

Some Issues Related to the Accrual of Age Pension in Uzbekistan and Ways to Solve Them

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ABSTRACT

This article explores the demographic and economic factors influencing Uzbekistan's pension system, including economic employment, retirement age, life expectancy, and family-related trends such as marriage, divorce, and birth rates. It also considers the cultural traditions and mentality of the Uzbek population, which significantly impact the system's development. Adopting a qualitative approach, the study analyzes the existing methodology for calculating old-age pensions and its alignment with demographic and socio-economic realities. The findings highlight that demographic characteristics and economic conditions, such as employment rates and population structure, contribute to disparities in pension provision. Additionally, cultural norms and traditions play a role in shaping public expectations of the pension system. The article identifies shortcomings in the current methodology for pension calculation, particularly in addressing socio-economic justice. Proposals are made to enhance fairness, recognize unpaid work, and improve transparency in the pension system. The study underscores the need for reforms to align Uzbekistan's pension system with the socio-economic and demographic context, ensuring greater equity and sustainability.

INTRODUCTION

Pension provision for the population, retirement age, rules for calculating pensions and their compliance with the principles of social justice are becoming increasingly important in the modern world and in Uzbekistan.

Today, the countries of Central Asia have the lowest retirement age, and women in this region are granted the right to retire earlier than men. This age varies from 55 to 61 years for women, from 60 to 63 years for men (see Table-1). This can be attributed to factors such as lower life expectancies, challenging working conditions, and limited social security benefits. However, some countries in the region are currently working to increase the retirement age in order to address concerns about sustainability of pension systems and to encourage longer participation in the workforce.

Table 1. Retirement age by gender in Central Asian countries as of 1.07.2024

Country	Men	Women
Uzbekistan	60	55
Kazakhstan	63	61
Kyrgyzstan	63	58
Tajikistan	63	58
Turkmenistan	62	57

As the table data shows, the leading position in this region is occupied by Uzbekistan, where the lowest retirement age is observed for both men and women.

What is the reason for establishing such age limits? Is this really a factor that positively characterizes the country, compared to European countries and America, where the retirement age, regardless of gender, is 67 years? This study will be devoted to attempts to find answers to these pressing questions of our time, as well as the establishment of old-age pensions, the adequacy of the amount of support for the population in old age depending on work experience and the reasons for the established standards.

As the population ages, the issue of pension provision becomes more pressing, and governments need to ensure that their pension systems are sustainable and equitable.

In Uzbekistan, the retirement age is currently set at 60 for men and 55 for women. However, the government has proposed raising the retirement age to 65 for both men and women in order to address the financial challenges facing the pension system.

The rules for calculating pensions in Uzbekistan are based on a combination of factors, including the individual's length of service, average earnings, and contributions to the pension fund. Pensions are typically calculated as a percentage of the individual's average earnings over their working life, with adjustments for inflation and other factors.

In terms of social justice, the Uzbekistan government has made efforts to ensure that pension provision is fair and equitable. The pension system is designed to provide a basic level of income security for retirees, and pension benefits are indexed to inflation to protect against the erosion of purchasing power over time.

LITERATURE REVIEW

Issues related to the theory and methodology of the pension system for citizens have been covered in the works of both foreign and domestic scientists. Of particular interest are the studies of the German scientist M. Brussig. Also, it should be noted that the work of E. Azarova, where the issues of developing the social insurance system and social protection of the population in old age were studied, was resonant.

Among Uzbek scientists, B. Mamatov was engaged in the areas of development of the pension system for citizens in the Republic of Uzbekistan. Despite the diversity of studies conducted within the framework of this topic, the modern pension system of the population of Uzbekistan, in our opinion, needs to be improved taking into account the demographic and economic conditions, mentality of the population and its structure.

METHODOLOGY

The theoretical and methodological basis of this work is the Law of the Republic of Uzbekistan "On State Pension Provision of Citizens" dated September 3, 1993, No. 938-XII, the Resolution of the President of the Republic of Uzbekistan "On additional measures for comprehensive support and improving the standard of living of the older generation" dated March 15, 2022 No. PP-167.

In the work on the article, the observation and comparison method were used to study the rationale for the retirement age, determining the basic amount of pension accrual, including parental leave in the work experience of women until the child reaches the age of three in the context of the economic and demographic situation in the country, and the methods of synthesis and analysis were also used.

The theoretical value of the study consists in obtaining the results of economic analysis on the increase in the number of pensioners with incomplete work experience by 10.8 times compared to 2010 and the corresponding burden on the pension system, as well as the inexpediency of receiving a pension by persons with at least 7 years of work experience, as it does not stimulate this population to work. This will strengthen the financial stability of the pension system and determine the practical value of the study, supplementing it with a search for opportunities for tangible stimulation of the population with work experience over the 20 and 25 years specified in the law.

RESEARCH RESULT

Upon reaching retirement age, citizens of the Republic of Uzbekistan have the right to receive an old-age pension, as stipulated by the Law of the Republic of Uzbekistan "On State Pension Provision of Citizens." The eligibility requirements are:

- a) Men: A minimum of 25 years of work experience.
- b) Women: A minimum of 20 years of work experience.

