

## The Logic Of The Pension System In Algeria

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### Abstract:

Many questions arise: retirement, a big business? How many retirees do we count? What is the average retirement income level? Dispersion of retirees' income? Retirement is expensive, what does this mean? And also, many suggestions: « There's not work for everybody and workers must retire earlier and earlier » « Seniors are becoming more numerous, this is why pension costs are getting more and more expensive » « Despite their high cost pensions are too low »

The article presents an insight into the old age pension system in Algeria. There are three topic paragraphs: 1. Retirement: Definition and Characteristics of Evolution, 2. The Retirement System in Algeria, 3. challenges and new reform. There, the author's goal was to present both past and present solutions employed by the Algerian pension system, in search for ideas worth consideration, in then end the author's present the reform in the Algerian system.

**Keywords: retirement system, funding, balance of the system, demographic data.**  
المخلص:

العديد من الأسئلة التي تطرح حول التقاعد .ايضا حول كم عدد المتقاعدين الذين يملوهم صندوق التقاعد . ما هو متوسط مستوى دخل التقاعد؟ كيف يتشتت دخل المتقاعدون؟ التقاعد مكلف، ماذا يعني هذا؟ . وأيضاً، العديد من الاقتراحات «ليس هناك عمل للجميع ويجب أن يتقاعد العمال في وقت مبكر وأسبق» «أصبح عدد كبار السن أكثر عدداً، وهذا هو السبب في أن تكاليف المعاشات التقاعدية تزداد وأكثر تكلفة» «على الرغم من معاشاتهم العالية التكلفة منخفضة جداً».

تقدم المقالة نظرة ثاقبة على نظام المعاشات التقاعدية للشيوخة في الجزائر. هناك ثلاث فقرات موضوعية كالآتي: التقاعد: تعريف وخصائص التطور، 2. نظام التقاعد في الجزائر، 3. والتحديات والإصلاحات الجديدة

كان هدفنا هو طرح الحلول السابقة والحالية التي يستخدمها نظام التقاعد الجزائري، بحثاً عن أفكار تستحق النظر، ثم في النهاية نعرض الإصلاحات في لنظام لتقاعد الجزائري. الكلمات الرئيسية: نظام التقاعد، والتمويل، وتوازن النظام، البيانات الديموغرافية.

**Introduction:**

Given the extent of the situation, first of all we must say that the retirement system is the product of a history, a sum of experiences, of established rights and this is visible in any society. A look at its history also seems important to see the gradual and differentiated development of the system.

Being an integral part of the Algerian social security, the national retirement system has evolved since its creation according to the changes experienced by our country economically and socially.

The Algerian retirement system, applicable from 1 January 1984, is an insurance system, contributory, characterized by solidarity between workers and retirees, therefore operating on the principle of distribution. It is characterized by the Uniqueness of the system for all the employees, the Standardization of rules for the assessment of pension rights, benefits for taxpayers and finally, by the Standardization of funding.

It is interlinked with national institutions: the political system, the tax system, labor law, labor relations, social protection as a whole, the overall logic of these elements would deserve further analysis.

However, public spending on retirement pensions is a major issue that can't be ignored, as well as the three contributors for every pensioner, remarkable demographic data, a life expectancy increased from 47 years old to 67 years old and socioeconomic data with an unemployment rate previously at 10.3% dropping to 9.8% in 2013.

Nevertheless, it is necessary to have in mind major actions such as the Pensions Reserve Fund which represents a sort of guarantee for the system and the redistribution of resources within and between generations (intergenerational).

Consequently, given this paradoxes, **what is the logic of the retirement system in Algeria?**

The purpose of this article is more modest. First of all, it will consist in analyzing the state of the different organizations of retirement systems that will be presented. This analysis will lead to a summary of difficulties and risks inherent in the retirement systems administration and it will allow us to see its adjustment to the demographic development. Second, proposals of practical and common solutions for the management of retirement systems risks will be presented, with projections regarding its future balance.

We will attempt to answer the following questions: how is the retirement system organized in Algeria? Are the retirees poor?

**I -Retirement: Definition and Characteristics Of Evolution:**

Definitions of "retirement" in literature tend to focus mainly on one or several of the following subjects: (a) attitudes and intentions of individuals according to their statements, (b) behaviour of individuals regarding labor market or (c) the moment a person begins to receive a pension or any other retirement income. **Lazear** (1986)

In literature, most studies analyze retirement in only one way. Some authors, like Gustman and Steinmeier (1984), Burtless and Moffitt (1985), Honig and Hanoch (1985), Ruhm (1990), Smeeding and Quinn (1997), Gustman and Steinmeier (2000) and Stone (2003), studied the retirement question and they used different methods: the age a person declares that he intends to retire, the self-declaration in which the person

mentions that he is retired, the situation where a person is no longer part of the labor force, when the person has put an end to his career or has left his main employer, when the person receives benefits from an employer's pension plan and when he receives benefits from a public pension plan.

Han and Moen (1999), consider retirement as a « position » someone can occupy at some point or as a process.

Stone, L.O and Hasheem Nouroz (2006) consider it as a prolonged departure from the labor market, combined with some form of retirement income.

Bellemare Diane (1983) adds, following the same idea, that a retiree is often referred to as the beneficiary of a retirement pension and when the term retirement is defined by the cessation of professional activities, it refers exclusively to the activities or services considered as productive and rendered in exchange of payment<sup>1</sup>.

