



Digitalization Of The Social Security Sector – A Requirement Of The Time: Reforms In The Social Security System Of Uzbekistan And Their Effectiveness

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ABSTRACT

This article examines the reforms being carried out in the Republic of Uzbekistan in the field of social protection, including pension provision, the conveniences created for citizens, and international experience.

It also provides detailed information on the experience of developed countries in granting pensions using the “proactive” method, with a particular focus on the Dutch pension system.

In the concluding section, along with the implementation of the “proactive” pension assignment method, proposals are put forward to allow citizens to submit additional documents as needed.

Keywords:

Proactive, pension, social protection, pension funds, allowance, compensation, salary, and remuneration.

Social policy is an integral part of every state's core strategic agenda. It serves to ensure the well-being of the people, promote a peaceful and harmonious life, and provide a necessary source of livelihood, especially for pensioners, who are among the most financially vulnerable segments of the population.

Since gaining independence, Uzbekistan has prioritized social policy as a key area, providing comprehensive support to those in need of social assistance. The Uzbekistan-2030 strategy of today's New Uzbekistan reflects the following key objectives:

- Achieving upper-middle-income status through sustainable economic growth;
- Establishing an education, healthcare, and social protection system that fully meets public needs and international standards;
- Creating a favorable ecological environment for the population;

- Building a just and modern state that serves the people;
- Ensuring the sovereignty and security of the country.

Indeed, social protection has been recognized as one of the key priorities. Moving away from a centralized administrative-command system, Uzbekistan has been implementing advanced international practices to provide its citizens with a dignified level of social security.

There are various legal methods and mechanisms for social protection, which are reflected in concepts such as social assistance, financial aid, material support, social security, targeted assistance, social registries, and social welfare.

It is well known that social security plays a crucial role in the provision of pensions and benefits to citizens. In recent years, numerous

opportunities and conveniences have been introduced for recipients of state pension benefits. In particular, certain pension and benefit assignments that do not require additional documentation are now carried out using a proactive approach.

According to paragraph 5, clause 105 of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 592, dated October 13, 2022, "On the Approval of the Regulation on the Procedure for the Assignment and Payment of State Pensions":

"An additional payment is assigned by the Pension Fund department in a 'proactive' manner on a monthly basis, starting from the 1st day of the month following the month in which the pensioner reaches the age of 100. This is done based on data from the information system, without requiring the pensioner to apply. Since May 2015, this provision has applied to pensioners who reached 100 years of age before May 1, 2015." [1]

Additionally, in accordance with the Presidential Decree of the Republic of Uzbekistan No. PP-353, dated October 31, 2023, "On Additional Measures Aimed at Further Improving the Quality of Public Services Provided to the Population for Pension Assignment", the following provision is established:

"Starting from March 1, 2025, a system for the proactive assignment of age-based pensions will be introduced. This will be applied upon citizens reaching the age specified in Article 7 of the Law of the Republic of Uzbekistan 'On State Pension Provision for Citizens,' without requiring a separate application."

At the same time, age-based pensions will be calculated and assigned in accordance with the regulations and standards established by pension legislation. This will be based on employment history, salary, and other personal data retrieved from the Pension Fund's information system through interdepartmental data exchange with relevant ministries and agencies.

Furthermore, citizens will have the right to decline the proactively assigned pension upon reaching retirement age if they wish to continue working. In such cases, they can later apply for

an age-based pension when they choose to retire.

It is also stipulated that pensions will be recalculated and assigned upon a citizen's subsequent request, following the timelines established by the legislation on state pension provision. [2]

What Do We Mean by Proactive Pension and Benefit Assignment?

Proactive pension and benefit assignment is a system that ensures citizens automatically receive their entitled payments without the need to submit any applications. This method is primarily used in developed countries, where digital technologies are widely implemented.

