



This largely reflects the fact that some of the main problems that led to the revolution remain unresolved, while the economic and employment situation has continued to worsen. A key priority for policy makers now is to set the country on a path of economic recovery, grounded in a new, more sustainable and inclusive growth model. This would generate productive employment opportunities for the large part of the labour force, and tackle regional disparities and other inequalities head on.

### **Youth unemployment remains the thorn in the country's side**

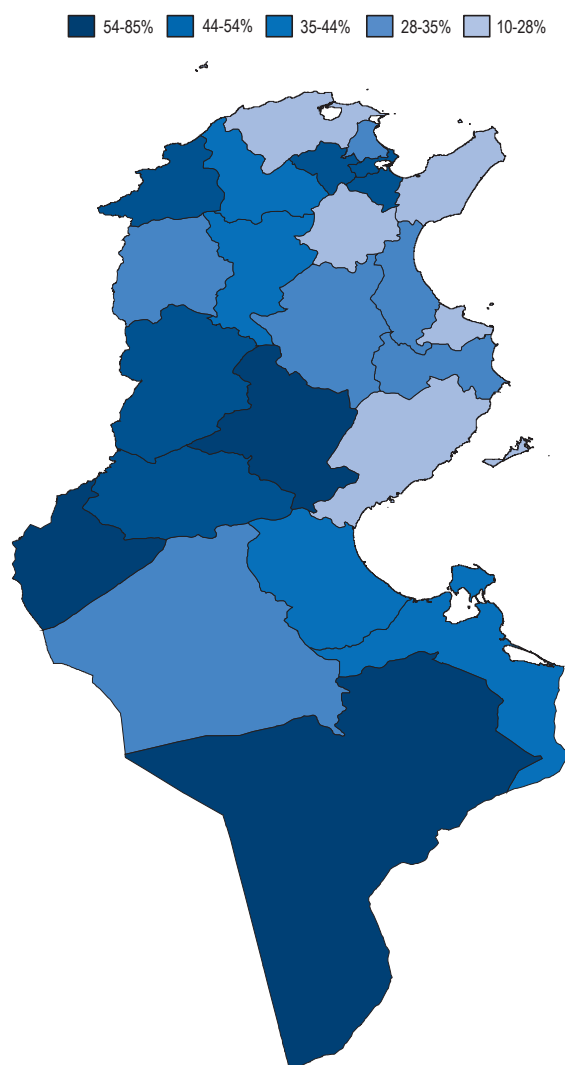
Prior to the revolution, Tunisia experienced years of strong economic growth. Despite this, inequalities in income distribution and opportunities to obtain good jobs increased (INS, 2012; Boughzala and Hamdi, 2014; Ghali et al., 2014). This lack of inclusive growth has probably found its most troubling expression in the extremely poor (and worsening) labour market outcomes for youth, which were a key contributor to the general social unrest that led to the revolution in 2010-11. Subsequently, in the wake of the revolution and the global financial crisis, the situation only deteriorated further – albeit with signs of improvement in more recent times. Chapter 1 of this report provides an overview of the labour market outcomes of youth in Tunisia, as well as an analysis of their school-to-work transitions. It shows that around two out of five Tunisian youths are unemployed, and one in four young Tunisians are neither in employment, nor in education or training (NEET) – nearly twice the rate encountered in the average OECD country. An additional concern is that these statistics conceal considerable heterogeneity across groups:

- Young women have much lower employment rates than young men (13.3% versus 30.3%) resulting primarily from higher labour market inactivity rates (77.2% versus 52.9%).
- Youth with tertiary education face a much higher risk of unemployment than their peers with lower educational attainment.
- Outcomes for young people living in the more deprived Centre West and Southern regions of the country are particularly dire (Figure 0.2).

Even when youth are in employment, it is frequently in poor quality jobs: an estimated one in two employed youths in Tunisia work informally, with little or no protection and/or job security while, of those working with a contract, half have a temporary one.

