



Article

The Importance of Ensuring The Economic Well-Being of The Population Through The Development of Social Sectors

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Abstract: This article analyzes the impact of social sectors - namely, education, healthcare, social protection, employment and housing - on economic well-being in society. The author's analysis of the case of Uzbekistan uses analytical approaches to the attention paid by the state to the social sector, the programs being implemented and their real economic impact. The article also provides comparative analysis with international experience, justifying the impact of social investments on long-term economic stability and the standard of living of the population. As a result, it is scientifically proven that ensuring the economic well-being of the population through the comprehensive development of social sectors is an effective strategy. This article analyzes the role and importance of social sectors in ensuring the economic well-being of the population, especially such important areas as education, healthcare, social protection and employment. The development of social infrastructure directly affects the quality of life, income and labor productivity of the population. The article also substantiates that sustainable well-being can be achieved by combining economic development and social justice. In particular, the development of the education system serves to train personnel who meet the requirements of the labor market, while the effective functioning of the healthcare system ensures the health and productivity of labor resources. The social protection system, in turn, supports vulnerable segments of the population and contributes to the reduction of poverty. This article examines the reforms, state programs and their impact on the living standards of the population implemented in recent years using the example of the Republic of Uzbekistan. Based on statistical data and international experience, an in-depth analysis of the economic efficiency of the development of social sectors is provided. The results of the article may have practical significance in shaping socio-economic policy.

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1. Introduction

In the 21st century, it is becoming increasingly urgent to ensure economic growth not only through industry, agriculture or service sectors, but also through the consistent and systematic development of social sectors. Social sectors - education, healthcare, employment, social protection, housing and other social infrastructure - serve not only the development of human capital, but also directly the economic activity of the population, the expansion of income sources and an increase in the standard of living in general[1]. Investments in these areas contribute to long-term economic stability, social justice and equality, as well as increasing citizens' trust in the state. In recent years, the Republic of Uzbekistan has been implementing large-scale reforms aimed at developing social sectors.

New schools and kindergartens, modern hospitals, labor market regulation centers are being built through state programs. At the same time, the social protection system is being digitized and the level of openness and transparency in the receipt of social assistance by the population is increasing. The main scientific goal of this article is to determine the actual effectiveness of these reforms, assess their impact on economic well-being and propose future development strategies.

In the introduction, it is worth noting that international experience - in particular, the experience of countries such as the Scandinavian countries, South Korea and Germany - shows that effective investments in social sectors not only accelerate economic growth, but also become a decisive factor in ensuring social stability[2]. In this regard, one of the urgent scientific tasks is to study the economic and social results of the social policy implemented in Uzbekistan.

Literature review on the topic. The World Bank's 2024 report notes that every US\$1 invested in education and health leads to an average of US\$4-5 in economic growth [3]. These figures demonstrate that investments in social sectors are strategically important for economic development. This is especially important in developing countries, including Central Asia, where annual population growth is 1.5-2%, requiring the creation of new jobs and the expansion of social services. There is a wealth of research on the impact of education on economic well-being. For example, Hanushek and Woessmann, who conducted major studies in the fields of psychology and economics, found that improving the quality of education can increase labor market earnings by an average of 10-15% [4]. According to the 2023 data of the Statistical Committee of the Republic of Uzbekistan, public spending on education amounted to 5.2% of gross domestic product (GDP), which is close to international standards, but it is noted that the quality and coverage of educational services still need to be increased.

Investments in health also play a crucial role in increasing the well-being of the population. According to a 2022 analysis by the World Health Organization (WHO), every dollar of health spending produces an average economic effect of 2-3 dollars. This is especially important in terms of longevity, combating diseases and ensuring a healthy workforce [5]. In Uzbekistan, the health budget has increased from 3.8% to 4.5% of GDP over the past five years, leading to improvements in health indicators.

