

Directions of Development of the Pension System in Uzbekistan

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Abstract: This scientific article is devoted to the study of the state pension system in Uzbekistan and in the world. The article examines the most important characteristic features of pensions that serve to determine their essence, the current state and trends in the development of the pension system, the main indicators affecting the pension system of citizens, and also identifies problems in the pension system of Uzbekistan. Based on the results of the study, the authors developed scientific proposals and practical recommendations for the further development of the pension system.

Key words: pension, demography, pension system, pension provision, old-age pension, salary, work experience, pension fund, pension amount, accumulative pension system, income, expenses, financial stability, life expectancy.

INTRODUCTION

As world experience shows, the development of the pension system for citizens is one of the most urgent tasks facing any state and society. As noted in the report of the International Labour Organization On social protection in the world in 2020-2022, "in the structure of all social payments, pensions play an important role in reducing poverty, especially among the elderly, and are the only source of income for most pensioners"[1]. Also, "in many countries, the size of contributions is not enough to fulfill their obligations, so the financing of pension payments is increasingly tied to the state budget, and the costs to cover the deficit are from 1 to 5 percent of GDP"[2]. "Currently, 77.5 percent of people of retirement age in the world are not provided with old-age pensions"[3]. In the member States of the Commonwealth of Independent States, problems remain associated with the creation of an effective pension system, increasing the financial stability of pension funds, and ensuring international minimum standards (level) of social security. For this reason, in most countries of the world, special attention is paid to the creation and improvement of a multi-stage pension system, its development based on the requirements of ensuring minimum international social security standards.

In world practice, a number of scientific studies have been conducted aimed at bringing the pension system in line with the minimum international standards of social security, and compliance with the principles of social and economic justice. In these studies, such issues as determining the optimal retirement age, achieving decent pension sizes, improving the procedure for accounting for work experience when assigning pensions, effective organization of pension provision, strengthening the investment activities of pension funds have been solved. As well as the issues of improving the social insurance system and the introduction of a multi-stage pension system are identified as the most important direction of ensuring the development of the pension system. However, the problems associated with ensuring the financial stability of the pension system, bringing the size of pensions in line with minimum consumer spending, determining the grounds for the basic pension amount, paying a survivor's pension to students and taking into account the period of child care when assigning pensions to women, the organization of non-state pension funds, raising the retirement age have not yet found their positive solutions.

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In Uzbekistan, the reform of the pension system requires a consistent increase in the size of citizens' pensions in proportion to the economic indicators of the country, the introduction of a multi-stage and state-guaranteed pension system, the transition to a pension system through interdepartmental electronic data exchange without the submission of unnecessary documents by citizens. In conditions of increasing life expectancy, the simultaneous increase in the number of pensioners, significant changes in the financial stability of the off-budget Pension Fund resulting from the improvement of tax policy, the achievement of decent pensions, improving the procedure for assigning survivor pensions, strengthening the principles of social and economic justice in the pension system require a revision of the basic approaches to the field of pension provision. In turn, these aspects require in-depth research and development of the pension system of citizens.

LITERATURE REVIEW

The issues related to the creation and improvement of the theoretical and methodological foundations of the development of the pension system of citizens have been studied by foreign economic scientists, such as G.Tetlow [4], G.Vobruba [5], J.Peng [6], C.Campbell [7], S.Butler [8], L.Christensen, A.Moore [9].

Among the scientists of the near abroad, the scientific works of E.Azarov [10], G.Andryushchenko [11], S.Brovchak [12], M.Kulikov [13], N.Kosarenko [14], V.Roik [15] investigated issues related to social security, including pension provision, the development of the social insurance system, social protection of the population, concepts of pension system development.

In the studies of the selected scientists-economists A.Vakhabov [16], B.Umurzakov [17], R.Dalimov [18], Sh. Shahazamiy [19], B.Husanov [20], the legal and institutional foundations of the organization of pension systems, theoretical and methodological aspects, tender developments, problems, priority appeals, corrections are studied in this area.

