



## SOCIAL SECURITY SYSTEM IN UZBEKISTAN: ITS MAIN PRINCIPLES AND FUNCTIONS

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***Abstract.** This scientific article is devoted to the analysis of the social security system, in particular, the world experience and the state of the social security system in the CIS countries and Uzbekistan. In addition, the article emphasizes that the social insurance system plays an important role in the social security of the population.*

*Moreover, the article considers significance of establishing a social insurance system. It has been noted that the introduction of the social insurance system constitutes a guarantee of the development and improvement of economic, social and labor relations.*

***Key words:** social security, state social security, social insurance, social risks, social allowances.*

***Introduction.** Social security of the population is the most essential objective which is challenged by any state and society because people's way of life, mood, attitude to the ongoing reforms, first of all, are directly related to the degree of their social security. The Republic of Uzbekistan can be considered the leader among middle and high-income countries in terms of investment in social security, with social protection expenditures up to 12% of the GDP [1]. The proportion of the population covered by social security systems depends on the specific type of system and region. According to the United Nations Sustainable Development Goals, the majority of the global population does not enjoy adequate social security. For example: "Only 22% of the total unemployed receive unemployment allowances; only 28 percent of people with severe disabilities receive a disability pension; one-third of all children are covered by the social protection system; only 41 percent of mothers receive maternity allowances" (Report, 2019).*

The qualitative and quantitative indicators of the social security system of each country indicate the level of socio-economic development of the society. According to Article 25 of the Universal Declaration of Human Rights, everyone has the right to social security in the event of unemployment, illness, disability, widowhood, old age or other

circumstances in which there are no means of subsistence due to various reasons. Social security of the population is implemented through the provision of pensions, benefits, allowances, financial assistance and social services to the needy layers of the population.

Uzbekistan has a low-income population as well. According to various estimates, here this layer constitutes about 12-15 percent. Hence, poverty reduction and ensuring a decent standard of living for citizens is a priority not only in the socio-economic policy of developed but also developing countries.

In this regard, within the framework of the State program “The year of the development of science, education and digital technologies” approved by the Decree of the President of the Republic of Uzbekistan PD №5953 as of March 2, 2020, it is crucially important to elaborate the project draft of the “Concept of social security of the population”.

**Literature review:** The issues of improving and reforming social security have been thoroughly studied in the foreign scientific literary sources, in particular, in the statutory acts of the International Labor Organization, the World Bank, as well as in research papers of E.B. Atkinson, E.D. Berkovits, U. Beveridge, K.E. Clark, D.Higgins and other famous scientists.

Herewith, although the concept of “social security” is provided in some researches and economic encyclopedias, it is obvious that the given concepts are contradictory. One group of scholars V. Trubin and N. Rimashevskaya (Rimashevskaya, 1996) described social security as a measure of the state’s integrated assistance to citizens in times of economic and social poverty, while another group of scholars A. Pochinok and V. Roik (Roik, 2016) described “social protection” as the development of human resources and guarantees of their comprehensive economic, social and legal protection, i.e. the concept of protecting the lives and health of working citizens during their activities.

Although the concept of “social protection” is used in some sense in the foreign literary sources, there is no literature on “social security” in the national economic literature and inadequate research has been done in this regard. In particular, the role and place of social insurance and social labor risk in social security requires further research. Scientifically, it has not been studied which way the development of social insurance should go or which principle (insurance or state) it is based on.

The most urgent problem is that by reducing the share of the poor or the level of poverty just formally and on paper, in practice, people remain in poverty. Moreover, it makes no sense to achieve economic stability without significantly reducing the share of

the poor or the level of poverty. With this aim, first of all, it is necessary to generate sources of income for the population by creating new jobs in remote areas and villages, and to involve them in entrepreneurial activities.

In reliance upon the best international practices in low-income or poverty reduction, it is desirable to develop criteria for poverty detection and assessment with the involvement of international organizations, to provide low-income people with decent jobs through retraining, to introduce a perfect system of social benefits and payments.

