

The Socioeconomic Approach of Unemployment in Algeria during (1990-2018)

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Abstract: 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 programs, 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 that have led to the disequilibrium of the labour market and therefore an increase of unemployment rates. This study will also aim to show the contribution of the various programs and procedures that have been created to deal with the problem of unemployment.

Keywords: unemployment; labour market; employment policy; market; employment

Jel Classification Codes: E24; J44; E69; J21; E29.

I- Introduction :

Being employed does not only provide a source of income to provide for one's needs, but is also a source of accomplishment and self-esteem. Unemployment therefore will not only deprive people from the needed financial support, but will also be a cause for anxiety about future prospects.

Countries that invest more in the employment sector will experience more growth in their capital stock and their GDP compared to others who invest less. The country's standard of living is usually measure by the rate of unemployment, with lower rates of unemployment indicating higher living standards. 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 rate of unemployment varies considerably over time and across countries. When a country keeps its workforce as fully employed as possible, it can achieve higher levels of GDP than it would be if it left many out of work.

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Like other developing countries, Algeria has experienced very high rates of unemployment which has affected its economic, political and social stability in the last three decades. In consequence, Algerian policymakers have worked to deal with unemployment by adopting a range of measures and policies. These policies are meant to face the huge number of new job seekers in the labour market, especially fresh university graduates.

II– 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 Organization, unemployment (or joblessness) occurs when people are without work and actively seeking work. So people who are 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. (Wikipedia.org/wiki/unemployment, 2020)

The National Office of Statistics (**ONS**) produces official estimates of unemployment using the International Labour Organization approach, and defines unemployment by showing the characteristics of the unemployed as follows (فدي، 2005، ص37)

- They should be between 15 and 60 years old.
- They do not have a job during the period of regular survey.
- They should be in a situation in which they are looking for a job by taking all the possibilities and procedures to find a job.

III- Measuring Unemployment:

Measuring unemployment in Algeria is the mission of the National Office of Statistics (**ONS**), which is part of the department of the Finance Ministry. Every year, the ONS 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 ONS places each adult (aged between 15 and 60 years) 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. People who fit neither of the first two categories, such as full time students, homemakers, or retirees, are not in the labour force. In conclusion, the labour force is the sum of the employed and the unemployed.

Labour force = number of employed + number of unemployed.

The Bureau of Labour Statistics defines unemployment rate as the percentage of the labour force that is unemployed. (MANKIW, 2005, p294).

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

IV- Causes of Unemployment in Algeria:

The issue 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. (ROMER, 1996, p439).

Unemployment is considered as the most complex issue that faces the Algerian government since there is a large proportion of young people who are either unemployed or are 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- The 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 the labour market every year. Moreover, the ongoing efforts to increase the contribution of women in the country's development, the continuity of the old people to work after reaching retirement age and the child labour are also 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 negative perception of manual work which requires physical effort. So young people prefer to search for jobs in the public sector, even though they can them after a long period.

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

6- Like in many oil exporting countries, the private sector contribute less in the creation of jobs and the employment of job seekers. 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 other words, 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. 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 is the closure of many public companies which laid off hundred 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 lack of productive investments has led to a lack of jobs and employment as well as and the oil price shocks of the 1980s until the late of 1990s, which led also to the reduction of employment rates.

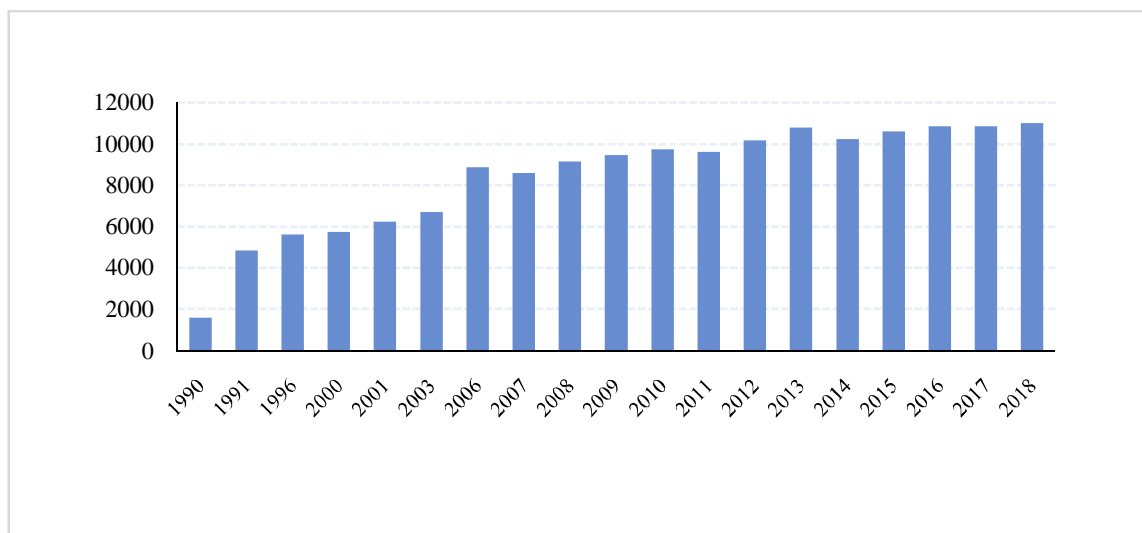
V- Labour force and unemployment in Algeria:

