



Article

# Incentive Mechanisms in the Self-Employment System in Uzbekistan

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**Abstract:** This article analyzes the mechanisms of legal, economic, and institutional support for the self-employment system in Uzbekistan, while examining its role in ensuring employment, increasing population incomes, and strengthening social stability. It also provides an overview of the normative-legal acts adopted in this area, the preferential lending system, regional differences, and a comparative description of international and national practices. The conveniences created for self-employed individuals, existing limitations, and opportunities for their gradual transition to entrepreneurship are substantiated. Based on the research results, scientific and practical conclusions have been drawn on supporting self-employment, regulating it, and enhancing its effectiveness.

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## 1. Introduction

Today, ensuring employment of the population, reducing unemployment, and increasing economic activity of citizens is considered one of the priority directions of state policy in Uzbekistan. In this process, the limited opportunities for covering with formal jobs in the traditional labor market, especially the existing barriers in engaging youth and women in work, have further intensified the need to develop the self-employment system [1].

In recent years, a number of measures have been implemented in Uzbekistan to strengthen the self-employment system legislatively, simplify its implementation, and integrate it with social protection. In particular, the state registration process has been simplified (for example, online registration via mobile applications, biometric identification, and SMS confirmation), a social tax payment mechanism has been introduced, microcredit and financial assistance programs have been developed [2]. In addition, measures such as the introduction of digital infrastructure and expanding opportunities for youth and entrepreneurs through innovative platforms like IT Park are also being taken [3].

Self-employment is not only an economic necessity but also of great importance as a factor of social stability. Because through this system, the population creates jobs for themselves, earns income, and joins the state-guaranteed social protection system (for example, calculation of work experience and pension rights). Therefore, scientific analysis

and improvement of incentive tools and support mechanisms for its effective functioning hold important significance in state policy [4].

In recent years, the self-employment system in Uzbekistan has been fundamentally improved not only economically but also legally. This process serves to enable the population to legally enter new forms of labor and expand their opportunities to benefit from the social protection system [5].

The laws and decisions adopted by the state are noteworthy for being aimed at further improving the self-employment system every year. In particular, through the resolutions of the President of the Republic of Uzbekistan, the main strategic tasks in this field are defined and their implementation is ensured. Also, several resolutions of the Cabinet of Ministers have been adopted, through which clear mechanisms have been developed regarding the legal status of self-employed persons, registration procedures, tax payments, and social protection issues [6].

## 2. Materials and Methods

**Table 1.** Legal framework for supporting self-employment in Uzbekistan.

Year	Document name and number	Brief description
2020	Law of the Republic of Uzbekistan No. ORQ-642 "On Employment of the Population"	Defines legal foundations of employment policy.
2020	Presidential Resolution PQ-4742	Simplifies the regulation of entrepreneurship and self-employment.
2020	Cabinet of Ministers Resolution No. 806	Defines procedures for registration of self-employed persons.
2021	Cabinet of Ministers Resolution No. 578	Regulates self-employment in nursing activities.
2025	Presidential Resolution PQ-64	Improves financial support for entrepreneurship and employment.
2025	Presidential Resolution PQ-247	Creates favorable conditions for entrepreneurs and self-employed citizens.

In addition to the above-mentioned methods, the study also applies a document analysis method, which plays a crucial role in examining the legal and institutional framework of self-employment in Uzbekistan [7]. This method involves a systematic review of official including laws of the Republic of Uzbekistan, presidential resolutions, and decisions of the Cabinet of Ministers presented in (Table 1). Through document analysis, the research identifies key trends in the development of self-employment policies, evaluates the consistency and effectiveness of legal reforms, and determines their impact on the formalization of labor relations and expansion of economic opportunities for the population [8]. Furthermore, a tabular analysis method is used to organize and present legal data in a structured form (Table 1), allowing for clearer comparison across different years, types of documents, and their functional roles [9].

