

Problems of the Pension System of Uzbekistan and Ways to Solve Them

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Abstract

The article is devoted to the problems of the pension system of citizens in Uzbekistan. The problems of the state pension system are investigated. The main problems of the pension system have been identified and grouped, and scientific proposals and practical recommendations have been developed to improve the system of state pension provision for citizens.

Keywords: *pensions, pension system, pension provision, length of service, pension amount, salary, financial control, pensioners, social protection, social insurance.*

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1. INTRODUCTION

World practice shows that the pension system is one of the most important areas in the field of social security of the world's population, ensuring the financial stability of the pension system taking into account demographic factors, achieving decent pensions, eliminating problems associated with the appointment of pensions, increasing pension coverage, is of urgent importance, especially in modern conditions.

According to the World Bank (World Bank) and the International Labor Organization), "globally, only 68 percent of people who have reached retirement age use pension provision, but in most countries the volume of such payments does not allow older people to get rid of poverty"[1]. According to the United Nations (UN), "by 2035, 1.1 billion people who make up 13 percent of the world's population will be over 65 years old" [2].

In the current geopolitically complex and crisis situation in the world, based on the importance of problems in the country's pension system, special importance is attached to scientific research to improve the practical and methodological foundations of the pension system. In particular, by studying the problems associated with ensuring the financial stability of state and non-state pension funds, achieving the provision of citizens with a decent pension in the future, further material support for the population in need of social protection and the corresponding improvement of the organizational and economic foundations of pension provision, the development of remote services in the pension system, the introduction and development of a three-stage pension system, increase the efficiency of these processes.

In Uzbekistan, the improvement of the pension system, support for the financial stability of the off-budget Pension Fund have created the need to reform the current pension system. In particular, factors such as an increase in the average life expectancy of the population and a corresponding increase in the number of pensioners, a tendency to increase the number of retirements with incomplete work experience, a weak relationship between the size of the old-age pension and the length of service of citizens, as well as the lack of formation of non-state pension provision negatively affect the participation of citizens in state social insurance and require reform of the state pension systems.

In accordance with this, "revision of the procedure for the appointment and payment of pensions and benefits, radical reform of the pension system" [3] are identified as the main tasks of the development of the social sphere.

2. LITERATURE REVIEW

The problems in pension provision are widespread and have social, economic, and financial significance. To study the problems of pension provision, it is advisable to raise a number of questions related to the functioning of the system: "Do all members of the society have (will have) the right to receive a pension?", "Is the pension amount sufficient for normal life?", "Is the financial condition of the pension system stable?", etc.

According to a whole group of foreign economists who have conducted research on the problems of the pension system, such as D.Bloom, S.Chetterji, P.Koval, P.Loyd-Sherlock, M.McKee, B.Rachel, L., Rosenberg, J.Smith, "an increase in the proportion of elderly people will lead to an increase in the costs of their care and health, which will lead to to increase the pension burden, which ultimately will require a revision of the pension policy" [4].

Such scientists and economists as S.Goh, R.Maknovn, K.Wong have proved with the help of

research that changes in the age structure of the population have the most important macroeconomic impact. In their opinion, "in the long term, the impact of demographic changes on domestic investment, real GDP, inflation, tax balance and current account balance is statistically significant and very strong" [5].

In the scientific research of scientists such as E.Papapetrow, P. Salaporta emphasized that "when developing measures to mitigate the negative impact of increasing life expectancy, priority should be given to labor market policy, pension reforms, increased investment in human capital and technological innovations" [6].

In the scientific works of Russian economists D.Rustamov, B.Mamatov, in order to ensure the effectiveness of the pension system, it is noted "the need to comply with the recommendations on social security of the International Labor Organization and the transition to a three-stage pension system" [7].

Also in the scientific research of such economists as Sh.Rajabov, A.Haidarov, D.Sholdarov some problems existing in the national pension system were investigated and proposals and recommendations aimed at their elimination were developed.

In particular, the problems of the pension system include the aging of the population and a decrease in the share of the able-bodied population, as well as, as a result of migration, a reduction in social insurance contributions to the Pension Fund, the fact that since 1956 the retirement age has not been revised in accordance with demographic changes, as well as the incomplete financial stability of the pension system. following proposals and recommendations aimed at eliminating the problems of the national pension system were put forward and justified: "it is necessary to organize simultaneously three areas of financing of the pension system; a state pension system that guarantees a minimum pension; the formation of an additional pension to employers with the help of a professional association, separately the organization of non-state pension funds based on the capabilities of citizens" [8]; "in order to ensure sufficient pensions for future pensioners when they reach retirement age, the creation of non-state pension funds in Uzbekistan under the guarantee of the state"; "the introduction of a three-stage pension system" [9].

