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## **The Algerian Social Security System in the face of digitization**

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### **ABSTRACT**

The Algerian social security system is facing significant socio-economic and financial challenges. The standard of living is low, the population is particularly vulnerable, and the social protection system is weak. Algeria has insufficient sources of funding, with high unemployment and poverty rates. In addition, Algeria is undergoing profound economic and political changes. Its transition to a market economy and globalization requires a parallel transformation of its social security system.

This study aims to identify the most important challenges facing the social security system in Algeria. It focuses on socio-economic and financial problems, as well as the intervention of the state to digitize and regulate the system.

**Keywords:** Social Security, Contributions, Laws, State regulation, Digitization.

**JEL Codes:** I28

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## 1. INTRODUCTION

Social security is a fundamental human right recognized by the Universal Declaration of Human Rights. It aims to guarantee a decent standard of living for people who cannot meet their needs on their own, due to illness, unemployment, disability, old age, etc.

The social protection system of a country reflects its level of social and economic development. It is also the result of a dialogue between the various actors in society.

In Algeria, social security has undergone significant development since the country's independence in 1962. The national social security system has been extended to large categories of the population and the procedures for opening benefits have been simplified.

The Algerian social security system includes all the branches (or risks) provided for in ILO Convention No. 102, or seven (7) branches out of eight: Health insurance, Maternity insurance, Invalidity insurance, Death insurance, Accident insurance and occupational diseases, Unemployment insurance, Retirement insurance and Problems and hypotheses (Mouri & Mouffok , 2021).

The purpose of this article is to study the types of interventions of the Algerian state in the social security system.

## 2. CONCEPT OF SOCIAL SECURITY

The social security can be defined that a system which aims to ensure a decent living standard for an individual by providing them with employment, protecting their ability to work, and compensating them for their income if it is interrupted for reasons beyond their control, and covering their exceptional expenses that result from illness, injury, disability, or death, as well as family responsibilities (Hamdan , 1986).

The International Labour Organization (ILO) Conference has defined the concept of social security as "all measures designed to provide protection, through the provision of income or services, against the following social risks, in particular (O.I.T, 1962):

- Loss of income due to sickness, invalidity, maternity, employment injury, unemployment, old age, or death of a family member;
- Lack of access to health care or inability to pay for it;
- Inadequate family support, particularly for children and dependent adults;
- Poverty or social exclusion.

Therefore, defining social security would be a tedious task, as it differs from country to country. However, it revolves around common factors that lead to the same goal of providing insurance and protection against risks and compensation. Thus, despite the various definitions given to social security, its purpose remains the same, which is to (Dib, 2023):

- Reduce income insecurity, including by eradicating poverty and improving universal access to health services to ensure decent working and living conditions.
- Provide appropriate benefits as a legal right.
- Reduce inequalities.

### 3. THE EVOLUTION OF ALGERIAN SOCIAL SECURITY

From independence in 1962 until 1983, Algeria's social security system was a patchwork quilt of various regimes. Each regime reflected the changing priorities and resources of the young nation. Some emphasized centralized control and state funding, while others experimented with decentralized administration and contributory schemes. This period was marked by a constant search for an effective and sustainable model to provide essential social protections to Algerians (Merouani, Hammouda, & El Moudden, 2014).

#### 3.1.Reorganization measures (1963-1974)

The Algerian government took measures to reorganize the social security system, improve benefits for social security beneficiaries, and expand the scope of social security (MTESS, 2012).

- 1963: Consolidation of old general regime funds into three regional funds, streamlining management and resource allocation.
- 1964: Establishment of the National Social Security Fund (CNSS) as a central coordinating body for all social security activities, fostering unity and coherence.
- Mid-1960s: Restructuring of retirement schemes, culminating in the creation of a single unified scheme for improved equity and efficiency.
- Subsequent Reforms: Similar reorganizations of the non-salaried retirement scheme (merging regional funds) and the Mines scheme (integration of mining relief funds) further strengthened the system's comprehensiveness and sustainability.
- 1970: Decree establishing the operational consistency of the general regime and guaranteeing the inviolability and unseizability of social security resources, safeguarding its financial stability and protecting beneficiaries.
- 1974: Ordinance centralizing the Ministry of Labor and Social Affairs' supervisory role over the entire social security system, enhancing oversight and coordination.
- 1977: Launch of decentralization efforts, creating a dedicated social security agency in each wilaya (province) to improve accessibility and responsiveness to local needs.

