

OPPORTUNITIES AND CHALLENGES OF CREATING A COMPREHENSIVE SOCIAL SECURITY SYSTEM IN UZBEKISTAN

Kuziyeva Gulnoza Rashidovna

Assistant teacher at Tashkent state university of economics, Fundamental economics department

Abstract:

The purpose of this research study is to examine the prospects and difficulties associated with creating a thorough social security system in Uzbekistan. It looks at how the nation's social security programs are currently doing, outlines the main challenges to creating an integrated system, and points out areas that could use improvement. The significance of a thorough social security system in lowering poverty, addressing vulnerabilities, and fostering inclusive growth is also covered in this study. This research study offers insights and recommendations for policymakers and stakeholders in Uzbekistan's social security sector by assessing the gaps that currently exist and suggesting potential remedies.

Introduction:

In order to combat poverty, encourage equitable economic growth, and alleviate social vulnerabilities, social security is essential. The creation of a robust and efficient social security system is essential as Uzbekistan proceeds with its economic and social changes. The objective of this study is to investigate the obstacles and prospects linked to the development of a strong social security framework in Uzbekistan, considering the distinct socio-economic circumstances of the nation.

Uzbekistan's social protection programs—which include social assistance, contributory social insurance, labor market initiatives, and social care services—have improved significantly during the last ten years. These initiatives have improved the general well-being of citizens and reduced poverty by giving vulnerable populations vital support. But a number of issues, such as disarray, insufficient funding, and insufficient coordination, impede the efficacy and long-term viability of the current social security system.

One key challenge is the absence of a centralized entity responsible for coordinating and integrating social security interventions, monitoring and evaluation, data analysis, and policy formulation. Currently, different ministries and agencies oversee specific programs, leading to varying interpretations and inconsistent implementation across the system. This lack of coordination poses obstacles to program evaluation, data integration, and the formulation of holistic social security policies.

Another challenge lies in the financial sustainability of the social security system. The pension system, in particular, has faced significant shocks, such as the tax reform in 2019, which resulted in a reduction in funding sources and a decline in revenues for the Pension Fund. This has raised concerns about the adequacy and long-term viability of pension benefits in relation to the growth of the working population's incomes.

Notwithstanding these obstacles, Uzbekistan offers noteworthy prospects for the advancement of an all-encompassing social security framework. With 71% of the population under 40, the nation's youthful population emphasizes the possibility of focused measures to reduce unemployment and improve labor market results. Reducing informality, increasing productivity, and generating new work possibilities can be achieved through the extension of active labor market programs and the effective use of available resources.

In addition, recent projects like the Labor Market Information System and the Single Registry show Uzbekistan's dedication to boosting the general efficacy of social protection measures, streamlining program management, and expanding data gathering. These initiatives seek to make social security funding more clearly defined, to make data integration easier, and to make evidence-based policy decisions possible.

In light of these challenges and opportunities, this research paper will delve into the various dimensions of developing a comprehensive social security system in Uzbekistan. It will analyze the current state of social protection programs, examine the financial sustainability of the system, explore best practices from international experiences, and propose recommendations for policy reforms. By doing so, this study aims to contribute to the ongoing discourse on strengthening social security in Uzbekistan and promoting inclusive and sustainable development for all its citizens.

Results and discussion

Comprehensive analyses of household survey data, impact evaluations, and performance indicators within the social protection (SP) system can be carried out with the use of centralized data collection. These studies allow us to address critical concerns that administrative data alone would not be able to answer, such as figuring out which demographic groups are covered by certain programs or finding potential exclusions from the system.

Indicators from household surveys are essential for assessing whether the program design successfully reaches the targeted target population throughout the entire nation. Understanding the beneficiaries' and benefits' distribution across the welfare spectrum is aided by incidence indicators. Assessing the impacts of SP programs on poverty and inequality provides insights into the overall effectiveness of different programs, as well as the combined effects of multiple programs.

