

ANALYZING THE EFFECTS OF REDUCING SHADOW ECONOMY ON THE LIVELIHOODS AND GENERAL WELL-BEING OF UZBEKISTAN'S VULNERABLE COMMUNITIES.

Rakhmonov Bekzod Sharibjon ugli

**Senior lecturer at Tashkent state university of economics, economic theory
department**

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:

Uzbekistan has implemented substantial social security changes in recent times with the objective of enhancing the welfare and standard of living of its marginalized communities. The realization that social security is essential for combating inequality, fostering social inclusion, and lowering poverty has motivated these measures. As the importance of sustainable development and guaranteeing the welfare of all inhabitants grows, Uzbekistan has put in place a number of legislative initiatives to improve the efficiency and reach of its social security program.

This study article aims to critically analyze how social security reforms affect disadvantaged populations' livelihoods and general well-being in Uzbekistan. Individuals and households that are more likely to experience poverty, marginalization, and restricted access to opportunities and necessary services are considered vulnerable populations. This study 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.

Additionally, a mixed-methods research methodology will be used in this study to collect both qualitative and quantitative data. The study will employ quantitative analysis techniques to evaluate the effects of social security changes on poverty reduction, income distribution, and access to critical services. Relevant datasets including as household surveys, administrative records, and budgetary information will be examined. Focus groups and interviews are examples

of qualitative research techniques that will offer greater insights into the perspectives and lived experiences of disadvantaged populations with relation to social security reforms.

The goal of this research is to produce evidence-based policy suggestions to improve the efficacy and inclusivity of social security systems in Uzbekistan by rigorously analyzing the effects of social security changes. The results of this study are anticipated to guide future reforms and policy decisions in Uzbekistan and add to the current discussion on social protection programs and their effects on vulnerable groups.

Finally, the goal of this research article is to further our knowledge of how social security reforms affect the livelihoods and general well-being of disadvantaged communities 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:

Through training facilities and employment support centers located all around the nation, the Ministry of Employment and Labor Relations (MELR) in Uzbekistan has been actively executing a variety of labor market (LM) programs and services. Together with public works projects, these programs can be divided into three categories of labor market assistance (LM) offered by the MELR through employment support centers (ESCs): public employment services, active labor market programs, and passive labor market measures.

Job counseling and intermediation services are among the public employment services provided by the ESCs with the goal of matching job seekers with appropriate employment prospects. Through professional training in the classroom and on the job, apprenticeships, quota-based employment plans, wage subsidies for employers who hire above the quota, business startup costs subsidies, and greenhouse setup subsidies, active labor market programs aim to improve people's skills and employability. Conversely, passive labor market policies primarily consist of giving unemployment benefits to people who have lost their jobs and want emergency financial assistance. It's crucial to remember that, despite an increase, Uzbekistan still spends less on labor market policy than comparative nations in Central Asia and Europe.

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.

For job support centers, budgetary resources and targets are assigned in a way that seems a little haphazard, with little preparation done more than a year ahead of time. Unintended incentives could result from this lack of transparency, such as giving budget usage or target achievement precedence above the efficient provision of services by ESCs. Up until 2018, there wasn't much money spent generally on labor market initiatives, but in 2019 new employment subsidies were introduced, and that led to a rise in spending. To support evidence-based policy decisions,

however, strong data on the efficacy of these programs—particularly in assisting marginalized populations—are required.

