

The Fight Against Poverty as a Factor in Improving Living Standards

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Abstract: The article analyzes the unique features of improving the living standards of the population and reducing poverty through provision. The views and scientific conclusions of foreign scientists are systematized. Based on research, scientific proposals, and conclusions on improving living standards by reducing poverty have been developed.

Keywords: Poverty, living standards, social protection, social policy, education, and health.

1. INTRODUCTION

The category of poverty arises from the inability of the population to independently meet minimal consumption requirements. Nowadays, minimal consumption requirements are established in various countries at different scales, and it is necessary to emphasize the differentiation among their components. Generally, governments in countries establish and evaluate minimal consumption costs. International organizations have also developed indicative indicators in this regard. The process of defining poverty is carried out as a coherent process.

In our opinion, the approach to defining poverty, using methods from the minimal consumption standards, reflects the minimal line of living standards provision. Therefore, in the process of defining poverty, two aspects of the approach to living standards emerge due to the distinction between material and non-material factors. From this perspective, reducing poverty plays a crucial role in ensuring the welfare of the population.

As we emphasized in earlier parts of our research, we noted that the human capital or development index is one of the main indicators that ensure living standards. The emergence of this category involves not only economic factors but also non-economic factors, which demands an improvement in approaches to assessing poverty. For example, many developed countries have begun to consider the reduction in weekly working hours from five days to four as part of their living standards provision indicators, indicating that the methodology for assessing living standards is not dogmatic.

2. LITERATURE REVIEW

Professor Mary Daly from the University of Oxford and Professor Paul Copeland from Queen Mary University focus in their research on analyzing the social policies against poverty in European countries [1]. They argue that it is essential to note that individuals earning less than 60 percent of the median income in a country are at risk of poverty. Additionally, they provide a scientific conclusion that being unable to afford four out of nine life necessities—such as paying rent (utilities), heating homes, covering unexpected expenses, consuming meat, fish, or other protein-rich products every other day, having the opportunity to vacation away from home once a year, owning a car, having a washing machine, owning a color TV, and having a telephone—indicates a low standard of living.

It should be noted that reducing poverty using nominal measurement standards is also a primary factor in ensuring living standards. This involves focusing on narrowing the gap between high and low-income layers of the population, which necessitates more attention from the government in taxing the more affluent population. However, this creates a challenge in refining tax policies. From this perspective, implementing measures aimed at reducing income inequality becomes critical.

Several indicators of the United Nations' Sustainable Development Goals for 2015-2030 directly reflect aspects related to improving the living standards of the population. These include goals like reducing poverty, ending hunger, providing education, health care, and clean drinking water. While these indicators hold a special place in ensuring the living standards of the population, in this part of our research, we approach from the perspective of reducing poverty.

We believe that in ensuring the welfare of the population, our approach to reducing poverty should focus on decreasing income inequality and stabilizing incomes through fiscal policy. Professor H. Dalton, in his article published in 1920, describes scientific approaches to assessing income inequality [2]. He emphasizes the necessity of basing economic welfare assessments on income, suggesting a strong inherent link between income and economic

prosperity and asserting that a direct proportional relationship exists between income and economic welfare. His research takes income as a primary criterion.

Since the 1970s, scientific approaches to economic inequality have been developed. For instance, another professor from Cambridge University, A. Atkinson, in 1970, attempted to assess social welfare based on incomes [3]. He suggested focusing on how the distribution of individual incomes looks before and after taxes, considering social welfare ensured if incomes are distributed equally. He recommended implementing tax policies to redistribute income and impact income inequality.

Professors A. Ainer and A. Haynes from the University of Illinois conducted research on income inequality in 1967 [4]. They positively viewed the possibility of achieving a stable distribution of incomes through progressive tax rates. However, they indicated that such progressive rates might reduce the workforce's motivation, leading to a decrease in total income.

In our view, scientific approaches to income inequality have shaped the research on ensuring the population's living standards, influencing the emergence of the social state category. Achieving equal income distribution serves to ensure socio-economic prosperity, a conclusion based on preliminary scientific findings.

We believe that with the development of information technologies in the 21st century, approaches to the category of poverty have evolved, indicating that income inequality may not entirely reflect the current state. Therefore, alongside factors leading to income inequality, there is a need to refine social protection programs by the state.

From this perspective, approaches to defining poverty have also started to evolve. For instance, Professor A. Sen (a Nobel Prize laureate) began proposing criteria aimed at defining poverty in 1976 [5]. Specifically, he demonstrated that the population layer with income below the average is considered to be within the poverty threshold. He argued that lacking sufficient income and consumption expenditures shapes the layer of impoverished individuals in society.

It should be noted that while providing families living in poverty with incomes is crucial on the one hand, on the other hand, it is vital to protect their children from potentially falling into poverty in the future. The education received by the youth in schools and their performance affects their competitiveness in the labor market, necessitating the assessment of poverty in the medium and long term due to the risk of poverty. This, in turn, reflects the necessity of ensuring the population's living standards in medium (or short) and long terms.

