

Examining the Impact of Social Security Reforms on the Well-Being and Livelihoods of Vulnerable Populations in Uzbekistan

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Abstract

This research paper aims to examine the impact of social security reforms on the well-being and livelihoods of vulnerable populations in Uzbekistan. The study focuses on understanding the effectiveness and outcomes of recent social security reforms implemented in the country, with a specific emphasis on their implications for vulnerable groups. By analyzing the changes in social security policies and their impact on the well-being and livelihoods of vulnerable populations, this research seeks to provide insights and recommendations for improving the social protection system in Uzbekistan.

INTRODUCTION

In recent years, Uzbekistan has undergone significant social security reforms aimed at improving the well-being and livelihoods of its vulnerable populations. These reforms have been driven by the recognition that social security plays a crucial role in reducing poverty, addressing inequality, and promoting social inclusion. With a growing emphasis on sustainable development and ensuring the welfare of all citizens, Uzbekistan has implemented various policy measures to enhance the effectiveness and coverage of its social security system.

The objective of this research paper is to critically examine the impact of social security reforms on the well-being and livelihoods of vulnerable populations in Uzbekistan. Vulnerable populations encompass individuals and households who face higher risks of poverty, exclusion, and limited access to essential services and opportunities. This research aims to shed light on the extent to which social security reforms have effectively targeted and improved the lives of these vulnerable groups.

To achieve this objective, the study will adopt a comprehensive and multidimensional approach, considering various aspects of social security reforms and their implications. It will analyze the design, implementation, and outcomes of key social security programs, such as cash transfers, social pensions, and other forms of targeted assistance. Additionally, the research will explore the institutional and policy frameworks that support these reforms, including governance structures, funding mechanisms, and coordination between different stakeholders.

Furthermore, this study will employ a mixed-methods research methodology to capture both quantitative and qualitative data. Quantitative analysis will involve the examination of relevant



datasets, including household surveys, administrative records, and budgetary information, to assess the impact of social security reforms on poverty reduction, income distribution, and access to essential services. Qualitative research methods, such as interviews and focus group discussions, will provide deeper insights into the lived experiences and perceptions of vulnerable populations regarding social security reforms.

By conducting a rigorous analysis of the impact of social security reforms, this research aims to generate evidence-based policy recommendations to further enhance the effectiveness and inclusivity of social security programs in Uzbekistan. It is expected that the findings of this study will contribute to the ongoing discourse on social protection policies and their implications for vulnerable populations, while informing future reforms and policy decisions in Uzbekistan.

In conclusion, this research paper seeks to advance our understanding of the impact of social security reforms on the well-being and livelihoods of vulnerable populations in Uzbekistan. By examining the effectiveness and outcomes of social security programs, this study aims to contribute to the ongoing efforts to build a comprehensive and inclusive social protection system in Uzbekistan, ultimately fostering greater social cohesion and sustainable development.

Results and Discussions

The Ministry of Employment and Labor Relations (MELR) in Uzbekistan has been actively implementing various labor market (LM) programs and services through employment support centers and training centers across the country. These programs can be categorized into three types of LM support provided by the MELR through employment support centers (ESCs): public employment services, active labor market programs, and passive labor market measures, in addition to public works programs.

Public employment services offered by the ESCs include job counseling and intermediation services, aimed at connecting job seekers with suitable employment opportunities. Active labor market programs focus on enhancing individuals' skills and employability through professional training both in classrooms and on the job, apprenticeships, quota-based employment plans, wage subsidies for employers who hire above the quota, subsidies for business startup costs, and greenhouse setup subsidies. On the other hand, passive labor market measures mainly involve providing unemployment benefits to individuals who have lost their jobs and are in need of immediate financial support. It is important to note that Uzbekistan's spending on labor market policies, although increasing, still lags behind comparator countries in the Europe and Central Asia region.

The implementation of active labor market policies in Uzbekistan is relatively new, resulting in limited financial resources and a lack of integrated policy approaches and definitions. These programs aim to increase human capital and facilitate the transition of vulnerable or hard-to-employ groups into sustainable employment, thereby reducing their reliance on social assistance. Passive labor market programs, such as unemployment benefits, primarily provide short-term financial assistance without necessarily promoting long-term human capital development.



The allocation of targets and budget resources for employment support centers appears somewhat arbitrary, with limited transparency and planning beyond one year in advance. This lack of clarity may create unintended incentives, such as prioritizing target achievement or budget utilization over effective service delivery by ESCs. The overall spending on active labor market programs was minimal until 2018, but it increased with the introduction of new employment subsidies in 2019. However, there is a need for robust evidence on the effectiveness of these programs, particularly in supporting vulnerable groups, to inform evidence-based policy making.