**Figure 0.2. Youth unemployment by governorate, Tunisia, 2012**

Percentage of the labour force in each governorate

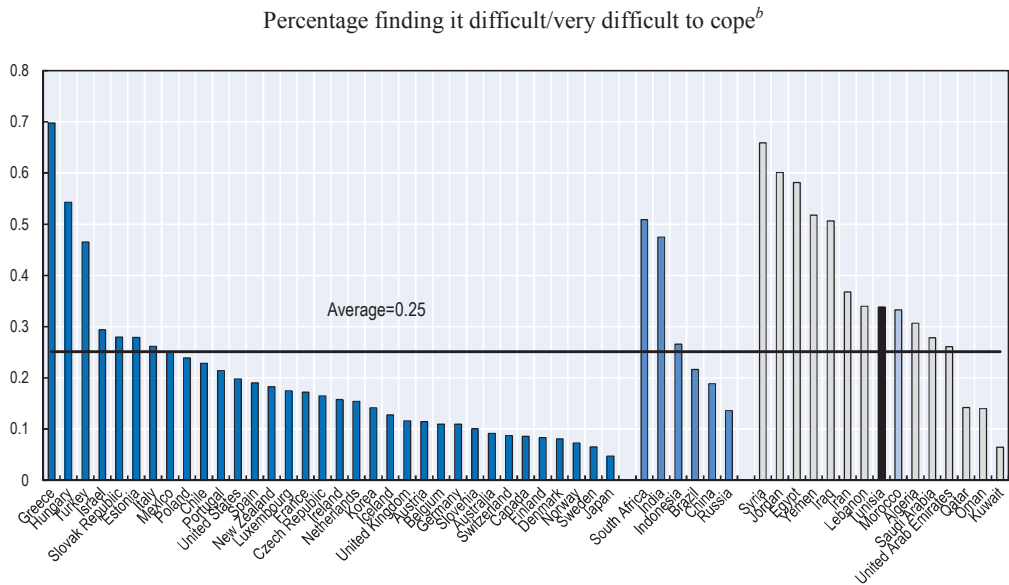


Source: OECD calculations based on the *Enquête Nationale sur la Population et l'Emploi* (ENPE) [National Population and Employment Survey].

### Poor labour market outcomes translate into low levels of well-being

The lack of good employment opportunities for youth is closely associated with their financial and more general well-being. 34% of Tunisian youth say they find it difficult or very difficult to get by with their present household income (as opposed to living comfortably or getting by) – compared to 20% of youth in OECD and 30% in large emerging economies, respectively (Figure 0.3). This inability to cope financially translates into low levels of well-being: based on their self-reported life satisfaction, only 21% of Tunisian youths can be considered to be “thriving” (as opposed to “struggling” or “suffering”).<sup>1</sup> This is low by OECD (56%), but even by large emerging economy (28%) and MENA (27%) standards (Figure 0.4).

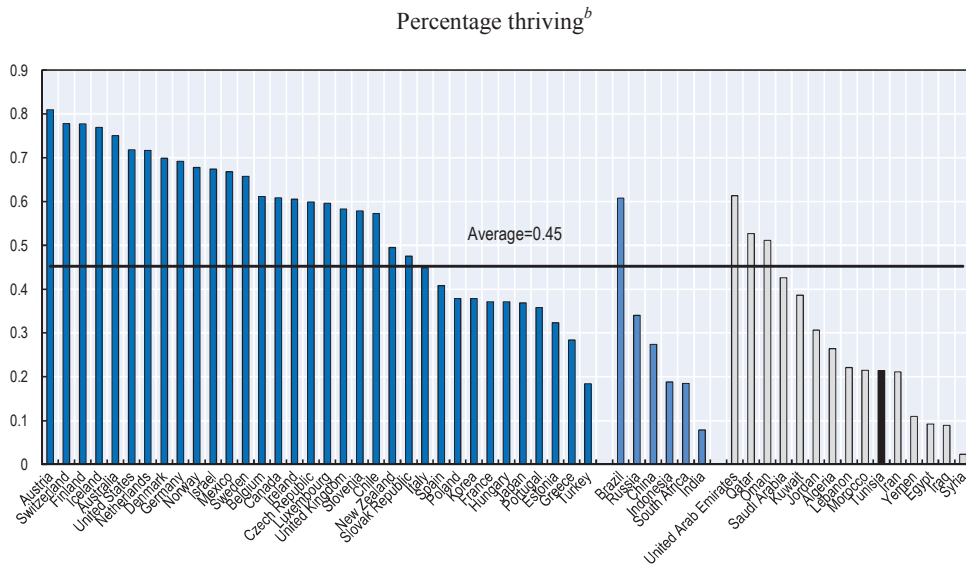
**Figure 0.3. Youth perceptions about household income, Tunisia, OECD, selected emerging and MENA countries, 2013<sup>a</sup>**



- a) 2012 for Algeria, Chile , China, Iraq, Israel (Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>), Japan, Kuwait, Morocco, Norway, Qatar, South Africa, Korea, Switzerland, United Arab Emirates, United States; 2011 for Oman.
- b) Response options include: living comfortably on present income; getting by on present income; finding it difficult on present income; finding it very difficult on present income; do not know; refused.

