

## Informal Employment in the Construction Sector: Challenges, Determinants, and Economic Impacts on Algerian Companies

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### **Abstract:**

This article aims to analyze the main factors that drive companies to rely on informal labor. To do so, an empirical study was conducted with companies in the construction and public works (BTP) sector in the Oran region, through a questionnaire and interviews with company managers. The results of this survey reveal that the adoption of informal labor is primarily motivated by the search for greater flexibility in terms of working hours, but also by the difficulty in finding qualified labor in the BTP sector. This situation highlights the structural challenges of the local labor market and the limitations of the available formal labor force.

**Keywords:** Employment, informal sector, companies, labor, work

**JEL Classification Codes:** J23 , J46, L74

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## **1. INTRODUCTION**

Informal employment represents a complex and multidimensional economic phenomenon that has garnered increasing attention from economists, particularly in developing countries. In Algeria, although scientific research on informal employment is relatively limited, several studies have sought to assess the scale of this phenomenon and its impact on economic and social dynamics. However, existing research still lacks a thorough analysis of the specific determinants behind the reliance on informal employment in certain economic sectors, particularly in the construction and public works (CPW) sector, which is crucial to the Algerian economy.

Debates on the role of informal employment in the economy are diverse and contrasting. On one hand, some economists argue that informal employment plays a positive role by contributing to job creation, especially in countries where formal job opportunities are limited or in regions facing structural deficits in labor markets. Furthermore, informal employment is sometimes seen as a mechanism to combat poverty and offer opportunities to segments of the population excluded from the formal labor market. On the other hand, some researchers highlight the negative effects of informality, considering it as a destabilizing factor for the formal economy, particularly due to tax evasion, unfair competition, and the lack of social protection for the workers involved.

Thus, one of the central questions in the literature on informal employment remains to understand the factors driving businesses to adopt this form of labor, despite the associated risks. In this context, the construction and public works sector in Algeria represents a relevant case study, as this sector is characterized by widespread use of informal labor, often linked to cost flexibility and the difficulty of accessing a formally registered, skilled workforce.

### **Problem Statement:**

The focus of this study revolves around the determinants driving the reliance on informal employment in construction and public works (CPW) companies in Oran. More specifically, this research aims to answer the

following question : What are the main economic, organizational, and social factors that push CPW companies to prioritize informal labor, and how do these practices influence the performance of companies and the local economy as a whole?

**Hypotheses:**

We hypothesize the following: CPW companies in Oran resort to informal employment primarily due to the flexibility it offers in terms of wage costs and work organization, as well as the shortage of skilled workers in the formal labor market. We also assume that these informal practices have negative consequences, particularly in terms of tax non-compliance, labor precariousness, and competitive distortions in the local market.

**Research Objectives:**

The primary objective of this research is to analyze the determining factors that lead CPW companies to rely on informal labor, as well as to assess the repercussions of this phenomenon on the sector and the regional economy. The specific objectives of this study are as follows:

Identify the economic, social, and structural factors that explain the reliance on informal employment in CPW companies in Oran.

Assess the effects of informal employment on the performance of companies in terms of competitiveness and cost management.

Propose solutions to reduce the extent of informal employment in the CPW sector, in order to improve labor market regularization and enhance the competitiveness of the formal sector.

**Structure of the Research :** This study is organized as follows:

**Literature Review:** A critical analysis of existing studies on informal employment, focusing on relevant works in the Algerian context and within the CPW sector.

**Methodology:** This study is based on field research conducted with companies in the construction and public works (CPW) sector in Oran. This sector was specifically chosen due to its strong exposure to informal employment, as companies often rely on informal workers for reasons related to cost reduction and labor flexibility. This observation motivated

the decision to target CPW companies in order to better understand the factors driving this practice. For data collection, a structured questionnaire was designed and addressed to company managers and directors in the CPW sector, with the aim of obtaining precise information about their employment practices. In addition, semi-structured interviews were conducted to complement the questionnaire results and to gain deeper insights into the qualitative aspects, such as the motivations, constraints, and perceptions associated with the use of informal labor.

**Results Analysis:** A thorough analysis of the survey results, discussing the key determinants driving informal employment and its consequences for businesses in the sector.

**Conclusion and Recommendations:** A synthesis of the study's findings, accompanied by practical recommendations aimed at reducing informal employment and improving labor market regulation policies in the CPW sector.

## **2. Literature Review: Explanatory Factors of the Informal Sector:**

Given the critical importance of the informal sector, it is essential to understand the factors that promote its expansion. According to Bellache (2010), several key determinants explain the prevalence of informal labor, including demographic, economic, cultural, and sociopolitical factors. The complexity of business registration procedures, the costs associated with setting up a business, as well as various socio-fiscal constraints that burden operating companies—particularly the costs linked to regulations—also play a crucial role in the development of informality. In fact, these elements often force micro-enterprises to partially or entirely circumvent administrative and socio-fiscal requirements in order to ensure their economic viability (Ahmadou Ali Mbaye, 2014).

