

Unemployment in Algeria, Causes and Policies (from 1990 to 2010)

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Abstract

Unemployment is considered among the most difficult challenges which face many developing as well as developed countries, because it causes instability and disorder at the political, social and economic level. Algeria, as one of the developing countries, has worked to tackle unemployment problem through a set of employment policies by the creation of several procedures and programmes, which deal with labour and employment in order to achieve stability in the labour market. In this paper, we will try to focus mainly on the reasons which have led to the disequilibrium of the labour market and therefore an increase of unemployment rates, as well as, we will show the contribution of the various programmes and procedures that have been created to combat unemployment.

Key words: unemployment, labour market, employment, labour force.

ملخص

تعتبر البطالة من بين التحديات التي تواجه الكثير من الدول النامية والمتطورة على حد سواء نظرا لما تسببه من اضطرابات على جميع الأصعدة السياسية والاجتماعية والاقتصادية. والجزائر كغيرها من الدول تعمل على مواجهة البطالة من خلال إتباع مجموعة من السياسات الخاصة بالتشغيل من خلال خلق عدة أجهزة وبرامج تعنى بقضايا العمل والتشغيل ومحاولة تحقيق الاستقرار في سوق العمل. لذا سوف نتعرض أساسا في هذا المقال إلى الأسباب التي أدت إلى اختلال سوق العمل وانتشار البطالة في الجزائر وكذلك مدى مساهمة مختلف أجهزة وبرامج التشغيل التي تم إنشاؤها لمحاربة البطالة.

الكلمات الدالة: البطالة، سوق العمل، التشغيل، القوى العاملة.

Introduction:

Losing a job can be the most distressing economic event in a person's life. Most people rely on their labour earnings to maintain their standard of living, and many people get from their work not only income but also a sense of personal accomplishment. A job loss means a lower living standard in the present, anxiety about the future, and reduce of self-esteem.

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A country that saves and invests a high fraction of its income, for instance, enjoys more rapid growth in its capital stock and its GDP than a similar country that saves and invests less. And even more and more obvious determinant of a country's standard of living is the amount of unemployment it typically experiences. People who would like to work but cannot find a job are not contributing to the economy's production of goods and services. Although some degree of unemployment is inevitable in a complex economy with thousands of firms and millions of workers, the amount of unemployment varies substantially over time and across countries. When a country keeps its workers as fully employed as possible, it achieves a higher level of GDP than it would if it left many of its workers standing idle.

Algeria like other developing countries has experienced very high rates of unemployment which have affected her economic, political and social stability during the last twenty years. In fact, Algerian policymakers have worked to alleviate the high rates of unemployment by following many policies of employment. These policies are set up to face the huge number of new entrants to the labour market, especially those who recently graduated from universities.

Definition of unemployment:

We begin this paper by examining more precisely what the term unemployment means. We consider how the government measures unemployment, what problems arise in interpreting the unemployment data and how the typical spell of unemployment lasts.

Unemployment is the situation where we find people without jobs, although they are permanently looking for jobs, and are able to work and accept the existed salaries in the labour market. However, they do not find jobs under these conditions.

According to the International Labour Organisation, unemployment (or joblessness) occurs when people are without work and actively seeking work. So people who aged 16 and over are unemployed if they are out of work, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks; or are out of work, have found a job and are waiting to start it in the next two weeks.⁽¹⁾

The National Office of Statistics (NOS) produces official estimates of unemployment using the International Labour Organization approach, and defines unemployment by showing the characteristics of the unemployed as follows:⁽²⁾

- He should be in age between 15 and 60 years old.
- He does not have a job during the period of regular survey.
- He should be in a situation in which he is looking for a job by taking all the possibilities and procedures to find a job.
- He should be qualified and ready to work in any job.

Measuring unemployment:

⁽¹⁾ - www.Wikipedia.org/wiki/unemployment.

⁽²⁾ - عبد المجيد قدي، المدخل إلى السياسات الاقتصادية الكلية، ديوان المطبوعات الجامعية، بن عكنون، الجزائر، 2005، ص37.

Measuring unemployment in Algeria is the job of the National Office of Statistics (NOS), which is a part of the department of the Finance Ministry. Every year the NOS produces data on unemployment and on the aspects of the labour market, such as types of unemployment, duration of unemployment, and rates of unemployment.