Source: OECD calculations based on Gallup World Poll 2011-2013.

**Figure 0.4. Youth life satisfaction, Tunisia, OECD, selected emerging and MENA countries, 2013<sup>a</sup>**



- a) 2012 for Algeria, Chile , China, Iraq, Israel (Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>), Japan, Kuwait, Morocco, Norway, Qatar, South Africa, Korea, Switzerland, United Arab Emirates, United States; 2011 for Oman.
- b) Response options include: thriving; struggling; suffering.

Source: OECD calculations based on Gallup World Poll 2011-2013.

## Tunisian policy makers recognise that helping youth get a better start in the labour market is a key priority

Action is needed both to bring immediate results in alleviating the current situation of high un- and underemployment, and to produce better outcomes for youth in the longer run by equipping them with relevant skills for the future and removing barriers to their employment. A *Plan d'Urgence pour l'Emploi* [Employment Emergency Plan] was drawn up shortly after the revolution (March 2011) based on four key priorities: i) job creation; ii) the promotion of entrepreneurship; iii) the protection of existing and threatened jobs; and iv) boosting the employability and the activation of young people. Following national consultations, the emergency plan was replaced by the *Stratégie Nationale pour l'Emploi 2013-2017* [National Employment Strategy] in December 2012, containing six strategic objectives: i) employment-oriented macro-economic policies based on social dialogue; ii) additional support for employment generating sectors; iii) private sector development (including policies to tackle informality and boost self-employment/entrepreneurship); iv) regional development and female employment; v) enhancing the employability of the workforce (with particular focus on smoothing school-to-work transitions and building a training system responsive to the needs of the economy); and vi) improving the operation of the labour market by adopting a labour legislation that better balances the need for flexibility with protection for workers, as well as active labour market programmes targeted on the most vulnerable. The issue of youth employment also featured centrally in the *Contrat Social* [Social Contract] signed on 14 January 2013 between the government and the main social partners.

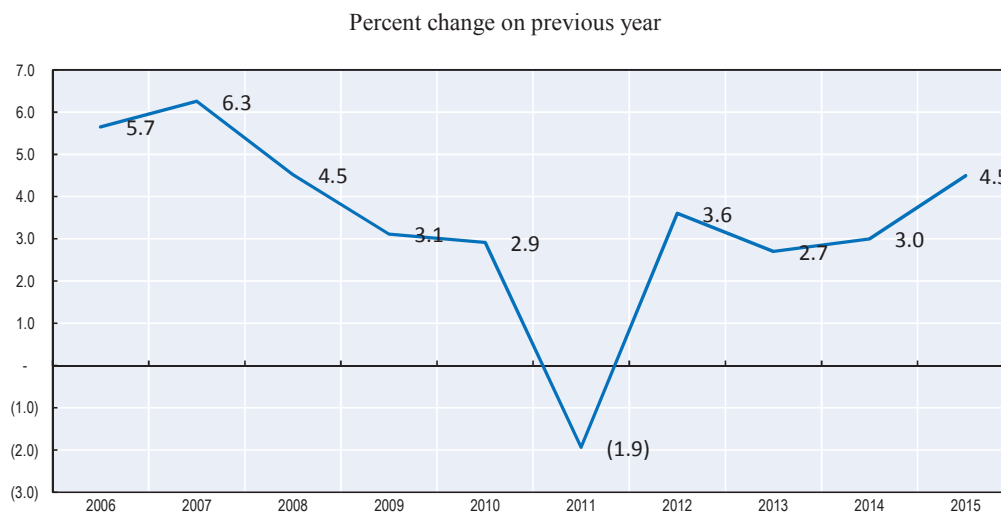
## The economic climate remains unfavourable to job creation and the fiscal space is getting tighter

Economic growth will be essential for job creation and bringing down youth unemployment in Tunisia. However, although the country initially weathered the global financial crisis relatively well, its economic performance deteriorated sharply in the aftermath of the revolution, as both tourism and foreign direct investment fell and the crisis in neighbouring Libya had important spill-over effects (World Bank, 2012). These crises also diminished the possibility for migration to act as a pressure release valve to reduce Tunisian unemployment, with many European countries taking tougher stances on immigration and tens of thousands of Tunisian migrant workers returning home from Libya (AfDB and IOM, 2013). These developments underscore that tackling youth challenges is also essential to strengthen the resilience of the Tunisian economy in the face of future adverse shocks.