The social security system is financed by combined social insurance contributions and the state budget. As can be seen from the data in Figure 1, the scope of social security is much wider and more comprehensive and it is possible to do separate research in each of its areas. In this article, we consider the social security system, including the social protection of the needy, the poor layers of the population.

In our republic the state social security is implemented in case of old age, illness, partial or complete loss of ability to work, loss of a bread winner, as well as financial support and services for mothers with children. Herewith, state social security system is crucially important and aimed at:

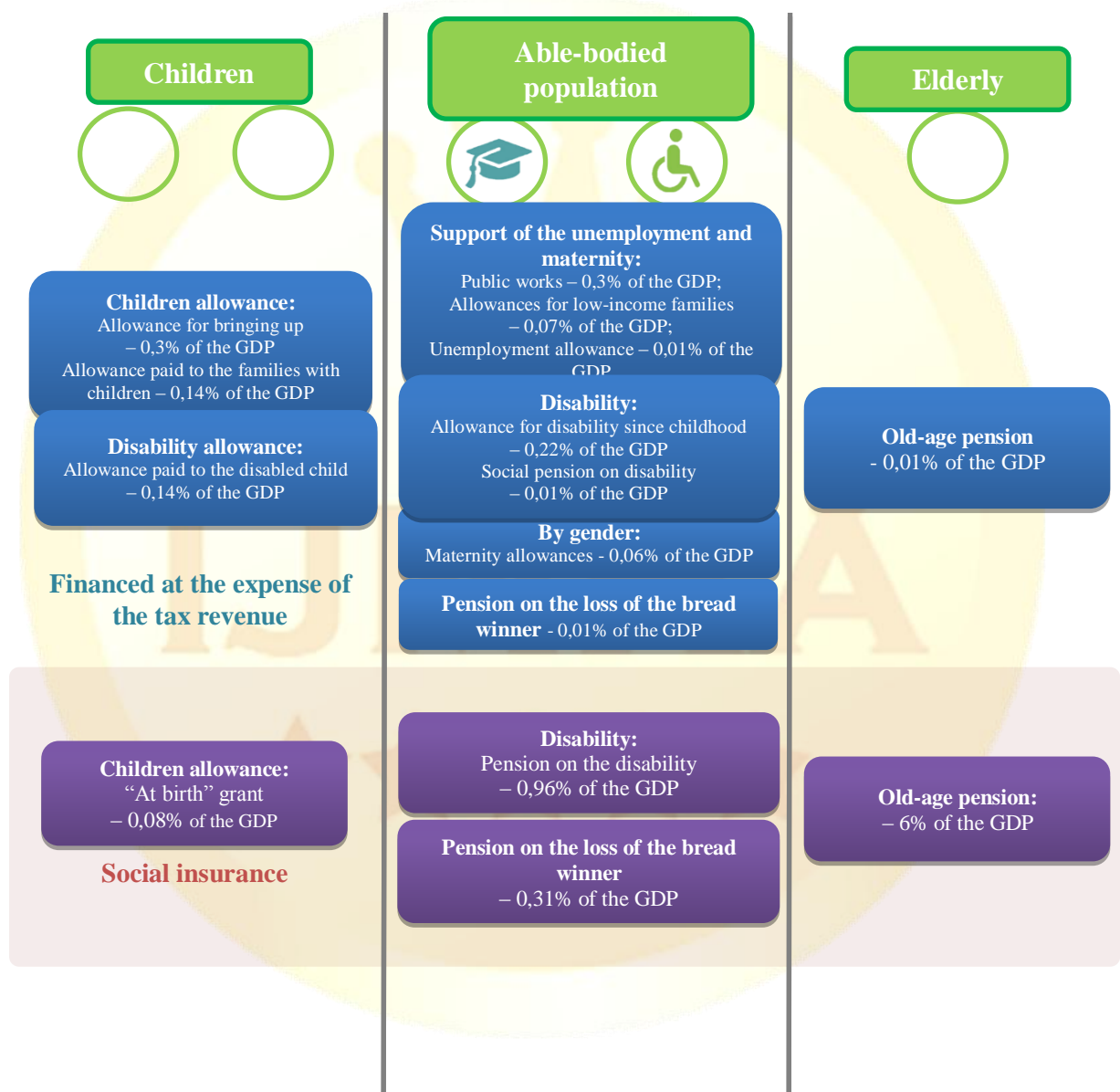
- regulation of the labor market by mitigating the contradictions between its supply and demand;
- assistance in employment of all able-bodied members of the society;
- focus on the material well-being of the elderly.