Based on the answers to survey questions, the NOS places each adult (aged between 15 and 60 years old) in each surveyed household into one of three categories:

- Employed
- Not employed
- Not in the labour force

A person is considered employed if he or she spent most of the days of survey working at a paid job. A person is unemployed if he or she is on temporary layoff, is looking for a job, or is waiting for the start date of a new job. A person who fits neither of the first two categories, such as full time student, homemaker, or retiree, is not in the labour force. So that, the labour force is the sum of employed and unemployed.

Labour force = number employed + number of unemployed.

The Bureau of Labour Statistics defines unemployment rate as the percentage of the labour force that is unemployed. ⁽³⁾

$$\text{Unemployment rate} = \frac{\text{number of unemployed}}{\text{labour force}} \times 100$$

Causes of unemployment in Algeria:

The possibility of unemployment is a central subject of macroeconomics. In almost any economy at almost any time, many individuals appear to be unemployed. That is, there are many people who are not working but who say they want to work in jobs like those held by individuals similar to them, at the wages those individuals are earning. ⁽⁴⁾

The unemployment problem may be considered as the most complex issue that faces the Algerian government since there is a large proportion of young people either unemployed or threatened by unemployment in the near future. There is no doubt that there are many reasons which have contributed to the worsening of the problem of unemployment, which has had dramatic consequences on the different sides of the economic, social and political life. We can mention some major causes of unemployment in Algeria in the following points:

1- Algerian government has adopted ambitious economic reform programmes, and among the confirmed results of these programmes is the increase in unemployment rates in the short and medium terms which has led to a downturn in the market.

2- The increase of population growth rates which has led to high rates of labour force. In addition to that, there are always high rates of the number of new entrants to

⁽³⁾ – GREGORY, Mankiw, « Principles of Macroeconomics, 3rd Edition, McGraw-Hill Companies, USA, 2005, p: 294.

(4) – DAVID, Romer, «Advanced Macroeconomics, McGraw-Hill Companies, USA, 1996, p:

the labour market every year. Moreover, the ongoing efforts to increase the contribution of women in the development, the continuity of the old people to work after reaching retirement age and also the child labour are fundamental reasons.

3- The failure of the education and training systems in Algeria has made it difficult to provide qualified workers who are capable of keeping pace with the needs of the time and the labour market.

4- The lower perception of manual work which requires physical effort. So young people prefer to search for public jobs, even though it can come after a long period of time.

5- The business men and the private sector do not bear their national responsibility in absorbing the growing numbers of new graduates and job seekers.

6- We can find this phenomenon in Algeria, which is an oil country. So there is a low employment in the private enterprises in comparison with the foreign labour. This is because the national labour market is characterized by the lack of experience, training and skills in terms of the use of advanced technology in the process of production.

7- Failure of the mass media in educating young people about the value and sanctity of any work regardless of its image or its form. In addition, mass media do not propose solutions and recommendations for the creation of new jobs and careers for young people by inviting experts and professors who are specialized in employment. Moreover, mass media have to encourage the education and training needed by current and future labour markets.

In addition to all the reasons we mentioned earlier, it may be said that one of the main reasons which led to the failure of the policy of employment and caused the increase of unemployment, are direct causes that resulted from the resolution of many public companies which laid off hundreds of thousands of people and put an end to a lot of activities. Indirect causes attributable to structural factors, including not only the weakness of the national economy, but also the inflexibility of the Algerian economy in all sectors, industry, agriculture or services. Furthermore, the stop of many productive investments has led to a lack of jobs and employment and also the reverse oil price shocks of the 1980s until the late of 1990s, which led to the reduction of employment rates.

Labour force and unemployment in Algeria:

To learn more about the labour force in Algeria and its distribution, we review in following the evolution of the employed population scale in Algeria during the period (1990-2010) and its distribution through the different economic sectors.

a- The evolution of employed population in Algeria during the period (1990-2010):

The positive development of employment in any country is bound up with the increase of the active population involved and thus reducing the number of unemployed.

Years	1990	1991	1996	2000	2001	2003	2006	2007	2008	2009	2010
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Number of employed population(thousand)	1579	4852	5625	5725,9	6228,7	6684	8868,8	8594,2	9146	9472	9735
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Table (01): The evolution of employed population in Algeria during the period (1990-2010)

Source: prepared by the author depending on the NOS data.