While there are some positive signs with the European market slowly recovering and tourism, exports and remittances improving, much uncertainty persists due to heightened security tensions and political uncertainty related to the impending elections. As a result, the recovery of the Tunisian economy remains timid. Real growth was estimated at 2.7% in 2013 and is expected to reach 3.0% in 2014 (Figure 0.5). Despite a sign of recovery, such growth rates are still too mild to make a significant dent in unemployment. Indeed, a return to higher growth rates will depend critically on important structural reforms to remove barriers to private investment and entrepreneurship, including strengthening the banking sector and financial markets, and creating a more transparent and competitive environment for doing business (ILO, 2011; OECD, 2014a). The fiscal space to act is however shrinking. While the central government deficit is widening (Figure 0.6), this deterioration only reflects central government accounts and negative budgetary pressures outside central

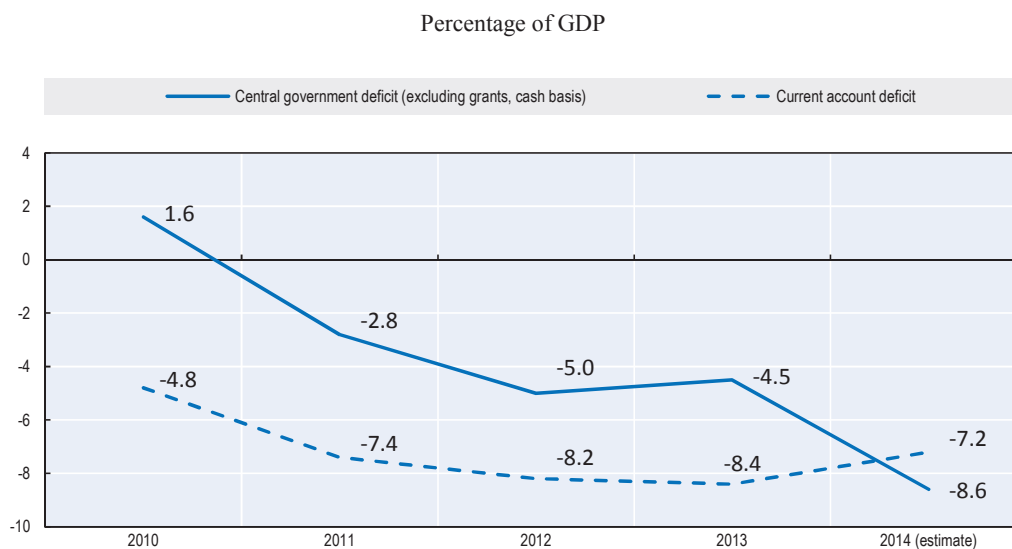
government are significant – with a pension system in structural deficit, a financing crisis in public hospitals and a need to recapitalise banks. On the external side, the IMF expects some reduction of the current account deficit in relation to 2013, but it nevertheless remains large (Figure 0.6).

**Figure 0.5. Tunisia’s GDP, constant prices, 2006-15**



Source: International Monetary Fund, World Economic Outlook Database, April 2014, [www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx](http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx).

**Figure 0.6. Central government deficit and current account deficit, Tunisia, 2010-14**



Source: IMF (2014), “Tunisia: Third Review Under the Stand-by Arrangement, Request for Modification of Performance Criteria and Waivers of Applicability”, *IMF Country Reports*, No. 14/123, International Monetary Fund, Washington, DC.

## **Reforms to labour market and social policies will be essential to achieve inclusive and sustainable growth, including a smooth transition towards a greener economy**

While a brighter economic outlook will help, it will not solve all of the difficulties that youth face in gaining access to productive and rewarding jobs. Actions are also needed on the side of employment and social policy that will bear immediate fruits, such as providing adequate income support, effective employment services and other active labour market measures. These immediate interventions, in turn, must be buttressed by action which will address structural labour market and social barriers to youth entering productive and rewarding jobs, including policies and institutions that affect the cost of hiring and the ability of employers to adjust flexibly to changing economic circumstances. Attention should also be focused on the most disadvantaged groups of youth, such as the low-skilled, who face the greatest risk of becoming permanently marginalised from the labour market and society.

Reforms to improve labour market and social policies/institutions will also be essential to achieve a smooth transition towards a green economy. Indeed, as this report (and in particular Chapter 5) will demonstrate, a successful transition towards a low-carbon and resource-efficient economy will reshape the labour market in ways that create new opportunities for workers, but also new challenges. Labour market policies have a role to play by facilitating the reallocation of labour across sectors of the economy, while at the same time helping to maximise the benefits from this transition for workers, and assuring a fair sharing of the unavoidable adjustment costs.

