility decline, and this was proved by survey results. According to the local survey conducted by the author, as well as survey of the Center for the Study of Public Opinion «IjtimoiyFikr», the reproductive attitudes of population aimed at creating medium-sized family (IjtimoiyFikr, 2015). Center for the Study of Public Opinion «IjtimoiyFikr» was established in 1997 and since that time holds the permanent monitoring of public opinion in various fields of social and economic life of the country in all regions of Uzbekistan, Tashkent city and the Republic of Karakalpakstan. «IjtimoiyFikr»'s survey results showed that whole around the country the average number of children in families is as following: one child - 9.9%, two - 26 %, three - 34,6%, four - 16.6%, five - 8.3%, six - 3.6%, seven - 0.2%, eight - 0.1%, nine - 0.1% and ten - 0.1% (IjtimoiyFikr, 2015). Consideration of the results makes it possible to say that the most common are a family with two or three children. Also we found out that there was insignificant dependence between the number of children and the level of education or income of respondents. The

only factor that had an influence is a nationality. It should be noted that majority of respondents believe that the optimal number of kids in family is two (33,5%) or three ( 38,5%).

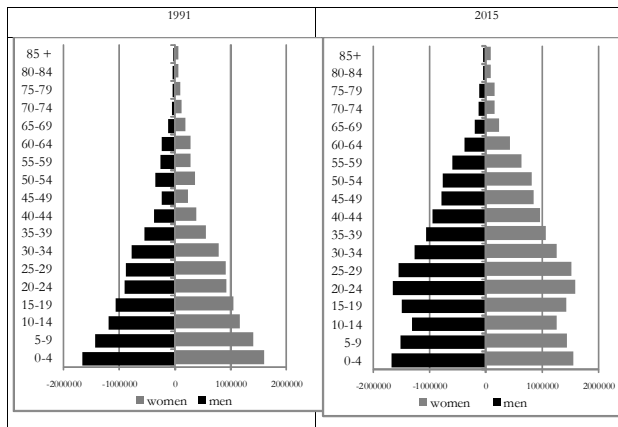
In recent years, the age structure of the population has become a critical issue of the debates. According to Life Cycle Hypothesis people's economic behavior varies at different stages of life, changes in a country's age structure can have significant effects on its economic performance (Bloom, 2001). Bloom and Canning (2004) find out through cross-country analysis undertaken for the period from 1965 to 1995 that favorable age structure has a positive impact on income growth in case if country has open trade policy.

High proportion of children and older people requires high proportion of resources to their care, which tends to go down of economic growth. By contrast, high proportion of working age population creates "demographic dividend" or "demographic window" of possibilities. Nowadays when most developed countries faced "demographic crisis" which is characterized with depopulation, negative changes in age and sex structures, negative qualitative changes, crisis of the family institute and breakdown of "values" (Iontsev and Magomedova, (2015), Baskerville (2009)) some developing countries move through "demographic window". It is expected that growing share of working age adults in total number of population creates additional economic value through increasing productivity and lowering dependency ratio. According to estimates about one third of the East Asia miracle is due to experiencing demographic dividend efficiently (Bloom et al, 2000), what cannot be said about Latin American countries which are underwent this stage of demographic transition. This window of opportunity may prolong about 30-50 years. Demographic dividend offers for policy makers an opportunity which enhances economic and social development and can be achieved through implementing effective health, family, labor, financial, and human capital policies.

Demographers of Uzbekistan state that in the country optimal demographic situation has been formed, and how to use this advantage in many ways will determine the future position of the republic in the world stage (Institute of Economics of Academy of Science of Uzbekistan, 2011).

The dependency ratio (the ratio of the number of people under working age plus the number of people above working age to the number of people in working age) is a measure of a countries age structure labour potential. According to the labor legislation of the Republic of Uzbekistan population is divided into 3 as following: below working age (0-15), working age( women 16-54 and men 16-59) and above working age (women 55+ and men 60+). It is worth to mention, that the world dependency ratio peaked 1965-1970 and has been falling ever since (Campbell and Okuwa, 2016). So in Uzbekistan dependency ratio changed from 1,02:1 in 1991 to 0,62:1 in 2015. It means that the dependency ratio decreased in two times and at present 1 working age person should support 0,62 nonworking age population. By population pyramid it can be observed how age structure has been changed over 1991- 2015 (picture 2). This fact ones again proves about the favourable age structure of population.

Picture 2 - Population pyramid for the republic of Uzbekistan.



Source: The information of the State committee of Republic of Uzbekistan on statistics.

During the analyzed period, the sharp decline in the percentage of the population below age 16 (from 43% in 1991 to 28% in 2015) is contrasted with the sharp rise in the share held by the working ages (from 49% in 1991 to 62% in 2015). There is a significant reduction in the proportion of children against a small increase in the proportion of the older generation in population structure. The share of the population older than working age amounted to 8,6% in 2015 in contrast to 7,8% in 1991.

