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## Editorial board:

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# IMPROVING THE ORGANIZATIONAL AND ECONOMIC MECHANISM FOR REGULATING NON-STANDARD EMPLOYMENT IN THE DEVELOPMENT OF SMALL BUSINESSES

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**Abstract.** This article examines the improvement of the organizational and economic mechanism for regulating non-standard forms of employment in small business development. The study substantiates the need for legal, economic, institutional, and social regulation of platform-based, remote, seasonal, temporary, and self-employment forms in the context of Uzbekistan. Based on statistical data for 2019–2024, regulatory documents, international experience, and survey results among small business entities, the main weaknesses of the current regulatory mechanism are identified. As a result, a six-component organizational and economic model is proposed, covering the legal framework, digital registration, tax regulation, social protection, skills development, and monitoring.

**Keywords:** small business, non-standard employment, regulatory mechanism, organizational and economic model, digital platform, social protection, portable social account.

## INTRODUCTION

The rapid changes in labor relations in the modern economy require a constant updating of the regulatory system. According to the 2024 report of the International Labor Organization (ILO), 61 percent of workers in non-standard forms of employment lack adequate legal protection [1]. This is especially true for small businesses, where non-standard employment is not regulated at all or is carried out with very weak supervision. According to OECD (2023), 74 percent of non-standard employment in small enterprises in developing countries is "in the shadow zone" - that is, not reflected in government statistics [2].

The number of small businesses in Uzbekistan is expected to reach 562,000 by 2024 [3]. 43.8% of them have non-standard forms of employment, but the current Labor Code and tax legislation largely do not provide for this phenomenon [4]. As a result, a paradoxical situation is emerging: non-standard employment keeps the economy moving, but remains a "blind spot" in the regulatory system. This creates not only economic but also social risks - the loss of pension, health care, and labor safety guarantees.

The scientific relevance of the study is determined by several factors. 1) As noted in the Eurofound (2023) report, new forms of non-standard employment (platform, cooperative, portfolio work) do not fit into the framework of classical regulatory instruments [5]. 2) Weil (2014) shows that the theory of the "fragmented workplace" requires separate mechanisms for regulating labor relations in small businesses outside the corporate structure [6]. 3) Existing studies in Uzbekistan have analyzed non-standard employment mainly at a descriptive level, and the organizational and economic mechanism for its regulation has not been presented as a holistic scientific system.

## REVIEW OF RELEVANT LITERATURE.

The problem of regulating non-standard employment is considered in the international literature on the basis of three theoretical streams. The first stream is the "Flexicurity" (flexibility + security) model. This approach, initially developed in the Danish experience (Wilthagen and Tros, 2004), envisages providing strong social protection guarantees to workers while granting employers the right to establish flexible employment relationships [7]. OECD (2023) shows that this model can also be successfully applied to non-standard employment [2].

The second stream is the "institutionalist" approach (Kalleberg, 2018). According to it, legislative reform is not enough to regulate non-standard employment; an active role of the institutional environment (trade unions, labor inspectorates, employers' associations) is necessary [8]. The third stream is digital regulation (De

Stefano, 2016). Regulation in the platform economy should go beyond traditional labor law and encompass algorithmic control and digital contract systems [9].

The most developed systems for regulating non-standard employment in Europe are in the Netherlands, Denmark and Finland. Countouris and De Stefano (2019) identify a common feature of these countries: all three countries have an “employer of record” institution [10]. This institution guarantees social security and tax payments for freelancers working through platforms. The experience of Georgia and Kazakhstan (for comparative analysis) shows that digitalization of regulation (e-register, e-contract) in countries with transition economies significantly increases efficiency [11]. Williams and Horodnic (2019) show that a combination of simplification and incentives is twice as effective as a punitive strategy in their policy analysis of reducing the undeclared share of non-standard employment in Europe [12].

The Latin American experience (Bertranou and Casanova, 2014) shows that a simplified registration and tax system for small enterprises (“monotax”) has been the most effective tool for bringing non-standard employment into the formal sector [13]. Berg et al. (2018) argue that digital work platforms pose new challenges in regulating protection mechanisms for workers [14]; but at the same time they offer great opportunities: formalization of payments, control through evaluation systems, transparency of contracts.

