Effective Social Protection for a Transforming Economy and Society of Uzbekistan

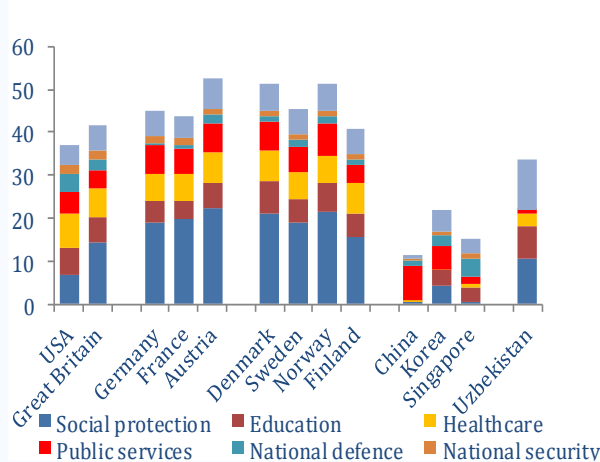# Social Protection model of Uzbekistan: Different from any other foreign models
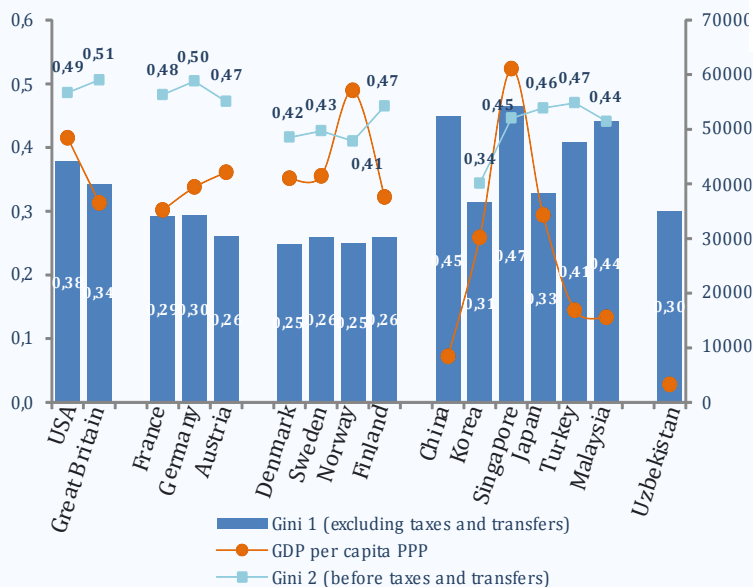
Taxes and Social Payments, % of GDP

Values: USA 34.4, Great Britain 41.7, Germany 43.9, France 49.7, Austria 47.9, Denmark 56.0, Sweden 56.4, Norway 58.1, Finland 52.7, China 11.5, Korea 19.1, Singapore 21.6, Uzbekistan 32.7
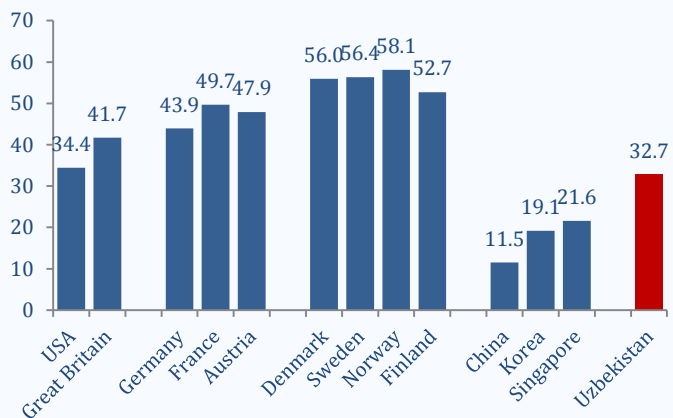
Government Budget Expenditures, % of GDP

Legend: Social protection, Education, Healthcare, Public services, National defence, National security

Level of development, redistribution and inequality

Legend: Gini 1 (excluding taxes and transfers), GDP per capita PPP, Gini 2 (before taxes and transfers)

GDP per capita & Economic Growth rate

Growth rate values: USA 3, Great Britain 2,09, Germany 3,69, France 1,48, Austria 2,3, Denmark 1,3, Sweden 5,6, Norway 0,67, Finland 3,73, China 10,4, Uzbekistan 8,5

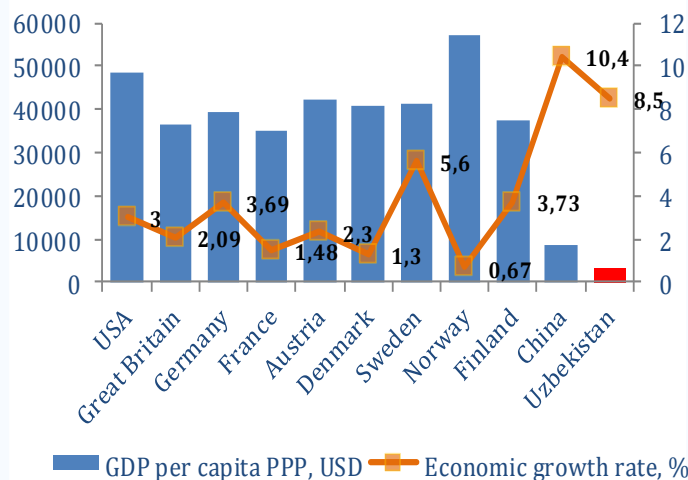Legend: GDP per capita PPP, USD; Economic growth rate, %

Two polar models:

- **Option 1**: focus on safety net functions; generous social system ➔ redistribution and fiscal burden

- **Option 2**: reduced social spending, incentives for private sector; relieved tax wedge;

- ➔ *Various models applied at various stages*

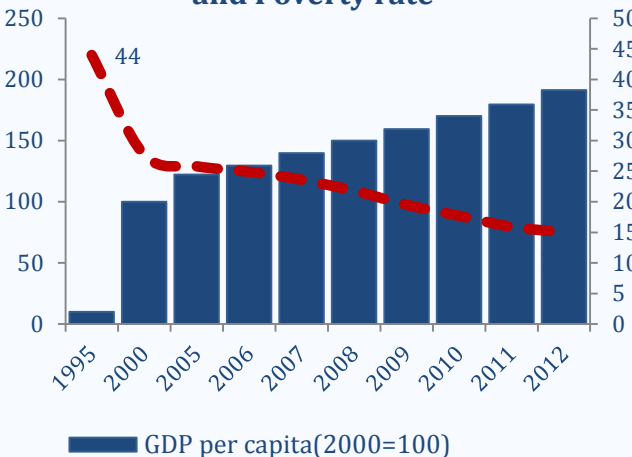 ➔ *Neither of the foreign models fully fit into a transforming Uzbekistan economy*

