
Ensuring the effectiveness of the social provision in the modern economy

Usmanov P.Sh

Independent researcher of the Samarkand Institute of Economy and Service

Abstract: The article examines the importance of the effectiveness of the social security system, which represents maximum protection at the lowest cost, from the point of view of the budget and imbalances in the distribution of budget funds. More specifically, specific criteria for reform are highlighted, which may cover a range of measures affecting the design and operation of the social security system. Various options for reform and reform restrictions applicable to social security are given as proposals.

Key words: effective social security system, maximum social protection, cost minimization, budget resource, social service, family, pensions, assistance, resource allocation, labor force, risk, contribution rate, state of the labor market.

Introduction

A cost-effective social security system provides maximum protection at the lowest cost, in terms of budget and imbalances in the distribution of budgetary resources, and also contributes to the establishment of macroeconomic equilibrium. This core reform criterion must cover a range of aspects affecting the design and operation of the system. More specifically, it provides for various reform options, but may be subject to a number of restrictions.

First, the relevant cultural and social characteristics as well as the historical background at each stage of development must be clearly taken into account. Obviously, these characteristics should shape behavior, attitudes and expectations regarding the social services provided. At one end of the spectrum are social structures in which the extended family or rural household still functions quite actively as an informal social security system, obviating the need for urgent introduction of large-scale government pension and assistance programs. Households in some countries, where informal mechanisms for mutual assistance have been weakened or destroyed, feel the urgent need to create a broad social safety net. This situation is observed, for example, in most of the CIS countries, where the individual is completely dependent on the state through his place of work, while the mobility of people can be hampered by almost insurmountable barriers.

Secondly, in order to ensure efficient resource allocation, ease of administrative procedures and increased labor mobility, social security provisions should be uniform for all professions and economic activities, including civil servants. Except in cases where this is not justified due to obvious differences in the degree of risk. Eligibility for benefits, their level, contribution rates and

the degree of subsidization, if used, should be uniform. Moreover, social insurance systems (including private, government-mandated pension funds such as those in Chile) can be successfully supplemented by voluntary participation in private insurance and private pension funds. In addition, non-governmental initiatives (undertaken by charitable, religious or other organizations) that provide valuable assistance to those in need also deserve support.

Third, the social security system must be adapted to the level of economic development and the state of the labor market. To promote greater labor force participation, it is necessary to remove barriers and disincentives that discourage people from working in a particular sector, including limiting high personal income tax rates based on jobs and wages. With cheap and abundant labor, not only should the link between benefits and wage-based contributions be strengthened, but contribution rates should also be kept relatively low. Because insufficient administrative capabilities may make it difficult to provide financial assistance based on need or taking into account socially vulnerable groups of the population.

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