

The Effectiveness of Small and Medium Enterprises Adoption as a Strategic Option to Solve Unemployment Problem in the Arab World, an Example of Algeria

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Abstract

Unemployment is an important economic and social problem in the majority of MENA countries. Getting an accurate and internationally comparable valuation of its magnitude is therefore of attention in its own right. The suitable measure of unemployment is likely to rely on the purpose at hand. Unemployment can be used as an indicator of inflationary weights in the labor market, as a gauge of social hardship or as a measure of under-utilization of labor. It is, however, not necessarily the same set or the same number of persons that are of interest in each of these cases. This research paper aims to clarify what is unemployment and the reason that cause as well as suggesting Small and Medium Enterprises as a solution in solving the unemployment issue in the in the Arab region in general and Algeria in particular, the problem which has a negative impact on production capacity, economic growth and the overall development over the Arab region.

Key Words: Unemployment, reasons, causes, SMEs, MENA Region, governments, International Labor Organization, Algeria

1. Introduction

It has to be said that the unemployment issue has been and remains one of the most humanitarian, economic and social prominent issues, faced by most countries in the world through several levels of economic development and cultural heritage, therefore finding a solution to this very specific issue has been a primary objective world wild including the countries of the Arab region, especially in light of economic and social prevailed conditions in the region. The unemployment is considered to be one of the major challenges that slow down development improvement as well as the economic progress, it is becoming necessity to pay more attention to the policies as well as practical solutions to tackle unemployment and revive the labor market.

The research paper will introduce small and medium enterprise as a potential solution to the problem, due to the important role of the small and medium enterprises in creating jobs and reducing the unemployment gaps, Small and medium enterprises have become a strategic option applied several governments.

There are many cases that demonstrate the impact of small and medium enterprises in absorbing large numbers of workers as well as contribution to reduce the unemployment rate. Those cases can be witnessed in Japan, China, India, the United States, Germany, and others cases from European and Asian countries who achieved a record-breaking day in the field of economic growth and job creation.

1.1 Research problem

The research focuses on the problem illustrated in the following questions: What is the role that could be played by small and medium enterprises in solving the problem of unemployment? And to what extent does the Arab governments succeeded in their reliance on the Small and Medium enterprises in expanding the market of employment and thereby reducing unemployment? What is the reality of Algeria in this context?

2. Unemployment

2.1 Unemployment Definition

Many individuals misunderstand the unemployment as they think it means the lack of work vacancies in the labor, while there are people who are unable to work such as children and elderly retired people, furthermore people who are capable of work and yet they are not considered as unemployed such as : students in secondary and all tertiary phases , and those who are capable of work but not looking for it due their richness, individuals who are registered as unemployed since they quit their jobs and looking for another better salary work.

From what mentioned above, it is clear that in order to correctly define unemployment there are factors used to determine if an individual is unemployed or not, the factors that set the definition of the term 'unemployment' are the ability and willingness to work.

2.1.1 The International Labor Organization Definition of Unemployment

According to the International Labor Organization (ILO), the unemployment category consists of all the unemployed individuals between 16 and 59 years old, who are on a particular period of time in the following conditions:

1. Without work.
2. Individuals are actively seeking for work.
3. Looking for work: who had taken any specific steps during a certain period to search for paid work.

2.1.2 Definition of Unemployment, According to the Algerian National Bureau of Statistics

The definition of the unemployment according to the Algerian national bureau of statistics involved all the unemployed individuals between 15 and 64 years old, who found themselves in a particular period of time in one of the following conditions:

1. Age between 15 and 64 years.
2. Individual must be actively seeking for work necessary measures to find jobs.
3. To be fully prepared and qualified for work.

2.2 Types of the Unemployment

Economists differentiate between a number of overlapping types and theories of unemployment, together with cyclical or Keynesian unemployment, frictional unemployment, structural unemployment and classical unemployment. Arthur and Sheffrin (2003), debated some additional varieties of unemployment that are infrequently stated are seasonal unemployment, hardcore unemployment and hidden unemployment.

