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**A CRITIQUE OF THE IMPLEMENTATION OF HUMAN CAPITAL  
THEORY IN THE HIGHER EDUCATION POLICY AND ITS  
IMPLICATIONS FOR GRADUATE LABOR MARKET IN  
UZBEKISTAN**

Shakhnoza Rakhim qizi Shamsuddinova

Dissertation submitted in part fulfilment of the requirements for the degree of  
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## **ABSTRACT**

Youth unemployment has become one of the areas education research is increasingly concerned with both on global and local levels. In international development agenda, higher education has been linked to youth employment and labor market policies to such an extent making education a universal solution to socio-economic challenges (UNESCO-UNEVOC, 2013). Currently, Uzbek graduate labor market is experiencing a paradoxical situation whereby both unemployment and vacancy rates are high which is explained by inefficient job matching process, skill mismatches and brain drain. At the same time, Uzbek government has passed several higher education policies that are guided by human capital theory principles, e.g. expansion of higher education to develop human capital based on learning-earning social contract. The aim of this paper is to establish the relationship between higher education and graduate labor market in Uzbekistan through the lens of human capital theory, which will fill empirical gap in educational research on this topic in Uzbek (Post-Soviet) context. It does so, firstly, by forming strong analytical base in the form of theoretical framework and empirical literature review to study similar cases in other countries. Then, the paper employs critical policy document analysis approach to study recent Uzbek government higher education policies and compares it to real situation in graduate labor market in order to show implications of HCT and its critiques in Uzbek case. The study concludes that HCT is failing in its “mission” in providing decent job opportunities for graduates in Uzbekistan thus suggesting a shift in higher education policy agenda for Uzbek government.

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# **A CRITIQUE OF THE IMPLEMENTATION OF HUMAN CAPITAL THEORY IN THE HIGHER EDUCATION POLICY AND ITS IMPLICATIONS IN GRADUATE LABOUR MARKET OF UZBEKISTAN**

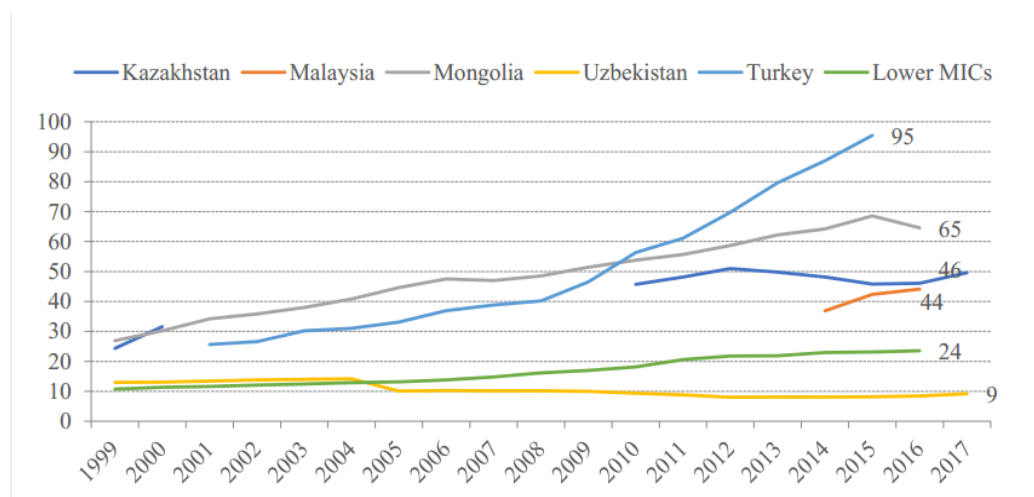
## **CHAPTER 1: INTRODUCTION**

Youth unemployment has become one of the areas education research is increasingly concerned with both on global and local levels. In international development agenda, higher education (HE) has been linked to youth employment and labor market policies to such an extent making education a universal solution to socio-economic challenges (UNESCO-UNEVOC, 2013). While basic education was prioritized over higher levels of education as a better investment in future employment since the last decade of the 20<sup>th</sup> century (Psacharopoulos, 1985/1991; UNDP, 1990; UNESCO-UNEVOC, 2013; World Bank, 2011), the period following 2008 financial crisis saw a revived interest in HE as an intensive path to recovery for young people (Brockmann et al., 2011). Moreover, a transition from industrial to knowledge economy served as a rationale for many countries, including Uzbekistan, to attach ever increasing importance to HE system in producing and harnessing human capital needed for meeting new requirements and standards for a thriving economy.

Uzbekistan is a fast developing country and emerging economy located in Central Asia. Upon gaining independence from former USSR in 1991 with shattered economy and centrally planned HE system, Uzbekistan put ambitious plans to become market-oriented and developed country with highly performing education system (Huisman et al., 2018). Under the influence of neoliberal ideology which spanned the world in the last decades of the 20<sup>th</sup> century, Uzbekistan set a goal to nourish and flourish its human capital by developing its HE system which eventually would contribute to ample economic growth and prosperity (Kholmuminov et al., 2018). Currently, despite growing capacity of economy, Uzbekistan remains one of very few countries in the world with the lowest enrolment rates (10%) in HE and highest unemployment rates among youth (19%) (World Bank, 2018). In terms of its GDP per capita, according to data provided by UNESCO, enrollment in HE in Uzbekistan should be approximately 20 percent, “which is the average tertiary enrollment for lower-middle income countries at present” (UNESCO, 2018). As shown in Figure 1, (lower) middle income countries have much higher HE enrolment rates compared to Uzbekistan. At the same

time, two other countries in the post-Soviet region, namely, Kazakhstan (upper-middle income country) and the Kyrgyz Republic (lower-middle income country), which gained independence in 1991 with similar economic conditions and governance structures of Soviet regime, have much higher HE enrolment rates of 40 and 49 percent respectively. Youth unemployment rate, on the other hand, stands at 3.98% and 14.5% for Kazakhstan and Kyrgyzstan (Statista, 2020).

**Figure 1. Graduate enrolment rate in selected countries, 1999-2017**



Source: UNESCO UIS.

Note: MICs = Middle-income countries. Data for OECD countries and lower-middle-income countries are for 2016. Other data are for 2017.

**Source:** World Bank Final Report on Uzbekistan Education Sector Analysis, 2018, p 36.

Meanwhile, a recent study of labor shortages in several ECA (Europe and Central Asia) countries concluded that Uzbekistan is experiencing a substantial shortage of qualified labor force (World Bank, 2014). At the same time, Uzbek labor market has a surplus of workers who possess only basic skills (those who have completed general secondary education or less). According to World Bank (2018) study, in 2008, 73 percent of the firms surveyed indicated that the skills and education of the country’s workers posed an obstacle to doing business in Uzbekistan—up from 60 percent in 2005. More than one-third of the firms (35 percent) said that employee skills posed a “major” or “very severe” obstacle to growth (World Bank, 2018). Therefore, Uzbek government, especially in the last four years of continuous reforms has set an ambitious goal of lifting itself from low-middle to upper-middle income country by developing and harnessing its human capital. More than two thirds



of Uzbek population consists of youth, which indicates the availability of huge human capital and labor force (Abdurakhmanov, 2019). Thus, investment in HE to provide the economy with skilled specialists has become a central priority in recent education policy agendas of Uzbek government. Such significant emphasis on HE at policy level is reflected in government decrees to increase enrolment quotas and endorse public-private partnerships to open new HE institutions. Although the correlation between HE and economic growth has been established by numerous researchers (Becker, 1964; Schultz, 1971; Ben-David & Kimhi, 2017; Barr, 2020), unintended consequences of mass enrolment in HE guided by human capital theory (HCT) have also been largely established and studied (McGuinness, 2006; Machin & McNally, 2007; Daniels et al., 2012; Tan, 2014; Marginson, 2017). To illustrate, while growing number of vacancies are not being filled due to lack of qualified candidates for jobs, 15 % of HE graduates are employed in precarious informal sector, one in three Uzbek immigrants abroad has a HE degree and more than 20 % of graduates have not found employment opportunities in Uzbekistan (UNDP, 2018). Thus, it should be noted that simply drawing parallels between unemployment and low enrolment rates in HE brings to oversimplification of an utterly complex graduate labor market challenge Uzbekistan is experiencing today.

**Paradox/problem.** Based on abovementioned data and arguments, a paradoxical situation arises: despite the growing number of vacancies which are not filled, the rate of youth unemployment in Uzbekistan is high. In labor market theory, one of the most widely used models to summarize the state of labor market is Beveridge curve which indicates the relationship between unemployment and vacancy rates (Yashiv, 2007). Beveridge curve suggests that in perfectly functioning economy and labor market, lower unemployment is associated with higher vacancies and the other way round (Fuhrer, 1997). That is, when labor market is efficient, workers who wish to get employed are successfully matched to the jobs, thus, unemployment is low and vacancy rate is high. During recessions in the economy, the opposite holds true where vacancy rate is low and unemployment is high because the demand for labor force is lower than supply. However, when both unemployment and vacancy rates are simultaneously high, Beveridge curve argues that there are significant inefficiencies in labor market and wider economy such as: skills mismatch, ineffective job-matching process which includes lack of qualified jobs and other structural inconsistencies. HCT, as one of the

guiding principles of HE policy in Uzbekistan, which will be analyzed later in the paper, asserts that higher level of education is the guarantee of a corresponding employment in labor market creating a balance between the number of graduates and job opportunities. Most significantly, what HCT fails to recognize is the imbalance and complex curvy relationship between unemployment and vacancy rates as indicated in Beveridge curve. Such situation can be observed in countries like Spain and India (with high HE enrolment rates) as well where HE graduates fail to secure a corresponding employment despite the availability of job opportunities due to inefficiencies (Tiwari et al., 2011; Noren, 2017) which will be discussed further in the paper. Uzbek graduate labor market, in this case, which is the reflection of the third scenario in Beveridge curve, with both unemployment and vacancy rates being high, presents a similarly paradoxical situation.

**Significance of the study.** There has been mainly conducted statistical and descriptive analysis to identify main tendencies and their causes in Uzbek graduate labor market by international organizations such as UNDP and World Bank (World Bank, 2014, 2018; UNDP, 2011, 2018). Available research and data mainly gathered from household surveys explain current trends in HE-labor market interaction like unemployment rates, the share of informal sector and employee migration rates in statistical terms (UNDP, 2011; World Bank/GIZ, 2014; MHSSE, 2019). Moreover, based on descriptive analysis of graduate labor market situation in Uzbekistan and knowledge economy ideology, most studies focus on and argue for fostering human capital through enlarging the scope and reach of HE among young population (Ruziev & Burkhanov, 2016; Ochilov, 2017; Abdurakhmanov, 2018; Abdurakhmanov & Zokirova, 2019). However, attempts to analyze HE-graduate labor market inconsistencies stemming from structural challenges in the economy through theoretical lens remains limited. While there is sufficient research on the role of HCT in contributing to economic growth, productivity and better employment in Uzbekistan (Ruziev & Burkhanov, 2016; Kholmuminov et al., 2018; Uralov, 2020), scholastic works in this field by using critical approach questioning the implications of HCT in Uzbek HE policies and graduate labor market are largely scarce. This, in turn, causes the absence of sufficient evidence-based quality critical research for resolving the challenge through changes at government policy level from multiple points of view. The complexity of analyzing Uzbek graduate labor market with numerous intertwined systematic and structural challenges has

led to the repetition of the vicious cycle of uninformed HE and labor market policy-making due to lack of scholastic coverage of the issue.