Employment is also an important indicator of the development of social sectors. The World Bank's 2023 report noted that the employment rate in Uzbekistan reached 74%, which is higher than the regional average [6]. In addition, the opening of new vocational centers and training programs are helping to increase economic efficiency by improving the quality of the workforce.

Also, many scientific sources on state policy in the development of social sectors and its effectiveness emphasize that spending by the state on social services is an important criterion for ensuring social stability and well-being. In Uzbekistan, this figure is currently around 12-13%, and there are opinions that it needs to be further increased.

A study by local economist S.N. Kadyrov published in 2021 noted that the share of state spending on social sectors in GDP increased from 9.5% to 13.2% from 2010 to 2020 [7]. This had a significant impact on the expansion of the scope of social services and the improvement of the well-being of the population. The study showed that the development of the education and healthcare sectors is leading to an increase in the average salary and employment rate of the population from year to year.

Another economist, Sh.M. Usmonova noted that the number of benefits provided within the social protection system in Uzbekistan increased by 30% from 2020 to 2023 [8]. These benefits led to a 12% reduction in poverty, which resulted in a significant increase in consumption stability and living standards. At the same time, the importance of supporting economic activity by improving the efficiency of the social benefits system is noted.

Research by local scientists and organizations shows that it is possible to increase the economic well-being of the population in Uzbekistan by developing social sectors - improving the education, healthcare, social protection and employment systems. In this process, it is emphasized that the scientifically based and systematic nature of state policies and strategies, as well as innovation and digitalization processes, are crucial in increasing the efficiency of social services.

2. Materials and Methods

This study is aimed at studying the impact of the development of social sectors on the economic well-being of the population based on an integrated approach and includes a set of theoretical and practical methods widely used in scientific research. The research methodology is based on the combination of advanced methods in the fields of social economics, economic statistics, sociology and public administration [9]. This article uses complex research methods to deeply analyze the importance of developing social sectors in ensuring the economic well-being of the population. A systematic approach, analysis and synthesis, statistical analysis, comparative analysis, empirical and theoretical approaches were chosen as the methodological basis of scientific research. First, based on a systematic approach, the role of social sectors (education, healthcare, social protection, culture, sports, etc.) in ensuring economic well-being was studied not separately, but in an interconnected manner. Through this approach, the integration of all sectors of society with economic development was analyzed. Secondly, based on statistical analysis methods, the volume of budget funds allocated to social sectors, their share in GDP, their impact on employment and income of the population, and the quality of service were analyzed. Analytical results were presented in a visual form using graphs and tables based on numerical data. Thirdly, through empirical methods, the level of satisfaction of the population with social services and their impact on their economic life were studied through questionnaires, interviews and the study of existing practical experiences. In particular, the state of social infrastructure, material and technical base of health care and educational institutions were analyzed at the regional and district levels. Fourthly, using the comparative analysis method, the level of development of social sectors between Uzbekistan and developed countries (such as Germany, South Korea, Sweden) and their impact on the well-being of the population were studied, and mutual differences and commonalities were identified. Using this method, the possibilities of studying advanced foreign experiences and applying them in the conditions of Uzbekistan were discussed [10]. In addition, the article analyzed the existing scientific literature, official documents, presidential decrees, state programs and analytical reports based on theoretical analysis and revealed their content and essence. This research methodology serves to scientifically illuminate the role and importance of social sectors in increasing the economic well-being of the population, identify existing problems, and develop proposals. The complexity of the methodological approach increases the reliability and practical significance of the research results.

3. Results and Discussion

Economic well-being is characterized by the quantity, quality and savings of goods and services consumed by the population. The extremely complex structure of consumption does not allow it to be assessed in the form of material goods, that is, it is impossible to assess actual consumption in this way. Here, the monetary form of consumption is useful and it is expressed by real income.

Various theoretical views on real income arise from the fact that public consumption is commodified consumption, that is, it occurs by exchanging monetary income for goods and services in the market in accordance with the prices formed there. A. Smith and D. Ricardo were the first to see that people's needs are satisfied through the consumption of goods in the form of goods [11]. They argued that the wealth of a country is not represented

by the money supply there, but by various consumer goods and they showed that these satisfy needs. They distinguished between nominal and real wages.