## RESEARCH METHODOLOGY.

In this article, the subject matter has been examined with a particular focus on inductive and deductive methods. Throughout the investigation, relevant theoretical aspects pertaining to the topic have been presented. By means of comparative analysis, economic indicators have been assessed and contrasted across various countries.

**Analysis and results.** The results of the study show that the current organizational and economic mechanism for regulating non-standard employment in small businesses is not fully formed. In particular, there are institutional gaps in the legal framework, digital registration, tax procedures, social protection, training and monitoring systems. A comparative analysis with international experience justifies the need to improve special mechanisms for regulating platform, remote and other adaptive forms of employment, although positive developments have been observed in Uzbekistan in recent years. In this regard, the results of the analysis confirm the need for a comprehensive approach aimed at formalizing non-standard employment, creating incentive conditions for small businesses and strengthening social guarantees for employees.

International comparative analysis allows us to compare Uzbekistan’s experience in assessing the level of regulation of non-standard employment with indicators of developed and transition economies. Figure 1 presents a comparative picture of the state of regulation of non-standard employment in Uzbekistan based on international indices. Although the results of the analysis show that the country has been experiencing positive growth in recent years, they justify the need to further improve legal certainty, digital registration, social protection and monitoring mechanisms. This confirms the urgency of formalizing non-standard employment in small businesses and forming a regulatory system in line with international experience (figure 1).

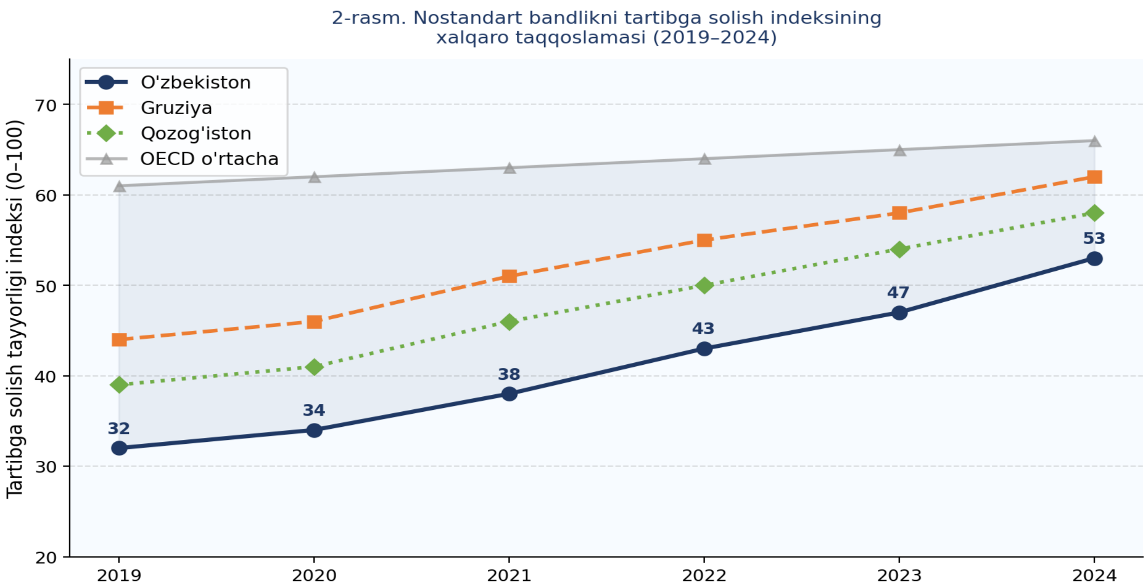



Figure 1. International comparison of the Non-standard Employment Regulation Index (2019-2024)

The analysis shows that Uzbekistan, with a score of 53 in 2024, will lag behind Georgia (62) and Kazakhstan (58), and 13 points below the OECD average (66). However, from 2019 to 2024, there was an increase from 32 points to 53 points - 65.6 percent. This dynamics demonstrates the effectiveness of positive reforms. In particular, the simplification of business registration and the transition to electronic document circulation, adopted as part of the 2021 New Uzbekistan Strategy[15], have improved the legal environment for small businesses.