Besides presenting significance for local education policy-making in Uzbekistan, this study is also of wider importance for developing countries. First of all, given the rising importance of knowledge economy which highlights the inimitable role of HE for economic growth, HE policy-making will be of central priority for many countries, especially, developing ones which have relatively weaker HE systems compared to advanced economies (Daniels et al., 2012). Development trajectories put forward by such leading international organizations as OECD, the UN and World Bank, which serve as a roadmap for developing countries like Uzbekistan are based on liberal capitalist ideology characterizing edu-capitalism, human capital, knowledge and skills as new forms of capital to drive economic growth. Therefore, countries with transitional economies<sup>1</sup> tend to follow the vision of developed countries, often ignoring cross-national and cross-cultural differences. At the same time, while educational and social research have extensively covered the implications of HCT, knowledge economy and liberal capitalist ideology in HE policy-making, they are mainly limited to the analysis of HE and labor market relationship in Western and advanced economies (Kiker, 1966; Piketty, 2012; Marginson, 2016a; Valiente et al., 2020). To date, no holistic and comprehensive study of HE and labor market through critical analysis of HCT has been undertaken in the context of post-soviet as well as transitional economies. Uzbekistan, as a post-Soviet and relatively young independent country with a transitional market economy presents a relevant case for (lower) middle income countries which are at development stage and are following edu-capitalistic direction to transform their economies.

**Aim of the study.** The aim of this paper is to establish the relationship between HE and graduate labor market in Uzbekistan through critical lens of HCT, which will fill critical analysis gap in educational research on this topic in Uzbek context. The study intends to extend the horizons of knowledge on structuralist and functionalist critiques of HCT in explaining the paradox of high vacancy and youth unemployment rates in Uzbekistan. By looking at graduate labor market challenge from a critical point of view on HCT and more

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<sup>1</sup> Transitional or transition economy is an economy which is changing from a centrally planned economy to a market economy (example: Post-USSR countries)

focusing on factors that hinder human capital growth in the first place, this study aims to be a useful guide for other researchers and educational policy-makers towards making positive improvements in Uzbek graduate labor market.

In line with the aims of the study, I raise one main research question, which this paper will attempt to explore through literature review, findings and analysis followed by recommendations for HE policy makers in Uzbekistan.

**Research question:** To what extent do Uzbek HE policies and their objectives reflect HCT principles and align with the demands of graduate labor market?

**Research aims and objectives:**

In order to explore the main research question, the paper will put forward following aims and objectives:

1. To critically analyze existing literature on HCT, its main arguments, criticisms and implications.
2. To analyze current trends in Uzbek labor market and its links to HE policies by referring to policy documents and reports of international organizations.
3. To conduct qualitative content analysis by studying Uzbek government policies on HE in order to analyze the influence of HCT and establish text-context relationship.
4. To combine literature review and qualitative content analysis in order to analyze Uzbek labor market through HCT lens.

**Hypothesis:** On one hand, Uzbek HE system, as reflected in HE policy documents is largely guided by the principles of HCT. On the other hand, Uzbek graduate labor market is characterized as inconsistent and inefficient in terms of information asymmetries, skill mismatches, duality and lack of decent work conditions which match structuralist and functionalist critiques of HCT. Therefore, Uzbek HE policies inspired by HCT and knowledge economy philosophy are one of the reasons why Uzbek graduate labor market is failing to operate as efficiently, effectively and successfully as postulated by HCT itself.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1. Introduction**

In order to form a strong theoretical base and framework which subsequent analysis, findings and discussion will be based on, narrative theoretical and empirical literature review were conducted as part of this study. Most importantly, theoretical framework will mainly be built around HCT along with main concepts and critical theories surrounding it. Thus, narrative theoretical literature review allows to build a comprehensive framework based on current state of knowledge, existing research and analysis related to topic under review. Following theoretical framework, in empirical literature review section, I studied the cases of countries that have similar paradoxical cases to Uzbek graduate labor market and their implications for this study. For the purposes of “structured system of inquiry” as Bearman et al., (2012) highlight it, I conducted a systematic literature review search in which I used existing literature on HCT dated between January, 1964 and March, 2020, where the main ideas, criticisms and influence of HCT on HE policies of countries are thoroughly discussed. I sourced the literature by using manual and electronic search engines such as University of Glasgow library catalogue, Google Scholar, JSTOR, International ERIC and Social Science Research Network (SSRN). Keyword searches included “human capital theory”, “higher education policy”, “knowledge economy”, “skill mismatches”, “signaling theory”, “screening theory”, “youth unemployment”, “Uzbek higher education policies”, “structural inequalities in labor market” and “skill-based economy”. After the generation of main key articles by using key words, articles were sorted into the ones that: a) discuss basic and main arguments of HCT; b) critique of HCT and its implications in HE policies and labor market; c) influence of HCT on HE policies and graduate labor markets of various countries. Further, reference lists of scholarly articles were also referred to conduct a deeper and more thorough analysis and build theoretical/empirical framework that constitutes base for further discussion of HCT in Uzbek context. For the purposes of quality assurance, mainly peer-reviewed journal articles, scholarly works and a few books were included in the study. Moreover, some grey literature (working papers and conference proceedings) and relevant news articles were also included in this research paper.

## 2.2. Theoretical framework

The role of education in employment and labor market has significantly increased parallel to the emergence of the concept of knowledge economy. Technological progress, globalization and complex socio-economic changes in societal structures have attached ever more importance to educational policy, making it the most valuable instrument to develop nations. Knowledge being new form of capital, in economic and development studies, education is now considered to be the best investment that yields huge dividends in the form of higher income, taxes and eventually economic growth and prosperity (Daniels et al., 2012). Thus, productivist approach for material growth in making education policy is prioritized over its intrinsic value for broader human development (McGrath, 2012). Eventually, education is seen as a means to end, that is, it is a tool to achieve development, not an end in itself. Most importantly, such major shift in global policy discourse in the last decades of the 20<sup>th</sup> century from humanistic to instrumentalist function of education has shaped education policy agendas to a great extent (Valiente et al., 2020). Such dimension of development has been incorporated into global education agendas of OECD, World Bank, the UN and its affiliate organizations which caused a paradigm shift in national education policies, including Uzbekistan, overlapping with neoliberal ideology (Walker, 2012).

One of the areas of heated debates since the turn of last century has been the relationship between HE and labor market outcomes. The logic of knowledge economy dictates that in post-industrial age, manual labor is replaced by intellectual labor which facilitates a greater need for highly skilled workforce to drive the wheels of progress (Tan, 2014). Knowledge is considered the main driving force of socio-economic development, thereby, emphasizing the value of education for policy-makers (Daniels et al., 2012). Such line of thinking suggests that the higher level of education is, the better the result both for private individuals and the society as a whole. However, is development such a linear process? Is education the only solution to socio-economic challenges, particularly, labor market inconsistencies? This chapter will form a strong analytical base to critically discuss graduate labor market challenges and their causes from theoretical point of view by resorting to a range of literature on HE-labor market paradigm.

### **2.2.1. Human capital and signaling/screening theories in knowledge economy**

In international economic and education literature and research two of the most widely popular theories that account for the complex connection between education and employment are HCT (Becker, 1964) and signaling/screening theories (Spence, 1973) developed in the 1960s (Gillies, 2015). Both theories have had a huge effect on the image of HE today and have been powerful enough to be a dominant paradigm to be followed (Marginson, 2017). In the following paragraphs, HCT will be deeply analyzed in terms of its relevance to HE and labor market followed by signaling theory which explains such relationship from a slightly different point of view.

Under the umbrella of liberal capitalist paradigm of development, HCT has been a dominant source and guiding principle upon which governments base their educational policies (McCowan, 2015). Developed by Chicago school of economics, and namely, by two leading economists Theodore Schultz (Schultz, 1960) and Gary Becker (Becker, 1964) in the 1960s, HCT formed a solid foundation for neoliberal governance of education. According to Tan (2014), HCT, belonging to neoclassical economic school of thought, relies on two main paradigms: methodological individualism and rational choice theory. Hodgson (2004) claims that methodological individualism centralizes the role of human over political and socio-economic structures emphasizing the importance of individual behavior lying in the origins of social phenomena. Through its reductionist viewpoint, methodological individualism asserts that individual choices produce social outcomes thus laying the base for rational choice theory (Green & Shapiro, 1994; Schumpeter, 1980). Basic principles of rational choice theory, in turn, consider individuals rational agents or homo economicus, who make the best choice out of given options in prevailing circumstances to maximize their utility (Scott, 2000; Read, 2009). Hechter & Kanazawa (1997) argue that the driving force behind these choices is the desire for personal benefit and pleasure where each decision is calculated in accordance with present and future utilities.

Deriving from methodological individualism and rational choice theory, Becker (1964) in his HCT states that HE is the investment people rationally make to earn higher income in the future as level of education and labor income are correlated. In empirical

research, the connection between education and income levels have been studied and found positive (Blundell et al., 1999). For instance, Mincer, (1958; 1970) has found that additional year of “schooling” increases annual earnings up to 11.5%. Moreover, a research in the UK reported 6% increase in income levels associated with one year of full time schooling (Walker & Zhu, 2001; Kirby & Riley, 2008). In this scenario, HE boosts productivity and equips individuals with skillset and knowledge that enables them to successfully enter the labor market. Thus, in HCT, education is a profit-making instrument in that it yields positive returns with benefits exceeding the costs individuals bear. Higher premium wages HE graduates earn is the reflection of their productivity compared to non-graduates thus putting them higher in social ladder (Hämäläinen & Uusitalo, 2008). Endorsing knowledge economy, HCT equates learning to earning and builds a social imaginary where regardless of background, any individual can move up the social elevator and earn high income as long as he invests in his education (Daniels et al., 2012). One of the main causes why graduates are in such a privileged position as opposed to non-graduates with regard to their higher earnings is the fact that HE institutions directly improve productivity that is needed in the workplace (Schultz, 1960, 1971; Becker, 1974). Moreover, the concept of skill-biased technological change as an add-on, asserts that HE is the only means by which humans can further develop by being highly skilled workforce as routine jobs are being carried out by technology (Hermansson, 2016). The governments, in turn, through an aggregate of individual returns, benefit from higher earnings through taxes, innovation, efficiency, productivity and wholesale economic growth (Psacharopoulos & Patrinos 2004; McMahon, 2009). Therefore, HE has been one of the priority areas for policy making as it explicitly harnesses human capital and “produces” skilled labor force for the economy, eventually creating more societal wealth.