  Uzbekistan needs to select its own path and develop its own model

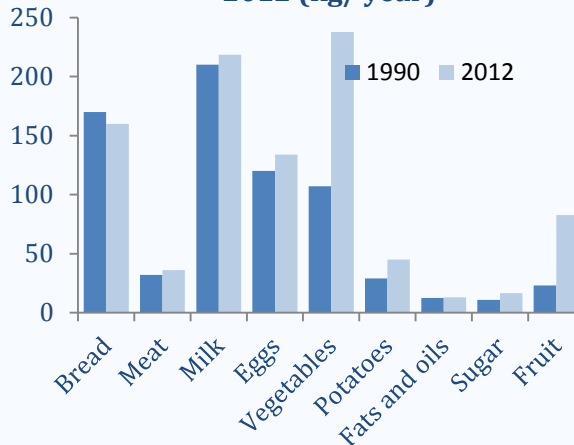# Uzbekistan in Transition: Evolution of SP policies and schemes

Period	Phases of transformation	Policy instruments
Early 1990-s	Main task – to mitigate major transitory adverse effects of a sharp drop in revenues in early years of transition → Universal social support	- Subsidized prices, - Allowances and compensation to all families
Mid 1990-s – Early 2000-s	- Introduction of targeted financial assistance for the vulnerable + measures on improving well-being of the population - Policies in education and public healthcare actively developed and implemented.	- Expansion and promotion of entrepreneurship, development of private form of ownership, incentives to stimulate economic activity of the population - Reduction and elimination of price subsidies, - Introduction of targeted financial assistance to low-income families (1994-1996), - Introduction of targeted support for families with children (1996-2002). - Annual investments to education at 7,6 % of GDP; public health declared as a priority sector (particularly maternal and children's health);
Early 2000-s –Present	Further transition to targeted social protection policies + Further investment into education and healthcare programs	- Replacement of specific preferences for the population with cash payments, - Further transition to targeted social assistance for low-income families - Decentralization of allocation and payment of allowances to low income families - given authorities transferred to local communities - makhallas

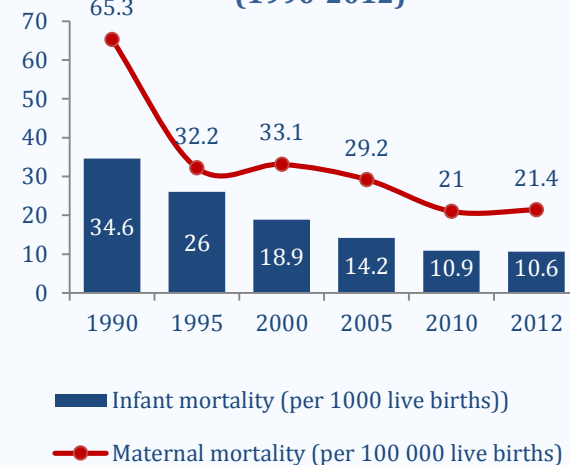# Uzbekistan in Transition: The SP model contributed to attainment of the development goals
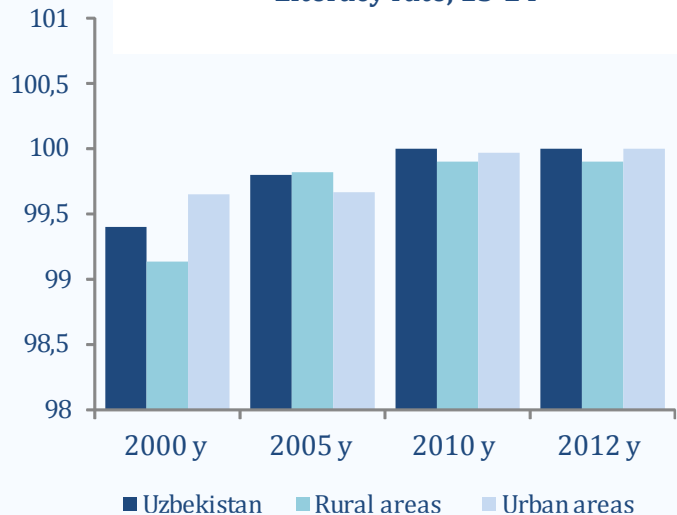
Welfare improvement and Poverty rate

44

■ GDP per capita(2000=100)

Consumption of basic foods 1990 VS 2012 (kg/ year)

■ 1990 ■ 2012

Bread, Meat, Milk, Eggs, Vegetables, Potatoes, Fats and oils, Sugar, Fruit

Maternal and infant mortality (1990-2012)

65.3
32.2 33.1 29.2 21 21.4
34.6 26 18.9 14.2 10.9 10.6

■ Infant mortality (per 1000 live births))

—●— Maternal mortality (per 100 000 live births)

Literacy rate, 15-24

■ Uzbekistan ■ Rural areas ■ Urban areas

Expected longevity and mortality rate

5.3 5.4 5.3 5 5.4 5.3

■ Expected longevity (right) —●— Mortality rate
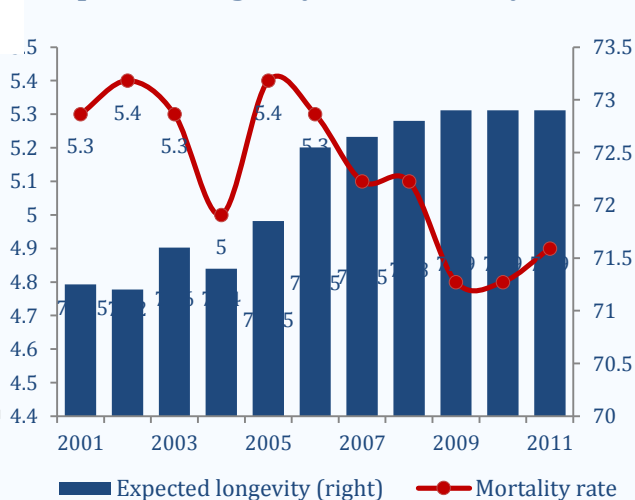
High efficiency of the SP system during the difficult period of the reformation;

- large-scale decline in living standards and impoverishment prevented;
- access to food maintained;
- access to free public health care and education maintained → high literacy rate sustained, expected longevity increased, maternal and infant mortality dropped;
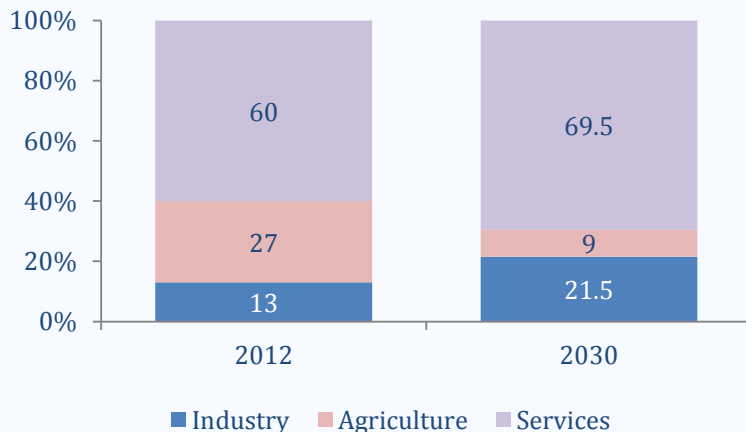
__The SP system was in line and contributed to attainment of development goals and priorities__.