RESEARCH METHODOLOG

The basis of methodological research is the principles and patterns of the pension system of citizens. The study of the pension system of citizens is based on the collection, processing and analysis of information about the pension system, determining the factors that affect it. In the study there are used methods such as generalization, logical analysis, synthesis, induction and deduction, a systematic approach, correlation and regression analysis.

ANALYSIS AND RESULTS

It should be particularly noted that pensions have an ancient history and were paid primarily to the military. During the time of Caliph Umar, the practice of social protection of all strata, primarily those in need, was widely introduced for the first time through the appointment of benefits. The current humanity, social security and security, the system and mechanism of fair large-scale material and financial support from the state of the poor, can be said to be the result of a purely humanistic idea, the practical implementation of social policy, the fruit of effective, popular reform.

The first stage in the history and development of the pension system falls on the XVIII-XIX centuries, and "the first state pension system based on social insurance was introduced in Germany in 1889 by Otto von Bismarck" [21]. It is noteworthy that thanks to the pension reforms and the ideas of O. Bismarck, the basis for the development of the social protection and social insurance system was created; in this model, measures of integration efficiency of labor and pension insurance were developed quite thoughtfully, and other countries began to apply this model in their practice, which served as the basis for future pension reforms.

The pension model created by O. Bismarck (the Bismarck –pay-as-you-go model) [22] provides for a "distributive" pension system based on "generational solidarity", in which pensions to current pensioners are paid by the currently working generation. This model is directly related to demographic factors, at that time the number of elderly people in the total population did not have a large share, and accordingly, there were no financial problems in providing them with pensions from the state.



The model created by the English economist W.Beveridge, who laid the foundations of the social insurance system in Great Britain in 1942, provides for the need to strengthen the role of the state in the social sphere. In his opinion, social benefits (assistance) to families, the national health system should be financed from the state budget, but other social protection measures should be carried out on the basis of deductions from employers and employees, as well as state subsidies. A distinctive feature of the Beveridge model is that the state guarantees social protection for the entire population; the employer provides social insurance for employees; the employee must provide additional personal insurance.

In the research of Jun Peng, a professor at the University of Arizona, it is noted that "pensions represent periodic incomes of pensioners, deferred payments, compensation for wages lost due to disability of a citizen, and are interpreted from the point of view of social security" [23].

The most important characteristic features of pensions are of fundamental and decisive importance in revealing their essence and content, they include the presence of a certain length of service, the provision in certain cases, the appointment of pensions regardless of the financial situation of citizens, the dependence of the pension amount on the length of service and salary, payment from a special fund, monthly payment as compensation lost income (wages). If all these characteristic signs appear at the same time, they serve to reveal the economic content and essence of pensions. Otherwise, that is, if only a part of the most important characteristic features appear, they will not be able to express the essence of pensions from a theoretical and practical point of view.

It should be noted that until now the essence and content of pensions in the economic literature is interpreted in different ways. In our opinion, definitions embodying the essence and content of pensions should also disclose the mandatory characteristic features and features inherent in this concept. The most important characteristic features that should contribute to the disclosure of the essence and content of pensions are illustrated by Fig. 1.

It should be especially noted that we are talking only with the simultaneous manifestation of all the above-mentioned important features characteristic of pensions, only in this case they can serve to reveal the essence and content of pensions. Otherwise, that is, with the manifestation of only a part of the most important characteristic features, from a theoretical and practical point of view, pensions will not be able to fully manifest themselves.