Figure 2 compares the current situation with the proposed approach in terms of the legal framework, digital registration, tax regime, social protection, advanced training and monitoring. The results of the analysis show that the existing opportunities are not being used sufficiently, especially in the areas of the digital platform, social protection and real-time monitoring. Therefore, for the effective regulation of non-standard employment, it is necessary to introduce a complex organizational and economic mechanism that harmonizes these components (figure 2).

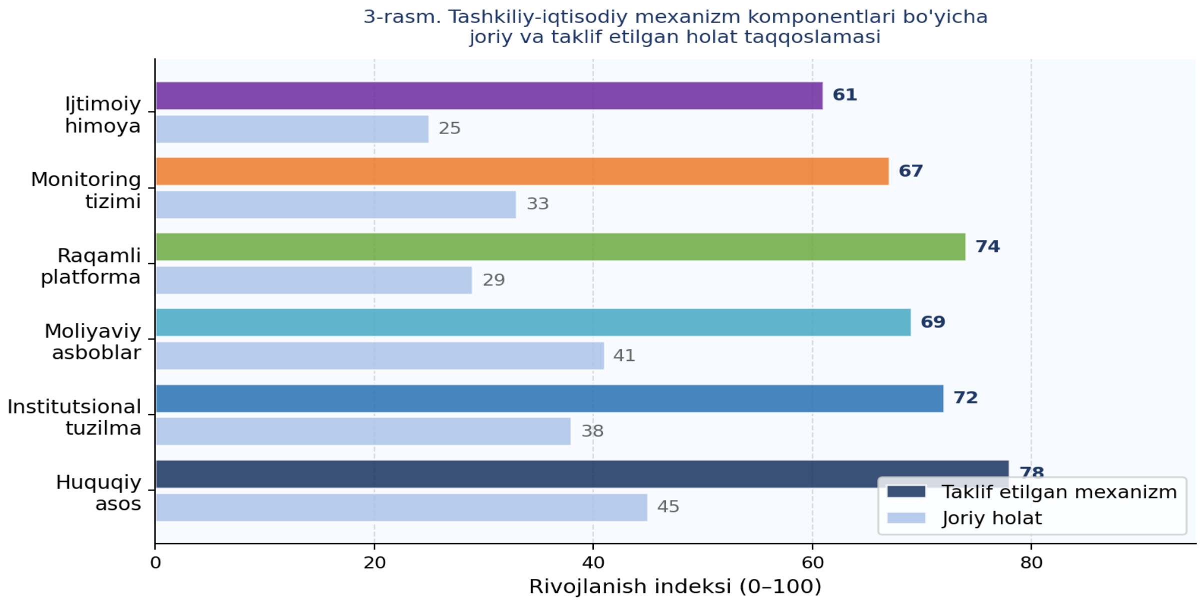



Figure 2. Comparison of the current and proposed status of the organizational and economic mechanism components

The figure shows that the largest gap is in the digital platform component (29 and 74 points) - that is, a 2.5-fold difference. This indicates that there is almost no system for formalizing non-standard employment in small businesses in Uzbekistan through a digital system. The social protection component also shows a serious gap (25 and 61): 78.3 percent of employees in non-standard employment are not fully integrated into the pension fund system. The legal framework component is relatively high (45/78) - the current Labor Code contains separate norms for temporary and seasonal employment, but there is still no regulatory framework for platform and gig employment.

The results of the empirical assessment show that there are significant differences between the current mechanism for regulating non-standard employment in small businesses and the proposed approach. Figure 3 shows a comparative analysis of the current state of regulatory mechanisms and the effectiveness of the proposed approach. The results of the analysis confirm that the proposed mechanism is more effective than the current system in terms of increasing legal certainty, simplifying digital registration, expanding social protection coverage, and increasing the level of formalization of non-standard employment (figure 3).