Through the previous table which shows the number of the employed population in Algeria from 1990 to 2010. We can say that during the 1990s there was a slow increase in the number of employed people reached almost one million workers. All this was due to the economic reform policies pursued by the Algerian government at that time. It restructured and privatized many public enterprises which resulted in layoff of thousands of workers. Consequently, many workers found themselves out of work, at the same time, there had already been difficulties to find jobs for the unemployed and new entrants to the labour market.

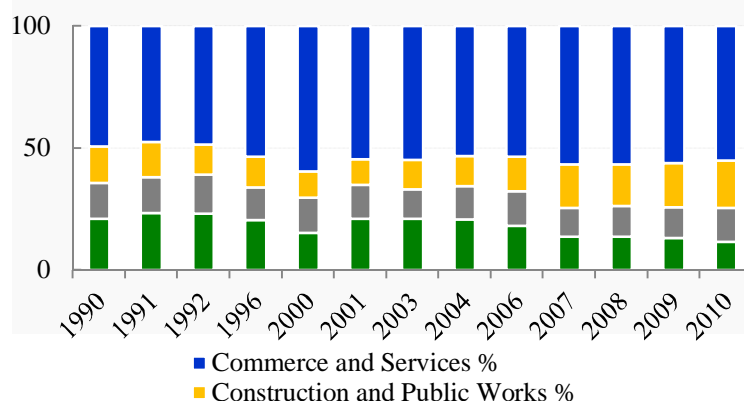
However, after 2000 and until 2010 there was a significant increase in the volume of employment. Therefore, within ten years the number of the employed population went up by more than four million workers. This improvement in job creation was due to the various programmes undertaken by the government in the field of employment by the end of the 1990s and the first decade of the 21st century. Among these programmes established by the Algerian government to combat unemployment, we find, for example, the National Agency for the support of youth employment (ANSEJ) created in 1996, the Public Works Programme and the Intensive Use of Labour (TUPHIMO), the Programme of Contracts before Employment (CPE) established in 1998, The National Fund for Unemployment Insurance (CNAC), and other agencies in charge of creating jobs and fighting unemployment.

b- The evolution of employed population in Algeria in the different sectors of the economy:

The following Figure shows the volume and the portion of the evolution of employment in the different economic sectors in Algeria from 1990 to 2010.

The size and proportion of employment in Algeria developed during the period (1990-2010) according to the specificity of the different economic sectors as follows:⁽⁵⁾

Figure (01): The evolution of employed population in Algeria in the different sectors of the economy (1990-2010)



⁽⁵⁾- Emploi et Chômage, Office National des Statistiques, 4^{ème} trimestre 2006, 2007, 2008, 2009, et 2010.

Source: prepared by the author depending on the NOS data.

Firstly: The employment in the agricultural sector: the figure n° 01 shows that the proportion of the population employed in the agricultural sector was 21.1% in 1990, then rose to 23.4% in 1991, but from this year on, it decreased to 13.6% in 2007 and 11.7 % in 2010. This confirms the weak contribution of the agricultural sector in employment, which can be the consequence of the following factors:

- * The economic transformation experienced by Algeria and its industrialization policy which had contributed to the promotion of non-farm activities.

- * The income inequality between the agricultural sector and other sectors which pay high salaries in order to entice and attract workers.

- * Lack of financial and material resources which urges peasants to migrate to the cities in search of work in other sectors.

Secondly: The employment in the industrial sector: from the above figure, it can be seen that the proportion of the population employed in the industrial sector fluctuated between 13% and 16% over the period from 1990 to 2010. Although the Algerian government gave a great importance and priority to the industrial sector as an effort to build an economy dependent on industry, however, this sector has failed to absorb more of the active population.

Among the reasons that lowered employment rate in this period was the adoption of privatization of public companies by the Algerian government, which caused the closure of many companies. Therefore, the layoff of many workers, as well as the inability of the private sector to participate in the creation of new jobs.

Thirdly: The employment in the construction and public works: this sector has experienced a decline in the rate of employment which was 15% in 1990, and then went down to 10.4% in 2001. However, in the last nine years, the proportion of employment in this sector rose to 19.4% in 2010, a rate which we have not seen since twenty years in this sector.

The observed decrease in the contribution of this sector to absorb the active labour force during the 1990s was due to privatization which resulted in the closure of many national companies that were active in the construction and public works. As a result of this policy, many workers were dismissed so there was a low proportion of employment in this sector.