Therefore, retirement is a moment of life that, while representing the leave from the labor force, offers more and more possibilities of activities and social participation<sup>2</sup>.

Retirement which means, amongst other things, the act of retiring, represents the end of a career, a cessation of professional activities<sup>3</sup>.

- **The retirement system** is defined as a set of common rules, which applies to a specific category of persons, specifying under what conditions, what criterions they will be eligible for a pension at retirement age.

- **A pension fund** is an organism that applies concretely the set of rules established by a system: it receives subscriptions and affiliations, collects contributions and distributes pensions<sup>4</sup>.

- A pension institution    -A retirement association    -A group of institutions

-**How to define the « length of service »?** The length of service can be defined in different ways, according to the status given to the unemployment periods (cf. COR, Pensions Advisory Council, 2012). In the strictest sense, the length of service can be defined as the time effectively spent working<sup>5</sup>.

**Insee** (National Institute of Statistics and Economic Studies) defined a career as the period between the age of entry into the labor market and an age of end of career characterized in three different ways (end of employment, end of activity or retirement)<sup>6</sup>. This account would have remained stable between 1942 and 1950

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<sup>1</sup>Mamdouh Tlaty, le financement des retraites entre solidarité sociale et responsabilité individuelle: quelques leçons de modèles internationaux pour la réforme du système de retraite marocain, 2008, P16.

<sup>2</sup> Emmanuelle Crenner, Être retraité : quelle identité après le travail ?, économie et statistique n° 393-394, 2006, P42.

<sup>3</sup> Gérard Cornu, vocabulaire juridique, paris, PUF, 2008.

<sup>4</sup> Jean Paul Gallas –Nicolas Corato, OP CIT, P 08.

<sup>5</sup> Patrick Aubert, Simon Rabaté, durée passée en carrière et durée de vie en retraite : quel partage des gains d'espérance de vie ?, conseil d'orientation des retraites, séance plénière du 26 mars 2014 à 9 h30 « espérance de vie, santé et durée de retraite », document n°6, p18.

<sup>6</sup> Cette définition s'inscrit dans une représentation de la durée de vie comme succession de trois périodes consécutives : période d'éducation, puis période d'activité (« carrière »), puis période de retraite. La durée de carrière ainsi définie peut donc s'éloigner de la durée de contribution « stricte », au sens de la durée moyenne agrégée de l'ensemble des périodes effectives de travail.

generations, except when defining the length of service as lasting until the age of retirement.<sup>7</sup>

## **2-The Different Phases of The Retirement Pensions Development**

**Before 1889, encouraging popular planning and employer's liberalities.**

**1850** Thiers's report to the Assembly Creation of the CNR (National Pension Fund)

**1853** Reorganization of civils and militarys government employee's pensions

### **From 1889 to 1914: beginning of legislative intervention, retirement, old worker assistance or privilege for some professions**

**1889** Germany: old age and disability insurance for workers

**1891** Denmark: first law on retirement

**1894** Miner's pension

**1898** New Zealand: creation of a national pension system

**1905** Assistance of old people with an incurable disability

**1908** United-Kingdom: first law on old age pensions

**1909** Railway worker's pension

**1910** Retirement system for workers and peasants

**1911** New law for railway workers retirement

**1911** Germany: old age insurance for employees

### **From 1919 to 1942: expansion of legal retirement systems in industrialized countries; retirement becomes a trade-union demand.**

**1919** First retirement pension laws in Spain and Italy

**1924** Pensions law in Belgium

**1927** Pensions law in Canada

**1928** Social insurances (first law)

**1930** Social insurances second law

### **From 1945 to 1960: reorganization of retirement systems and social security.**

**1945** Social Security general scheme (4th October decree)

**1946** United-Kingdom: creation of the national insurance

**1947** Creation of AGIRC (General Association of Retirement Institutions for Executives)

**1948** Autonomous pension schemes for self-employed workers.

**1952** Old age insurance for farm operators

**1954** Japan: reorganization of the employees' pension schemes cancelled after the war

**1956** Old age minimum pension and national solidarity fund (law of 30<sup>th</sup> June).

**1957** Federal Republic of Germany: reform and indexation of disability and retirement pensions (23<sup>rd</sup> February); farmer's pension system (27<sup>th</sup> July)

**1959** Japan: organization of the National Pension system

### **From 1960 to the crisis: enhancement of pensions**

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<sup>7</sup> Construction d'indicateurs de durée de retraite, Secrétariat général du Conseil d'orientation des retraites, conseil d'orientation des retraites, Séance plénière du 26 mars 2014 à 9 h30, « Espérance de vie, santé et durée de retraite », document N°12.

**1961** Creation of ARRCO (Association for Employees' Supplementary Pension Schemes)

**1971** LAW of 31<sup>st</sup> December, called Law Boulin, improving general scheme pensions.

**1972** Matching shopkeepers and craftsmen pensions system with general scheme Compulsory membership to a supplementary scheme for employees who are not attached to special schemes.

**1974** Federal Republic of Germany: law on company supplementary pension plans protecting employees' rights and demanding periodical adjustment of pensions.

United States: law on company pension plans or ERISA (Employee Retirement Income Security Act)

**Since the crisis: questioning previously acquired benefits and lowering the age of cessation of activity.**

Source : Edgard Andréani, Les Retraites, Edition La Découverte, P21, 22.