The calculation of pensions is based on the average monthly salary, capped at an amount not exceeding twelve times the basic amount used for pension calculations. As of September 1, 2024, the basic amount for calculating

pensions in Uzbekistan is set at 428,000 soums per month. This means that any wages exceeding 5,136,000 soums annually (calculated as 428,000 x 12) are not considered when determining pension amounts.

For context, the average salary in Tashkent, according to statistics, is 6,047,077.3 soums (see Table 2). This implies that 911,077.3 soums (6,047,077.3 - 5,136,000) is excluded from the pension calculation. This limitation disadvantages individuals with higher salaries, as it does not guarantee a proportionally high pension and contradicts the principles of socio-economic justice. This issue is a significant drawback of Uzbekistan's current pension system. To better understand the pension system's implications, it is essential to consider the unique demographic dynamics of Uzbekistan.

Uzbekistan's demographic situation presents a complex interplay of cultural shifts and high birth rates. Between 2019 and 2023, the country experienced:

- a) A decline in the number of official marriages by 8.7%. The total number of marriages decreased by 27.1 thousand during this period, from 310.9 thousand in 2019 to 283.8 thousand in 2023.
- b) A surge in divorces, which increased by 56.7%, rising from 31.4 thousand in 2019 to 49.2 thousand in 2023 – a notable departure from traditional norms in the region.

Despite these changes, Uzbekistan maintains a high birth rate. According to the National Statistics Agency, the country leads among CIS nations with 26.2 live births per 1,000 inhabitants, followed by Kazakhstan (23.5), Kyrgyzstan (22.4), Armenia (12.4), Azerbaijan (11.2), Moldova (11.2), and Russia (9.6).

As noted by Grozin, "Uzbek population growth rates remain among the highest in the world." Statistical data confirms this:

- a) The number of births in Uzbekistan increased by 18% over the five-year period, from 814,960 in 2019 to 961,962 in 2023.
- b) In Tashkent, births surged by nearly 50%, although the city accounted for only 7.8% of the total births nationwide (see Table 2).

Table 2. Key development indicators of Uzbekistan in dynamics 2019-2023

Indicators	2019	2023	Growth rate, %
Average monthly pension in Uzbekistan, thousands of soums	733,2	1234,5	1,68
Including in Tashkent	1016,9	1700,4	1,67
Average monthly nominal accrued wages (annual) in Uzbekistan, thousands of soums	1946,78	3799,61	1,95
Including in Tashkent	2739,96	6047,07	2,21
Number of people born in Uzbekistan	814960	961962	1,18
Including in Tashkent	50285	75017	1,49
Number of working-age population of Uzbekistan, million people	18,9	20,7	1.10
Number of pensioners, million people	3,88	4,00	1,03

* Authors' calculations.

The increasing number of divorces and declining marriage rates in the country have had minimal impact on the traditional perceptions of the younger population regarding the importance of children in a family. This persistence can largely be attributed to societal values emphasizing the health of newlyweds and their ability to bear children. In Tashkent, the high birth rate is influenced by relatively higher wages in the capital, where lucrative industries such as banking, insurance, leasing, and credit intermediation offer average salaries of 10.8 million soums. Additionally, the information and communication sector pays an average of 7.55 million soums, further contributing to this trend.

As of 2023, Uzbekistan's permanent population reached 36.8 million, with 32.8% under working age, 56.3% at working age, and 10.9% above working age, totaling approximately 4 million elderly individuals. The growing working-age population exerts pressure on the labor market, intensifying unemployment, especially among young people. UNICEF reports that 33.5% of Uzbekistan's population is under 30, highlighting the urgency of addressing youth employment. By April 2022, 1.4 million citizens were actively seeking work, with half the population residing in rural areas reliant on agriculture, where job opportunities remain limited.

Professor Bakhtiyor Ergashev, Director of the Center for Research Initiatives "Ma'no," has expressed concerns about this demographic growth. He notes that over the past two decades, approximately 500,000 school graduates enter the labor market annually. However, only 20% of them access higher education, and sustainable industrial jobs remain insufficient to absorb this influx. Addressing employment and social integration for the growing population is a critical medium- and long-term challenge for Uzbekistan.

Previously, the state allowed employers to dismiss workers upon reaching retirement age, a policy that lasted from 2011 to 2022. However, life expectancy in Uzbekistan has steadily increased from 69 years in 1991 (65.8 years for men and 72.2 years for women) to 74.7 years in 2024. While this is an encouraging trend, the average life expectancy after retirement remains low – 17.2 years overall, with 21.9 years for women and just 12.5 years for men. These figures are significantly lower than those in Asian countries like Singapore and Malaysia, where post-retirement life spans range from 25 to 28 years. Consequently, raising the retirement age, as seen in some European countries, is not a feasible solution for Uzbekistan.

