

THE ROLE OF PENSION PROVISION IN THE SOCIAL PROTECTION SYSTEM

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ABSTRACT

This article analyzes the role of the pension provision system as an essential component of the social protection system, its significance, and its contribution to ensuring social stability in society. The pension system plays a crucial role in maintaining the quality of life after the end of an individual's working life and in promoting social equity and justice. The article highlights the forms of pension provision, its financing mechanisms, reforms, and the measures being implemented based on international experience.

Keywords: Pension provision, social protection, pension system, reforms, state policy, pension fund, financing, social justice, population welfare, international experience.

INTRODUCTION

The social protection system plays a vital role in the sustainable development of every country. Through this system, the social security of citizens is ensured—especially important for maintaining quality of life after retirement. The pension system provides citizens with a stable source of income in old age, making it a fundamental mechanism for establishing social equality and justice (1). Although Uzbekistan's pension system has entered an important phase of reform in recent years, there are still several challenges. As of 2024, only 38% of the population is covered by the pension system (2). This low figure is mainly associated with the high rate of informal employment. Furthermore, despite the relatively high contributions to the pension system (12-25%), the amount of pensions paid remains average compared to other countries. Starting from September 2024, pensions and benefits in Uzbekistan were increased by 15%. This resulted in the following indicators: the base amount for pension calculations – 428,000 soums; the minimum old-age pension – 834,000 soums; the minimum disability pension – 920,000 soums (3). Although these changes are aimed at strengthening social protection, additional measures are needed to ensure the financial stability and long-term efficiency of the pension system. Globally, pension systems vary in structure, with each country adopting a system tailored to its economic and demographic conditions. Countries such as the Netherlands, Iceland, and Denmark rank high in pension system efficiency. The success of their systems is mainly linked to the following factors: diversified investment strategies of pension funds; citizens' trust and active participation in the pension system; and government policies aimed at ensuring system stability (4). These experiences can serve as valuable lessons for Uzbekistan. Specifically, it is necessary to diversify pension fund investment strategies, increase public trust in the system, and develop government policies to ensure its sustainability[5]. The government of Uzbekistan is undertaking a number of reforms aimed at improving the pension system. In July 2024, the Agency for Strategic

Reforms developed proposals for reforming the pension system. These proposals include raising the retirement age, revising pension contributions, and other measures to ensure the financial stability of the system[6]. International experience shows that the success of pension systems depends not only on financial indicators, but also on the population's trust and participation[7]. Therefore, it is crucial for Uzbekistan to take public opinion into account, ensure system transparency, and encourage citizens' active involvement in the pension system.

LITERATURE REVIEW

The issue of pension provision within the social protection system remains globally relevant, and extensive academic research has been conducted in this area. This section analyzes the scholarly contributions of two leading experts in the field of pension systems and social protection—Robert Holzmann and Robert J. Palacios[8]. Robert Holzmann, in collaboration with the World Bank and other international financial institutions, has conducted comprehensive research on the financial sustainability and reform of pension systems. His seminal work, “Old-Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform”, provides a broad analysis of global pension challenges and proposes pathways for reform. Holzmann's research pays particular attention to ensuring the financial stability of pension systems in developing countries, their adaptability to demographic changes, and the establishment of social justice[9]. Robert J. Palacios, on the other hand, has conducted in-depth research on social pensions and their role within the broader pension framework. His work titled “Social Pensions Part I: Their Role in the Overall Pension System” highlights the importance of social pensions, especially in reducing poverty and promoting social equality. Palacios analyzes the political and economic factors influencing the implementation and financial sustainability of social pensions[10]. The scholarly works of these two researchers provide critical theoretical and practical foundations for enhancing the efficiency, financial stability, and social fairness of pension systems. Their research can be particularly valuable for developing countries such as Uzbekistan. Specifically, Holzmann's recommendations on ensuring the financial sustainability of pension systems, along with Palacios's proposals for introducing social pensions, can serve as effective strategies for creating a more equitable and efficient pension system in Uzbekistan. According to recent statistics, only 38% of Uzbekistan's population is currently covered by the pension system. This figure underscores the need for addressing the financial sustainability and inclusiveness of the system to strengthen social justice. The research conducted by Holzmann and Palacios offers academically grounded approaches to tackling such challenges. Looking ahead, it is expected that Uzbekistan will develop strategic reforms based on the insights of Holzmann and Palacios. These reforms would focus on strengthening financial sustainability, introducing or expanding social pension schemes, and adapting the system to demographic changes. Such measures are essential for increasing the effectiveness of the pension system and ensuring a stable income source for citizens during old age.