Periodic impact evaluations must also be conducted in order to supplement the study of household survey indicators. Even though these assessments might not happen often, they provide insightful information about particular results attained by SP initiatives, like shifts in the labor supply or levels of consumption.

Tracking metrics including coverage, beneficiary incidence, benefit amounts, and the program's impact on inequality and poverty is necessary to monitor the success of the SP program. These metrics ought to offer a comprehensive picture of the SP system as a whole in addition to concentrating on specific applications. For example, in Uzbekistan, in addition to social assistance cash transfer programs, it is critical to keep an eye on the scope and effectiveness of the public works program, which acts as a major safety net.

By systematically monitoring these indicators derived from household surveys, a more comprehensive understanding of SP program performance can be achieved, contributing to the continuous improvement of the SP system as a whole.

Table-1

Uzbekistan: Trends in Spending on Social Protection, Percent of GDP, 2016–21

Spending	2016	2017	2018	2019	2020	2021
Contributory pensions	5.90	5.40	5.00	5.10	5.30	5.00
Social safety nets	0.87	0.83	0.92	0.96	1.30	1.40
Social care services	0.02	0.03	0.03	0.04	0.04	0.05
Labor market programs	0.00	0.00	0.01	0.01	0.05	0.06
Social protection, total	6.79	6.26	5.97	6.11	6.70	6.50

Source: World Bank staff calculations using MoF, MELR, and Extra-Budgetary Pension Fund administrative data on SP program expenditures using ASPIRE WB methodology.

Social protection programs play a vital role in reducing poverty and addressing vulnerability, encompassing various components such as contributory pensions, social safety nets, social care services, and labor market programs. In Uzbekistan, where the majority of the population is relatively young (with 71 percent below the age of 40), unemployment stands out as a significant concern. Active labor market programs serve as a crucial mechanism for reducing labor market informality, increasing productivity, integrating individuals into the evolving labor market, and creating new job opportunities.

But denying some people access to social assistance reduces the efficacy of the social security program as a whole. Prior to the epidemic, Uzbekistan spent comparatively less on active labor market activities and social aid when compared to other countries. Conversely, in comparison with comparable nations, spending for public works initiatives was increased. The current problem is to ensure sustainable funding for social assistance and to further expand active labor market activities, even if the pandemic led to a major growth of social protection funds. To achieve this, it is necessary to make sure that spending is well-targeted and that social safety programs are operating effectively.

In 2021, consolidated spending on social protection in Uzbekistan is estimated to be around 5 percent of GDP, with contributory pensions accounting for approximately 75 percent of total social protection expenditures.