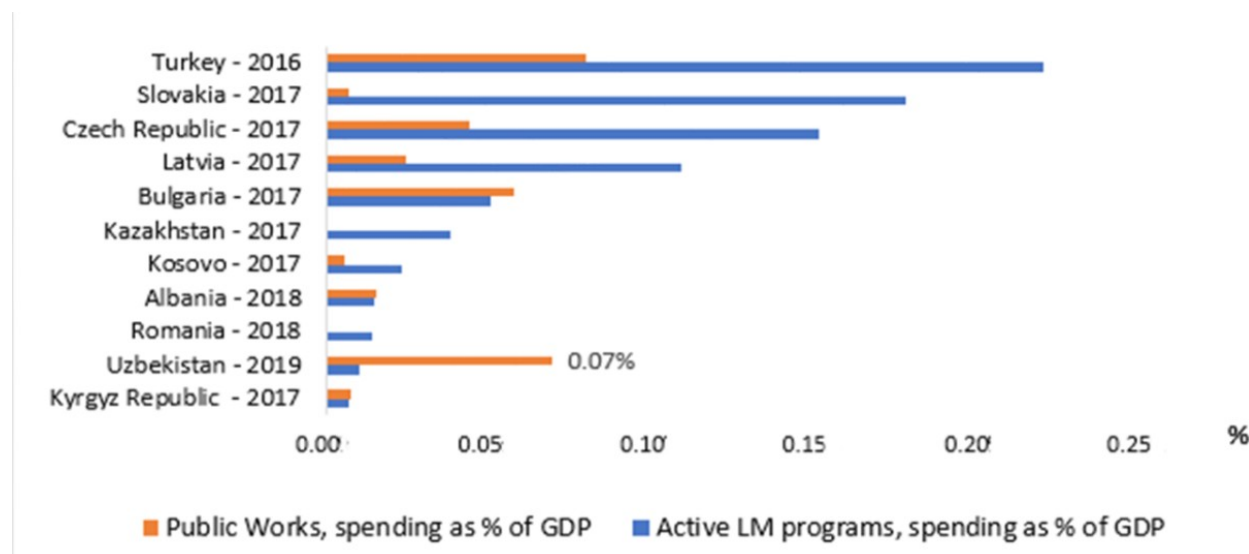


Fig. 1. ALMP Spending Was Significantly Below ECA Countries

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.

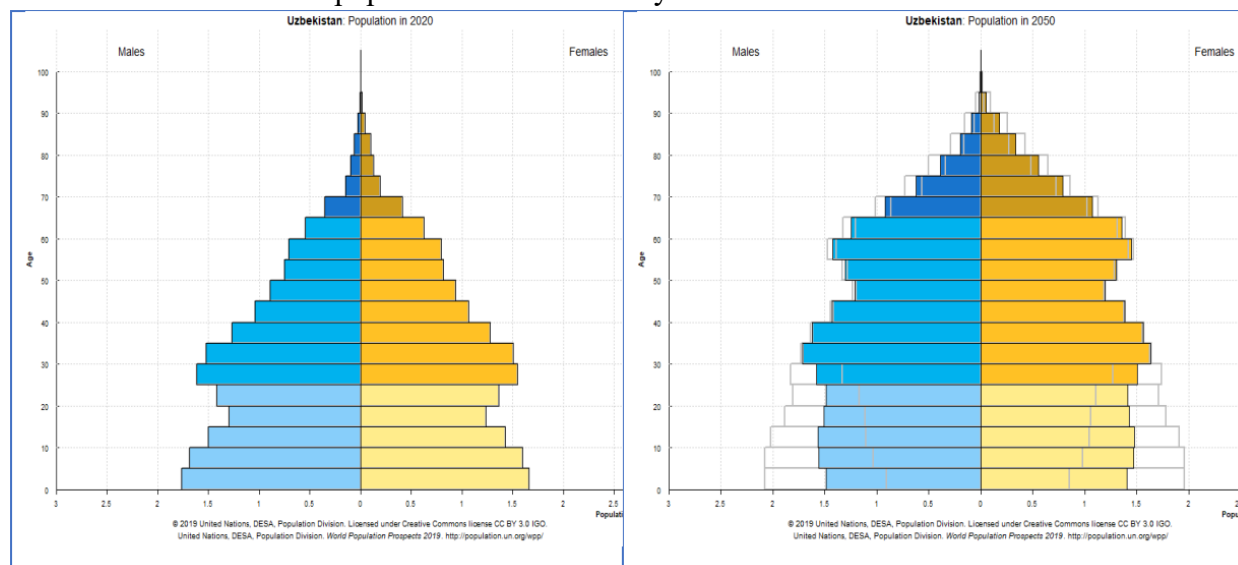


Figure 2. Uzbekistan Population (2020 Estimates): Three Scenario Forecasts for 2050, Millions

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.