However, the reality and the world cannot be so simply explained by a linear equation of “education=labor market success”. Since the development of HCT, there have been critical theories which account for the role of HE in labor market from a different angle (Spence, 1973; Stiglitz, 1975). Although it is true to say that graduates are better off in life e.g. financially and socially, compared to non-graduates, the fact backed up by research (Blundell et al., 1999; Psacharopoulos & Patrinos 2004; McMahon, 2009), it is not a direct result of HE. To be more exact, HE, instead of enhancing productivity, simply identifies students with



existing abilities and capacity that contribute to their productivity (Spence, 1973). That is how signaling and screening theories were born, which explained economic value of HE from an alternative perspective than HCT. Ken Arrow (Arrow, 1973) and Michael Spence (Spence, 1973) through signaling theory assert that the function of HE is limited to sorting out students according to their preexisting academic abilities and signaling these innate traits to employers. Recruiters, on the other end, because of information asymmetries regarding the productivity of candidates for jobs, refer to academic qualification and degree as the reflection of necessary skills for a given vacancy (Stiglitz, 1975). As a consequence, HE institutions serve as a filtering mechanism that signal the abilities students have in labor market without necessarily making them more productive where recruiters screen out applicants depending on the qualifications they possess assuming they are productive (Arrow, 1973; Spence, 1973; Stiglitz, 1975). In the initial stage of employment, wages are indeed based on academic qualifications as employers have no other information to rely on. Yet, with the passage of time, true qualities and productivity of the employee constitute the base for their promotion and wage, which is called “tenure effect” (Liu, & Wong, 1982). While some experts see signaling as a counter theory to HCT, others see the former as an extension of the latter (Tan, 2014). Combining human capital and signaling theories, Rospigliosi et al., (2014) suggest a concept of new vocationalism, which endorses university as an organization that develops ‘graduate propensity to learn’. That is, HE, though not explicitly improving productivity, develops capacity and disposition to learn in graduates thus distinguishing them from non-graduates. As to enter the university, in the first place, graduates show certain abilities and commitment to study, which is identified through selection criteria. They therefore signal to employers that they are better, more disciplined and committed learners than non-graduates. Thus, as Daniels et al., (2012) put it, academic credentials become passports to labor market.

However, the most crucial point to be highlighted is the fact that HCT builds education-individual-economic growth chain in which HE benefits both the individual and the society in the form of increased productivity. Diverging philosophy of signaling theory from HCT is entailed in the fact that HE, which in itself does not boost a person’s productivity, can bring high private returns to investment made in education to individuals, without adding value to overall economic growth, Spence points out (Bonanno, 2012). As

the individual does not get productive by getting education, he does not contribute to employer's and society's wealth, thus, making investment in education economically inefficient and counter-productive (Rospigliosi et al., 2014). Even though higher earnings are justified by tax rates that stem from them, it does not necessarily lead to growth, as the resources are simply circulating within the economy in the absence of productivity and innovation (Hermannsson, 2016). Therefore, overinvestment in education is what economists call, a perfect illustration of Pareto inefficiency, in which case, resources that make one individual better off make another person worse off (Tan, 2014). Moreover, it should be noted that both human capital and signaling theories base their arguments on rational choice theory in which individuals are seen as a homogenous group making an informed investment in getting HE with an expectation of future returns. Most importantly, in both cases, productivity and innate ability of individuals are considered central in justifying the importance of HE in labor market ignoring such pre-existing differences as race, gender, ethnicity and socio-economic background which may result in different employment opportunities accordingly. While HE either increases productivity or signals existing productivity to get graduates into labor market successfully, underlying cause of youth unemployment is believed to be lack of education and training young people have, putting the blame on individuals. Logic of both theories dictate that in education-youth employment-economic growth chain, individuals are responsible for not being in employment because they lack innate ability and productivity necessary to get into labor market. Structural inequalities in labor market are not taken into account by HCT and signaling theory which standardize solutions to precarious and multidimensional labor market challenges and homogenize as well as individualize social, structural and institutional problems (Pique et al., 2016). Thus, although having diverging philosophies, underlying core arguments of human capital and signaling theories intersect in justifying economic value of HE by comparing better position of graduates in labor market than non-graduates in terms of living standards, income levels and societal benefits while dropping other core factors necessary for labor market success from their analysis.

## **2.3. Limitations and criticism of HCT and knowledge economy**

### **2.3.1. Introduction**

In order to understand the main shortcomings and limitations of HCT, first of all, historical and preceding context in which the theory was born must be analyzed. HCT was developed in the 1950s and 1960s when western economies started to grow at a fast pace due to groundbreaking technological change, productivity and material growth (Marginson, 2017). For the first time in history, during this period, income from inherited capital was lower than the levels of income from work (Piketty, 2014). At the same time, the demand for highly skilled labor force soared at exponential rates as the economies were highly performing, thus making labor the main source of material wealth (Marginson, 2016a). That is the historical scenario giving birth to the concept of knowledge economy as the nature of economy and labor market required skillful workforce, which in turn, was the cause of mass expansion of HE to produce required specialists (Kiker, 1966). Thus, this particular period provided a rationale for HCT, which advocated expansion of and investment in HE by western governments. Coinciding HCT and western neoliberal agenda of development created a “universal” picture of perfectly functioning knowledge economy and labor market which heavily depend on human capital and successful HE system. Soon, this model of economy was to be incorporated into global policy agendas of such organizations as UNESCO, OECD and World Bank which propagated mass “higher education=economic growth” paradigm at global and national levels (OECD, 2014; UNESCO, 1968). At the end of the 20<sup>th</sup> century, the rise of globalization and blurring of geographical boundaries between countries, transformed the notion of knowledge economy to global knowledge economy in which countries compete on the basis of who “owns” the best human capital (Daniels et al., 2012). This phenomenon led to the emergence of world polity theory which supports globalization of national education systems based on western neoliberal ideology and standardized trajectory of economic development (Meyer et al., 1997). In order to create such “universal” model of highly performing economy put forward by the West, countries around the world started to focus on and still do, on HE and its expansion. Uzbekistan, a post-Soviet state was one of those countries, which saw expansion of HE as the route to economic growth by utilizing human capital of productive workforce. In 1991, Uzbekistan inherited HE system

consisting of 42 institutions, since independence, the number of HEIs has increased to 85 in 2018/2019 (UNDP, 2019). In the words of Kholmuminov et al., (2018): “the rationale for establishing these new HE institutions was dictated by the demands of the new economic system and new statehood”. As a matter of fact, Uzbekistan embarked upon a new market, knowledge and skills economy following the example of western countries to expand and improve its HE system (Abdurakhmanov, 2019).

Based on abovementioned arguments, a question arises: to what extent are government policies on HE inspired by HCT close to reality and can be justified as the best policy option for labor market success? This question will be answered using two main critical lens to look at HCT and its implications.

### **2.3.2. Functionalist critique of HCT**

As discussed above HCT was developed in the period of rapid economic growth and technological progress in western countries. However, economic progress is cyclical, and upward trend can easily be followed by downward trend in a certain period of time, which is not a part of what HCT considers in its analysis of education and labor market. HCT homogenizes and stabilizes labor market tendencies including income levels, what actually is dynamic and heterogeneous in its nature (Marginson, 2017). That is to say, it is assumed that the supply of graduates always matches the demand for skilled workforce, thus drawing a linear connection between education and employment outcomes. However, empirical research suggests that the creation of traditional graduate jobs has not increased at the same rate as the supply of HE graduates (Machin & McNally, 2007). Venezuela’s schooling vs income gap paradox, for instance, studied by Ortega & Pritchett (2014) shows that between 1960 and 2000, despite rising school enrolments, there was a 40% decrease in GDP per capita levels. Massive enrolment in HE resulted in supply-demand imbalance in Venezuelan labor market driving down the income levels of the population. This phenomenon in turn leads to three main challenges widely known across different labor markets in the world: skills-mismatch, over-education/over-qualification and underemployment/unemployment (McGuinness, 2006). Thus, a justified question arises: how much education is enough

education and is HE always good for successful labor market operation?

The logic of knowledge economy dictates that HE institutions produce skilled labor force to cater economic demands and increase productivity. However, the skills needed to boost this productivity are not always the ones that universities provide or vice versa. According to research conducted by Rothstein (2010) in the UK graduate labor market, only 20 percent of graduates could actually find jobs related to their degrees and overall 20 percent of recent graduates were unemployed. More literature (van de Werfhorst 2002; Robst 2007; Wolniak et al., 2012) on education-labor market relationship suggests that many graduates eventually end up in occupations outside of their field of specialization, in some cases, with income penalties. Considered as skills mismatch, this challenge is caused by information asymmetries between labor market needs, educational institutions and graduates. As opposed to rational choice theory, individuals may make choices regarding certain degree and university not having complete information on employment outcomes or perspectives (Lauder & Mayhew, 2020). Moreover, such skill mismatches reduce the university curriculums to skills for 21<sup>st</sup> century knowledge economy, putting pressure on arts, humanities and social sciences degrees as they are not financially profitable (Marginson, 2017). Thus, “higher education=labor market success” formula fails for graduates with certain degrees.

Another challenge stemming from labor market inconsistencies is what experts call over-education or over-qualification. HCT asserts that HE graduates certainly will end up getting prestigious jobs and succeed through social mobility. “The myths of skills economy” or “cruel optimism” as Bessant & Watts (2014) put it, indicate the fact that lack of graduate jobs or at least for certain degrees lead to over-qualification of graduates who eventually get into professions that did not require university degree in the first place. Yet, people are increasingly choosing to get HE despite such challenges which is called “opportunity trap” paradox by Brown and Lauder (2006). They explain that for getting a job above minimum wage, there is no other alternative option for young people, thus, young people willingly go for university degree even if labor market’s rewards are less than the resources they spent on education. What it as a consequence causes is degree inflation which reduces the value of HE. South Korea and Ireland, can be perfect evidence of this argument, as they over-produced graduates which ended in underemployment and degree inflation (Daniels et al.,

2012). However, while South Korea economically took off and used such human capital resources successfully, Ireland remains “crippled” suffering the consequences of over-qualification compared to economic capacity to employ people (Daniels et al., 2012).

### **2.3.3. Structuralist critique of HCT**

Drawing from methodological individualism and rational choice theory HCT is based on, it can be argued that the centralization of human beings eliminates socio-economic, political, cultural and ethnic dimensions from the analysis of labor market. Most importantly, pre-existing institutional settings and structures that shaped labor market conditions are altogether absent from the discussion, as HCT claims that HE will lead to successful employment, if otherwise, then it should be ascribed to individual shortcomings (Shaffer, 1961). “Responsibilization” as Foucauldian school of thought describes it, victimizes and at the same time blames individuals for labor market inconsistencies, e.g unemployment, because they lack necessary education or skills (Dilts, 2011). Such formulation leads to “educationalization” of socio-economic problems transferring the responsibility from government structures to individuals, who should be self-disciplined, self-managed and self-responsible for their employment outcomes (Valiente et al., 2020).