To learn more about the labour force in Algeria and its distribution, we review the evolution of the employed population scale in Algeria during the period (1990-2018) and its distribution through the different economic sectors.

V.1 The evolution of employed population in Algeria during the period (1990-2018):

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.

Fig (01): The evolution of employed population in Algeria during the period (1990-2018)



Source: prepared by the authors relying on the ONS data.

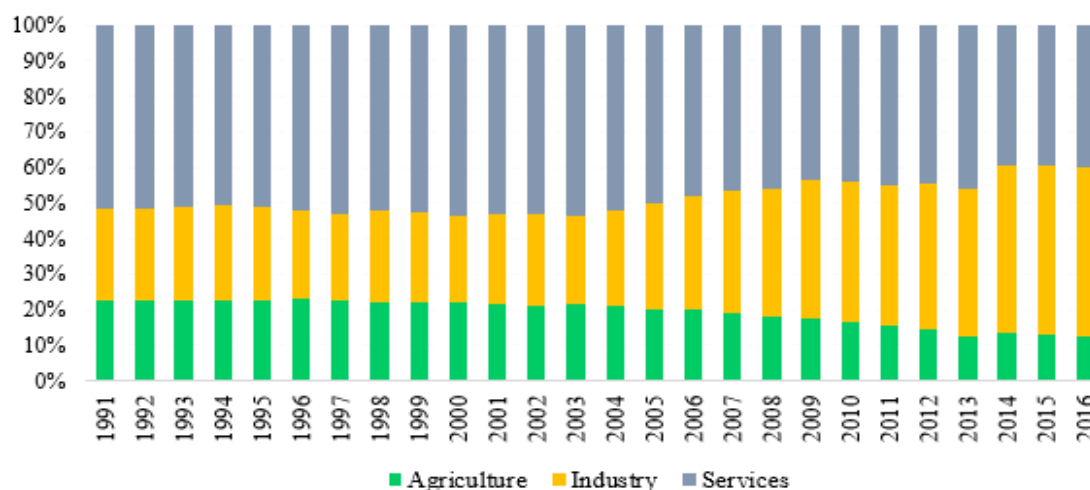
Based on these figures which shows the number of the employed population in Algeria from 1990 to 2018 we can say that during the 1990s there was a slow increase in the number of employed people which reached almost one million workers. All this was due to the economic reform policies pursued by the Algerian government of the time. It restructured and privatized many public enterprises, which resulted in layoff of thousands of workers. Consequently, many workers found themselves out of work and faced difficulties to find jobs, a problem that was compounded with the growth in new entrants to the labour market. However, after 2000 and until 2018 there was a significant increase in the rate of employment. Therefore, within eighteen 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.

V.2 The evolution of employed population in Algeria in the different sectors of the economy:

The following figures show the volume and the portion of the evolution of employment in the different economic sectors in Algeria from 1990 to 2016.

The size and proportion of employment in Algeria developed during the period (1990-2016) according to the specificity of the different economic sectors as follows: (ONS, 1991-2016).

Fig (02): The evolution of employed population in Algeria in the different sectors of the economy (1991-2016)



Source: prepared by the authors depending on the ONS data.

Firstly: The employment in the agricultural sector:

Figure 02 shows that the proportion of the population employed in the agricultural sector was 21.1% in 1991, then rose to 23.4% in 1998, but from this year on, it decreased to 13.6% in 2007 and 11% in 2016. 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 attract workers.
- * The lack of financial and material resources which urge peasants to migrate to the cities in search of work in other sectors.

Secondly: The employment in the industrial sector:

From the above table, it can be noted that the proportion of the population employed in the industrial sector fluctuated between 13% and 24% over the period from 1991 to 2016. Although the Algerian government gave a great

importance and priority to the industrial sector as an effort to build an economy dependent on industry, 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 public companies. Such policy caused the layoff of many workers which was made worse by the inability of the private sector to participate in the creation of new jobs.