Low vesting requirements in the current pension system may be a factor in the high old-age coverage rate, yet many pension eligible individuals may only receive limited benefits. The current state of affairs intensifies the likelihood of elderly poverty and demands further redistributive actions to address this problem. It is anticipated that by the end of 2050, there would be 6.8 million contributing insured workers, up from 5.3 million in 2021. This figure is projected to increase to 6.2 million in 2030.

As a result, it's possible that by 2050, the proportion of contributing workers to senior retirees may drop from 2:1 to 1:1. A major long-term problem to the nation's public budget is this shifting ratio, since demographic changes will put more strain on the pension system. 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, Uzbekistan's Ministry of Employment and Labor Relations (MELR) has actively worked to establish labor market services and programs through training facilities and employment support centers. Public works initiatives, active labor market initiatives, passive labor market measures, and public employment services are all included in these projects. Nonetheless, Uzbekistan continues to lag behind comparator nations in the region of Central and Eastern Asia in terms of labor market policy investment.

The country of Uzbekistan's rapidly aging population and fast population growth have a big impact on the potential support ratio of senior citizens. In only the last five years, the number of persons reaching retirement age has climbed by 32%, and estimates show that number will rise by 2.6 times 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.

Reference

1. Alessie, R., Kapteyn, A. and Klijn, F.: 1997, Mandatory Pensions and Personal Savings in The Netherlands, *De Economist* 145(3), 291–324.
2. Attanasio, O. and Brugiavini, A.: 2003, Social Security and Savings, *The Quarterly Journal of Economics* 118(3), p. 1075–1119.
3. Bakhtiyor Dushaboevich Khajiev, Bekzod Erkinovich Mamarakhimov, and Tokhir Boymurod ugli Shomurodov. 2023. THEORETICAL AND METHODOLOGICAL BASIS OF STUDYING THE FACTORS AFFECTING ECONOMIC GROWTH IN THE DIGITAL ECONOMY. In *Proceedings of the 6th International Conference on Future Networks & Distributed Systems (ICFNDS '22)*. Association for Computing Machinery, New York, NY, USA, 8–15. <https://doi.org/10.1145/3584202.3584204>

4. Browning, M. and Lusardi, A.: 1996, Household saving: Micro theories and micro facts, *Journal of Economic Literature* 34(4), 1797–1855.
5. Dominitz, J., Manski, C. and Heinz, J.: 2002, Social Security Expectations and Retirement Savings Decisions, JCPR Working Papers 273, Northwestern University/University of Chicago Joint Center for Poverty Research.
6. Euwals, R.: 2000, Do Mandatory Pensions Decrease Household Savings; Evidence for The Netherlands, *De Economist* 148(5), 643–670.
7. Feldstein, M.: 1974, Social Security, Induced Retirement, and Aggregate Capital Accumulation, *The Journal of Political Economy* 82(5), 905– 926.
8. Hurd, M. and McGarry, K.: 2002, The Predictive Validity of Subjective Probabilities of Survival, *The Economic Journal* 112(482), 966–985.
9. Jappelli, T.: 1995, Does Social Security Reduce the Accumulation of Private Wealth? Evidence from Italian Survey Data, *Ricerche Economiche* 49(1), 1–31.
10. Shomurodov, T. . (2022). LITERATURE REVIEW OF THE PAPER “THE NATURE AND GROWTH OF VERTICAL SPECIALIZATION IN WORLD TRADE”. Архив научных исследований, 2(1). извлечено от <https://journal.tsue.uz/index.php/archive/article/view/831>
11. SHOMURODOV, T., & HONGEN, Y. (2020). A Gravity model study on trade cost and foreign trade nexus: case of Uzbekistan and its selected partners. *ECLSS Online 2020c*.
12. Ugli S. T. B., Rashidovna K. G. A study on the regional level of economic growth and the principles of its change //Asian Journal of Research in Business Economics and Management. – 2022. – Т. 12. – №. 4. – С. 37-43.