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Economics Research

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# Workshop on employment in Tunisia:

What do we know? What is the way forward?

# 1 Introduction

On the 10th of April, 2012, the African Development Bank and UNU-WIDER organized a research workshop on the theme of 'Employment in Tunisia: What Do We Know? What is the Way Forward?'

The aim of this workshop was to bring together universities and policy makers to reflect on the priorities of scientific research and employment policy. It also aimed to establish and strengthen the partnership between policy makers in the country.

The workshop's objectives were to bring together researchers and policy makers to discuss the following questions:

- What are the characteristics of the labour market in Tunisia, and how have they evolved during the last decade?
- What are the programmes and initiatives for employment promotion in Tunisia, in particular for young graduates?
- What are the challenges and priorities regarding scientific research on employment?

The workshop was attended by representatives of the Ministry of Employment, the Ministry of Higher Education and Scientific Research and the National Institute of Statistics, a number of universities and establishments of higher education and research, as well as representatives from international organizations.

The workshop started with presentations from foreign and Tunisian researchers on subjects ranging from youth unemployment to higher education reform. At the end of the day round tables were organized around four themes of interest for Tunisia. The representatives of the Ministry of Employment, Ministry of Education and UTICA engaged in open discussions with the university representatives. These discussions concluded in a number of recommendations for economic policies to resolve the problem of unemployment in Tunisia.

The government representatives were left at the end of the day with concrete policy recommendations on the reform of higher education, youth entrepreneurship, the flexibility of the labour market and the competitiveness of the private sector. During the workshop a network was created, made up of researchers and policy makers, to work on the question of employment. With regards to the future, the government officials have expressed their desire to strengthen the collaboration between the government and universities, so that policy can be made in a participative manner.

## Speakers

Mohamed Kriaa, ISG Business School of Tunisia  
Yamen Helel, National Institute of Statistics  
Fakher Zaibi, ONEQ  
Tahar Abdesslem, Polytechnic School of Tunisia  
Audrey Verdier-Chouchane, ERDE-AfDB  
Mongi Boughzala, University of Tunis El Manar  
Imed Drine, UNU-WIDER  
Ghazi Boulila, University of Tunis El Manar  
Sâad BelGhazi, World Bank Consultant  
Fatma Moussa, National Observatory of Employment  
Nizar Attaa, Ministry of Higher Education and Scientific Research  
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## Organizing team

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The Workshop was opened by  
Temi Abimbola, Manager, African Development Institute, EADI-AfDB  
Imed Drine, Research fellow UNU-WIDER  
Steve Kayizzi-Mugerwa, Director Research Department EDRE-AfDB

## 2 The labour market in Tunisia

### 2.1 Presentation 1

Mohamed Kriaa's presentation focused on the characteristics and global trends of the labour market in Tunisia. The study proposes a certain number of measures and reforms to improve employability in the Tunisian market.

In the first part, Mohamed Kriaa presented a general picture of the Tunisian economy. The macroeconomic situation of Tunisia in 2011 has changed; the budget deficit was 2.1 per cent in 2010 and it rose to 7 per cent at the end of 2011. There were foreign reserves for 5 months in 2010 but only for 113 days by the end of 2011; the average growth rate was 5 per cent during the last 10 years, but only 2.2 per cent in 2011.

The first part also focused on general trends of the labour market in Tunisia. Mohamed Kriaa confirmed that at the end of May 2011, Tunisia had 704,900 unemployed persons making for an unemployment rate of 18.3 per cent and 30.9 per cent of skilled workers. This unemployment rate is divided between men and women, 15 per cent and 27.4 per cent respectively. 42.5 per cent of the unemployed are first-time jobseekers, 41.8 per cent of 20-24 year olds and 34.5 per cent of 25-29 year olds are unemployed. In 2010 these rates were 29.7 per cent for 20-24 year olds and 24.2 per cent for 25-29 year olds.

The additional demand for jobs is highly 'skilled' (more than 60 per cent of new entrants in 2010) whereas job offers are for mainly low-skilled jobs. In 2010, nearly 84 per cent of the working population had an education level lower than the high school baccalaureate.

In the second part Mohamed Kriaa gave a diagnosis of the situation in Tunisia and proposed a number of measures to resolve the unemployment crisis. Tunisia is suffering from tension in the labour market due to a high unemployment rate but also due to geographic inequality. The large disparity between regions has not stopped increasing, especially between the inland regions and the coast (in 2011 the unemployment rate was 11.1 per cent in the Central East and 28.6 per cent in the Central West). The West is the region with the highest unemployment rate and has the lowest share of public and private investment.

At this stage, it isn't enough to increase the GDP growth rate to lower unemployment. Sustained economic growth is not enough alone to absorb unemployment; youth employment elasticity is low, less than 1. It is important to accompany growth with a restructuring of the productive base, a reform of the training and education system and to adopt an industrial policy based on the consolidation of sectors with a high added value potential and very intense in the use of skilled labour. Reform of the taxation and social security systems is also important. A reduction in the inflexibility of the labour code in order to encourage the creation of formal employment and accompany the restructuring of companies, and a reform of a collective negotiation system is necessary. The policy of maintaining low wages to attract Foreign Direct Investment (FDI) must be revised since it contributes to the growing wage inequalities. A revision of fiscal and financial benefits directed to FDI is recommended, and must promote the disadvantaged regions and the most promising sectors of our economy.

Finally, all employment policies must fit in with the future active participation of 'the regions' in as much the definition, management and evaluation of the reforms, and actions to undertake. Organized migration should act as a safety valve for unemployment, especially of graduates, by creating jobs for young people in sufficient numbers. Public investment must continue to play its role as a driver in the creation of employment.

