



Social Insurance System in Uzbekistan: Characteristics and Prospects

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Abstract: The article discusses measures aimed at increasing the level of targeting in providing material support to low-income segments of the population, as well as the need to form a new system of social guarantees that would provide each person with a sufficiently high social protection against a possible decline in living standards. The need to activate the significance of the state social insurance system is noted, the main norms of social insurance are given. In accordance with the new measures adopted in Uzbekistan on September 20, 2022, it was approved that compulsory social insurance funded by employers and employees should be targeted for additional protection of workers, which depends on the level of payers' contributions. A solution of a number of issues is proposed, due to the tasks of the socio-economic choice between the expansion of social guarantees and measures to stimulate self-sufficiency.

Key words: material support, targeting of material support, social protection, state benefits, compulsory social insurance, funded pension provision, savings, pension, business activity, personal insurance model..

INTRODUCTION

Social protection of the population is a factor stabilizing the level of protection of the population. The social protection system in Uzbekistan is currently under development and improvement, but the state is doing everything possible to provide its citizens with social services and benefits.

The social protection system plays an important role in ensuring social justice and equality of opportunity for all citizens. It helps to improve the quality of life of people, provides social support for the most vulnerable categories of the population. The social safety net also contributes to the stability of society and economic development, as it makes people feel secure and secure in the future. In general, social protection is an integral part of civil society and state policy aimed at the well-being of the population.

Literature review. In recent years, many scientific papers have been published on curbing the impact of the economic consequences of COVID-19 and analysing the various measures taken by

governments of different countries to reduce this impact. (Baker et al., 2020; Barrero et al., 2020; Bartik et al., 2020; Ganong et al., 2020; Gormsen & Koijen, 2020). In doing so, many different approaches have been proposed. In particular, some scholars have proposed providing benefits designed to support such a difficult economic period, and later replenish the spent amount of funds by postponing retirement. (Biggs & Rauh, 2020). In their research Beshears et al. (2019) they note that illiquid retirement savings are optimal for households with a certain bias. These types of savings are divided into three types of savings accounts: liquid savings accounts, semi-liquid retirement accounts with penalty withdrawals, and completely illiquid accounts. However, the optimal mandatory savings rate may be countercyclical. That being said, introducing some liquidity into the welfare program can be beneficial. Some researchers in their papers have spoken out in favor of providing lump-sum social security benefits, instead of early retirement, suggesting that they will help pay off households of various large debts, in particular mortgage loans. (Maurer et al., 2016; Maurer and Mitchell, 2018). Others, continuing this thought, believe that lump sum payments during the crisis will give households the opportunity to finance expenses at record low interest rates (Catherine C. et al., 2020).

Separate scientific works in this area are considered from the perspective that social security is closely related to the well-being of each person, and cannot be considered separately from the process of entrepreneurial activity. Since entrepreneurial activity at the national level has become the engine of economic growth, it is necessary to study the relationship between the level of social protection and the level of entrepreneurial activity (Davidsson P. et al., 2002). At the same time, there are many studies on the influence of the national mentality on the level of entrepreneurial activity (Hayton J.C. et al., 2002). Although mentality can explain the differences in entrepreneurship in different countries, and its impact on the social security of the population, its cumulative effect with other institutional factors is interesting (Hayton J.C. et al., 2013). And these factors need to be studied together. In some countries, the mentality also affects the level of organization of the social protection system.

Analysis and results. At the beginning of the first stage of the transition period, socio-economic reforms affected all strata and groups of the population and affected all spheres of society. However, despite this, the solvency and incomes of the bulk of the population decreased. A significant part of it turned out to be below the poverty line, especially pensioners, people with disabilities, large families and other socially vulnerable segments of the population were in a disadvantaged position. All this led to the adoption of a number of legislative acts on the systemic protection of certain segments of the population, in particular, to the creation of special "notebooks": "Iron Notebook" - a database of individual families with a difficult social situation and living conditions, as well as those taken under the control of sector leaders for registration, identification, elimination and control of problems; "Women's" or "Youth" notebooks. Along with this, it was especially important to intensify activities aimed at improving their standard of living, to provide for measures aimed at increasing the level of targeting in the provision of material support to low-income segments of the population.

The necessity of forming a fundamentally new system of economic, legal and social guarantees is indicated, which would provide each person with a high degree of social protection from a possible decline in living standards. The formation and improvement of social policy is a complex process, not only closely related to economic development, but also dependent on it.