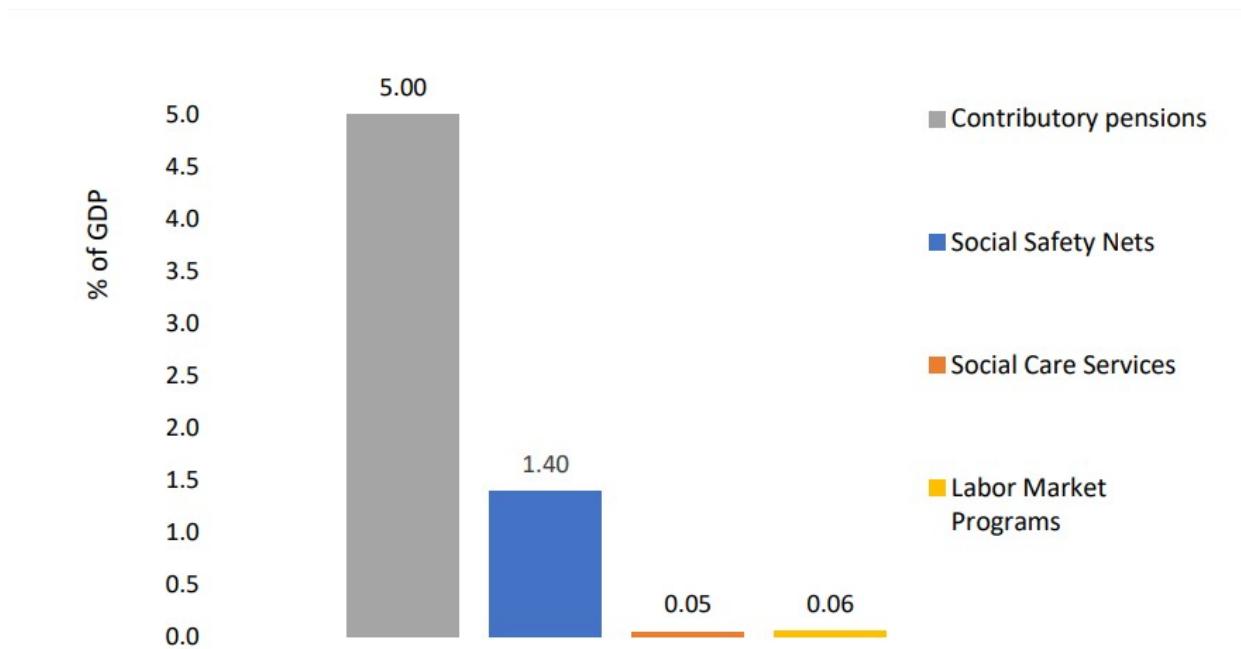


Figure-1. Spending on Social Protection in Uzbekistan, 2021

Source: World Bank staff calculations based on the MoF, MELR, and Extra-Budgetary Pension Fund administrative data on SP program expenditures using ASPIRE WB methodology.

While spending on social assistance remained relatively stable between 2016 and 2019, there has been a decline in spending on contributory pensions. Both the share of GDP and the proportion of total social protection spending allocated to contributory pensions have decreased in recent years. In 2019, social safety nets accounted for approximately 0.97 percent of GDP, social care services for 0.04 percent of GDP, and labor market programs for 0.013 percent of GDP.

Spending on social assistance experienced a significant decline from 1.9 percent of GDP in 2012 but has since maintained relative stability, fluctuating around 0.95 percent of GDP, except for a decrease to 0.86 percent of GDP in 2017¹. Spending on social care services has shown an increase, rising from 0.02 percent of GDP in 2016 to a stable level of 0.04 percent of GDP from 2017 to 2019. Labor market program spending comprises both active (0.01 percent of GDP in 2019)² and passive (unemployment benefits at 0.003 percent of GDP in 2019) components. Active labor market programs are relatively new in Uzbekistan, and prior to 2018, overall spending on these programs was negligible.

Conclusion

In conclusion, the development of a comprehensive social security system in Uzbekistan presents both challenges and opportunities. While the country boasts a range of social protection programs, including social assistance, contributory pensions, labor market programs, and social care services, there are significant issues related to fragmentation and coordination. The absence

¹ “An Assessment of the Social Protection System in Uzbekistan” (2020), a joint report by ILO, UNICEF, and the World Bank, based on the Core Diagnostic Instrument (CODI).

² World Bank staff estimates using administrative data from the MoF of Uzbekistan

of a designated entity responsible for integrating interventions, monitoring and evaluation, data analysis, and centralized policy formulation hinders the effectiveness and efficiency of the system.

Efforts have been made to address these challenges, such as the implementation of the Single Registry and the development of the Labor Market Information System. These initiatives aim to streamline program management, improve data collection and analysis, and enhance coordination between different institutions. However, there is still a need for formal definitions and a national strategy for social protection to ensure consistent interpretation and implementation across agencies.

The pension system in Uzbekistan has also faced challenges, particularly due to tax reform and a reduction in funding sources. This has resulted in a decline in Pension Fund revenues as a percentage of GDP, highlighting the need for sustainable financing mechanisms. Balancing benefit adequacy and fiscal sustainability is crucial to avoid negative social and political consequences.