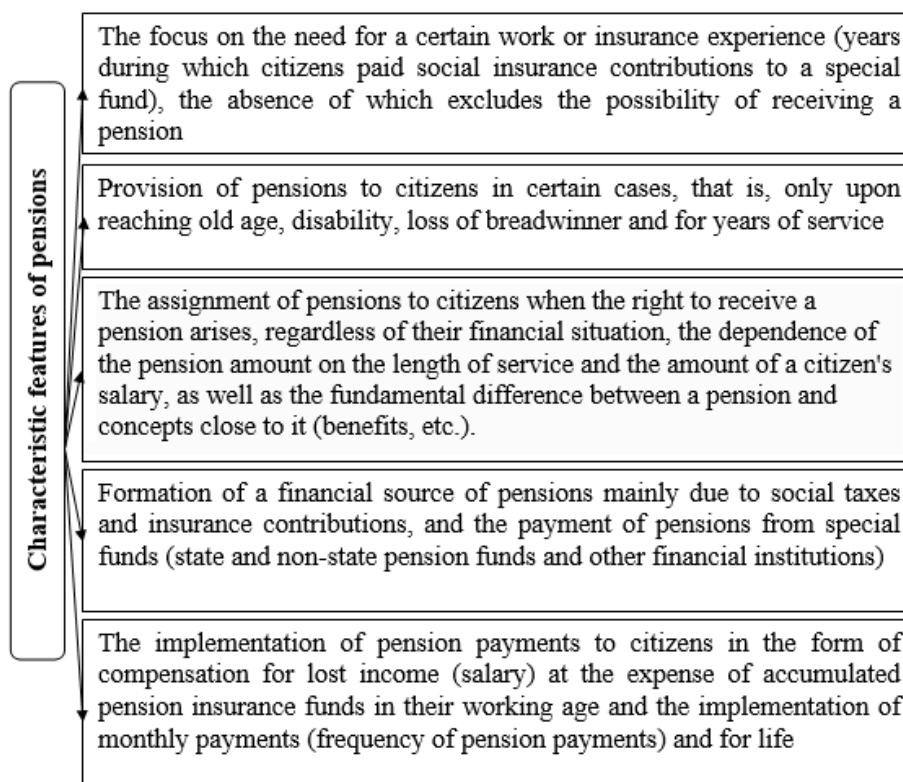


Fig. 1. The most important characteristic features (features) of pensions that serve to determine their essence [24]

Based on the analysis of the data given in Table 1, several important conclusions can be drawn:

Table 1 The main indicators of the pension system of Uzbekistan [25]

No	Indicators	2010 year	2011 year	2012 year	2013 year	2014 year	2015 year	2016 year	2017 year	2018 year	2019 year	2020 year	2021 year	2022 year
1	Total population, million people	28,0	29,1	29,5	29,9	30,5	31,0	31,5	32,1	32,6	33,2	33,9	34,5	36,0
2	Recipients of pensions and social benefits, million people	3,3	3,2	3,1	3,1	3,1	3,2	3,3	3,5	3,7	3,9	4,0	4,3	4,4
3	Average monthly salary, thousand soums	504,8	628,0	739,6	865,9	1017,9	1171,6	1293,8	1453,2	1822,0	2324,5	2660,0	3200,0	3900,0
4	Established average monthly pension, thousand soums	171,9	218,5	274,0	330,8	404,3	438,2	494,2	556,8	640,5	733,2	848,5	924,7	1100,0

In 2010-2022, with the growth of the population in the economy by 28.6 percent, the number of recipients of pensions and social benefits increased by 33.3 percent. It should be particularly noted that during 2010-2022, the size of the average monthly pension increased 6.4 times under the influence of all factors, and the average monthly salary increased 7.7 times, that is, the growth rate of the average monthly salary was higher than the growth rate of the established average monthly pension. According to the State Statistics Committee, "the average salary in Uzbekistan in 2023 is 3892.4 thousand soums per month, which corresponds to 340 dollars. In comparison with the same period last year, the incomes of Uzbek workers increased by 21.1%» [26].

It should be particularly noted that Convention No. 102 "On Minimum Standards of Social Security", adopted by the International Labour Organization (ILO), and the European Social Security Code provide that all countries must achieve minimum standards for pensioners in social security. According to the international minimum standards of social security, it is recommended to keep the replacement rate in the pension system at the level of at least 40 percent. However, in Uzbekistan, from 2010 to 2021, the replacement rate in the pension system did not reach the 40 percent level in any period (Fig. 2). In particular, during 2010-2022, this coefficient averaged 34.8 percent, which is 5.2 percentage points lower than the required international standard.