The experience of market developed countries has shown that the most effective and comprehensive social protection systems usually include the following main elements: state benefits; compulsory social insurance; funded pension provision; social assistance. State benefits are intended to provide all citizens with guaranteed payments at a certain level in the event of the occurrence of obligations subject to social protection (Zaynalov, J., 2020.). Compulsory social insurance, financed

by employers and employees, is designed to provide additional protection for employees, which depends on the level of contributions of payers. The law "On social insurance" of market developed countries provides for the introduction of three types of social insurance: disability, loss of a breadwinner and job. It would be interesting and fair for the formation of special insurance if domestic legislative acts would also take into account the introduction of three types of social insurance. It is necessary to create a State Social Insurance Fund in the republic. Social assistance is intended to provide additional protection to certain categories of citizens at the expense of the state budget. Reforms in the social sphere and the implementation of the transition to a funded pension system are primarily aimed at preventing mass poverty of the elderly and providing adequate compensation for their work.

The Law of the Republic of Uzbekistan "On accumulative pension provision for citizens" dated December 2, 2004 No. 702-II, which entered into force on January 1, 2005, introduced a new accumulative pension system. Based on the accumulative principle, the system leads to a redistribution of responsibility for pensions between the state, the employer and the individual himself. The conceptual principle of funded pensions through mandatory contributions and additional investments throughout the working age makes it possible to accumulate a certain part of the population's income, giving them a special form of savings. These savings represent a significant source of cash that can be invested in the real economy.

In the process of evolutionary development of society, the social protection of the population in many countries has been subject to changes, as a result of which three "classical" models of social protection of the population have emerged, characterized by certain features. When identifying a model of the social sphere, it is methodologically important to take into account:

Firstly, how the state in a market economy solves the problem of socio-economic choice between the expansion of social guarantees and measures to stimulate self-sufficiency, between the need to solve current, urgent problems and social well-being in a strategic perspective. It is necessary to realize that benefits that stimulate economic growth, providing benefits to certain sectors of the economy, should be an objective necessity for any society, especially one striving to become a dynamically developing, competitive economy (Алиева, С. С., 2021).

Secondly, how is the balance of social and economic policy achieved so that social measures do not violate the adaptive capacity of the economy.

Thirdly, how are the opportunities for each citizen in the production and development of society ensured; how the maximization of the number of its members with such opportunities is achieved and the duration of their active work is increased; how the most favorable conditions for labor and business activity are created for the able-bodied population - the basis of the well-being of society.

Fourthly, how the system of social protection of the population helps to facilitate the process of structural changes in the economy, and economic growth is not only one of the conditions for the development of social guarantees, but also an essential element of the welfare of the vast majority of the population.

Fifthly, as the principle of social justice is affirmed and implemented, a system of social guarantees is created and functions in a market economy, what are the mechanisms for ensuring social guarantees, maintaining the system of life of the population (Радаев В.В. et al, 1996).

The first model of social protection of the population - the model of W. Beveridge - is typical for Great Britain, Austria, Canada, the countries of Northern Europe (Канарш Г.Ю., 2018). This model assumes the widespread use of the principles of state social security financed from the budget. The organization of social protection of the population was based on the following principles: revolutionary spirit, social progress, cooperation between the state and the individual. However, at the same time, the state should not suppress the initiative of citizens; social security is financed by

contributions from the population. With the help of the state system of social protection of the population, it is possible to eradicate such phenomena as poverty, illness, ignorance, forced idleness.

The second model of social protection of the population is the model of personal (collective) insurance. This model is most widely used in the United States, to some extent it is used in Latin America, Portugal, etc. Its essence lies in the fact that there is no single national system of social insurance, and a developed system of personal insurance is a sphere of commercial activity (Колос Е.А., 2007).

The third model of social protection of the population is O. Bismarck's model. The organization of social protection of the population on the basis of this model assumes the protection of workers from a sharp decrease in the level of income (earnings). Most developed in Sweden and Germany (Колос Е.А., 2007).

Pension provision occupies an important place in the social policy of any state. It is the second (after wages) source of income, the system of which is regulated by the state. In most Western European countries, there are three levels of pension provision for citizens.

Within the framework of the first level of state pension provision, there are two types of pensions: the main one - by age and additional (depending on the amount of income received by a citizen before retirement). The right to a basic pension is granted to all citizens, regardless of the length of service, in the amount of 20% of their previous earnings or in a fixed amount. To receive an additional pension, a sufficiently long period of work is required, which would provide the so-called pension income (in fact, employers' contributions). In Sweden, the length of service required to receive a supplementary pension is 30 years, in Finland and Denmark it is 40 years. The amount of the additional pension in this case is more than 50% of the average income, and together with the basic pension - more than 70% of the income before retirement.