### ***Demand-side barriers to youth employment need to be removed***

Chapter 2 of the report analyses the demand-side barriers to youth employment in Tunisia such as the cost of hiring (as determined by minimum wages, non-wage costs and collective bargaining institutions) and employment protection legislation. It also discusses policies currently in place to tackle such barriers (including wage subsidies) and offers a range of policy options to create more favourable conditions for employers to hire youth, while still ensuring decent wages as well as an adequate level of protection for workers.

### ***The cost of hiring is raised by sector wage agreements and high public sector pay and benefits***

High labour costs can be a barrier to (formal) employment, especially for those who are low-skilled and lack work experience (including youth). This can result from a mandatory minimum wage that is set at a high rate relative to average earnings and/or from high employer social security contributions that add to wage costs. However, neither minimum wages nor employer social security contributions in Tunisia appear to be set at particularly high levels relative to median wages by OECD standards. Despite this, wage subsidies (including reductions in social security contributions) have been, and continue to be, widely used to address youth unemployment. While there is some evidence that these programmes might be having an effect, it is also clear that they are frequently badly designed and implemented: targeting is poor and deadweight losses are high. To be more effective, the focus of such subsidies should be on those youth encountering the greatest labour market difficulties only. One challenge to youth employment is likely to come from sector wage agreements, which set starting wages considerably above the national minimum wage and as such insufficiently consider the situation of youth, especially the low-skilled and less experienced. The government should also aim to contain, if not reduce, the gap between public and private sector wages and benefits which leads to a rise in reservation wages and results in public sector queuing. This, in turn, renders hiring in the private sector at the going wage rate more difficult (Box 0.1).



### Box 0.1. Key recommendations: Cost of hiring

Policies should ensure that workers get paid decent wages, but also that the cost of hiring does not hinder demand for the least-skilled and most inexperienced workers, or encourage firms to hire them informally. Therefore:

- While the real value of the minimum wage should not be allowed to erode in years to come, important (real) increases should be avoided in the near future.
- Future sector wage negotiations need to carefully consider the situation of youth, and should set wages for younger workers that more accurately reflect their productivity in order to encourage firms to hire them.
- Differences in remuneration and benefits between the public and private sectors should be reduced, and the urge to use public sector job creation as a means of social appeasement should be resisted.
- Wage subsidies and/or reductions in social security contributions to encourage hiring should be used more sparingly and targeted much more on the disadvantaged, the low-skilled (i.e. non-graduates) and the long-term unemployed.

#### *A dual labour market traps youth in precarious working relationships*

Employment protection legislation plays a critical role in shielding workers from the negative consequences of arbitrary actions by employers (e.g. loss of income and depreciation of human capital) and makes firms internalise at least some of the costs of labour turnover (e.g. the public provision of job-search assistance and active labour market programmes). It may also encourage longer working relationships with workers, thereby facilitating industrial stability, the build-up of firm-specific human capital and innovation. When employment protection is too rigid, however, it undermines firms' ability to respond quickly to changes in technology or consumer demand. Overly strict regulations reduce job flows, have a negative impact on employment of some groups of workers (notably youth), encourage labour market duality and hinder productivity and economic growth (Box 0.2).

Tunisia combines strict protection on regular employment with extremely light legislation on temporary work, resulting in a “dual” labour market which traps young workers in precarious employment relationships, reducing their career opportunities and undermining their skills – with wider implications for both job quality and productivity. Employees on regular contracts benefit from high levels of protection against individual dismissal, resulting from: the difficulty of dismissing workers for reasons other than economic or serious misconduct; high severance pay stipulated by collective sector agreements; and high compensation in the case of unfair dismissal combined with uncertainty in jurisprudence around what constitutes fair dismissal. Legislation on temporary contracts, on the other hand, is very lax, and employers can essentially carry out permanent activities through the endless use of fixed-term contracts with different workers, and at a much lower cost. In addition, while temporary agency work (TWA) is authorised in Tunisia, it is only very loosely regulated with very few restrictions imposed on its use. This gap in protection between permanent and temporary contracts has led to the very widespread use of the latter in Tunisia (see Chapter 1). Yet, despite the increase in precariousness that this brings, employment services and social protection to help workers who lose their job smooth consumption and find new work remain inadequate (see Chapter 3).