Social security is provided directly from the state budget, public targeted funds, sponsors (various funds and agencies, legal entities and individuals). The amount and procedure for providing social security is performed within the framework of legislation developed in compliance with national traditions and international standards, as well as the economic potential of the state.

In developed countries, a current system of social insurance is emerging as the basis of social protection. World experience confirms that the social insurance system is the basic institution of social security in the market economy and aims to ensure the implementation of the constitutional rights of the economically active population to old age, disease, partial or complete disability, homelessness, unemployment. In terms of essence, the system of social insurance, which is introduced, controlled and guaranteed by the state, provides for comprehensive support to the elderly and the disabled. From a socio-political point of view, social insurance implies that citizens have a constitutional right to receive material benefits in cases such as old age, illness, maternity, complete or partial

loss of ability to work, loss of a bread winner, unemployment. The amount to be paid is determined with the account of the length of service, monthly salary, the degree of disability and is paid in compliance with applicable law.

Currently, social spending in Uzbekistan accounts for 8,6% of the GDP (Figure 1). Nowadays the main directions of social security in Uzbekistan and the amount of money spent on it can be demonstrated as follows:



**Figure 1. Basic areas of social security and amount of money spent thereto (relative to GDP)**

The modern system of social security includes (Rjevskaya, 2013):

- state social security (social assistance);

- a set of state guarantees, including provision of social benefits to certain categories of the population;
- social insurance (compulsory state insurance, voluntary-corporate insurance and individual insurance).

It should be noted that social insurance plays an important role in the social protection of the population from various risks, such as: illness, occupational injury, occupational disease, accident, maternity and childhood, unemployment, old age and loss of a bread winner (Mamatov, 2019).

The most essential economic function of social insurance is that it creates required conditions for the reproduction of labor resources. The social insurance system is one of the prerequisites for ensuring social justice in society, creating and maintaining political solidarity. The following can be achieved with the help of social insurance: formation of paid funds to cover the costs of the disabled and those who do not participate in the labor process; ensuring the structure and the required amount of reproduction of labor resources; reduction of disruptions in the material support of employed and unemployed members of society; there will be an opportunity to improve the living standards of groups of the population not involved in the labor process.

Social insurance is aimed at financially providing two-way measures, which are the restoration and maintenance of working capacity through health and retraining of workers, as well as provision of material incentives to those who have lost jobs or do not have the ability to work.

The material basis of the social insurance system is relevant funds. Social insurance funds are generated from the following sources: contributions of workers and employers; government subsidies. Employees' insurance premiums are deducted from their income. In terms of essence, these payments are clearly targeted taxes. The insurance premium rate is determined as a percentage of gross wages and in many cases does not depend on the amount of the income. Government subsidies include allowances to compulsory social insurance funds for unemployed citizens, military personnel and civil servants, subsidies to cover the deficit of social funds, and tax benefits. Compulsory social insurance funds are used in the form of cash payments, financing of social services, preferential assistance. In terms of the volume of resources, the first priority is cash payments. They are represented in the form of pensions and social allowances.



Social insurance funds are used to finance the services of health and social care institutions, the services of sanatoriums and resorts to restore the ability of citizens to work, health and preventive measures.