Thus, following the existing literature, the main determinants of informality can be summarized as follows:

### **2.1 The Weakness of Formal Employment:**

A restrictive supply of formal jobs explains the growth of the informal sector (KLOUCHE & KHENDEK, 2011), not only in developed countries

but also in developing nations. The labor market can no longer absorb the demand for work when the working-age population grows at an accelerated pace. Moreover, this phenomenon primarily affects unskilled labor.

## **2.2 Very High Tax Rates :**

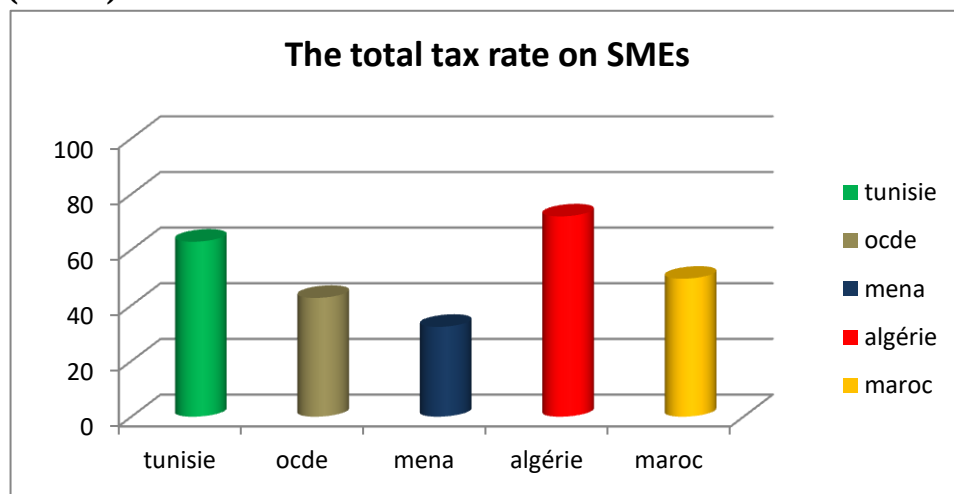
According to Kaufmann (1999), when taxes are excessively high, businesses tend to conceal part of their profits in order to reduce their tax burden. In fact, Schneider et al. (2010) emphasize that it is primarily these heavy contributions and taxes that foster the development of the informal economy, as businesses seek to avoid an overly burdensome fiscal load.

Similarly, a study conducted by the OECD (1994), based on a sample of micro-enterprises and self-employed individuals from seven developing countries, reveals that Algeria faces one of the highest tax pressures. The study estimates that these businesses pay over 90% of their profits in taxes, which largely explains the extent of tax evasion in the country. This observation is supported by Morrison's (1995) work on tax fraud, which also attributes this situation to unfavorable fiscal factors.

Moreover, a survey conducted by the World Bank, involving a sample of businesses across 123 countries, shows that Algeria stands out with a relatively higher tax rate, even when compared to countries with fewer economic resources. This heavy tax burden constitutes a major obstacle for businesses, hindering their development and prompting them to resort to informal practices.

Thus, the figure below illustrates the comparison of total tax rates between several countries, highlighting Algeria's position in this ranking.

**Fig n°01 : Total Tax Rate on Small and Medium-sized Enterprises (SMEs)**



**Source :** KLOUCHE. I et KHENDEK. S, 2011, p 21

Moreover, according to the *Doing Business Report* (2013), the corporate tax rate in Algeria has remained stable since 2006. This stability contrasts with the fiscal dynamics of the MENA region, where Algeria stands out for having a particularly high tax rate. Globally, the Algerian economy ranks 170th among 185 countries for this indicator. This situation illustrates the tax pressure on Algerian businesses, which operate in an environment where competitiveness is stifled by a relatively heavy tax burden.

This high tax rate is accompanied by substantial social charges, a factor often highlighted by economists to explain the relative weakness of the formal productive sector. Indeed, total social contributions in Algeria reach a rate of 35%, of which 9% are borne by employees and 26% by employers. While these social charges are necessary to ensure social coverage for workers, they represent a considerable burden for businesses, especially those operating in fragile or developing sectors. The structure of these contributions serves as a major deterrent, discouraging businesses from formally registering employment, thus reinforcing informal practices

in the economy.

Economists argue that this level of taxation, in addition to its direct impact on production costs, creates an incentive for businesses to avoid official registration and the associated fiscal and social obligations in order to reduce their burdens. This phenomenon of disincentivizing formal integration into the economy is one of the key drivers of the informal sector, particularly in developing economies like Algeria.