Uzbekistan graduating from Transition:
New development goals and economic transformation

Uzbekistan: Transformation of GDP structure to 2030, %

Legend: Processing industry | Mining industry | Agriculture | Services
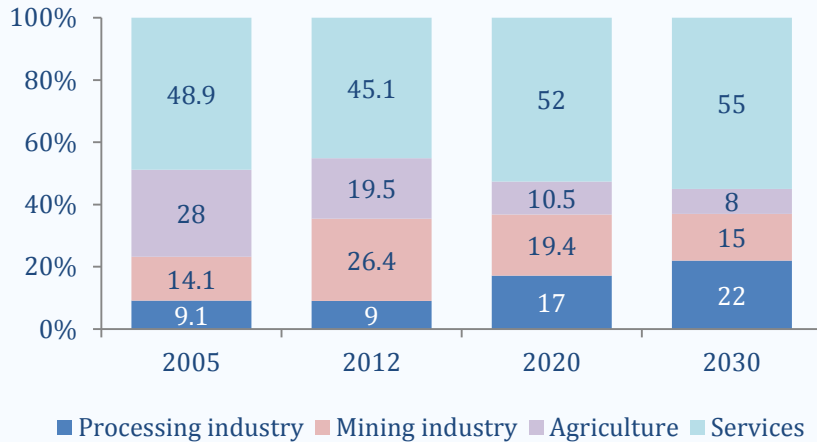
Transformation of employment structure: 2012 VS 2030

Legend: Industry | Agriculture | Services

Economic Transformations: Development goals for the future:

- Ensure _sustainable economic growth_ rate at 7-8%;

- _Transformation of GDP structure_ by increasing the share of processing industry from 9% in 2012 to 22% in 2030;

- Reformation of the _agricultural sector model_: focus on efficiency and multiplying effects rather than providing guaranteed source of income for large groups of the population;

- Transition to _production of services of higher sophistication_, that will allow to increase the proportion of the service sector in GDP from 45,1 % in 2012 to 55 % in 2030.

Uzbekistan graduating from Transition:
# New development goals and social transformation

Main characteristics of society	1-st stage	2-nd stage
Demographic features	Birth and death rates decrease (b. r. = 20%, d. r. = 6-8%)	Birth and death rates level out (b.r. = 8-10%, d.r. = 8-10%)
Family type	Average family size = 5-7 Average household size =5-6 Families poly-nuclear, integrated into the community, children are obedient.	Average family size = 3.17 Average household size = 2.4 Families mononuclear, socially isolated, child needs to develop independence, egalitarian families.
Education	Share of higher education = 10% Vocational education is important Education based on schools – formalization, empirical knowledge	Share of higher education = 20-50% Professional education in technical specialization and natural science becomes important Education is a main factor of social mobility Education in the information society– computerization, creative component
Employment	Primary and (partially) secondary sector Skilled and semi-skilled workers Share of informal employment is above 20%	Secondary, tertiary and quaternary sector Professional and technical work (engineers, mathematicians etc., → Education becomes strongly linked to employment Share of informal employment = 10-20% The need to adapt and change the specialization throughout the lives. -> education for adults becomes important
Population settlement pattern	Share of urban population is below 50% Large differences between urban and rural areas	Share of urban population is above 50% New cities + developed rural areas The difference between urban and rural areas decrease
Values , stereotypes (1)	Survival values	Self-expression values
Values, stereotypes (2)	Low interpersonal trust, intolerance towards out-groups	High interpersonal trust, tolerance towards out-groups
Values, stereotypes (3)	Dominance of gender inequality stereotypes	Gender equality stereotypes
Values, stereotypes (4)	Dominance of collectivism	Dominance of individualism
Values, stereotypes (5)	Large informal sector	Dominance of rule of law

Uzbekistan graduating from transition: New development goals and Role of SP policies

- Objectives of the economic and social transformations to 2030 are _fundamentally different_ from the development goals of the transition period.

- Being a part of the overall development framework, social protection and social policy system should be revised:

  - In the ___transition period___: SP system was aimed at eliminating the negative consequences of structural reforms;

  - After ___graduating from transition___: social protection should also become a tool for the implementation of the transformation processes in the economy and society.

- ___Key problem___: _The current SP model **replicates** some elements of existing economic and social system which need to be transformed at the future stages of development._

The current SP model **replicates** *some elements of existing economic and social system which need to be transformed in future*: **Labor market policies**

Results of the sociological survey: Informal VS Formal employment

- 40%
- 60%
- ▪ informal employment
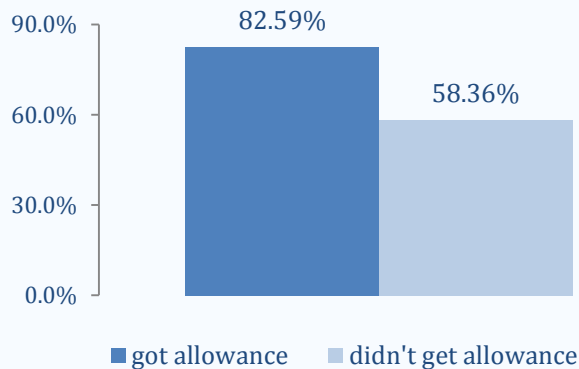- ▪ formal employment
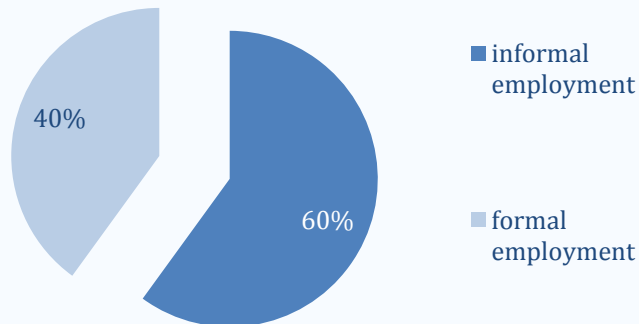
Results of the sociological survey: Employment rate among men and women

- Labor market policies contribute to generation of _relatively low productive employment_ in industries with low level of technological sophistication;

- _In transition period_, when the main focus of structural reforms was on development of capital-intensive basic industries, this model of employment was _justified_;

- _In transition period_ this model allowed to _partially compensate negative consequences of structural reforms_ and ensure employment and source of income for all the social groups;

- _In future_ the _model of employment generation needs to be reformed_ in line with the economic and social transformations.