As for the increase that has observed recently in the contribution of this sector in employment, it can be traced back to the various development programmes that were achieved in this area, such as the project of East-West Motorway, and the programme of one million habitation, in addition to the various bridges and tunnels that have been completed and which are still in progress.

Fourthly: The employment in Commerce and services sector: based on the figure above, we note that the commerce and services sector is the most absorbable in terms of employment in Algeria. The employment rate in this sector did not go down to less than 47% during the period (1990-2010), it was equal to 49.3% in 1990, then rose to 59% in 2000. However, it diminished until it stood at 55.2% in 2010.

The large contribution of the Commerce and services sector in employment in Algerian economy is due to the strong participation of the private sector in these activities, where we find many people establishing small and medium businesses

which help to create new jobs. In addition, this sector is characterized by mobility and diversification of activities, a matter which attracts not only local investors, but also the foreign business men to invest in Algeria.

c-The evolution of unemployment in Algeria during the period (1993-2010):

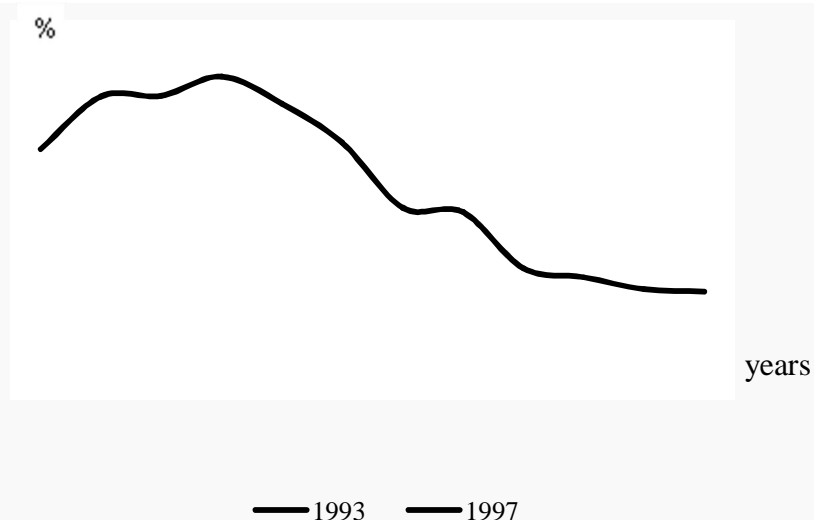
We try to show the development in unemployment rate in Algeria during the period which extends from 1993 to 2010.

Table (02): The evolution of unemployment rates in Algeria (1993-2010)

Years	993	998	000	001	003	005	006	008	010
Unemploy ment rate%	3.1	8.02	9.8	7.3	3.7	7.3	2.13	1.3	0

Source: prepared by the author depending on the NOS and ILO data.

Figure (02): The evolution of unemployment rates in Algeria (1993-2010).



Source: prepared by the author depending on the NOS and ILO data

From the table (02) and figure (02) we note that the rate of unemployment in Algeria was 23.1% at the beginning of the 1990s. From 1993 to 2000, it began to rise until it reached 29.8% which was the highest proportion of unemployment in Algeria during the period (1993-2010). However, from 2001 the unemployment rate began to drop severely, especially in 2004 and 2005 where it reached 17.7% and 17.3% respectively. The unemployment rate reached 10% in 2010 which was a remarkable sign which reveals that the labour market in Algeria is in the beginning of stabilization as a result of the government's efforts to combat this phenomenon. In addition to that, the private sector created many new jobs because of the facilities

which provided by the government in the framework of strengthening the local and foreign private investments in Algeria.⁽⁶⁾

Actions taken to combat unemployment in Algeria:

Because of the deplorable situation in the employment sector, and the worsening problem of unemployment, the Algerian government has been forced to take a set of actions to create permanent and temporary jobs to alleviate social and economic pressures. By the end of the 1980s and during 1990s, Algeria has experienced very high rates of unemployment, a thing which pushes the policymakers to take decisions through which they might find solutions to this dilemma.