In 2023, 15% of retirees (approximately 580,000 individuals) continued to work, with women outnumbering men by over 110,000. Many retirees cease working upon reaching retirement age, shifting their focus to family roles, such as caring for grandchildren, thereby supporting the economic activities of their children. This trend is partly driven by Uzbekistan's pension law, which allows individuals with at least seven years of work experience to qualify for a pension. However, this provision discourages longer work tenures and undermines the financial sustainability of the pension system.

The law does offer certain incentives for mothers, including counting up to three years of maternity leave as part of their work experience for pension

calculations. However, the cumulative maternity leave credited cannot exceed three years, irrespective of the number of leaves taken. For example, a woman with 28 years of work experience who took maternity leave three times (totaling nine years) would see her effective work experience reduced to 22 years.

In 2022, Uzbekistan took a progressive step by prohibiting employers from terminating contracts solely based on retirement age. Nonetheless, economic challenges compel many pensioners to continue working. With pensions averaging less than one-third of previous salaries, retirees struggle to maintain a decent standard of living, especially given rising healthcare costs. Beyond financial necessity, continued employment offers retirees a sense of purpose, social engagement, and the opportunity to extend their limited post-retirement life expectancy, which currently averages just 17.2 years.

Uzbekistan's education system also places significant financial burdens on families. Tuition fees for bachelor's programs range from 7.4 million to 11.25 million soums annually, which can exceed half of the average annual salary even in Tashkent. This financial strain often leads parents to prioritize their children's education and career aspirations over their own employment. With the average age for women marrying at 23.3 and men at 28.2, parents typically reach their 40s or 50s by the time their children complete university. The responsibility for supporting younger generations often falls on pre-retirement family members, who must balance caregiving and financial obligations.

As of January 2021, pensioners with incomplete work experience accounted for 29.2% of retirees, a significant increase from 2.7% in 2010. While international standards, such as ILO Convention No. 102, recommend a minimum of 15 years of work experience for pension eligibility, Uzbekistan's current threshold of seven years encourages reliance on shorter work histories. This policy, coupled with high birth rates and family-centered cultural values, incentivizes older generations to focus on family caregiving rather than extended employment.

Despite these challenges, societal values regarding childbirth remain strong and are reflected in legal provisions, such as including maternity leave in pension calculations. Recently, President Shavkat Mirziyoyev's resolution on improving the living standards of the elderly has prohibited employment contract terminations based on retirement age. Moving forward, Uzbekistan must balance the needs of its aging population with the economic pressures on younger generations, ensuring a sustainable and equitable future for all.

CONCLUSIONS AND RECOMMENDATIONS

To sum up, the analysis of the texts of the Law of the Republic of Uzbekistan "On State Pension Provision for Citizens," in terms of retirement age and the amount of pension accrual, has revealed both shortcomings in the national pension system and positive trends. These findings are explained by the demographic characteristics of the country and the mentality of its population.

In our opinion, the generalized approach to calculating old-age pensions violates the basic principle of socio-economic justice, particularly in

determining the length of service and the amount of pension accrual. This issue requires further revision, specifically in the following areas:

1. **Equal Treatment:** Currently, the length of service and pension accrual are often determined based on salary levels, which may disproportionately benefit higher-income individuals. This can lead to inequality and unfairness in pension benefits. A more equitable approach would ensure that all individuals receive fair and equal pensions based on their years of service, regardless of their salary level.
2. **Recognition of Unpaid Work:** Many individuals, especially women, have periods of unpaid work, such as caring for children or elderly relatives, which are not currently considered in pension calculations. This overlooks the valuable contribution of unpaid work to society and can result in lower pension benefits for those who have taken on caregiving responsibilities. Recognizing and valuing unpaid work in the pension system is essential for ensuring socio-economic justice.
3. **Adequate Support for Marginalized Groups:** Certain marginalized groups, such as individuals with disabilities, refugees, or ethnic minorities, face barriers to employment opportunities, resulting in lower levels of pension accrual. Providing targeted support, such as vocational training programs or financial incentives for employers to hire these individuals, can promote socio-economic justice in the pension system.
4. **Transparency and Accountability:** The criteria and calculations used to determine the length of service and pension accrual should be transparent and easily understandable to the public. This transparency can help prevent discrepancies and ensure fair treatment in the pension system. Additionally, accountability mechanisms should be established to address instances of discrimination or unfair treatment in pension benefits.

ADVANCED RESEARCH

Future research should focus on developing a more inclusive and equitable framework for pension systems that addresses the shortcomings identified in this analysis. Specifically, studies could explore alternative models for pension calculation that prioritize socio-economic justice, such as approaches that decouple pension accrual from salary levels to reduce inequality. Additionally, research should investigate mechanisms to integrate the value of unpaid work, particularly caregiving roles, into pension benefits to ensure fairness for individuals contributing to societal well-being outside of formal employment. Moreover, further studies could examine targeted strategies to support marginalized groups, including interventions that enhance access to employment opportunities and improve pension outcomes for individuals facing systemic barriers. Finally, an emphasis on increasing transparency and accountability in pension systems, through both policy analysis and stakeholder feedback, could contribute to fostering trust and fairness in pension provision.

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