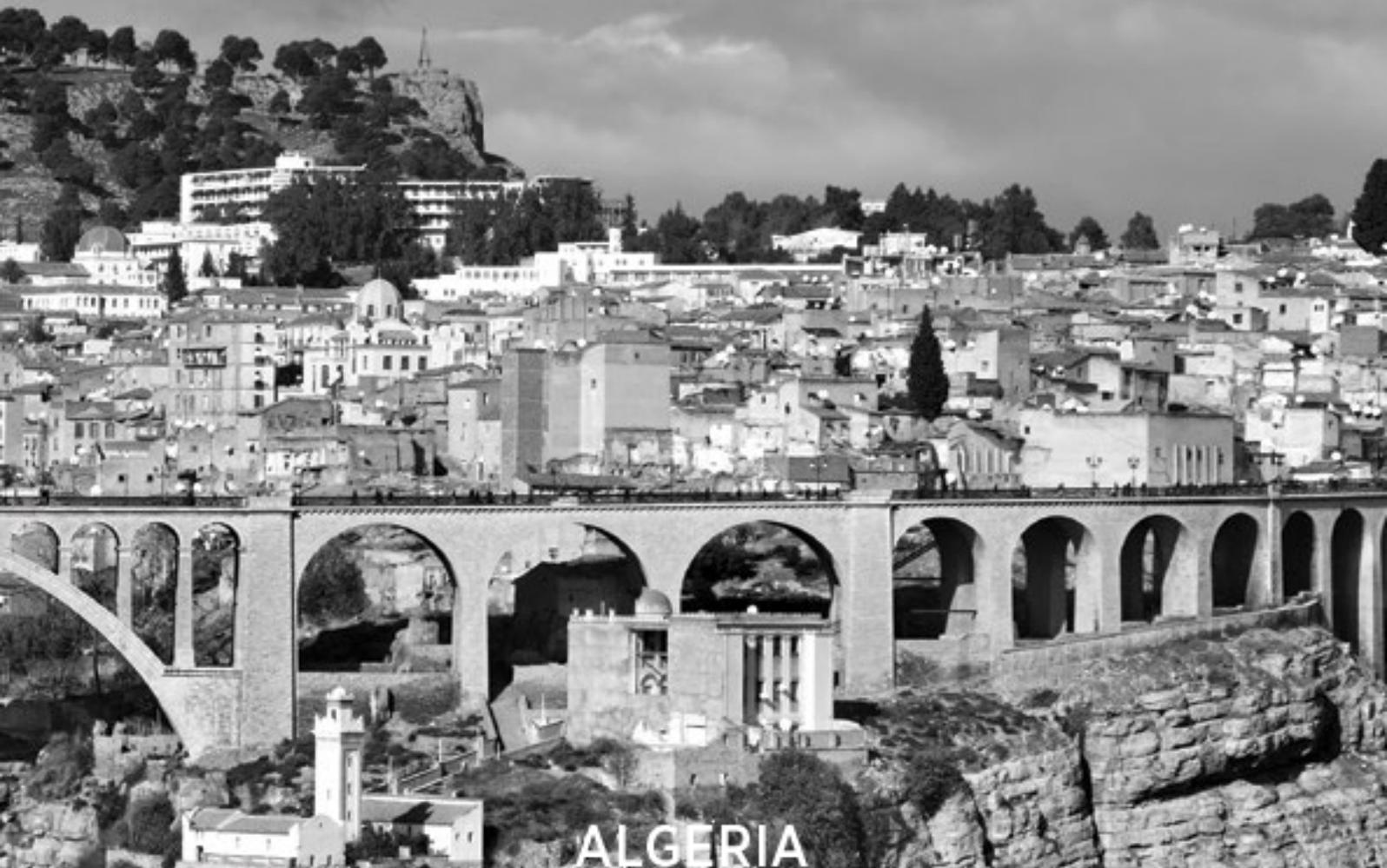


# INFORMAL LABOR: POLICIES' DRIVES AND REALITY'S STRAIN – CASE OF ALGERIA



ALGERIA

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## EXECUTIVE SUMMARY

Similarly to other Arab countries, Algeria has been suffering from the phenomenon of informal labor, estimated at around 37.7% of the total workforce (with the exception of the agricultural sector). The key characteristic of informal labor in Algeria is its decline since 2011, following a relevant rise between 2003 and 2010. This decline could be the result of the public mechanisms incentivizing the creation of all forms of job opportunities. However, the fall of oil prices in 2014 shocked the Algerian economy, which highly relies on oil exports; this could have directly resulted in another rise of informal labor. In the paper entitled « Informal Labor in Algeria », we will tackle the various aspects of said phenomenon, by reviewing demographic tendencies, informal labor in Algeria and implemented policies to eliminate it.