The government established many agencies to help and support the unemployed people by giving them information about the labour market or financing them by money and materials. Those agencies include the National Agency of Employment (ANEM), the National Agency for Supporting Youth Employment (ANSEJ), the Agency of Social Development (ADS), the National Agency of Supporting Small Credit, the National Fund for Unemployment Insurance (CNAC), the National Agency for Developing Investment (ANDI), and so on.

a- The National Agency for Supporting Youth Employment (ANSEJ): this agency is placed under the authority of the Minister of labour, employment and social security. It is created to finance and follow up the youth projects, by Decree N°96-296 of September 1996 containing the creation and installation of the functions of the National Agency for youth employment. This Agency carries out the following tasks:

- * Encouraging all forms of business and other measures of promoting youth employment through training programmes and employment.

- * Follow up investment setting up by youth and gives assistance for them when needed.

- * Create permanent jobs for young unemployed aged between 19 and 35 years.

- * Strengthen and accompany young people with projects within the framework of investment projects and financing them.

b- The National Agency for Developing Investment (ANDI): this agency is established in 2001 which replaced the Agency of Promoting and Supporting Investments APSI. The aim of this agency is to promote and develop investment through services provided by the report of tax benefits associated with investment, which reflect positively on the creation of jobs and the alleviation of unemployment. Since the establishment of this Agency in 2001, the total number of projects that have already entered the production activity were 6616 projects with the cost of 743.97 billion DA, which created more than 178166 jobs that means 27 jobs for each project.

c- The National Agency for the Micro-Credit Management (ANGEM): it is a new mechanism created in 2004, and its aim is to promote employment through micro-credit facilities. This kind of employment supports and helps mainly the craftsmen, women and housewives. The value of loans provided by this agency is between 50,000 DA and 400,000 DA.

d- The National Fund for Unemployment Insurance (CNAC): it was established in 1994 and its main task is to ensure and help people who are laid off

from work for economic reasons, it works on their reintegration into work through granting them financial aids. As well as orienting the unemployed people to get jobs and provides them with services through the process of jobs searching. This fund helped to retain more than 1837 jobs in 2004. A new measure has been introduced by this fund in 2004 which gives the possibility of financing the establishment of activities for goods and services by people who are laid off and aged between 35 to 50 years. The capital of activities in which its capital should not be more than five million DA. Furthermore, this fund grants exemption from value-added tax on the equipment and services involved in the completion of investments, and also the exemption from tax on gross income (IRG) after three years of exploitation . Therefore, this process leads to the creation of private businesses which creates new jobs, in 2008 for example, more than 10.261 enterprises were created and helped in the creation of more than 13.176 new jobs.

e- The National Agency of Employment (ANEM): this agency is placed under the authority of the Minister of labour, employment and social security, it plays the role of intermediation between the supply of labour and the demand of labour in order to help unemployed people to get jobs by giving them information about the labour market. In addition to that, it gives assistance through the professional integration of unemployed people, especially for the new graduates from universities and professional training centers. The assistance on vocational integration is driven by the Executive Decree N° 08-126 of 19 April 2008. The objective of this programme is to encourage vocational integration of young job-seekers whether new graduates from universities, young graduates from secondary education, or even young people without degrees who do not have qualifications. As a result, this procedure came to support employment and combat unemployment in Algeria and helped to create more than 400,000 jobs in 2009.

Conclusion:

In conclusion, after examining the growth rate of unemployment in Algeria, we can say that this later has known many fluctuations during the last two decades. In addition to the above, we have found that unemployment in Algeria has affected mainly the category of people under the age of 25 years. Moreover, the services and commerce sector absorbs the greatest proportion of the labour force because of the openness policy followed by the Algerian government.

On the whole we could argue that dealing with the actions and measures taken to combat the problem of unemployment, it can be said that the policies of employment in Algeria have had a limited role in providing not only temporary jobs, but also permanent jobs. However, these policies have played a crucial role as strategies to reduce extreme poverty. When we considered the various unemployment support programmes across the Algerian government, the pre-employment contracts, the programme of helping professional integration adopted by the National Agency for Employment and the National Fund for Unemployment Insurance and other agencies encouraged the professional integration and increased employability of the unemployed people. In addition, the government is still betting on a sensitive sector in the field of employment which focuses on the creation of jobs. This sector is the small and medium-sized enterprises sector, which has proved effective results in many countries.

A strategy of reducing unemployment rates should be based on rational economic policies which lead not only to decrease unemployment, but also to achieve the purposes of the economic policy in general. Consequently, the Algerian government

could maintain a kind of stability and equilibrium in their labour market as well as in their economy as a whole.

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