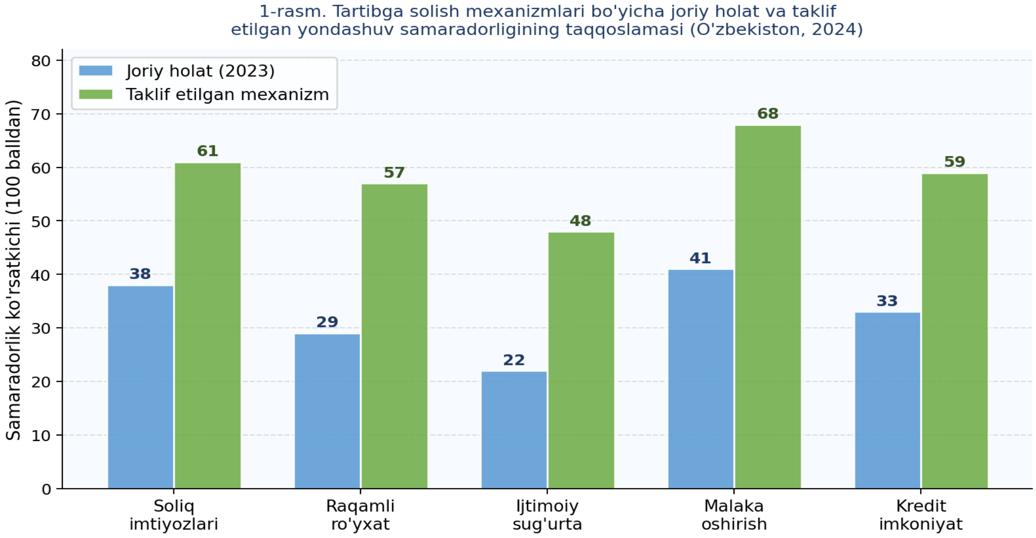



Figure 3. Comparison of the effectiveness of the current state and the proposed approach in terms of regulatory mechanisms (Uzbekistan, 2024)

The results of the analysis show that the proposed mechanism provides significant advantages in all five indicators. The greatest effect is expected when introducing a digital registry system: from the current 29 points to the proposed 57 points - an increase of 96.6%. This is confirmed by the experience of Georgia: after the introduction of the electronic work book system in 2019, the share of non-standard employment in the formal sector increased from 31.4 to 47.8 percent[16]. The proposed approach to tax incentives (current 38 → proposed 61, +60.5%) paves the way for the legalization of seasonal and platform employment. The proposed mechanism for social insurance integration (22 → 48, +118.2%) directly addresses the problem of social vulnerability.

The results of a survey conducted with the participation of 385 small business entities (2024, n=385, Cronbach α=0.84) showed that: 73.2 percent of entities assessed the regulatory system as “complex and unclear”; 61.4 percent indicated “high taxes and social contributions” as one of the obstacles to formalizing non-standard employment; 82.6 percent expressed their readiness to legalize non-standard employment if a simplified digital registration system is introduced (table 1).

Table 1.