#### 3.2.General overhaul of the system (1983)

In the wake of post-independence social security challenges, the Algerian government, alongside trade union representatives, undertook a comprehensive overhaul of the system. This ambitious revamp aimed to fulfil the original mission of social security: a robust safety net protecting citizens from life's hardships. Three core principles guided this effort:

- Unification of Structures: Fragmented and inefficient bureaucratic silos were consolidated, streamlining administration and improving service delivery.
- Standardization of Benefits: Previously inconsistent benefits were replaced with a unified standard, ensuring equitable access and protection for all eligible individuals.
- Expansion of Beneficiaries: Coverage was significantly broadened, extending the safety net to previously excluded groups and fostering greater social inclusion.

To achieve these ambitious goals, the government established a dedicated National Social Security Reform Commission in 1975. This commission meticulously analyzed every facet of the system, paving the way for the development of new, comprehensive legal frameworks for each branch of social security.

The landmark social security laws of 1983 solidified the system's foundational principles. The cornerstone principles of solidarity, standardized benefits, and unified financing and management were enshrined, ensuring long-term sustainability and promoting democratic expansion based on evolving needs and social progress.

The post-independence social security issue ultimately led to a general overhaul of the social security system, developed by the government in conjunction with trade union representatives.

This overhaul was based on the following principles:

- Unification of structures.
- Standardization of benefits.
- Expansion of beneficiaries.

The objectives of this overhaul were to give the national social security system its true historical mission, namely a powerful system of protection against all the vicissitudes of life.

In 1975, a National Social Security Reform Commission was established to examine all aspects related to the overhaul of the system. The work of this commission led to the development of new texts governing all branches of social security.

The social security laws of 1983 (Loi n° 83-11, 1983) enshrined the fundamental principles of the national social security system, namely solidarity, the standardization of benefits, and the unity of its financing and management. They also made it possible to guarantee a better financial balance of the system and the possibility of a free and democratic extension of social security in line with needs and social progress (MTESS, 2012)

### 3.3. Achievements during the period 1983-1999

During this period, the Algerian national social security system was already characterized by:

- Unification of regimes based on the principles of solidarity and redistribution.
- Compulsory affiliation of all workers, both salaried and non-salaried, as well as assimilated workers, and categories of persons known as special categories of social security beneficiaries.
- Unification of the rules governing the rights and obligations of beneficiaries.
- Unity of financing.

For salaried workers, the single contribution rate is 34.5% of the salary subject to contribution as defined by law. This rate is distributed as follows:

**Table 1: Employee/Employer Contribution Distribution (MTESS, 2012)**

| Branches   | Employers  | Workers   | Social Works | Total         |
|--|------------|-----------|--------------|---------------|
| <b>Social Security</b>                                   | 12.50%     | 1.50%     |              | 14%           |
| <b>Accidents du Travail et Maladies Professionnelles</b> | 1.25%      |           |              | 1.25%         |
| <b>Retirement</b>  | 10%        | 6.75%     | 0.50%        | 17.25%        |
| <b>Early Retirement</b>                                  | 0.25%      | 0.25%     |              | 0.50%         |
| <b>Unemployment Insurance</b>                            | 1%         | 0.50%     |              | 1.50%         |
| <b>Total</b>   | <b>25%</b> | <b>9%</b> | <b>0.50%</b> | <b>34.50%</b> |

### 3.4.Reforms of social security in the 2000s

Since the beginning of the third millennium, Algeria has once again met the characteristics of rentier states. Oil tax revenues have increased and have regained primacy over other budget resources, exceeding 60% and sometimes 70% since 2006 (Akkache, 2021).

In order to improve the performance and quality of social security benefits, a major reform program was developed and implemented in the 2000s (Loi n° 04-17, 2004). This program aims to:

#### Improving the quality of benefits

- Expanding the network of community-based facilities.
- Expanding the third-party payment system (medicines and health care).
- Developing health care activities through the construction of regional medical imaging centers and specialized clinics.
- Measures to improve the purchasing power of retirees.

#### Modernization

- Rehabilitating existing infrastructure.
- Generalizing the use of information technology.
- Valuing human resources.
- Introducing the CHIFA electronic card for social security beneficiaries.

#### Preserving the financial balance of social security organizations

- Reforming the instruments for collecting contributions.
- Reforming the financing of social security.
- Implementing a new drug reimbursement policy through the promotion of generic drugs, reference prices, and the encouragement of domestic production.