Speaker

**Mohamed Kriaa, ISGT**

Theme

**The labour market in Tunisia:  
Current situation and options for reform**

Presentation in French

Contents

- 1 Overview of the characteristics of the labour market in Tunisia
- 2 Imbalances between supply and demand of employment
- 3 Differences of characteristics of the demand for employment
- 4 Inequalities in terms of investment
- 5 The importance of creating skilled jobs: the employment offer
- 6 An overview of the sectoral structure of employment
- 7 Reform of the productive system
- 8 The importance of reforming the training and intermediation systems
- 9 Reform of the education system
- 10 Reform of the intermediation system

## 2.2 Presentation 2

The presentation by the National Statistics Office (INS) representative, Yamen Helel, showed the general trends of the labour market, the segmentation of the labour market and the lack of skills. The results presented were from the national survey on population and employment.

The INS representative, Yemen Helel, emphasized the increase of the activity rate at national level between 2005 and 2010, which masks important regional disparities. The governorates of the South and West, such as Kébili, Gabès, Tataouine, Medenine, Kasserine and Jendouba have the lowest activity rates, between 38.2 per cent and 44.4 per cent. While, the coastal governorates have the highest rate of activity, between 53.4 per cent and 63.5 per cent.

Despite a significant increase of the activity rate at a national level, the activity rate for women is still low in comparison with the international average and; about 27 per cent. Between 2005 and 2010 the activity rate was higher for all categories, with the exception of the 15-24 year olds. The low activity rate for young people is explained by longer periods of studying and training. The increasing activity rate for the period 2005-2010, however, was not enough to reduce unemployment rate. Indeed, unemployment rate increased from 13.2 per cent in 2005 to 13.3 per cent in 2010. The situation deteriorated further in the regions already suffered from high unemployment rates. The data showed that the unemployment rate mainly affected the inland regions where the unemployment rate was between 17.5 per cent and 28.5 per cent. The regions most affected are Gafsa, Kébili, Kasserine, Jenouba, Gabès and Tataouine.

Young people, between 15 and 29 years, are most affected by the unemployment problem and the probability to be affected by unemployment rises with the level of studies. For a young person with a primary education level, the unemployment rate is about 21.2 per cent, but for a young person with a higher education level, the rate reaches 44.3 per cent. On the other hand, more than half (54 per cent) of young people that arrived on the labour market in 2011, had a higher education. This reflected the difficult transition from school to work for young people.

Yemen Helel's presentation also suggests flexibility in the labour market for low-skilled workers and rigidity for the more educated. The analysis of the duration of unemployment reinforces these results and shows, on the one hand, that those aged between 25 and 34 are more affected by long-run unemployment (the period of unemployment is over 12 months). On the other hand, the higher is the level of education the higher is the rate of those affected by long-run unemployment. In 2011, only 13 per cent of those who never attended school, were unemployed for longer than 12 months, compared to 24 per cent of those who were educated to a primary level. These rates rose to 35 per cent for those with a secondary education, and 50 per cent for those who were educated to a higher level. At a regional level, the regions the most affected by long-run unemployment were Kébili, Gafsa, Gabès, Ben Arous and Sfax.

Yemen Helel also talked about segmentation in the labour market according to the type of contract and on the basis of wages earned, in both the public and private sectors. The results show that in the private sector more than half of employees work without a contract, approximately 15 per cent work with a temporary contract and more than 25 per cent work with a permanent contract. Whereas in the public sector nearly all workers have stable employment and benefit from a permanent contract (nearly 88 per cent).

An analysis of the level of education and the type of contracts was also presented and showed that the higher the level of education the more stable the working conditions were. The data showed that more than 70 per cent of employees with a higher education worked with a permanent contract whereas less than 20 per cent of employees who never went to school worked with a permanent contract.

Speaker  
Yamen Helel, INS

Theme  
**The labour market in Tunisia, recent trends and analysis of wages based on the employment survey**

Presentation in French

Contents

- 1 Trends in the employment market (2005-10)
  - 1.1 Rate of activity
  - 1.2 Unemployment rate, duration of unemployment
  - 1.3 School-work transition
- 2 Segmentation of the labour market
  - 2.4 Types of contracts
  - 2.5 Wage gap
- 3 Lack of skills

The wages for employees working with a permanent contract are 1.17 times the national average, whereas wages for those working with a temporary contract are 0.74 times the national average. The presentation also compared wages earned with the SMIG (guaranteed minimum wage) in the private and public sectors and showed that 61 per cent of workers that didn't have a contract, 66 per cent of workers that had a temporary contract and 27 per cent of workers that had a permanent contract, earned a wage lower than the guaranteed minimum wage. The main conclusion was that for graduates with higher diplomas in the public sector, employment was more stable and better paid.

The third part of Yemen Helel's presentation discussed the deficit in skills for some activities and lack of jobs for others: deficit of 40 per cent for labourers, 27 per cent for crafts men, 21 per cent for sales, compared to a surplus for professionals: 35 per cent for technicians and 53 per cent for university graduates.

In the last part, Yemen Helel summarized the presentation in two key problems: the segmentation of the labour market and the lack of skills and the lack of productive employment.