Furthermore, “flat economies” according to Daniels et al., (2012), through current interpretation of global knowledge economy, flatten the differences between national economies which can further be extended to eradication of differences within national economies as well. By putting “higher education-well-paid job” correlation into linear equation, HCT ignores other factors that lead to labor market success. First and foremost, individuals come from diverse socio-economic, cultural and ethnic backgrounds, which plays a determining role in their future success. HCT emphasizes equality of opportunity, but, drops equality of starting points through “socio-economic adjustment” from its analysis (Tan, 2014). Borrowing from Bourdieu’s social and cultural capital (Bourdieu, 1984, 1993), it can be asserted that labor market outcomes are not the sole result of HE input, but also, complex network of socio-economic, cultural and ethnic factors (Bourdieu & Passeron, 1977; 1990).

Bourdieu argues that HCT does not encompass positional competition and status that exist in labor market which are formed by family material, cultural and social capital. To illustrate, in empirical research, Britton et al.,'s (2016) study of UK graduates found that graduates from higher socio-economic backgrounds on average earned at least 10 % more than graduates from low-income households after factoring out other student characteristics, institution attended and field of study.

That is to say, HE institutions choose applicants based on their academic ability and following HCT logic model, those who had better investments in their education have more chances of getting into HE as opposed to those who had lower or no investment in their previous education. Academic ability and outcomes, therefore, are not merely based on innate traits and potential, but also, molded by the environment individuals grew in. Indeed, universities are not neutral entities where academic performance neutralizes socio-economic background, but as Lauder & Mayhew (2020) describe it, "they are classed, gendered and ethnically biased institutions that feed into a similarly structured labor market". In this case, HE institutions instead of enabling social mobility for those with low socio-economic backgrounds, perpetuate inequality and reproduce social inequity based on the principles of meritocracy (Tan, 2014). Such inequality is later transferred into labor market, where workers suffer from socio-economic, ethnic and gender penalties (Marginson, 2017). Based on the notion of economic competitiveness, in order to boost economic growth, employers opt for individuals with richer backgrounds, from rich countries and preferably males as these criteria equal to better investment in education and thus productivity (Lauder & Mayhew, 2020). Further inequality is perpetuated by the emergence of elite universities whose graduates stand more and better chances of getting into high-end jobs than graduates of lower tier universities with the same degrees (Boliver et al., 2019). These are the aspects of HE and its connection to labor market which HCT ignores to analyze, considering bumpy hill a flat pavement.

Moreover, besides ignoring pre-existing structural inequalities, HCT does not account for such phenomena as nepotism, bureaucracy, corruption and rent-seeking that cause poor economic performance. In order to reap full benefits HCT puts forward, there should be a highly performing economy in place that creates necessary conditions for human capital flourishing (Mejia & Pierre, 2008). High levels of nepotism, bureaucratic obstacles

and ineffective law enforcement significantly affect labor market formation and regulation deterring human capital development (Tan, 2014). Research by Delaney et al., (2011) found that in both Canada and Denmark, for instance, 30–40% of young adults at some time work for a firm that has employed their fathers, which shows elements of nepotism and socio-economic inequality towards disadvantaged groups. What is more, without successfully operating economy which cannot reward highly educated graduates with well-paid, quality and secure employment, migration and brain drain of skilled workforce is a high possibility (Gillies, 2015). Flight of highly educated graduates from weak to rewarding economies means waste of local investment in terms of its returns. Such phenomenon is not covered by HCT argumentation, once more proving its linear vision and universal solutions to complex education and labor market challenges.

Furthermore, HCT as mentioned above, holds individuals responsible for labor market/employment success or failure as according to the formula it puts forward, individuals investing in their education are automatically in a more advantaged position in terms of employability. However, research in labor market outcomes and employability studies highlight the importance of dual labor market theory in explaining employability of individuals. The term “dual labor market” was introduced by Doreinger and Piore (1971) to explain structure of labor market. Dual labor market theory suggests that there are primary and secondary labor market segments where jobs are divided into prestigious, high-paid, stable, decent and low-paid, unstable with poor working conditions (Cross and Johnson, 2000). Geographical, demographic and socio-economic inequalities play a significant part in labor market segmentation that cause structural challenges beyond education level of individuals.

To sum up, “one size fits all” approach the concept of knowledge economy applies in propagating its ideology to national economies is doomed to failure as no labor market exists in a vacuum. Importantly, HCT which supports and perfectly feeds into knowledge economy phenomenon, fails to explain real challenges and utterly complex relationship between HE and labor market through its oversimplistic, linear and universalist lens.



### **2.3.4. Summary**

It should be noted that although HCT fails to explain systematic and structural inconsistencies in labor market, there has not been an alternative theory to account for such complicated and multidimensional phenomena as HE-labor market relationship. While HCT endorses education declaring it to lead to better jobs, productivity and economic growth, the question would be: are we ultimately better off with or without education? Despite the fact that HCT has a linear vision in terms of learning=earning paradigm, its original claim is that the better educated people are, the more chances they have of earning higher incomes. What it fails to include in this vision is other structural factors in labor market like socio-economic, race, gender inequalities and skill mismatches that hinder that “smooth” process. Therefore, the aim of this paper is not to suggest to drop HCT from Uzbek HE policy-making altogether, but rather, point out the aspects that HCT fails to recognize through its functionalist and structuralist critiques.

## **2.4. EMPIRICAL LITERATURE REVIEW**

Following theoretical framework focusing on critical perspectives of HCT, this section will summarize scholarly works critically analyzing HCT from an empirical point of view. There is mounting evidence and research studying the relationship between HE and labor market through critical lens of HCT in the context of different countries. Due to scarcity of research and scholarly articles on this topic in Uzbek context, I will refer to studies conducted in the context of Spain, India and Chile which have higher enrolment rates in HE, similar HE policies, paradox of unemployment/vacancy rates and their implications for Uzbek case. The choice of countries is based on the similarity of challenges and difference in socio-economic development level for the purposes of representation and diversity in analysis.

### **2.4.1. Functionalist critique of HCT in the context of Spain and India**

Spain is a high-income country which has one of the most notorious youth unemployment rates in the world (European Commission, 2020). There is a plethora of research that account for the failure of HCT-inspired HE policies through analyzing skill mismatches in Spain. In his work “Skill Mismatch: The New Challenge for Spain” Noren

(2017) refers to “Spanish paradox”, which represents failure of typical scenarios HCT suggests in Spanish graduate labor market. Spain has one of the highest rates of youth unemployment which stood at 43.9 % in 2020 (European Commission, 2020). While unemployment among youth is high despite the fact that HE enrolment rate is 45% in Spain, majority (60%) of Spanish companies reportedly struggle to find candidates with right skills (Noren, 2017). This can be ascribed to a third scenario in Beveridge curve where both unemployment and vacancy rates are high due to ineffective job-matching process which in turn mainly stem from skill mismatches (Yashiv, 2007). Although Spanish government mainly funds (70%) tertiary education because it is guided by HCT which endorses investment in HE, the expansion of tertiary education did not bring to better employment opportunities for Spanish youth (European Commission, 2020). He argues that mass enrolment in HE brought to ‘grade inflation’ which has caused unemployment, not solved it. Several research studies (Ube’da et al., 2015; Gago, 2017; Rodriguez-Soler and Verd, 2018) have identified skill mismatches to be the major obstacle why Spanish HE based on the principles of HCT are failing to solve ever exacerbating youth unemployment in Spanish labor market. According to European Commission (2015) report, 19.2 % of Spanish tertiary graduates were underqualified for their jobs, 22.4 % were overqualified and a further 34.6 % were mismatched, i.e. employed in a different field from that which they had studied. A 2014 report by the Observatorio de Innovación en el Empleo (OIE, 2014) found that only one of five Spanish university students expected to find employment in their field of study. Meanwhile, India, a low-income country with 27.4 % enrolment rate in HE, is experiencing the same issue. A research study by Tiwari et al., (2011) found that the level of unemployment in India is proportional to level of education: unemployment for people with only primary education rises from 3.6 % to 9.3% for individuals holding post-graduate diploma. Tiwari et al., (2011) ascribe such paradox to the shortage of qualified jobs for certain degree holders. Drawing the parallels, in Uzbek context, a study “The Higher Education Dynamics and Economic Growth: The Case of Uzbekistan” conducted by Ochilov (2017) found information asymmetries between HE institutions, graduates and employers to be one of the main reasons for youth unemployment. In his work, Ochilov using regression analysis argues that there is a positive link between Uzbekistan’s economic growth and HE, however, structural inconsistencies and failures are hindering this huge potential. He finds

that skill mismatches are one of the main challenges why higher levels of education may not bring to better employment and suggests deeper research be conducted on establishing correlation between HE and output growth through educated workforce. According to data reported by HE institutions to the Ministry of Higher and Secondary Specialized Education of Uzbekistan, graduates are often employed in sectors that they deem to be less desirable than the fields for which they were educated (MHSSE, 2019). It should be noted that HCT argues that individuals as rational agents have perfect information concerning their degree, skills and future job prospects when enrolling in HE. However, information asymmetry that exists between HE institutions and employers on the skills that are actually needed for the market is one of the main causes why mismatches happened in the first place. In this line, an International Labor Organization's (2014) study found that Spanish universities are not equipping graduates with necessary skillset that are transferrable to the workplace. Most importantly, information asymmetry can not only cause skill mismatches, but also leads to inefficient job-matching process, which is an essential element in keeping balance between unemployment and vacancy rates as indicated in Beveridge curve (Yashiv, 2007). A survey conducted in World Bank (2014) study on "Skills and employability of graduates in Uzbekistan" among graduates revealed that more than half of all respondents in Uzbekistan (58 percent) indicated that they do not feel they have ready access to vacancy announcements. Moreover, majority of graduate respondents (35%) were employed through acquaintances which point to information asymmetries in job-matching process whereby graduates had difficulty accessing and finding information on available employment opportunities.

#### **2.4.2. Structuralist critique of HCT in the context of Spain, India and Chile**

From the perspective of structural inconsistencies, Rodriguez-Soler and Verd in their 2018 study characterize Spanish labor market by a high degree of duality where more experienced and established workers enjoy permanent contracts with more job security. On the other hand, less experienced fresh graduates are often subject to temporary contracts and informal sector in the lowest end of labor market (Rodriguez-Soler and Verd, 2018). In the case of India, a survey by Schmid (2015) revealed that job-qualification mismatch, low salary and unsecure job were among the main reasons why around 2 million graduates could not

find corresponding employment opportunities in labor market. Similarly, a study “Economic trends of the youth labor market in Uzbekistan” conducted by Abdurakhmanov & Zokirova (2019) found that lack of qualified job opportunities and working conditions was one of the underlying obstacles to successful employment of graduates in Uzbekistan. Moreover, World Bank (2014) study revealed that the share of informal sector, which employs more than half of labor force is another factor that leads to inefficient labor market operation, especially for young people (15 % of graduates are employed in informal sector).

