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Effective Ways of Utilizing Non-Standard Forms of Employment in the Development of Small Business in Uzbekistan

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Abstract: This article analyzes, on the basis of official statistical and legal-regulatory sources, the effective ways of utilizing non-standard forms of employment in the development of small business under the conditions of Uzbekistan. The methodological basis consists of comparative, statistical-dynamic, institutional, and systematic analysis methods. The article proposes an organizational-economic approach that integrates legal clarity, digital contracting, portable social protection, micro-skills programs, and targeted financial incentives for the effective use of non-standard employment.

Keywords: Small business, non-standard employment, remote work, part-time employment, home-based labor, self-employment, digital platforms, social protection, labor market.

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Introduction

In the global economy, the digitalization of production, service delivery, and management processes is transforming traditional models of labor organization. The International Labour Organization characterizes non-standard employment as a contemporary labor market phenomenon encompassing temporary work, part-time and on-call work, multi-party employment relationships, as well as dependent self-employment [1]. Digital labor platforms, in turn, are further diversifying the ways work is organized, creating flexibility and supplementary income opportunities for certain workers, while simultaneously raising sharp questions regarding social protection and legal classification [2].

For Uzbekistan, the relevance of this issue is explained first and foremost by the exceptionally high share of small business in the economy and the labor market. According to data from the National Statistics Committee, in 2024 the share of small business in total employment amounted to 74.5 percent, with more than 10.6 million people employed in this sector [3]. Accordingly, any solutions for the flexible organization of labor directly affect small business efficiency, household incomes, and regional employment in practice.

At the same time, the use of non-standard employment forms does not in itself yield positive outcomes. If these forms are not clearly defined in legal terms, are not linked to digital accounting systems, and are not supported by social protection instruments, they may lead to informal employment, income instability, and ambiguity in labor relations. Therefore, the main research question of the article is formulated as follows: How can non-

standard forms of employment be effectively utilized in Uzbekistan in a manner consistent with the interests of small business development?[4]

Review of Literature on the Topic

In international research, non-standard employment is more often examined from the perspective of the balance between labor market flexibility and guarantees of decent work. The ILO's fundamental study *"Non-standard employment around the world"* distinguishes four main forms of non-standard employment: temporary employment, part-time employment, multi-party employment relationships, and self-employment [5]. The study emphasizes that intensified firm competition, changes in organizational practices, and gaps in labor regulation are the main factors behind the spread of these forms.

In recent years, research related to digital labor platforms has also expanded this line of inquiry. A special page of the ILO states that platforms are creating new markets and employment opportunities, while at the same time requiring new regulatory solutions regarding decent work, algorithmic management, and social protection [6]. This conclusion is of particular importance for small business, since platforms enable microfirms to reduce market entry costs and engage external contractors.

Among international analyses concerning Uzbekistan, the OECD report *"Digital Skills for Private Sector Competitiveness in Uzbekistan"* is noteworthy. It notes that digital transformation has become a priority direction of state policy in the country; however, the adoption of digital technologies among firms remains low, and this situation is hindered by a shortage of digital skills. The report recommends improving the institutional environment, raising firms' awareness, and expanding public services that incentivize digitalization.

In the World Bank's 2025 Country Economic Memorandum, it is indicated that Uzbekistan's growth during 2010–2022 did not fully produce the expected results from the standpoint of the private sector and the creation of quality jobs, and that new institutional solutions are required to further activate the private sector and generate quality employment. This conclusion reinforces the need to view non-standard employment not as a source of cheap labor, but as a productive, digitalized, and legally regulated labor model.

In Uzbekistan's national regulatory framework, reforms aimed at bringing certain forms of non-standard employment into the legal field have also been implemented in recent years. The new Labor Code provides for special norms on home-based work (*kasanachilik*) and remote work [7]; Resolution No. PQ-4742 expanded the range of activities for self-employed persons [8]; and Resolution No. PQ-70 permitted employers to engage self-employed individuals as home-based workers [9]. In addition, the Law "On Employment of the Population" establishes the legal framework that systematically regulates the labor market infrastructure and employment policy [10].