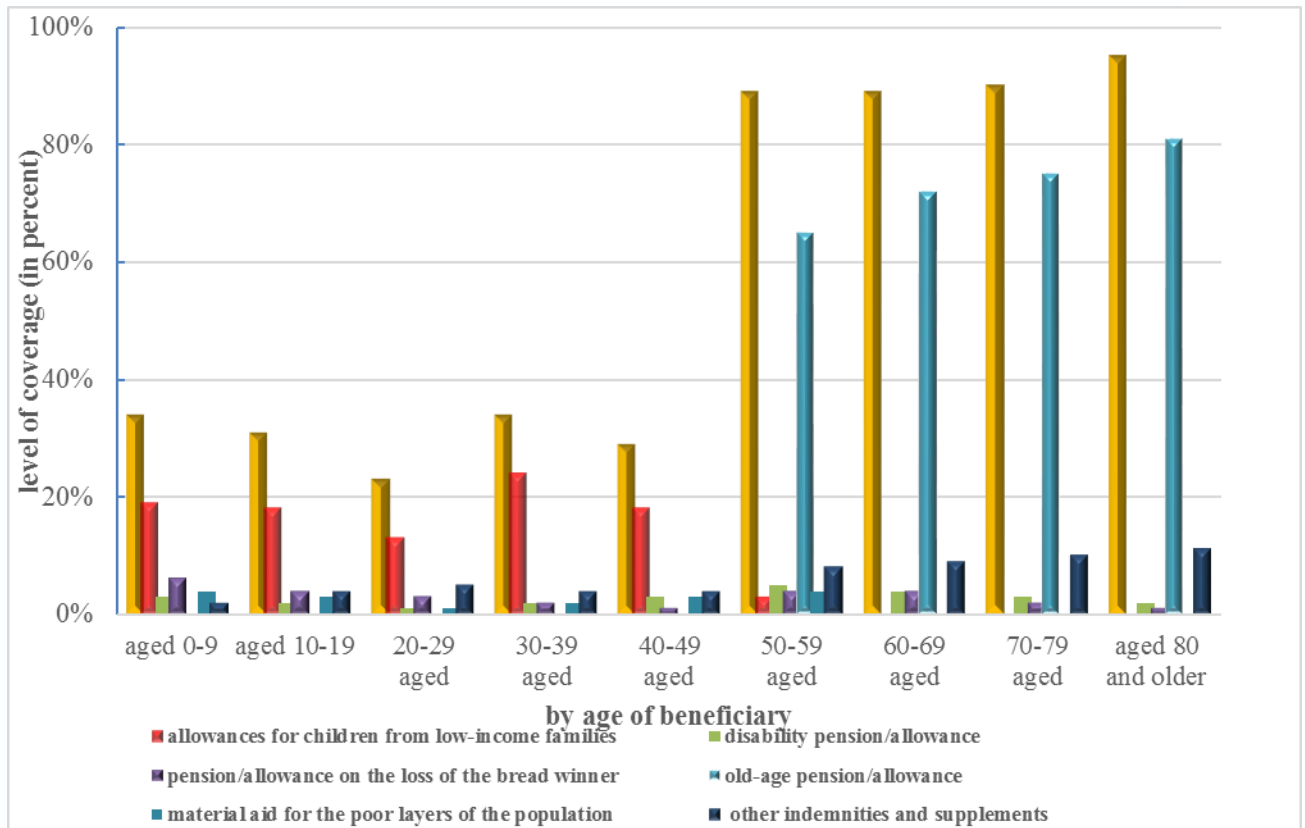
The peculiarity of preferential assistance is that its goals and objectives are related to the provision of certain concessions in the use of one or another items of well-being over others in the acquisition of a certain material wealth. Payments and services are divided into three groups according to their goals and objectives: the first group combines payments and services provided in order to maintain the business activities of people; the second group refers to payments and services that include additional costs associated with the birth and raising of the child, i.e. maternity benefits, payments for leave taken until the child reaches a certain age, and child allowances; the third group includes payments and services for the purpose of rehabilitation, medical rehabilitation, training and retraining of the disabled, the unemployed, women, and those returning to work after maternity leave.