**Table N 01: Creation and Operating Conditions of an SME in 2007 (Algeria, Morocco, Tunisia)**

|                                                | Algérie | Tunisie | Maroc |
|------------------------------------------------|---------|---------|-------|
| <b>Création d'entreprise</b>                   |         |         |       |
| Procédures (nombre)                            | 14      | 6       | 10    |
| Durée (jours)                                  | 24      | 12      | 11    |
| Coût (% de revenu par habitant*)               | 13.2    | 11.5    | 8.3   |
| Capital minimum (% de revenu par habitant)     | 45.2    | 59.8    | 25.3  |
| <b>Octroi licences**</b>                       |         |         |       |
| Procédures (nombre)                            | 22      | 19      | 20    |
| Durée (jours)                                  | 240     | 163     | 93    |
| Coût (% revenu par habitant)                   | 57.8    | 334.7   | 922.1 |
| <b>Embauche des travailleurs***</b>            |         |         |       |
| Indice de difficulté de recruter (0-100)       | 44      | 100     | 28    |
| Indice de rigidité des horaires (0-100)        | 60      | 40      | 40    |
| Indice de difficulté de licenciement (0-100)   | 40      | 50      | 80    |
| Indice de rigidité de l'emploi (0-100)         | 48      | 63      | 49    |
| Coût des avantages extra-salariaux (% salaire) | 27      | 19      | 22    |
| Coût du licenciement (semaines de salaire)     | 17      | 85      | 17    |
| <b>Transfert de propriété</b>                  |         |         |       |
| Procédures (nombre)                            | 14      | 8       | 5     |
| Durée (jours)                                  | 51      | 47      | 49    |
| Coût (% de la valeur du bien)                  | 7.5     | 4.9     | 6.1   |
| <b>Paiement des taxes et impôts</b>            |         |         |       |
| Paiements (nombre / année)                     | 33      | 28      | 46    |
| Durée (heures / année)                         | 451     | 358     | 268   |
| Total à payer (% bénéfice brut)                | 72.6    | 53.1    |       |
| <b>Exécution de contrats</b>                   |         |         |       |
| Procédures (nombre)                            | 47      | 40      | 39    |
| Durée (jours)                                  | 630     | 615     | 565   |
| Coût (% de la créance)                         | 17.4    | 25.2    | 21.8  |
| <b>Fermeture d'entreprise</b>                  |         |         |       |
| Durée (années)                                 | 2.5     | 1.8     | 1.3   |
| Coût (% de la valeur du patrimoine)            | 7       | 18      | 7     |
| Taux de recouvrement (cents par dollar)        | 41.7    | 35.5    | 51.5  |

*Source: Doing Business, (2008), p 55*

### **2.3 The Weight of Regulation**

The complexity and burden of administrative procedures represent major obstacles to the registration of businesses in the formal sector. Chambwera, McGregor, and Baker (2011) explain that when the institutional environment is complex and difficult to navigate, entrepreneurs are often discouraged from formalizing their businesses. In Algeria, these obstacles are particularly pronounced, where companies must go through several complex administrative stages to launch their operations. This regulatory framework, perceived as inefficient and cumbersome, drives many entrepreneurs to opt for the informal sector, where procedures are less restrictive.

The process of starting a business in Algeria involves various administrative steps, each carrying an indirect cost in terms of time and effort. The time required to complete all administrative formalities is often long and can vary significantly from one region to another, which affects how quickly businesses can begin operating. According to Djankov et al. (2002), developing economies are particularly affected by these administrative inefficiencies, which result in substantial hidden costs. The time spent on these procedures is a major barrier to the creation of formal businesses, as it increases operational costs and delays the commencement of economic activities.

Business creation regulations in Algeria can be analyzed through three main dimensions: the number of procedures required, the cost associated with these steps, and the time needed to complete them. When these factors are high, they encourage entrepreneurs to choose informality in order to avoid administrative costs and implementation delays. In fact, some businesses prefer not to formalize their activities to reduce the administrative burden and escape the high fiscal and social requirements that characterize the formal sector.

The heaviness of administrative requirements is also exacerbated by bureaucratic processes that are perceived as slow and inefficient. The establishment of more flexible and responsive structures within public institutions could help alleviate this phenomenon, making it easier for

businesses to formalize. In the absence of such reforms, businesses often prefer to operate informally, as they can avoid these regulatory constraints. This allows them to reduce registration, compliance, and administrative management costs.

The impact of this phenomenon on the national economy is significant, as it leads to a deficit in tax revenue for the state, which is unable to capture the full range of formal economic activities. Moreover, this situation creates competitive disparities, as informal businesses escape the same fiscal and social obligations as those operating in the formal sector, thus distorting market rules and hindering the competitiveness of the private sector.

### **Regulation Related to Business Creation in Algeria :**

The process of creating a business in Algeria is still perceived as complex, lengthy, burdensome, and costly. According to the *Doing Business* 2020 report, Algeria ranks 157th out of 190 countries, showing a decline compared to previous years, and remains among the least favorable economies in terms of administrative procedures for entrepreneurs. This ranking highlights the persistent challenges related to the efficiency and speed of the administrative steps required for starting a business.

