

Regulating Employment Relationships in Startups and Its Impact on Workers' Rights

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Abstract: Employment relationships in startups are characterized by high flexibility and a departure from the traditional model, making them dynamic work environments. However, this flexibility can negatively affect workers' rights. In many cases, clear contracts and regulatory frameworks are absent, leading to ambiguity in responsibilities, job instability, and a lack of social protection such as defined salaries, insurance, and holidays. These institutions also often lack union representation to safeguard employees' interests. Nevertheless, some advantages may arise, such as rapid growth opportunities, participation in decision-making, and a work environment that fosters creativity and innovation. To ensure a balance between flexibility and the preservation of rights, it is essential for these institutions to clearly regulate contractual relationships, comply with labor laws, and provide a minimum level of social rights, thereby promoting a fair and sustainable work environment.

Keywords: Startups, Flexible Employment Contracts, Labor Laws, International Labor Standards.

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Introduction:

In light of technological advancement and the major global transformations that have taken place, an increasing number of individuals are turning to the field of entrepreneurship due to the opportunities it provides for showcasing their creativity and capabilities. This has contributed to the emergence of many startups and entrepreneurial ventures.

Startups are among the biggest contributors to the economic development of countries and are at the forefront of digital innovation. They represent an important factor in competition, which is no longer confined to factories and large enterprises, as traditionally believed. Instead, startups — built on innovation — are now supported as vital players. A key reason for their effectiveness is the human element: their workforce. Startups bring numerous social benefits, such as job creation and the reduction of unemployment¹. The social aspect is thus crucial to understanding these companies.

In Algerian legislation, startups are defined in Article 11 of Executive Decree 20-254 as: “A startup is any company subject to Algerian law and complying with the following criteria... -6 The number of workers must not exceed 250².” As such, they are subject to commercial law as well as labor law, which governs employment relationships between the employer (the startup) and its workers.

These startups exist in a dynamic, often unpredictable environment, which gives them their flexible nature and potential for scalability. They operate based on non-traditional business models that differ from those of conventional companies in terms of employment nature, working hours, contracts, salaries, and even the work environment itself.

Signing employment contracts is not merely a procedural formality; it is a strategic foundation for growth and stability, integrating project founders with their employees to create a unique work atmosphere. Startups attract young people and offer them freedom to work and innovate. As a result, many are willing to work long hours for low initial pay, believing that their success is tied to the economic success of the company.

This context raises legal challenges related to organizing labor relations within startups. Most current labor systems are designed for traditional institutions that rely on structured, stable employment with permanent contracts and clear social insurance systems. In contrast, startups often use more flexible employment arrangements such as short-term contracts, unclear or absent contracts, and rely on remote or hybrid work.

1- Nadia Semmane, The Contribution of the Specific Nature of the Employment Relationship to the Success of the Startup, Algerian Journal of Business Law, Vol. 3, No. 2, 2022, p. 41.

2- Executive Decree No. 20-254 of September 15, 2020, establishing the National Committee for Granting the "Startup," "Innovative Project," and "Business Incubator" Labels, defining its missions, composition, and operation, Official Gazette No. 55 of 2020.

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These challenges make it difficult to regulate startups within the framework of Algerian labor law and even under comparative legislation, given that labor law is generally protective and does not favor compromising workers' rights for the benefit of the employing entity.

In light of the above, and considering the novelty of these institutions, labor laws face significant challenges in adapting to the nature of work in startups. This gives rise to the following central question:

To what extent does the regulation of work in startups affect workers' rights, and do current legal frameworks adequately protect these rights in a way that balances promoting innovation in startups with safeguarding workers' rights?

I. The Legal Framework for Regulating Work in Startups:

Determining the legal nature of startups is essential to understanding their impact on employment relationships and workers' rights, especially since startups differ from traditional companies in terms of administrative organization, operating models, and employment patterns. Accordingly, we will address the concept of startups, their characteristics, the nature of labor relations within them, and the extent to which these align with current labor legislation.

