

IMPROVING THE SOCIAL INSURANCE SYSTEM

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Abstract. This article provides an in-depth analysis of the current state, institutional structure, legal framework, existing problems, and modernization directions of the social insurance system, which is the central component of Uzbekistan’s social policy. The study scientifically highlights mandatory state social insurance, the activities of the pension fund, the improvement of benefit and compensation mechanisms, digitalization processes, the introduction of the “Unified Social Protection Registry” system, and changes in financial stability and coverage indicators. In addition, fiscal sustainability of social insurance, demographic burden, the level of informal employment, efficiency of fund asset management, and performance indicators of social protection programs are examined based on international scientific sources, comparative approaches, and statistical data. The article develops comprehensive institutional, technological, economic, and legal proposals for modernizing the system and presents conclusions and recommendations aimed at ensuring the stable, transparent, and fair functioning of the social insurance system.

Keywords: Social insurance, state social insurance, social protection, pension system, pension fund, benefit payments, social policy, employment.

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Аннотация. В данной статье представлен углублённый анализ современного состояния, институциональной структуры, правовой базы, существующих проблем и направлений модернизации системы социального страхования, которая является ключевым компонентом социальной политики Узбекистана. В исследовании научно раскрыты вопросы обязательного государственного социального страхования, деятельность пенсионного фонда, совершенствование механизмов пособий и компенсаций, процессы цифровизации, внедрение системы «Единого реестра социальной защиты», а также изменения в показателях финансовой стабильности и охвата. Кроме того, на основе международных научных источников, сравнительных подходов и статистических данных рассмотрены фискальная устойчивость социального страхования, демографическая нагрузка, уровень неформальной занятости, эффективность управления активами фонда и показатели результативности программ социальной защиты. В статье разработаны комплексные институциональные, технологические, экономические и правовые предложения по модернизации системы, а также представлены выводы и рекомендации, направленные на обеспечение стабильного, прозрачного и справедливого функционирования системы социального страхования.

Ключевые слова: социальное страхование, государственное социальное страхование, социальная защита, пенсионная система, пенсионный фонд, выплаты пособий, социальная политика, занятость.

Introduction. Today, the social protection system occupies an important place in the social policy of any developed or developing country. In a society based on a market economy, certain social groups — persons with disabilities, elderly citizens, the unemployed, low-income populations, single mothers, and children — cannot fully meet their essential needs through their own independent income. Therefore, in order to support these categories of citizens, guarantee their minimum standard of living, and ensure human rights and social justice, a social protection system is established by the state.

The insurance market has shown stable growth in recent years. The volume of insurance premiums is increasing, the penetration rate of insurance is gradually rising, and the range of offered insurance products is expanding. At the same time, a number of issues and problems hinder the further development of the sector. Low public awareness of insurance products, insufficient diversification of insurance services, and

weak competition in the market — all of these require serious attention and comprehensive solutions.

In the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures for the Development of the State Social Insurance System”[1], measures were defined to ensure women's right to access social security, to gradually introduce a system of paying maternity and childbirth benefits through social insurance in accordance with international standards, as well as procedures for assigning pensions, procedures for paying pensions, monitoring the assignment of pensions, forming the fund's resources, using the fund's resources, and submitting accounting and reporting on the use of fund resources.

Analysis of literature

Numerous foreign and local literature sources related to the development of the social insurance system have been studied. In particular, in the article by R. Palacios and D. A. Robalino titled “Integrating Social Insurance and Social Assistance Programs for the Future World of Labor” [2], a policy model aimed at transparently integrating the insurance function and redistributive function of the social protection system is developed. The authors argue that such an approach helps expand coverage, increase fairness, and reduce labor market distortions. This type of integration is illustrated through the example of old-age pensions, which are usually the most fiscally significant.