Entrepreneurs must, on average, complete 14 administrative steps to formalize their activity, with an average delay of about 25 days before the business can actually begin its operations. These delays and formalities impose a considerable burden in terms of time and resources, thus hindering entrepreneurial initiatives and obstructing the smoothness of the business creation process.

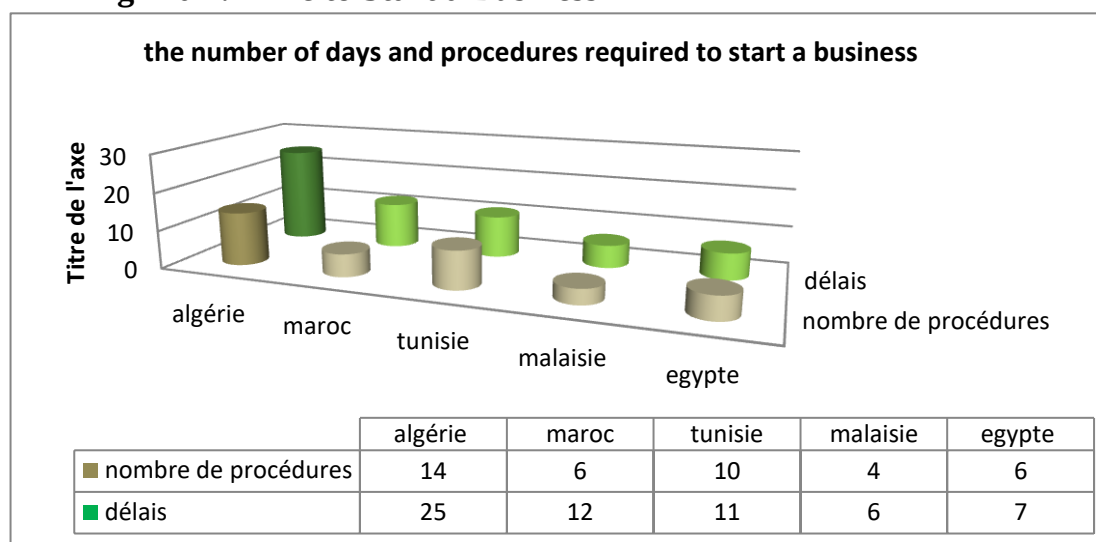
This administrative burden creates an environment that is not conducive to entrepreneurship, discouraging many project holders, especially small and medium-sized enterprises (SMEs), which are vital for boosting the national economy. Faced with the slowness and complexity of procedures, many entrepreneurs opt for the informal sector to avoid the costs and constraints associated with formalizing their activity.

The inefficiency of the administrative system thus constitutes a major obstacle to investment and the competitiveness of businesses. In an

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economic context where entrepreneurs seek quick and flexible solutions, the administrative burdens, combined with high costs, often push them to prefer informality. This contributes to maintaining a large informal sector, which offers a faster and less expensive alternative to the long and complex processes of the formal sector.

**Fig n°02 : Time to Start a Business**



**Source :** *BELLACHE 2010, p68*

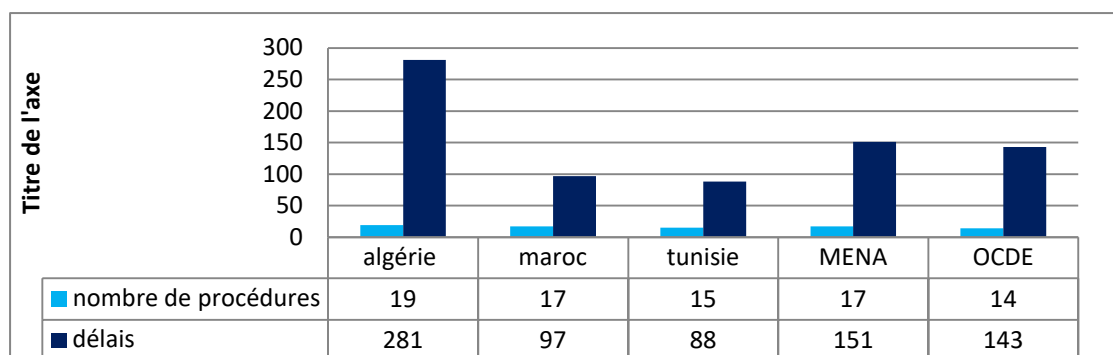
In the MENA Region (Middle East and North Africa), Algeria stands out as one of the countries where obtaining administrative permits for the creation and expansion of a business remains particularly complex. Indeed, it is among the countries with the most restrictive regulations in this area. Obtaining a construction permit, essential for the start or expansion of economic activities, represents a challenging process due to the burdensome administrative procedures and the significant deadlines that must be met.