First Subtitle: The Legal Form of Startups:

In response to the numerous global transformations, a new economy has emerged that relies on information and communication technology, and uses innovation and digitization to produce high value-added goods and services. This has led to the emergence of startups. Thanks to new technologies, every individual now has the potential to turn their ideas into reality by creating a startup. However, this is accompanied by major challenges for the entrepreneur, who must find an innovative idea, as well as develop a business plan, build a team, and secure support.

1- The Definition of Startups and Their Impact on Employment Relations:

The definitions of startups vary depending on the perspective of the entity defining them, ranging from researchers and experts to entrepreneurs, investors, and even government bodies³.

1-1. Definition:

The term "startup" is defined in the *Cambridge Dictionary* as a small business that has just begun, or the business activity or set of actions involved in launching a new commercial venture that requires rapid revenue generation. The term is a compound word formed from *start* (meaning to begin or launch) and *up* (meaning to move or rise to a higher position).

Eric Ries, one of the leading theorists of this concept, defines a startup in his book *The Lean Startup* as "a human institution designed to create a new product or service under

3- Ben Lakhdar Saïd, The Concept of Startups in Algeria Between Adoption and Reality, Journal of Administrative and Economic Research, Vol. 4, No. 1, 2020, p. 27.

conditions of extreme uncertainty⁴." Similarly, Blank and Dorf define it as "a temporary organization in search of a scalable and repeatable business model," initially formed as a canvas filled with ideas. Paul Graham, in his article on "Growth," defines a startup as "a temporary organization designed for rapid growth, launching a new and innovative product or service targeting a large market under global risk and uncertainty, with the potential for high revenue if successful, regardless of its size or industry."

Legally, there is no internationally unified definition for startups. For example, Algerian legislation does not provide a clear definition but associates them with specific sectors⁵. This is reflected in Memorandum No. 708 issued by the Ministry of Commerce on 24/10/2019, which links startup activities to technological innovation. However, in practice, startups may go beyond this scope, suggesting a need to broaden the definition to encompass a wider range of activities⁶.

In comparative legislation, the French legislator, in Law No. 2016-1321 concerning the digital economy, defines startups based on criteria such as innovation, growth potential, and activity in technological sectors. The Tunisian legislator, on the other hand, defines them based on several criteria, most notably the company's age, total revenue, and fields of activity⁷.

1-2. Their Characteristics Within the Context of Employment Relationships:

A startup is characterized by a set of features that distinguish it from traditional institutions. It is considered temporary, as the startup is merely a phase, and the entrepreneur's main goal is to move beyond it to reach maturity and sustainability.

- Companies related to technology: they are based on a creative idea that helps achieve rapid growth in the market, increased profits, and satisfaction of market needs in a smart and modern way relying on technology and finding funding through online platforms and with the support of business incubators. They also require low costs to establish compared to the profits they can achieve⁸.
- They are characterized by flexibility: they tend to adopt dynamic organizational structures where workers perform a variety of tasks as needed. It is an institution searching for a business model, designed to create a new product or service that has not

4- Ries, E., *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, 1st ed., Crown Business, New York, p. 37.

5- Freitas, G., *What Startups Should Learn... Draft of the Supplementary Finance Bill, 2020*, Edition de Legal Doctrine: <https://legal-doctrine.com> (accessed on 31/01/2025 at 19:53).

6- These fields were defined as follows: IT consulting and signaling, network installation and data processing, industrial and productive computer engineering, internet service operation, non-IP voice services (VOIP), programming, installation, maintenance, and repair of encryption equipment and software.

7- Law No. 20 of 2018 dated 17/04/2018 concerning startups, Official Gazette of the Republic of Tunisia, 20/04/2018, No. 32.

8- Ben Ayad, Jalila, *The Role of Startups in Economic Development*, Journal of Legal Studies, Vol. 8, No. 01, January 2022, p. 160.

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been introduced before. The challenge it faces is to find a business model by conducting a series of experiments in the target market and collecting data to draw conclusions⁹.