The current SP model **replicates** *some elements of existing economic and social system which need to be transformed in future*: **Social Assistance**
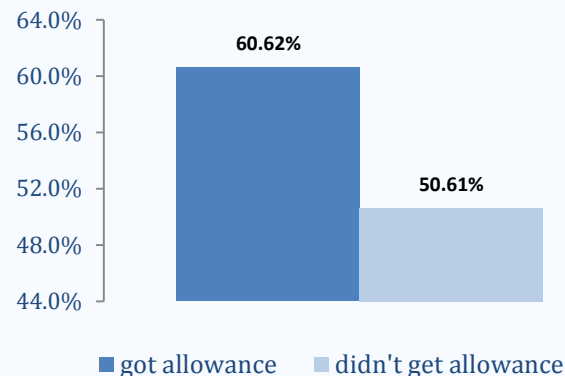
Those who think that there is no need to study since there is no opportunity to find a

40.15% 27.06%

■ get allowance ■ didn't get allowance
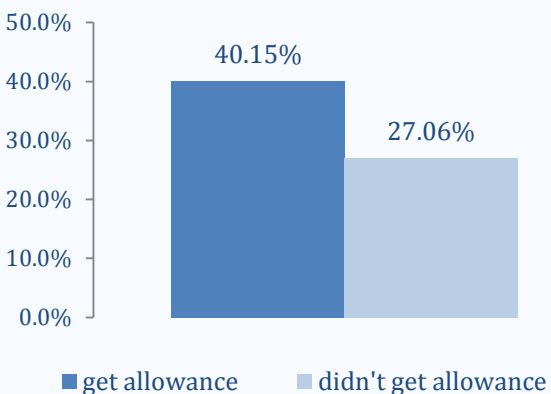
Those who think that women need education only to take care of the family

82.59% 58.36%

■ got allowance ■ didn't get allowance

Those who think that women should not work and focus on taking care of their family

60.62% 50.61%

■ got allowance ■ didn't get allowance

- Social allowances *effectively* serve a *protective function*: proportion of allowances in the structure of income of recipients is considerable (11 - 22% for various recipients);

- However, social assistance does not sufficiently contribute to pulling out recipients from poverty**:** if allowances are not provided, per capita incomes decline by 1.4%, the share of poor households will remain the same → *Transformative* function is *not fully implemented;*

- Demotivating and de-transformative effect of social assistance due to the effect on values and behavioral stereotypes.

*The current SP model **replicates** some elements of existing economic and social system which need to be transformed in future*: **Education**

Distribution of students of higher educational institutions by sectoral specialization in Uzbekistan (%)
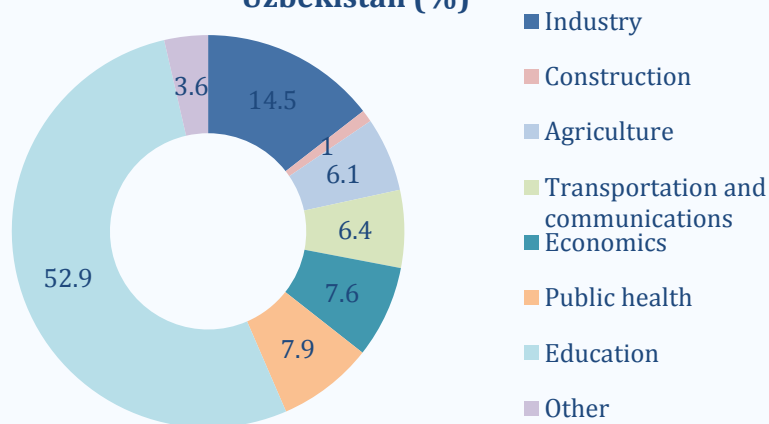
- Industry
- Construction
- Agriculture
- Transportation and communications
- Economics
- Public health
- Education
- Other

3.6, 14.5, 1, 6.1, 6.4, 7.6, 7.9, 52.9

Distribution of students of higher educational institutions by sectoral specialization in Korea (%)

- Human sciences
- Social sciences
- Education
- Technical sciences
- Natural sciences
- Public health and pharmacology
- Arts

14.2, 12.0, 6.1, 10.5, 28.5, 22.4, 6.3
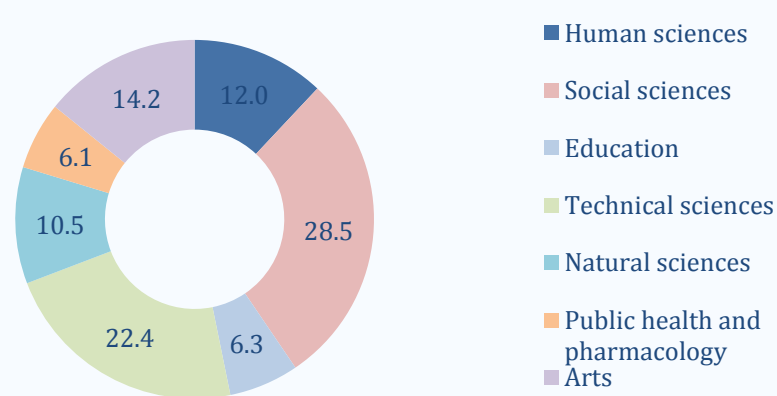
- Education system also *replicates* the existing *structure of employment* and the quality of human capital;

- In the structure of higher education pedagogical specialization dominates → However, expected *economic transformations* will *expand the demand for specialists in processing industries* (e.g engineers, chemists).

- The *low degree* of *integration* of education *with labor market requirements* (only 48 % of the employed graduates work on a specialty) also reproduces current model of employment and incomes.

If the model is replicated and Transformations are not implemented, Sustainability of the SP system will be an issue!
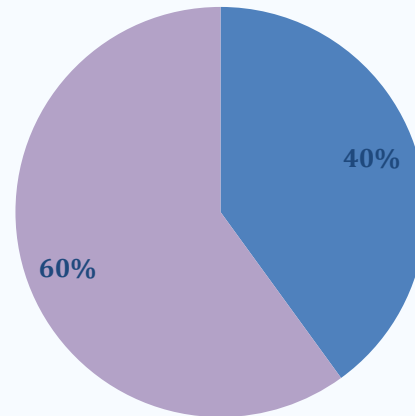## *Uzbekistan in 2030: Inertial development model*
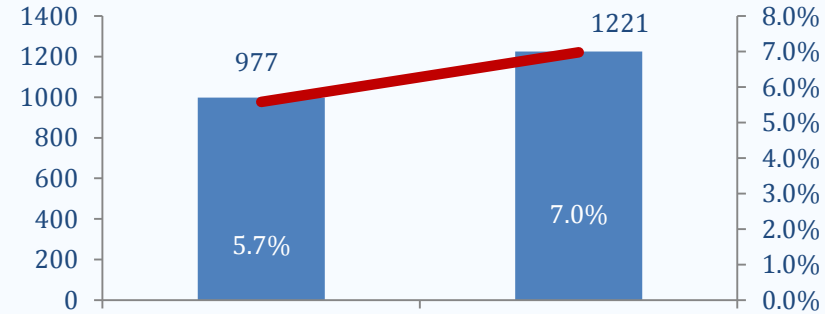
Structure of employment by sectors

