

## PRIORITIES FOR IMPROVING THE FINANCING OF THE PENSION SYSTEM

RAJABOV NURIDDIN RAVSHANOVICH  
Tashkent Financial Institute  
Senior Lecturer of the Department of Public Finance

### ABSTRACT

The article focuses on the role of pension provision in the social protection system, directions for the development of the state pension system in the Action Strategy, reform of the state pension system in 2019-2030. The importance of the program of development measures was explained and scientific conclusions, proposals and recommendations were developed.

**KEYWORDS:** pension provision, social benefits, concept, social sphere, social justice, insurance premiums, preferential pensions, length of service, demographic factors, accumulative pensions, non-state pensions.

### INTRODUCTION

The pension system provides for the implementation of economic, legal, social and organizational measures aimed at improving the living standards of the disabled and needy. One of the main objectives of the pension system is to protect citizens from poverty in old age, to provide a certain amount of guaranteed income in proportion to the amount of wages paid before retirement, and to protect this income from future decline in living standards. In addition, the stable functioning of the pension system is a guarantee of social stability in society, and, conversely, the instability of pension provision poses a strong social risk.

This is the view of the scientific electronic journal "International Finance and Accounting". № December 6, 2018. In view, reforming the pension system is an important part of the most important tasks of social policy of any country. Since the early 1990s, most former Soviet countries have undergone a variety of pension reforms in terms of composition and coverage. Kazakhstan, Russia, and the Baltic States are currently in the second phase of pension reform, with many other countries (Ukraine, Turkmenistan, Azerbaijan, and Armenia) implementing major and comprehensive pension reforms in the early stages of the reform.

### MAIN PART

At present, large-scale reforms are underway in the pension system of Uzbekistan. In order to further increase the effectiveness of ongoing reforms, to create conditions for the comprehensive and rapid development of the state and society, to implement the priorities for modernization and liberalization of all spheres of life, the President of the Republic of Uzbekistan On the basis of the Decree PF-4947 on the Action Strategy for the further development of the Republic of Uzbekistan, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was adopted. The Strategy of Action reflects the main directions related to the further development of social security, in particular, the state pension system, in the priorities of the development of the social sphere. To some extent, these directions serve to further develop and ensure the sustainability of the social security system, including the state pension system.

In recent years, the burden on the economically active population in the Republic of Uzbekistan on social contributions is growing. According to demographic forecasts, the share of the population of retirement age is expected to increase sharply in 2019-2025 (average annual growth - 16 thousand people) and this is due to the high birth rate (Baby in 1950-1960). -bum") reached the general retirement age

Maintaining a balance between the amount of social contributions and payments is a key principle that ensures the nature of the pension insurance of the employed population and is an impact mechanism that encourages its financial participation in the financing of the pension system. . The mechanism to encourage continuous and long-term participation of citizens in the social insurance system remains complex and non-transparent, as a result of which about 10.2 mln. The person is not covered by the state social insurance, ie

does not make social contributions to the extra-budgetary Pension Fund. In accordance with the requirements of the International Labor Organization, the ratio of the number of payers to the number of pensioners for the sustainable development of the pension system should be 1: 4. However, today in Uzbekistan this figure averages 1: 1.5. It should be noted that the ratio of the number of retirees to the working population increased from 61% in 2009 to 66% in 2017. A significant part of the Pension Fund is used to finance preferential pensions and pension supplements. The share of pensions granted on preferential terms is 592.4 thousand people or 19.5% of total pensions, of which age pensions make up 23.7%. On average, 39.8 thousand preferential pensions are granted annually. At the same time, the average amount of preferential pensions is higher than the average amount of old-age pensions (543.2 thousand soums), and the average pension under List 3 is 742.6 thousand soums. Pensions on List 2 are 951.3 thousand soums and Pensions on List 1 are 1,025.4 thousand soums. You will also notice a correlation between the amount of the pension and the share of the employee's length of service. The current pension system provides for the award of pensions to persons with at least 7 years of service. This right allows to receive a pension only to those who have worked for 7 years and made the least contribution to the formation of the Pension Fund for the entire period of their working capacity.

ILO Minimum Standards of Social Security Average pension according to length of service Average pension, length of service in thousand soums, year Male Female Scientific electronic journal "International Finance and Accounting". Muvofiq In accordance with Convention No. 102 of 6 December 7, 2018, the minimum length of service required for the award of an old-age pension is set at 15 years. In many countries around the world, including the CIS, the required minimum length of service is 10-15 years. The existence of a minimum requirement of 7 years of work experience has a negative impact on the participation of citizens in state social insurance. For example, the amount of pension for a man with 30 years of work experience (required - 25 years) at the current average wage and the pension for a man with 10 years of work experience (minimum required - 7 years) The difference between them is about 200 thousand soums.