According to the *Doing Business 2020* report, Algeria ranks 152nd out of 190 countries in terms of the ease of obtaining construction permits, a ranking that reflects the inefficiency of procedures in the country. Businesses seeking to obtain this approval must not only face a series of complex administrative steps but also contend with delays significantly longer than those observed in other countries, including in the MENA region. This situation generates high indirect costs for businesses and

hinders their ability to grow rapidly and efficiently.

The chart below illustrates the comparison of the time required to obtain a construction permit between Algeria and other countries in the region, highlighting the substantial gap between the country and its neighbors. These administrative obstacles constitute major barriers to the country's attractiveness for investors and limit the growth of many businesses, particularly in the construction and infrastructure sectors.

**Fig n°03 : Number of Procedures and Time to Obtain a Construction Permit**



**Source : BELLACHE, 2010, p72**

The chart above clearly illustrates that, among all the countries studied, Algeria records the highest figures in terms of the number of procedures and the time required to obtain a construction permit. Compared to the OECD average and other countries in the MENA region, Algeria stands out for its administrative burden and the slow pace of procedures. It is thus the country where obtaining this permit represents the greatest challenge for businesses, highlighting the complexity and inefficiency of its administrative system in this area.

### **3. Study of the Determinants of Informal Employment: Results and Analysis of the Survey**

#### **3.1. Survey Methodology:**

The sample for this study consists of 48 companies operating in the construction and public works (CPW) sector. The majority of these companies have more than ten years of experience in their field of activity.

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These companies are primarily managed by non-family partners, and over 50% of them do not have branches. In terms of size, these companies typically employ fewer than 50 people.

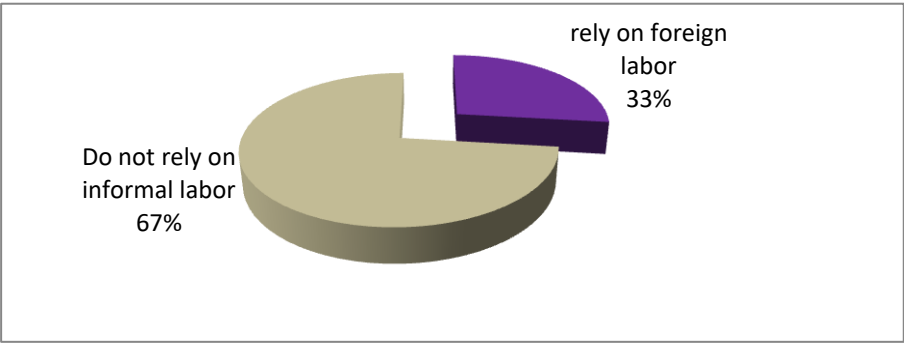
The survey was conducted on the ground over a period of two months, from May to June 2024, in order to gather representative and relevant data regarding the practices and motivations of companies in the sector.

**3.2 Results:**

**3.2.1 Perception of Informal Labor:**

According to the results obtained from the survey conducted with 48 companies operating in the construction and public works (CPW) sector in the Oran region, more than 67% of the companies surveyed indicated that they rely on informal labor. Among these, 33% specifically employ foreign informal labor. This reliance on informal labor can be attributed to two main factors:

***Fig n°04 : The Proportion of Companies That Rely on Foreign Labor***



**Source :** Conducted by the author,2024

Regarding the reasons for relying on informal labor, the results of the survey indicate that 65% of the companies surveyed use this category of workers due to their occasional need for labor. The duration of employment for these workers is generally determined by the nature and specificity of the tasks to be performed. As a rule, this duration does not exceed ten days, which corresponds to the maximum period allowed to officially declare a

worker.

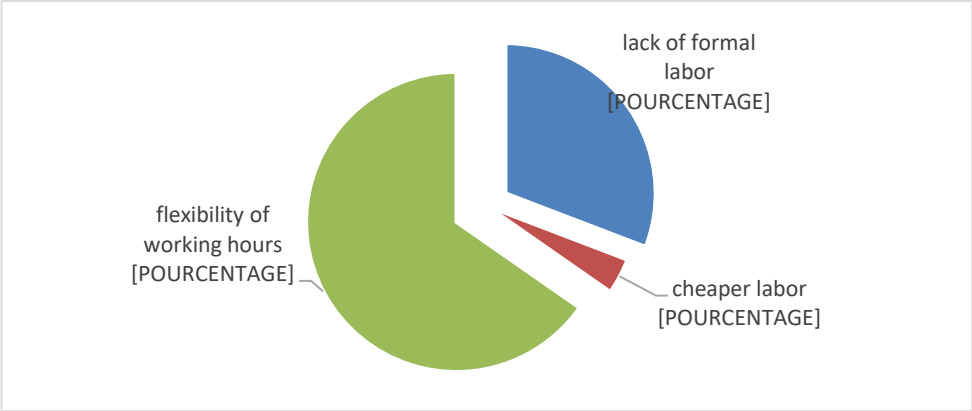
**Table N. 02: Duration of Work for Informal Labor Force**