The second level of pension provision is non-state or private pension funds. These are non-profit institutions for a limited circle of insured persons, which are created either within the framework of individual trade unions or at large companies and organizations. Non-state pension funds are formed at the expense of contributions from employers, sometimes from the insured themselves, and in fact represent a hidden form of additional wages. State participation in them is reduced to preferential taxation of funds sent to them (Ahrorov, Z., 2020.). Efficient public pension systems block the development of private pension funds. Therefore, these funds have received the least distribution in the Scandinavian countries. The third level of pension provision is the pension insurance system (individual or group) as one of the types of personal insurance.

There are currently two systems for financing public provision expenditures. The first one is covering the current costs of pension payments at the expense of current pension insurance payments. In fact, this means that the working population provides pensions to the older generation. Of the 58 ILO members, 44 countries use this particular funding system. A significant problem in its implementation is the strong influence of the demographic situation: the aging of the population in developed countries increases the number of pensioners per employed person. In countries using this model, the main burden for the formation of pension funds lies with employers. In Austria, the share of payments made by the employees themselves is 14% of the total amount of pension insurance payments, in France - 13%, in the UK - 23%.

But, despite the experience of the system of reforming social insurance and social protection of the population in the Republic of Uzbekistan, sometimes there are interruptions in the non-payment of social benefits (ie, accumulative pension fund, pension fund, etc.) by certain categories of unstable functioning employers. However, despite this, the dynamics of social payments in relation to the growth of the economically active working-age population is positive, the activity of the population is growing (see: table1).

Table 1 – Characteristics of labor resources and social benefits in Uzbekistan*

Indicators	2016	2017	2018	2019	2020	2021
Total workforce	18488,9	18666,3	18829,6	18949,0	19158,2	19334,9
economically active population, thousand people	14022,4	14357,3	14641,7	14876,4	14797,4	14980,7
economically active population, thousand people	4466,5	4309,0	4187,9	4072,6	4360,8	4354,2
Ratio of economically active population to working age population, %	72,5	73,5	74,3	75,0	73,8	74,1
Total number of persons receiving pensions and social benefits, thousand people	3324,2	3488,9	3690,3	3878,4	4029,3	4253,1
as a percentage of the corresponding period of the previous year	103,8	105,0	105,8	105,1	103,9	105,6
The minimum size of pensions by age, thousand soums	292,9	336,9	396,5	436,1	513,4	623,0
as a percentage of the corresponding period of the previous year	115,0	115,0	117,7	110,0	117,7	121,3
The average size of the assigned monthly pension, thousand soums	494,2	556,8	640,5	733,2	848,5	963,6
as a percentage of the corresponding period of the previous year	112,8	112,7	115,0	114,5	115,7	113,6
Total number of persons receiving pensions and social benefits, thousand people	3324,2	3488,9	3690,3	3878,4	4029,3	4253,1
as a percentage of the corresponding period of the previous year	103,8	105,0	105,8	105,1	103,9	105,6
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*Statistics Agency under the President of the Republic of Uzbekistan, www.stat.uz

As follows from the data given in Table 1, a significant part of the employed, that is, 25.9%, did not actively participate (did not work) in the formal sector of the economy. As a result, only 14,980.7 thousand people (or 74.1%) were employed in the latter. This indicates that due to some of the able-bodied citizens of Uzbekistan, contributions were not paid. The reason for this was the fact that

employment in the informal sector had a significant impact not only on the formation of social insurance funds, the pension fund, the accumulative pension fund, but also on the formation of budget revenues at all levels, etc. In this regard, in the near future, close attention should be paid to the issues of employment in the official sector of the economy, as well as the official registration of persons employed in the informal sector, persons who have gone to work outside the republic. Of course, the creation of new jobs for the employment of people in need of employment. Only after the implementation of specific measures in the above areas, it will be possible to create dynamic conditions for the receipt of insurance premiums.

A large extent, the solution to the problems can be achieved through not only structural reforms of all social payments, but also by reforming the employment system. The latter requires an immediate reform of the training of personnel for the lower echelon of the economy. This requires, with the help of vocational schools, to train more personnel for those sectors of the economy where there is a need for middle-level personnel. All this in the future can create conditions for the formation of social insurance funds.

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