### **3-Bismarckian System And Beveridgian System:**

Two historical visions characterize social protection: The Bismarckian vision and the Beveridgian vision.

*A- Bismarckian vision:* named after the German chancellor Otto Von Bismarck. In the 1880s decade, the chancellor Bismarck provides the German Empire with the first social insurances, he started in 1881 a social insurances program that makes provision for the implement of three essential laws on Health Insurance (1883), Accident Insurance (1884) and Old-Age and Disability Insurance (1889)<sup>8</sup>.

Health Insurance (1883): it is the first stage of the social insurance development, contributions are deducted from worker's and employer's salaries. It is paid in and the benefits are paid by autonomous health insurance funds<sup>9</sup>.

Accident Insurance (1884): it is the employers' responsibility. They are obliged to affiliate to an insurance organism formed by the corporation.

Old-age and Disability Insurance (1889): it obliges German workers who earn less than three times the average salary and their employer to pay contributions to their retirement and disability pension fund. They are entitled to benefit a low pension calculated proportionately to their lost salary, in case of work disability due to age<sup>10</sup>.

The Bismarckian conception is based on the employment as part of a logic of insurance, contributory and egalitarian: in other words social protection applies to offset a loss of professional income resulting from the realization of a risk, in proportion to high contributions paid out of salaries and jointly administrated by employees and employers in autonomous funds organized by professional categories<sup>11</sup>.

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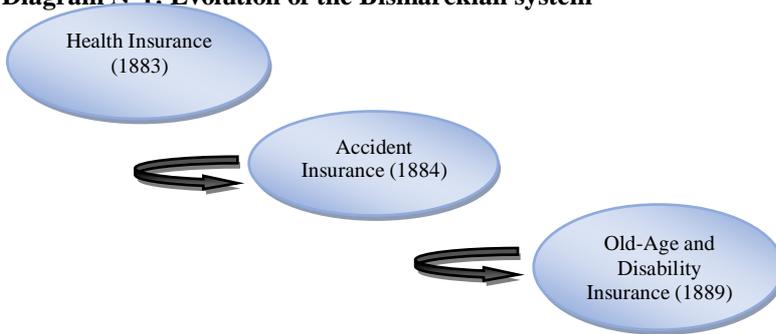
<sup>8</sup> AnneLavigne, Economie des retraites, éditions la découverte, Paris, 2013, P07.

<sup>9</sup> Fonds des offices d'assurances sociales (1884-1940) ,9AL-13AL, archives départementales du haut-rhin , colmar, 1996, P1.

<sup>10</sup> Bruno Palier, La réforme des retraites, 2003, P13.

<sup>11</sup> Anne Lavigne, Op cit, P07.

**Diagram N°1: Evolution of the Bismarckian system**



Source: Diagram by author

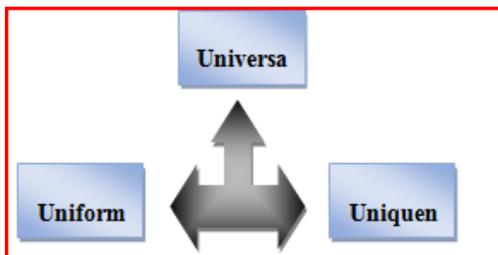
**b- Beveridgian vision:** named after William Beveridge, economist and British politician.

He recommends, from the beginning of the XX<sup>th</sup> century, the implementation of social insurances in Great Britain. His system gains recognition in 1942 with the publication in the Parliament of his report on Social Insurance and Allied Services, in which he intends to fight against the five contemporary social “Giant evils”: Want, Disease, Ignorance, Squalor, Idleness. His philosophy is based on three pillars:

- ✓ **Universalism:** coverage of all risks and protection of the whole population<sup>12</sup>.
- ✓ **Uniformity:** citizens must receive similar benefits in return of equivalent contributions.
- ✓ **Uniqueness:** one public service only is in charge of benefits. One system, one fund.

In terms of retirement, the Beveridgian system is materialized by the establishment of a general scheme protecting the whole working force and allocating identical pensions regardless of the amount of earned income, it is then a fixed benefit system.

**Diagram N°2: Basis Of The Beveridgian System:**



Source: Diagram by Author

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<sup>12</sup> Pierre-Yves Chanu, Jean-Christophe le Duigou, préface de Éric Aubin, *Le petit livre des retraites*, les éditions ouvrières, Paris, 2010, p.50.

## II-The Retirement System in Algeria

he social protection is currently administered by five national funds: CNAS (National Social Insurance Fund for Salaried Workers), CNR (National Pension Fund), CASNOS (National Social Security Fund for Non-Wage Earners), CNAC (National Unemployment Insurance Fund) and CACOBATPH (National Fund for Paid Vacation and Bad Weather Unemployment in Building and Civil and Hydraulic Engineering), under the supervision of the Ministry of Employment and Social Security. These funds belong to the legal regulation of Public Institutions with specific management, in other words, subjected to the public law in their relations with the state and to the private law in their relations with third-parties<sup>13</sup>.

The Algerian retirement system as it is nowadays is the fruit of the evolution of the economic and social context the country has been experiencing for more than fifty years.

