



## Foreign Experience In Indexing The Amount Of Pensions

Guzal Abdukhakimovna Alimova

PhD In Economics, Associate Professor, Chief Researcher At The Institute For Forecasting And Macroeconomic Research Under The Ministry Of Economic Development And Poverty Reduction, Uzbekistan

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### ABSTRACT

The transition of the economy of Uzbekistan from a rigid planning and distribution strategy to market relations and a decrease in the state's influence in the economic sphere, as well as a low level of pension provision, required changes in pensions. The increased attention to it is explained by the fact that it, without exaggeration, affects the interests of the entire population of the country: both those who are already receiving a pension, and those to whom it will be assigned after a while. At the same time, it is indisputable that pension is the basis of the life of any pensioner and its small size is the most important social problem.

### KEYWORDS

Pension system, social insurance, indexation mechanism, inflation.

### INTRODUCTION

The pension systems of modern civilized countries differ greatly from each other. This is due to the difference in the economic potential of individual states, the degree of development of national social security systems, as well as the demographic, cultural, socio-political characteristics of each country. One of the main factors determining the

development of national pension systems is the choice of models and mechanisms for their financing.

The modern market economy abroad has created an adequate system of social protection of the population, the most important link of which is social insurance.

The main part of the social insurance system is the pension system. This system is a technological chain consisting of a number of links - from the appointment to the payment of pensions. This system is called Pay as You Go, or literally - "pay on the go". The pension model based on deductions from the income of the working population is common in many European countries. Table 1 shows the main features of the pension systems of foreign countries.

### THE MAIN FINDINGS AND RESULTS

Switzerland. The goals and principles of state pension insurance are determined by the Constitution of the country. It is obligatory for everyone and is designed to ensure a dignified existence for the population of retirement age. The minimum state pension was initially set at 550 Swiss francs per month. The government may revise it periodically, taking into account changes in the retail price index in the country and growth in wages.

**United Kingdom.** The UK pension system has three components: the National Insurance

System, the Occupational Pension System, the Personal Pension Scheme and Stateholders Pensions. The population of Great Britain is covered by almost 100% of basic state pensions, almost 50% by a professional pension system, a little over 25% by a personal pension scheme.

**Germany.** The model of the pension system that has developed in Germany is also typical for Austria, Italy, France and most other states of Western Europe.

In Germany, there is a set of different options for social security: compulsory state pension insurance, industrial pension insurance, private (private) insurance.

A special place in the general system of social protection in old age is given to compulsory pension insurance. 78% of the total population of Germany between the ages of 15 and 65 is insured. The amount of payments in the statutory pension insurance system is about 2/3 of the total amount that goes into old-age protection systems.

**Table 1**

**The main features of the pension systems of foreign countries [3].**

Country	Types of pension systems	Maximum and minimum pension	Citizens subject to pension insurance	Pension insurance contributions	Retirement age
Switzerland	State, labor and personal pension insurance	The maximum state pension must not exceed two minimum state pensions. The minimum pension was revised in 2000 and is currently CHF 1,030 per month	Individuals living and working in Switzerland, having Swiss citizenship and working abroad, as well as individuals working in international organizations and humanitarian aid organizations under the patronage of the state.	Contributions are made by the state (no more than 1/2 of the amount of the pension insurance contribution), the employer (4.2% of the employee's salary) and the insured person (4.2% of the annual income).	For men - 65 years, for women - 64 years
United Kingdom	State insurance system. Professional pension systems. Personal Pension Plan Systems and Stakeholders of Pensions.	For those with incomes below the established level, the state pays a guaranteed minimum pension from tax revenues.	UK population.	Obligatory contributions of the employer (11.9% of earnings) and the employee (10%).	
Germany	The first level of protection is compulsory state pension insurance. The second level is industrial pension insurance.	There is no concept of "maximum and minimum pension". With a salary of even 1 mark (euro), municipal additional payments are	Workers and employees, as well as some categories of the self-employed population. Civil servants of the state apparatus. Farmers and their families. Liberal professions (doctors, architects,	It is planned to increase contributions to 19.3%, although the optimal figure is 19.5%	Same for both men and women - 65 years

	Third level - private (private) insurance	made up to the subsistence level.	lawyers, notaries, etc.)		
<b>Netherlands</b>	<ol style="list-style-type: none"> <li>1. Basic pension.</li> <li>2. Employer's pension.</li> <li>3. Life insurance</li> </ol>		Citizens who have lived outside the country for some time are also provided with a basic pension. Pensions are paid to the disabled, in case of the loss of the breadwinner, children who have not reached 18 years old, surviving spouse.	Employee's pension contribution is withheld, employer adds its part and transfers the entire amount to the pension fund.	Same for both men and women - 65 years old.

USA. The US pension system is based primarily on personal pension insurance for the population. This model is used in some Latin American states as well as in Portugal.