The segmentation of the labour market is characterized by:

- An informal sector with a low level of education and a low added value per job
- A formal private sector with a higher level of education and a high level of added value per skilled job, very productive
- A public sector with fixed wages set relatively independently of market constraints

Hence, the need to reform the labour code by:

- Finding a balance between more flexibility and protection of workers
- Extending social security coverage
- Assuring effective application of law

On the other hand, one of the main conclusions found is the lack of skills and the lack of productive jobs and that:

- The growth of activities with a high added value is not enough to absorb the flow of young graduates
- Under-utilization of graduates (unemployment and underemployment)

Hence the need is to:

- Strengthen the creation of employment with a high value added
- Develop intermediation programmes to aid the transition from school to work
- Improve information available on the structure of skills in the employment market

## 3 Education and the labour market

### 3.1 Presentation 3

Fakher Zaibi, representative of ONEQ, discussed the professional job placement of young higher education graduates. The results presented were from a survey on a group of 4,700 graduates with higher diplomas, who graduated in 2004. The group was questioned several times over a reasonably long period of time. The first time, the group was questioned at the end of 2005/beginning of 2006, which was approximately 18 months after graduation. The objectives of the survey were to:

- Monitor the situation of graduates in relation to the labour market (employment, unemployment, inactivity, training).

Speaker  
**Fakher Zaibi, ONEQ**

Theme  
**Job placement of young graduates from higher education**

Presentation in French

- Track the professional career path of graduates.
- Highlight the specializations of study in which graduates can find job placement easier in the labour market and those that encounter difficulties finding a job.
- Highlight the diplomas with which graduates can find job placement easier in the labour market and those that encounter difficulties in finding a job.
- Identify and measure the elements that determine the professional job placement of graduates.
- Give insights on the appropriateness of training and employment.

The main results presented emphasize the disparities in job placement between the different specializations. In effect, they show that three and a half years after graduation specializations such as *law, social sciences, life sciences, Arabic and economics; higher diplomas in accounting and finance, management and administration, agriculture and food sciences*, face the most difficulties to find a job. However, it is much more easier to find a job for graduates with literary and economic specializations, scientific and foreign language specializations (*master's degrees in English, French, computer science, medicine; higher diplomas in telecommunications and multimedia, engineering degrees in computer science, electricity and electronics and architects*).

After graduation, the typology of the career paths of the young people is distributed as follows: 13 per cent of young people surveyed continued studying, 13 per cent left unemployment and gained an unpaid position and an SIVP<sup>1</sup> (unpaid government training scheme), 8 per cent gained employment via an SIVP<sup>1</sup>, 30 per cent were in stable employment, 24 per cent remained unemployed and 13 per cent were unemployed again (after having been employed).

The analysis of professional job placement of graduates with Higher Diplomas, as presented by Zaibi, shows a pronounced disparity and the existence of a core consisting of the service sector. In conclusion, the representative of the Employment Observatory, Fakher Zaibi, noted that 'employment policies in general and active employment policies in particular should consider the heterogeneity observed in terms of job placement and attack the core by identifying specific measures and avoiding general measures applied to all graduates'.

In addition to the disparity between the specializations, Fakher Zaibi confirmed the existence of a disparity of job placement by gender. Indeed, he showed an unfavourable bias towards women, who are significantly affected by unemployment, no matter what type of diploma they have.

The explanations of gaps in employment between men and women were summarized by Fakher Zaibi in the following three points:

- A difference of the preferences in terms of choices about the type of employment caused by women refusing certain types of employment.
- The fact that women have a lower chance to have their first professional experience during the first few years following graduation.
- Discrimination towards employing women.

The third part of the presentation concerned the effect of work experience and training. The analysis is based on an econometric model that explains the probability of being employed by variables such as the level of graduation, gender, work experience whilst studying and the educational level of parents. The econometric analysis carried out showed that work experience has a positive and significant effect on graduates with higher diplomas finding employment in the private sector.

Through these results, the main recommendations suggested were:

- First, increasing the possibilities of accessing work experience for students.
- Second, it is worth rethinking the duration and the objectives of work

## Contents

- 1 Presentation of the research on job placement of graduates with higher diplomas
- 2 Summary of key findings resulting from analysing the findings of the research
  - 2.1 Disparity of job placement between specializations of study
  - 2.2 Disparity of job placement between the sexes
  - 2.3 Effect on job placement of work experience at companies whilst studying
  - 2.4 Elements determining wages of graduates with higher diplomas
  - 2.5 Appropriateness of training/employment (problems of downgrading)
  - 2.6 Instability of employment for graduates in the private sector
  - 2.7 Evaluating elements for the impact on SIVP (unpaid government training scheme for unemployed people)

experience programmes in order that the trainee can go beyond the simple observation of the work place.

- Finally, the last suggestion at this level was the proposition of the implementation of 'work experience banks' in universities, where they would provide job opportunities offered by companies.

The 4th part of the presentation studied the elements determining the wages of graduates with higher diplomas. The main results were:

- First, the wages in the public sector are higher than those in the private sector.
- Second, the type of diploma has a significant effect on determining the wages: engineers are better paid than holders of master's degrees and higher technicians.
- Third, within the private sector women are paid less than men, whatever their level of education.
- Finally, the effect of professional experience on the net monthly salary for graduates with higher diplomas is significantly higher in the private sector than in the public sector.

Fakher Zaibi reserved the fifth part of his presentation to gap training/employment needs and over-qualification. The results found show that the majority of specialities are affected by phenomena of over-qualification and the gap training/employment needs and especially in the service sector.

Fakher Zaibi talked also about the instability of employment for graduates of higher diplomas in the private sector. 18 months after graduating, the percentage of graduates from higher education looking for new employment is higher than those working without a contract. In analysing the type of diploma, the instability of the job affects the higher technicians and those with master's degrees; the engineers are the least affected.

The last part of the presentation evaluated the impact of unpaid government training schemes for unemployed young people. The results showed that graduates having benefited from training schemes for unemployed young people are better integrated into the employment market. In effect, 61.3 per cent of people having benefited from training schemes for unemployed young people managed to find employment, 3 per cent found unpaid work and 35.7 per cent remained inactive and unemployed. Of the people that didn't attend training schemes for unemployed young people, only 48.5 per cent managed to find paid employment and 47.3 per cent remained inactive and unemployed. By type of diploma, the training schemes for young unemployed people prove more beneficial for technicians than holders of master's degrees and engineers.