### 1. Demographic trends

The Algerian population tripled in the last 44 years, rising from 12 million in 1966 to 39 million in 2014. This is due to the rise in birth rates registered since 2002, reaching 25.93 in 2014, as well as the decrease in mortality rates. In fact, the mortality rate decreased fourfold between 1970 and 2014, primarily as a result of the improving health conditions in Algeria. In addition, the population growth rate in Algeria witnessed an important growth in the past 15 years, increasing from 1.48 in 2000 to 2.15 in 2015. This is due to increasing birth rates and decreasing infant mortality rates throughout the aforementioned period. The General Population and Housing Census of 2008 indicated that around 21% of the population in Algeria ranges between 15 and 24 years old. This segment of the population witnessed a full 6 points upsurge in 2008 out of 15.6 in 1966. In absolute value, the number quadrupled over the span of 42 years, increasing from 1.8 million in 1966 to 7.4 million in 2008.

The current population structure in Algeria reveals a drop in the number of young men, an increase of adults and a noticeable rise in the age of a large segment of the population, revealing an aging population. It is projected that this current structure would generate socio-economic repercussions pertinent to the growth of the active population. In parallel, this situation contributes as well to the rise of unemployment rates, resulting from large numbers of young men entering the job market. The increasing number of elderly Algerians raises the problem of financial equilibrium of the pension system, which already suffers from structural disruptions.

### 2. State of the labor market in Algeria

The active population in Algeria increased by around 5 times between 1966 and 2015, and rose from 455 2 in 1966 to 932 11 in 2015. The activity rate in 2015 was estimated at around 41.8%. As for the unemployment rate, it decreased by 21.7 points between 1966 and 2015. In absolute values, the number of the unemployed was slashed by half, falling from 2 000 078 to 1 000 034.

We can distinguish 3 stages of the unemployment rate development in Algeria. In the first stage, namely the pre-crisis stage (1985 - 1966), the unemployment rate was falling. It dropped from 34% to 10% during the same period. This decrease could be attributed to three main factors: 1) intensive employment, sometimes reaching three times the numbers needed, by recently established public institutions; 2) the labor market in Algeria was characterized by men's dominance over women, which explains weak contribution by the latter; 3) cooperation agreements on migration for work, signed between Algeria and a number of countries, especially France, previously run by the National Labor Force Diwan until 1973. As for the second stage, it started around 1986, the year oil prices plunged. It led to a slowing economic activity and about a 30% drop of the public institutions' production, while

others refrained from hiring, contributing to the rise of the unemployment rate. During the third stage, starting in 1997, or the post-crisis stage, the unemployment rate witnessed a tangible drop, reaching 11.2% in 2015.

The number of the employed population reached 594 10 in 2015, i.e. 26.4%, while women represented 18.3% of the total working population, equaling 934 1.

The overall employment rate in Algeria is 37.1%, ranging from 60% for men to only 13.6% for women. It is noteworthy that the youth employment rate is significantly low (30.1% for men and 4.8% for women) compared to adults (69.9% for men and 16.4% for women).

### 3. Informal labor in Algeria

The informal labor sector (with the exception of the agricultural sector) was estimated in 2014 at around 517 3 000 workers, all of whom reported not being registered at the social security system, and representing 37.7% of total labor force in the non-agricultural sector. It is possible to differentiate between two stages characterizing the development of informal labor in Algeria. The first stage spanned from 2003 to 2010 and is characterized by the rise of informal labor. The second stage started in 2011, concurrently with the launch of the third generation of mechanisms incentivizing the creation of job opportunities, thus reducing informal labor palpably compared to the previous stage. If we compare between these two types of labor during the same period, we can conclude that informal labor managed to absorb a share of the people who managed to find a job. This provides us with a critical idea of the type and vulnerability of jobs created throughout this period. Furthermore, the comparison between the development of formal labor and that of informal labor between 2003 and 2014 reveals a concrete rise of the latter with a growth rate of around 86.6%, while formal labor recorded a growth of approximately 71.9% during the same period.

As for the sector-based expansion of informal labor, it doubled in the industrial sector during this period (2013-2003), while it rose by 16 points in the housing and public works sector. In contrast, informal labor decreased in trade (by 12.2 points) and services (by 12.6 points) during the same period. The most damaged sectors by the phenomenon of informal labor are the housing and public works and trade sectors. Moreover, the informal labor's rate in the housing and public works sector rose by around 75.6%, and reached approximately 36.8% in the trade sector, according to the National Office of Statistics (2013). As for the industrial and services sectors, the informal labor rate reached 36.8% and 14.2% respectively. The growth rate of the informal labor was faster than the growth rate of the formal sector, with the exception of trade. For example, the growth rate of informal jobs in the industrial sector reached around 7.6% (compared to 6.7% for formal labor). In the housing and public works' sector, it reached 9% (compared to 8.1% in the formal sector). In the sector of services, the growth rate of informal jobs reached around 6.4% compared to 6.1% in the formal sector. It is worth mentioning that the trade sector represented the exception compared to other sectors, with a growth rate of informal labor lower than 6.6% against 7% for formal labor.

Young adults aged between 15 and 24 years old are chiefly concentrated in the agricultural sector, compared to adults between the ages of 25 and 64. The difference between the two categories was of 6 points in 1997 and rose by one full point in 2010. In 1997, young adults mainly worked in the agricultural sector (20%). By 2010, their number increased to reach more than 34.7% in the category of paid undeclared labor. The representation of young adults shrunk compared to adults in the protected sectors: administrative and economic

public sector. In addition, young adults are underrepresented in the category of declared workers in the private sector, compared to adults. Nonetheless, this situation changed in 2010. A growing number of unprotected categories and undeclared labor was noticed in the private sector. Subsequently, the situation didn't effectively improve between 1997 and 2010.