There are both public and private pension systems in the United States. Thanks to this, Americans can provide themselves with not one, but three pensions: public, private collective at the place of work and private individual by opening a personal retirement account [3].

Despite the many variations of the existing pension systems in the world, they are undoubtedly united by one thing - the desire on the part of society and the state to provide a decent comfortable old age for a significant part of its population.

One of the important tasks of the pension system is to ensure adequate social protection of the population in old age. Since independence, the issue of social protection has never lost its relevance. In particular, social

support is reflected in the Action Strategy of the President of the Republic of Uzbekistan for 2017-2021 in five priority areas of development: "Increasing real incomes and purchasing power, further reducing the number of low-income families and income inequality. .. [1]" indicates that serious attention is being paid to this area.

The fact that the President of the Republic of Uzbekistan Sh. Mirziyoyev in his Address to the Oliy Majlis noted that "during the year, salaries, pensions, scholarships and allowances for civil servants will be higher than inflation" [2], this issue remains relevant this year.

The most important aspects of social protection are ensuring their full life and preventing falling purchasing power, protecting against inflation, and reducing income inequality. To achieve these goals, the states widely use the practice of indexing the size of pensions in the field of pensions.

While the indexation mechanism is an important issue for the adequacy of pensions and the prevention of poverty among pensioners, indexation of pensions is rarely an important topic in social policy discussions. There is very little research devoted to indexing issues [4]. Table 2 presents the mechanisms for indexing pensions in the pension systems of different countries.

In many developed countries, the indexation of pensions is carried out at a rate not lower than the growth rate of the consumer price index. These countries include Austria, Belgium, Canada, France, Spain, Hungary, Iceland, Korea, Poland, Turkey and the United States.

**Table 2**

**Pension indexation mechanisms [5]**

Indexing mechanisms	Количество стран
Indexing by price level	44 та
Indexation by the size of wages	27 та
Mixed indexing (price / wage)	21 та
Permanent indexing, no mechanism specified	24 та
Indexing as needed	4 та
No information available *	57 та
Total:	177 та

\* In most cases, “data not available” means “no indexing”.

In Germany, the Netherlands, Norway and Sweden, pensions are indexed by the average monthly wage.

In the Czech Republic, Estonia, Finland, Luxembourg, Slovakia, Switzerland, a certain part of pensions is indexed according to the growth rate of the consumer price index, the rest - according to the average monthly wage. Also, in some countries (Italy), the portions of pensions formed on the basis of basic insurance contributions can be indexed in different ways.

In Japan, the pensions of retirees under the age of 67 are indexed according to the average monthly wage, and after 67 - according to the consumer price index.

In Russia, the size of the base and insurance part of the pension is supposed to be indexed annually taking into account the inflation rate.

In the CIS countries, Russia, Armenia and Kyrgyzstan, pensions are indexed based on the subsistence minimum.

The indexation of pensions in Kazakhstan is higher than the average inflation rate of up to 2%, and in Azerbaijan and Tajikistan, relative to the average inflation rate.

In Turkmenistan, since 2014, pensions have been indexed according to the average wage.

Indexation of pensions in our country is carried out on the basis of the Decree of the President of the Republic of Uzbekistan "On increasing the amount of wages, pensions, scholarships and benefits." The indexation rate is set at a

rate not lower than the average annual inflation rate.

In this regard, the last Resolution No. PP-4555 of December 30, 2019 "On measures to ensure the implementation of the Law of the Republic of Uzbekistan" On the State Budget of the Republic of Uzbekistan for 2020 "was adopted, according to which the amount of pensions from February 1, 2020 Increased by 1.07 times.

### RECOMMENDATIONS

Based on a comprehensive study and analysis of the practice of indexing pensions in foreign countries, as well as the current state of the pension system in Uzbekistan, it became the basis for the development of a number of scientific and practical proposals and recommendations:

1. When determining the size of the pension, one should take into account the current macroeconomic situation in the country and the indicators that determine it. In particular, it is necessary to take measures to index pensions in an amount not lower than the inflation rate, which negatively affects the living standards of the population, including pensioners;
2. When the size of the pension increases, it is necessary to make calculations in real terms. In this case, the nominal values cannot show real changes. Pensions should not be less than the minimum consumption basket and the living wage;
3. At the same time, it is advisable to increase the income of the Pension Fund as one of the priority tasks in the matter of increasing the size of pensions, not only at the expense of the republican budget. In addition, it is advisable to use the opportunities provided to local budgets to spend a certain part of the surplus income on raising pensions;
4. It is necessary to abolish the practice of calculating the average base amount in the formation of wages, which is taken into account when assigning pensions. To do

this, it is enough to use the basic amount of the calculation in effect at the time the pension is granted;

5. Based on the experience of foreign countries, it is necessary to introduce an indexation of pensions taking into account changes in average wages. Because this figure is usually higher than the inflation rate.

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