As for the specific features of startups that make work organization within them different and unique, we mention:

- Reliance on technology and remote work: These companies often exploit technological advancement to employ their staff, as remote and hybrid work has become a common model.
- Absence of job security: Since startups rely on investment funding—meaning they turn to investors instead of borrowing from banks—they lack short-term cash flow¹⁰. Banks, for their part, refrain from financing these companies due to the high degree of risk. Meanwhile, investors are drawn to invest in them in pursuit of the potentially high return in case of success. These companies also face the risk of quick bankruptcy, and workers may be subject to sudden termination of their contracts without sufficient compensation¹¹.
- They rely on non-traditional reward systems: Many startups, instead of offering high salaries, provide non-monetary financial incentives by granting shares in the company itself¹².

2- Employment Patterns in Startups:

Startups adopt non-traditional types of employment contracts that differ from those used in large companies. The most prominent of these types include:

2-1. Employment through open-ended contracts:

Despite the variety of employment contracts, the open-ended contract is the most significant and is preferred by workers as it provides job stability. This type of contract is considered the general rule in employment, while fixed-term contracts are the exception. This is stated in Article 11 of the Labor Law: "The contract is considered to be of an indefinite duration unless otherwise stated in writing, and in the absence of a written employment contract, the employment relationship is presumed to be of indefinite duration." However, this type of contract poses a challenge for startups, as they typically employ young, inexperienced individuals who are simply passionate about the digital field. Therefore, such contracts are unsuitable for them, since a startup remains a project born from an idea. The founder cannot

9- Ben Lakhdar, Saïd et al., op. cit., p. 31.

10- Jones, R. & Myung Kyoo Kim, Promoting the Financing of SMEs and Startups in Korea, Economics Development Working Papers, No. 58, pp. 3–37, 2014.

11- International Labour Organization (ILO), Global Employment Trends for a Better Future, Geneva, International Labour Organization, 2022.

12- OECD, Social Protection in Emerging Economies, Paris, OECD Publishing.

afford to take the risk of employing all workers under open-ended contracts, as economic setbacks would force the company to provide compensation in the event of layoffs¹³.

2-2. Fixed-term contracts:

Startups tend to conclude temporary contracts. These contracts are characterized by their flexibility but lack job stability¹⁴. They are considered exceptional and temporary contracts that are only used in specific cases strictly limited by Algerian legislation, as outlined in Article 12 of the Labor Relations Law.

2-3. Remote Work and Hybrid Work Contracts:

As a result of technological advancement and internet use, the demand for remote work has increased in many institutions. These contracts allow employees to perform their tasks from any location with internet access. However, it is essential to consider certain potential challenges, such as the worker's right to disconnect, performance monitoring, and ensuring a suitable work environment¹⁵.

Remote work refers to performing tasks outside the company's premises, where the worker uses modern communication technologies, such as the internet and virtual platforms, to communicate with the team and carry out their tasks from another location. This type of work provides significant flexibility for employees in terms of time management, reduces commuting costs, and increases access to diverse job opportunities. However, it also presents legal challenges, such as defining working hours versus rest periods and actual work time. It also involves exchanging sensitive information online, which requires strict security measures to protect both company and employee data. This necessitates the adoption of laws or internal policies to regulate such contracts. In Algeria, for example, there is a lack of a legal framework specifically regulating remote work, apart from the executive decree concerning home-based work, which is merely a form of it¹⁶.

Hybrid work, on the other hand, combines remote work with traditional in-office work. This model allows employees to benefit from direct interaction with colleagues in the office while also enjoying the flexibility offered by remote work. It also helps companies reduce expenses related to large office spaces while maintaining a collaborative work environment. However, startups may face difficulty in fairly tracking and evaluating employee performance unless they implement advanced monitoring and management systems suited to hybrid work¹⁷.

13- Hassan, Nadia, The Contribution of the Specific Nature of the Employment Relationship to the Success of the Startup, Algerian Journal of Business Law, Vol. 3, No. 02, 2022, p. 43.