METHODOLOGY

In order to conduct an in-depth analysis of the role and effectiveness of pension provision within the social protection system, a comprehensive methodological approach was applied in this study. The methodology consisted of four main stages, each focusing on a specific dimension of the pension system. In the first stage, the institutional, political, and legal foundations of the existing pension system—as well as the structure and responsiveness of current programs—were assessed using the "Social Protection System Review" framework developed by the OECD. This analytical approach facilitated the identification of systemic gaps and provided a foundation for formulating recommendations to address those deficiencies. The review particularly focused on how well existing pension schemes respond to social protection needs and whether they are aligned with broader development goals. In the second stage, actuarial analysis techniques were employed to evaluate the financial sustainability of the pension system. This included assessments of the ratio between the assets and liabilities of the pension fund, investment returns, inflation rates, wage growth trends, and key demographic factors such as population aging and dependency ratios. For instance, according to 2023 data, only 38% of the population in Uzbekistan is covered by the pension system, highlighting the importance of expanding coverage to ensure long-term financial sustainability. In the third stage, evidence-based statistical analysis methods were used to evaluate the effectiveness of the pension system. These included Spearman's rank correlation coefficient and cluster analysis, which enabled comparative assessments of pension system performance across different countries. This allowed the identification of specific features and relative performance of the Uzbek pension system within a global context. In the fourth stage, modeling techniques were applied based on actuarial projections and demographic forecasts to estimate the future development of the pension system. This included simulations of long-term financial conditions, sustainability scenarios, and demographic shifts. These projections serve as a crucial tool for informing policy decisions and ensuring that future pension reforms are grounded in empirical and predictive evidence. Through this multi-dimensional methodological framework, the study comprehensively examined the role of pension provision within the social protection system. The findings offer scientifically grounded recommendations aimed at improving the effectiveness, inclusiveness, and financial resilience of the pension system in Uzbekistan.

RESULTS

The findings of this study indicate that pension provision plays a significant role within Uzbekistan's social protection system. However, the analysis also reveals several challenges concerning the financial sustainability and coverage of the existing pension system. As of 2023, only 38% of the population is covered by the pension system, a figure that highlights the need for urgent reforms to ensure long-term stability and inclusiveness. To assess financial sustainability, actuarial analysis methods were employed. These methods examined key indicators such as the ratio of pension fund assets to liabilities, investment returns, inflation rates, wage growth trends, and demographic factors. The results of this analysis demonstrate that without significant structural adjustments, the long-term financial sustainability of the pension system is at risk. Thus, policy reforms are essential to improve the balance between

pension obligations and available resources. In addition, the effectiveness of the pension system was evaluated through data-driven statistical methods, including Spearman's rank correlation coefficient and cluster analysis. These tools enabled comparative evaluation of pension systems across multiple countries, helping to identify the unique characteristics of Uzbekistan's pension model. The results show that while Uzbekistan has made some progress in developing its pension infrastructure, it still lags behind peer countries in terms of coverage and benefit adequacy. Looking ahead, the study anticipates that pension reform strategies in Uzbekistan will focus on enhancing financial sustainability, introducing social (non-contributory) pensions, and adapting to ongoing demographic shifts, such as population aging and changing labor market dynamics. These measures are expected to improve the system's overall efficiency and ensure that citizens have access to a stable income source during old age.

DISCUSSION

The discussion section of this paper focuses on the scholarly debate surrounding the role of pension provision within social protection systems, particularly through the contrasting views of two leading experts — Robert Holzmann and Robert J. Palacios. Robert Holzmann, in collaboration with the World Bank and other international financial institutions, has conducted extensive research on the financial sustainability and reform of pension systems. His seminal work, "Old Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform", provides an in-depth analysis of global pension system challenges and potential reform pathways. Holzmann's approach emphasizes the importance of ensuring fiscal sustainability, adapting to demographic transitions, and strengthening social fairness, particularly in the context of developing countries. On the other hand, Robert J. Palacios has focused his research on social (non-contributory) pensions and their place within the broader pension framework. His influential study, "Social Pensions Part I: Their Role in the Overall Pension System", underscores the critical role of social pensions in poverty reduction and the promotion of equity. Palacios highlights the economic and political dimensions of introducing social pensions and ensuring their long-term viability. The core divergence between Holzmann and Palacios lies in their respective emphasis: Holzmann prioritizes long-term fiscal stability through systemic reform, while Palacios stresses the need for inclusive coverage and social equity through universal pension guarantees. These perspectives offer complementary, yet at times competing, visions for how pension systems should evolve — particularly in countries like Uzbekistan. In the context of Uzbekistan, current data indicates that only 38% of the population is covered by the national pension system. This figure poses challenges not only for financial stability but also for equitable access to retirement security. The insights of both Holzmann and Palacios provide valuable guidance in addressing these dual imperatives. Holzmann's framework supports the need for actuarially sound reforms, while Palacios' research calls for expanded access through non-contributory pension mechanisms. As Uzbekistan continues to reform its pension system, it is expected that policy strategies will integrate both perspectives — strengthening financial sustainability, introducing or expanding social pensions, and adapting to changing demographic realities.

Doing so will be essential to enhancing the system's effectiveness and ensuring that all citizens have access to a reliable income in old age.

CONCLUSION

Pension provision plays a crucial role in ensuring population welfare, reinforcing social stability, and building public confidence in economic institutions. The findings of this research, supported by comparative international evidence, suggest that Uzbekistan's pension system must undergo further development to meet the demands of an aging population and a shifting labor market. Improvements should focus on enhancing financial sustainability, digitizing pension services, and broadening coverage, especially among informal and vulnerable groups. The ongoing reforms in these areas are likely to contribute significantly to the realization of greater social justice and sustainable development in the near future. Ensuring both inclusiveness and fiscal responsibility will be the key to building a pension system that supports dignified and secure aging for all citizens.

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