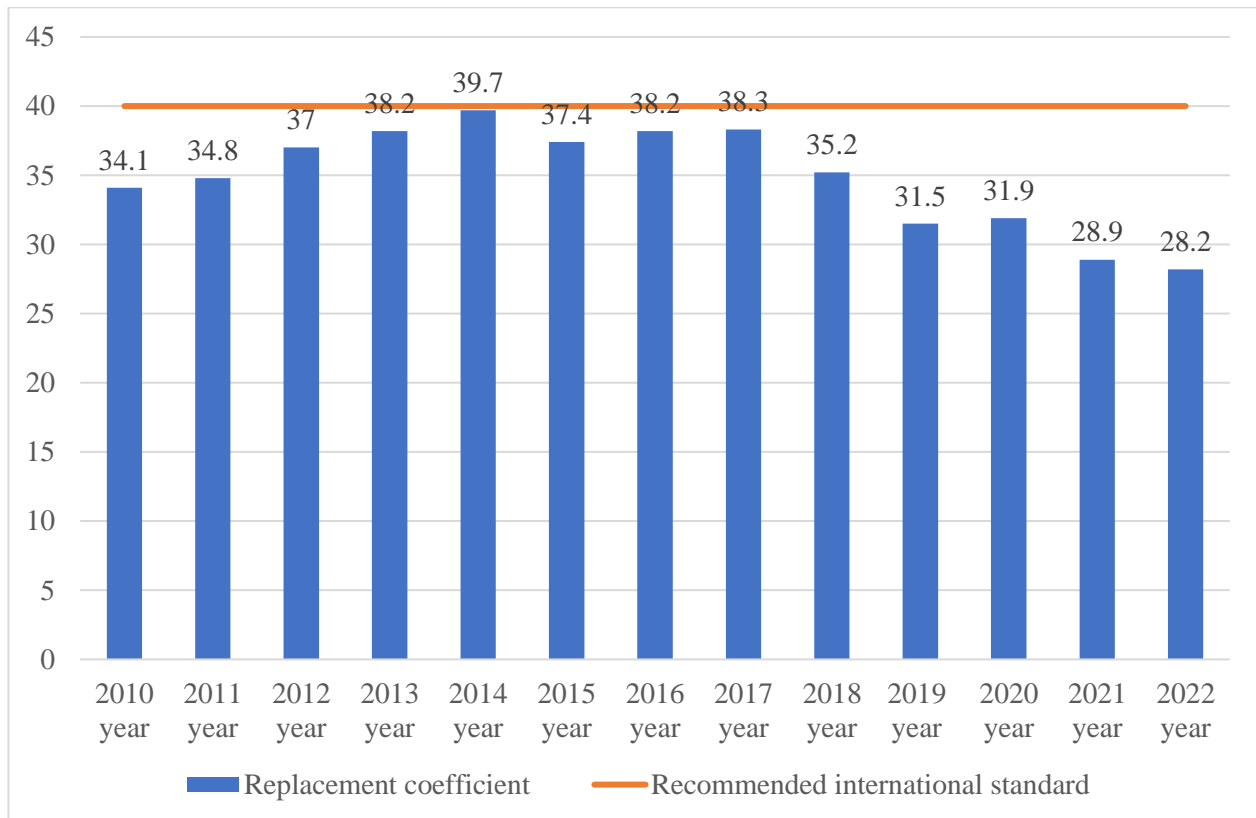


Fig. 2. Replacement coefficient in the pension system [27]

This circumstance indicates that decent pension amounts have not yet been achieved, which is a negative factor from the point of view of further strengthening the social protection of pensioners. This and the above circumstances further increase the need for research on the areas of effective reforms in the pension system aimed at the future.

In general, the increase in the number of pensioners indicates a high rate of natural population growth and an increase in life expectancy.