### 3.2 Presentation 4

The objective of the presentation was to examine the availability and pertinence of financing higher education.

Tahar Abdessalem started by pointing out that despite the fact that the number of students enrolled in private universities rose from 3,500 in 2004 to 15,000 in 2011, the contribution of the private sector to higher education remained lower when compared to other regions in the world. In effect, the percentage of students enrolled in private universities does not exceed 5 per cent in Tunisia whilst it is about 26 per cent in Middle East and North Africa (MENA) and 25 per cent in the OECD countries. The contribution in terms of expenditure is also low with a percentage that does not exceed 6 per cent compared to 24.3 per cent in the OECD countries.

The public sector remains the main investor in higher education and public expenditure has not stopped rising, increasing from 1.4 per cent of GDP in 2000 to 1.8 per cent of GDP in 2011. Similarly, expenditure per student rose from 2,357 dinars in 2000 to 3,406 dinars in 2011. However, this increase is relatively low when compared to the OECD countries.

Speakers

**Tahar Abdeslem**, Faculty of Economic Science and Management in Tunis

**Tahar Abdessalem**, Polytechnic School of Tunisia

Theme

**Job placement of young graduates from higher education**

Presentation in English



The major conclusion of the first part is that public expenditure remains insufficient and the question to be answered here is how budget constraints can be overcome to increase investment in higher education.

In the second part Tahar Abdeslem addressed the question of efficiency of public expenditure in higher education. In terms of allocating resources, 70 per cent of public expenditure is allocated to teachers' wages and only 23 per cent is allocated to investing in physical capital. The faster growth of the number of teachers when compared to the number of students has improved teacher-student ratios that have gone from 20.1 students per teacher during the 2000/01 university year to 16.1 students per teacher during the 2010/11 university year. However, compared to international standards, the rate is still low.

Tahar Abdeslem explained that deficits of resources and efficiency explain, to a large extent, the low quality of output by Tunisian universities, which results in high rates of unemployment among graduates. In addition to a successful macroeconomic environment, investment in the knowledge economy and improvement in the quality of higher education are deemed necessary for a better match between supply and demand of employment. In this regard, the private sector should be invited to play a key role in the improvement in the quality of education. Tahar Abdesslem discussed the strategy of tax incentives and the public-private partnership adopted by the state to promote private education, considering it inadequate.

In the last part Tahar Abdeslem returned to the reform agenda of the new License Master Doctorate (LMD) programme launched in 2005-06. The objective of this reform was to bring the Tunisian system in line with international standards and give more importance to work experience. With regard to the financial plan of this reform, it is supposed to give more autonomy to universities and allow a rationalization of public resources. However, there is still a lot left to do in order to strengthen the autonomy and transparency within the education system.

To conclude, Tahar Abdeslem proposed reflecting on the number of propositions with the objective of resolving the problem of financial constraint and improving teaching quality.

#### **University-environment partnership and the development of entrepreneurial activities**

The development of fee-charging services at universities through training and continuing education programmes, advice, research contracts and developing patents, is considered a solution to generate additional financial resources. However, the success of such a strategy requires the existence of effective and credible interfaces between universities and industry, with independent management, skilled personnel, and appropriate judicial and financial procedures. The independence of universities and the subcontracting carried out by the evaluating and quality monitoring bodies should reinforce the integration of universities into the economic environment.

#### **The private supply of higher education and university services**

Two conditions are considered fundamental to guaranteeing a credible supply of high quality private education as compared to public education:

- The availability of flexible and transparent mechanisms for monitoring and evaluating the standards of quality in private institutions.
- The adoption of flexible and transparent incentive mechanisms.

## **4 The fight against youth unemployment**

### **4.1 Presentation 5**

The study presented by Mrs. Verdier-Chouchane based on the analysis of the employment surveys carried out by the INS in 2005, 2006 and 2007 for which a sample group was identified between 2005 and 2006. It concerns the population aged 23 to 29, taking into account the 'holders of master's degrees' and university graduates. The

Speaker  
**Audrey Verdier-Chouchane**, ERDE-  
AfDB



main results of this study are as follows:

How does the level of education affect the rate and duration of employment?

- The rate and duration of employment as well as participation in the labour market increases with the level of education. In 2007, 47.1 per cent of those with master's degrees from 'Economy, Management and Law' were unemployed compared to 20.5 per cent for people without a high school baccalaureate. The average duration of unemployment was 28.2 months for university graduates compared to 18.8 months for the others. University graduates prefer to wait for the 'right' job.
- Higher education helps find better-skilled employment and more regular wages. Very few graduates became self-employed, with the exception of doctors or pharmacists. Support of self-employment is a path worth exploring in the fight against youth unemployment.

Do women have the same opportunities as men in the labour market?

- Education significantly reduces gender differences in terms of participation in the labour market.
- In general, women are less likely than men to find work in the private sector. They have a higher likelihood of being unemployed or working in the public sector. In all sectors, the state must encourage equal opportunities for women.

What are the main sectors providing employment for young people?

- The main sectors providing employment for young people (agriculture, mechanical industries and textiles, construction, and sales) are not very dynamic in terms of growth. Furthermore, the retention rate in these sectors is particularly low (approximately 50 per cent between 2005 and 2006.) Increased job stability and the revitalization of certain activities would help fight youth unemployment.

In what way is youth unemployment likely to evolve over the next few years?

- The employment outlook for young people is good because of demographics and the progressive reduction in size of the younger population. The GDP growth rate could significantly reduce youth unemployment between now and 2018. With the assumption that the GDP growth rate averages 4.5 per cent in the 2014-18 period, youth unemployment would go down from 22.5 per cent to 11.7 per cent. An active policy for renewed growth is vital for the fight against youth unemployment, particularly in the current context of the economic difficulties.