14- Al-Malki, Abdulrahman, Startups in the Arab World: Legal Challenges and Opportunities, Arab Journal of Law and Economics, Vol. 14, No. 2, 2021, pp. 115–140.

15- Law No. 22-16 dated 20/07/2022, Official Gazette No. 49.

16- World Bank, Entrepreneurship and Economic Development Report in Emerging Markets, 2020.

17- Executive Decree No. 97-474 dated 08/12/1997 on the special system of labor relations concerning home-based workers, Official Gazette No. 82, 1997.

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According to the European Commission's 2021 report on digital transformation in small and medium-sized enterprises¹⁸, systems that rely on remote work require a regulatory framework that balances flexibility with safeguarding employee rights¹⁹. The International Labour Organization's 2022 report further emphasizes that the challenges arising from hybrid work require new strategies for data protection and work-hour regulation to avoid employee burnout²⁰.

2-4. Freelancing and Gig Work:

Freelancing is based on providing services or performing specific tasks independently, without committing to a long-term contract with a single employer. This type of work arrangement serves as a means for workers to learn new skills that they might not develop in a full-time job, and it allows them to participate in various projects that help them gain new experiences.

As for gig work, it depends on how the employer pays the worker—based on payment per unit produced or task completed, regardless of the time taken. However, workers under this system do not benefit from the advantages and privileges typically included in formal employment contracts, such as health insurance, paid vacations, retirement contributions, social security, or training opportunities²¹.

Second Subtitle: The Impact of Work Management in Startups on Labor Rights:

The organization of the employment relationship within startups raises numerous legal issues, especially concerning the protection of workers' rights in light of flexible employment contracts, remote work, and non-traditional reward systems.

1- Flexibility in Work Performance and Its Impact on Employment Contracts:

Startups rely on flexible employment contracts, which allow them to quickly adapt to market changes. This leads to the possibility of renewing or terminating contracts without adhering to traditional employment patterns. Although such flexibility may be considered a competitive advantage, it often results in decreased job security for workers and lower levels of social protection.

1.1- The Concept of Operational Flexibility in Startups:

Operational flexibility is defined as the ability to quickly and effectively adjust and adapt work procedures and policies in response to market changes. Economist Thomas Friedman pointed out that operational flexibility has become a necessary advantage for startups to adapt

18- Smith, John, Legal Challenges of Startups in the Gig Economy, Harvard Law Review, Vol. 133, No. 4, 2022, pp. 1025–1050.

19- European Commission, Digital Transformation in SMEs: Opportunities and Challenges, Brussels, 2021.

20- International Labour Organization (ILO), Global Employment Trends for a Better Future, Geneva, International Labour Organization, 2022.

21- International Labour Organization (ILO), The Future of Work Startup: Labor Rights in the Digital Economy, Geneva, 2021.

to the modern work structure²². This is due to the profound transformations caused by globalization and digital technology in the labor market. He affirms that these institutions no longer operate under traditional models but continuously restructure work patterns, leading to the spread of non-traditional employment such as freelancing, remote work, and short-term contracts, as previously explained.

Operational flexibility in startups is reflected in the following ways:

- The employment contract may be temporary or based on a freelance system rather than permanent employment, enabling startups to rapidly adjust their workforce structure according to actual needs.
- These institutions can restructure or even terminate contracts without being bound by traditional long-term obligations, thereby reducing the financial and organizational burden in the face of unstable economic conditions²³.

1.2- The impact of operational flexibility on employment contracts:

Operational flexibility is a vital factor for the growth of startups as it enhances productivity and creates new job opportunities. However, the adoption of flexible contracts by these companies leads to many effects and challenges that must be considered to ensure the protection of workers. As for the effects, we mention:

- Decrease in job stability: Flexible contracts result in reduced job security for workers, making it difficult to assess the continuity of employment and the inability to access long-term benefits such as health insurance or retirement plans.
- Lack of clarity in contract terms: Flexibility leads to the drafting of employment contracts that are unclear regarding rights and obligations, which raises differences in interpretation leading to legal disputes between the employer and employees, especially regarding unfair dismissal or modifying the contract terms without the other party's consent.
- Impact on wages and bonuses: In light of contract flexibility, startups may rely on variable wage systems or on incentives such as company shares instead of fixed salaries, which may lead to income instability for workers due to fluctuations in share value or in the event of company bankruptcy²⁴.