- 27%
- 13%
- 60%
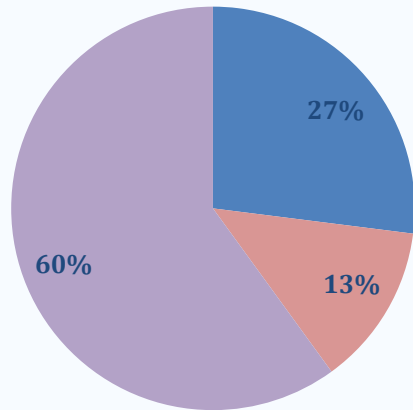
- ■ Agriculture   ■ Industry   ■ Services

Formal VS Informal employment in 2030

- 40%
- 60%

- ■ Formal   ■ Informal

Demand for Social allowances: 2012 VS 2030

- 977
- 1221
- 5.7%
- 7.0%

- ■ Share of social allowances in government budget, % (right)
- ▬ Number of social allowance recipients, thous HH

Revenues and Expenditures of Pension Fund: 2013 VS 2030

- Expenditures
- Deficit
- Revenue
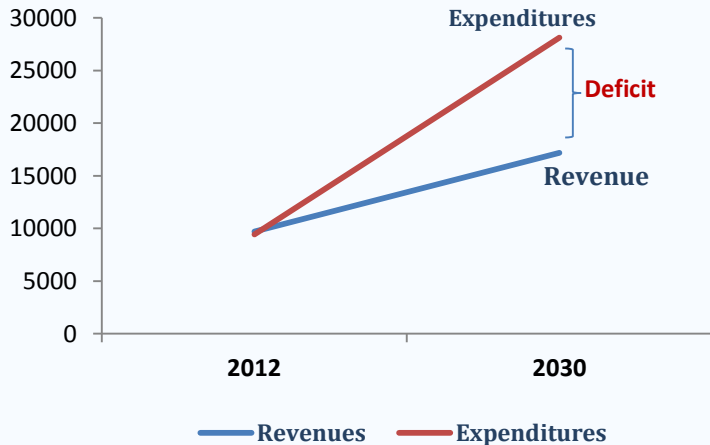
- ▬ Revenues   ▬ Expenditures

- Sustaining the current economy structure ➔ domination of employment, that is low-paid, informal and low-skilled

- Small formal sector ➔ Small contributions to government budget ➔
- Constraints to the expansion of government budget revenues;
- Limitations to income growth;
- Expanding demand for social allowances;

- Increase in the share of social protection in government budget ➔ Constraints to the fiscal space;
- Deficit of the Pension Fund due to ageing population on the one hand and large informal sector not providing contributions to the Fund on the other hand

- ***To provide fiscal space for Social policies and Social protection transformations are important***
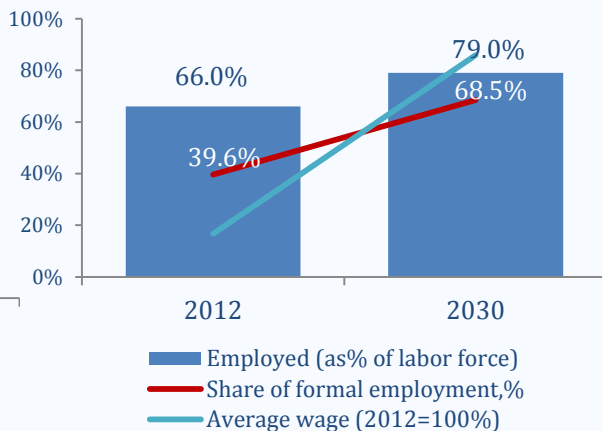
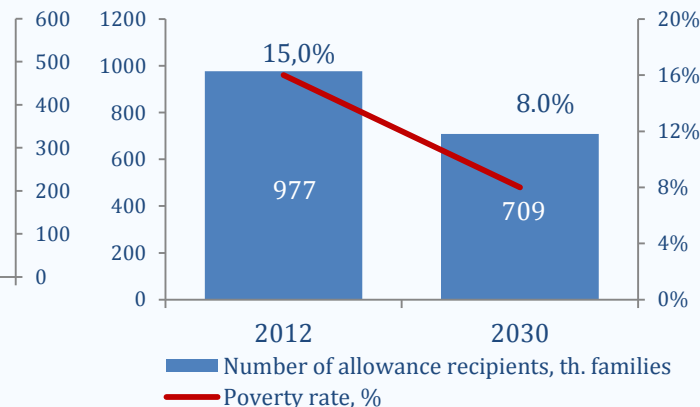# Transformations are essential to ensure sustainability of the SP system! Expected results of transformations by 2030

Uzbekistan: Transformation of GDP structure to 2030, %

Legend:
- Processing industry
- Mining industry
- Agriculture
- Services
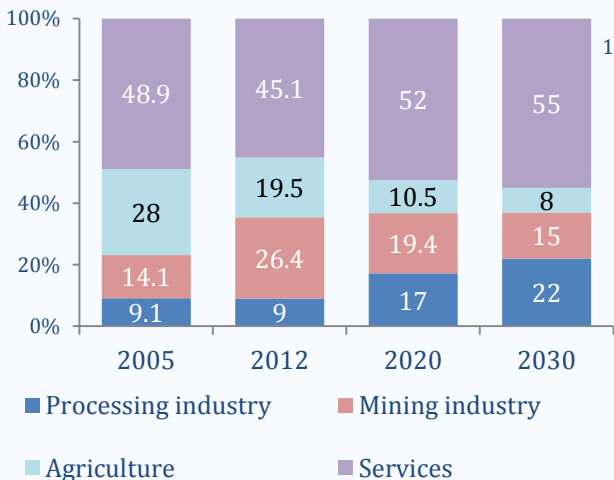
Transformation of employment structure and wage growth, 2012 VS 2030

Legend:
- Employed (as% of labor force)
- Share of formal employment,%
- Average wage (2012=100%)

Poverty reduction and demand for social allowances: 2012 VS 2030

Legend:
- Number of allowance recipients, th. families
- Poverty rate, %

Rate of contributions to the Pension Fund: 2012 VS 2030
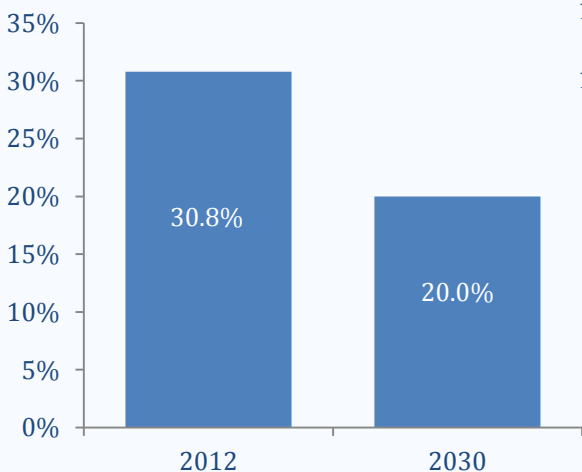
Expenditures of Pension Fund and Distribution of Revenues from 30,8% contributions: 2013 VS 2030