#### 4.2 Presentation 6

Mongi Boughzala's presentation discussed youth unemployment in Tunisia.

The first part of the presentation focused on a demographic description of the population and job seekers. The overview presented by Mongi Boughzala showed that the annual growth rate of the Tunisian population slowed down between 2007 and 2011, going from 2.53 per cent to 2 per cent, although the working population continued to grow. Of a total population of 10.4 million, 3.05 million people, representing 29.3 per cent of the population, are aged between 15 and 30 years old. This important part of the population makes up the core of the work force. In 2009, the working population was 3.7 million where one third (1.23 million) was aged between 15 and 30 years old. In summary, the Tunisian working population is characterized by its young age and by the increasing number of people with higher levels of education. From 2005 to 2009, the percentage of the working population who had with a higher level of education rose from 13.3 per cent to 17.2 per cent.

The second part of the presentation described the current unemployment situation in Tunisia. In May 2011 the unemployment rate was 19 per cent, compared to 14 per cent in 2010. This increase was partly due to the unstable situation in Tunisia, during a transition period that was full of strikes and sit-ins. Nearly 150,000 jobs

Theme

### Dynamics of the labour market in Tunisia: The question of youth unemployment

Presentation in English

Contents

- 1 Participation and unemployment
- 2 Job quality, self-employment
- 3 Gender differences
- 4 Sector of employment and job stability
- 5 Favourable unemployment outlook
- 6 Conclusions

Speaker

**Mongi Boughzala**, University of Tunis El Manar

Theme

### Youth unemployment

Presentation in French

Contents

- 1 Introduction
- 2 Structural causes of unemployment
- 3 Demographic presentation of the population
- 4 Distribution of the working population according to age and level of studies
- 5 Profile of the unemployed
- 6 The education system and problems associated therewith
- 7 The demand for work
- 8 Description of the economic situation of the country
- 9 The expectations of young people

were lost between January and May 2011, and more than 200,000 throughout 2011. Women were most affected by unemployment, with the rate of unemployment at 27.4 per cent in May 2011 compared to only 15 per cent for men. Young people were the second group most affected by unemployment. The rate of unemployment was high in all age ranges of young people in 2009; 33.6 per cent of 15-19 year olds were unemployed, 29.9 per cent of 20-24 year olds and 25.7 per cent of 25-29 year olds. Third, unemployment was more likely to affect the better educated. The higher the level of studies, the higher the rate of unemployment. In May 2011, the rate of unemployment in this category for those with higher levels of education was 29.2 per cent compared to only 20.6 per cent for those with a secondary level of education and only 8 per cent for those who never went to school.

The third part of the presentation discussed the structure of qualifications, whilst questioning the relationship between the education system and unemployment. At this point, Mongi Boughzala explained the growth of the unemployment rate by the high number of students on the one hand. On the other hand, he emphasized the lack of resources devoted to training and on the predominance of general training at the expense of work experience. As a result of this, a low demand for skilled labour is noted.

The last part of the presentation discussed the role of the macroeconomic conditions. On the one hand, the Tunisian economy is characterized by a lack of quantitative and qualitative private investment and a slowdown in public investment. On the other hand, economic growth is insufficient and generates little employment. Nearly half of the working population is barely protected, while only around 45 per cent benefit from social security coverage. Mongi Boughzala also questioned the review of the labour code.

In the last section of the presentation, Mongi Boughzala explained what young people were expecting. In fact, there is a dialectal relationship between political and social stability and the situation of young people who are demanding employment, especially those that are more marginalized and more frustrated, those that have a higher education as well as those who didn't go beyond secondary education and those that are either unemployed or who are in precarious employment, who don't respect the standards of decent employment. Mongi Boughzala says that in order to improve the current situation and progress in the long term, macroeconomic stability and budgetary discipline are absolutely imperative. However, the state must do a lot better during the transitional period.

### 4.3 Presentation 7

Imed Drine's presentation discussed youth unemployment in Tunisia and proposed economic measures to increase youth employability.

The first part discussed the extent of the unemployment problem and the consequences in terms of social and economic stability. The period of youth is considered to be a vulnerable time in one's life and thus requires well-adapted measures. Young people can represent a potential for growth and innovation but they can also be a problem if the country fails to create enough jobs for them.

The pressure on the labour market will continue in the future, given the demographic evolution of the country and the growth of the participation of women in the labour market. All these factors may continue to aggravate the youth situation and encourage them to leave the country.

Youth unemployment is not specific to Tunisia and concerns many countries around the world. What separates Tunisia from other countries in the world is the fact that the unemployment rate is very high and very persistent. Furthermore, it is mainly young graduates that are suffering from unemployment, with a rate exceeding 50 per cent in certain regions of the country.

A comparison of Tunisia and certain countries of the MENA region shows that there are still several differences. When compared to Egypt and Jordan, the gap in the unemployment rate between men and women in Tunisia is low. Furthermore, the

Speaker

**Imed Drine**, Research Fellow UNU-WIDER

Theme

**Creating job opportunities for youth in Tunisia**

Presentation in English

Contents

- 1 Youth Unemployment is a challenge
- 2 High and persistent youth unemployment
- 3 Wide regional variation in unemployment rates
- 4 Tunisia needs youth-focused labour market policies

pressure to find employment is higher for young Tunisians in comparison to young Egyptians and Jordanians. In fact, when the question 'are you available to work in the next seven days' was asked to young people, 90 per cent of Tunisians replied positively, whereas the rate was only 40 per cent for Jordanians and 30 per cent for Egyptians.

