

Human Capital as the Dominating Factor of Economic Growth in the Republic of Kazakhstan

Z Baigireyeva¹, S Niyazbekova²

¹Kazakh Humanitarian Juridical Innovative University, Master of Economic Sciences, Doctoral candidate of PhD, 6D050600 «Economy» (PhD), Semey, Kazakhstan

²Moscow Witte University, Finance and Credit Department, Associate Professor, Moscow, Russia

E-mail: zhanaruskaman@mail.ru, shakizada.niyazbekova@gmail.com

Abstract. The goal of the research is to study the role of human capital in the contemporary society triggering an increase in the intrinsic value. This research reviews the theoretical aspects and fundamental legal principles related to the issue of human capital. Research Design. Common quantitative methods of data collection and analysis were used as part of the systems analysis to study the human capital phenomenon in its entirety in the present-day context. Findings. It is demonstrated that the matters of human capital have been studied for many years. In Kazakhstan, the issues of human capital development and economic growth are being debated a lot. Practical relevance consists in the fact that the findings could be used for drawing up policy papers: State of the Nation Addresses, Laws, Strategies, Decrees, Statutes and many others.

1. Reference base

The authors used regulatory and normative documents of Kazakhstan. The following documents were developed: State of the Nation Address “New Opportunities under the Fourth Industrial Revolution”¹, Regulations on the Procedure for Creation and Maintenance of the Register of Training Centers for Vocational Training, Conversion Training, Advanced Training and Professional Certification of Technical and Maintenance Labor², the Decree of the President of the Republic of Kazakhstan No. 791 dated April 9, 2014 “On Formation of the Presidential Council of National Investors of the Republic of Kazakhstan”³ and many others. *Approach.* The authors use a descriptive approach to review the published studies on human capital. *The research* is based on the acquisition, analysis and integration of data.

2. Introduction

Human capital and economic growth are closely linked. Human capital is instrumental to economic growth. Today, human capital is gaining importance and is being viewed as a force for increasing profitability and productivity. The more a company invests in its staff (social dimension, education, training), the more efficient and profitable it can be, consequently contributing to economic growth.

There are many angles to the issue of human capital that is why there is no consensus on how to define human capital. In this regard, we have studied the concept of “human capital” discussed by various scientists and authors. We have systematized this concept.

¹http://www.akorda.kz/ru/addresses/addresses_of_president/poslanie-prezidenta-respubliki-kazahstan-n-nazarbaeva-narodu-

²<https://atameken.kz/uploads/>

³Decree of the President of the Republic of Kazakhstan No. 87 dated August 5, 2019. On Changes and Amendments to the Decree of the President of the Republic of Kazakhstan No. 791 dated April 9, 2014 “On Formation of the Presidential Council of National Investors of the Republic of Kazakhstan”. <http://nomad.su/?a=3-201908160039> (access date: July 23, 2019)

The human capital theory is essentially about investing into human resources to improve their performance and to grow revenue. Expenses are incurred in reliance on benefits receivable; therefore, human capital and human resources investment, like all investments, becomes a key issue [12], [13].

During Astana Economic Forum 2019 (hereinafter referred to as the AEF) – A Bridge between East and West in the Age of High Market Volatility, Global Problems and Challenges of the Global Economic Order, it was said that there are certain factors that help to reduce uncertainty and ensure sustainable development of human capital. In his report, Nursultan Nazarbayev, the Leader of the Nation, stated “...active volatile human capital provides for sustainable economic growth.”

3. Results and their discussion

Today, the Government of Kazakhstan is developing a policy that should be focused on the enhanced role of human capital, achievement of high educational standards and ensuring equal educational opportunities⁴.

Economists note that human capital will be a key to developing a competitive and cultural environment⁵ [11], [18].

In Adam Smith's theory the capital is said to be one of the two parts of man's stocks, which he expects to afford him revenue; the other part is intended for immediate consumption. In his research *Wealth of Nation*, A. Smith designated “human capital” as fixed capital, which consists of acquired and valuable skills of the population or society members⁶. This is true, since it confirms the importance of this theory of human capital development and economic growth of the entire community⁷ [13], [20].

Note that Gary S. Becker, a Nobel laureate in economics, was a pioneer in applying economic analysis to interpret human behavior in regards to discrimination, marriage, family relationships and education. The Nobel Committee considers Gary S. Becker's research on human capital as a major contribution to the economics⁸.

What is more, according to the decision of the Presidential Council of National Investors of the Republic of Kazakhstan, a permanent working group concerned with the development of human capital is acting in Kazakhstan to achieve the set objectives⁹. This is of no small important, with today's realities in mind.

We should note that in May 2019, the annual AEF was held in the capital of Kazakhstan. World leaders and international leading experts discussed the key problems of the world economy and developed recommendations on how to solve these problems in Kazakhstan. A special theme of the 12th AEF was “Inspiring Growth: People, Cities, Economies”, where one of the topics was “Human Capital – Assets Inclusive Development of Kazakhstan¹⁰” [14], [15], [20].

Activities (Table 1). Important measures were put in place regarding national pension schemes for the residents of the Eurasian Economic Union (hereinafter referred to as the EAEU) countries. Social and labor relations are being digitalized within the Union. Negotiations regarding an establishment of a unified integrated information system and the Eurasian electronic public employment service are in progress. An agreement on pension provision for workers of the EAEU member states was signed. It provides for the equal pension schemes of foreign workers and citizens of the country of employment regardless of which country of the union the former worked in. The EAEU states have agreed to grant workers and their family members a special status during their long-term employment.