|                                                    |                                                                    | Si occasionnellement leurs duré de travail est de combien ? |                  |        |                      |        | Total  |
|----------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------|------------------|--------|----------------------|--------|--------|
|                                                    |                                                                    | une semaine                                                 | pas plus de 10 j | 15j    | jusqu'à fin de tâche | rien   |        |
| Parmi eux y a-t-il des travailleurs non affiliés ? | Effectif                                                           | 5                                                           | 2                | 1      | 25                   | 7      | 40     |
|                                                    | <b>oui</b>                                                         |                                                             |                  |        |                      |        |        |
|                                                    | % dans Parmi eux y a-t-il des travailleurs non affiliés ?          | 12,5%                                                       | 5,0%             | 2,5%   | 62,5%                | 17,5%  | 100,0% |
|                                                    | % dans Si occasionnellement leurs duré de travail est de combien ? | 100,0%                                                      | 100,0%           | 100,0% | 100,0%               | 46,7%  | 83,3%  |
|                                                    | % du Total                                                         | 10,4%                                                       | 4,2%             | 2,1%   | 52,1%                | 14,6%  | 83,3%  |
|                                                    | <b>non</b>                                                         |                                                             |                  |        |                      |        |        |
|                                                    | Effectif                                                           | 0                                                           | 0                | 0      | 0                    | 8      | 8      |
|                                                    | % dans Parmi eux y a-t-il des travailleurs non affiliés ?          | 0,0%                                                        | 0,0%             | 0,0%   | 0,0%                 | 100,0% | 100,0% |
| <b>Total</b>                                       | % dans Si occasionnellement leurs duré de travail est de combien ? | 0,0%                                                        | 0,0%             | 0,0%   | 0,0%                 | 53,3%  | 16,7%  |
|                                                    | % du Total                                                         | 0,0%                                                        | 0,0%             | 0,0%   | 0,0%                 | 16,7%  | 16,7%  |
|                                                    | Effectif                                                           | 5                                                           | 2                | 1      | 25                   | 15     | 48     |
|                                                    | % dans Parmi eux y a-t-il des travailleurs non affiliés ?          | 10,4%                                                       | 4,2%             | 2,1%   | 52,1%                | 31,3%  | 100,0% |
|                                                    | % dans Si occasionnellement leurs duré de travail est de combien ? | 100,0%                                                      | 100,0%           | 100,0% | 100,0%               | 100,0% | 100,0% |
|                                                    | % du Total                                                         | 10,4%                                                       | 4,2%             | 2,1%   | 52,1%                | 31,3%  | 100,0% |

**Source :** Conducted by the author,2024

Furthermore, 31% of the companies rely on informal labor due to the weakness of formal employment. This situation can be interpreted through the Insider/Outsider theory, which posits that companies seek to minimize the costs associated with workforce turnover by hiring outsiders. This choice is particularly relevant given that the company only needs these workers on an occasional and temporary basis.

**Fig n° 05 : Causes of the Shift Towards Informal Labor**



**Source :** Conducted by the author,2024

Furthermore, 27% of the companies rely on informal labor due to a combination of several factors. Finally, only 4% of the companies resort to this category of workers due to the relatively low wages, which helps reduce financial burdens.

Informal labor affects several sectors of activity. The survey conducted among companies in the CPW sector revealed that informal labor manifests in various situations and forms. Thus, among the companies surveyed, it was observed that the demand for informal labor is particularly pronounced in manual labor tasks (83%), which explains the occasional and short-term nature of the work performed by these workers.

**Table No. 03: Share of Company Responses on the Qualification of Informal Labor**

|                                                    |                                                                 | Pensez-vous que La main d'œuvre informelle est qualifiée |        |        |                            | Total  |
|----------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------|--------|--------|----------------------------|--------|
|                                                    |                                                                 | Oui                                                      | non    | rien   | parfois oui et parfois non |        |
| Parmi eux y a-t-il des travailleurs non affiliés ? | Effectif                                                        | 14                                                       | 15     | 0      | 11                         | 40     |
|                                                    | % dans Parmi eux y a-t-il des travailleurs non affiliés ?       | 35,0%                                                    | 37,5%  | 0,0%   | 27,5%                      | 100,0% |
|                                                    | % dans Pensez-vous que La main d'œuvre informelle est qualifiée | 87,5%                                                    | 78,9%  | 0,0%   | 91,7%                      | 83,3%  |
|                                                    | % du Total                                                      | 29,2%                                                    | 31,3%  | 0,0%   | 22,9%                      | 83,3%  |
|                                                    | Effectif                                                        | 2                                                        | 4      | 1      | 1                          | 8      |
|                                                    | % dans Parmi eux y a-t-il des travailleurs non affiliés ?       | 25,0%                                                    | 50,0%  | 12,5%  | 12,5%                      | 100,0% |
|                                                    | % dans Pensez-vous que La main d'œuvre informelle est qualifiée | 12,5%                                                    | 21,1%  | 100,0% | 8,3%                       | 16,7%  |
|                                                    | % du Total                                                      | 4,2%                                                     | 8,3%   | 2,1%   | 2,1%                       | 16,7%  |
| Total                                              | Effectif                                                        | 16                                                       | 19     | 1      | 12                         | 48     |
|                                                    | % dans Parmi eux y a-t-il des travailleurs non affiliés ?       | 33,3%                                                    | 39,6%  | 2,1%   | 25,0%                      | 100,0% |
|                                                    | % dans Pensez-vous que La main d'œuvre informelle est qualifiée | 100,0%                                                   | 100,0% | 100,0% | 100,0%                     | 100,0% |
|                                                    | % du Total                                                      | 33,3%                                                    | 39,6%  | 2,1%   | 25,0%                      | 100,0% |