### **Box 0.2. Key recommendations: Employment protection legislation**

The gap in protection between permanent and temporary contracts should be reduced:

- Protection provided by permanent contracts should be reduced. In particular, firing regulations should be eased: i) the definition of fair dismissal should be extended to cover dismissal on capability grounds; ii) in deciding on whether dismissal for economic reasons was fair, legislation should be clarified so that judges stick to assessing whether or not the dismissal was truly for economic reasons or not, rather than calling into question the need for the dismissal from a managerial perspective; and iii) the level of compensation following unfair dismissal should be reduced. The latter recommendation may be particularly important for small firms.
- At the same time, employment protection on fixed-term contracts should be increased, for instance by introducing identical severance pay provisions to those of permanent contracts. Other (but not necessarily mutually exclusive) options include making it more expensive to hire on fixed-term contracts (e.g. through higher social security contributions) or providing financial incentives for conversion to regular contracts.
- The use of non-regular contracts needs to be better regulated, in particular the cases in which Temporary Work Agency (TWA) employment is allowed, as well as the number of renewals of such contracts. The labour code should explicitly require equality of pay and working conditions between TWA and regular workers exercising similar activities.

### ***Social and labour market policies have an important role to play in boosting the employability of youth***

While Chapter 2 of this report discusses potential demand-side barriers to youth employment in Tunisia, including the cost of hiring and employment protection legislation, Chapter 3 takes a look at the supply-side of the equation and asks how labour market and social policies can best promote the employability of youth. In this respect, social protection systems can play a key role in providing an adequate safety net for youth who are out of work, not only in shielding them from poverty but also in giving them the means to look for new and productive employment – a process which can further be reinforced by effective public employment services (PES). The chapter also pays considerable attention to the employability of young women, and on how social policies could be improved to help young families better balance work and caring responsibilities, thereby boosting female labour force participation.

*Youth are likely to fall through the social safety net, with negative consequences for their employability*

Adequate social protection systems are needed not just in a pursuit of social justice and equity, or to provide all citizens with a minimum acceptable livelihood and protection against risk; but also because they can support the emergence of a dynamic and inclusive labour market, where individuals are empowered and encouraged to pursue productive opportunities when they arise. Even though Tunisia has a comprehensive social insurance system in place, high unemployment and informality rates mean that up to two thirds of youths will not be contributing, and therefore benefiting, from such protection. Even youth who are covered by social insurance are unlikely to receive unemployment benefits in the case of job loss, as eligibility criteria for the current scheme are very strict and therefore very few youth (or even adults) are likely to be entitled. Unconditional cash transfers and free/subsidised health care for the poor exist, but are aimed predominantly at families (and, even then, are poorly targeted). In this context, public works programmes could serve as a useful safety net for the young – however some of these programmes have become defunct or are poorly targeted and/or implemented (Box 0.3).

### Box 0.3. Key recommendations: Social protection

The government should ensure that youth receive the necessary social protection to enable them to seek, or engage in, productive employment:

- Free basic health care should be provided to all citizens, including the unemployed and those active in the informal sector, and regardless of previous work history and/or social security contributions.
- An unemployment insurance system to help individuals and households smooth consumption when they become unemployed through no fault of their own.
- In addition, in the case of youth (who are less likely to be covered by traditional unemployment insurance systems due to a lack of necessary contributions or sufficiently long employment history), special financial support to assist them in the job-seeking process (a jobseeker's allowance) could be introduced.
- The *Programme National d'Aide aux Familles Nécessiteuses* (PNAFN) – an unconditional cash transfer programme, eligibility for which is not based on work history but instead on income and assets – could play a critical role in offering a basic social safety net of last resort for the poorest in society. However, to in order to fulfil this function adequately, the PNAFN would need to be much better targeted than it currently is. Public works programmes (or even employment guarantees) could be used to provide an essential insurance function to the unemployed, while also providing work experience and training.

Informality in Tunisia is high and reflects a complex set of causes – many of which go beyond the realms of labour market and social policy. The report argues that for many Tunisian youth, informality does not represent a choice and is more likely to be related to a scarcity of formal jobs. Given high levels of unemployment, the bargaining power of employees is weak and they accept whatever job is offered to them. Indeed, youth working informally tend to earn significantly less than their peers in formal jobs. That said, there are also incentives inherent in the Tunisian tax-benefit system that encourage some young people to choose informality. Amongst these incentives are: public sector recruitment rules that have favoured the long-term unemployed (and therefore incited youth to work informally while queuing); high income tax rates; as well as inequalities and gaps between taxes and social security contributions paid on the one hand, and the benefits and public services received, on the other (Box 0.4).