**Table N 1 : The Population Of Algeria**

40 336 040	current population
20 357 021	Current male population (50.5%)
19 979 018	current female population (49.5%)
368 672	Births this year
1 380	Birth Day
75 674	Deaths this year
283	Death Day
-11 167	net migration this year
281 831	Population growth this year

Source: Department of Economic and Social Affairs, United Nations<sup>14</sup>

**Table N 2 : Statistics related to the Algerian population**

Percentage 65 or older:	4.7
Dependency ratio (a):	46.7
Life expectancy at birth (years) - Men:	69.4
Life expectancy at birth (years) - Women:	72.6
Statutory pensionable age - Men:	60
Statutory pensionable age - Women:	55
Early pensionable age - Men (b):	50
Early pensionable age - Women (b):	45
GDP per capita (USD):	7643

Sources: United Nations Population Division, Department of Economic and Social Affairs. World Population Prospects<sup>15</sup>

<sup>13</sup> C.A.I.MED, Assistance Sociale dans la Région Méditerranéenne, Algérie, P3.

<sup>14</sup> In <http://countrymeters.info/fr/Algeria> le 16-05-2016

### **1- Historical overview of retirement:**

Since the Algerian system is inspired by the French system or French administration, it is necessary to consider this topic. The idea of retirement and its system is the idea of social protection, which began to emerge in 1673 in France. An order has been enforced after the decision of the king, who approved the retirement system, in particular for officers of the royal navy at that time. Then, after the French Revolution, some private individuals, private managers and some workers attempted to create a “Caisse de Secours mutuels” (Mutual Welfare Fund), which developed and became a pension fund: in the 1850s decade the national pension fund for civilians and militaries was created and in 1853 a special pension fund for miners. In 1930, Social Insurance became compulsory and was generalized for all workers. In 1941, a new retirement system emerged depending on the contributions of workers who had worked under this system, based on cooperation and solidarity of workers, and called a repartition system for workers in general. In 1945, insurance became compulsory for all workers by the law of 4<sup>th</sup> January 1948. The funds are divided as follows:

- National Health Insurance Fund.
- Old-Age Fund (CNAV).
- National Family Allowance Fund (CNAF).

On the other hand, workers who weren't affiliated to the procedure or those called the non-wage earners began to think about creating a special fund for them, thus emerged new retirement funds for groups, crafts workers, shopkeepers, lawyers, doctors... divided as follows:

- The crafts workers fund
- The managers and shopkeepers fund
- The self-employed workers fund
- The National French Bar Association Fund (CNBF)

### **2 – Emergence of retirement in colonized Algeria:**

This system, emerged in Algeria the 1<sup>st</sup> April 1953, was dedicated exclusively to the employees of the French State, such as municipal employees, state police, railway workers etc. In 1957, retirement is generalized in Algeria even for non-wage earners, and in 1958 for workers in the agricultural sector.

### **3- Retirement in Algeria after the independence:**

After the independence, Algeria ended up having a social protection system that consisted in many applicable schemes (the system consisted in 11 schemes). It applied

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<sup>15</sup>The 2010 Revision Population Database, available at [http://esa.un.org/unpd/wpp/unpp/panel\\_indicators.htm](http://esa.un.org/unpd/wpp/unpp/panel_indicators.htm) (2011); United Nations Development Programme. International Human Development Indicators (2010), available at <http://hdrstats.undp.org/en/tables/default.html> (2011); U.S. Central Intelligence Agency. The World Factbook, 2011 (Washington D.C. Central Intelligence Agency, 2011).

NOTES: Footnotes c, and d apply to certain scheme descriptions.

GDP = gross domestic product.

a. Population aged 14 or younger plus population aged 65 or older, divided by population aged

15-64

to different professional sectors guaranteeing it heterogeneous advantages. The financing terms and the legislations concerning it were also different according to the schemes. These different schemes are structured administratively in 71 administration organisms, about 20 in charge of the administration of the general scheme for the non-agricultural sector, special schemes funds, 29 funds for the agricultural scheme, 13 funds for the mining sector and 11 for supplementary retirement. Such variety of schemes results in the complexity of the system, making its functioning and administration complicated and difficult.

After the independence, the Algerian State took all the originality of its retirement system from the French system. The analysis will be divided in two periods, before the promulgation of the law 83-12 and after.

### **3-1-Before the law 83-12:**

Before the promulgation of the law 83-12 regarding retirement, various schemes with different functioning, financing and organization rules existed as listed below:

- General Non-agricultural scheme administrated by the Algerian Old-Age Insurance Fund (C.A.A.V).
- Miners' scheme administrated by the Miners' Social Security Fund (C.S.S.M).
- Agricultural Scheme administrated by the Agricultural and Mutual National Fund (C.N.M.A).
- Railway scheme administrated by the Railway Fund (C.C).
- Fishermen scheme (Mariners) administrated by the National Institution of Fishermen (E.N.M.G).
- SONELGAZ (Domestic Electricity and Gas Company) scheme administrated by the Insurance and Provident Fund of the SONELGAZ employees (C.A.P.A.S).
- Civil Servants' scheme administrated by the Civil Servants Social Security Fund for the social insurances part and by the Algerian Retirees General Fund (C.G.R.A) for the public service civil servants retirement.
- Non-wage earners scheme administrated by the Old-Age Insurance Fund for Non-Wage Earners (C.A.V.N.O.S) 1971.

Then, at the end of the year 1983, the Algerian state, began to think about the modernization of its retirement system and about its unification to acquire an optimum flexibility with retirees, socially and financially.