22- Friedman, T., *The World Is Flat*, New York: Farrar, Straus and Giroux, 2020.

23- U.S. Bureau of Labor Statistics, *Trends in Nonstandard Work Arrangements*, Washington, DC: U.S. Department of Labor.

24- Law No. 90-11, as amended and supplemented, regulates the wage system in terms of the guaranteed national minimum wage (SNMG), mechanisms for salary payment, and workers' rights in case of delay or refusal to pay. For instance, Article 87 bis sets the national guaranteed minimum wage (SNMG), which is adjusted periodically based on the economic situation. Article 82 obliges employers to pay wages to workers in exchange for the services they provide according to the terms of the employment contract. Article 83 stipulates the necessity of regular wage payment in accordance with collective agreements and applicable legislation.

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As for the legal challenges related to flexibility, they are many. Some of them include:

- Current traditional legislation: Labor laws are linked to the conclusion of permanent and fixed contracts. Applying them to flexible work models is complex and requires legislative amendments that match the nature of startups.
- Since flexible contracts relatively exempt startups from providing social guarantees, this requires the creation of new legal mechanisms to protect workers' rights by obligating companies to provide a minimum level of insurance and benefits regardless of the contract type.

Third Subtitle: The Obligations of Startups Toward Their Workers:

Startups are bound by several obligations toward their workers, such as paying wages, providing social security, and protecting against unfair dismissal, among others. This necessitates the existence of flexible and balanced legal frameworks that can help protect workers' rights without restricting innovation and entrepreneurship, while also ensuring the development of modern policies suited to the reality of startups, which has become a legal and economic necessity in the digital environment.

1- The Obligation to Pay Wages and Provide Social Security:

One of the most prominent obligations of startups is to guarantee wage payment. Labor laws in various countries regulate this matter to ensure the protection of workers' rights and the provision of a fair work environment. However, given the nature of these companies, which are based on investment capital and risk, compliance with these laws becomes questionable. This opens the door for startups to impose flexible contracts that do not guarantee fixed wages or provide the necessary legal protection for their workers²⁵.

The same issue arises concerning social security, which is one of the most important guarantees protecting workers from financial risks resulting from work injuries or job loss. For example, the Algerian social security system provides a set of rights and obligations that ensure workers are covered for risks related to illness, accidents, unemployment, and retirement. Workers are registered, and contributions are paid through the National Social Insurance Fund for Salaried Workers (CNAS).

1.1- Specificities of Startups and Their Impact on Wages and Social Security:

Although legal texts are clear regarding the payment of wages and the provision of social security, startups face challenges in complying with them due to several factors, which are outlined as follows:

25- Law No. 83-14 dated 02/07/1983 concerning Social Security, Official Gazette No. 32.

1.1.1- Regarding the wage payment system:

The instability of financial flows is one of the major challenges faced by startups and may affect their ability to achieve long-term financial sustainability. These companies rely on funding from investors and venture capital instead of stable operational cash flows²⁶. This dependence on investment funding makes such companies vulnerable to fluctuations in financial markets and instability in cash inflows.

In addition, startups rely on innovation and modern technology, which are subject to market volatility. Company revenues may decline due to unexpected changes in consumer preferences or the emergence of disruptive technologies²⁷. According to a report by the OECD, the changing nature of markets increases the degree of financial uncertainty faced by startups.

Moreover, due to a lack of administrative and financial experience in managing financial flows and strategic planning, startups may encounter administrative and financial obstacles that make it difficult to forecast future cash flows and ensure their continuity. Thus, administrative inexperience becomes a key factor in the instability of financial flows within these companies²⁸.

