



SOCIO-ECONOMIC ADVANTAGES OF A GRADUAL INCREASE IN THE RETIREMENT AGE IN UZBEKISTAN BASED ON THE EXPERIENCE OF THE EUROPEAN PENSION SYSTEM

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Abstract

This article thoroughly examines the socio-economic advantages associated with gradually increasing the retirement age in Uzbekistan by drawing insights from European pension reform experiences. It highlights key aspects such as pension sustainability, labor market engagement, demographic shifts, and economic stability. Detailed recommendations are proposed for Uzbekistan to effectively implement these practices, ensuring socio-economic resilience and pension fund sustainability.

Keywords: Retirement age, pension reform, socio-economic benefits, labor market dynamics, demographic trends, Uzbekistan, Europe, pension sustainability, economic stability.

Introduction

Uzbekistan faces critical pension sustainability issues due to demographic aging and increasing longevity. The country's current retirement ages (60 for men, 55 for women) are relatively low compared to many European nations that have successfully implemented higher retirement thresholds. Gradually increasing the retirement age has emerged as an effective response in Europe to similar challenges, improving economic resilience and social stability. Understanding and analyzing these European models can guide Uzbekistan toward sustainable and beneficial pension reforms. Below is a detailed exploration of the socio-economic advantages of a gradual increase in the retirement age in Uzbekistan, drawing on the experiences of European pension systems. The analysis integrates Uzbekistan's socio-economic context, demographic trends, and fiscal realities with lessons from European reforms, while



addressing potential challenges and offering actionable recommendations. The response is structured to provide a comprehensive understanding, supported by relevant data and examples, and includes an artifact summarizing key points in a report format.

Socio-Economic Advantages of Gradually Increasing the Retirement Age in Uzbekistan

Uzbekistan's pension system, rooted in Soviet-era structures, faces growing pressures from an aging population, rising life expectancy, and fiscal constraints. With a retirement age of 60 for men and 55 for women—unchanged since Soviet times—and a pension expenditure that consumed over 18% of GDP in 2009, reform is critical. European countries, grappling with similar demographic and fiscal challenges, have implemented gradual retirement age increases, offering valuable lessons for Uzbekistan. Below, I detail the socio-economic advantages, grounded in European experiences, and tailor them to Uzbekistan's context.

Ensuring Fiscal Sustainability of the Pension System

Advantage: A gradual increase in the retirement age reduces the financial strain on Uzbekistan's pension system, which combines a pay-as-you-go (PAYG) defined-benefit scheme with a mandatory funded defined-contribution component. With 3.78 million pensioners in 2020 (over 10% of the population) and rising life expectancy, the system faces long-term deficits. Raising the retirement age extends contribution periods and shortens benefit payout durations, stabilizing pension funds.

European Experience: European nations like Italy, Denmark, and the Netherlands have raised retirement ages to 67 or linked them to life expectancy (e.g., Italy's 2013 reform). These parametric reforms have reduced pension spending pressures. For instance, the IMF notes that post-2008 European reforms lowered the lifetime benefit-to-contribution ratio to a projected 1.5 by the 2040s, compared to higher ratios pre-reform. Germany's 2007 reform, raising the retirement age to 67 by 2029, saved 0.3% of GDP annually in pension costs by 2015. Such measures ensure solvency amid aging populations.

Uzbekistan Context: Uzbekistan's pension system is among the most generous in the region, with high replacement rates but declining real pension values (e.g., a drop in dollar terms since 2017). The 2020 draft Concept of Pension Reforms proposed aligning retirement ages with global averages (e.g., 62 for men, 58 for women). A gradual increase, implemented over a decade (e.g., 6-month increments every two



years), could reduce pension expenditure by an estimated 1-2% of GDP annually, based on regional models like Ukraine's. This would free up fiscal resources for healthcare, education, or infrastructure, critical for Uzbekistan's development goals. Supporting Data: The OECD estimates that a one-year increase in retirement age can reduce pension deficits by 0.5-1% of GDP in PAYG systems. Uzbekistan's high pension spending suggests even greater savings potential.

Boosting Labor Force Participation and Economic Productivity

Advantage: Extending working lives keeps older workers in the labor market, addressing potential labor shortages and enhancing economic output. Uzbekistan's relatively young population (median age ~28 in 2020) provides a window to leverage older workers' experience before demographic aging accelerates.