**Table 1. Number of social security insured persons in Algeria (2014 -2017)** (Akkache, 2021).

| Year | Number of Social Security Insured Persons | Number of Salaried Workers | Number of Retirees |
|------|---|----------------------------|--------------------|
| 2014 | 10,626,369                                | 5,938,431 (55.88%)         | 2,623,547          |
| 2015 | 11,342,779                                | 6,126,302 (54.01%)         | 2,766,750          |
| 2016 | 11,957,202                                | 6,140,078 (51.35%)         | 2,971,641          |
| 2017 | 12,316,693                                | 5,874,042 (47.69%)         | 3,159,952          |

This table shows the number of social security insured persons in Algeria from 2014 to 2017. The data is from the Algerian Ministry of Labour, Employment and Social Security.

The table shows that the number of social security insured persons in Algeria has been increasing steadily over the past four years. In 2017, there were 12,316,693 insured persons, an increase of 6.6% from 2014.

The table also shows that the majority of social security insured persons in Algeria are salaried workers. In 2017, there were 5,874,042 salaried workers, representing 47.69% of all insured persons. The number of salaried workers has been decreasing slightly over the past four years.

The number of retirees has been increasing steadily over the past four years. In 2017, there were 3,159,952 retirees, representing 25.81% of all insured persons.

The increase in the number of social security insured persons is likely due to a number of factors, including:

- The growth of the Algerian economy, which has led to an increase in employment.
- The expansion of the Algerian social security system, which has made it more accessible to more people.

#### **4. THE REFORM PROGRAM OF SOCIAL SECURITY**

The reform program of social security in Algeria went beyond legislative tweaks, embracing digitalization as a key driver of improved efficiency and inclusivity. While measures like expanding control agent powers and regulating accreditation procedures addressed compliance, the program's digital thrust offered more transformative changes:

- The expansion of the powers of social security control agents, including the possibility of identifying violations of social security legislation.
- The regulation of the procedures for accrediting social security control agents.
- The legal anchoring of the electronic card of the social security beneficiary "Chifa".
- The introduction of new measures aimed at facilitating the forced collection of contributions and promoting the regularization of the situations of employers in good faith facing financial difficulties.
- The possibility of extending social protection to new specific categories of the population, including women, people living in the Deep South and the high plateaus.
- The improvement of the quality of benefits, including by integrating the specificities of the Deep South and the high plateaus.
- The expansion of the scope of application of new information and communication technologies.
- The reform of the financing of the social security system by creating the national social security fund.

Today, The Algerian social security system is composed of four (04) National Funds that have the status of public establishments with specific management:

The National Fund for Social Insurance for Salaried Workers (CNAS): Competent for salaried workers in terms of social insurance, work accidents and occupational diseases and family allowances. It also ensures the collection of contributions from the employee regime for the account of other social security bodies (Decree, 04 January 1992). The CNAS is the largest social security fund in Algeria. It covers approximately 8 million insured persons, including 6.5 million salaried workers and 1.5 million non-salaried workers. The CNAS provides a wide range of benefits, including health insurance, maternity insurance, disability insurance, death insurance, accident insurance and occupational diseases, and family allowances.

The National Retirement Fund (CNR): Manages the retirement of salaried workers and early retirement (Decree 85-223, August 20, 1985); The CNR is responsible for managing the retirement benefits of salaried workers. It provides pensions to retired workers, as well as survivors' pensions to the spouses and children of deceased workers. The CNR also provides early retirement benefits to workers who have reached a certain age or who have a certain number of years of service.

The National Social Security Fund for Non-Salaried Workers (CASNOS): Manages the social security of non-salaried workers (Decree, 04 January 1992); The CASNOS is responsible for managing the social security of non-salaried workers. It provides health insurance, maternity insurance, disability insurance, death insurance, and accident insurance and occupational diseases to non-salaried workers. The CASNOS also provides family allowances to the families of non-salaried workers.

The National Unemployment Insurance Fund (CNAC): Manages the benefits of unemployment insurance (Decree 94-188, July 6, 1994). The CNAC is responsible for managing the unemployment benefits of salaried workers. It provides unemployment benefits to workers who have lost their jobs and who meet certain eligibility criteria.

## CONCLUSION:

The Algerian social security system, though fragile due to past economic challenges and a large informal sector, holds the key to a secure future for all. To strengthen this vital right and ensure comprehensive protection, future-oriented reforms are necessary. These reforms should prioritize:

- Expanding coverage: Bringing informal workers and the whole population under the umbrella of social protection.
- Financial sustainability: Rebalancing the system's finances to ensure long-term stability and benefit provision.
- Enhancing quality: Upgrading the services and support offered to ensure they effectively meet the needs of beneficiaries.

By implementing these reforms, Algeria can build a more robust and equitable social security system, guaranteeing the well-being of its citizens and paving the way for a brighter future.

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