To study the problems existing in the national pension system, it is advisable to consider, analyze and compare the following issues related to the pension system: the presence of problematic issues related to demographic factors in the pension system; whether or not all citizens have the right to receive a pension; how much the pension can provide a living wage for a person; what problematic situations arise when citizens reach retirement age and formalize a state pension; financial stability of the national pension system; organizational and economic foundations of the national pension system.

3. RESEARCH METHODOLOG

Methods of grouping, comparative and economic analysis, induction and deduction, economic and statistical methods and expert assessment were widely used in the research.

4. ANALYSIS AND RESULTS

In most studies on the pension system, the increasing gap between the designated retirement age and the life expectancy of the population is indicated as the main cause of the problems existing in the system. This is also due to factors such as an increase in people's life expectancy, a decrease in fertility rates, and migration of the able-bodied population.

According to UN calculations, the share of people over 65 years of age in the structure of the world's population has increased from 6 percent in 1990 to 9 percent in 2019, and according to forecasts by 2050 this figure will reach 16 percent" [10].

Globally, the average life expectancy has reached 69.9 years for men and 74.7 years for women. "On the contrary, the fertility rate is decreasing, in particular, in 1990 it was 3.0 [11]", "in 2019 - 2.5, and in 2050 it is projected to decrease to 2.2" [12]. In the calculations of all international organizations, it is noted that life expectancy has increased rapidly and continues to increase, and the level of fertility is decreasing.

The data in Table 1 show that in some countries of the world over the period 1991-2019, the average life expectancy increased by 3-6 years, and by 2050 an increase of 3-8 years is projected compared to 2019.

Table 1 Changing demographic factors in some countries of the world and their impact on the pension system [13]

№	Countries	1991 year	2010 year	2019 year	2050 year
I	Average life expectancy (years) [14]				
1	Germany	75,98	80,4	81,1	85,26
2	USA	75,65	78,9	78,8	83,1
3	Russian Federation	66,58	70,3	72,3	76,6
4	Japan	79,42	83,3	84,4	87,9
5	Saudi Arabia	70,11	74,4	74,9	79,3
6	Uzbekistan	66,27	70,2	71,5	74,7
II	Fertility rate (in units)				
1	Germany	1,30	1,39	1,6	1,7
2	USA	2,03	1,9	1,8	1,8
3	Russian Federation	1,55	1,66	1,8	1,8
4	Japan	1,48	1,4	1,4	1,6
5	Saudi Arabia	5,55	2,85	2,3	1,7
6	Uzbekistan	3,95	2,5	2,4	1,9
III	Percentage of persons over 65 years of age in the total population (in%) [15]				
1	Germany	15,1	20,6	21,6	30,0
2	USA	12,7	13,0	16,2	22,4
3	Russian Federation	10,6	13,1	15,1	22,9
4	Japan	12,3	22,5	28,0	37,7
5	Saudi Arabia	2,8	3,0	3,4	17,2
6	Uzbekistan	4,2	4,5	4,6	12,2

If in 1991-2019 in Germany and Russia the fertility rate increased by +0.3, then in other countries it has consistently decreased. However, it is predicted that by 2050 in most countries this indicator will be almost equal. In the total population structure, the share of the population over 65 years of age will increase until 2050, and an increase in Germany by 9.4 points is projected, and in Uzbekistan by 7.6 points compared to 2019. Such demographic changes indicate the need for institutional and parametric reform of the pension system.

In international practice, there are several criteria for determining the need for social security. These criteria are introduced taking into account the social, economic, demographic and other

aspects of the country. In particular, the main criteria for the right to receive a pension are: retirement age or disability, established work experience or participation in pension insurance. However, the legislation provides that even citizens who do not have enough work experience or who have not participated in pension insurance can receive social security from the state upon reaching old age, disability or loss of a breadwinner, which is defined in the legislation as "social benefit", "social assistance" or "social pension", only such payments are provided in strictly established sizes and are provided to people in dire need.

One of the main problems in the pension system is the participation of the working-age population in the pension insurance system and its coverage by the social security system, that is, the "coverage level". "Coverage level" means coverage of a certain part of the country's population with at least one type of social security and receiving state-guaranteed payments for life support when reaching old age, disability, job loss and in other cases.

According to the International Labor Organization, the degree of coverage of the population by the pension system is not complete in any country. In Germany and Japan, this figure is 99.5 and 98 percent, respectively, in the USA - 76.1 percent, in the Russian Federation - 90.1 percent. In Cameroon, only 8.7 percent of the population is covered by the pension system, while in Uzbekistan this figure is 42.7 percent (Figure 1). This indicates the need for serious pension reforms based on the development of the social insurance system in Uzbekistan.