### **3-2- Promulgation of the law on retirement, Act No. 83-12 of 2 July 1983. The objective of this law was:**

- Unification of the retirement system in Algeria and integration of all the schemes above listed, under the authority of the National Retirement Fund for a good administration of the files and to avoid the slowness of operations and also to allow flexibility in the manipulation and collection of receipts. And seven years later that is in 1990 the Non-Wage Earners Fund (CASNOS) was created.

### **4- The retirement system in Algeria, legal terms<sup>16</sup>:**

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<sup>16</sup> Caisse National Des Rteraites

Algeria created a legal arsenal large and precise in some cases, which was complementary to other laws, for the protection of retirement in our country. This system is recognized by the law 83-12 still valid to date. Early retirement was implemented after and a year later, potential retirement, organized according to the following laws and regulations:

\*Law 12-83

\*Law 05-94 of 1<sup>st</sup> April 1994

\*Law 18-96 of 6 July 1996

\*Law 13-97 of 31 May 1997

\*Law 03-99 of 22 March 1999

To reinforce the legislation of retirement in our country, laws concerning housewives pension were made, the pension for spouse, and laws concerning the national guaranteed minimum wage (salaire national minimum garanti (SNMG)). This legislation and these decisions were made to improve the retirement system in our country.

In the next part, we will study retirement in relation to the law 13-97 on the graduated pension classified 97-13.

#### **4-1-How Algeria established the law 13-97:**

Due to the rescheduling of the external debt and the loan from the International Monetary Fund (IMF) and from the World Bank (IBRD) and Algeria incapacity to pay her debt, these international institutions intervened with too heavy conditions: for example, from 1992 to 1994 thousands of workers were suspended and many companies were closed. It led to a lack of “contributions” and to the situation described below:

\* Thousands of workers dismissed.

\* Economic institutions closed.

The decision to create the law 13-97 was pronounced by the president « Aliaman ZEROUALE » by order, since Algeria didn't have an elected parliament during that period. This law was established in order to protect the social group of the state workers, that's why it was enforced under specific conditions.

### **5- Retirement pension<sup>17</sup>:**

#### **5-1- Retirement Age**

The legal age for retirement is set at 60 years old.

However, for the non-wage earners, the legal age is set at 65 years old.

Besides, measures have been taken to allow leaving before this age, as follows:

- The working woman can retire at her request at 55 years old. She also benefits from an additional reduction of one year per child within three years.
- The moudjahed can receive a retirement pension from 55 years old. He can be allowed to retire, at his request only, with no condition of age if he is eligible for a pension at full-rate.

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<sup>17</sup> Caisse National Des Rteraites

- Permanently and totally incapacitated workers, when they don't fulfill the conditions of age to receive a disability pension from social insurances, can obtain to receive a pension (in this case, the annuities used as basis of calculation for the pension cannot be lower than 15 years).
- Workers that hold a position involving special conditions in terms of nuisance (age of 55 years old for miners, law enforcement officers).  
Since 1997, new relaxations were introduced regarding age as from this period, the salaried worker can at his request only, retire:
  - With no condition of age: if he cumulates 32 years of actual services and contributions;
  - With a graduated pension: subject to fulfillment of the conditions of 50 years old and 20 years of activity. These conditions are reduced by five years for the working woman who can then apply for a graduated pension as soon as she reaches the age of 45 years old and cumulates 15 years of activity.

### 5-2- Length of working life<sup>18</sup>:

The worker must have fulfilled at least fifteen years half of which resulting in actual service and payment of social security contributions.

The applicable legislation provides for a certain number of assimilations to activity periods, as follows:

- Any period during which the covered party received a daily benefit from social, maternity, accident and occupational disease insurances;
- Any period of work absence due to illness when the covered party rights to compensation have expired, provided that the physical disability to keep or start working again is recognized by the social security organism;
- Any period during which the covered party benefited from a disability or occupational accident pension equivalent to a disability rate at least equal to 50%;
- Any period of legal paid vacation ;
- Any period during which the military service duties have been satisfied;
- Any period worked during a general mobilization;
- Any period during which the covered party received an allowance from the unemployment insurance;
- Any period during which the covered party benefited from early retirement.

Regarding graduated retirement and retirement with no condition of age, we must highlight that are recognized and taken into account for the calculation of the eligible length of working life, the following periods:

- Days during which the worker received the daily benefits from health, maternity, occupational accidents and unemployment insurances;
- Required paid vacation periods or compensatory allowance for paid vacation;
- Periods during which the worker received the early retirement pension;

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<sup>18</sup> Caisse National Des Rteraites

- Years of actual participation in the Algerian war of independence as provided by the article 22 of this law.

**Table N°3: Distribution By Advantages Of The Number Of Retirement Pension Or Allowance Beneficiaries On 30/06/2016**

<b>Designation</b>	<b>On 30/06/2016</b>
<b>Retirement pension</b>	<b>2 620 556</b>
<b>Direct retirement pension</b>	<b>1 646 497</b>
Normal retirement	790 026
Early retirement	507
Graduated retirement	594 247
Retirement with no condition of age	261717
Survivor's retirement pension	974059
Including main survivor's pension	620815
<b>Retirement allowance</b>	<b>252505</b>
Direct retirement allowance	175327
Survivor's retirement allowance	77178
Other allowances	<b>18</b>
Supplementary retirement pension	<b>219</b>
Benefits paid abroad (*)	<b>6 892</b>
<b>General Total</b>	<b>2 880 180</b>

Source :CNR

NB: (\*) Pensions paid abroad : **6 892**, distributed as follows:

France : **6 497** , Tunisia : **213** , Belgium: **168** , French citizens outside of France: 26<sup>19</sup>

#### **6- Retirement Allowance :**

A worker can receive a retirement allowance if he cumulates 20 quarters of activity. Since 1999, he is eligible for this allowance from 60 years old.