Revenues

Expenditures

Fiscal Space for health insurance and labor policies
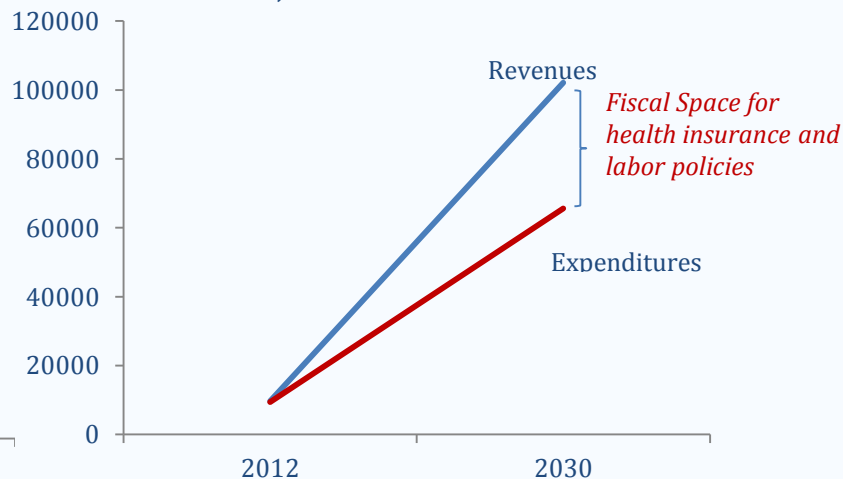
- Structural transformation → Steep rise of formal employment and wages→ Income growth→ Lower demand for social allowances → Decrease in share of SP in budget → More space for maneuver

- Growth of formal employment → Rise in contributions to Pension fund → Opportunity to decrease the rate of contributions from 30,8% to 20% → 10,8% is fiscal space to be used for health insurance (5%) and labor market programs (5,8%)
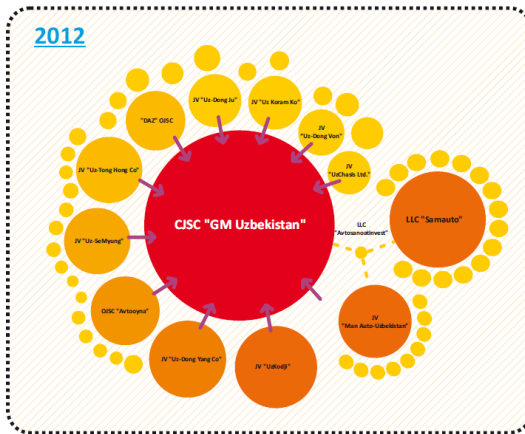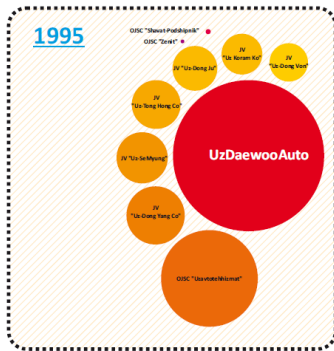
Transformative Social Protection to implement the transformations

- Transformations are essential to ensure sustainability of the SP system!

- → The new SP model should provide incentives for and be in line with economic and social transformations →

- The SP system in the new conditions should _move away from_ **extensive** _measures_ aimed at providing the guaranteed social assistance to a large groups of the population to the **_intensive_** _measures that could have significant multiplier effect_ in the terms of stimulating transformative processes.

- _Conventional approach_ to SP should be _broadened_ by:

  - Involving not only protective and preventive, but also _promotive_ and _transformative_ functions;

  - _Integrating_ and consolidating _fragmented policies_ in various sectors (labor market policies, promotion of entrepreneurship, governance reformation).
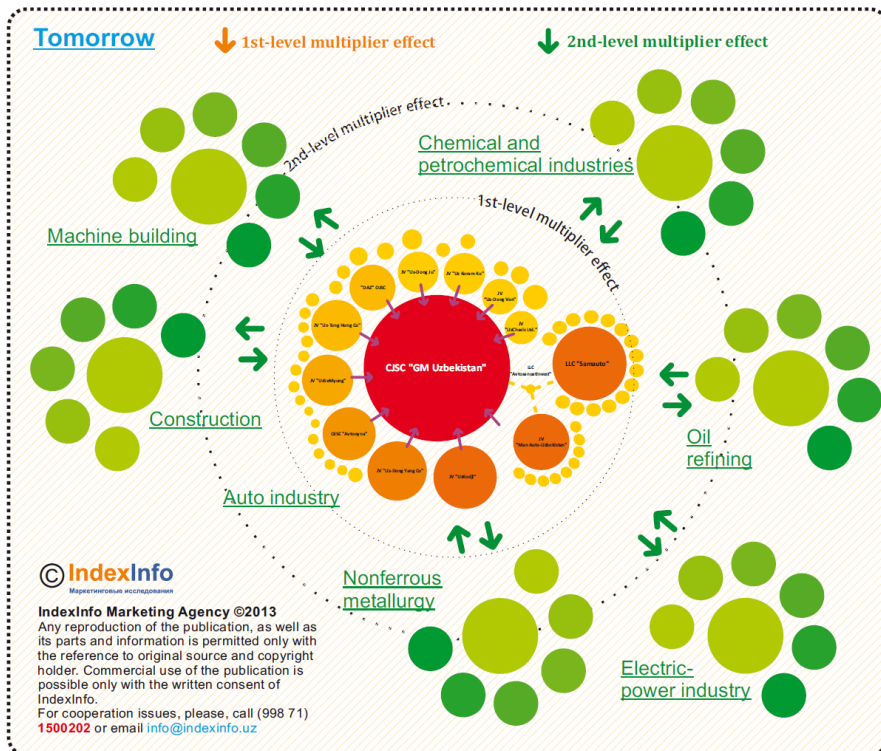
Transformative Social Protection: Holistic approach is in line with the global discussions

- **Global initiative of Social Protection Floor.** According to this concept, minimum measures of social protection include:

  - Creating guarantees and real opportunities for the provision of basic social rights and social allowances to provide a socially acceptable income for all;

  - Ensuring access for all groups of population to social services such as health, water and sanitation, education, food, housing etc.;

  - Social protection should contribute to economic growth by increasing labor productivity, providing social stability and poverty reduction.

- **Discussions on Post-2015 agenda.** New global goals should be designed on a broader basis: the ultimate goal of social protection is not protection in itself, but resilience, transformative development with social justice and sustained social progress.

- **UNRISD "Social Policy in a Development Context Initiative".** Rethinking social policy away from its conception as a residual category of "safety nets". Social policy as a key instrument that works in tandem with economic policy to ensure equitable and socially sustainable development.

- **Research initiative of IDS "Transformative Social Protection".** Social protection needs to empower marginalized people and be socially "transformative".