2.2.1 Classical Unemployment

Classical or real-wage unemployment takes place when real wages for a job are set above the market clearing level, turning out the number of job-seekers to go beyond the number of vacancies.

2.2.2 Cyclical Unemployment

Cyclical, deficient-demand, or Keynesian unemployment, occurs when there is inadequate aggregate demand in the economy to afford jobs for all the job seekers. Demand for most goods and services decreases, less production is required and therefore fewer workers are needed, salaries are sticky and do not decrease to meet the equilibrium level, and mass unemployment results. 'Maynard, 2007', stated that the term cyclical unemployment is derived from the frequent changes in the business cycle although unemployment can also be persistent as occurred during the Great Depression of the 1930s.

2.2.3 Marxian theory of Unemployment

Marxists also share the Keynesian perspective of the relationship between economic demand and employment, but with the slight difference that the market system's propensity to slash wages and reduce labor participation on an enterprise level causes a requisite decrease in aggregate demand in the economy as a whole, causing crises of unemployment and periods of low economic activity before the capital accumulation (investment) phase of economic growth can continue. According to 'Karl Marx 1863', unemployment is inherent within the unstable capitalist system and periodic crises of mass unemployment are to be expected. The function of the proletariat within the capitalist system is to provide a "reserve army of labor" that creates downward pressure on wages

2.2.4 Full Employment

In demand-based theory, it is possible to eliminate cyclical unemployment by growing the aggregate demand for products and workers. However, eventually the economy reaches an "inflation barrier" imposed by the four other types of unemployment to the extent that they exist. Historical experience proposes that low unemployment affects inflation in the short term but not the long term, Chang, 1997, the velocity of money supply measures such as the MZM ("money zero maturity," representing cash and equivalent demand deposits) velocity is far more predictive of inflation than low unemployment.

2.2.5 Structural Unemployment

According to the World Bank Blog article 'factors in structural Unemployment' submitted by Raj Nallari, structural unemployment takes place when a labor market is incapable to afford jobs for everyone who wants one because there is a mismatch between the skills of the unemployed workers and the skills required for the available jobs. Structural unemployment is hard to distinguish empirically from frictional unemployment, except to say that it lasts longer. As with frictional unemployment, simple demand-side stimulus will not work to easily abolish this type of unemployment.

2.2.6 Frictional Unemployment

According to article 'Takes My euro bet' published in the library of Economic and Liberty on May, 2009 by Bryan Caplan, frictional unemployment is the time period between jobs when a worker is searching for, or transitioning from one job to another. It is sometimes called search unemployment and can be voluntary based on the circumstances of the unemployed individual. Frictional unemployment is always present in an economy, so the level of involuntary unemployment is properly the unemployment rate minus the rate of frictional unemployment, which means that increases or decreases in unemployment are normally under-represented in the simple statistics.

2.2.7 Hidden Unemployment

Hidden, or covered, unemployment is the unemployment of potential workers that is not reflected in official unemployment statistics, due to the way the statistics are collected. In many countries only those who have no work but are actively looking for work (and/or qualifying for social security benefits) are counted as unemployed. Those who have given up looking for work (and sometimes those who are on Government "retraining" programs) are not officially counted among the unemployed, even though they are not employed.

2.2.8 Long-Term Unemployment

Rich 2012, stressed that the definition may differ from region to another; for example the European Union statistics defines unemployment lasting for more than one year. It is an important indicator of social exclusion. The United States Bureau of Labor Statistics (BLS) reports this as 27 weeks or longer. Long-term unemployment can result in older workers taking early retirement; in the United States, taking reduced social security benefits at age 62.