Thus, the analysis of the literature and the regulatory framework shows that the effective application of non-standard employment in the development of small business requires the interconnected functioning of at least three directions: legal clarity, digital infrastructure, and social protection. The article specifically assesses the practical significance of these three directions in the conditions of Uzbekistan.

Research Methodology

The study employed comparative, statistical-dynamic, institutional, and systematic analysis methods. Comparative analysis was used to reveal the economic advantages and risks of non-standard employment forms for small business, while statistical-dynamic analysis served to identify changes in the official indicators of the labor market and small business.

The data base consisted of official datasets and press releases of the National Statistics Committee of the Republic of Uzbekistan on the labor market, small business, household incomes, and the services sector, as well as the regulatory documents in force in the Lex.uz national legislation database [11]. Materials from the ILO, OECD, and the World Bank were used as international scholarly sources [12].

In the study, the concept of "effective use" was assessed through four criteria: (1) a relative reduction in the costs of using labor; (2) the ability to adapt quickly to changes in work volume; (3) the preservation of the employee's legal status and social protection; and (4) the provision of transparency through digital accounting and monitoring. For this reason, the article interprets non-standard employment not merely as a form of labor, but as an organizational-economic instrument for managing small business.

Result and discussion

Official statistical data confirm that small business is the main driver of Uzbekistan's labor market. In 2024, the economically active population amounted to 15,097.9 thousand people, the number of those employed in the economy was 14,261.9 thousand people, and the unemployment rate decreased to 5.5 percent. At the same time, the share of small business in total employment amounted to 74.5 percent, with the number of those employed in this sector reaching 10,628.7 thousand people. This situation means that any change in the organization of labor — including the expansion of non-standard employment forms — will primarily affect the operational efficiency of small business and household incomes.

As of July 1, 2025, the number of active small business entities reached 1,200.4 thousand, and during January–June 2025, 40,300 new small enterprises and microfirms were established. A large share of the new entities falls within trade, agriculture, forestry and fisheries, other services, and industry [13]. It is precisely in these branches — where the seasonality of work volume, the rapid variability of order volumes, and the share of short-cycle services are high — that non-standard forms of employment may be relatively more widely applied.

The data in Table 1 show that the regulation of non-standard employment should be a structural component not only of labor policy, but also of small business development policy. In particular, the high share of self-employment and small business in the structure of household incomes reinforces the need to improve the mechanisms for formalizing, recording, and supporting labor relations.

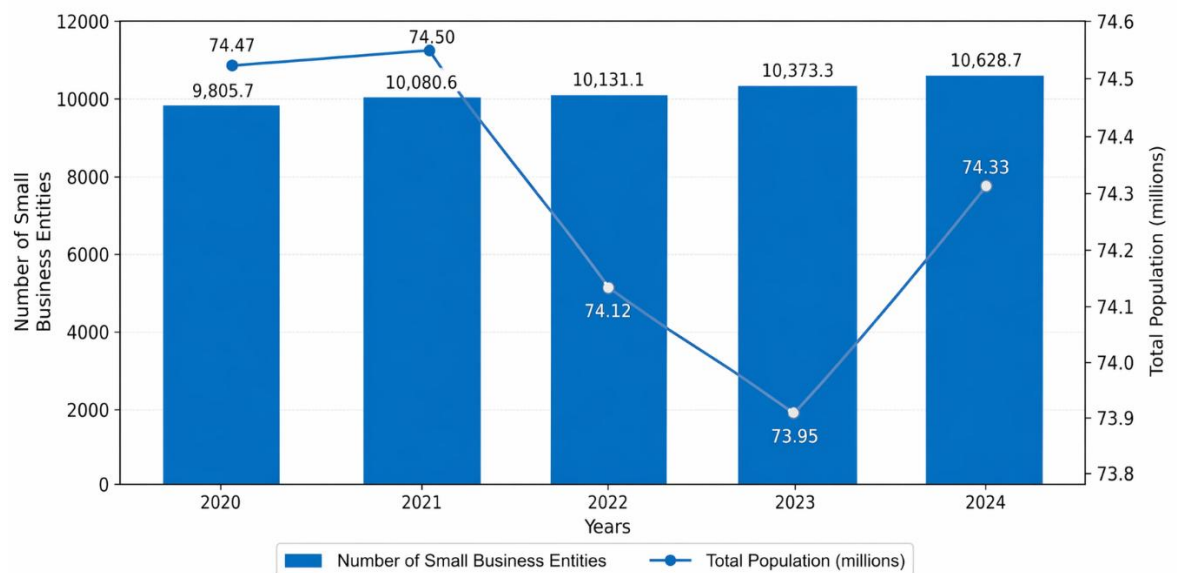
Table 1. Selected Indicators Pertaining to the Labor Market and the Activity of Small Business Entities in Uzbekistan.