Moreover, although graduates have higher premium wage compared to non-graduates overall, Spanish youth reported that jobs were not correspondingly rewarding and high-paid compared to investment in their education (European Commission, 2017). That is, lack of rewarding jobs with good working conditions and wages have forced many qualified Spaniards to leave the country for better opportunities. Spanish government’s investment in HE with the hope of yielding higher dividends based on HCT is doomed to failure in this case due to what the Spanish call *fuga de talento*, talent flight (Noren, 2017). Significant brain drain for Spain means brain gain for other countries with better conditions for human capital, which is a similar case in Uzbekistan whose majority of migrant population is made up of qualified specialists. World Bank (2014) study found that one in three of Uzbek immigrants possess HE degree and are skilled specialists. Therefore, labor market should in the first place have necessary prerequisites for human capital prosperity prior to investing in human capital, which is the case in Uzbek HE and labor market as well.

Pique’ et al., (2016) go further in their study and resort to qualitative content analysis by using text-context gap method in researching youth unemployment in Spain. They analyze Spanish government policies on HE and youth employment as a text and question their content, aims and objectives against the real situation in Spanish graduate labor market. With a particular focus on Youth Guarantee Scheme recommended by European Commission to European Union member countries to tackle youth unemployment, Pique’ et al., (2016) criticize the policy for its oversimplification and “educationalization” of such a broad socio-economic issue. To elaborate, the study asserts that the main aim of Youth Guarantee policy is to get the young more educated as reflected in policy documents while the real youth labor market is suffering from educated, but unemployed graduates. Other authors such as Lahusen et al., (2013) use the same approach to study disproportional youth unemployment and

graduate student rates in Southern European countries, whose youth unemployment can go up to more than 50%. They analyzed government policy documents on HE as well as European youth labor market policies. As a result, they identified key instruments of Southern European countries in solving youth unemployment which are reflected in policy documents to be dominantly influenced by human capital and knowledge economy ideologies. While youth unemployment is caused by structural socio-economic factors like lack of jobs or skill mismatch despite high enrolment and graduation rates in HE, government policy agenda puts forward education to be the main solution to the problem, in which case, “more is less”. In this line, Rodríguez-Soler and Verd (2018) conducted document analysis to study the connection between what the government is recommending and what actually is happening in Spanish graduate labor market. Furthermore, text-context gap analysis was explored in the case of Chile by Valiente et al., (2020), where they test underlying theoretical assumptions of market model of skill formation against the real context of youth labor market using realist evaluation approach. The main findings of the study indicated that Human Capital assumptions that lie behind market model of skill formation in Chile brought about negative effects on post-school trajectories of secondary technical and vocational training (TVET) students where currently youth unemployment is at 19.06% (Valiente et al., 2020). Market competition in skill formation has caused grade inflation and skill mismatches because of lack of coherence between education providers and employers. Thus, neoliberal, human capital and knowledge economy oriented ideology which guided secondary TVET education policies in Chile has led to the failure of the ideals that these theories built in the first place, overestimating the validity of the theory over reality.

### **2.4.3. Summary**

All abovementioned studies in the context of countries with high unemployment and above average HE enrolment rates, analyzed graduate labor markets comparing policies inspired by HCT and neoliberal ideology against the reality and its complexities. It can be argued that while Spain, India and Chile differ in their economic development level, they have similar HE policies and graduate labor market challenges to Uzbekistan. Moreover, it should be noted that Spain, India and Chile have well established market economies together

with high HE enrolment rates, a goal Uzbekistan has put forward to achieve till 2030. However, as the studies reveal, the presence of HE degree is by far not the guarantee of a secure employment and thus effective utilization of human capital, which is the opposite of “learning=earning” formula put forward by HCT. The data by World Bank (2014, 2018) and UNDP (2018) reports already reveal similar tendencies in Uzbek context, e.g. skill mismatch and a lack of qualified job opportunities in graduate labor market to the countries analyzed above, which will be further discussed in the paper. Therefore, while Uzbekistan is attempting to build and harness its human capital through its HE system, informed policy and decision-making should be based not only on evidence-based research on actual situation in its graduate labor market, but also take into account experience of countries like Spain, India, Chile and beyond.

## CHAPTER 3: METHODOLOGY

### 3.1. Methodology and methods of research

This research is conducted using and analyzing secondary data. While theoretical framework and empirical literature review were conducted to set the main framework and serve a narrative purpose, the main methodological approach employed in the paper is critical analysis. Most importantly, critical analysis in research allows for “reflective assessment and critique of the societal structures and functionings to question existing power structures” (Thompson, 2017). To be more exact, Uzbek Government policies tend to consider HE to be one of the main, if not the only, solution to employment challenges in labor market. However, the current scenario in labor market suggests that youth unemployment is a multidimensional and complex problem which depend on multiple factors that the government should be concerned with. Thus, as the main aim of this study, critical analysis will be applied to answer the main research question: To what extent do Uzbek HE policies and their objectives reflect HCT principles and align with the demands of graduate labor market?

By employing critical analysis, I attempted to explain that graduate labor market challenges as a social problem in Uzbekistan should not be individualized and educationalized as they mainly stem from existing societal challenges and structural inconsistencies in labor market. In order to do that, text-context gap analysis was chosen as a suitable method to reach the aims of the research. As Salkind (2010) argues: “the key emphasis of text-context gap analysis is on the use of language in social context”. Most importantly, text-context gap analysis attributes particular importance to the context, that is, it analyses the effects of policies and tests whether their assumptions are accomplished in reality (Pawson and Tilley, 2004). This study attempted to establish text-context gap by conducting qualitative content analysis of Uzbek HE policy documents and analyzing how the policy statements actually are working in graduate labor market of Uzbekistan. This approach serves the purpose of the research paper in testing real graduate labor market in Uzbekistan against what government policies postulate through the lens of HCT. Krippendorff (2004) defined content analysis as “a research technique for making replicable

and valid inference from texts (or other meaningful matter) to the contexts of their use”. Qualitative content analysis in this case was applied to account for the influence of HCT in making HE policies in Uzbek context which prioritizes the idea of knowledge economy and learning=earning social contract between the government and citizens. One of the overarching advantages of the usage of qualitative content analysis through the combination of text-context and realist evaluation approaches in this study is the fact that it attempts to explore and explain tension between the text and the reality, which is one of the missions of this paper. Moreover, qualitative content analysis was chosen to reduce over-reliance on counting and build the analysis around concepts and phenomena, instead of single words. Shannon and Hsieh (2005) argue that for research work that is based on the analysis of existing theory in a particular context, directed qualitative content analysis is the most suitable form of content analysis to use. Therefore, directed qualitative content analysis was employed in order to base the findings on the difference between HCT assumptions and real context they are implemented. As Downe-Wambolt (1992) underlines: “Content analysis is a research method that provides a systematic and objective means to make valid inferences from verbal, visual, or written data in order to describe and quantify specific phenomena”, that is, qualitative content analysis goes beyond counting and relies on interpretation of the text against the context it is applied to. Thus, qualitative content analysis allows to analyze how Uzbek HE policies are shaped around HCT and how (mis)aligned it is with labor market opportunities for youth by studying actual/current graduate labor market trends in Uzbekistan.

To conduct qualitative content analysis, policy documents dated between 2017 and 2020 were chosen in a similar period to that of reports of UNDP (2018) and World Bank (2014, 2018) on graduate labor market trends in Uzbekistan where the text (policy documents) analysis and actual situation in graduate labor market will be discussed. The rationale behind the choice of these policy documents is twofold. Firstly, Uzbek HE system is under the auspices of the Ministry of Higher and Secondary Specialized Education (MHSSE) which in turn operates under policies, e.g. resolutions of Cabinet of Ministers and Presidential Decrees. Therefore, policy documents by the President and Cabinet of Ministers are the base of the whole HE system and its operation. Secondly, the change of country’s government administration in 2017 was marked as a period when more emphasis on human



capital development through HE was reflected in policy documents, presidential decrees and Cabinet of Ministers resolutions (Abdurakhmanov, 2019). Therefore, these particular six policy documents were chosen (which are enlisted further in this section) to reflect the ideology, theory, assumptions and goals that lie behind HE system in Uzbekistan in recent years.

The units/sample of qualitative content analysis as mentioned above are six latest government policy documents, namely, Uzbek government policy documents, laws and decrees on HE dated between 2017 and 2020 which were retrieved from official government website:

1. Cabinet of Ministers' Resolution No 824 dated 31/12/2020 "On measures to improve organisation of education process in higher education institutions". [О мерах по совершенствованию системы связанной с организацией учебного процесса в высших учебных заведениях. № 824, 31.12.2020, <https://lex.uz/docs/5200558> ].

2. "Decree of the President on The Concept of Higher Education Development in Uzbekistan by 2030". October 8, 2019. President Decree №5847. [Концепция развития системы высшего образования Республики Узбекистан до 2030 года. Указ Президента Республики Узбекистан от 8 октября 2019 года № УП–5847, <https://www.lex.uz/ru/docs/4545887> ].

3. "Education Sector Plan of Uzbekistan, 2019-2023". April, 2019. Ministry of Higher and Secondary Special Education. [<https://resources.norrag.org/resource/576/education-sector-plan-esp-of-uzbekistan-2019-2023>].

4. "Strategy of Action on the further development of Uzbekistan, 2017-2021". February 13, 2017. President Decree № 6(766). [Указ Президента Республики Узбекистан о стратегии действий по дальнейшему развитию Республики Узбекистан. Акт по состоянию на 13.02.2017. № 6(766) г, <https://lex.uz/docs/3107042> ].

5. "Measures of further development of higher education system in Uzbekistan". 31.07.2017. President Decree № 30(790). [О мерах по дальнейшему развитию системы высшего образования Республики Узбекистан. Акт по состоянию на 31.07.2017 г. № 30(790), <https://lex.uz/docs/3171587> ].

6. "Measures of further development of higher education system in Uzbekistan".

10.05.2017. President Decree № 18 (778). [О мерах по дальнейшему развитию системы высшего образования Республики Узбекистан. Акт по состоянию на 10.05.2017 г. № 18 (778), <https://lex.uz/docs/3286191> ].

I conducted a qualitative content analysis to analyze 330 pages of text from the six presidential decrees and resolutions passed from 2017 to 2020. I used QSR's NVivo 12.0 Pro, a software package for text-based analysis, to store policy texts and to organize my systematic reading. After reading a purposeful selection of texts to identify themes, I built my coding frames and put pre-determined set of codes under parent categories. Policy documents were referred to as interviewees with set of questions to be answered by the content, which can also be referred to as research questions to the policy documents. The questions helped to categorize main themes and create a set of codes, which were then used to analyze policy documents. It should be noted the content of questions was formed based on the arguments in theoretical framework and empirical literature review sections. The concepts of knowledge and skills economy, the main HCT principles, namely, the importance of HE in producing skilled workforce to cater for the interests of the economy, the significance of human capital in contributing to economic growth and the relationship between HE and labor market served as a framework upon which the following questions were based.