Statistics over the past couple of decades have shown that in the rich countries of the world, people's life expectancy is more than 80 years. This is primarily due to the high standard of living, the income of citizens, modern, high-quality and affordable medicine and many other important factors. But in poor countries of the world, the average life expectancy of citizens does not exceed 60 years. And it is worth noting that a large number of countries are located in Africa.

Life expectancy in the countries of the world is an indicator of the development of the state, its well-being and the health system. Also, the average life expectancy is affected by the lifestyle of people, the quality of their nutrition. In our opinion, in the next millennium there will be a decrease in the birth rate and an increase in the number of the elderly population, and this is due to an increase in the life expectancy of the population.



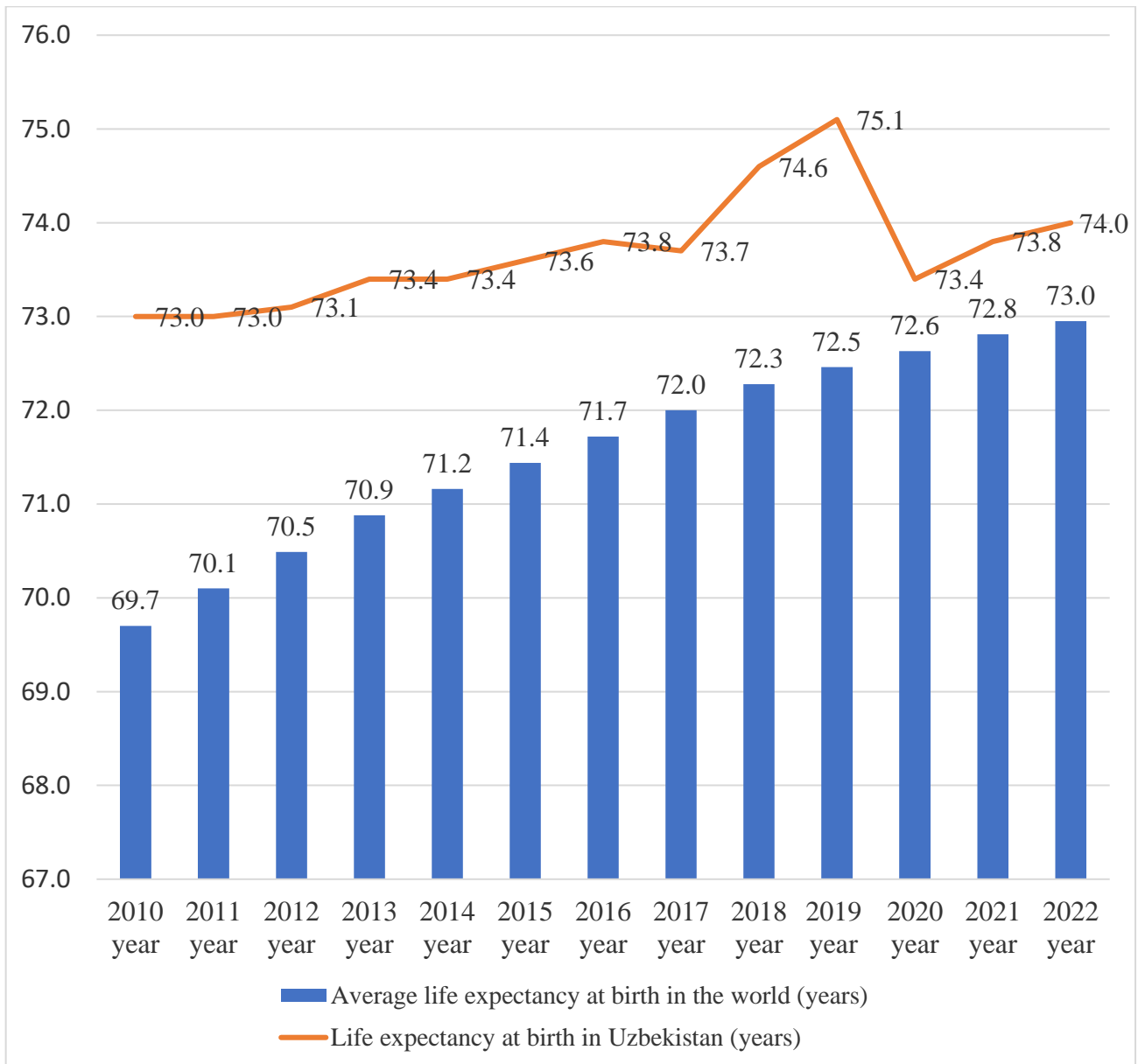


Fig. 3. Average life expectancy at birth in the world and in Uzbekistan (years) [28]