Key element of the transformative social policy is the effective employment policy
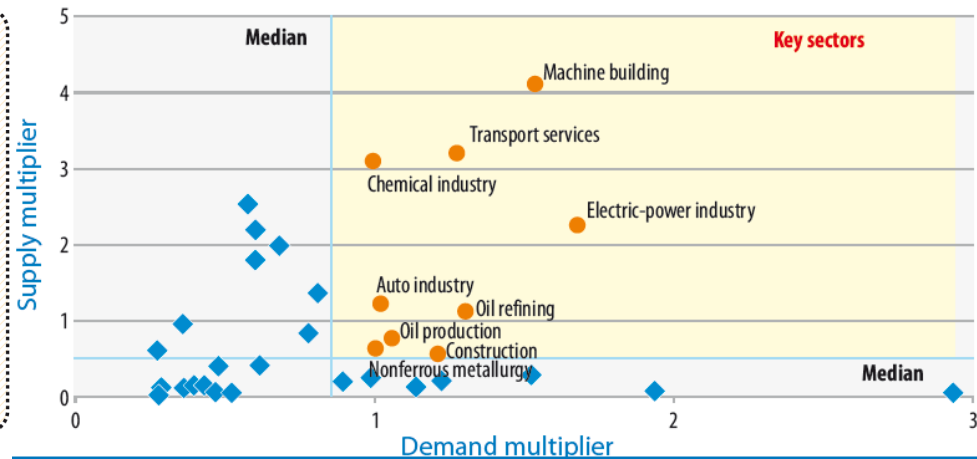
- An important factor for developing a sustainable model of social protection for the long term is to build _effective employment policies_;

- Based on the priorities of economic and social transformations, it is important to create jobs not in low-skilled industries, but generate _productive employment_ in industries with _considerable multiplier effects_.

- For Uzbekistan these industries are: transport, chemical, gas & oil processing, machine building, construction.

- Expected expansion of employment in these sectors will imply the need to introduce _retraining programs_ to comply available skills with labor market requirements: (annually 100 thous people involved, 104 bln soum a year)

Social protection policies and measures need to be revised in line with the new pattern of employment and income and provide incentives to accelerate the transformations

Allowances

Pensions

Social infrastructure

Social programs

Education

Healthcare

The pattern of social protection and social policies by 2030: Social allowances and Pensions
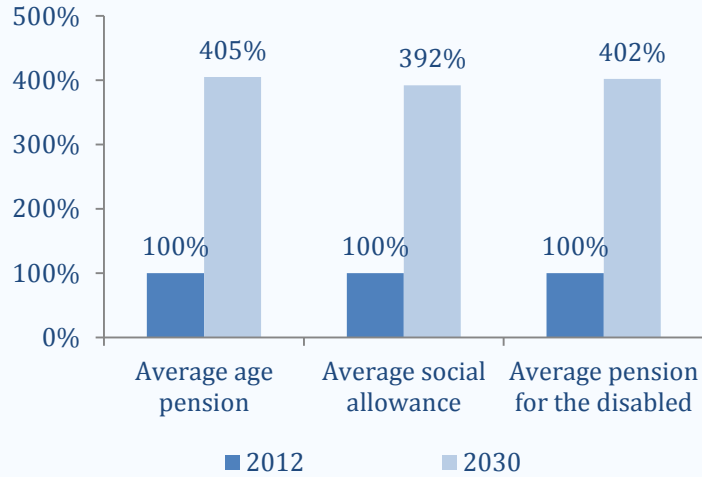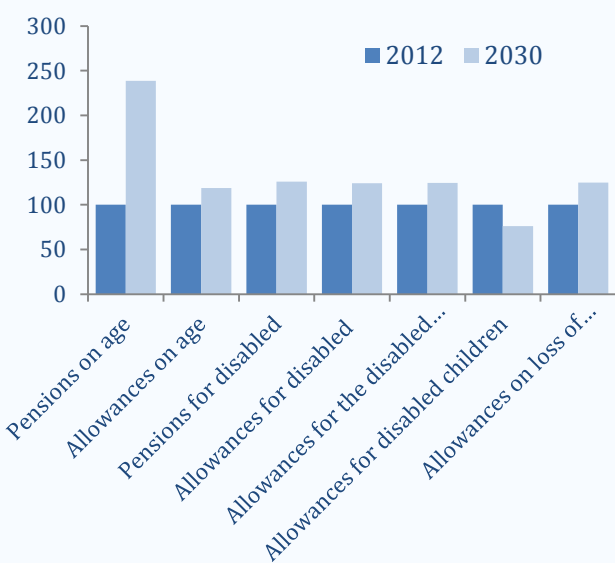
Employment and wage growth: 2012 VS 2030

- Employed (as% of labor force)
- Average wage (2012=100%)

Poverty reduction and demand for social allowances: 2012 VS 2030

- Number of allowance recipients, th. families
- Poverty rate, %
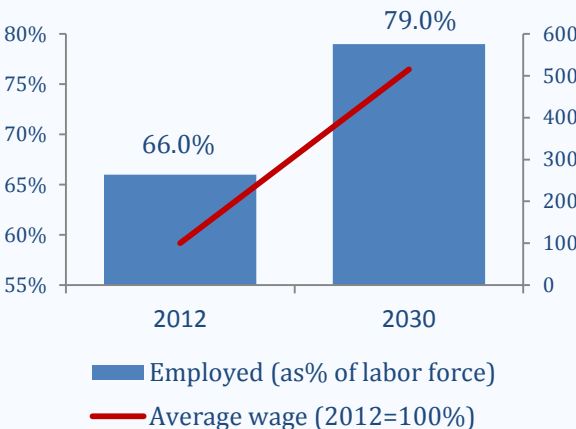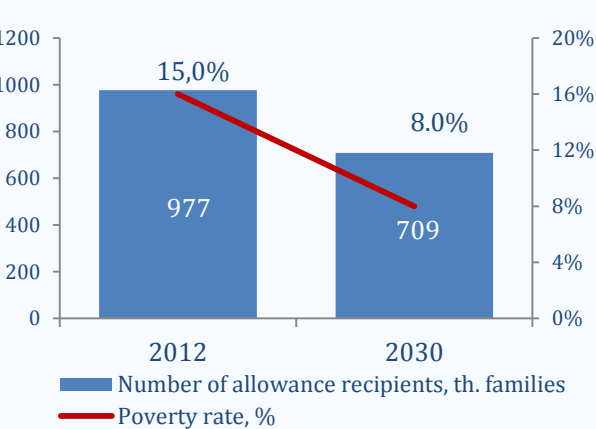
Average social allowances and pensions (2012 = 100%)

- 2012
- 2030

Number of pensioners: 2012 =100%

- 2012
- 2030

Categories: Pensions on age; Allowances on age; Pensions for disabled; Allowances for disabled; Allowances for the disabled…; Allowances for disabled children; Allowances on loss of…