In industrialized countries, social insurance is the basic institution of social protection of workers, and this system covers 80-85% of the population and accounts for 15-25% of the national GDP (Roik, 2014). Moreover, these countries have compulsory and voluntary types of social insurance, and compulsory social insurance is an important element of the state system of social security. Its peculiarity is that the insurance of working citizens against possible changes in their material and social status, as well as against circumstances beyond their control is implemented in compliance with the current legislation. These include, for example, compulsory state social insurance against accidents at work, occupational disabilities and occupational diseases.

An event that caused the insured person to become disabled or otherwise injured while performing his/her duties under the employment contract in the territory of the insured or outside the insured person and caused the temporary or permanent loss of professional capacity or death of the insured is considered as an accident. Temporary or permanent loss of professional ability of the insured person as a result of an industrial accident means disability at work. An acute or chronic illness that causes the insured person to temporarily or permanently lose his or her ability to work as a result of exposure to a harmful or dangerous factor of production is considered an occupational disease. In these cases, compulsory social insurance is provided and the insurer pays the insurance indemnity in the event of an insured event. The aim is to implement social security of citizens, to ensure the payment of insurance compensation for damage to life and health of

employees due to accidents at work and occupational diseases, as well as to improve labor protection and working conditions, to protect the health of employees.

Over 23% of the population in the Republic of Uzbekistan is direct beneficiaries of social security programs. However, when analyzed in terms of coverage of the population with age-related social protection, the majority of the beneficiaries, i.e. 88%, are citizens of retirement age and older (Figure 2).



**Figure 2. Coverage of the population with social security programs in reliance upon age.**

The Labor Code of the Republic of Uzbekistan stipulates that all employees of the state social insurance are covered by the state social insurance. For state social insurance, employers, as well as the insured employees themselves, pay insurance premiums. However, the fact that employers do not pay for state social insurance does not deprive the insured employee of the right to be covered by state social insurance.

Insured employees, and, where appropriate, their families, are also covered by state social insurance funds: temporary disability allowances, while women receive maternity

allowances as well; allowances provided for the birth of a child, as well as allowances provided by the state for the elderly people, disabled and those who have lost bread winners.

The funds of the state social insurance are used in compliance with the established procedure for treatment in sanatoriums, rest houses, payment for medical (dietary) food of the insured employees, maintenance of children's health camps, other measures on the state social insurance.

With the development of society, the perception of the place and role of social insurance will increase significantly. This is due to the increase in the level of compulsory social insurance, expansion of social insurance programs, increase in the amount of pensions, allowances and the quality of services, their value and real incomes. It should be noted that the relatively low monthly salaries of citizens have a negative impact on the development of the social insurance system. In addition, many employers hide the real amounts of salaries that workers receive in order to avoid paying taxes. In this case, the amount of funds received for the need of social insurance decreases sharply. According to various sources, the hidden salary constitutes 25-40 percent of the officially paid salary fund (Roik, 2014). Thus, so-called "hidden" income does not participate in the formation of monetary funds necessary for the functioning of the state social insurance system.

**Table 1****Average monthly salary for 2010-2018 (USD)**

Countries	Years								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Azerbaijan	412,8	461,2	507,1	541,9	567,0	452,6	313,2	306,9	317,7
Armenia	274,8	290,2	281,8	357,6	381,3	386,3	363,0	404,2	355,2
Belarus	406,6	338,9	439,2	564,2	598,8	413,1	361,4	425,7	449,4
Georgia	335,2	377,2	449,0	464,8	437,8	389,5	397,2	454,8	420,8
Kazakhstan	526,5	613,8	679,4	717,2	672,5	568,4	417,6	462,6	398,2
Kyrgyzstan	156,4	201,9	228,3	234,1	229,0	206,0	212,4	227,9	230,0
Latvia	838,8	918,4	882,6	949,1	985,1	907,2	953,4	1046,5	1442,6
Lithuania	657,0	705,8	672,7	903,6	868,9	789,7	859,0	949,3	1054,8
Russia	681,6	796,2	857,1	936,3	855,8	560,2	548,7	671,1	652,3
Tajikistan	80,8	95,9	116,6	145,9	165,3	142,5	122,7	134,3	129,5
<b>Uzbekistan</b>	<b>318,1</b>	<b>323,1</b>	<b>559,3</b>	<b>574,4</b>	<b>436,4</b>	<b>478,7</b>	<b>590,5</b>	<b>290,7</b>	<b>219,6</b>
Ukraine	282,0	330,5	378,7	408,5	293,3	192,5	202,9	272,8	312,2
Estonia	1049,3	1172,0	1149,0	1314,5	1289,3	1289,3	1271,9	1379,8	1466,3

In 2018, the average monthly salary in Uzbekistan is higher than only in Tajikistan among the CIS countries.