Thus, considering the risk of children falling into poverty in regulating family incomes is also deemed appropriate. Increasing family incomes based on state budget funds and their revenues is particularly significant. Based on our research, it is possible to systematize the short-term and long-term income composition of families and thus identify the risk of poverty:

- Short-term income composition might include seasonal labor (agricultural work), receiving material aid through social protection programs financed by the state budget;
- Long-term income can include income based on labor requiring medium or high skills, forming income from financial activities.

Families with long-term incomes and their children face fewer complications in living standards, as seen from international experience. However, families with only short-term incomes and their children have a relatively high risk of falling into poverty.

Therefore, addressing income distribution and duration from the perspective of reducing poverty and ensuring the population's living standards remains urgent, leading to the conclusion that achieving income stability is one of the main factors in ensuring the population's living standards.

Overall, the world experience assesses the relative and absolute levels of poverty. Absolute poverty is defined by the inability to cover minimal consumption costs for living standards. In this case, attention is focused on assessing individuals or families with income below a predetermined daily amount as being within the poverty threshold.

The World Bank, based on the purchasing power parities index of 2017, recommended from September 2022 that the daily income per person for low-income countries be set at \$2.15 USD. For lower-middle-income countries, it was proposed at \$3.65 USD, and for upper-middle-income countries at \$6.85 USD. Absolute poverty levels can be assessed based on the average income of countries. For instance, considering Uzbekistan as a lower-middle-income country, the daily income per person should not be less than \$3.65 USD. This value equates to an average daily amount of 45000 UZS.

The relative poverty level allows assessing poverty in a relative form if it is less than 60 percent of the GDP per capita in the country [6]. According to the International Monetary Fund data [7], for 2023, the volume of GDP at current prices in Uzbekistan per capita equals approximately \$2510 USD. Using this method, it can be concluded

that an individual with an income less than \$1506 USD falls below the relative poverty indicator.

Comparing the relative and absolute poverty levels in Uzbekistan based on the figures mentioned above, the following situation may arise: If absolute poverty equals \$3.65x365 (days), amounting to \$1332 USD per year, relative poverty would amount to \$1506 USD. In our opinion, in the context of Uzbekistan, considering the basis and current rates, relative and absolute poverty do not significantly differ over the financial year.

As mentioned, assessing the forms of short-term and long-term poverty based on relative and absolute incomes highlights the importance of reducing poverty in ensuring the population's living standards. Therefore, both fiscal and distribution aspects should regulate the stability of incomes in the country.

In this regard, considering the scientific conclusions and approaches conducted by Uzbek scholars and researchers. Prof. N. Jumaev and Prof. D. Rahmonov in their article attempt to demonstrate the foundations of illiteracy as a factor in ensuring the population's living standards in addressing poverty. Additionally, they emphasize that the instability in the social sector affects the decline in living standards, indicating the following factors as causes [8]:

- Insufficient state expenditures in the healthcare system, especially in providing primary medical services;
- Low coverage of preschool education;
- Use of "rubber" in school education reducing the effectiveness of basic education;
- Coverage of higher education not exceeding 10 percent reducing the human capital level of a significant portion of the youth;
- Funds allocated for scientific research being around 0.25 percent of GDP.

Prof. R. Hasanov in his article focuses on the levels of minimal consumption costs covered by income and its coverage standards in ensuring the population's living standards. He also highlights the following factors as important in ensuring living standards: 1) the country's level of economic development; 2) the breadth of income-generating opportunities; 3) the degree of free development in economic sectors; 4) the freedom of external economic activity; 5) the creation of legal bases for earning money; 6) the rate of currency devaluation; 7) ownership of property and earning income from its use [9].

Prof. M. Tursunhodjaev and Prof. H. Abulkasimov research the problem of poverty in ensuring the population's well-being. They emphasize the category of "poverty trap." According to them: "The specificity of the 'poverty trap' classification is that it includes increasing ecological risks, political instability, and residing in impoverished countries, the rural population's lack of sufficient income and unemployment, not being timely treated for illnesses, insufficient education resulting in a lack of adequate knowledge, and not acquiring a profession contributing to the increase in the poverty rate" [10].

In our opinion, the issue of reducing poverty remains a constant task on the agenda in ensuring the population's living standards. Uzbek scholars have approached ensuring the population's living standards from various perspectives. While some consider the stability of the social sector to be of great importance, another group of scholars emphasizes the importance of income distribution. In shaping indicators related to living standards, approaches in terms of quality and quantity can be observed. For instance, while the stable distribution of incomes serves as a basis for quantitative assessment, positive trends in literacy and health levels serve as a quality basis.

3. RESEARCH METHODOLOGY

In conducting the research, theoretical views are systematized. They are formulated based on methods that allow for a comparative assessment of the theoretical conclusions of empirical studies. Theoretical-scientific conclusions are formed based on the research.

4. ANALYSIS AND RESULTS

The increasing need for social protection following the unstable performance of the social sector is a known trend from global experience. This trend leads to quantitative changes due to the instability in the quality of social sector services (education and healthcare). Quantitative assessment highlights the need for funds from the state budget for social protection programs. As a result, various forms of poverty develop, and the complexity of ensuring the population's welfare increases.