### Box 0.4. Key recommendations: Informality

The government should put in place a comprehensive and evidence-based strategy to tackle informality. As part of this strategy:

- Better monitoring of compliance with the law is needed, while ensuring that vulnerable workers do not have their livelihoods put at risk by overly vigorous enforcement activities. The focus should not merely be on inspecting and sanctioning, but also on trying to find durable solutions in partnership with the firms/individuals concerned.
- Income tax bands and rates should be revised so that formal work pays and individuals do not seek to remain undeclared because of high marginal tax rates.
- At the same time, the tax regime for the self-employed needs to become less generous and brought more in line with that of dependent workers, in order to reduce the incidence of false self-employment as well as avoid resentment on the part of wage earners who pay much higher taxes.
- The link between taxes/social security contributions and benefits needs to be improved, alongside a more general effort to improve trust in government as well as the quality of public services.

*Employment services remain incapable of providing youth with the employability support they need*

Effective employment services can play a key role in helping youth into work, both through the delivery of active labour market programmes that can raise the employability of youth as well as through core services like counselling, job search assistance, and matching and placement support. However, very few youth say they found work through ANETI, Tunisia’s public employment service (PES). The vast majority of active labour market programmes (ALMPs) provided are aimed at university graduates, which lowers ANETI’s attractiveness to non-university graduates. Lower-skilled youth are therefore much less likely to register with the PES. ANETI also lacks the capacity to provide high quality counselling, job search assistance, and matching and placement support. The geographical reach of the service is limited and most staff are submerged in administrative tasks. While laudable efforts have been made after the revolution to increasingly involve non-governmental organisations in the delivery of ALMPs, private employment agencies in Tunisia are prohibited by law (although, in practice, they do exist), which closes one additional avenue for improving capacity and the delivery of employment services (Box 0.5).

**Box 0.5. Key recommendations: Employment services**

The capacity of the public employment service needs to be boosted to allow it to fulfill its key role in supporting youth to find work. This will include:

- Additional investments in ANETI as well as a geographic expansion of its network, but also a better use of its existing resources (e.g. delegating administrative tasks away from counsellors to appropriately qualified staff; virtual access to employment services in more remote areas; and merging the specialised PES offices dedicated to higher education graduates with the standard PES offices).
- Efforts made to work closer with NGOs in the delivery of ALMPs should be stepped up.
- In addition, Tunisia should legalise and regulate private employment services. On the one hand, this would clarify the rights and obligations of all parties involved and thereby reduce abuse. On the other, it would allow ANETI to exploit possible complementarities by entering into public-private partnerships and outsource some of its activities to firms that have the skills and expertise to deliver such services more effectively.
- In both cases, the outsourcing of activities should be accompanied by careful performance management arrangements.

*Female labour force participation is hampered by a lack of support to help young families balance work and caring responsibilities*

Female labour force participation remains low in Tunisia, despite tremendous progress in recent decades. Given their higher educational attainment, low female labour force participation represents a significant waste of human capital. There is ample scope in Tunisia to improve social policies to help women participate more actively in the labour market and allow them to combine work with caring responsibilities more effectively. Both paid maternity (30 days) and paternity (one day) leave are extremely low in Tunisia and mothers have no additional unpaid leave entitlement – meaning that childbearing is likely to force discontinuities in women’s working careers and could lead to their permanent exit from the labour market. In addition, little support exists to help parents meet the costs of childcare and, as a result, a relatively low proportion of young children are enrolled in early

childhood education and care (ECEC). Part-time employment is available, but few youths work part-time. Finally, the tax-benefit system has a tendency to cast women in the role of second earners or carers and as such does not help in promoting female labour force participation (e.g. incentives for women, but not men, to work part-time and care for children; extension of family allowances if young women, but not young men, care for their younger siblings; young women, but not young men, considered to be dependent for health insurance purposes until they are married; etc.) (Box 0.6.).

#### **Box 0.6. Key recommendations: Family policies**

Young families should be given more support to help them juggle work and family responsibilities. In particular:

- Maternity and paternity leave entitlements should be increased. Paid leave is too short in Tunisia, while unpaid leave is inexistent and should be introduced.
- The government should do more to help parents (in particular the poorest) to meet the relatively high costs of childcare, as well as to extend provision.
- Men and women should be given the same incentives to take up paid employment by the tax-benefit system.