This trend shows that salaries in Uzbekistan lag far behind the average monthly salary in most developing countries, and are negative in terms of ensuring a decent standard of living. In particular, it does not enable to meet the needs of citizens related to social insurance.

Meanwhile, such a tendency also shows that there is a significant share of the poor people in the total population. The Message of the President of the Republic of Uzbekistan to the Oliy Majlis emphasizes the existence of low-income groups in the country and, according to estimates, they amount to about 4-5 million people [8]. 4-5 million low-income or poor people is a big figure for the population of Uzbekistan, which is about 34 million. This implies that every eighth citizen of Uzbekistan is poor. Official statistics show that the share of the poor in the total population of the country has been declining since 2010. In particular, the share of the poor in the total population in 2010 constituted 17,7% and by 2019 it was 12,5%, i.e. in 2010-2019 this figure decreased by 5,2 percentage points.

**Table 2****Total population and the share of the poor in Uzbekistan**

Indicators	Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Total population, thousand people</b>	28001	29123	29555	29993	30492	31022	31575	32120	32656	33255
<b>Number of low-income persons, thousand people</b>	4949,8	4659,7	4446,5	4221,2	4059,8	3984,7	3883,8	3822,3	4049,4	4156,9
<b>The share of the poor in the total population, in%</b>	17,7	16,0	15,0	14,1	13,3	12,8	12,3	11,9	12,4	12,5

The number of low-income people in 2010-2019 averaged 4692,6 million per year. However, the growth rate of the poor lags behind the growth rate of the total population, and this is a positive situation in terms of social security.

**Conclusion.** In conclusion, it should be noted that in order to improve the system of social security in the Republic of Uzbekistan, first of all, it is necessary to develop its

regulatory framework because up to present time, in the Republic of Uzbekistan within the framework of social security of the population, the rights and obligations of the employees, employers, the population in need have not been adequately developed in compliance with the rules of parity between them and the state.

In our opinion, it is necessary to undertake the following measures to improve the social security system in Uzbekistan:

- in order to enhance the welfare of the population and improve its social security, it is required, firstly, to ensure the targeting and increase the amount of social allowances and financial assistance, and secondly, to promote the entrepreneurial spirit and widespread involvement in entrepreneurship;

- it is necessary to create new job places in the regions, especially in rural areas, to formulate their sources of income through retraining of low-income citizens and thereby reduce poverty. In addition, it is required to develop a strategy for poverty reduction in Uzbekistan, its methodology with the support and cooperation of international organizations, studying the most advanced international practice;

- it is advisable to actively reconsider the criteria for awarding social allowances to low-income families, minimizing the human factor in this regard, introduce modern information and communication technologies and ensure transparency of the system, as well as to develop and implement the information system “Single Register of Social security” for all regions;

- it is required to develop a targeted state program aimed at the social adaptation of young people brought up in orphanages, in particular, their employment and future housing;

- in reliance upon the system of providing allowances for pregnancy and childbirth, maternity allowances, allowances for additional day off and funeral, compensation for industrial injuries and occupational diseases, allowances for elderly people, disability and loss of a bread winner, monthly benefits for families with children under 14 years allowances for mothers raising children under 2 years of age, benefits for children with disabilities, social benefits and financial assistance to low-income families, there should be developed the drafts of the Law “On Social Insurance” and the Unified Regulation “On assignment and payment of social allowances”.

The efficient implementation of these measures will definitely enable the country to achieve significant economic stability in future.

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