Summarizing the opinions and scientific conclusions of the mentioned Uzbek scholars, we believe it is appropriate to systematize the quality and quantity aspects of living standards.

Based on conducted research, the interconnectedness of poverty and living standards can be assessed by referring to Table 1 below. While income stability is taken because of living standards, the directions of social policy are

noted as causes. From the perspective of income distribution, it is possible that different forms of poverty may emerge over short- and long-term periods. Therefore, while absolute poverty can be reduced through fiscal measures of income distribution, relative poverty involves enhancing people's employment opportunities (see Table 1).

Table 1: The Relationship Between Population Welfare and Poverty Levels

Population Welfare	Poverty Level	
	Relative Poverty	Absolute Poverty
Long term income	Reflects the sustainability of the social sector (education and healthcare) and the noticeable income disparities	Indicates the stable efficiency of the social sector and minimal income inequality
Short-term Income	Instability in the social sector, increasing demand for social protection	Instability in the social sector, existing tensions in the social protection system
Means of Provision	Development of social sector and vocational training	Improvement of tax policy for individuals

Source: Developed based on the researcher's investigations

In our view, the regulation of long-term incomes can be accomplished by assessing the Gini coefficient. We believe this can be optimized through fiscal instruments. From this perspective, it is possible to reduce the category of relative poverty. In the fight against absolute poverty, the implementation of the state's social protection program is considered important.

Prof. K.Akhmedjanov and researcher F.Zayniev attempt to substantiate scientific conclusions about the effective use of fiscal instruments in regulating income inequality in their research. They note that while the current income tax on individuals has increased the savings opportunities of the population with low incomes and has significantly impacted inequality, they present the following scientific conclusion: implementing a tax-exempt minimum to improve the consumer expenses of the income-receiving population, reduce their tax burden, and ultimately adhere to the principle of social justice in taxing incomes.

Researcher G.Ro'ziev in his article brings conclusions about not taxing the minimum income of the population. He suggests that introducing the concept of a 'tax-exempt minimum' in the Tax Code for the income of individuals, at least equal to the minimum wage, would be appropriate and substantiates this scientific conclusion.

We believe that the growing income inequality could create conditions for the emergence of relative poverty, which negatively affects the well-being. Therefore, it is appropriate to use fiscal policy instruments wisely to ensure the stability and purchasing power of the incomes of the low-income population.

For ensuring the well-being of the low-income population, it is necessary to analyze the income taxation system. It is appropriate to implement it by separating the income stages of consumption, saving, and investment. From the above studies, it is evident that having the same tax rate for all income sizes does not help positively impact profitability. In other words, the ratio between low-income earners and high-income earners does not change before and after tax. Here, the impact of fiscal policy on income distribution is not significantly felt.

For example, the income tax for individuals in the Tax Code of the Republic of Uzbekistan (Article 381) is set at 12 percent, while dividends and interest payments are taxed at 5 percent. It is known that the likelihood of dividends and interest payments existing within the low-income population is unlikely. Thus, it can be observed that high-income owners are taxed at a low rate with dividend income.

In our view, the fact that the low-income population earns less than the average income in the country can be explained by the limited impact of income tax on individuals. The constant ratio of income among the population is expressed by applying the same percentage rate for everyone. We believe that making some changes in the tax policy for the population at the relative poverty threshold, to prevent their incomes from being below average, would be appropriate.

5. CONCLUSIONS AND RECOMMENDATIONS

We believe that it is important to implement a methodology for reimbursing taxes in proportion to the expenses related to the additional purchase of social services by the low-income population. This includes incorporating the following for children of low-income families under the status of additional social services:

- Reimbursing the amount of income tax corresponding to the payments made for their participation in educational courses;

- Reimbursing the income tax in proportion to the expenses incurred for additional vaccinations and other free medical services purchased at private medical institutions, considering situations where free medical services are not provided in state medical institutions.

Setting an annual maximum amount for the payments made by low-income families for additional medical services will help prevent financial speculation in this area.

We think that many economists and scholars focus on reducing poverty to ensure the welfare of the population, with the main reason being that the low-income segment of the population remains the primary object of research. This essentially corresponds with the category of absolute poverty. Therefore, selecting corresponding changes to reduce absolute poverty is appropriate.

The segment of the population at the threshold of absolute poverty should be covered by social protection programs. This is necessary because during the period when social services were implemented, they either did not use them properly or the social services were not delivered qualitatively and targeted. Additionally, teaching them high-skilled professions does not yield positive results; hence, it is necessary to apply methods aimed at teaching professions requiring intermediate skills.

Within the framework of social protection programs, financial support for the population reflects short-term gross consumption, which in turn reflects that the welfare of the population also has a short-term nature.

In summary, reducing poverty plays a crucial role in ensuring the welfare of the population. It is necessary to categorize poverty into groups and implement reforms accordingly, which is a necessary trend in ensuring welfare. In this context, analyzing income distribution over short and long terms and developing a social policy against relative and absolute poverty is of current importance. Here, the coordinated use of social policy and fiscal instruments yields positive results in the fight against poverty.

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