**Source :** Conducted by the author,2024

The results of the survey conducted among the 48 companies show that nearly 40% of them consider informal labor to be unskilled. This perception could be explained by the nature of the tasks assigned to these workers, which are generally of low complexity and do not require specialized skills. For example, it is common for these workers to be employed in sectors such as agriculture or as street vendors, where the qualification requirements are relatively low.

However, it should be noted that the qualifications of informal labor may evolve over time. In fact, certain informal occupations, such as electricians or plumbers, can be learned through experience and hands-on training. This progression towards formal qualifications is recognized by 34% of respondents, who believe that some informal workers acquire

specialized skills as they progress in their professional journey.

**3.2.2. Cash Transactions and Use of the Parallel Market**

Another important dimension highlighted by the survey concerns the transaction methods used by companies. It appears that 35% of transactions are carried out in cash, even for substantial amounts. This practice, while perceived as a quick and flexible solution, raises concerns about the financial transparency of businesses and the lack of traceability of exchanges.

Furthermore, a significant portion of services, particularly those related to the procurement of materials or equipment rentals, appears to be conducted outside official channels. Around 14.58% of companies turn to the black market for these transactions, which can be interpreted as a way to reduce costs or avoid administrative and tax formalities.

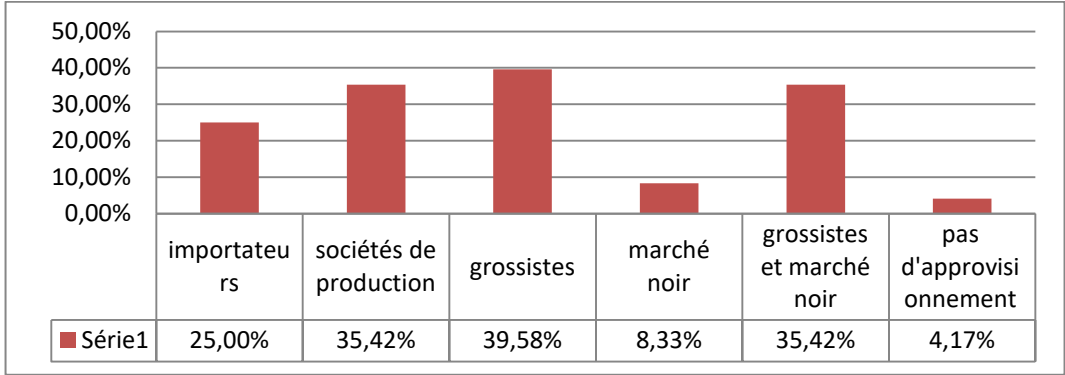
**Table N. 04: Transaction Method (costumer/Supplier) Used by Companies**

| Customer Payment Method |           |        | Supplier Payment Method |           |        |
|-------------------------|-----------|--------|-------------------------|-----------|--------|
| Category                | Frequency | %      | Category                | Frequency | %      |
| Cash                    | 26        | 29,54% | Cash                    | 38        | 39,58% |
| Checks                  | 46        | 52,27  | Checks                  | 46        | 47,91% |
| Credits                 | 16        | 18,18% | Credits                 | 12        | 12,50% |
| Total                   | 88        | 100%   | Total                   | 96        | 100%   |

**Source :** Conducted by the author,2024

Although companies in the construction and public works (CPW) sector are generally properly registered with the Trade Register, their business transactions, both with their clients and suppliers, sometimes involve informal transactions. This situation is illustrated by the data presented in the following table:

**Fig n°06 : Procurement Methods of Oran-Based Companies**



**Source :** Conducted by the author,2024

### 3.3. Analysis of Challenges Faced by CPW Companies: Interview Results :

In addition to the questionnaires distributed, interviews were conducted with the managers of the surveyed companies, providing additional qualitative information about the challenges faced. Although these companies frequently rely on informal labor, often perceived as unskilled (33.3%), they express a strong desire to hire qualified and formally declared staff. This situation suggests a gap between the companies' requirements for qualifications and the realities of the informal labor market.