Disputes over the reform of pension systems gained international significance after the publication in 1994 of the World Bank report "Warning about the Crisis of global aging". The main problem discussed in this report is an increase in the life expectancy of the population and, as a result, the forecast of the deficit of pension funds. According to the report, "in 2030, the number of citizens over the age of 60 will reach 1.4 billion people, which is 900 million more than in 1990" [29]. According to the classification of the World Health Organization, "if the proportion of people over 65 years of age is more than 7 percent of the total population, the society is recognized as elderly" [30]. From the data in the table below. 2 it can be seen that the population of most countries is aging, which is characterized by "aging from above", in some there is a process of "aging from below".



Table 4 The main indicators affecting the pension system of citizens (2021 year) [31]

Countries	Volume of GDP (billions of US dollars)	Population, thousand people	Employment rate, in %	Life expectancy (on average, years)	Retirement age (average, years)	The rate of social insurance contributions, as a percentage		Minimum wage, in US dollars	The minimum length of service required for the appointment of a pension, years	The share of persons over 65 years of age in the total population, in %	Retirement models
						employer	worker				
USA	22939,5	333666,0	67,1	78,9	67	7,6	7,6	1160	13	16,6	Distributive model based on generational solidarity, cumulative and mixed models
China	16862,9	1447364,0	75,1	75,7	57,5	20,0	8,0	384,0	15	14,0	
Japan	5103,1	126449,7	77,3	84,7	65	16,2	15,8	1163	25	29,1	
Germany	4230,1	83727,9	76,7	81,5	67	9,5	9,5	1858	5	21,0	
Great Britain	3108,4	68329,4	75,5	81,5	66	13,8	14,0	1846	30	18,0	
India	2946,0	1398520,3	43,1	68,8	60	12,0	12,0	150	10	6,0	
France	2940,4	65529,8	67,5	82,8	62,5	45,0	23,0	1893	10	16,8	
Italy	2120,2	60568,3	58,6	83,7	66,7	20,0	20,0	1020	15	20,3	
Canada	2015,9	38145,6	70,0	82,6	65	5,45	5,45	1809	10	15,9	
South Korea	1823,8	51609,0	65,9	83,2	60	4,5	4,5	1254	10	14,0	
Russia	1647,5	145990,6	70,0	72,1	59	30	-	186,96	12	15,8	
Azerbaijan	52,6	10298,5	62,8	72,8	62	22,0	3,0	176,47	12	6,8	
Armenia	13,6	2976,1	47,8	75,0	63	21,0	-	141,63	10	12,6	
Georgia	17,8	3922,7	58,5	76,4	62,5	20,0	-	43,70	5	16,0	
Belarus	65,7	9451,9	67,5	73,0	60,5	34,0	1,0	179,35	17	15,8	
Moldova	12,4	4034,1	47,6	71,5	63	29,0	-	165,40	15	10,4	
Kazakhstan	181,0	19087,7	65,9	71,1	61,5	9,5	10,0	138,95	10	7,8	
Kyrgyzstan	8,1	6628,0	56,6	71,0	60,5	17,25	10,0	22,76	10	5,0	
Tadjikistan	8,1	9739,9	37,4	71,0	60,5	20,0;	2,0	40,71	10	3,4	
Turkmenistan	53,1	6098,2	62,0	70,4	60,5	39,0	-	273,4	10	4,1	



Latvia	37,2	1863,9	71,6	74,7	63,9	23,59	10,5 0	566,32	15	16,9
Lithuania	62,6	2767,2	73,2	75,0	63,1	1,31	19,5	826,82	15	21,1
Estonia	36,0	1320,4	73,8	74,0	63,5	33,8	19,5	740,74	15	17,7

According to the United Nations, by 2045-2050, newborns will live up to 83 years in developed countries and up to 74 years in developing countries. "Currently, every second in the world two people celebrate their 60th anniversary"⁵³. From this point of view, the high proportion of elderly people in the total population in most developed countries is one of the main problems in improving their standard of living through improved pension provision.