In addition, global economic fluctuations—such as financial crises and economic downturns—contribute to reduced investment and revenue growth. Coupled with issues such as currency fluctuations and inflation, which increase operating costs, these factors pose real challenges to the financial stability of startups. The European Commission report also pointed out that these factors represent a significant challenge to the stability of financial flows in these companies.

Furthermore, startups often rely on non-traditional rewards such as granting company shares or other incentives instead of paying fixed wages. This serves as a mechanism to support and motivate employees to innovate and create within the company. At the same time, this model may be used as an alternative to regular financial obligations, resulting in irregular wage payments and creating a state of financial instability that affects the social protection of employees²⁹.

1.1.2- Regarding the Social Security System:

Startups are characterized by their flexible nature, which leads to challenges in adhering to the social security system. Among these challenges, we mention:

High contribution costs; Startups often have limited resources, especially at the early stages before achieving growth. Therefore, the company's contributions to social security represent an additional financial burden. This is particularly significant because the increase in these costs is linked to several factors, most notably that contribution rates are subject to

26- Drucker, P.F., *Innovation and Entrepreneurship*, New York: Paper Business, 2019.

27- OECD, *Social Protection in Emerging Economies*, Paris: OECD Publishing.

28- U.S. Bureau of Labor Statistics, *Trends in Nonstandard Work Arrangements*, Washington, DC: U.S. Department of Labor.

29- Mason, P., *The Economics of Startups on Labor Markets*, Cambridge University Press, 2019.

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periodic adjustments by the legislator to meet growing demands in health and retirement sectors. Moreover, operational revenues tend to be low due to the nature of startup activities and their reliance on unstable sources of funding. These factors highlight the need to reconsider the mechanisms for calculating contributions and to adapt them to the nature of these companies without compromising employees' rights to necessary social protection.

Startups also tend to favor informal employment contracts and often resort to non-standardized hiring practices in order to avoid paying social security contributions. This deprives workers of their legal rights, especially in the absence of strict regulatory oversight over these companies.

2- The Obligation to Protect Against Unfair Dismissal:

Due to the flexible nature of work in startups, workers within these companies face many challenges that may expose them to the risk of termination without clear justification or adequate compensation, leading to a lack of job stability.

2.1- Disregard for Provisions on Collective Dismissal:

Labor law recognizes two types of dismissal: individual dismissal — whether disciplinary due to gross or minor misconduct, or non-disciplinary — and collective dismissal for economic reasons or due to the legal termination of the company's activity. Collective dismissal may be partial, involving a reduction in the number of workers, or total, affecting all employees, as in the case of company closure. This directly impacts startups when they face difficult circumstances, as they may cease operations entirely — a likely scenario given their temporary nature — which in turn affects their workers³⁰. Alternatively, the company may temporarily suspend activity and resort to laying off part of its workforce, with the possibility of rehiring them if the situation improves.

However, there are strict regulations in place to protect workers from unfair dismissal. For example, French Law No. 2017-399 states that workers in startups cannot be dismissed without clear justification and appropriate compensation — a position also upheld by Algerian legislation.

In Spain, labor law was amended in 2021 to include workers in startups among the categories protected against unfair dismissal. In contrast, labor laws in Gulf countries still allow startups to dismiss workers easily with limited compensation, which has led several labor organizations to demand legal reforms.

2.2- Measures to Protect Workers from Unfair Dismissal:

Due to the ever-changing nature of startups, traditional global labor laws are no longer sufficient to protect workers. This has prompted international organizations to update labor

30- Hassan, Nadia, op. cit., p. 49.

legislation in order to keep up with new developments in the labor market through specific measures.

2.2.1- Providing Clear Reasons for Dismissal:

Startup owners are required to provide justified reasons when terminating employment contracts. Dismissals must be based on objective criteria and not on arbitrary decisions. This can only be achieved by drafting well-defined employment contract clauses that specify the grounds for dismissal and the procedures to be followed before making the decision to terminate. Additionally, the employer must provide a written report detailing the reasons that led to the termination, so that the matter can be referred to the courts or regulatory bodies if necessary.