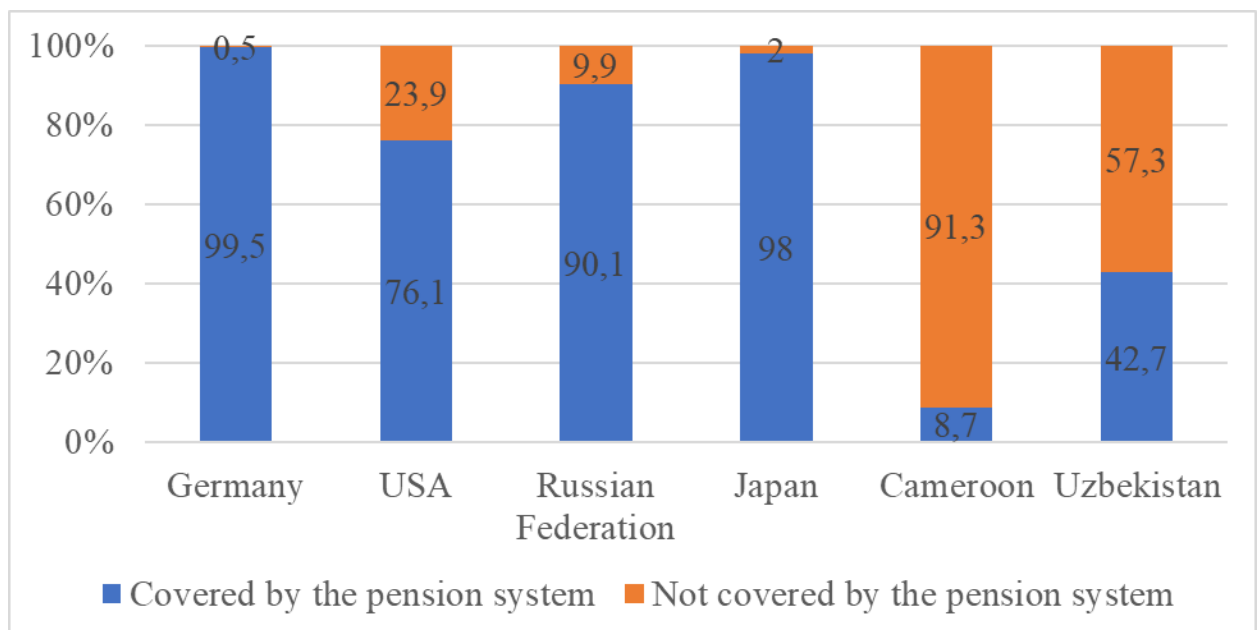


Fig. 1. The degree of coverage of the pension system in some countries of the world (as a percentage) [16]

During the period 2016-2022, positive changes were made in the pension system of Uzbekistan (payment of pensions in cash, 100 percent payment of pensions to working pensioners, creation of a mechanism for paying social insurance contributions by self-employed citizens, improvement of the procedure for calculating pensions, active introduction of information and communication technologies into the system, etc.). However, due to the fact that the national pension system, based on the principle of "solidarity of generations", is inextricably linked with demographic and social factors, some problems arise. In particular, in 2022, the share of pensioners and recipients of social benefits in the total population amounted to 13.2 percent, an

increase of 1.8 percent compared to 2016.

In 2016-2022, the number of people employed in the economy increased by 5.6 percent, but at the same time, the number of recipients of pensions and social benefits increased by 35.6 percent. During the same period, the number of women over 55 and men over 60 had a natural growth trend and amounted to 33.5% and 43.9%, respectively.

Table 2 Key indicators of the national pension system [17]

№	Indicators	2016 year	2017 year	2018 year	2019 year	2020 year	2021 year	2022 year
1.	Total population, million people	3157 5,3	3212 0,5	3265 6,7	3325 5,5	3390 5,2	3455 8,9	3527 1,3
2.	Economically active population, million people	1402 2,4	1435 7,3	1464 1,7	1487 6,4	1479 7,4	1498 0,7	1513 9,1
3.	Employed in the economy, million people	1329 8,4	1352 0,3	1327 3,1	1354 1,1	1323 6,4	1353 8,9	1383 5,8
4.	Recipients of pensions and social benefits, thousands of people	3324 ,2	3488 ,9	3690 ,3	3878 ,4	4029 ,3	4056 ,8	4346 ,3
5.	Women over 55 years old, thousands of people.	1866 ,3	1972 ,6	2077 ,4	2184 ,8	2293 ,1	2393 ,1	2491 ,3
6.	Men over 60 years old, thousand people	982, 8	1041 ,4	1104 ,4	1181 ,1	1259 ,9	1331 ,5	1414 ,4
7.	The size of the average monthly salary, thousands of soums	1293 ,8	1453 ,2	1822 ,7	2324 ,6	2673 ,3	3214 ,8	3892 ,4
8.	The size of the accepted average monthly pension, thousand soums	494, 2	556, 8	640, 5	733, 2	848, 5	924, 7	1045 ,3
9.	Average life expectancy, in years (years)	73,8	73,7	74,6	75,1	73,4	73,8	73,9

During the analyzed period, the average monthly pension increased 2.1 times under the influence of all factors, and the average monthly salary increased 3.0 times, that is, the growth rate of the average monthly salary was higher than the growth rate of the average monthly pension. All of the above circumstances further reinforce the need to study the directions of effective reforms in the pension system in the future and require taking the necessary measures in terms of reforming the pension system based on generational solidarity, ensuring the financial stability of the pension system.