In the article by Dmytro Melnychuk, Iryna Voinalovych, and Zinaida Zhyvko titled “Social insurance: a security factor in the context of modern challenges”[3], the essence of the concepts “social protection,” “social insurance,” and “sustainable development,” as well as the interconnections among them, are explained. It is determined that the main goals of implementing the sustainable development concept in the social sphere are increasing the social welfare of citizens, ensuring social justice, and strengthening social security. Social protection and social security of the population are defined as the main components of the state's social policy, which, on one hand, represent the right of citizens, and on the other hand, manifest as a socio-economic necessity. This dual nature of social protection is determined by socio-economic risks that continuously accompany human and societal life activities.

In the article by Nadruga V.I. titled “The social insurance in the system of the social risks regulation”[4], “...the main function of social insurance is analyzed from the point of view of protection against social risks. The results of studying the interrelation between social insurance and social risk made it possible to define the concept of social risk.”[4] Scholars interpret social risk as the probability of financial hardship due to loss of income for objectively socially significant reasons, as well as additional expenses related to supporting children or other family members, and financial needs associated with healthcare and social services.

In the textbook “Social Insurance” by M. N. Umurzakova[5], the formation, structure, and stages of development of social insurance, the emergence of social insurance in the social protection system, the goals, tasks, and methods of social insurance, theoretical concepts of social insurance, and the principles of organizing and functioning of social insurance are analyzed.

In the article by A. M. Mavlonov titled “Directions of Improving the Social Insurance System in Uzbekistan (on the example of the Pension Fund)”[6], the author analyzes the directions for improving the social insurance system in Uzbekistan, particularly the Pension Fund. Due to the acceleration of population aging, high unemployment rates, and the outdated pension system, several problems are emerging in the activities of the Pension Fund. The article emphasizes the importance of improving the financial sustainability of the Pension Fund, transparency and accountability, modernization of the pension system, and investment policy.

Results of the Analysis

Social protection of the population is an essential part of the state policy of the Republic of Uzbekistan, aimed at ensuring decent living conditions for citizens. In recent years, consistent reforms have been implemented to improve the social protection system, increase the amount of funds allocated from the State Budget of the Republic of Uzbekistan to the social protection sector, attract additional resources, expand the coverage of social protection programs, and introduce additional mechanisms aimed at supporting families facing difficult life situations. In particular, the “Unified Social Protection Registry” information system was introduced for the purpose of identifying low-income families and providing them with targeted assistance[7].

Among the main goals of social insurance are ensuring the social protection of the population, reducing poverty, strengthening economic stability, and maintaining social peace in society. The system includes pension provision, benefits for illness and maternity, compensation for loss of working capacity, and other payments.

In the Decree of the President of the Republic of Uzbekistan “On the Approval of the Strategy for Social Protection of the Population of the Republic of Uzbekistan”[8], the following measures were established:

- the “Unified Social Protection Registry” information system was introduced to identify low-income families and provide them with targeted assistance;
- the number of low-income families receiving benefits has increased fourfold in the last three years, reaching 1.9 million;
- the coverage of childcare benefits for children in low-income families has expanded, the eligible child age was increased from 14 to 18 years, the payment period was raised from 6 to 12 months, and the benefit amount increased on average by 1.5 times;

- the minimum amount of unemployment benefits increased by 3.2 times, and more than 20 new instruments aimed at ensuring employment were introduced.

Based on the goals set out in the Development Strategy of the New Uzbekistan for 2022–2026, and in order to consistently continue and further improve systemic reforms in the field of social protection, ensure citizens' rights to receive social protection, and create an effective inter-agency coordination system for delivering state social assistance and services, the priority directions for social protection of the population have been identified:

- covering all families and individuals in need of social assistance and those who meet the criteria for social benefits;
- expanding access to mandatory social guarantees, including types of social protection, through digitalization of the sector, and introducing principles of openness and transparency in this process;
- ensuring mandatory social guarantees for the population and strengthening the social protection of vulnerable groups;
- gradually transitioning to the social model of disability assessment and ensuring employment of persons with disabilities and those with limited abilities;
- providing the vulnerable part of the population with modern prosthetic-orthopedic items and rehabilitation tools;
- introducing the practice of providing social services to the population directly at the mahalla level.