2.2.2- Fair Compensation Mechanisms for Unfair Dismissal:

In the context of a non-traditional work environment, as seen in startups, adopting fair compensation mechanisms is one of the most important ways to ensure the rights of workers in the event of unfair dismissal. If a worker is dismissed without clear legal grounds, they must receive fair compensation that covers the material and moral losses incurred due to the contract termination³¹. Among the key mechanisms:

- **Determining compensation value:** Based on various factors such as the duration of service at the company and the last salary received by the employee. Compensation is calculated accordingly, taking into account inflation and cost of living.
- **Judicial oversight mechanisms:** One of the essential guarantees for a dismissed worker is the existence of sufficient judicial oversight, such as the establishment of independent committees to handle workers' complaints and assess dismissal cases based on objective criteria. These committees issue reports that obligate the employer to pay due compensation.
- **Simplifying legal procedures:** Accelerating the legal process in unfair dismissal cases to ensure that workers receive their entitled compensation as quickly as possible, thereby avoiding the damages caused by delays in enforcement.
- **Imposing financial penalties:** If a startup is found to have made an abusive dismissal decision, the judiciary may impose additional compensation in the form of fines.

In addition, incentives may be offered to startups that adhere to fair compensation mechanisms, such as tax incentives in exchange for protecting workers' rights or offering advisory support programs from government bodies to help these companies develop systems for calculating and applying compensation in line with legal requirements.

31- International Labour Organization (ILO), Global Employment Trends for a Better Future, Geneva: International Labour Organization, 2022.

II. Aligning the Work Environment of Startups with the Protection of Workers' Rights:

With the expansion of work models in startups, it has become necessary to reform labor legislation to ensure a fair work environment. This aims to strike a balance between supporting entrepreneurship and guaranteeing workers' rights in light of modern economic changes.

First Subtitle: Expanding the Scope of Labor Laws to All Forms of Employment:

With the emergence of flexible employment contracts, as mentioned previously, classical labor laws are no longer sufficient to protect all categories of workers. For this reason, many countries are attempting to expand the scope of labor laws to include these new forms of employment, to ensure equal rights in wages, social protection, and employment guarantees³².

1- Legal Protection Gaps in Traditional Labor Laws:

Most traditional labor laws distinguish between permanent and temporary employment. Under these contracts, social benefits are granted to workers. However, those under non-traditional contracts — such as remote, freelance, or on-demand workers — are often excluded from such protection. This legal gap leads to the deprivation of social security, sick leave, and end-of-service compensation. A recent study in the United States revealed that 36% of the workforce relies on freelance work, highlighting the need to expand labor laws to include these categories³³.

In the European Union, an amendment to Directive 533/91/EEC has been proposed to extend legal protection to all workers, including freelancers and the self-employed³⁴. French Law No. 2017-399 obliges digital work platforms to grant workers certain basic rights, such as health coverage and accident insurance. The UK's 2021 labor legislation introduced a new classification for digital economy workers, giving them rights to paid leave and unemployment insurance³⁵.

As for Algerian labor law, it does not explicitly address workers in startups. However, Article 06 of Law 90-11 (as amended) states that “every employment contract must clearly define the worker's rights and obligations,” which may necessitate future amendments to include new flexible employment models. A study by the École Nationale d'Administration (ENA) recommended introducing a flexible model to integrate these workers into social protection systems³⁶.

In the United States, the 2021 ProAct bill was proposed to expand the rights of freelance workers, allowing them to organize and claim social benefits. California's AB5 law of 2020

32- Cillens, H., *Employment Law*, Oxford University Press, 2018.

33- Taylor, M., *Good Work Plan: The Future of Work in the UK*, Routledge, 2021.

34- Stone, K. & Arthurs, H., *Rethinking Workplace Regulation: Beyond the Standard Contract of Employment*, Cambridge University Press, 2020.

35- Eurofound, *Non-Standard Forms of Employment in Europe: Challenges and Policy Responses*, European Commission, 2019.