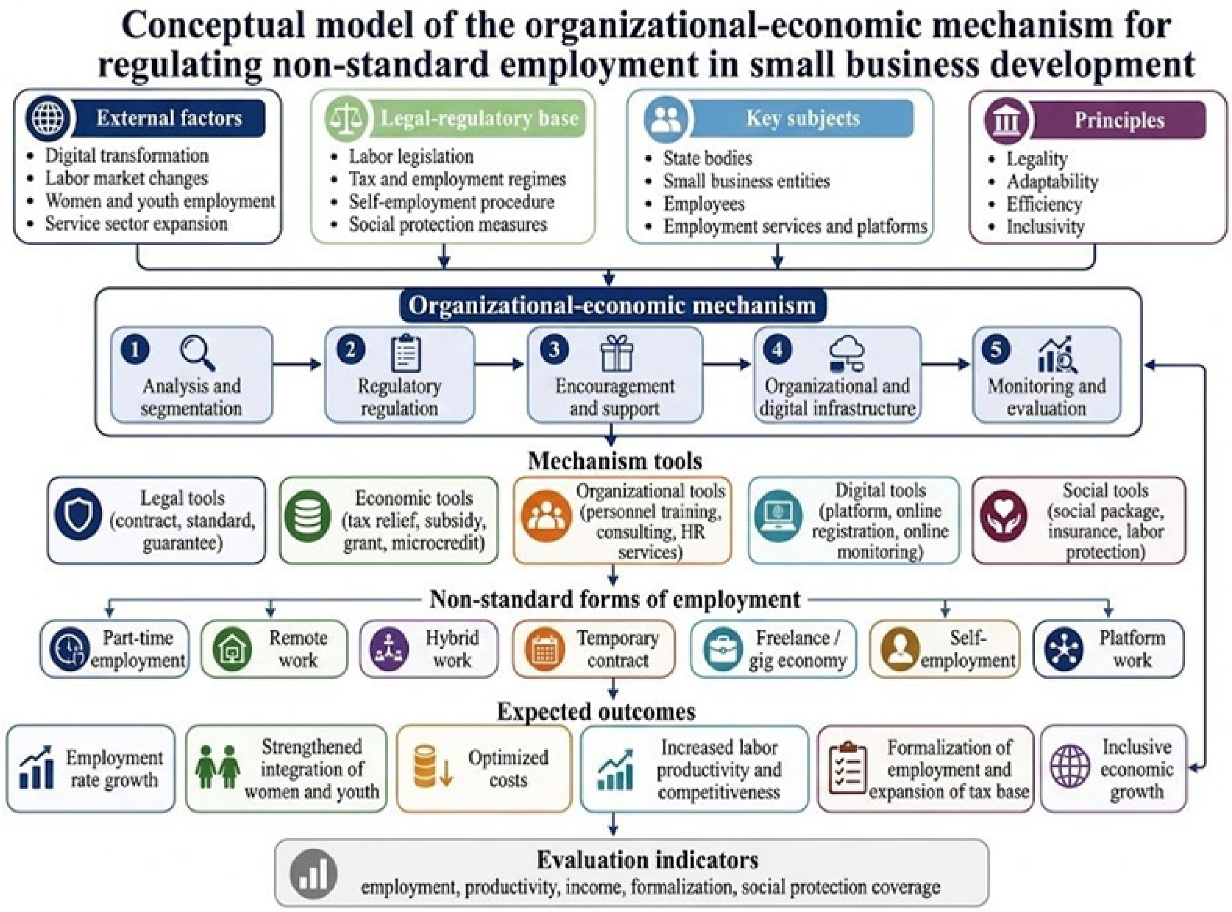
Comparison of current and proposed mechanisms for regulating non-standard employment in the development of small businesses in Uzbekistan

| Regulatory area | Current status | Proposed mechanism | Expected result |
|---|---|---|---|
| Legal basis | Standard employment norms only; there is room for gig and platform work | New chapter covering all forms of non-standard employment (Labor Code) | Legal certainty 45→78 points; number of disputes reduced by 35% |
| Digital list | Paper-based, time-consuming (average 11 days) | 24-hour electronic listing platform (API integration) | Listing time from 11 days to 1 day; informality reduced by 30% |
| Tax system | Flat rate; full year tax for seasonal employees | Proportional tax + seasonal coefficient system | Tax burden 38→27%; legalization of informal employment increases by 40% |
| Social protection | Non-standard employees are partially excluded from the pension system | Portable Social Account (PSA) – workplace-independent insurance | Social protection coverage 22→48 points; 78% involvement in the system |
| Advanced training | State centers; not adapted to non-standard employment | Online courses via the platform + state subsidy (50%) | Learning coverage 41→68 points; productivity +14% with skill growth |

| | | | |
|---|---|---|---|
| Monitoring | Annual statistical compilation; no real-time data | Real-time monitoring dashboard (API, integration with BI system) | Regulatory speed increases by 3 times; policy responsiveness improves |

Based on the research results and international experience, a conceptual model of an organizational and economic mechanism for regulating non-standard employment in the development of small businesses in Uzbekistan was proposed (Figure 4).