The importance of centralized data collection and analysis cannot be overstated. By systematically analyzing performance indicators, household survey data, and impact evaluations, policymakers can gain valuable insights into program coverage, inclusivity, distribution of benefits, and overall impact on poverty and inequality. Monitoring and evaluating the effectiveness of social protection programs, including their combination with active labor market policies, is essential for informed decision-making and continuous improvement.

As Uzbekistan moves forward, it is imperative to allocate sufficient and efficient financing for social assistance and labor market programs, ensuring that the needs of vulnerable populations are met. The expansion of active labor market programs, reducing informality, raising productivity, and creating new job opportunities, is crucial given the country's young population and the challenges posed by unemployment.

Overall, developing a comprehensive social security system in Uzbekistan requires a coordinated and integrated approach, with clear definitions, strategic planning, and sustainable financing mechanisms. By addressing the existing challenges and capitalizing on the opportunities, Uzbekistan can strive towards a more inclusive, equitable, and effective social protection system that effectively reduces poverty, protects vulnerable populations, and promotes socio-economic development.

Reference

1. Alessie, R., Kapteyn, A. and Klijn, F.: 1997, Mandatory Pensions and Personal Savings in The Netherlands, *De Economist* 145(3), 291–324.
2. Attanasio, O. and Brugiavini, A.: 2003, Social Security and Savings, *The Quarterly Journal of Economics* 118(3), p. 1075–1119.
3. Bakhtiyor Dushaboevich Khajiev, Bekzod Erkinovich Mamarakhimov, and Tokhir Boymurod ugli Shomurodov. 2023. THEORETICAL AND METHODOLOGICAL BASIS OF STUDYING THE FACTORS AFFECTING ECONOMIC GROWTH IN THE DIGITAL ECONOMY. In Proceedings of the 6th International Conference on Future Networks & Distributed Systems (ICFNDS '22). Association for Computing Machinery, New York, NY, USA, 8–15. <https://doi.org/10.1145/3584202.3584204>

4. Browning, M. and Lusardi, A.: 1996, Household saving: Micro theories and micro facts, *Journal of Economic Literature* 34(4), 1797–1855.
5. Dominitz, J., Manski, C. and Heinz, J.: 2002, Social Security Expectations and Retirement Savings Decisions, JCPWR Working Papers 273, Northwestern University/University of Chicago Joint Center for Poverty Research.
6. Euwals, R.: 2000, Do Mandatory Pensions Decrease Household Savings; Evidence for The Netherlands, *De Economist* 148(5), 643–670.
7. Feldstein, M.: 1974, Social Security, Induced Retirement, and Aggregate Capital Accumulation, *The Journal of Political Economy* 82(5), 905–926.
8. Hurd, M. and McGarry, K.: 2002, The Predictive Validity of Subjective Probabilities of Survival, *The Economic Journal* 112(482), 966–985.
9. Jappelli, T.: 1995, Does Social Security Reduce the Accumulation of Private Wealth? Evidence from Italian Survey Data, *Ricerche Economiche* 49(1), 1–31.
10. Shomurodov, T. . (2022). LITERATURE REVIEW OF THE PAPER “THE NATURE AND GROWTH OF VERTICAL SPECIALIZATION IN WORLD TRADE”. Архив научных исследований, 2(1). извлечено от <https://journal.tsue.uz/index.php/archive/article/view/831>
11. SHOMURODOV, T., & HONGEN, Y. (2020). A Gravity model study on trade cost and foreign trade nexus: case of Uzbekistan and its selected partners. *ECLSS Online 2020c*.
12. Ugli S. T. B., Rashidovna K. G. A study on the regional level of economic growth and the principles of its change //Asian Journal of Research in Business Economics and Management. – 2022. – Т. 12. – №. 4. – С. 37-43.