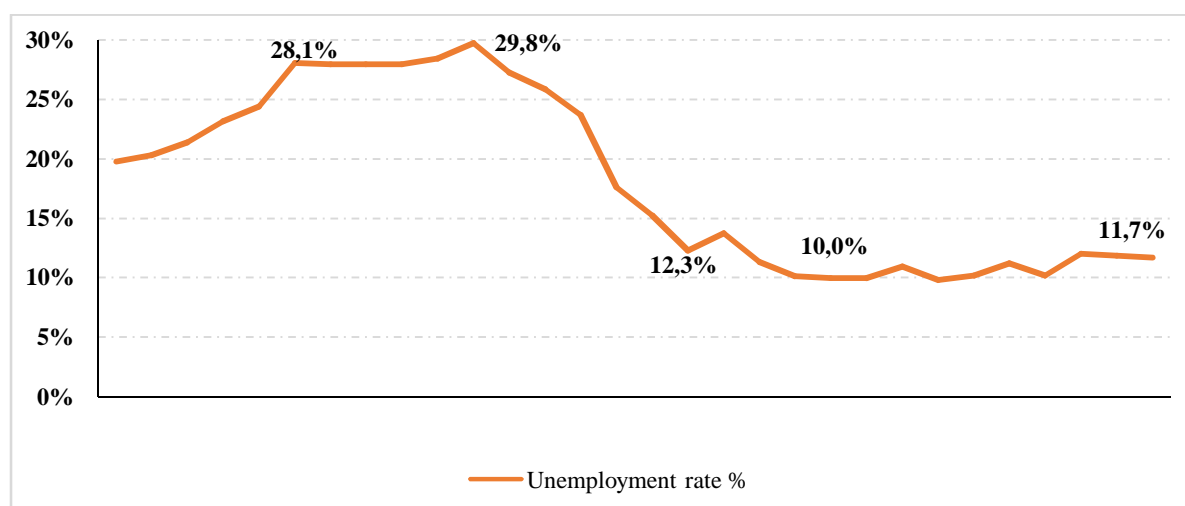
Thirdly: The employment in Commerce and services sector:

Based on the table above, we note that the commerce and services employs most of the active work force in Algeria. The employment rate in this sector did not go down to less than 47% during the period (1990-2016), reached 49.3% in 1991, and then rose to 59% in 2000. However, it diminished until it stood at 55% in 2010 and 2016. 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 that attracts not only local investors, but also the foreign businesspersons to invest in Algeria.

V.3 The evolution of unemployment in Algeria during the period (1990-2019):

We try to show the development in unemployment rate in Algeria during the period which extends from 1990 to 2019.

Fig (03): The evolution of unemployment rates in Algeria (1990-2019).



Source: prepared by the authors relying on the ONS and ILO data.

From figure (03), 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 rate of unemployment in Algeria during this period. However, from 2001 the unemployment rate began to drop markedly, 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 revealing that the labour market in Algeria was in the beginning of stabilization because of the government's efforts to combat this phenomenon. In addition to that, the private sector created many new jobs because of the facilities provided by the government in the framework of strengthening the local and foreign private investments in Algeria. On the other hand, there was a remarkable increase in the rate of unemployment in Algeria from 2016 to 2019 because of the continuous drop in oil prices in the international markets. This confirms that the Algerian economy is very fragile and dependent on the oil prices which are not stable and fluctuating.

VI- The Social, Economic and Political Impacts of Unemployment in Algeria:

As we mentioned before, unemployment may have many negative effects in the different fields and aspects of social, economic and political life.

VI.1 The Social Effects:

Unemployment has negative effects on the attitude of young people as a result of losing their positions, length of job search and the feelings of hopelessness, unease and anxiety, as well as failure and frustration which is reflected in their social relations with society, the sense of despair among the unemployed youth thus reduces their resistance to psychological and social challenge imposed by unemployment, which leaves them exposed and affected easily by deflection currents.

VI.2 The economic effects:

Unemployment is a real loss of financial, material and human resources which means a loss of goods and services that could be produced by unemployed workers, even when they have the unemployed jobs and become their production, their work and their production will compensate for losses that occurred during the period of unemployment. In addition, unemployment leads to the loss to skills because of the long waiting periods. It is known that the skills and experience to use and grow with the times, especially whenever the workers to meet the artists during their latest production.

Another type of loss the allocation of State resources for the maintenance of the basic needs of the unemployed. Governments find themselves in a political and social problem and serious security must be faced and that whenever there is unemployed lost their sources of income, and they and their families basic needs. Here you must provide the necessary subsidies through the general budget. The amounts of such subsidies at times of unemployment would make it difficult for the government to invest infrastructure such as roads and universities.