Indicator	Value	Source and Analytical Note
Economically active population, 2024	15,097.9 thousand people	Reflects the overall size of the labor market.
Employed in the economy, 2024	14,261.9 thousand people	Demonstrates the expansion of the employment base.
Employment rate, 2024	68.3%	Level of provision with jobs in the labor market.
Unemployment rate, 2024	5.5%	Although pressure persists in the labor market, a declining trend is observed.
Share of small business in total employment, 2024	74.5%	Indicates that small business is the main segment of the labor market.
Number of those employed in small business, 2024	10,628.7 thousand people	High potential for the application of non-standard employment.

Active small business entities, as of 01.07.2025	1,200.4 thousand	Expansion of the institutional base of small business.
Newly established small enterprises and microfirms, January–June 2025	40.3 thousand	Strengthens the need for new jobs and flexible forms of labor.
Share of self-employment in household income, 2025	34.0%	High significance of hybrid and independent forms of labor.
Share of small business in household income, 2025	58.0%	Small business is a decisive factor in income formation.

As can be seen from Figure 1, during 2020–2024 the share of small business in total employment remained stable at around 74 percent, while the number of persons employed in this sector grew from 9,865.7 thousand people to 10,628.7 thousand people [14]. This situation means that small business is performing not only the task of creating new jobs, but also that of ensuring flexibility in the labor market.

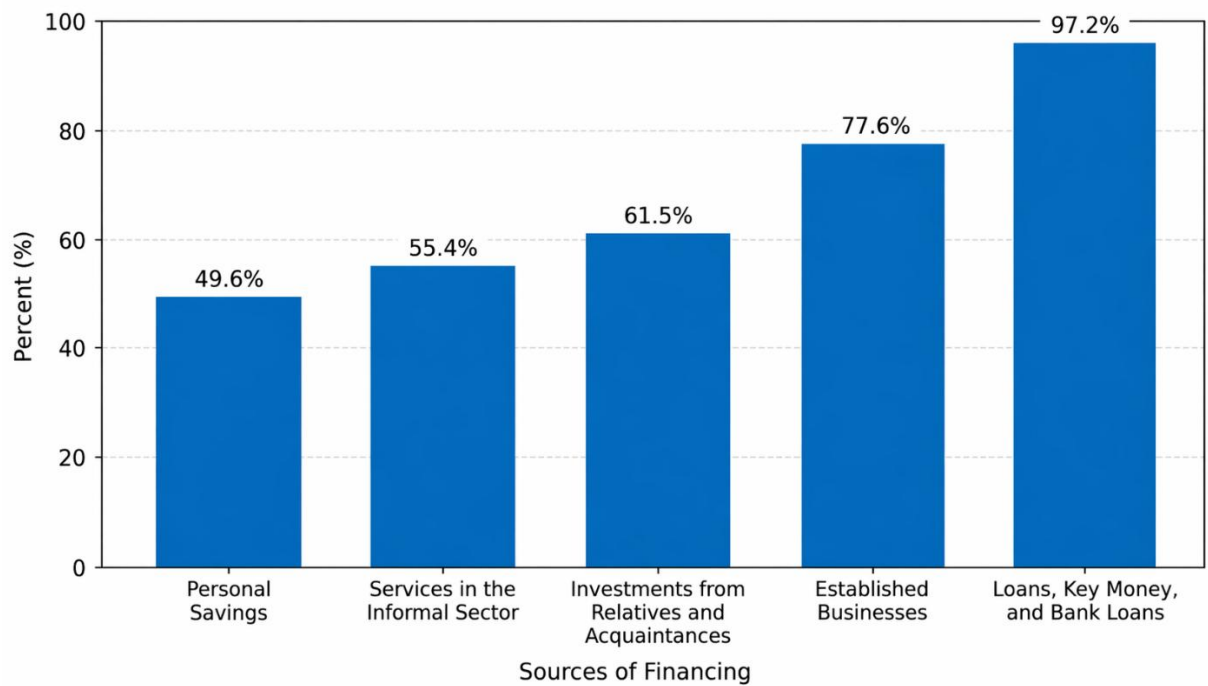
Figure 1. Dynamics of the Number of Persons Employed in Small Business (in thousands of people) and Its Share in Total Employment (in percent) (2020–2024).