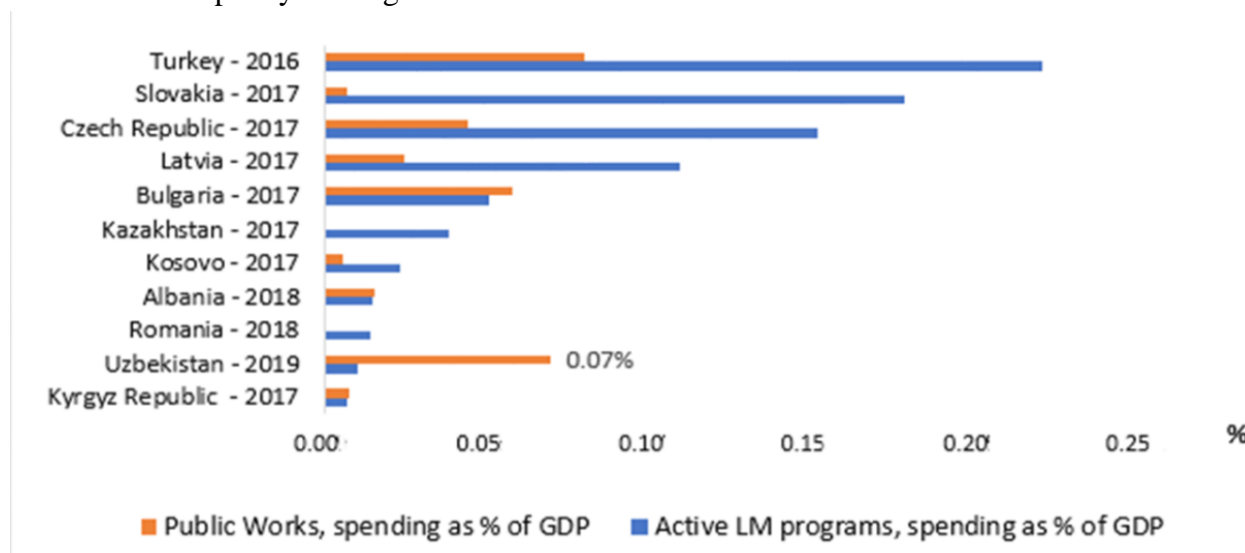


Fig. 1. ALMP Spending Was Significantly Below ECA Countries

Sources: World Bank staff calculations using data from the MELR of Uzbekistan for Uzbekistan data, and the World Bank SPEED database for comparator countries Kosovo and Turkey.

Note: ALMP - Active labor market programs; LM – labor market.

The population of Uzbekistan is undergoing significant changes, characterized by both rapid growth and aging. These demographic shifts have important implications for the potential support ratio of elderly individuals. In the past five years alone, the number of people reaching retirement age (55+ for women and 60+ for men) has increased by 32 percent. This trend is expected to continue, with the number of retirees projected to grow 2.6 times by 2050. Consequently, the proportion of the population consisting of elderly individuals is set to rise from the current 10 percent (in 2021) to 22 percent.

Simultaneously, the number of individuals in the working-age population (aged 15-54/59) will experience slower growth and eventually decline starting from the mid-2040s. These demographic changes will inevitably lead to a decrease in the potential support ratio, indicating a decline in the number of working-age individuals per elderly person. As of 2020, there were six working-age individuals for every one person of retirement age. However, by 2050, this ratio is projected to decrease to three.

Over the past five years (2018-2021), the total number of pensioners in Uzbekistan has risen by 612,741 individuals, representing a 23 percent increase. The majority of this growth can be attributed to the increase in elderly pensioners, accounting for an additional 567,804 people or



a 26 percent rise. Elderly pensioners currently make up 84 percent of the total number of pensioners and 77 percent of the population within the retirement-age group.

These demographic changes highlight the pressing need to address the evolving needs of the aging population in Uzbekistan. As the proportion of elderly individuals continues to rise, it becomes crucial to develop comprehensive social security systems and policies that ensure their well-being and financial security. Understanding the magnitude and implications of these demographic shifts is essential for formulating effective strategies to support and sustain the livelihoods of vulnerable populations in the country.

