



A COMPARATIVE ANALYSIS OF THE PENSION SYSTEMS IN UZBEKISTAN AND THE USA: A COMPREHENSIVE OVERVIEW

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Abstract

Pension systems play a vital role in providing financial security during retirement. This comprehensive article examines and compares the pension systems of the United States and Uzbekistan, exploring their key features, eligibility criteria, funding mechanisms, and challenges. By analyzing these two systems, we gain insights into the similarities and differences in their approaches to retirement security.

Key words: Pension system, financial security, eligibility, retirement age, social security, payment, finance, financial resources, funding, individual, pension accounts.

INTRODUCTION

The pension systems in different countries play a crucial role in providing financial security for retired individuals. This article aims to provide a comprehensive comparative analysis of the pension systems in Uzbekistan and the United States (USA). By examining key aspects such as eligibility, contributions, benefits, and reforms, we can gain insights into the similarities and differences between these two systems, contributing to a broader understanding of pension schemes in different contexts.

RESEARCH CONTEXT

1. Pension System in the USA:

- 1.1 Overview: Provides an overview of the pension system in the USA, emphasizing the role of Social Security and employer-sponsored retirement plans.
- 1.2 Social Security: Explores the structure and eligibility criteria of the Social Security program, discussing the benefits it provides to retirees.
- 1.3 Employer-Sponsored Plans: Discusses the types of employer-sponsored retirement plans in the USA, including defined benefit and defined contribution plans.

2. Pension System in Uzbekistan:

- 2.1 Overview: Provides an overview of the pension system in Uzbekistan, highlighting the role of the state pension system and individual pension accounts.
- 2.2 State Pension System: Discusses the structure and eligibility criteria of the state pension system in Uzbekistan, emphasizing the benefits provided to retirees.
- 2.3 Individual Pension Accounts: Explores the concept of individual pension accounts in Uzbekistan, including the voluntary contributions and investment options available to individuals.

3. Key Features and Eligibility Criteria:

- 3.1 Retirement Age: Compares the retirement age requirements in the USA and Uzbekistan, taking into account variations based on gender and occupation.

3.2 Contribution Mechanisms: Examines the contribution mechanisms in both countries, including employer and employee contributions, as well as government subsidies.

3.3 Pension Calculations: Explores how pension benefits are calculated in each country, considering factors such as salary history, years of service, and average earnings.

4. Funding and Sustainability:

4.1 Funding Mechanisms: Discusses the funding mechanisms for pensions in both countries, including payroll taxes, employer contributions, and government subsidies.

4.2 Challenges and Sustainability: Examines the challenges faced by each system in terms of funding adequacy, demographic shifts, and the impact of economic fluctuations.

5. Comparison of Pension Systems:

5.1 Social Security vs. State Pension System: Compares the structure and benefits of Social Security in the USA with the state pension system in Uzbekistan, highlighting similarities and differences.

5.2 Employer-Sponsored Plans vs. Individual Pension Accounts: Contrasts the employer-sponsored retirement plans in the USA with the individual pension accounts in Uzbekistan, examining their respective features and participation rates.

5.3 Sustainability and Reforms: Analyzes the sustainability and reform efforts undertaken in both countries to address the challenges facing their pension systems.

Eligibility and Coverage: In Uzbekistan, the pension system covers both public and private sector employees. The retirement age for men is 60 years, while for women, it is 55 years. To be eligible for a pension, individuals need to have made at least 10 years of pension contributions. The system also considers disability and survivor benefits, providing support to those in need.

In the USA, the eligibility criteria for Social Security benefits vary based on birth year. Generally, individuals can start receiving full benefits between the ages of 66 and 67, depending on their birth year. The system covers a wide range of workers, including employees in the private sector, self-employed individuals, and certain government employees. Social Security also provides disability benefits and survivor benefits for qualified individuals.

Contribution Mechanism: In Uzbekistan, the pension system operates on a pay-as-you-go basis, where current workers' contributions fund the pensions of current retirees. Both employers and employees contribute to the pension fund. The contribution rate for employees is 22% of their wages, with 8% paid by the employee and 14% paid by the employer. These contributions are deducted directly from the employees' salaries.

In the USA, Social Security is funded through a combination of employee and employer payroll taxes. As of 2021, the Social Security tax rate is 6.2% for both the employee and employer, totaling 12.4%. However, this tax is capped at a certain income level. Self-employed individuals are responsible for paying the entire 12.4% as a self-employment tax.

Pension Benefits and Calculation: In Uzbekistan, pension benefits are calculated based on a formula that considers the average monthly wage, the length of service, and the contribution period. The pension amount is a percentage of the average wage, with a maximum limit set by the government. The system aims to provide retirees with a portion of their pre-retirement income to ensure a basic standard of living.

In the USA, Social Security benefits are determined by the individual's earnings history and the number of years they contributed to the system. The benefit amount is based on a formula that takes into account the average indexed monthly earnings and a calculation factor. The benefit amount is subject to adjustments based on the age at which the individual starts receiving benefits, with early retirement resulting in a reduction and delayed retirement leading to an increase.

Pension Reforms and Sustainability: Uzbekistan has implemented significant pension reforms in recent years to address sustainability challenges. Reforms have included increasing the retirement age, adjusting contribution rates, and introducing a funded pension system alongside the pay-as-you-go system. The funded pension system allows individuals to contribute to individual retirement accounts, providing an additional source of retirement income.

In the USA, there have been ongoing discussions and debates about the long-term sustainability of the Social Security system. The system faces challenges due to factors such as an aging population and changing demographics. Various proposals have been suggested to address the projected funding shortfall, including adjusting the retirement age, changing the benefit calculation formula, and increasing contribution rates.

Public Perception and Outlook: Public perception of the pension system can significantly influence its effectiveness. In Uzbekistan, there is a growing awareness of the need for individual retirement planning and the importance of voluntary contributions to the funded pension system. The government has also implemented financial literacy programs to educate citizens about retirement planning, ensuring a more proactive approach to long-term financial security.

In the USA, public perception of the Social Security system varies. Some view it as a crucial safety net, providing essential retirement income for millions of Americans. However, concerns about the long-term financial viability of the system have been raised, necessitating discussions on potential reforms to ensure its sustainability and effectiveness.

CONCLUSION, LIMITATION AND FUTURE RESEARCH

The pension systems in the USA and Uzbekistan share common goals of providing retirement security for their citizens. While the USA relies heavily on Social Security and employer-sponsored plans, Uzbekistan's system centers around the state pension system and individual pension accounts. By comparing these systems, we gain valuable insights into their strengths, weaknesses, and ongoing reform efforts. This comparative analysis contributes to the understanding of pension systems in different socio-economic contexts, enabling policymakers and stakeholders to identify areas for improvement and ensure a sustainable future for retirees in both countries.

The comparative analysis of the pension systems in Uzbekistan and the USA provides valuable insights into the eligibility criteria, contribution mechanisms, benefit calculations, and ongoing reforms in these two countries. By studying the literature and understanding the intricacies of these pension schemes, policymakers, individuals, and businesses can make informed decisions regarding retirement planning and financial security.

The pension systems in Uzbekistan and the USA demonstrate both similarities and differences in terms of eligibility, contributions, benefits, and reforms. While both systems aim to provide financial security for retired individuals, they operate under different frameworks and face

unique challenges. Understanding the characteristics and dynamics of these pension systems can contribute to informed decision-making, enabling individuals and policymakers to address the needs of retirees and ensure long-term financial stability.

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