2.3 Ways to Measure Unemployment

There are also different ways national statistical agencies measure unemployment. These differences may limit the validity of international comparisons of unemployment data. Sorrentino 2000, noted that, to some degree these differences remain despite national statistical agencies increasingly adopting the definition of unemployment by the International Labor Organization. The International Labor Organization Bureau of Statistics suggests that to facilitate international comparisons, some organizations, such as the OECD, Eurostat, and International Labor Comparisons Program, adjust data on unemployment for comparability across countries.

2.4 General Concepts about Work

Since this paper is concerned with the unemployment issues in the Arab region, it is preferable to mention different concepts of work, in order to gain a better perspective to the unemployment. Those concepts are the Active people and Employees.

Active population: The United Nations (UN) defines the active population as those: "People who contribute to the process of producing goods and services to the market-oriented economic, as well as those who are not working but are seeking for work.

On the other hand, the International Labor Organization (ILO) has its own definition regarding the active population concept, which is "comprise all persons of either sex who furnish the supply of labor for the production of goods and services during a specified time-reference period".

In Algeria, according to the National Bureau of Statistics (NBS), the active population consisted of individuals employed as well as individuals who are not employed but looking for work, or in other words are those who are willing to work (STR).

Employees: Gerald and Hill stated that an employee is person who is hired for a wage, salary, fee or payment to perform work for an employer. This is important to determine if one is acting as employee when injured (for worker's compensation) or when he/she causes damage to another, thereby making the employer liable for damages to the injured party.

2.5 Unemployment in the Arab World

Unemployment is one of the major challenges facing the Arab countries due to the negative influence both socially and economically. For years, warnings rises from here and there, knocking the alarm towards unemployment consequences on the Arab national security, however, the unemployment rate is increasing day after day.

According to official Arabic reports, such reports issued by the Arab Labor Organization and the League of Arab States claim that there are signs of widening unemployment phenomenon in the Arab world and the lack of efficient solutions raised it so far.

Youth unemployment in the Arab region is considered to be the highest in the world, given by the U.N. International Labor Organization (ILO), The investigative body indicated that the Arab uprisings have uncovered skewed development policies, social justice insufficiencies and over twenty years of poorly accomplished economic liberalization "As a region, youth unemployment is the highest globally at 23.2 percent, compared to a world average of 13.9 percent, and varies significantly within sub-regions," said the report "Rethinking Economic Growth: Towards Productive and Inclusive Arab Societies" by the International Labor Organization (ILO).

The report does have some positive assessments of the situation in the Middle East. The Arab region has achieved near universal primary education enrolment since the 1970's.

Furthermore the youth literacy rate is now 92% in North Africa and 99 per cent in the Middle East and the Gulf Cooperation Council, reported the Saudi Press Agency. Countries in the region were able to tackle debt and inflation during the 1990's and 2000's, they also managed to spur economic growth and create jobs.

However, growth lagged behind global standards and the newly created jobs were focused in the arena of low productivity sectors. Governments paid scant attention to the social consequences of their economic policies. Meanwhile, according to the report, the private sector has remained among the least competitive globally due to low rates of investment as well as a poor regulatory environment. There is also the noted issue of widespread nepotism and corruption.

Mohammad Pournik, Poverty Practice Leader at the United Nations Development Fund's (UNDP) regional center in Cairo, stated that one of the demands of Arab youth was attaining jobs without the need for intermediaries.

"The real issue is the need for jobs with social dignity rather than jobs that come at the expense of dignity," said Pournik. According to the report, economic growth in the next decade is dependent on good governance – which must improve to attract higher rates of investment and enable structural and institutional reforms.

"Arabs need an inclusive development model that is grounded in social justice," said Nada al-Nashif, Regional Director for the Arab States, International Labor Organization.

The ILO and UNDP plan to hold roundtable talks on the findings of the report, the first is slated to occur at the Carnegie Endowment for International Peace's Middle East Centre in Beirut on February, 2013.