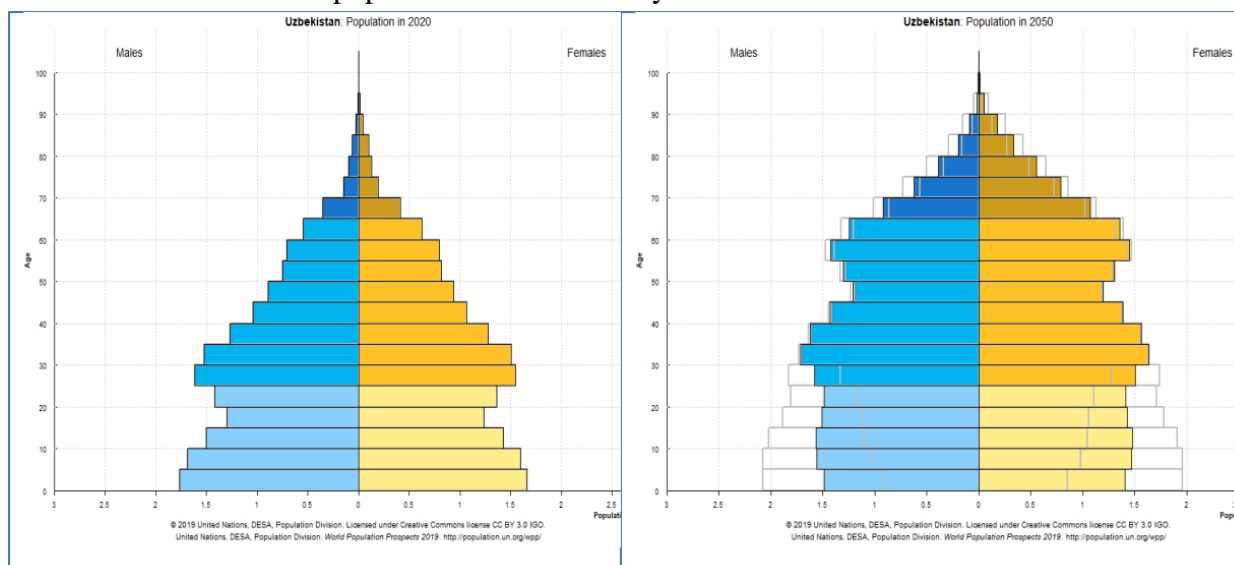


Figure 2. Uzbekistan Population (2020 Estimates): Three Scenario Forecasts for 2050, Millions

Source: World Population Prospects 2019, United Nations, Department of Economic and Social Affairs Population Dynamics, <https://population.un.org/wpp/Graphs/DemographicProfiles/Pyramid/860>.

As the number of pensioners and insured workers in Uzbekistan grow at different rates, there is a concern regarding the ratio of contributing workers to old-age pensioners. Assuming that the pension coverage for retirement-age individuals and the contribution coverage for the working-age population remain at the 2021 levels (77 percent and 26 percent, respectively), the number of old-age pensioners is projected to increase from 2.7 million in 2021 to 3.9 million by 2030 and further to 7.1 million by 2050.

While the current pension system's low vesting requirements may contribute to high old-age coverage, many individuals who qualify for a pension may receive minimal benefits. This situation raises the risk of old-age poverty and necessitates additional redistributive measures to mitigate this issue. It is expected that the number of insured workers making contributions will rise from 5.3 million in 2021 to 6.2 million in 2030 and reach 6.8 million by the end of 2050.

Consequently, the ratio of contributing workers to elderly pensioners may decline from 2:1 in 2021 to 1:1 in 2050. This changing ratio poses a significant long-term challenge for the country's public finances, as the pension system will face an increased burden due to demographic shifts. Addressing the implications of these demographic changes is crucial for

ensuring the sustainability and effectiveness of the pension system in Uzbekistan. Efforts should focus on finding viable solutions to maintain the financial stability of the pension system while ensuring adequate support for the growing number of elderly individuals in the country.

Conclusion:

In conclusion, the Ministry of Employment and Labor Relations (MELR) in Uzbekistan has taken active measures to implement labor market programs and services through employment support centers and training centers. These programs encompass public employment services, active labor market programs, passive labor market measures, and public works programs. However, Uzbekistan's spending on labor market policies still falls behind comparator countries in the Europe and Central Asia region.

The demographic changes in Uzbekistan, characterized by rapid population growth and aging, have significant implications for the potential support ratio of elderly individuals. The number of people reaching retirement age has increased by 32 percent in the past five years alone, with projections indicating a 2.6-fold increase by 2050. This demographic shift will result in a decrease in the number of working-age individuals per elderly person.

Over the years, there has been a substantial increase in the number of pensioners, primarily driven by the rise in elderly pensioners. Elderly pensioners currently constitute a significant proportion of the total number of pensioners and the retirement-age population. However, it is important to note that the low vesting requirements of the pension system may lead to a situation where many qualifying individuals receive minimal benefits, potentially causing old-age poverty. Additional redistributive measures are necessary to address this issue effectively. As the number of pensioners and insured workers grow at different rates, the ratio of contributing workers to elderly pensioners is expected to decline. By 2050, this ratio may decrease from 2:1 to 1:1, posing a significant long-term challenge for the country's public finances. Addressing the implications of these demographic changes is crucial to ensure the sustainability and effectiveness of the pension system in Uzbekistan.

In light of these findings, it is imperative to develop comprehensive social security systems and policies that cater to the evolving needs of the aging population. This includes exploring viable solutions to maintain the financial stability of the pension system, prevent old-age poverty, and ensure adequate support for the growing number of elderly individuals in the country. Evidence-based policy making and further research on the effectiveness of labor market programs and their impact on vulnerable groups are also essential for informed decision-making and the successful implementation of future reforms.

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