**Questions to documents:**

1. What is the main purpose of higher education reforms?
2. Does Uzbek government consider higher education as a means to socio-economic development?
3. What is the role of higher education in achieving the goals of 2030 Vision agenda of Uzbekistan, which is to lift it from lower middle income to upper middle income country?
4. What are the main measures taken by Uzbek government to encourage more participation among youth in higher education?
5. Is the scope of higher education increasing or decreasing relative to the percentage of youth population?
6. Is higher education considered to be an important investment in human capital?

7. Is higher education considered to be important for successful youth employment?
8. Do higher education reforms revolve around the benefits of knowledge economy?

Based on these questions, key concepts were labelled as main codes under five main parent categories to be analyzed. The labels created below are the reflection of the discussion in theoretical framework and empirical literature review sections which analyzed the concept of knowledge economy, HCT principles, their critiques from functionalist and structuralist perspectives and their implications for HE and labor market. The codes were used to question and analyze the content of recent Uzbek HE policy documents through the lens of HCT. That is, the purpose of using the following set of codes was to identify to what extent recent Uzbek HE policy reforms are influenced by HCT principles, whether the main aim of Uzbek HE policies is to “feed” the demands of knowledge/skills economy which argue for the importance of HE in youth employment and economic growth and whether policy objectives revolve around individualization and educationalization of youth unemployment requiring more and better investment in HE system. Thus, categories (codes) below capture the essence of HCT, its arguments and limitations, to analyze and explain the content of recent Uzbek HE policies and their main objectives.

**Categories (codes):**

1. **Human capital** (investment in higher education, use economic potential of students and etc.)
2. **Knowledge economy** (foster 21<sup>st</sup> century skills, build skill-based economy and etc.)
3. **Economic growth** (prepare qualified workforce, encourage human capital to reap its full economic benefits and etc.)
4. **Expansion of higher education** (increase in admission quotas, increase in the number of higher educational institutions and etc.)
5. **Qualified labor force** (highly specialized labor force to fill the vacancies, reciprocate the demands of graduate labor market and etc.)

My main goal was to interpret policy texts and analyze the level of impact HCT had on policy objectives. To accomplish that, all policy documents were read in their entirety

line-by-line. Next, the texts from all six documents were coded using NVivo 12.0 software using directed (deductive) content analysis with pre-determined set of codes (nodes). Child notes (sub-categories) were then brought together under parent nodes (parent categories/themes). After coding process, relational content analysis was applied by asking the software to highlight the references and relationships in the documents: how the texts fit into parent categories and the descriptions (codes) under each category. The findings were then analyzed comparing them to the reports of World Bank (2014, 2018) and UNDP (2018) on current graduate labor market situation in Uzbekistan.

Overall, conducting text-context gap analysis through critical analysis methodology was a smooth process, but challenging in terms of sourcing necessary policy documents to date. Moreover, qualitative content analysis using NVivo 12.0 software, proved to be quite difficult, but effective method of conducting this research overall. During the process, I learnt a lot more about the importance of qualitative content analysis and the depth of content analysis going beyond word counting. Establishing the relationship between main themes (codes) under the categories served the purpose of this research well in interpreting Uzbek government HE policy documents and the effect of knowledge economy and HCT in objectives the government put forward. This method helped to then compare it to the context these policy objectives are/will be applied in and identify text-context gap. Therefore, overall, I learnt that using directed qualitative content analysis is effective for conducting a research with a predetermined set of theories and concepts to be tested against the real context they are applied in. Such analysis creates a clear and bigger picture to come up with policy recommendations and even topics for further research.

### **3.2. Ethical considerations**

This dissertation is conducted according to the University of Glasgow's ethical guidelines on carrying out research. While the whole study only utilized publicly available secondary data, I ensured that all the literature collected and analyzed for this dissertation was used solely for research purpose. Moreover, all the secondary data was collected from reliable resources. Further, in accordance with the University of Glasgow's prescribed

method of citation, I have referenced all academic sources using the Harvard referencing style.

### **3.3. Limitations of the study**

First and foremost limitation of this research paper is linked to the usage of official documents and the potential concerns they bring along. While official documents can be a reliable source in terms of exactness and not being obtrusive as they are not influenced by the research process, it is important to mention that they do not always contain sufficient detail to completely answer research questions. As official documents are not written for research purposes, they often do not talk about the topic under review from critical point of view and only provide one dimensional information which is insufficient for holistic research analysis. Moreover, official documents used in this research paper are mainly produced by high-level officials for public record and therefore have a high risk of biased selectivity, that is, revealing the details that appeal to the public thus not representing the whole truth. In addition to official policy documents, the reports used in the study also reflect the dominant ideology of their respective organizations and are not exempt from the biases of their respective authors. In terms of author's bias, it should also be noted that my own analysis in this paper has a potential concern of favoring a particular standpoint, which is a critique of Uzbek HE policies based on my background knowledge of Uzbek HE system and graduate labor market. While it is inevitable that as a researcher, I had a certain level of subjectivity in terms of supporting my viewpoint, I mainly chose literature that was directly related to my research questions and main topic. Moreover, official statistics that I used for my analysis served to mitigate the risk of bias and background knowledge I had on Uzbek HE system and graduate labor market.

Secondly, given the limited scope of the research, this dissertation examined a particular period both in analyzing policy documents and graduate labor market trends. For more informed policy-making comparative approach, that is, comparing different periods and making policy recommendations would make the research more holistic. Moreover, this study does not attempt to cover all the literature on HCT and its role in HE-labor market

relationship, as it only focuses on structural and functional inconsistencies of HCT in Uzbek graduate labor market. Therefore, this study should be viewed as part of a bigger and more comprehensive research field in HCT and HE policy.

Notwithstanding, this dissertation, even its limited scope, will contribute even a small share in establishing a strong research base for further studying the connection between HE and graduate labor market in Uzbekistan.

## CHAPTER 4: FINDINGS AND DISCUSSION

### 4.1. Introduction

Qualitative content analysis of recent Uzbek HE policy documents revealed that the latest Uzbek government development agenda places a significant emphasis on HE as a tool to achieve economic growth by harnessing highly qualified workforce and human capital. Uzbek HE policies prioritize neoliberal ideology and HCT in enhancing and expanding HE system as the route for sustainable development of the country. Meanwhile, the study of official statistics and household surveys has shown disturbing trends in terms of job quality, dominance of informal sector, high rate of migration and skill mismatches in Uzbek graduate labor market (World Bank 2014, 2018; UNDP 2011, 2018). Based on the arguments made in theoretical and empirical literature review sections on HCT and its main critiques, it can be said that Uzbek HE and graduate labor market do not function according to the principles of HCT, which will be discussed further. Most importantly, significant structural and functional inconsistencies of the labor market have led to un-linear employment trajectories for graduates questioning HE policy objectives of Uzbek government.

Directed qualitative content analysis using NVivo software indicated a close connection between the goals of HE policies in Uzbekistan and HCT principles. Figure 2 indicates the number of times labels which were created based on HCT and its critiques, are addressed by all six policy documents. (More detailed table of findings can be found in Appendix).

**Figure 2. Deductive content analysis sorting the results of six policy documents that address main categories (derived from questions) that are related to HCT and its main arguments**

<b>Categories</b>	<b>Number of references to each category/theme across six policy documents</b>
Human capital	30
Knowledge economy	15

Economic growth	22
Expansion of higher education	32
Qualified labor force	35

Interpreting Figure 2, it can be argued that the number of times each concept appears across the sample of policy documents is the indication of alignment between HCT principles and Uzbek HE policies in recent years. To be more exact, each parent category (label) was created to represent the main arguments and critiques of HCT and thus the documents were ‘interrogated’ using these labels. Across 330 pages of sample of policy documents, parent categories altogether were addressed and mentioned both implicitly and explicitly 134 times, which covers more than the third of all policy documents together. This suggests that Uzbek government based on neoliberal ideology and HCT which highlight the importance of skills and knowledge economy, has set out roadmap for development prioritizing the role of HE to become a competitive economy. Moreover, similar number of times documents address each concept suggests a strong symmetrical link between the objectives, mission and philosophy of HE reforms and HCT principles. This in turn suggests the dominance of HCT ideology in the objectives of recent HE policies Uzbek government adopted.

## 4.2. Discussion

### 4.2.1. Functionalist critique of HCT in Uzbek HE policies and graduate labor market

As it was highlighted above, all six policy documents attach a particular significance to knowledge economy and the 21<sup>st</sup> century skills, which are considered to be utterly important for 2030 Vision of Uzbekistan to become an upper middle income country. To elaborate, following excerpt serves as the evidence of this argument:

*“One of the goals of reforms in higher education is to improve the quality of training highly qualified personnel, development of human capital based on 21<sup>st</sup> century requirements for modernization and stable socio-economic development of the country”.* (Decree of the President on The Concept of Higher Education Development in Uzbekistan by 2030, p 1.)