VI.3 Political effects:

The effects of unemployment on society in terms of politics starts where the emergence of various political currents as the social economic and political circumstances that surround the community as a whole, thus threatening the security of the State. The leaders of these movements exploit a phenomenon or problem of unemployment in the community and many youth start forming groups against the regime, which threatens the security of the nation and stimulate disorder.

VI.4 Security effects:

Unemployment has implications on the social, political and the security of the country as well as unemployment is linked to disruption and difficulty of life as a result of failure to meet the essential humanitarian needs leading to social crimes, terrorism and violence, crimes of morality and the spread of narcotic drugs and illicit sources of income. Such problems would intensify a sense of poverty among the youth and, trigger resentment of the rich and society as a whole, and weaken the loyalty to the nation. As a result of all of this, unemployment destabilizes the internal security of the country because of the involvement of large numbers of unemployed people in the political and religious illegal organisations.

VII- Facing Unemployment:

The treatment of unemployment is not easy but it can be minimized by following certain procedures which include the following:

A- It is possible to reduce unemployment through actuators information services, which intend to give enough information on the whereabouts and conditions of jobs and benefits. It can also reduce unemployment if the actuators and youth seeking employment for the first time to choose the right job for them. This comes

only through more information about jobs available with advice from experienced people.

B- Facing structural unemployment requires retraining and rehabilitation of workers until their careers are commensurate with what is needed in the labour market. One renewable source of structural unemployment in the developing countries are graduates of universities, colleges and high schools who do not qualify for jobs in the labour market. In addition, the development of education programs and updating it to suit the needs of economic activity, as well as dealing with structural unemployment have encouraged workers to places where there are suitable jobs corresponding their specialties and expertise.

C- Economic policies can play a critical role in reducing unemployment gradually through expansionary monetary and fiscal policies that help to get rid of the economic recession. In developing countries, there needs to be additional intensive developmental efforts to increase investment and the development of productive activities in the long term, thus creating more opportunities for action.

D- Correction wage labour market mechanism could play an important role in reducing unemployment rates to the more common competition in the labour market more wage rates reflect the situation of labour supply and demand, so it is possible that the wage changes its role in correcting the situation whenever misfire due to unemployment. Of course, it is not expected to actually be disposed on the market of all the factors that limit the degree of competition, but any steps to reduce the size of government intervention or trade union in the labour market and reduce the dominance of large companies on some labour market wherever possible take advantage of the wage mechanism in reducing rates of open unemployment.

E- Giving importance for craft industries and small activities can be counted on to create jobs. These industries often depend on intensive techniques to work, so you don't need a large capital or organizational experience to make it easy for young people and many people do through the insurance and taxes or disable official approvals, on the other hand, to support these industries gives places where activity and solve the problem of financing and assistance in marketing their products will help them to grow and absorb larger numbers of individuals to work.

VIII- 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 situation that pushed 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.

VIII.1 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.

VIII.2 The National Agency for Developing Investment (ANDI): this agency is established in 2001 and 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.

VIII.3 The National Agency for the Micro-Credit Management (ANGEM): it is a new mechanism created in 2004 and aims to promote employment through micro-credit facilities. This kind of employment supports and helps mainly the artisans, women and homemakers. The value of loans provided by this agency is between 50,000 DA and 400,000 DA.

VIII.4 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. It also helps 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. (Ahmed LOUHBAIBAT, 2014, p. 313).

VIII.5 The National Agency of Employment (ANEM): this agency is placed under the authority of the Minister of Labour, Employment and Social Security and 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 centres. 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. (LOUHBAIBAT, 2014, p314).

IX- Conclusion:

To conclude, it is clear from the discussed data that unemployment rates in Algeria have markedly fluctuated in the last three decades. Moreover, people aged under 25 are more affected by unemployment than others. It is also clear that the services and commerce sector employ most of the active labour force in Algeria thanks to the openness policy followed by the Algerian government.

Overall, we argue that in taking actions and measures to deal with unemployment, the Algerian government has had only a limited role in providing not only temporary jobs, but also permanent ones. However, these policies been crucial in alleviating extreme poverty. The Algerian government have also devised a number of unemployment support programmes like 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 which encourage which have helped the professional integration and increased employability of the unemployed. Besides these programmes, the government is counting much on the creation of small and medium-sized businesses which have proved successful in dealing with unemployment in many other countries.

We argue that a more effective strategy to reduce unemployment should be based first and foremost on rational economic policies which will not only deal with the problem of unemployment, but will also help resolve more fundamental economic challenges. This could maintain a kind of stability and equilibrium in both the labour market and the Algerian dependent economy as a whole.

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