Share of working pensioners, pensioners total =100%

- Working pensioners
- Non-working pensioners
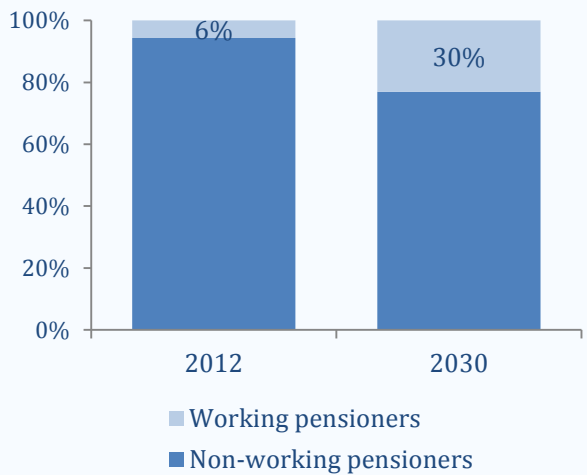
Size of allowances need to be *increased* to implement transformative effect + *Number of families* receiving *allowances* will decrease in future due to employment & income growth

Number of pensioners increased + *amount of pensions increased* due to the growth of wages and employment + number of *working pensioners* increased due to the employment generation and transformative social policies

The pattern of social protection and social policies by 2030: Education and Healthcare
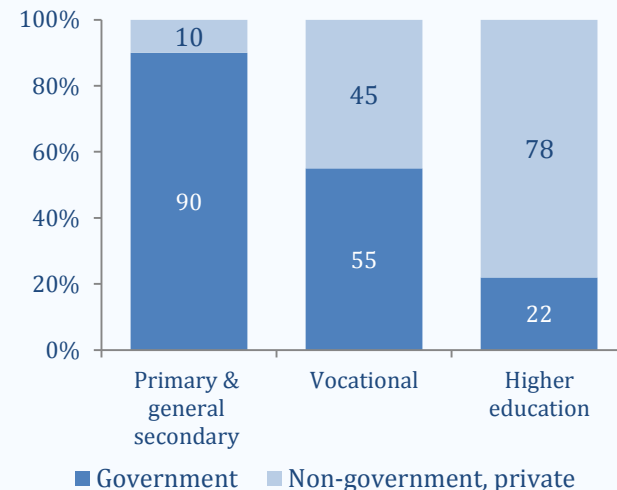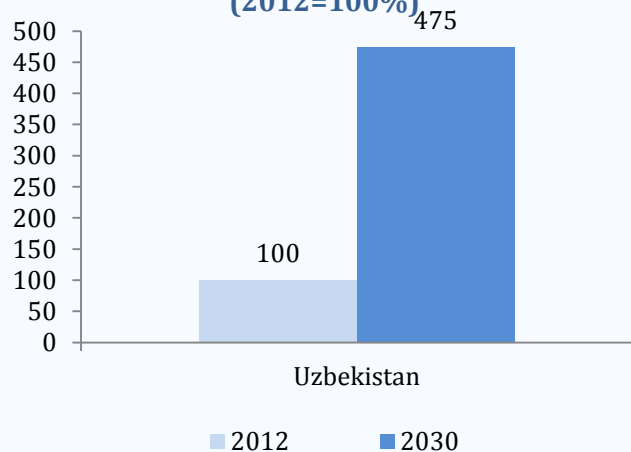
Per capita expenditures on education (2012 = 100%)
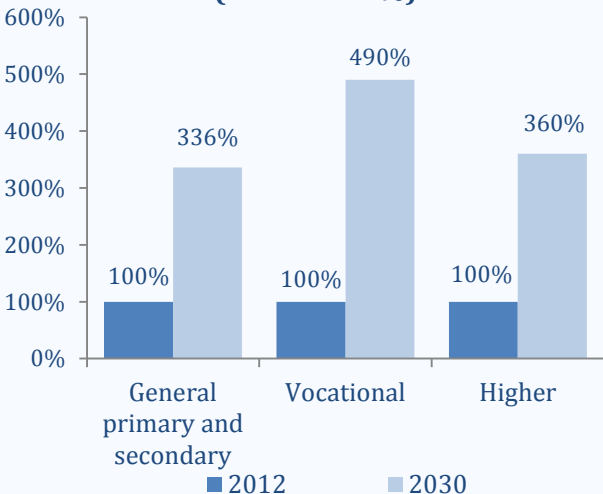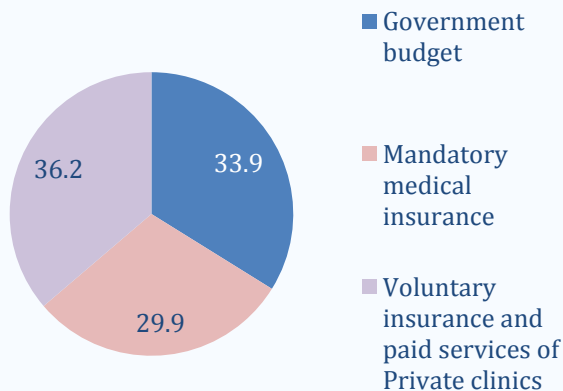

Number of students: 2012 – 2030 (thous)
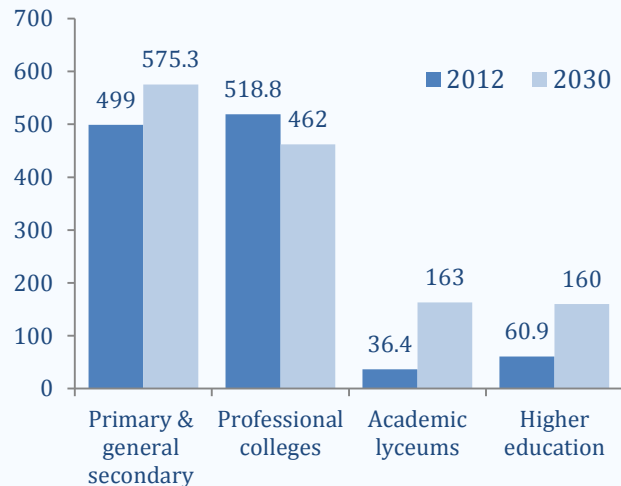
Breakdown of financing in

Per capita health expenditures (2012=100%)

Breakdown of financing of healthcare services 2030

- Improvement in living standards + change in the demographic and social structure of society
- → transformation of the lifestyle and behavioral stereotypes
- → expanding demand for the high quality social services
- → *Per capita expenditures on education and healthcare need to be expanded*
- → *This will imply the model of financing of education and healthcare to be reformed*

Main findings: What is transformative social protection for a transforming Uzbekistan?

- *Transformation of the social protection* system in line with economic, social and institutional transformations;

- Acceleration of the *transformative processes in the economy and society* to ensure sustainability of the Social protection system;

- *Transformation of people* to empower the poor and vulnerable to make use of opportunities available to them for improving their livelihoods in a sustainable manner:
    - addressing power imbalances, that create social exclusion;
    - developing new skills for decent employment and economic activity (retraining, discounted loans for education);
    - developing socially positive way of thinking (e.g. social rehabilitation courses) and thus, stimulating social and behavioral changes.

Questions for discussion

- Are there any dimensions, critical issues which were omitted, should get considered in more detail?

- What approaches, methods and indicators need to be revised?

- What's next? How can we jump to formulating the detailed Action Plan and Road Map? Suggested formats and models.

- Are there windows for synergies?

Thank you!