Such unemployment rates and indicators is considered one of the most serious challenges facing the Arab economies at this stage, due to huge impact caused by the unemployment on the economic and social conditions. Currently, the phenomenon of unemployment is becoming a serious issue that concerns the majority of Arab countries, and as shown by the statistics of Arab Labor Organization it reflects how serious this phenomenon is, especially the unemployed new entrants towards the labor market who represent almost three-quarters of the unemployed in the State of Bahrain and 84% in Kuwait, and more than two-thirds in Egypt and Algeria.

The unemployment rate among young people in relation to the youth labor force has exceeded 60% in Egypt, Jordan, Syria, Palestine, and 40% in Tunisia, Morocco and Algeria.

Moreover, it can be said that the phenomenon has emerged from years of unemployment for certificates holders, and worsened in several Arab countries; where the rates doubled in Jordan, and three times the unemployment among the illiterate people in Algeria, and Morocco in the five-fold, ten-fold in Egypt (Arab Labor Organization). Unemployment rates vary from country to another, in countries with high population density the unemployment rate rise, where 35% in Yemen, and 10.2% in Algeria, 18.7% in Sudan, and 13.2% in Egypt, and 9.2% in Syria. In contrast, decreases in the Arab Gulf countries with low population densities, in Oman there are about 330 thousand unemployed, In Saudi Arabia, about 12.1%, and in Kuwait as many as three thousand only which is 1.2%.

The extensiveness of youth unemployment phenomenon in the Arab societies led to the start of creating solutions by addressing oriented efforts to generate more employment opportunities in the countries. For example In Algeria, problem addressing began with the establishment of a fund for youth employment program since 1989; committees were established to generate more work positions in each state.

Later on, the process was improved by an establishment of a professional integration for the youth in 1990 under the Ministry of Labor and Social Protection, as the establishment of cooperatives among the youth of the most important efforts that have been made, where funding youth projects by 30% and the rest 70% is funded by the banks with a temporary job wages equivalent to the minimum required, in addition to many efforts that have contributed to tackle down the unemployment phenomenon.

In Morocco, the National Council for Youth and the Future established in 1991 has prepared a national charter to include youth employment and human resources development, the charter included the need for dialogue, consultation and negotiation, contracting and solidarity achievement, the charter also prepared an urgent program to integrate young fresh graduates, and pushed the National Youth Council to take serious actions in a row to ease the problem of youth employment.

While Tunisia had started youth employment programs in 1981, the Tunisian experience matured after issuing a law that organizes the employment laws via three major programs, the most important elements of the first program was the implementation of contracts from training to employment for those who are in middle school education, and that assisted almost 3,500 young student and led to establish the second program in 1988 to able young people for careers combine 60 % of young people with a middle school education level, and caused all of them to be hired by the private sector , and the third program was like its predecessor, but was addressed to the universities degree holders and has benefited nearly 14 thousand fresh graduate individuals. In addition to that, an establishment of a fund reintegration and vocational rehabilitation agreement with the World Bank for a three years period, the establishment of the fund reintegration has helped to generate work for 8,000 graduates, many of whom joined the textile industry and garment. Next to that there are old and ongoing activities in support of small and craft industries and the development of the countryside.

2.6 Unemployment Causes in the MENA Region

In the Middle East and North Africa (MENA), two-thirds of the population is below 18 years old. Recent political chaos in the Arab world has put these youth at the head of the political and economic discussion. They suffer from an extraordinary unemployment. The MENA region ranks among the wickedest in the world regarding youth unemployment, as it approaches 30 %, high demographic growth, and poor education are considered to be a part of the causes.

Acknowledged by the Carnegie Middle East Center, youth unemployment can be outlined back to a number of severe economic, political, and social problems as well as the absence of sound development strategies, weaknesses in the business environment, humble governance, absence of transparency and accountability, and extensive corruption.

The Carnegie Middle East Center presented experts from Lebanon, Algeria, Morocco, Egypt, Jordan, Syria, Tunisia, and Yemen to discuss the following issues and roots surrounding youth unemployment in the Arab countries.