⁴[Electronic source] — Access mode: <https://nao.kz/files/blogs/1438143891269.pdf>

⁵Conception of Cultural Policy of the Republic of Kazakhstan. APPROVED by the Decree of the President of the Republic of Kazakhstan No. 939 dated November 4, 2014

⁷Gavrilova E. N., Tolchinskaya M. N. Human capital as a factor of sustainable development of the country. Proceedings of the IX International scientific and practical conference "Regional problems of economic transformation: integration processes and mechanisms of formation and socio-economic policy of the region". - 2018. - pp. 525-527.

⁸[Electronic source] — Access mode: <https://www.nobelprize.org/uploads/2018/06/becker-lecture.pdf>

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¹⁰[Electronic source] — Access mode: <https://kursiv.kz/news/obschestvo/2019-04/v-nur-sultane-proydet-astaninskiy-ekonomicheskij-forum>

Table 1. Events Held with Regard to Human Capital Issues in Kazakhstan.

No.	Event	Raised Issues	Source
1	Expert meeting on the analysis of human capital development. Venue: Almaty. Institute of World Economics and Politics under the Foundation of the First President of the Republic of Kazakhstan	Analysis of Human Capital Development	https://www.ktk.kz/ru/newsfeed/article/2018/02/23/90779/
2	The role of human capital in competitiveness of Kazakhstan. Venue: Nur-Sultan. Astana Economic Forum 2019	Problems and solutions	https://www.inform.kz/ru/o-rolichelovecheskogo-kapitala-v-konkurentosposobnosti-kazahstana-budut-govorit-na-aef-2019_a3526740
3	Human capital for integration. Speakers of the World of Eurasia experts club estimated the EAEU partners' competition for human capital	Integration	http://www.matritca.kz/news/63906-eksperty-borba-za-chelovecheskiy-kapital-budet-obostryatsya.html
4	Expert: Human capital is the basis of modernization	Collaboration of Nazarbayev University with the University of Birmingham	https://24.kz/ru/news/social/item/229235-ekspert-chelovecheskij-kapital-osnova-modernizatsii
5	On meeting the 7th objective of the State of the Nation Address by the President of the Republic of Kazakhstan "Human capital is the basis of modernization"	Report on fulfilling seven objectives	June 12, 2018, 3.00 p.m., regional communications service of the Kostanay Region based on the RTRC Qazaqstan-Kostanay. Briefing
6	Conference on Human Capital Development	Issues of education, social and cultural development	https://strategy2050.kz/ru/
7	Foundation of the First President of the Republic of Kazakhstan – Elbasy and the Institute of World Economics and Politics (IWEP). Round table discussion: "Human capital is the competitive differentiator of Kazakhstan".	Consideration of problems from different perspectives and a comprehensive analysis of human capital.	https://kursiv.kz/news/ekonomika/2019-07/v-
8	The Issues of Human Capital Development Road map for dual education system.	Work in progress: identification of staffing requirements of businesses, assistance in providing the enterprises with the	https://atameken.kz .

	<p>Following the proposition of the National Chamber of Entrepreneurs, college students can now receive 5 new degrees. 2 training centers for conversion and advanced training of enterprise-employed staff were established. In schools, 135 occupational guidance centers were opened.</p> <p>The companies' needs for personnel training were arranged into a database.</p>	<p>required staff, employers' implementation of the Road Map for dual training, occupational guidance, promotion of trade job image, internships and advanced training for both enterprises and educational institutions.</p>	
9	A Meeting of the Foreign Investors' Council	Expert opinion on approaches to education, training, transfer of knowledge and skills in the context of the Fourth Industrial Revolution	https://BNEWS.KZ
10	An enlarged Government Session on July 15, 2019 with the President of the Republic of Kazakhstan Kassym-Jomart Tokayev regarding the development of human capital	Unresolved issues. One of them is a remaining difference in the quality of education in village and urban schools. To address these and other relevant issues, a law on the Status of an Educator is being drafted.	https://forbes.kz/2019/07/18
11	Nursultan Nazarbayev and Vladimir Putin visit the "Development of Human Capital" exhibition	Presentation of educational systems of Kazakhstan and Russia.	https://nu.edu.kz

Note: developed by the author using the Internet sources

The Republic of Kazakhstan consistently allocates funds for education and public health services, various reforms are introduced¹¹ [16], [19]. The Republic of Kazakhstan was ranked 42 among 140 countries in the Global Competitiveness Index 2015-2016 of the World Economic Forum (WEF). In this ranking, education and science are estimated by 12 indicators. Kazakhstan has made progress against eight of them, including quality of the educational system and research establishments, Internet access in schools, accessibility and affordability of research and educational services¹².

4. Conclusion

Kazakhstan pays considerable attention to human capital as the most important factor of economic growth. Today, the spheres of education, science and innovation potential of the country are being dynamically modernized. A large number of grants are being allocated in the sphere of education. Social issues are being addressed. Therefore, we see an enhancement of the government role in the system of factors promoting human capital growth. Year on year, macroeconomic performance of the Republic of Kazakhstan shows favorable results. The poverty rate in the country decreased almost 7 times: from 34 % in 1996 to about 5 % in 2018. It is important to create favorable conditions to retain human capital in the Republic of Kazakhstan today.

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