European Experience: Estonia's gradual increase in women's retirement age from 58 to 61.5 (1996-2016) raised employment rates by 4.1 percentage points at the normal retirement age and 3.4 points at the early retirement age, per OECD studies. Denmark's reform, linking retirement age to life expectancy (projected to reach 69 by 2050), boosted labor force participation among 60-64-year-olds from 28% in 2000 to 45% in 2020. European policies, such as lifelong learning programs and flexible work arrangements (e.g., Netherlands' part-time work incentives), have supported older workers' employability.

Uzbekistan Context: Concerns that prolonged employment of older workers could reduce youth employment are overstated. A 2019 EU/UNDP report on Ukraine found no significant negative impact on youth employment from raising retirement ages. Uzbekistan's labor market, with high informal employment (over 40% of workers), could absorb older workers through targeted retraining in sectors like services or technology, particularly in urban centers like Tashkent. Incentives like tax breaks for employers hiring older workers, as seen in Germany, could further facilitate this transition.

Supporting Data: The World Bank projects Uzbekistan's working-age population to peak by 2030, necessitating policies to maximize labor force participation. A 1% increase in older worker employment could boost GDP growth by 0.2-0.3%, based on European models.

Enhancing Private Savings and Retirement Income Adequacy

Advantage: A higher retirement age encourages longer contribution periods to Uzbekistan's funded pension scheme (introduced in 2004), increasing accumulated



savings and reducing reliance on public pensions. This strengthens financial security for retirees, particularly as public pension values erode.

European Experience: In countries with defined-contribution systems, such as Italy's notional defined-contribution reform (1995), less generous public pensions have driven private savings. Germany's 1999 reform, raising the early retirement age, reduced household savings rates by 0.6 percentage points as workers adjusted to longer careers, but overall retirement wealth stabilized due to extended contributions. Sweden's multi-pillar system, combining PAYG and funded components, incentivizes private savings through longer working lives, with replacement rates dropping from 70% to 50% for higher earners, encouraging personal responsibility.

Uzbekistan Context: Uzbekistan's pensions are not tied to a subsistence minimum, and their purchasing power has declined (e.g., average pensions fell from \$100 to \$70 in real terms, 2017-2020). Promoting the accumulative pension scheme through longer contribution periods could increase retirement savings by 20-30% for workers retiring at 62 instead of 60, based on actuarial models. Public campaigns, as in Poland, could raise awareness of funded schemes, reducing old-age poverty risks, especially in rural areas with lower pensions.

Supporting Data: The Asian Development Bank estimates that a 5-year increase in contribution periods can boost defined-contribution pension balances by 15-25%, depending on investment returns.

Mitigating Demographic Aging Pressures

Advantage: Uzbekistan's population is aging gradually, with life expectancy rising (from 70 in 2000 to 73 in 2020) and fertility rates declining (from 3.5 to 2.5 children per woman, 2000-2020). Raising the retirement age proactively addresses the rising old-age dependency ratio, ensuring economic stability as the share of retirees grows.

European Experience: Europe's severe aging crisis, with old-age dependency ratios projected to reach 50% by 2050, prompted reforms to extend working lives. France's 2023 reform raised the retirement age to 64, while Brazil's 2019 reform set it at 65 for men and 62 for women, both citing demographic pressures. The OECD projects that age-related spending (pensions, healthcare) will rise by 6.5% of GDP by 2060 without reforms. Linking retirement age to life expectancy, as in Denmark and Italy, ensures automatic adjustments to demographic shifts.

Uzbekistan Context: Uzbekistan's old-age dependency ratio is lower (around 12% in 2020) but projected to rise to 20% by 2050. The 2020 pension reform proposal



signaled awareness of this trend, advocating for retirement age increases. A gradual approach, starting with small increments (e.g., 3 months annually), avoids the abrupt shocks seen in Russia's 2018 reform, which sparked protests. Early action leverages Uzbekistan's demographic dividend, preventing future fiscal crises.

Supporting Data: The UN projects Uzbekistan's population aged 65+ to double by 2050, necessitating proactive pension reforms.

Promoting Social Equity and Gender Fairness

Advantage: Aligning retirement ages for men and women (currently 55 for women, 60 for men) promotes gender equity, as women face lower pensions due to shorter contribution periods and career interruptions. A gradual increase, coupled with supportive policies, can address disparities while protecting vulnerable groups.

European Experience: Austria and Bulgaria equalized retirement ages for men and women (to 65 by 2020), reducing gender pension gaps by 10-15%. European reforms often include caregiver credits (e.g., Germany, France) to compensate women for maternity-related career breaks, boosting their pensions by 5-10%. However, higher retirement ages can disproportionately affect lower-income groups with shorter life expectancies, as seen in France's 2023 reform debates. Flexible retirement options, like Sweden's, allow workers to retire earlier with reduced benefits, balancing equity and choice.