36- Ben Younes, Abdelkader, *Labor Market Reforms in Algeria Between the Need for Flexibility and Worker Protection*, École Nationale d'Administration (ENA), Algeria, 2021.

mandated the classification of workers as employees rather than independent contractors, thereby granting platform-based freelancers rights such as minimum wage and health insurance³⁷.

In Canada, the government adopted a new approach for non-traditional workers, enabling them to contribute to the pension system and receive sick leave compensation. Australia, for its part, launched a national program to protect workers within the digital economy, requiring digital companies to contribute to workers' compensation funds, thus enhancing social sustainability in this sector.

Supporting workers under flexible contracts remains one of the key challenges. A report by the International Labour Organization (ILO) revealed that over 60% of the global workforce is employed in the informal sector without social protection. This has motivated the adoption of legal reforms allowing freelance workers to voluntarily participate in social security and health insurance systems.

Second Subtitle: Mechanisms for Startups' Compliance with Labor Protection Standards:

Startups, within the framework of signing flexible employment contracts, must commit to labor protection standards, particularly those related to fair wages and social security.

1- Commitment to Fair Wage and Social Security Standards:

Startups must determine a minimum wage that aligns with international standards, especially since many economic systems adopt flexible wage models that may lead to the exploitation of workers. A fair wage means that the worker receives financial compensation that matches the effort exerted. In this regard, the International Labour Organization affirms that wage justice means the absence of unjustified wage gaps between workers, respect for the minimum wage, and ensuring its payment on time. However, in contrast, startups seeking growth face many obstacles in fulfilling this requirement. They resort to non-traditional reward models, such as low salaries in exchange for incentives like employees obtaining shares in the company in the future, or they face delays in paying their salaries due to unstable cash flows. This situation affects workers both financially and socially.

2- Compliance with Social Standards and Insurance:

One of the most important mechanisms and means of worker protection is their enjoyment of social security, which provides them with insurance against illness, occupational risks, and retirement. To ensure coverage of these rights, all legislations require business owners to contribute to social security funds. In this context, challenges arise due to the high cost of

37- Mitchell, R., Employment Rights and the Digital Economy: An Australian Perspective, Australian Journal of Labour Law, pp. 145–167, 2022.

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contributions, which represent a burden for them. For example, in Algeria, it reaches 5.34% of the total salary according to the Social Security Law³⁸.

In addition, some startups evade signing formal contracts and avoid registering their workers in social security in order to reduce operating costs³⁹.

To strengthen the institutions' compliance with these rights and to address these issues, several solutions can be adopted, including the adoption of government support policies to encourage these institutions and reduce their burdens, especially in their early years of operation.

As well as strengthening legal oversight, which can only be achieved by activating the role of labor inspection departments to monitor the extent to which startups comply with the minimum wage and social security requirements.

Conclusion:

Startups represent a developed economic model where operational flexibility is one of their most defining features. However, they face legal challenges related to the organization of labor relations, which lead to violations of workers' rights. This necessitates updating the existing labor laws to ensure appropriate protection for workers while maintaining the operational flexibility that contributes to the growth of these institutions. Balancing innovation and the protection of universal rights requires collaboration between various legislative and administrative bodies and the international community to develop integrated labor policies suited to digital economic transformations.

Findings:

- Lack of clarity in the legal framework governing startups.
- Operational flexibility is essential for the growth of startups, but at the same time, it negatively affects workers' job stability.
- The financial instability of startups leads to violations of workers' rights, including delayed salaries, unfair dismissal, and lack of social security coverage.
- Weak legal oversight over startups, which the latter exploit to evade their legal obligations toward workers.

Based on the results obtained, we propose the following recommendations:

- Amend labor laws to incorporate modern employment models.

38- Caisse Nationale de Sécurité Sociale, Algeria, 2022.

39- World Bank, Report on the Conditions of Workers in the Digital Economy, 2021.

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- Strengthen oversight and impose stricter penalties on startups to ensure their compliance with fair labor standards.
- Enact legislation that guarantees fair compensation for workers in cases of unfair dismissal.