Indicators by sector reveal an even more interesting picture. As of January–June 2025, the share of small business in GDP amounted to 49.6 percent, in construction to 77.6 percent, and in agriculture, forestry and fisheries to 97.2 percent. During January–November 2025, small business provided 55.4 percent of market services. Among these sectors, services, trade, information and communications, education, logistics, household services, and creative activities are considered the most suitable environments for non-standard forms of employment.

The results in Figure 2 show that the share of small business varies across sectors. The share reaching 97.2 percent in agriculture, forestry and fisheries means that forms such as family labor, seasonal labor, home-based work (*kasanachilik*), and self-employment are widely applied in this field. The share of 55.4 percent in the services sector, in turn, indicates the existence of a broad market for forms such as remote employment, platform-based labor, partial employment, and project-based services [15].

Figure 2. Share of Small Business by Sector, 2025.



As Table 2 makes clear, not all forms of non-standard employment produce the same effect; their efficacy is tied to the characteristics of the sector, the variability of the volume of work, and the level of digitalization. Accordingly, it is expedient to apply these forms not in a blanket manner, but differentially across sectors.

Table 2. Application of Non-Standard Forms of Employment in the Small Business Sphere.

Form	Suitable Sectors	Economic Advantage	Main Risk	Condition for Effectiveness
Remote employment	IT, design, accounting, marketing, consulting, online education	Office expenses are reduced; territorial boundaries are narrowed	Problems of monitoring working time and data security	Electronic contract and KPI-based management
Part-time work	Trade, services, education, retail services	Rapid adaptation to demand fluctuations	Instability of income	Minimum guaranteed working hours and transparent payment
Home-based labor	Tailoring, confectionery, handicrafts, small-scale production	Transportation and rental expenses are reduced	Risk of informal employment	Formal contract with the employer and proper recording
Self-employment	Household services, repair, logistics, creative services	Low barriers to market entry; high independence	Insufficient social protection	Digital integration of tax and pension accounting
Platform-based labor	Courier services, taxi, freelancing, content, online services	Rapid access to orders; reduced transaction costs	Ambiguity of the employment relationship	Transparency of platform data and protection packages

For the effective utilization of non-standard forms of employment in Uzbekistan, an integrated mechanism combining legal, digital, and social infrastructure is essential. First and foremost, legal clarity must be ensured. The presence of specific provisions on remote work and home-based work in the new Labor Code enables enterprises to implement flexible organizational models on a legal basis. At the same time, Resolution No. PQ-4742 expanded the types of activities for self-employed individuals, facilitating the inclusion of their incomes into the formal economy. Resolution No. PQ-70 introduced a new hybrid model linking employers, self-employed individuals, and home-based workers.