Uzbekistan Context: Women in Uzbekistan retire five years earlier, contributing to a pension gap (e.g., women's pensions are 20% lower on average). Equalizing retirement ages over 15-20 years, as proposed in 2020, could narrow this gap. Introducing caregiver credits or means-tested minimum pensions, as in Poland, would protect women and low-income workers. Public dialogue, as recommended for Ukraine, is critical to address cultural expectations around early retirement for women. Supporting Data: The World Bank notes that equalizing retirement ages can reduce gender pension gaps by up to 20% in PAYG systems.

Critical Challenges and Mitigation Strategies

Health and Life Expectancy:

Challenge: Uzbekistan's life expectancy (73 years) is lower than Europe's (80+ years), raising concerns about workers' ability to remain productive at older ages. European reforms assume robust health systems, which Uzbekistan lacks in rural areas.



Mitigation: Invest in healthcare access and preventive care, as Denmark did alongside pension reforms, to support longer working lives. Flexible retirement options (e.g., partial pensions) can accommodate health disparities.

Labor Market Constraints:

Challenge: Uzbekistan's labor market has high informality and limited demand for older workers in non-manual roles, unlike Europe's service-driven economies.

Mitigation: Develop retraining programs targeting older workers, as in Germany's "Silver Expertise" initiative, focusing on digital skills or service sectors. Subsidies for employers hiring older workers, as in the Netherlands, can boost demand.

Public Resistance:

Challenge: Pension reforms often face backlash, as seen in Russia (2018) and France (2023). Uzbekistan's 2020 proposal sparked public debate, reflecting cultural attachment to early retirement.

Mitigation: Engage in transparent public consultations, as in Ukraine's EU-supported reforms, to build consensus. Gradual implementation and exemptions for vulnerable groups (e.g., hazardous occupations) can reduce opposition.

Socio-Economic Disparities:

Challenge: Higher retirement ages may disproportionately burden lower-income groups with shorter life expectancies, as seen in European debates (e.g., Switzerland's actuarial studies).

Mitigation: Introduce means-tested minimum pensions or class-specific retirement ages, as proposed in Poland, to protect low-income workers. Subsidized healthcare for older workers can further mitigate inequities.

Recommendations for Uzbekistan

Phased Implementation: Increase retirement ages by 3-6 months every 1-2 years, targeting 62 for men and 60 for women by 2035, as a balanced approach to fiscal and social goals.

Labor Market Support: Launch retraining programs for older workers, focusing on digital and service sectors, and offer tax incentives for employers, mirroring Germany's model.

Equity Measures: Equalize retirement ages for men and women over 15-20 years, introducing caregiver credits and minimum pensions to protect women and low-income groups.



Public Engagement: Conduct nationwide campaigns and stakeholder consultations, as in Ukraine, to explain reform benefits and address concerns.

Health Investments: Expand healthcare access, particularly in rural areas, to support longer working lives, drawing on Denmark's integrated approach.

Strengthen Funded Pensions: Promote participation in the accumulative pension scheme through tax incentives and public awareness, as in Sweden, to enhance retirement savings.

Conclusion

A gradual increase in Uzbekistan's retirement age, informed by European pension reforms, offers substantial socio-economic advantages: fiscal sustainability, enhanced labor participation, improved savings, demographic resilience, and greater equity. By adopting a phased approach, supporting older workers, and engaging the public, Uzbekistan can balance economic imperatives with social fairness. European experiences highlight the importance of complementary policies—healthcare, retraining, and equity measures—to ensure reforms succeed. Tailored to Uzbekistan's context, these reforms can secure the pension system's future while supporting inclusive growth.

Increasing the retirement age gradually offers Uzbekistan considerable socio-economic advantages, primarily enhancing pension sustainability, labor market dynamics, and economic stability. Learning from successful European practices, Uzbekistan should consider the following strategic recommendations:

Incremental Retirement Increases: Implement carefully staged retirement age increases, communicated transparently to minimize social resistance and allow sufficient adjustment periods for employers and employees.

Flexible Retirement Policies: Develop flexible pension arrangements that allow older workers to remain employed based on personal preferences and health conditions, incentivizing prolonged labor force participation.

Lifelong Learning Initiatives: Foster comprehensive retraining and lifelong learning programs aimed at older demographics, ensuring their continued competitiveness and adaptability in the labor market.



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