The key message of this first part is that youth unemployment is a general problem that concerns many countries in the region. However, the solution may not be that country-specific. In other words, all analyses that ignore the institutional specificities are bound to be inadequate.

In the second part of the presentation, two fundamental observations were made from the data resulting in two main questions. The first observation is that the rate of youth unemployment in Tunisia is high and persistent; the question that arises is why are wages not lowered to balance the market? The second observation is the strong regional disparity; the question that arises is why don't young people migrate to regions where the chances of finding employment are higher?

The data shows that the unemployment rate increases with the level of education. However, in terms of numbers, non-graduates represent more than 90 per cent of the youth population. This means that providing more schooling will not help to solve the problem. On the other hand, the youth unemployment rate and the gender gap are higher in the inland regions when compared to coastal regions. Furthermore, wages in the private sector are higher in the coastal zone. A sectoral analysis also shows that the construction and agriculture sectors contribute the most to employment in the inland regions. However, working conditions are very precarious because more than 80 per cent of the young people employed in these two sectors do not have a contract and thus have no social security coverage.

To answer the question of why wages do not fall to balance the youth labour market, the response is that the wage expectations seem high when compared to the skills required by the companies. Furthermore, it is clear that employers consider that diplomas don't necessarily reflect the skills of young people. On the other hand, young people overestimate their skills and request higher wages than the private sector is prepared to pay. This bias is fundamentally explained by the higher wage of reference in the public sector compared to the private sector. On the other hand, Tunisian families offer unconditional financial and moral support to their children, which makes them reluctant to accept a job offer with a lower wage than what they were hoping for. The data shows that 85 per cent of unemployed young people rely on family financial support to survive during the period of unemployment.

Regarding the question, why don't young people migrate to coastal regions to increase their chances of finding employment and improve their working conditions, we can first note that when comparing Tunisia to other countries of the region, Tunisia is a homogeneous society and doesn't have any linguistic or religious discrimination. Furthermore, there is no significant gap in education between young people in the inland zones and coastal zones. While it is evident that the mobility of women remains limited for cultural reasons, for the general population of young people, the absence of adequate information and social networks are the main factors that explain the limited mobility of the young. Indeed, the data show that 80 per cent of young people do not use official networks to find employment; they rely on their own 'networks'. On the other hand, an empirical analysis shows that financial support provided by families and the state for unemployed young people lowers by 15 per cent the probability that a young person will accept a job away from his/her home town.

The third part of the presentation focused on two measures that were considered worth addressing: first, filling the gap between the wage expectations and the wage

that the private sector is prepared to pay a young person, and second, encouraging the mobility of young people. A wage subsidy for all young people seems appropriate to motivate young people to accept offers in the private sector and also to help companies to bear the cost of uncertainty regarding the skills of newly recruited young people. Subsidizing the mobility of young people; by supporting the costs of transport and housing, for example, could facilitate the mobility of young people and create more dynamism in the labour market. This policy is seen as more appropriate in the short term than a policy consisting of investing in regions considered to be disadvantaged. Indeed, the marginal cost for a company to create extra jobs is lower in the coastal zone.

## 5 Create decent jobs: the path to follow

### 5.1 Presentation 8

Ghazi Boulila started his presentation by insisting on the fact that the Tunisian labour market is characterized by an existence of a structural unemployment (especially graduates) and sluggish job creation. This situation is explained particularly by:

- the macroeconomic conditions,
- the international specialization,
- the functioning of the labour and goods markets, and
- the effects of globalization.

Growth in Tunisia is considered to be low regarding employment and unsatisfactory when compared to other emerging economies, particularly Asian countries. The low growth of labour productivity is considered as the main source of slow GDP per capita growth. Furthermore, the low growth rate has caused slow job creation. The first lesson to learn is that Tunisia needs a strategy aimed at boosting productivity in all sectors.

The second determining factor in the dynamics of GDP per capita is the employment rate. The observation of the combined evolution of productivity growth and the employment rate shows that during the period of 1995-2010 productivity growth was generally positive, with the exception of 2003, whilst the employment growth rate was very low, almost zero for several years.

The second lesson that emerges is that growth was poor in job creation (jobless growth). Furthermore, the jobs were of low quality: people with a low education level were able to enter the labour market more easily than those with a higher level of education (2007 employment survey). The fundamental question to ask is what the reasons behind low work productivity are. In order to answer this question, in the second stage of his presentation Ghazi Boulila analysed the relationship between productivity, structural changes and intra- and inter-sectoral reallocation.

To see the magnitude of the structural changes and their effects on employment, Ghazi Boulila uses the Lilien index (1982) to examine inter-sectoral changes and shows that in comparison to emerging countries in South East Asia, the reallocation of employment in Tunisia is slow. On the other hand, it shows that the reallocation of employment was made in favour of sectors where the levels of employment productivity were low. In effect, the creation of employment was concentrated in services that have low productivity. In other words, the sectors with low work productivity actively participate in job creation.

Gains in work productivity caused by intra-sectoral effects explained the importance of productivity growth. The expansion of productivity of each branch of activity has the advantage of contributing to growth and inter-sectoral structural change. The reallocation of labour (from sectors where the level of work productivity is low to those where it is higher) contributes slightly to the growth of work productivity, which

Speaker

**Ghazi Boulila**, Central Bank of Tunisia

Theme

**The challenges of creating jobs in Tunisia**

Presentation in French

Contents

- 1 The low growth of employment
- 2 The drop in productivity has affected all sectors

is explained by the reallocation of employment to sectors (especially services), where the added value is low.

Indeed, for the manufacturing industries, the results show once more that the inter-branch effect dominates in the explanation of productivity growth (0.61). The inter-sectoral effect is low (0.13) and the interaction effect is zero (0.02). This signifies that there is no sectoral expansion with a rapid growth of productivity.