The second direction is related to digitalization. According to OECD analysis, the level of digital adoption among firms in Uzbekistan remains relatively low, and the shortage of digital skills limits private sector transformation. Under these conditions, the effective use of non-standard employment requires the widespread implementation of electronic contracts, digital payments, and digital identification platforms in small business practices. Otherwise, a portion of remote and platform-based work may remain within the informal economy.

The third direction concerns social protection. The fact that the share of income from self-employment has reached 34.0% indicates the need to develop portable protection instruments that cover risks such as pensions, illness, maternity, and temporary income loss for this category. If social protection remains non-portable and tied to employers, small businesses will be incentivized to shift workers to non-standard forms, while employees will prefer returning to formal contracts, thereby intensifying institutional contradictions in the labor market.

The fourth direction is skills policy. The World Bank, in its country economic memorandum, emphasizes that creating high-quality jobs and strengthening the private sector require new competencies, digital capabilities, and a more efficient business environment. For small businesses, this means that the effective application of remote and platform-based work depends not only on the availability of technology but also on the digital literacy of both employees and entrepreneurs.

As shown in Table 3, the effective use of non-standard employment yields the best results when built on the chain of “flexibility — formalization — social protection — productivity.” In other words, the effectiveness of non-standard employment is determined not merely by its use as low-cost labor but by its integration into the formal economy and digital governance systems.

Table 3. Mechanisms for Improving the Effective Use of Non-Standard Employment.

Mechanism	Implementation Content	Expected Outcome
Legal classifier	Clear differentiation of remote, part-time, home-based, platform-based, and dependent self-employment forms	Reduces ambiguity in labor relations
Electronic contracting	Integration of electronic contracts, digital identification, and payment history into a unified system	Improves transparency and tax/insurance accounting
Portable social protection	Coverage of risks such as illness and temporary income loss along with pensions	Reduces risks for workers and encourages formalization
Micro-qualification programs	Short-cycle modular courses in digital and service skills	Increases worker productivity and adaptability
Financial incentives	Microloans and incentive subsidies based on digital activity history	Eases investment constraints for small businesses
Monitoring indicators	Indicators for formalization, income stability, and employment of women and youth	Enables evaluation of policy effectiveness

In the author's view, it is advisable to implement this policy in Uzbekistan through regional pilot projects. For example, remote and platform-based employment can be promoted in regions with developed service and creative industries, while home-based and hybrid self-employment models can be encouraged in regions with strong agriculture and processing sectors. Such a differentiated approach would be more effective than a uniform policy regime.

Conclusion and Recommendations

The conducted analysis shows that small business in Uzbekistan represents a crucial segment of the labor market, and the effective use of non-standard employment forms is an important resource for enhancing sector competitiveness, increasing household incomes, and improving regional employment.

According to official statistics, in 2024 the share of small business in total employment reached 74.5%, with 10,628.7 thousand people employed in this sector; by 2025, the number of active small business entities reached 1,200.4 thousand.

The analysis indicates that forms such as remote work, part-time employment, home-based work, self-employment, and platform-based labor enable small businesses to optimize costs, quickly adapt to changes in workload, and expand access to labor markets. However, their effective use requires several essential conditions: legal classification, electronic contracts and payment history, portable social protection, micro-qualification programs, and sector-specific differentiated policies.

Based on this, the following practical recommendations are proposed:

- first, to develop a unified national legal classifier of non-standard employment forms;
- second, to integrate electronic contracting and payment history with state registries;
- third, to introduce portable social protection packages for self-employed and platform workers;
- fourth, to expand micro-qualification programs aligned with the needs of the service sector and digital economy;
- fifth, to implement special monitoring indicators to assess policy effectiveness.

These measures can transform non-standard employment from a problem into a modern institutional tool for the development of small business.

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