We have managed to differentiate between three main sources of informal labor in Algeria: school dropouts, vocational training and higher education diploma holders as well as economic reforms, privatization and restructuring of public institutions.

A study conducted by UNICEF in 1999 found that 500 500 minors were working in Algeria, which represented around 5% of children aged between 15 and 18 years old, 60% of whom were working in cities and urban areas. The General Union of Algerian Workers (UGTA) presented greater numbers than those published by public institutions, and revealed the existence of 300 1 workers under 18 years old, including 700 girls. If these numbers look somewhat "frightening," we could also justify that with the assumption that every child dropping out of school will undoubtedly seek a job for him/herself or his/her family.

The number of diploma holders reached around 200 200 in 2001, which raises the problem of their employment, especially with the restructuring of the public industrial sector and the private sector's incapacity to replace the former. This vulnerability is further exacerbated if we add the educational and vocational systems' inability to match vocational and educational diplomas and the needs of the labor market in Algeria. According to the National Economic and Social Council statistics (CNES) (2004), the integration percentage of holders of vocational training diplomas reached around 15%.

Privatization and the shutting down of public institutions contributed to an increase in unemployment. Even the active public institutions implemented internal restructuring programs, which resulted in voluntary layoffs. In 1998, the number of laid off workers reached 637 198, including 215 161 who have benefited from unemployment insurance and 37 422 who chose early retirement. The mechanisms of early retirement, workers lay off and voluntary resignation indicate a certain form of economic exclusion for economic collaborators in the modern sector, or to be more exact, for the protected part of the market. More often, "the excluded" return to take their position in parts of the independent or competitive markets. It has been noticed that laid off workers establish limited responsibility companies to work in marginal activities of their previous institutions. In addition, retired employees carry on working at their previous positions as temporary employees.

It has become clear that informal labor is still on the rise since the early nineties. This was revealed by our analysis, indicating that the phenomenon of informal labor does not arbitrarily impact all generations. New generations are the most affected by the informal labor phenomenon, in spite of their high education level. Subsequently, we are in the middle of this duality, which could lead to an intergenerational conflict, with the ensuing repercussions on the political level and the social environment. This work deserves to be completed by differentiated categories of people based on their qualifications. In fact, we have analyzed medium impacts regardless of people's qualifications. We are thus facing the impact of restructuring given the rise of qualification and education level, especially for women.

The dynamic analysis of informal labor in Algeria allows us

to state that following the plunge registered in the post-independence years, the rate of informal labor started to rise with new generations entering the labor market since the eighties. The arrival of these generations was concomitant with the economic crisis and the deep transformations shaping the Algerian economy. It is baffling that new generations are the most affected by the informal labor phenomenon despite their high education.

### 4. Adopted policies in combatting informal labor

Despite multiple programs focusing on the elimination of poverty and the enhancement of employment, there is no specialized program to eliminate informal labor specifically targeting this category of workers. The employment policy in Algeria depends on two main pillars: improving employment by incentivizing entrepreneurial initiatives and improving employment.

By paving the way for individual initiatives to establish enterprises, the employment improvement initiative is based on the idea that paid labor alone is not the solution to the unemployment problem. Thus, there is a need to reflect on a labor generating mechanism, providing jobs to ambitious young people eager to prove themselves by allowing them to enter the entrepreneurial world. In order to achieve these objectives, public authorities have adopted an institutional mechanism represented by the National Youth Employment Support Agency (ANSEJ), the National Microfinance Management Agency (ANGEM), the National Fund for Support to Youth Employment, and the National Unemployment Insurance Fund. Numerous mechanisms to support this type of labor have been adopted under the umbrella of certain institutions such as the National Employment Agency (ANEM), Employment Directories and the different departments for occupational inclusion. As for the results of these programs, the number of job offers registered by the National Employment Agency rose from 235 job offers in 2010 to 400 job offers in 2014, an upsurge of around 70%. Moreover, the National Employment Agency was able to increase the number of positions offered from 180 in 2010 to 308 in 2014, a growth rate of over 71%. As for the achieved recruitment within the supported labor contracts, they have increased from 17 sponsored employment contracts in 2010 to 47 sponsored contracts in 2014, i.e. a growth rate of over 179%. The existence of schemes to improve employment and eliminate unemployment, ratified by the government in 2008, by virtue of which intra-sectoral coordination committees were formed to prepare, implement and evaluate the national employment policy, allowed the preservation of the job creation dynamic and unemployment reduction, resulting in the decline of unemployment from around 30% in 1999 to 11.2% in September 2015. However, the attention given to these issues did not help employment-seeking youth; they never saw the purpose of entering the informal labor in the hopes of finding an employment that suits their qualifications. Nonetheless, this endeavor is either considered by youths to be a transitional stage or one allowing them to await a formal job opportunity, which many seem unable to grasp.