### 3. Results and Discussion

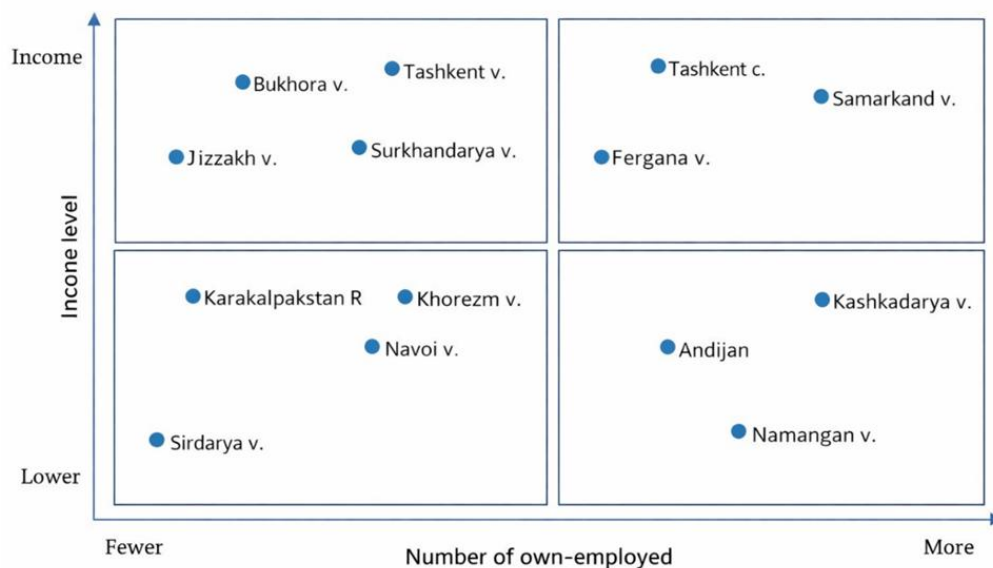
As a result of these legal reforms, opportunities have been created to legalize the population's labor activities, pull them out of the shadow economy, and engage them in the formal labor market [10]. For example, self-employed persons have been given the opportunity to register as single taxpayers (unified tax payers), their tax burden has been eased, and a mechanism for accumulating work experience in the pension system through the payment of social tax has been introduced [11].

The improvement of support mechanisms and legal foundations not only facilitates reporting and control mechanisms for state bodies but also provides the population with the opportunity to organize their labor on a legal basis and achieve stable income [12]. As a result, self-employment is transforming not only into a new form of economic activity but also into a type of labor officially recognized and regulated by the state on a legal basis [13].

State support for self-employment strengthens the independent economic activity of the population, diversifies their income sources, and serves as an important factor in ensuring socio-economic stability [14]. At the same time, the number of self-employed individuals and their income levels vary significantly across regions, depending on the level of economic development, population size, infrastructure opportunities, and labor market conditions [15].

In this regard, the analysis of data from Figure 1 allows for a comparison of the number of self-employed persons and their income levels across the country's regions [16]. This analysis enables the assessment of the efficiency of regional labor resource utilization, the development of additional support measures in lagging regions, and the dissemination of best practices from high-performing regions [17].

In Uzbekistan, the level of self-employment and population incomes differ sharply across regions. Tashkent city, Samarkand, and Fergana stand out as regions with high indicators, while Syrdarya and Karakalpakstan have the lowest figures [18]. Additionally, in some regions (for example, Andijan and Namangan), although the number of self-employed persons is high, their low income levels raise issues of economic efficiency. This situation indicates the need for regional policies to diversify activity types, increase population incomes, and expand economic opportunities [19].



**Figure 1.** The state of the number of self-employed persons and income levels [1].

#### 4. Conclusion

The analysis shows that state support for self-employment plays a significant role in promoting independent economic activity and improving socio-economic stability. However, the distribution of self-employed individuals and their income levels remains uneven across the regions of Uzbekistan. Regions such as Tashkent city, Samarkand, and Fergana demonstrate relatively higher indicators, while Syrdarya and Karakalpakstan lag behind in both employment and income levels. In some regions, despite a large number of self-employed individuals, low income levels indicate inefficiencies in labor resource utilization. These disparities highlight the need for region-specific policy approaches aimed at improving infrastructure, diversifying economic activities, enhancing access to opportunities, and increasing income levels. Strengthening targeted regional support measures and promoting best practices from more developed regions will contribute to balanced regional development and more effective utilization of the self-employment potential.

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