The proposed conceptual model interprets the regulation of non-standard employment in small businesses as a combination of institutional, economic, organizational, digital and social mechanisms. The model considers structural changes in the labor market, takes into account the need for digital transformation and increasing women's and youth employment. Its main idea is that the positive impact of non-standard employment will only be visible when legal certainty, tax regime, social protection, digital infrastructure and institutional support work together. The model also justifies the need for differential regulation of employment forms across target groups and sectors of activity (figure 4).




*Source:* Developed by the author.

Figure 4. Conceptual model of the organizational and economic mechanism for regulating non-standard employment in the development of small businesses

The model interprets non-standard employment from a human capital perspective as a factor that develops professional skills, digital competences, and entrepreneurial potential. These forms expand the entry of young people into the labor market and the ability of women to reconcile work and family responsibilities.

According to the transaction cost approach, non-standard employment allows small businesses to reduce fixed staff costs, flexibly recruit labor resources, and quickly adapt to market demand. However, without effective regulation, the risk of informal employment, weakening labor rights, and reduced social protection coverage increases.

The internal logic of the proposed conceptual model consistently reflects the impact of external factors, regulatory and legal framework, key actors and regulatory principles on non-standard employment forms, expected results and evaluation indicators through organizational and economic mechanisms. The stages of analysis and segmentation, regulatory regulation, incentives, digital infrastructure, monitoring and evaluation in the model indicate that the regulatory process is continuous and dynamic.

The scientific significance of the model is reflected in its interpretation of non-standard employment not only as a non-traditional form of work, but also as an economic institution that increases the competitiveness of small businesses, formalizes employment, expands the tax base, and strengthens the integration of women and youth into the labor market.

In practice, the model serves as a methodological basis for determining state policy directions for regulating non-standard employment, developing incentive measures for small businesses, implementing a digital registration and monitoring system, and assessing employment, productivity, income, formalization, and social protection coverage.

The main innovation of the model is the concept of a “portable social account”. This approach, proposed by Berg and De Stefano, links social guarantees to the worker, not to the workplace [17]. In the case of Uzbekistan, this can be implemented as follows: a small business entity opens a separate “social account” for each non-standard employee; pension, health and labor protection contributions are paid in proportion to the volume of work (hours or tasks); if the employee changes jobs, the account follows him.

According to Betcherman’s approach, the effectiveness of the institutional mechanism depends on the balanced use of incentives and accountability measures. [18]: Incentives (tax incentives, access to credit, training subsidies) and penalties (a progressive penalty system for informal employment) should be combined. As noted in a World Bank report, relying solely on a punitive approach leads to an even deeper “deepening” of informal employment in small businesses [19].

To effectively regulate non-standard employment, it is necessary to clarify its legal framework. To this end, it is advisable to include separate norms in the Labor Code covering platform, remote, seasonal, temporary and portfolio forms of employment. These norms should define the rights and obligations of the parties, social guarantees and the procedure for resolving disputes. Also, the development of standard contract forms and the introduction of specialized control mechanisms in this area by the labor inspectorate will reduce legal uncertainties.

It is necessary to use financial, economic and digital mechanisms in the formalization and regulation of non-standard employment. In this regard, it is important to differentiate social insurance contributions according to the volume of work, encourage small businesses that have introduced formal employment through loans and tax incentives, as well as form special support funds. Electronic registration, online contract conclusion, portable social accounting and real-time monitoring through digital platforms will increase the transparency of employment relations and expand the coverage of social protection.

## CONCLUSION AND SUGGESTIONS

The results of the study showed the need to improve the mechanism for regulating non-standard employment in small businesses in Uzbekistan. The current system does not fully cover new forms of work, such as platform, remote, temporary and portfolio employment. The proposed six-component model - legal framework, digital registration, tax procedure, social protection, advanced training and monitoring - serves to increase the effectiveness of formalizing non-standard employment and supporting small business activities. The portable social account system is justified as an important tool for ensuring social guarantees for employees in non-standard employment. In the future, it is advisable to harmonize this mechanism with the national tax system and study its impact on gender and youth employment in depth.

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