Ghazi Boulila concluded by saying that the development model based on assembly-based manufacturing and outsourcing is behind the low growth and job creation performance. A reorientation of development policy towards the knowledge economy and innovation may be the way forward to resolve the unemployment problem.

## 5.2 Presentation 9

Sâad BalGhazi's presentation discussed employment and active programmes in the labour market in Tunisia. The results presented were from national surveys on population and employment carried out by INS and the survey from ONEQ.

In the first part of the presentation, Sâad BelGhazi outlined the constraints on employment and the speed of economic transition. A first constraint lies in the growing gap between the quality of the work being offered and the quality of the demand for work. This point is marked by an average growth rate of the number of unemployed people with a higher educational level (20.4 per cent) when compared to the negative average growth of unemployed people with lower educational levels (-4 per cent for those who never went to school and -8.2 per cent for those with a primary education). On the other hand, the economic transition is deemed as incomplete because the average growth of unemployment between 2005 and 2010 exceeds that of the working population and the employed population. To conclude the first part, the speaker summarized the constraints on employment in the following points:

- Segmentation of the labour market (1. public sector and companies bound by collective agreements versus SME [small and medium sized enterprises]; 2. Rigidities: disparities in wage regimes and job stability).
- The salary wedge: the effect of slowing down workforce demand for higher educated workers.
- Job insecurity for young people: the effect of slowing down up skilling at private companies slows down productivity gains.

The second part of the presentation discussed the budgetary costs and the performance of active employment programmes.

These employment programmes are based on assuring the following three functions. First, guarantee the support of job seekers via the AMAL-Syrae programme (a function performed by ANETI, the National Employment and Self Employment Agency), second, promote paid employment (a function provided by ANETI and the regional councils) and last, support the creation of self-employment (a function provided by BETI), with microcredit provided mainly by BTS and AMC.

From 2000 to 2009, the most important part of the FNE (National Employment Fund) budget was guaranteed by regional programmes. It was in 2010 that the budget provided by ANETI started to change when compared to the other stakeholders. The part of the budget provided by ANETI in 2010 represented approximately half of the total FNE budget. This budget was mainly dedicated to AEP, especially CRVA, PC50, SIVP, CAIP and CES. In 2011, with the introduction of the AMAL-Syrae programme, the part of the budget from ANETI accounted for nearly 80 per cent of the total FNE budget. Continuing in the second section, Sâad BalGhazi made a statement from the FNE 2009 reform. The main results of this statement are:

### 1. Positive changes in terms of principles.

- FNE: communal budget framework in all AEPs
- Annual budget: need for contracts – programme

Speaker

**Sâad BelGhazi**, economic consultant, WB

Theme

**Employment and active programmes in the labour market in Tunisia**

Presentation in French

Contents

- 1 Constraints on jobs and the speed of economic transition
- 2 Active Employment Programmes (AEP): observations on budget costs and performance
- 3 Challenges for AEP
- 4 Perspectives: move forward to reform AEP

- AEP: financing for increased training
- Solidarity employment contract (management by regional councils, beneficiaries registered at ANETI, reduced to 6 instruments)

## 2. Constraints to overcome regarding the concepts and application thereof.

- ANETI
- Regression of intermediation functions (support, placement, and prospection): decline in the number of placements in the last few years
- Judicial constraints limiting the action coordinated with the private operators of the employment services

## 3. AEP generated by ANETI

- Predominance of the wage subsidy function; weak function for increasing employability
- Heavy administrative management
- Inadequacy in remote areas

## 4. Limited performance of CES (employment contract)

- Predominance of social function
- Lack of governance: regional councils are empty shells; weak links between delegate F21/21 and ANETI
- Absence of a coordinated S & E system

In the third part of the presentation, Sâad BelGhazi presented the challenges facing AEP. First, it is about not substituting reforms of a structural character. On the contrary, it would suffice to correct the bias related to the wage wedge and compensate the lack of commitment of economic operators in the development of their human resources or the poor performance of the education system and training schemes. Second, the main role of the intermediation function of the labour market must be restored, by strengthening the functions of reception, orientation, prospection, support, complementary training and work experience and reallocating capacities by entering into partnerships with private operators of employment services. Third, instruments should be proposed to adapt specific features of remote regions with few large companies. In other words, it is enough to activate the monitoring function of the labour market and identify the different types of employment and to encourage entrepreneurship and self-employment, in associations and municipalities by suitable means (start-up funds, service cheques...).

The last part of BelGhazi's presentation was dedicated to the proposal of a set of perspectives to reform the AEP. First, we must guide job seekers by better welcoming and supporting them. It is also important to enhance the knowledge of business needs and to follow the effects of AEP. Second, AEP for the promotion of paid employment and the simplification of procedures and reinforcing the capacities by the PPA will be useful for the AEP reforms. To put these reinforcement procedures in place, it is possible to give out training cheques, to be activated by the declaration of recruitment or by starting a work experience placement paid by the CNSS (Tunisian National Social Security Fund). Third, BalGhazi's suggested devoting employment contracts to promote micro-companies and self-employment. Fourth, BalGhazi proposed the development of a monitoring and evaluation function, all whilst establishing formal and regular evaluations by establishing the job commissions at a central (chaired by the minister of employment) and regional level (in the framework of regional councils).