2.6.1 Demographic Factors

All experts approved the fact that MENA region have witnessed high demographical growth rates over the past few decades, leading to what is considered today to be a “youth bulge.” As a weighty part of the population in every MENA country is under the age of 35, the youth symbolize a prominent portion of the labor force. This large segment of the population, mainly those between the ages of 15 and 29, puts enormous pressure on the labor market, emphasized ‘Lahcen Achy’.

2.6.2 Low Economic Growth and Weak Economic Diversification

Economic growth in the region cannot contain the flow of jobseekers entering the labor market. Additionally, private investments are flowing primarily to informal sectors that create few or poor-quality jobs, particularly the small retail industries, stressed 'Ibrahim Awad', from The American University of Cairo (AUC).

2.6.3 Ill-Adapted Education System

University graduates are struggling to find a job, let alone one that matches their qualifications and expectations, said 'Hana El-Ghali' from the Institute for International Studies in Education at the University of Pittsburgh. Ultimately, the educational system is not adapting to the labor market, said 'Nacer Eddine Hammouda' from Algeria Research Center (CREAD), leaving graduates with training that does not serve the needs of potential employers.

2.6.4 Institutional Factors

Public institutions and policies are neither efficient enough to deal with labor-market reforms nor able to implement the macroeconomic strategies necessary to deliver long-term growth, according to Nader Kabbani, from the Syria Trust for Development. This deficiency in governance impedes job creation by discouraging potential investors and encouraging the growth of the informal sector.

2.6.5 The Impacts of the Arab Spring

A study conducted by the International Labor Organization in Geneva has concluded that the Arab Spring revolutions were not of much benefit to the Arab youth across the Middle East and North Africa (MENA) region in terms of employment. The youth led the push for social mobility that took place in Tunisia at the end of 2010 before extending to Egypt, Libya, Syria and other countries in the region. The economic downturn and the fiscal deficit in many countries have negatively affected the labor market. The number of unemployed youth, especially university graduates, has risen.

3 Small and Medium Enterprises

Outlining what exactly shapes the SMEs has proven to be a challenging task (Desouza & Awazu, 2006). The official definitions of SMEs differs from country to county, have quite a wide spectrum, tend to differ significantly, and are often being amended. Instantly, there are definitions for SMEs that refers to the EU, the APEC Committee on Trade and Investment, the OECD and from countries like the USA and from Japan. Several factors, which are needed for defining SMEs, are the number of workers and employees (mostly 250 or fewer), revenue figures as the annual turnover, and years in the business or number of branches or locations (Desouza & Awazu, 2006).

In other worlds, a small enterprise in Japan can be considered as a large one in other countries, the same situation occurs in the Arab countries, where the definition of small and medium enterprise varies from country to country, for example in Yemen an enterprise is considered small with fewer than 04 workers, medium when the estimated number of workers between 04 and 09 and large number of workers when more than 10 workers, In Jordan, the firm is considered small when the number of employees range between 02 and 10 workers, medium when the number of workers ranges between 10 and 25 workers and large firms includes more than 25 workers 'lakhlef Othman'.(The reality of small and medium enterprises and ways to support and develop a case study of Algeria, Algiers university)

According to the Algerian ministry of commerce, Small and Medium Enterprises is defined regardless of its legal status in term of providing either good or service or even both, by setting some characteristics which are:

- Not more than 250 employees;
- Annual turnover does not exceed 02 billion dinars or whose annual balance sheet total does not exceed 500 million dinars;
- It should match with the criteria of independence.

From the illustrated definition, it is clear that organizations should be following certain conditions in order to be considered as a SME, The number of people within years of working units (YWU), which means, the number of persons employed full time in one year. Part-time workers and seasonal workers are not included as in the yearly Work Unit.

- Year to be considered is that of the last accounting period.

- Thresholds for determining the turnover or balance sheet total of those of the last fiscal year ending twelve months.
- Independent Company: the company who's 25% or more of its capital owned by one or several enterprises falling outside the definition of SMEs / SMIs.