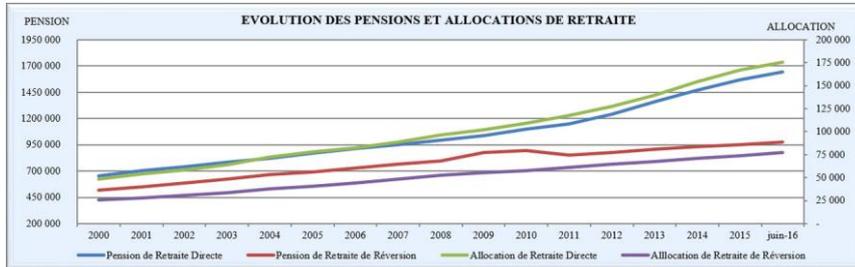
The national retirement fund paid 1 253 942 pensions in 2000. This number increased to 2 075 444 in 2009, then to 2 482 454 in 2013 and in June 2016 she reached 2 880 180. The retirement allowance increased regularly with an annual average rate of

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<sup>19</sup> NB: (\*) Pensions paid abroad

increase of 5.4%<sup>20</sup>. These evolutions are explained by the significant number of population reaching retirement age, as well as the pre-retirement plan instituted in 1997 and allowing workers who would like to leave the labor market prematurely to retire before the legal age established at 60 years old.

**Figure 1 : Pensions And Allowances Evolution**



Source :CNR

The plans of pre-retirement and early retirement, because of its generosity, increased significantly the expenses of the CNR while revenues do not necessarily compensate for it.

### The beneficiaries of the survivor's retirement pension

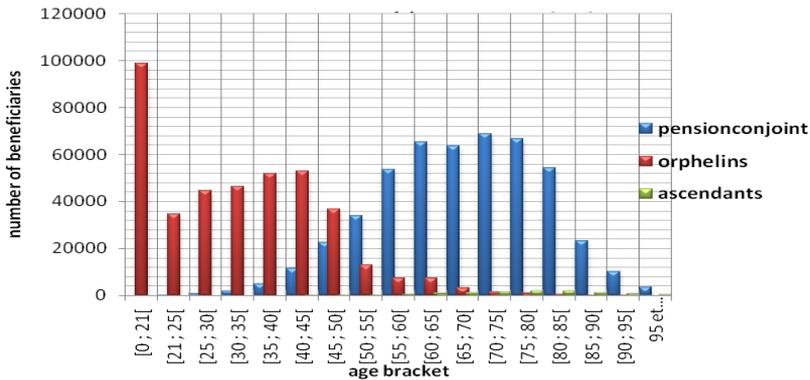
Considered as assignees:

- **The spouse** of the deceased insured party, whatever his age, as long as he was legally married with the deceased.
- **The dependent children** (in accordance with article 67 of the law 83-11 of 2 July 1983 relating to social insurances modified and completed) namely:
  - The dependent children, as defined by the social security regulation, and being under the age of 18.
  - Children under 21 years old for whom a contract of apprenticeship has been signed with a provided salary lower than half of the national guaranteed minimum salary.
  - Children under 21 years old who pursue studies.
  - Female persons, with no income, at any age.
  - Children who, regardless of age, due to a disability or a chronic disease are permanently unable to have any gainful occupation.
  - Collateral relatives up to 3<sup>rd</sup> degree (aunt, sister, niece...)
- **Dependent elder relatives** (when their own resources estimated separately do not exceed the minimum retirement pension amount)<sup>21</sup>.

<sup>20</sup> Calculated with data of CNR.

<sup>21</sup> Source: CNR

**Figure 2 : Age Distribution Of Beneficiaries A Reversionary Pension To 31/12/2016**



Source: made by the author from data CNR

The figure above shows that the survivor’s pension in 2016 was distributed between spouse pensions, for which women represent 98.53%, with 54% of the total, Whereas for the same category in 2013 represent 53,5%. orphans who represent 44% A decrease of 1.4 compared with the years of 2013; and finally the parents with a percentage of 1%<sup>22</sup>.

**7- Anticipatory Retirement**

The reforms Algeria carried out decreed that the public authorities should create a social protection system for workers who have lost their job unintentionally,

following a staff cutback or a dissolution of their company.

**7.1. Conditions of eligibility for anticipatory retirement :**

Established by the decree 94-10 of 26 May 1994, early retirement stipulates that the concerned party must be 50 years old at least (45 for women) and cumulate at least 20 years of activity. The concerned party must have worked during 3 years in the company before retiring, without discontinuity, during the last 10 years.

Other required condition, the employer must make a list of the persons concerned by this scheme after discussing it with the social partners. This list, demanded by the C.N.R and the CNAC, must be approved by the Labor Inspectorate.

The employer must pay a contribution to acquire the right to benefit (C.O.D) for each worker allowed to retire early. The amount of the C.O.D varies depending on the number of years of anticipation, that is:

- 13 months of salaries, if anticipation is less than 5 years.
- 16 months, if it’s equivalent to 5 years and less than 8 years.
- 19 months for 8 years and more.