It is well known that in many developed nations, pensions are assigned proactively. Below are examples of some countries that employ this approach:

1. Estonia – The e-government system is highly developed, and pensions are automatically assigned to citizens upon reaching retirement age.
2. Finland – Pensions and social benefits are granted automatically, as all necessary information is available in government databases.
3. Denmark – Pensions and social benefits are calculated automatically, without requiring applications from citizens.
4. Germany – The pension system is partially automated, allowing citizens to receive pensions without submitting any documents.
5. Netherlands – Citizens are monitored through government databases, and pensions are assigned almost automatically.
6. Australia – The pension system is centralized, and data is processed automatically.
7. Canada – A mechanism exists for the automatic calculation of state pensions for citizens.
8. Singapore – Pensions and social benefits are provided proactively through the electronic government services system.

Additionally, many developing countries, including Kazakhstan and Russia, are gradually introducing proactive pension assignment systems.

With the widespread implementation of digital technologies in Uzbekistan, pensions, benefits,

and certain types of financial assistance are now assigned proactively. This approach is highly significant, as it helps eliminate bureaucratic delays, excessive expenses, and administrative burdens for citizens.

To implement proactive pension assignment, all personal data must be recorded in digital databases. These include:

- A citizen's date of birth, place of residence, employment history, and types of activities counted toward work experience;
- Circumstances that qualify for preferential work experience calculations;
- Salary information, including hourly wage periods, all salary-based payments, and remunerations;
- Sources confirming eligibility for pension supplements or compensations;
- Periods of higher education or military service;
- And other important data that must be structured in electronic databases.

Naturally, it is challenging to ensure that all this data is fully digitized simultaneously. Therefore, in many countries that use proactive pension assignment, citizens still have the option to submit additional necessary documents or applications when required.

For example, the Netherlands is considered one of the countries with the most advanced pension systems in the world.

The Three-Tier Pension System in the Netherlands

The Dutch pension system is based on a three-tier model:

1. First Tier – State Pension System (AOW – Algemene Ouderdomswet)

- This is a mandatory state pension for all Dutch citizens and permanent residents.
- The retirement age is 67 years.
- Pension calculations are based on the number of years a person has lived in the country and their employment history.

2. Second Tier – Employer-Sponsored Pensions (Supplementary Pensions)

- Many companies and industries offer pension savings plans for their employees.
- The pension calculation method requires employees to contribute a portion of their salary to the pension fund, while employers make additional contributions.

- In many industries, participation in corporate pension schemes is mandatory.

- These schemes are managed by Pension Funds or financial institutions.

Examples of Pension Funds in the Netherlands include:

- ABP (Algemeen Burgerlijk Pensioenfonds) – for civil servants.
- PFZW (Pensioenfonds Zorg en Welzijn) – for healthcare and social workers.
- BPF Bouw – for construction workers.
- PME (Pensioenfonds van de Metalektro) – for workers in the metallurgy and electrical engineering sectors.
- PMT (Pensioenfonds Metaal en Techniek) – for employees in the metal and technical industries.
- Pensioenfonds Vervoer – for transportation and logistics workers.
- Bedrijfstakpensioenfonds voor het Bakkersbedrijf – for employees in the bakery industry.

- Pensioenfonds Horeca & Catering – for employees in the hospitality and catering sector.

3. Third Tier – Private Pension Savings (Voluntary Funds)

- This category includes individuals and self-employed entrepreneurs who participate in private pension plans.
- Personal pension savings are primarily accumulated through banks and investment companies.
- Tax incentives are provided for those who make additional contributions to their individual pension funds.
- This is especially important for freelancers and entrepreneurs, as they are not covered by corporate pension schemes.

How Proactive is Pension Assignment in the Netherlands?

Although the Dutch pension system is one of the best in the world, the process of pension assignment is not fully proactive. This can be observed in the following cases:

- For the state pension (AOW): As citizens approach retirement age, the government automatically sends them a notification explaining the steps they need to take to receive their pension. However, they still need to submit an application to start receiving payments.

- For corporate and private pensions: These processes are managed by employers or initiated by individuals. Each pension fund has its own application and pension assignment procedures, which may be automated but still require action from the citizen.

Thus, pension assignment in the Netherlands is not entirely proactive and still requires citizen participation. Individuals must submit applications and provide necessary documents on time.

Conclusion; As Uzbekistan transitions to a proactive pension assignment system, it would be advisable to retain the option for citizens to submit additional documents or contest their assigned pension if they disagree with the calculations.

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