According to Act guidance on the promotion of small and medium enterprises / small and medium industry in December 2001, the following Arts characterize the Algerian SMEs.

Art. 5 - The average enterprise is defined as an enterprise employing 50 to 100 people and whose turnover is between 200 million and 02 billion dinars or whose annual balance sheet total is between 100 and 500 million dinars.

Art. 6 - The small enterprise is defined as an enterprise employing 10 to 49 persons and whose annual turnover does not exceed 200 million dinars, or whose annual balance sheet total does not exceed 100 million dinars.

Art. 7 - Very small company or micro enterprise is an enterprise that employs from January to September and reaching a turnover of less than 20 million dinars or annual balance sheet total does not exceed 10 million dinars.

Table 1: The Characteristics of Each Type According to the Size of the Enterprise

Enterprises	Workforce	Turnover	Total assets
Very small	1-9	<20 million	<10 million
Small	10-49	<200 million	<100 million
Medium	50-250	200 million-2 billion	(100-500) million

Source: Algerian Ministry of Small and Medium Enterprises and Traditional handicrafts

3.2 The Characteristics and Features of Small and Medium Enterprises

Among the characteristics of small and medium enterprises that have made them able to play an important contribution toward the economic and social development as well as contribute to reduce the rate of unemployment, the following characteristics are presented. (larkat , bouka3a, 2003) .

Enhancing the initiative spirit of individual and group by initiating economic activities for goods or service that didn't exist before, as well as the revival of economic activities have been abandoned such as the traditional industries.

Reintegration of demobilized employees from their positions due to the bankruptcy of some public institutions or the employment reduction in some organizations as a result of restructuring and privatization, which supports the possibility of compensation some of the lost activities.

Generating new jobs' offers both directly via enterprises establishers and indirectly through recruiting of other jobless individual within enterprises, which can lead to a rapid response to social demands in the employment field, as these enterprises seek to provide work positions intended for individuals who do not meet the needs of large organizations, These enterprises pay les wages than the large organizations do, as the average qualifications inferior to those obtained by employees working for large organizations.

Small and medium enterprises can establish an effective tool for activities resettlement in remote areas, leading them to be an effective tool for a significant enhancement of local wealth and a mean of domestic regions merging and integration.

3.3 SMEs and Contribution to the Reduce Unemployment

Small and medium enterprises have a leading role in the job creation process, absorb a large proportion of the workforce from several levels, and thus SMEs contribute to the alleviation of the unemployment problem, as well as ensuring the sustainability of the economic development process.

This type of enterprises is considered to be a great productive source in the job creation process as it relies on the intensification of labor unlike large corporations who require large capital investments, technological patterns which requires high capital and less handwork as well asspecialized sophisticated technical skills which are not available especially in developing countries.

Source for the development of the talents and creations, Small and medium enterprises are considered to be a the perfect place to develop, create and innovate as specialized studies in this field stated that the number of inventions that have been made by small and medium enterprises more than double those accomplished by large organizations. On top of, SMEs gather all the society segments and regions to have them contribute actively to the national economy by mobilizing capital from individuals, associations and non-governmental bodies, which leads to enhance their saving behavior among individuals, and other self-financing sources.

On one hand The Arab labor Organization play and important role towards the problem of unemployment by supporting the SMEs, while the international Bank focuses on the financial policies to reform structural economic in many Arab countries, especially the small and medium enterprises characterized by low amount of capital invested as well as dependence on local raw materials.

Most of the developing countries in general and Algeria in particular suffer from various forms unemployment such the disguised unemployment due to the rapid growth of population, according to national bureau of statistics the Algerian population is increasing on average by 500,000 people per year, which lead the average of the Algerian workforce to increase by 300,000 a year.

Also, most of the Algerian economic experts agreed on the inability of large enterprises to create enough jobs to absorb the widespread unemployment in both developed and developing countries or cover the growing numbers of the workforce each year in the labor market. And that shows how important role do the small and medium enterprises play in absorbing large numbers of workers as well as solving the problem of unemployment, and finally turn it into a productive work force through its involvement in the movement of production within these SMEs.