The problems of the pension system consist of the following:

- 1) Problems related to demographic factors (fertility level, life expectancy, the number of pensioners and their ratio to the total number of employed population, the established retirement age and its immutability since 1956, etc.);
- 2) Problems related to pension coverage (recommendations of the World Bank and the International Monetary Fund, the share of the employed population in the shadow economy, coverage of migrant workers by state pension insurance, employment, the share of pensioners without full work experience, self-employed citizens and their payment of social insurance contributions, the share of the able-bodied population, etc.);

- 3) Problems related to the appointment and payment of pensions (required documents, problems related to the justification of work experience and monthly wages, receiving pensions in cash and non-cash form, payments for all types of state pensions to citizens in 2023, as well as the total cost of providing pensions and benefits amounted to 53.5 billion rubles. sumov et al.);
- 4) problems related to ensuring the financial stability of the Pension Fund (social insurance contributions and rates, state budget transfers, preferential pensions);
- 5) Problems related to the introduction of a private pension system (regulatory framework, payment guarantees, etc.);
- 6) Problems related to ensuring the efficiency of the pension system (the level of the coverage ratio and the share of public expenditures on pension provision in GDP, taking into account demographic factors, the correspondence of the number of pensioners and the number of employees).
- 7) Consistent measures are being taken in the country to further strengthen social support for pensioners, to take comprehensive care of the elderly and elderly, to improve the system of state pension provision for citizens and to eliminate existing problems in this area. Currently, 30 types of documents are required for the appointment of state pensions, and more than 14 ministries and organizations responsible for submitting these documents lack departmental information systems, electronic resources and databases, which prevents the refusal of record keeping in paper form and digitalization of the document collection process.

The problem of pension insecurity arises when persons who are not covered by the State pension system reach old age or lose their ability to work and do not have the right to retire. The financial instability of the pension system is characterized by a weak relationship between the size of the pension and the contributions paid, the lack of consideration of the relationship with the level of inflation in the mechanisms for calculating pensions.

5. CONCLUSION

The priority direction of the state pension policy is the timely payment of pensions and other social benefits to pensioners, in full, in convenient delivery to the addressee, as well as preventing a decrease in their real incomes, helping to increase as much as possible.

In order to increase the level of coverage of the pension system, it is necessary to equate the periods of temporary work abroad of citizens of the Republic of Uzbekistan, carried out through organized labor migration, with the types of activities (works, services) of self-employment, and the introduction of the procedure for paying established contributions for self-employed persons and calculating the pension amount.

According to the experience of developed countries, in order to further improve the standard of living of pensioners, pension amounts are indexed in accordance with changes in consumer prices, and in this regard there are specific methods and approaches. From this point of view, Uzbekistan needs to introduce a system of social protection and material support for citizens, increasing their incomes to a level that is not lower than the inflation rate.

For persons with disabilities, the period of employment carried out after the appointment of a disability pension is not added to the work experience when recalculating the pension. However, in order to further improve the social welfare and material security of persons with disabilities, it is advisable to add to the work experience the time worked after the appointment of a pension to

persons with disabilities of group I and II, and recalculate the pension amount.

When assigning state pensions, it is advisable to cancel the demand from citizens for documents on work experience, wages, periods of study in higher educational institutions and military service. At the same time, for citizens who are not working at the time of the right to retire, the service of entering information about work experience into the Interdepartmental software and hardware complex "Unified National Labor System" according to their workbooks is being introduced by contacting these citizens to employment assistance centers.

It is advisable to assign state pensions on the basis of electronic data entered into the Interdepartmental software and Hardware complex "Unified National Labor System". At the same time, the Pension Fund receives documents on work experience, wages, periods of study in higher educational institutions and military service of citizens through the Interdepartmental software and Hardware complex "Unified National Labor System" based on electronic document management.

Strengthening financial control in the state pension system of citizens, in particular, it is necessary to automate the opening of personal accounts, online calculation and control of pension payments by identifying each pensioner. It is necessary to implement a four-stage algorithm (stage 1 - planning of audit procedures; stage 2 - carrying out control measures; stage 3 - preparation of final audit materials; stage 4 - monitoring the implementation of proposals and recommendations based on the results of the audit of the institution's activities) to verify and control the correctness of the formation, accounting and effective use of funds of the off-budget Pension Fund.

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