## 6 Round table

- 1 Employability of young graduates looking for work: between adapting the training process and the capacity of absorption of the economy
- 2 The impact of the intensity and flexibility of the labour market on job creation
- 3 Private sector, competitiveness of companies and employment

### **Theme 1: Employability of young graduates looking for work: between adapting the training process and the capacity of absorption of the economy**

With regard to the findings/recommendations of the focus group, it is worth noting the following proposals:

#### Basic Skills

- High school baccalaureate: A significant problem of the quality of entrants into establishments of higher education is shown by the different stakeholders in the system. Thus, a corrective measure could consist of reducing the number of holders of high school baccalaureates. Therefore, and with the aim of achieving this objective, the focus group emphasized the need to remove the 25 per cent bonus from the baccalaureate examination. In effect, 19 per cent of students that received their baccalaureate in 2011 would have never achieved this if the same conditions were applied as those according to the 1992 law. Thus, reducing the number of holders of the baccalaureate would have the following effects: a better student-teacher ratio at university; more enthusiasm for students to study, etc.
- Before graduating: For those with incomplete skills and access to higher education, the focus group emphasized the need to encourage and support closing the skills gap.
- Once the diploma is obtained: Accompany the new graduates by:
  - Additional training (in the form of a certificate) for basic skills.
  - Continued assistance for students seeking employment.

#### Complementation and coordination at the heart of the education and training system

- Coordination with the secondary education system by proposing programmes and pre-requisites for university entrance.
- Opening access to university for graduates from professional training programmes (developing gateways), in a way so as not to discourage students to opt for professional training cycles (and some of those who haven't had the chances/skills to access higher education will be supported by professional training centres).

Revise and then standardize best practices of higher education for increased employability: programmes to improve quality, co-construction, introduction to entrepreneurship, etc.

Activate the job placement units at the heart of university institutions (which help graduates to get jobs) and offer increased resources to employment observatories at universities in order to assure the monitoring of students (traceability).

#### Governance

- In a first stage, activate the 2008 law relating to university autonomy (EPST - Public Scientific and Technical Research Establishment). In a second stage grant universities the EPNA (State Owned Enterprise) status.
- Also, generalize the contractual policy between the Ministry and the education establishments with admissibility and resources, according to the performances related to the professional job placement, taking into account the quality of the entrants and the allocation of initial human resources.

Moderator

**Oussama Ben Abdelkarim**, Head of Mission, Director of Research Department, of Planning and Programming, Ministry of Higher Education and Scientific Research



In summary, it is essential to have

- A higher education system that pays attention to the economic environment, is concerned about job placement of graduates, and is capable of replying to job placement requirements. In order to achieve this objective, it is quite obvious that guidelines (defined by skills and followed up by training) must be drawn up.
- An economy that creates skilled employment: It is essential to transform the economic system, and implement a clear industrial strategy.

## **Theme 2: The impact of the intensity and flexibility of the labour market on the creation of employment**

The participants had the following reflections:

- The situation of structural unemployment that Tunisia is currently experiencing and with the current economic model, labour market flexibility mechanisms will not be able to resolve the problem of unemployment.
- In the medium term the social contract needs to be reconsidered to allow more flexibility and to secure the career paths of workers, to support the new dynamics of investment and growth and to allow a better reallocation of resources.
- To introduce these flexibility mechanisms the involvement of all social stakeholders is needed and all processes should be done in partnership.
- The success of the new social contract depends on the ability of the state to enforce the law and current legislation.

The participants' proposals for a 'flexisecurity' model:

- Create a social legislation that can shift economic activities from the informal sector to the formal sector and make the mechanisms of social responsibility for informal activities more flexible by adapting the social protection net and similar types of activities.
- Create a single type of labour contract. The employee goes through a probationary period first and is then confirmed in the job.
- Relax redundancy conditions, but also assure the career path of the worker and adequate redundancy compensation.
- To finance this scheme, consultation must be conducted between the state and the social stakeholders to find the right model. It's worth considering whether to use part of the budget for the active employment policy (1.2 per cent of GDP in 2011) to finance part of this mechanism.
- The participants confirmed the importance of the topic of labour market flexibility as a preferred subject of research. They also identified a few areas of research such as the impact of flexibility on the creation of employment and possible scenarios for financing the scheme for securing the career paths of professionals.

## **Theme 3: Private sector, competitiveness of companies and employment**

The private sector is currently called upon to create more jobs and especially more skilled jobs, in other words more added value per job. But studies show the opposite with a gradual shift towards activities providing less added value. The informal economy, black markets, regulations of public procurement, investment codes amongst others, are all causes of this phenomenon.

It is therefore necessary to identify the ways and means of stopping this spiral and, above all, to engage in an inverse movement repositioning the economic activities towards activities with higher added value.

Among the paths identified, we can include:

- A review of the arsenal of incentives and regulations that govern economic activities to favour the emergence of a knowledge-based economy.
- Facilitation of access to non-traditional markets.

Moderator

**Fatma Moussa**, Director of the National Employment Observatory

Moderator

**Abdelaziz Halleb**, UTICA

- Linking the professional training system and companies to ease the education/employment transition.
- Improve labour productivity.

The main results is the consolidation of the competitiveness of companies that constitute a real social approach, because on the one hand the continuity of employment can only be guaranteed by the company and, on the other, increasing added value is the best way forward to increase wages without inflation.

The private sector is also called upon to contribute to the speedy reduction of regional disparities. Moreover, it's worth remembering that the market drives investment and the regions lagging behind in terms of development are the Western regions bordering Algeria which have strong agricultural potential. As a result, private investment could be mobilized by:

- The creation of regional markets (public procurement by regional administrations and public companies) and markets on the border (improving road infrastructure to Algeria).
- The integration of agriculture in the economic sphere and the increasing share of producers in the value of agricultural products (increasing the capacity of negotiating sales and purchases by the creation of mutual entities capitalized and guaranteed by the state). In addition to direct employment created in agriculture and in service to agriculture, these measures would increase farmers' income and therefore their consumption and would allow for the indirect creation of employment in various sectors.
- The solvency of new markets in these regions and especially in the private market of education, health and service to companies.