4 Unemployment in Algeria and the Role of Small and Medium Enterprises in Reducing Them

4.1 The labor market in Algeria

Since the second half of the eighties until 1999, the Algerian labor market witnessed a significant rise in the unemployment rate reached 30%, due to the economic crisis the Algerian economic experienced during the mentioned period, which also had a dramatic decrease in the volume of investments and low oil prices causing imbalances in the labor market, employment opportunities diminished at the same time the number of job seekers raised.

The growing phenomenon of unemployment touched almost all the society groups, especially the youth and certificates holders, as Algerian National bureau of Statistics the total unemployed number reaches, 1.7 million people, more than 73% of are under the age of 30 years.

The economic recovery program, which the Algerian took in recent years, has reflected positively in reducing the problems of unemployment, the following table shows the evolution of the unemployment rate in Algeria during the period of 2003-2015.

Table 2: Algerian Unemployment Rates during the Period 2003-2015

year	2005	2006	2007	2008	2009	2010	2011	2012
Unemployment rate (%)	15.3	12.5	13.8	11.3	10.2	10	10	10

Source: Algerian National Bureau of Statistics.

4.2 Factors affecting the Algerian labor market

4.2.1 The demographic factor

According to the 2012 revision by the United Nation regarding the world population prospects, the population size of Algeria increased from approximately 19.5 million in 1980 to approximately 37.1 million in 2010. It is expected that the population will keep on increasing to reach 40,6 million by 2015.

The growth rate of the population in Algeria decreased from 3.19% per cent for the period 1985 - 1990 to 1.37% for the period 2000- 2005. Then, it increased to reach 1 .75% by 2010. Projections show that it will increase to reach 1.84% 2015 “United Nation, world population prospects:the 2012 revision”.

4.2.2 Labor Market Imperfection

The imperfection of the Labor market plays an important role in high unemployment rates among young graduates. Algeria's labor market is relatively rigid, and therefore tends to favor insider versus outsider workers. Second, the high level of unemployment among young graduates is also the result of mismatches between labor market demand and supply: on the one hand, the economy has not been able to create sufficiently high skilled jobs; on the other hand, there seems to be an unbalanced distribution of Algerian students in favor of fields (such as humanities, social sciences, law and education) that generate an undersupply of the skills most needed by the private sector.

4.3 Actions Taken to Alleviate the Pressure from the Labor Market

Programs for youth employment: These programs inherited the evolved from previous programs called professional integration of young in 1990, the current programs are basically temporary paid employment, the goal of which is to provide work opportunity even if it is temporarily to unemployed youth jobs according to the conditions set forth in the law, the main goals of this program is to :

- Ease the pressure of the labor market.
- Reduce unemployment.
- The contribution of local communities.

4.4 The Role of SME

The role of Small and Medium Enterprises have emerged when the government amended the policy of the compulsory recruitment for universities graduates towards the public sector, which created the existence of "disguised unemployment", in addition to other factors that led to low efficiency in the major economic organizations, with the layoff a huge number of workers as an impulsive solution at that time.

Recently, the trend in the evolution of unemployment in Algeria continues to enroll overall downward due to the contribution of SMEs in creating jobs, particularly by the private sector and artisans. Thus, the data rates of unemployment in Algeria have experienced a decline during the two successive years 2005 and 2006 to 15.3% to 12.3% respectively against the rate by a slight increase of 1.5% in 2007.

Economic dynamism is mainly due to investments in the industry, it faces several constraints such as the lack of financial resources, high costs, centralization of industry, To overcome these difficulties, it is advisable to create small branches associated with big business, and seek outsourcing, this transaction will build several units that can meet the demand progressive employment, creating permanent cost. Algeria, like many other countries, has recognized the importance of SMEs and its important contribution to employment rate, which has made considerable share of this plan as shown in the following table.