Weak mechanisms to encourage long-term and continuous participation of workers in social insurance force them to look for new ways to avoid paying insurance premiums. All this requires a reconsideration of the basic approaches of the social protection system in the field of pensions. The Government of the Republic of Uzbekistan has adopted an Action Plan to prepare proposals for a comprehensive study and development of the pension system and to develop a Concept for the reform of the pension system in 2019-2030.

This program includes: 1. Study, analysis and preparation of proposals for the development of the current state of the pension system. The World Bank, in collaboration with experts from the United Nations Development Program, has identified key conceptual areas for the pension system.

In studying the issues of improving the efficiency and social justice of the pension system, it is necessary to:

- Review the establishment of norms and standards for the appointment of social benefits for the poor;
- revise the existing mechanisms for the appointment and payment of pensions (social benefits) to the elderly and disabled, as well as to those who do not have the required length of service required for the appointment of state pensions;
- Preparation of proposals for the optimization of benefits in the appointment of preferential pensions;
- Preparation of proposals to expand the coverage of social contributors; - preparation of analytical materials and proposals to increase the efficiency of the pension system and ensure social justice.

The study of incentive mechanisms in the pension system of citizens includes:

- Encouragement of long-term and continuous participation of citizens in the pension system;
- Increase in the amount of pensions depending on the length of service and the amount of salary (above the required standards);
- Encouragement of length of service "exit from the shadow economy";
- Processing and substantiation of proposals to radically increase the number of pensioners by involving migrant workers and the informal sector in the social insurance system, ensuring the transparency of pension contributions;
- Preparation of analytical materials and proposals to encourage long-term and continuous participation of citizens in the pension system.

This right allows to receive a pension only to those who have worked for 7 years and made the least contribution to the formation of the Pension Fund for the entire period of their working capacity.

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- Review the establishment of norms and standards for the appointment of social benefits for the poor;
- revise the existing mechanisms for assigning and paying pensions (social benefits) to the elderly and incapacitated citizens, as well as to those who do not have the required length of service required for the appointment of state pensions

- Preparation of proposals for the optimization of benefits in the appointment of preferential pensions;
- Preparation of proposals to expand the coverage of social contributors; - preparation of analytical materials and proposals to increase the efficiency of the pension system and ensure social justice.

3. The study of incentive mechanisms in the pension system of citizens includes: - Encouragement of long-term and continuous participation of citizens in the pension system;

- Increase in the amount of pensions depending on the length of service and the amount of salary (above the required standards);

- Encouragement of length of service "exit from the shadow economy";

- Processing and substantiation of proposals to radically increase the number of pensioners by involving migrant workers and the informal sector in the social insurance system, ensuring the transparency of pension contributions;

- Preparation of analytical materials and proposals to encourage long-term and continuous participation of citizens in the pension system.

4. Study of the mechanism of voluntary participation of citizens in the social insurance (pension) system:

- A comprehensive study of issues related to the conditions of voluntary participation of citizens in the social (pension) insurance system;

- Giving citizens the right to pay insurance premiums for third parties on a voluntary basis.

Voluntary offer of the right to pay insurance contributions to the Pension Fund for an unemployed spouse at the expense of the income of the working husband (wife) in the form of wages. In particular, to offer citizens who have reached retirement age, but do not have the required length of service, the right to pay one-time insurance contributions to the Pension Fund for each month of missing length of service in the calculation of state pensions.

Many countries around the world have a system of voluntary insurance contributions to the Pension Fund for a non-working spouse. For example, in Japan this system is mandatory, such a system also exists in Sweden and the United Kingdom;

- prevention of problems that negatively affect the development of the system of compulsory and voluntary accumulative pension provision of citizens, as well as increase the profitability of accumulative pension funds;

- Preparation of analytical materials and proposals to strengthen the mechanisms that encourage the participation of citizens in the pension system, including the funded pension system.

5. To study the conditions for ensuring the financial equivalence of generations and the financial sustainability of the pension system:

- To study the conditions of the minimum length of service required for the appointment of an old-age pension (ILO Social Security). Convention No. 102 on the Minimum Standards of Minutes sets the minimum length of service required for the award of an old-age pension at 15 years. Many countries around the world, including the Commonwealth of Independent States

The minimum length of service required in the country is increased to 10-15 years);

- Advanced foreign experience, including the Commonwealth of Independent States based on the study of the experience of other countries and well-founded calculations in which case it provides for a gradual increase in the retirement age.6. Draft Concept of reforming the state pension system for 2019-2030.

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