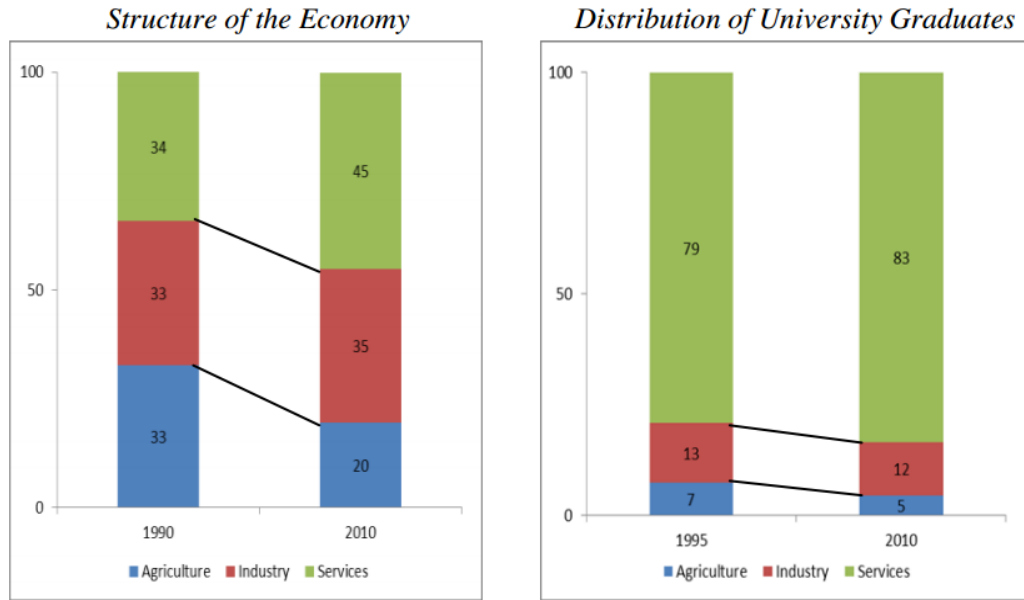
The excerpt above represents the ideology that lies behind the reforms in Uzbek HE system, which considers economic growth as an end goal where HE serves as a tool being a means to an end. The main aim of reforms in HE in all six policy documents from 2017 to 2020 is found to be supporting such economic growth through fostering and cultivating human capital. Analyzing through the lens of HCT and its main principles discussed in theoretical framework, it can be argued that Uzbekistan, as a lower middle income country, is following the steps of advanced nations, in developing a knowledge economy where the main form of capital is highly skilled workforce. As a former USSR country, whose economy was mainly industrial, Uzbekistan now is at a transition stage attempting to develop its economy not through manual, but intellectual labor as did developed countries. Representing pure liberal capitalist path to development, Uzbek HE policies serve as an illustration of shift in policy discourse from intrinsic value of education to instrumentalist function. As such, a “strong” link between higher levels of education and societal development has been a driving force in the adoption of reforms in recent Uzbek HE policies backed up by leading organizations to match international standards of development, “universal” knowledge and skills economy. To illustrate, UNESCO suggests Uzbekistan not to waste its human capital as it criticizes low HE enrolment rates (10%) (UNESCO, 2018), while, “internationally, other lower-middle-income countries have an average tertiary enrolment rate of 18 percent (World Bank, 2014). Abdurakhmanov (2019) argues that current enrollment models in Uzbekistan do not correspond growing demand for qualified graduates. Moreover, a 2013 World Bank survey found that nearly half (49%) of employers reported a lack of sufficient numbers of qualified specialists with HE degree, which explains 19% youth unemployment in Uzbekistan (World Bank, 2014). At the same time, it should be highlighted that overall, the employment rate among graduates with HE in Uzbekistan is 77% and wages are 55% higher compared to 57% employment rate for students with lower education levels (MHSSE, 2019). Thus, a high return to investment made in HE can serve as an indication of its importance in increasing productivity of graduates and signaling their potential to employers which brings along better employment opportunities and drive economic progress. Hence, Uzbekistan’s young population, a homogenous group referred to as potential workforce, is considered the most valuable “raw resource” which should be “refined” through higher levels of education in order to be put into productive use. At the same time, youth are considered as rational

agents maximizing their utility by possessing perfect information on the benefits of HE and making informed investment to get better jobs. Such productivist orthodoxy and instrumentalist function of HE is one of the underlying principles of HCT which has shaped Uzbek HE policies in recent years as the analysis of policy documents suggests. HE, in turn, is the main tool which transforms the resource into a product and therefore, is a crucially significant sector to be expanded and developed. Most importantly, such liberal capitalist development paradigm has been incorporated into recent Uzbek HE policies which emphasize the role of HE in economic growth and justify its expansion by highlighting its contribution to development. Therefore, HE policy makers in Uzbekistan considered mass enrolment and expansion of HE to be one of the viable contributors to socio-economic growth inspired by HCT in signing “learning=earning” contract with citizens. Indeed, the first objective Uzbek government intends to achieve through its HE system reforms is:

*“The development of public-private partnerships in the sphere of higher education which will enable the expansion of higher education to reach more than 50% enrolment rate by 2030”.* (Decree of the President on The Concept of Higher Education Development in Uzbekistan by 2030, p23.)

Overall, according to World Bank (2014) study, job creation in Uzbekistan since independence has generally kept pace with population growth, thus, justifying expansion of HE to “feed” the economy with highly qualified specialists. However, as shown in Figure 3, while since independence from former USSR, the structure of Uzbekistan’s economy has changed considerably, the shares of graduates in fields and sectors have not almost changed during this period, questioning the nature, quality and field the jobs are created in.

**Figure 3. Change in the structure of the economy and distribution of university graduates across fields in Uzbekistan.**



**Source:** World Bank Report 2014. Modernizing Tertiary Education in Uzbekistan, p 20.

Meanwhile, “Education Sector Plan (ESP) of Uzbekistan, 2019-2023” in its HE reform policy, prioritizes high HE enrolment rates through enhancing access and participation in current directions of study:

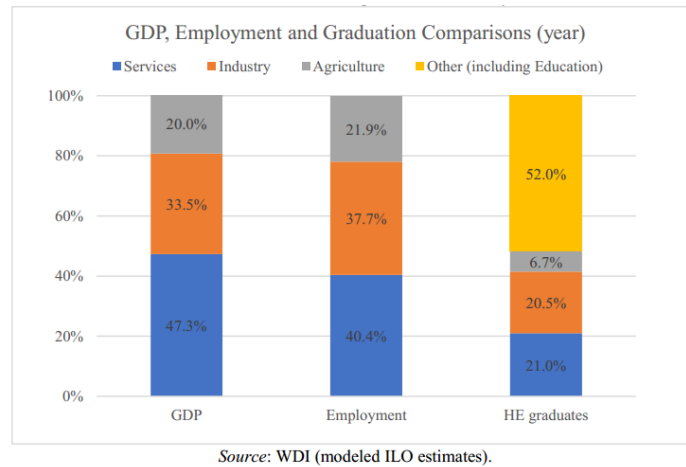
*“Under the strategic area of access and participation, the main activities are related to removal of quota systems, expanding the spaces /seats in currently available courses and trades”.*

(Education Sector Plan (ESP) of Uzbekistan, 2019-2023, p

115.)

This policy goal is the evidence of Uzbek government’s ambition towards ensuring its economic growth by expansion of its HE, as discussed above, while statistical data from labor market reveals contradictory trends. While this policy has an objective of increasing enrolment quota on existing study fields, Figure 4 shows a disconnect between current fields of study and employment opportunities in Uzbek labor market.

**Figure 4. Disconnect between Uzbekistan’s HE system and labor market**



**Source:** World Bank Final Report 2018 on Uzbekistan Education Sector Analysis, p 92.

Figure 4 indicates widespread employment of HE graduates outside of their academic specialization, the phenomenon called horizontal skills mismatch, contradicting the goal of increasing enrolment rates in existing disciplines which will further widen the gap between fields of graduation and labor market demands. As evidence from theoretical framework section reveals, HCT fails to take into account the fact that the presence of HE degree is not the indication of guaranteed job opportunity in a desired field. Moreover, studies of graduate labor markets in Spain, India and Chile also indicated such functional failures and “paradoxes” where HCT inspired HE policies in their respective countries are actually exacerbating youth unemployment due to information asymmetries and ineffective job-matching process which have led to grade inflations and skill mismatches. Likewise, based on the data provided by HE institutions to the MHSSE of Uzbekistan, graduates are often employed in sectors that they consider to be less preferable than the fields for which they were educated (World Bank, 2018). To be more exact, a joint survey conducted by German International Cooperation (GIZ) and World Bank among tertiary graduates in 2013 revealed that they consider the fields of construction, physical culture/sport, and art/cinematography as less desirable than other fields as is exhibited by their lower applicant rates (World Bank, 2014). Yet these are also the sectors of the economy that employ more HE graduates than the number who studied these disciplines. Thus, graduates from the more competitive fields—like communications, education, and health—are unable to secure jobs in the areas of their

studies and therefore look for jobs in sectors in which jobs are readily available. Ironically, if graduates are employed outside the field they are taught and trained in, does it lead to productivity and eventual economic growth as HCT asserts?

Another issue of concern in Uzbek graduate labor market perpetuating skill mismatches is the absence of adequate information channels for an effective job-matching process. According to Beveridge curve principle, job-matching process is believed to be a critical aspect of labor market efficiency in which people searching for jobs are successfully matched to available vacancies (Yashiv, 2007). HCT orthodoxy implies perfect information and rationality in graduate labor market whereby graduates as rational agents make rational investments in their HE to get better employment opportunities after graduation. Yet, based on the data provided by GIZ and World Bank survey among tertiary graduates, more than half of all respondents in Uzbekistan (58 percent) responded that they do not possess access to information on available vacancies whereas 35 % of them have found jobs through acquaintances, which hints slightly at nepotism (World Bank, 2014). Such trend completely negates rational choice principle HCT endorses, indicating imperfect information, lack of consistency and efficiency in job-matching process irrespective of innate ability or productivity graduates possess. As such, linear relationship between HE and graduate labor market is blurred when Uzbek graduates fail to reap the benefits of their investment in HE because of inability to signal their potential and productivity to employers. This in turn questions the validity of Uzbek HE policies dominantly influenced by HCT ideology of rational choice, perfect information and learning=earning contract.

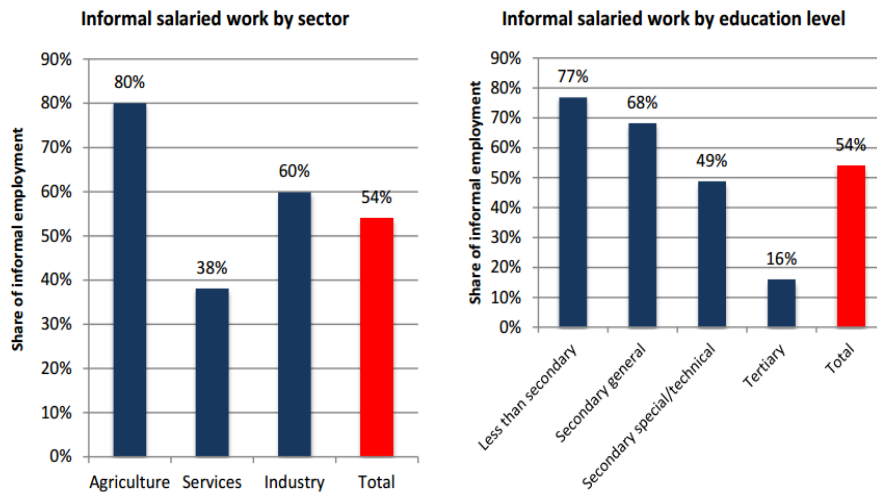
#### **4.2.2. Structural critique of HCT in Uzbek HE system and graduate labor market**

It should be noted that as part of widening access policy to HE, earlier in 2017, Uzbekistan's Cabinet of Ministers adopted a resolution introducing a new reform in admission policy, which was carried out in line with government's objective of expanding the reach of HE (MHSSE, 2019). Uzbek HE is 70% financed privately by students paying tuition fees and thus, in 2017/2018 academic year "super-contract" system was introduced which allowed HE institutions to admit students who did not meet minimum entry

requirements, but who could pay much higher tuition fees which ranged from 10,564 to 35,216 US dollars, eight times the average tuition fee (World Bank, 2018). This reform, in the pursuit of expanding HE based on the fact that the more young people have HE degrees, the better are the chances of their employment and subsequent economic growth is a classic example of HCT and neoliberal paradigms of development. Analyzing this reform in HE admission policy from HCT perspective, it can be argued that Uzbek government considers those who are not getting access to HE as unused resource that would otherwise have contributed to GDP growth. Meanwhile, HE institutions, which are characterized as filtering devices that simply signal pre-existing abilities of graduates to employers according to signaling theory, are turning into perpetuators of inequality not only in terms of meritocracy, but in this case, wealth and possible idiocracy. As data below reveal, such extreme expansion of HE system misalign with graduate labor market conditions further driving graduates down into “opportunity trap” (Brown and Lauder, 2006).