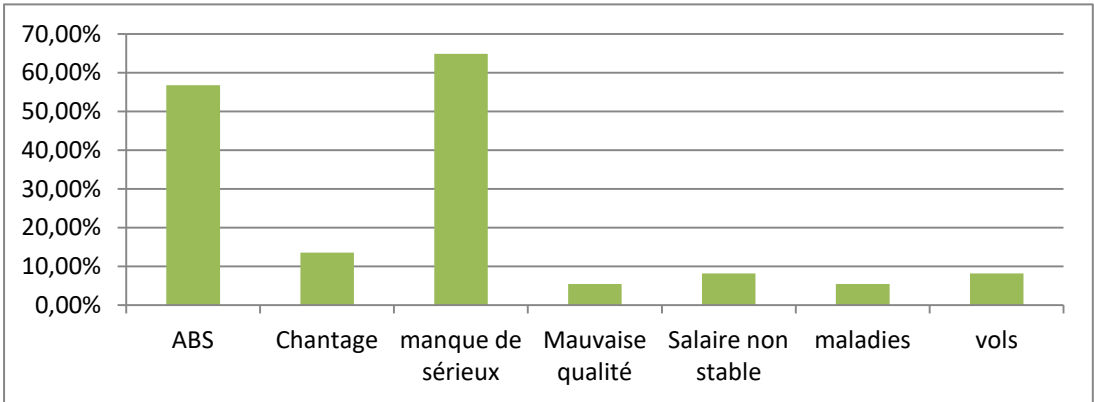
Regarding regulations, the majority of construction and public works (CPW) company managers expressed support for the 2015 Supplementary Finance Law, which they generally consider to be positive. Over 60% of respondents believe that this legislation offers substantial benefits for their businesses, particularly in terms of fiscal regulation and incentives for the formalization of employment, factors that could contribute to improved competitiveness and transparency in the sector.

However, despite the availability of informal labor with varying skills,

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CPW companies face significant obstacles related to informal employment. Among the 48 companies in the sector located in the Oran region, 78.72% have not yet overcome the challenges associated with integrating this workforce into their organization. The main issues identified are absenteeism and a lack of rigor in task execution, behaviors that have a direct impact on productivity, work quality, and project management.

***Fig n°07 : Difficulties Encountered with Informal Labor***



***Source : Conducted by the author, 2024***

**4. Conclusion :**

This study aimed to analyze the key factors driving the reliance on informal labor in construction and public works (CPW) enterprises in Oran and to assess its impact on company performance and the local economy. The central issue of this research focused on the economic, organizational, and social factors that lead businesses to prioritize informal labor, despite the associated risks.

Based on the hypothesis that companies in the sector opt for informal labor primarily due to the flexibility it offers in terms of labor costs, work organization, and the shortage of skilled workers in the formal sector, this study sought to understand how these informal practices affect business competitiveness and broader economic dynamics.

The results of the survey, which included questionnaires and

interviews with business leaders, confirmed the validity of these hypotheses. The primary reason companies turn to informal labor is the organizational flexibility it provides, rather than solely the reduction in wage costs. Additionally, the scarcity of skilled labor in the formal sector remains a critical constraint, pushing many firms toward informal recruitment practices. The absence of bureaucratic constraints and the ability to adapt rapidly to fluctuating work demands also play key roles.

However, while informal employment provides flexibility and short-term cost advantages, it presents serious limitations. Employers report problems such as absenteeism, lack of commitment, and reduced productivity among informal workers. These drawbacks have long-term consequences for business efficiency and sustainability.

Beyond the firm level, the prevalence of informal employment reflects deeper structural issues in the national economic policy framework. The persistence of informality is often a response to rigid labor regulations, high tax burdens, and administrative complexity—all of which discourage formal job creation. This indicates that informal employment is not only a labor market issue but also a symptom of broader economic and institutional weaknesses.

Therefore, addressing informal employment requires more than sector-specific reforms. It calls for a comprehensive rethinking of economic policy—particularly in areas such as taxation, labor regulation, and education/training. Policies aimed at simplifying the administrative processes for business registration, reducing non-wage labor costs, and investing in vocational training would directly contribute to the reduction of informality. Moreover, promoting economic diversification and supporting SMEs through inclusive policies can help create formal job opportunities that are both attractive and accessible.

In conclusion, this study underscores the importance of viewing informal employment not in isolation, but as part of a wider economic and policy landscape. Combating informality effectively demands a balanced approach that combines economic incentives, institutional reform, and social protection mechanisms. Only by aligning labor market policies with

inclusive economic strategies can Algeria gradually reduce informality and build a more resilient and equitable economy.

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