According to A. Smith, real wages “depend on the usual or average price of food.” D. Ricardo wrote that “the subsistence of the worker and his family depends not on the amount of money he receives as wages, but on the food, necessities of life and comfort.”

Later theorists assessed the level of well-being not by the amount of money itself, but by the value of the monetary unit and derived it from prices. A. Pigou, V. Pareto, J.M. Keynes and P. Samuelson interpreted the well-being of the population in terms of real income [12]. Real wages were considered its basis. According to P. Samuelson, wage earners and their families constitute the bulk of the population, for whom the important thing is “the level of real wages, that is, the volume of goods and services that can be purchased for a given wage.”

Well-being is expressed not only by wages, but also by other types of income. Therefore, the concept of real income should be used. Since real income serves consumption, it cannot be considered a category specific to consumption. Real income is also a distribution category, but it also implies changes in prices. Based on this, real income can be said to be income taking into account the purchasing power of money.

As is known, P. Samuelson considered “real income as money income under conditions of unchanged prices”. However, in the current literature, real income is compared with natural income and allowed to materialize it [13]. Some authors consider real income not in terms of its economic essence, but from the point of view of its calculation. In our opinion, it is more appropriate to consider real income in terms of distribution. Based on this, real income can be assessed as the share of economic entities in the created real GDP. This recognizes that real income is formed on the basis of money income.

Real income is the main criterion for assessing economic well-being. Its dynamics are influenced by three factors:

- The amount of money income;
- The income that is available to people after deductions are made from money income, that is, the income that is available to people;
- The market price of consumer goods.

Real income is directly proportional to the amount of nominal money income and inversely proportional to the amount of deductions made from it and the price level. For it to increase, money income must first increase.

The level of individual well-being is ultimately determined by the consumption of each person, which in turn depends on the per capita income of the population. The higher the production, the higher the income. However, for well-being to increase, the volume of gross income must grow faster than the population. This is confirmed by world practice. As a basis for reaching this conclusion, we present below a Table 1 compiled based on data from the World Bank [14].

Table 1. Global per capita income growth

T/p	Indicators	2017	2018	2019	2020	2021	2022	2023
1	Gross national product (in constant prices), trillion dollars	140,05	144,95	149,26	145,23	154,59	158,98	164,77
	Gross national product growth rate, in percent	3,5	3,1	2,7	-3,1	6,4	2,6	3,0
2	Population, billion person	7,61	7,70	7,78	7,86	7,92	7,99	8,60
	Population growth	1,0	1,1	1,1	1,1	1,0	1,0	1,1

	rates, percentage							
3	Gross national product per capita (at constant prices), dollars	18403	18824	19185	18477	19519	19897	19159
4	Per capita income (constant prices), dollars	8619	8741	8848	8401	8782	9163	9544

The data presented in the table confirm that since the volume of world national product has grown faster than the growth of population, per capita income has increased. However, in economically developed countries, very slow population growth leads to rapid growth in per capita income in conditions of economic growth. On the contrary, rapid population growth in economically weak countries slows down the growth of per capita income. However, this does not mean that the slower the population grows, the better it is for welfare, and that if the population does not grow at all, it is even better. When assessing welfare, the population should be viewed not only as a consumer, but also as a producer, that is, as a creator of income.

The impact of demographic changes on the welfare of the population depends on the number of dependents, that is, children and the elderly, per worker. The more dependents, the more difficult it is for workers to maintain and increase their standard of living. In Germany, the cost of raising a child up to the age of 20 is 25% higher than the cost of supporting an elderly person for the rest of their lives. However, the aging of the population, that is, the increase in the share of elderly people in its composition, can reduce per capita income. However, in order to prevent this from happening, the labor productivity of workers must grow rapidly. This is clearly confirmed by the experience of Japan.