It has been identified that the burden on the social protection and pension system increased in 2023–2024: the number of pension and benefit recipients was around 4.7–4.83 million (according to the latest annual statistics). This is a factor that significantly increases pension system expenditures. At the same time, there is a weak balance between budget financing of the social protection sector and the revenues of insurance funds [9].

Table 1

Current status of the social insurance system and areas for improvement
(Analytical comparison table)

System elements	Current status (problem/constraint)	Direction of improvement	Expected result
1. Financial stability	Increase in the number of pension and benefit recipients; insufficient fund revenues	Diversification of funds' income sources; introduction of actuarial calculations	A stable budget, the ability to fully cover expenses

2. Insurance coverage	Informal employment is high; self-employment is not fully covered	Simplified registration, introduction of voluntary insurance packages	Compulsory insurance base with increased coverage
3. Information system and monitoring	Low database integration; lots of manual operations	Creation of a single electronic platform; real-time monitoring	Transparency, error reduction, automated management
4. Management mechanisms	Insufficient control mechanisms in the activities of funds	Introduction of independent audit; risk management system	Effective governance, reduced risk of corruption
5. Insurance payment system	Indeksatsiya tartiblari yetarli emas; to'lovlar kechikishi mumkin	Differential indexation; automated payments	Stable payments for the population
6. Legal framework	Amaldagi qonunlarda zamonaviy mehnat shakllari to'liq aks etmagan	Introduction of mechanisms of the new Law "On State Social Insurance"	Flexible, modern regulatory framework
7. Investment policy	Fond mablag'lari past rentabellikka ega; risklar diversifikatsiyasi kam	Professional asset management; investment portfolio diversification	Fund income increase
8. Public awareness	Sug'urta madaniyati past; aholining tizimga ishonchi sust	Information campaigns; online social insurance consultation system	Increased confidence, expanded voluntary coverage

The social insurance system in Uzbekistan is implemented through the Pension Fund and the Public Employment Fund. Currently, the system faces a number of problems: incomplete collection of contributions due to the shadow economy, demographic changes (increased burden due to the aging of the population), low coverage of benefits with real incomes, and high dependence of the system on the budget.

The following are ways to improve it:

It is necessary to optimize contribution rates, take measures to reduce the shadow economy, and adjust the retirement age parameters to demographic changes.

Controlling contributions through electronic platforms, introducing a personal account system, and automating insurance payments will increase the efficiency of the system.

Important areas include creating special insurance programs for individual entrepreneurs and agricultural workers, and developing customized insurance schemes for freelancers and those working on digital platforms.

The transition to a multi-tiered model, including mandatory state insurance, mandatory additional occupational insurance, and voluntary personal insurance, will increase the stability of the system.

It is necessary to increase income and ensure inflation resistance by investing pension funds in safe financial instruments.

It would be useful to apply the experience of developed countries, adapted to national conditions, in particular, to learn from the successful reforms of transition countries such as Poland, Kazakhstan, and Georgia.

Conclusions and recommendations

In conclusion, an integrated approach is required to improve the social insurance system: financial, institutional, technological and legal measures should be combined. The following are practical and scientifically based proposals for effective modernization of the system:

Firstly, the introduction of programs to expand the mandatory payment base by formalizing informal work and including it in social insurance;

Secondly, the creation of a single integrated information system for automating the collection of insurance contributions and the distribution of benefits and the unification of existing databases;

Thirdly, the revision of labor and social insurance legislation in accordance with modern requirements, optimization of tax and social contribution standards;

Fourth, introduce an independent monitoring system for the distribution of funds and benefits and ensure free access to information for citizens

Fifth, accelerate the modernization of the system through the study of successful international experiences, technical assistance and expert cooperation

The above proposals are aimed at stabilizing the system and improving the quality of services, and their implementation should be accompanied by clear indicators and monitoring mechanisms to measure effectiveness. In the process of improving the system, the principles of economic efficiency and social justice should remain the main criteria.

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