In addition to functional failures of HCT in Uzbek graduate labor market like skill mismatches and information asymmetries, a significant share of informal sector in provision of jobs signals structural failures like low quality of working conditions, job security and overall, the lack of rewarding jobs, supporting the validity a dual labor market theory in Uzbekistan (World Bank, 2014). For the purposes of analysis, informal sector has been defined as the one in which employees lack job security such as employment contract, benefits and pension schemes (World Bank, 2014). As shown in Figure 5, while informal sector employs slightly more than half of all Uzbek employees, the share is 16% for HE graduates. Moreover, according to the research conducted by Ochilov, (2017), the highest monthly salary for HE graduates was around \$ 305 and average salary was \$ 136-151 in 2015, which is significantly low if compared against the cost of tuition fees and recent super-contract fee, which can go up to \$ 25000. This is paradoxical given that most of the firms in UNDP survey discussed earlier indicate shortage of skilled labor force while most of the population is suffering from precarious labor market conditions (UNDP, 2018).

**Figure 5. Share of informal sector in Uzbek labor market by education level**



**Source:** World Bank/GIZ Report on Uzbekistan Jobs, Skills, and Migration, 2013, p 13.

Stemming from skill mismatches, information asymmetries and low quality jobs generated in precarious informal sector, labor market discouragement is one of the most disturbing trends that lead to other challenges for graduates. According to World Bank, “discouraged workers are defined as persons who are not in the labor force and, although they are available to work, they are no longer seeking employment because they do not believe they will find any” (World Bank, 2014). Thus, in Uzbek graduate labor market youth are particularly affected by labor market discouragement—approximately one in ten people aged 20–24 are not looking for a job because they do not believe they can find one (UNDP, 2018). Following this trend, 1.5% of tertiary graduates are considered to be discouraged while the average discouragement rate among workers including tertiary graduates in OECD countries is 0.5% (World Bank, 2014). In this line, “talent flight” or “brain drain” is another significant inconsistency currently existing in Uzbek graduate labor market which was a serious challenge in a high-income country like Spain as discussed earlier. Estimates of the number of Uzbeks working abroad range from 2 million to 4 million migrants or up to 23 percent of the total working-age population in Uzbekistan (World Bank, 2014). On the contrary, domestic migration rates are extremely low suggesting suboptimal labor allocation within the country. What is even more disturbing is the fact that one in three of Uzbek migrants possess a HE degree, which emerges from abovementioned labor market

deficiencies hindering the cultivation of human capital. Ochilov (2017) found that one of the reasons why so many talented tertiary graduates are leaving the country can be explained by high rates of nepotism, cronyism and corruption in Uzbek graduate labor market. Thus, further expansion of HE by increasing enrolment quotas and introducing “super-contract” tuition fee admission policy will possibly widen existing structural inequalities, deepen “opportunity trap” and cause grade inflation leading to underemployment and unemployment. Meanwhile HCT-inspired government HE policies base their rationale on individual responsibilities for successful employment ignoring functional and structural failures of graduate labor market.

#### **4.2.3. Summary**

Overall, it can be argued that Uzbekistan, in the pursuit of becoming an upper-middle income country has a risk of exacerbating youth unemployment and jeopardizing productive economic growth by “educationalizing” and individualizing structural socio-economic “errors” in graduate labor market. Endorsing liberal capitalist paradigm of development advanced nations universalize and adopting myopic and linear vision of economic growth by putting the responsibility and blame on individuals, Uzbekistan risks becoming next Spain, India, Chile or Venezuela.

#### **4.3. Policy recommendations**

Based on comprehensive analysis of Uzbek HE policy objectives and their guiding principles, functional and structural inconsistencies and challenges in Uzbek graduate labor market as well as international experience of countries with similar paradoxical situations, I will make following policy recommendations for Uzbek government.

First and foremost change in Uzbek HE policy making should be based on a different interpretation and formulation of youth unemployment challenge in graduate labor market. As the evidence from literature review and findings reveals, HCT and signaling theory which guide Uzbek HE policies individualize and educationalize structural socio-economic phenomena framing them around lack of knowledge, skills and innate ability. It is important to highlight that both youth employment and economic growth are multidimensional and systemic phenomena, and thus, they depend not on single-sectoral and individual, but



multiple and intertwined factors. Therefore, while mass expansion of HE system in Uzbekistan is “justified” according to international standards of such organizations as World Bank, UNDP and OECD which consider low HE enrolment rates to be a deterrent for economic growth, increasing the reach and scope of HE system should be accompanied by the supply of corresponding high-quality jobs. This implies the elimination or at least reduction of informal sector in job market where work conditions, earnings and job security correspond the level of investment made in HE. Thus, the supply of highly qualified specialists should go in hand with the supply of rewarding high-quality jobs.

The second policy recommendation that follows is the collaboration between HE institutions and job providers which should be facilitated by the government. HE institutions, instead of acting alone, should work together with employers and labor market sectors to understand the needs of the economy to prevent skill mismatches and to balance vacancy and unemployment rates by ensuring effective job-matching process. Moreover, as HE system does not operate in vacuum, HE policies should be in consistency with graduate employability policies. That is, skills that are taught at HE institutions should be transferrable to labor market with right mechanisms and information channels in place to signal the (hypothetical) ability and productivity of graduates to employers. Thus, expansion of HE or increase in enrollment quotas should be cautious and in alignment with local labor market demands instead of replicating “universal” success formula of advanced nations and international organizations.

Last, but not least, given the latest Covid-19 crisis which shattered labor market especially for youth and recent graduates, further Uzbek HE and labor market policies should be based on a strong evidence-based social research beyond official statistics. As the findings of this research paper revealed, HCT inspired HE policies are failing to fulfill their main objectives and as such in order for Uzbek government to adopt informed HE policies, further and deeper research on Uzbek graduate labor market should be conducted to better understand the nature and causes of youth unemployment paradox. Thus, this research will constitute a base for further research bigger in scope for critical analysis of HE policies at government level and their implication for current and future graduates to be integrated into labor market.

## CHAPTER 5: CONCLUSION

Overall, answering the main research question, it can be asserted that Uzbek HE policies are highly influenced by HCT ideology and are pursuing goals which are not in alignment with graduate labor market situation in the country, justifying the hypothesis the paper put forward.

First and foremost, Uzbek HE policy documents and their objectives are built on simple learning=earning=economic growth formula which consider expansion of HE as the main solution to youth unemployment, skill shortages and economic growth of the country. There is no doubt that HE is an investment that yields huge dividends in the form of premium wages and better lifestyle which later translates into more productivity, economic growth and social cohesion. However, HE does not operate in a vacuum meaning that employment and economic growth depend on many more factors. The dominance of informal sector in labor market, lack of decent job opportunities and unavailability of information for efficient and effective job-matching process serve as the perfect illustrations of structural failures and critiques of HCT.

Secondly, horizontal skill mismatches that tertiary graduates are experiencing in Uzbekistan is a classic example of functional inconsistencies of labor market that HCT fails to explain. Such information asymmetries that exist between HE institutions and employers is the systemic failure, not a sectoral one. Putting HE at the focal point of such inconsistency and blaming youth unemployment on individuals low enrolment rates in HE is a short-sighted decision as the example of several countries revealed. Thus, adopting popularized formula of economic growth through skilled workforce is drawing Uzbekistan into the trap of “myths of skills economy” and “cruel optimism” as Bessant & Watts (2014) describe it. This, in turn indicates that continuing in this direction, Uzbekistan risks becoming the next Spain with a big number of overqualified graduates leaving the country for better opportunities; the next India or Venezuela where unemployment rate rises parallel to the level of education where more graduates are unemployed than non-graduates with income penalties; or the next Chile where significant skill mismatches are causing grade inflation and lowering productivity levels, which as a matter of fact is already happening.

Therefore, Uzbekistan, with a transitional economy in order to make use of its human

capital, should in the first place create conditions for this capital to grow and prosper. The goal of HE policies should not be directed towards extreme expansion for the sake of quantity, but quality which will indeed boost productivity of graduates, building a symbiotic relationship between qualified specialists and demands of the local economy.

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## APPENDIX

### DETAILED ACCOUNT OF FINDINGS FROM QUALITATIVE CONTENT ANALYSIS USING NVIVO 12 PRO SOFTWARE.

Parent categories	Meaning	Evidence (excerpts from policy documents)
Human capital	Combination of knowledge, skills and abilities of students/graduates that is utilized to produce economic value.	“One of the goals of reforms in higher education is to improve the quality of training highly qualified personnel, development of human capital based on the 21 <sup>st</sup> century requirements for modernization and stable socio-economic development of the country”.
Knowledge economy	Economic system that is based on not manual, but intellectual labor. Skill-biased technology, abundance of rewarding jobs that require high skills is believed to be defining feature of labor market in knowledge economy.	“Improvement of the quality and effectiveness of higher educational institutions based on international standards in order prepare future workforce corresponding the needs of market and knowledge economy”.
Economic growth	The goal of higher educational institutions is geared towards producing highly qualified graduates that contribute to economic growth of the country. Thus, socio-economic development is “educationalized”, considering it to mainly depend on higher education.	“New phase of improving higher education system in Uzbekistan puts the goal of equipping students with modern skills and knowledge which is critical to contribute to economic growth of the country in line with Strategic Vision 2030”.
Qualified labor force	The main function of higher educational institutions is believed to be supplying economy with qualified labor force and thus they are ultimately responsible for labor market success of their graduates.	“Creating the necessary conditions for increasing the level of coverage/reach of higher education, training highly qualified, creative and systematic thinking workforce based on international standards, capable independently make decisions for the implementation of their intellectual abilities”
	Following “educationalization” of socio-economic development and labor market outcomes of graduates, increasing the “amount” and scope of	“The development of public-private partnerships in the sphere of higher education which will enable the expansion of higher education to

<p>Expansion of higher education</p>	<p>higher education to reach as many people as possible. Thus, expanding higher education will bring to the “production” of more highly skilled labor force by using available human capital, who in turn will be driving force of economic growth of the country.</p>	<p>reach more than 50% enrolment rate by 2030”</p> <p>“Opening new higher educational institutions; establishing of joint degree programmes and joint faculties; introduction of new education directions and specialties; extramural and evening departments; university autonomy on student quotas and educational programmes”.</p>
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