Decrease in dependency ratio causes increase in savings, output, investment, declining consumption expenses and at the same time creating an opportunity for economic development. But policy makers should realize that the opportunity occurred today will not last for ages and will not be repeated, that is why creation of effective education, health, job creation, industrial, investment policy is vital. Getting an advantage from demographic dividend is not automatic process. Research on Indian's BIMARU states (consisting of Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh) for the decade 2001-2011 finds that at the beginning stage of demographic dividend period the influence of growth in working age population on economic growth is negative due to the fact that appropriate policies and institutions are absent in place in these states to capitalize the demographic dividend (Thakur, 2012).

Life expectancy is the next demographic indicator which influences on the reproduction and development of human capital of the country. The level of development of health services, the health of the population and their attitudes to strengthen their health, the healthy lifestyle, bad habits, etc... All this defines the lifetime of the human capital. From theoretical point of view, during demographic transition lower mortality may increase the productivity of available resources and raise income per capita (Weil and Wilde, 2009). At the same time increase in life expectancy brings to increase of investment in human capital.

According to national statistics life expectancy in Uzbekistan increased from 67,2 years in 1990 to 73,5 years in 2013, for

men it is amounted to respectively 65,8 and 71,5 years and for women – 70,1 and 75,8 years. As a result of the national program “Healthy mother – healthy child” a significant reduction in maternal and infant mortality rate has been achieved. If in 1991 the infant mortality rate was 35,5 per thousand, in 2013 – 9,8, over the same period the maternal mortality rate fell from 33,3 to 19,8 per thousand. Reproductive and maternal health are determined by the Government priorities. In July 2009 “National Programme for the improvement of the protection system of reproductive and maternal health “was put into practice for the solution of problems of strengthening health care system and expand access to services and information.

The practice shows that improvements in income have come hand-in-hand with improvements in health. Health has become as a kind of human capital as well as an input to producing other forms of human capital. Being unhealthy depresses the ability to work productively and/or the ability and incentives to invest in human capital. Taken together, these mechanisms imply that worse health implies lower income.

According to experts of the World Health Organization (WHO) human health depends on the genetic and hereditary factors by 20-23%, environmental (ecological) conditions by 20-25%, and on the efficiency of work of the national health care system by 8 to 12%, while the remaining 50-55% are determined by person's lifestyle (that is nutrition and food choices, physical activities, bad habits (such as tobacco smoking, drinking alcohol, illicit drug use), healthy body weight, prevention of stress, traditional and non-traditional methods of hardening and others).. So, the greatest human health depends on lifestyle, then, we can assume that the general line of building and strengthening of health is a healthy lifestyle.

According to the survey result of “Ijtimoiyfikr”(Rakhimova, 2015) it was found that the vast majority of Uzbek people aware of the importance and significance of a healthy lifestyle for individual. First of all respondents associate healthy lifestyle with sports, elimination of bad habits, proper nutrition, follow to the regime of the day, and sanitary hygiene, as well as a comfortable psychological climate in the family. The study revealed that the majority of citizens of the republic (60%) lead a healthy lifestyle. More and more people are interested in their health, 40.5% of citizens once a year undergo preventive medical examination. As it is known one of the conditions of a healthy lifestyle is to abandon bad habits. So, it was found that 18.9% of citizens are consumers of tobacco products and 10% use strong alcoholic drinks. Survey results show the important role of public policy in the propaganda of healthy lifestyle and improving the medical culture, development of responsibility attitude of the population to their own health, the timely prevention, treatment and diagnosis of diseases.





The correlation between health and development is hard to interpret simply as the causal effect of health on income. Factors such as bad government or geographic disadvantages might impede both productivity and disease control. Health is also a normal good: when people get richer, they invest more in their own health, and exhort their governments to spend more on public health. The correlation between health and income might be one of circular and cumulative causation: health affects income and income affects health and so on (Bleakly H, 2010).

### Conclusions

In conclusion in our opinion, formed age structure of the population may contribute much to economic development. In this regard, there are basic tools and mechanisms to be followed at the time of the “demographic window” of opportunity, in order to take advantage of demographic dividend: definition of measures for the development of the demographic policy aimed at supporting optimal birth rate; straightening the policies directed to promote health during the demographic dividend. State policy on formation of a healthy generation, healthy lifestyle among the population was starting to show positive effects, but should further promote a healthy lifestyle and to carry out preventive work to improve the health of the population and prevent serious diseases; paying attention on health of children and teenagers in order to improve educational performance; improving the quality of training and retraining of medical personnel, equipping health facilities with modern equipment will improve the quality of medical services; development of high-quality labor market able to absorb a large number of labor force, thus changing the conditions and forms of work, objects and means of labor; open trade policies, with open economies, can drive faster growth during the window period (Ross, 2004); effective educational reforms especially in higher education should take place, it should be emphasized that limitation in enrolment with higher education does not meet the requirements of modern development; creating a competitive environment to support entrepreneurship and the private sector (it may include tax preferences, effective credit policy and etc); further improvement of the pension system, as well as social support for old people.

As a conclusion, it should be noted that only in the interaction of all spheres such as education, health care, labour market and job creation, recreation, industrial and investment the nation able to take advantage from the situation, otherwise it may turn into a big economic problem because of a huge cohort of young unemployed people.

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