<sup>22</sup> Calculate from CNR DATA .

If the worker benefited from an unemployment insurance, the unemployment fund fulfil the employer’s obligations for the payment of the contributions and the contributions to acquire the right to benefit.

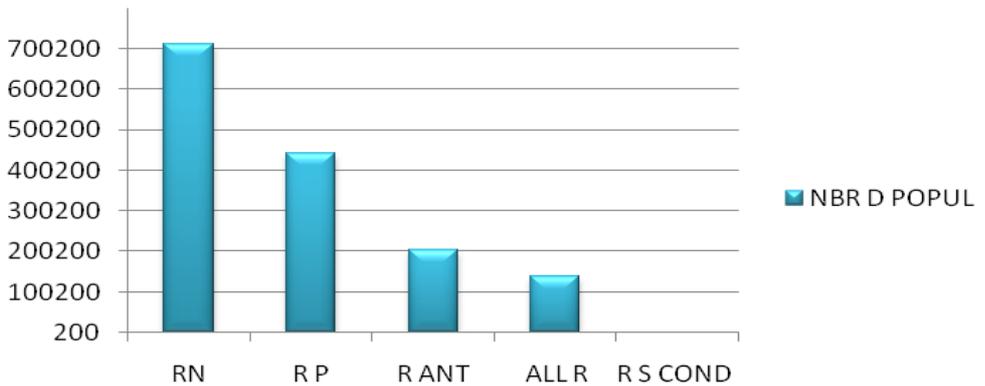
**8. Retirement Right :**

**Normal retirement :-** be aged **60** years and cumulate at least **15** years of work

There are special cases :

- The working woman, at her request, can be allowed to retire at age **55**. She is eligible also for a reduction of the retirement age of one year per child raised during at least **9** years and this, up to **3** children.
- Workers that hold a position involving special conditions in terms of nuisance, are eligible for a reduction of the retirement age in accordance with the provisions established by the regulations.
- No condition of age is required of the worker affected by a total and permanent disability, who besides cannot receive a disability pension. In that case, the number of annuities used for the calculation of the pension can’t be less than **15** years.

**Figure 3 : Number Of Retired By Type Of Retirment<sup>23</sup>**



Source : made by the author from data CNR

We observe that normal pension represents 43,36% in 2016 while in 2013 it was 47.54% of the retired population, the Proportional retirement reaches the second place with a percentage of 32,61% in 2016 ,and in 2013 it was 29.51% ; while retirement with no condition of age represents 14,36% in 2016 and 0.065% in 2013 ; retirement allowance 9,62% (2016) 9.32% (2013), and finally in last place comes early retirement pension represents 0,027% (2016) 13.54% (2013) .These numbers also show the composition of the fund financing . Therefore, a great change between 2016 and 2013.

**8.1. Retirement With No Condition Of Age**

**With 32** years of work and insurance, the applicant can receive at his request a full and immediate retirement pension. As for **graduated retirement pension and**

<sup>23</sup> : made by the author from data CNR 2013 .

**retirement with no condition of age** the pension is allocated **at the employee's request only**.

### 8.2. Early Retirement

Early retirement is established by the Legislative Decree No. **94-10** of **26 May 1994**, the conditions to acquire the right to benefit are:

- Be aged 50 years for a male worker
- Be aged **45** years for a female worker
- The employee must cumulate a number of years of work or years considered as qualifying for retirement equivalent to **20** years at least and he must have paid contributions at full rate to Social Security for at least **10** years, **three** years of which prior to the end of the employment relationship
- Appear on the list of workers who will be subjected to a staff cutback, list which must be approved by the Labor Inspectorate with territorial jurisdiction.
- Do not receive income from any professional activity

### 8.3. Graduated Pension

It is allocated when the applicant himself requests it and if he meets the following requirements:

- Be aged **50** years at least
- Show proof of a minimum of **20** years of work and contributions to social security

As regards female employees, the age and the length of activity are reduced by **5** years, resulting in :

- Age dropping to **45** years old.
- Length of work dropping to **15** years.

## 9. Financial statement of the system:

### 9.1. Balance:

The Algerian retirement system will have to face problems of financial disequilibrium from the National Pension Fund (CNR). The balance of the latter shows that the situation worsened over the last few years. The very fast evolution of expenses compared to the evolution of revenues results in high tensions on the CNR financial balance

**Table N°4 : Evolution of the CNR balance (in millions of dinars)**

		2003	2004	2005	2006	2007	2008	2009
National Pension Fund - CNR -	Revenues	148 710	183 460	190 110	204 150	244 910	284 400	317 550
	Expenses	145 440	172 300	186 930	212 870	250 720	278 260	298 750
	Balance	+ 3 270	+11160	+ 3 180	-8 720	- 5 810	+6140	+18800

Source : Ministry of Labour, Employment and Social Security.

In 2006 and 2007 the financial position of the CNR is impacted by disequilibrium. Then, the fund found his balance again thanks to the increase of the contributions

rates from 16% to 17.25%. At that time, public authorities created a National Pensions Reserve Fund (FNRR)<sup>24</sup>. Most of the fund resources is built by 2% of the oil taxation and by a fraction of the surplus liquidity of the social security funds. Its objective is to bear the future financial losses of the retirement system.