The ratio of people employed in the economy to the total population reflects the ability of the economy to create jobs, so for most countries this indicator often provides more information than the unemployment rate. According to international standards, "for the sustainable development of the pension system of citizens, the ratio of workers to pension recipients should be at the level of 1:4"⁵⁴. The data in Table 4 show that there is a discrepancy between the number of pensioners and the number of people employed in the economy, as well as the number of people actually paying insurance premiums.

The pension system of Asian countries today faces the same problems as the pension system of Europe and North America. In Japan, which has a relatively high life expectancy, financial problems in the pension system are becoming increasingly acute today. It is expected that this will happen in China, South Korea and Singapore in the next 10 years. The projected rate of population aging in Asian countries today will outstrip similar indicators in other countries. This will have negative consequences, such as aggravating problems in the labor market, reducing the stability of the state budget and increasing the deficit of the pension system. According to experts, "the share of pension costs in GDP by 2050, compared with 2014, will grow in Malaysia from 1 percent to 2 percent, in Singapore from 1 percent to 2.3 percent, in Hong Kong from 1.3 percent to 3 percent, in Australia from 5 percent to 7 percent, in South Korea In Korea from 2.5 percent to 7.1 percent, in New Zealand from 7.5 percent to 13.9 percent, in China from 5.1 percent to 14.2 percent and in Mongolia from 8.9 percent to 27.5 percent" [32].

Studies by experts of the International Monetary Fund show that automatic regulation of the retirement age depending on life expectancy has not yet been sufficiently implemented in Asian countries. In addition, in countries such as Singapore, Thailand, Brunei, Sri Lanka, Malaysia, the average life expectancy after retirement is 25-28 years, which has a serious negative impact on the financial condition of the pension systems of these countries. Naturally, in these countries, raising the retirement age is the only way to achieve a balanced pension system or you will have to increase the amount of pension contributions.

CONCLUSION

The most important characteristic features of pensions are of fundamental and decisive importance in revealing their essence and content, they include the presence of a certain length of service, provision in certain cases, the appointment of pensions regardless of the financial situation of citizens, the dependence of the pension amount on the length of service and salary, payment from a special fund, monthly payment as compensation for lost income (wages). If all these characteristic signs appear at the same time, they serve to reveal the economic content and essence of pensions. Otherwise, that is, if only a part of the most important characteristic features appear, they will not be able to express the essence of pensions from a theoretical and practical point of view.

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monthly salary was higher than the growth rate of the established average monthly pension. This circumstance indicates that decent pension amounts have not yet been achieved, which is a negative factor from the point of view of further strengthening the social protection of pensioners. This and the above circumstances further increase the need for research on the areas of effective reforms in the pension system aimed at the future.

Research shows that one of the main factors for ensuring the efficiency and financial stability of the national pension system is the "pension model". Based on foreign experience in the development of the pension system, in our opinion it is advisable:

- to develop a multi-stage pension system combining accumulative schemes and effective distribution of the burden of pension payments by sources, levels and forms of financing of the pension system;
- gradual increase of the retirement age based on life expectancy after reaching retirement age;
- encouraging late retirement;
- strengthening control and monitoring of the financial activities of pension funds;
- increase in the amount of funds for compulsory pension insurance and additional pension payments;
- strengthening the insurance mechanism for financing pension programs by legalizing informal employment, covering the employed population with various private pension programs;
- Gradual increase in the minimum length of service required to receive a pension.

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