Table 3: The Number of Small and Medium-Sized Enterprises in Algeria during the Period 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
Private sector	207 949	225 449	245 842	269 806	293 946	392 013	408 155	606 737
Public sector	788	778	874	739	666	626	598	560
Artisans	79 850	86 732	96 072	106 222	116 347	126 887	162 085	-----
TOTAL	288 587	312 959	342 788	376 767	410 959	519 526	570 838	607 297

Source: Algerian Ministry of Small and Medium Enterprises and Traditional handicrafts

The numbers presented in the table above show a remarkable growth of employment positions generated by the private sector, and artisans, the number of small and medium enterprises in Algeria witnessed a significant increase, as the number increased by 21.3% from 2005 to 2010 elevating the number of all SMEs types and forms, from 288 587 in 2006 to 570 838 enterprise in 2012 as a reason to the accelerated pace of the small and medium enterprises creation.

Establishing 411 648 enterprise within 18 years, an average of more than about 22869 enterprise every year. It is known that this stage witnessed the beginning of the incentive measures implementation brought by the Investment Law of 2001, and also the content of the law guideline for small and medium enterprises, especially those brought by the upgrade strategy and the development of small and medium enterprises for the benefit of this sector.

It can be said that the number of small and medium enterprises, including traditional industries in Algeria has more than 500,000 enterprises, contributing to the gross domestic product by 53.2%, and employs more than 800,000 individual.

According to the Minister of SMEs and traditional artisan statement in order solve out the unemployment crisis in Algeria, it is necessary to encourage investment and create wealth, by opening the gate for private investors as well as encouraging them by give special priority to this sector also granting them policies and taxes privileges, and it should be noted that the number of new jobs between 2000 and 2009 has reached to 200,000 new position, which represents an annual rate of increase exceeds 8%.

This type of enterprises are the most prevalent, and therefore are the most employment supplier, which may indicate a more active role for small and medium enterprises in the absorption of unemployment from the labor market, as it was initially known as a prominent with the restructuring of public enterprises through the distribution of large investments to investments distributed vertically and horizontally. As It allowed the establishment of many economic units that replaced the large institutions to cover the increasing demand of the labor market, by providing vacancies jobs in the short-term with low-cost (small size of investments helps to speed achievement, and control costs) and via horizontal distribution to various cities unlike the concentration of large enterprises in large cities, which contribute to the alleviation of unemployment in the inner smaller cities. In addition to that such enterprises improve the income of these cities through valuing their local resources which goes in line with the characteristics of small and medium enterprises.

If we look at these achieved and updated positions in the SMEs and in accordance with government legal standards, we find that the private sector is the most important sector in creation of jobs in Algeria, which is one of the main objective of the Algerian economic reformation in the past

Finally, it has to be said that small and medium enterprises can have a great contribution in solving the problem of unemployment in the countries of the Arab region in general and Algeria in particular, since such type of enterprises has a significant role in job creation process.

5. Conclusion

With the rampant of the unemployment problem in the Arab countries, even in some countries the phenomenon became the largest social and economic obsession fir the short and long term development, the unemployment rates reached very high levels and the average unemployment rate has become the highest compared to other regions.

Despite the economic growth that had been recorded in Algeria, the unemployment figures had not improved and was likely to worsen if serious steps were not taken to address this issue.

The Arabic economic attention started to move towards small and medium enterprises due to their major role in the economic development based on their ability to provide jobs, and become the first alternative to absorb the growth of the labor force and to provide appropriate opportunities and reduce unemployment rates. small and medium enterprises are considered as a key element in the development process and a major economy engine through the adoption of a series of economic reforms and development and financial funds.

However, SMEs contribution remains limited and somehow insignificant compared to the required role and the high expectations goals, and therefor governments ought to pay more efforts to upgrade and promote the sector more and more, in order to create more of these enterprises in all sectors, and work on the development of the current companies.

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