**Figure 4: Evolution Of The Balance Of The CNR (Millions Of Dinars)**



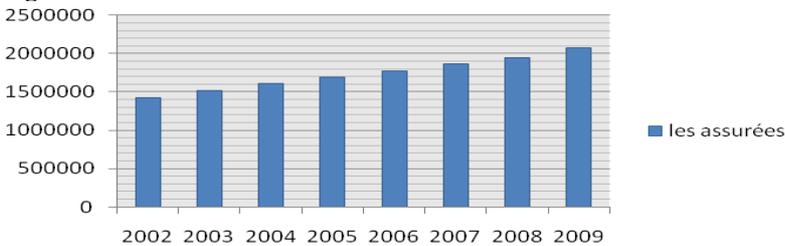
Source : made by the author from data CNR

**Table N°5: Evolution of Social Insured Persons in the CNR (in millions of dinars)**

	2002	2003	2004	2005	2006	2007	2008	2009
CNR	1422645	1512 681	1605 527	1688 055	1771 596	1858 902	1948 138	2075444

Source : Ministry of Labour, Employment and Social Security

**Figure 5 : The Number Of Insured**



Source: made by the author from data CNR

The number of insured persons keeps increasing: at this point, it is necessary to

know the ratio, the number of working persons per retiree, which makes possible to estimate the impact of demography on the retirement system.

## 10. Increase In Minimum Retirement Pensions

<sup>24</sup> Created by the order No. 06-04 of 15 July 2006 defining the law of supplementary finance of 2006

The Algerian national guaranteed minimum wage (SNMG) was increased from DZD<sup>25</sup>15, 000 to DZD18, 000 per month on 1 January 2012. This has led to changes in a certain number of social security benefits:

-The minimum basic retirement pension, which is directly indexed to the SNMG (75% of that wage), increased from DZD11, 250 to DZD13, 500.

- The full survivors' pension, which cannot be less than 75% of the SNMG, also increased.

Special measures were also taken to increase the purchasing power of retirees receiving direct pensions (2.5% of the average monthly salary during the last five years prior to retirement or of the five best years of employment, whichever is greater, multiplied by the number of years of insurable employment, up to a maximum of 80%) or survivors' pensions (the surviving spouse receives 75% of the old age or disability pension paid or payable to the insured).

Depending on their previous level, retirement pensions and old-age benefits rose by between 15 and 30% as of 1 January 2012 as a result of these measures. In addition, all pensions below DZD15, 000 were raised to that level.

### **11. A reserve fund for retired people**

For the first time, Algeria is to set up a national reserve fund intended to preserve the financial equilibrium of its pay-as-you-go pensions system and guarantee a replacement income for future generations. This fund will be financed by an annual levy of 2% on income from oil taxes. Its resources will be invested only in State securities and the Council of Ministers will decide how it is to be used.

The National Federation of Retired Workers (Fédération Nationale des Travailleurs Retraités - FNTR) has welcomed the creation of this fund, which it had advocated since 1992. Nevertheless, the Federation disapproves of the fund's undemocratic management structure, which differs from those of the other Algerian social security agencies: the latter, as the Federation points out, are all governed on a tripartite basis<sup>26</sup>.

### **What's new:**

As of 06/05/2014, there was an annual revaluation of pensions and allowances, mechanisms must be applied:

- ✓ In the past wages as the basis for calculating pensions;
- ✓ For pensions in payment

The revaluation of pensions and retirement allowances is found in article 43 of Law No. 83-12 of 07/02/1983, relating to retirement, modified and supplemented by Article 09 of Law No. 99- 03 of 22/03/1999

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<sup>25</sup> the Algerian currency / 1 euro= 122.24628 DZD  
Buying 1 EUR you pay 124.05063 DZD  
Exchange Rates Updated : Mar 14,2016 22:49 UTC

<sup>26</sup> Caisse nationale de retraite ; Le Soir d'Algérie,<http://www.lesoirdalgerie.com/articles/2006/09/27article.php?sid=43736&cid=12>,  
Reference: Art. 30 de la loi de finances complémentaire pour 2006.

« Pensions and retirement allowances are adjusted with effect from May 1 of each year by order of the Minister of Social Security on the proposal of the Board of Directors of the pension provider »

This decree fixed :

- the coefficient of discounting applicable to wages used to calculate new pensions;
- The revaluation coefficient for pensions and benefits already determined. "

According to Decree No. 055 of 29 April 2014, of Mr. Minister of Labour, Employment and Social Security, pensions and retirement allowances are revalued at the rate of twelve percent (12%) as of 1 May 2014.

-Construction of aids at home

-Payment of pensions and allowances By bank channel

### CONCLUSION

Access to the retirement pension is conditioned by prior access to formal employment and could then extend that pace of integration into working life. Yet access to employment depends on the conditions of the labor market. The balance of the labor market is closely linked to economic growth and the nature of the regime of accumulation as well as population growth and the balance between supply and demand for labor. In Algeria, the late entry of young people for working life results in lower life time spent at work. The working hours are also often characterized by disruptions due to the nature of labor contracts (ANEM (national agency for employment), contractual). Late entry into professional life added to the flexibility of careers reduce the overall amount of contributions, which affects revenue of plans.

The informal sector, part-time jobs, temporary, casual, temporary or seasonal and general forms of hourly jobs are another source of weak social protection, despite only after cover and on the results of the study by the World Bank (2005) Algeria is well over 50% behind Libya, Egypt and Tunisia. On the other hand the financing of the fund is very fragile, hence the necessity of a reform and collective awareness are indispensable

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