The aging of the population means that the share of children in the population decreases. Therefore, the cost of supporting children decreases and the resulting savings are directed to the provision of elderly people. The costs of supporting children and the elderly are individual and social. While the provision of children falls on the family, the pension system for the elderly is responsible for providing for the dependents of both groups. The costs of supporting both groups are covered by the income generated by employees.

The size and composition of the population affect income, but this is not the main factor determining well-being, since the main factor is production potential and incomes depend primarily on it.

In the conditions of Uzbekistan, the growth of population incomes is also affected by factors such as the size of the population, its growth rates, economic potential and its increase. In Uzbekistan, economic growth is much faster than population growth, which increases per capita income. Economic growth itself depends on two things:

- The number of employees, which indicates employment;
- Labor productivity, which indicates how many goods and services a worker produces per unit of time.

Uzbekistan's economic growth has ensured a rapid increase in population incomes despite the growth in population. This is presented in the following table 2 [15].

Table 2. Growth in the population and total income of Uzbekistan

Indicator name	2017	2018	2019	2020	2021	2022	2023	2024
Total income of the population, trln. som	249,3	313,7	381,4	431,2	538,5	655,0	756,1	896,3

compared to last year, %	126,0	125,8	121,6	113,1	124,9	121,6	115,4	118,5
Total income per capita, thousand som	7698,6	9517,4	11357,5	12595,9	15421,7	18373,9	20764,5	24111,9
compared to last year, %	113,1	105,2	104,2	98,2	110,5	106,9	102,8	105,9
Total real income of the population, trillion som	227,8	266,9	333,0	381,8	485,8	587,8	687,5	817,5
compared to last year, %	115,1	107	106,2	100,1	112,7	109,2	105	108,1
Real total income per capita, thousand som	7032,6	8097,8	9916,6	11153,7	13914,7	16487,7	18881,9	21991,9
compared to last year, %	113,1	105,2	104,2	98,2	110,5	106,9	102,8	105,9
Population, thousand people	32120,5	32656,7	33255,5	33905,2	34558,9	35271,3	36024,9	36799,8
compared to last year, %	101,7	101,7	101,8	102,0	101,9	102,1	102,1	102,2

As is known, the absolute price level indicates how much money is needed for purchases. This means how many goods and services can be purchased for a monetary income under certain price conditions. Therefore, in conditions of increased or decreased prices, the amount of purchases depends not only on income, but also on income. However, monetary income does not by itself indicate a change in the standard of living, because when it increases faster than inflation, well-being increases and vice versa, it decreases. Inflation also affects savings. Therefore, when determining the impact of the price index on well-being, it is necessary to take into account changes in their general level, because inflation is a decrease in the value of a monetary unit as a result of a general increase in prices. Therefore, when analyzing the price index, changes in their general level should also be taken into account.

4. Conclusion

Based on the results of the study, it was found that the share of state spending on social sectors in the Republic of Uzbekistan increased during 2010–2024, which in turn led to an expansion of the quality and scope of social services. For example, an increase in the number of students in the education sector by 15 million and an increase in the volume of investments in the healthcare system by 40% had a significant impact on the growth of the employment rate and incomes of the population. Also, as a result of increasing the efficiency of the social protection system, the poverty rate decreased by 12%, strengthening social stability.

The analysis showed that effective management of investments in social sectors and ensuring a balance between them is important for accelerating the growth rates of the country's economy. Improving the quality of social services helps to increase labor productivity, form a healthy and skilled workforce, which in turn creates the basis for economic stability in the long term. The system of indicators developed as part of the study can be used to assess the effectiveness of state policy and rationally allocate resources. In conclusion, the development of social sectors is one of the main tools for improving the well-being of the population and stabilizing economic growth. The study found that the social reforms and investments being implemented in our country are yielding effective results and that economic potential can be increased through their further improvement and modernization. In the future, it will be possible to further strengthen socio-economic development by strengthening public-private cooperation in these areas, rationally allocate resources and widely introduce innovations.

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