### **Strengthening the employability of youth will also require a strong VET system and effective entrepreneurship support programmes**

Setting Tunisia on a path of more sustainable and inclusive growth also requires the support of both skills and entrepreneurship policies. In Tunisia, like in many other countries, vocational education and training (VET) has for long been a neglected part of the education system and has found itself overshadowed by the higher education sector. Yet the international evidence shows that well-designed vocational programmes, including apprenticeships which link work-based and classroom learning, can equip young people with the skills that employers need, help to match young people to jobs, and form an important part of an effective skills strategy (OECD, 2010; OECD, 2013). In the context of a greening economy, a well-functioning VET system can help young people acquire the necessary skills to seize opportunities in areas where there is a potential for new employment opportunities. Similarly, entrepreneurship can offer an alternative option for young people to enter the labour market. Developing the entrepreneurial skills of youth and providing them with the necessary support in setting up their own business can also help therefore to ensure a more fluid transition into the labour market.

#### ***The attractiveness of VET needs to be improved and closer links with employers are required***

##### *Tunisia has implemented some important reforms of its VET system*

Chapter 4 of this report shows how Tunisia has undertaken a number of successive reforms of its education and vocational training system since the 1990s, and can therefore build upon a number of strengths in further developing the system. There is a substantial post-secondary VET sector in Tunisia, with more than half of university students taking *licences appliqués* [professional bachelors]. Some VET programmes, such as apprenticeships and courses offered in *alternance* [dual training], boast a strong work-based

learning component and there have also been efforts to formalise informal apprenticeship arrangements to make them lead to recognised qualifications. A national qualifications framework has been introduced to make the system more transparent for students, employers and other stakeholders. Efforts have been made to promote the recognition of prior learning, thereby reducing the direct and opportunity costs of formal learning and improving the efficiency of the labour market by making acquired skills more transparent. Finally, through the *chèques de formation* [training cheques] Tunisia has introduced an innovative way to expand provision of VET in the private sector where labour market demand is high.

### *VET is widely seen as a marginal and low status option*

Despite these strengths, Chapter 4 also shows that Tunisia’s VET system faces a number of significant challenges, including its lack of attractiveness to prospective students. From a very young age onwards, students are tracked between *collèges techniques* [technical colleges] and general lower secondary education, and the lack of articulation arrangements offer little opportunity of transition between the two systems later on. This significantly reduces the attractiveness of VET to prospective students, particularly in a context where academic qualifications are widely perceived as leading to better employment outcomes, including much-coveted public sector jobs, and VET is primarily seen as a fall-back option for the academically weaker students. At upper secondary level, the VET sector remains small, covering only around 10% of the cohort and, while the post-secondary VET sector is more developed, the *licences appliquées* [professional bachelors] lack a work-based learning component. In addition, careers guidance is a neglected area, meaning that students are often not well-informed about what VET programmes offer. More generally, inadequate monitoring and evaluation mechanisms hinder the ability of policy makers to make evidence-based interventions to improve the quality and attractiveness of the system.

### *Links with employers are weak*

Another major weakness of the VET system in Tunisia is the generally weak link with employers and social partners, who are not systematically involved in the development of course content. In addition, employers play only a limited role in determining the number of training places in different institutions and at the different levels, meaning that the mix of provision is determined primarily by existing capacity and, to a lesser extent, student preferences. This lack of employer engagement is partly the result of a highly centralised approach to managing the VET system. As a consequence, some employers have voiced concern about their ability to recruit individuals with specific skills – an issue which might grow in importance as Tunisia moves towards a greener economy (see below). Indeed, the shift towards greener production practices will lead to changes in skill requirements across the economy. These green skills that new labour market entrants will require largely can be acquired by incremental enrichment of established vocational education and training programmes, combined with top-up training, the latter tailored to the needs of experienced workers (Box 0.7).



### Box 0.7. Key recommendations: Vocational education and training

The VET system should be made more attractive to students and the social partners involved more closely:

- The lower secondary technical track should be integrated into general lower secondary education.
- VET at the upper secondary level should be strategically expanded, linked to strong quality assurance mechanisms.
- Mandatory work-based learning should be extended to the *licences appliquées*.
- Careers guidance should be introduced in all lower secondary schools and better data should be made available to support students' choice.
- The articulation between VET qualifications and academic programmes should be improved (in particular between the BTS and the *licences appliquées*).
- Stronger mechanisms are needed to engage employers and achieve a better balance between existing capacity, student preferences and employer needs in determining course provision.
- The *Centre National de Formation de Formateurs et d'Ingénierie de Formation* (CENAFFIF) [National Centre for Training of Trainers and Pedagogy] should review all curricula from the point of view of green employment, seeking to introduce appropriate green skills and through this the adaptability of the workforce.
- Set up a self-evaluation monitoring approach to better inform the decision-making process.

### *Entrepreneurship support is relatively well-developed, yet more can be done*

#### *The basic building blocks are in place*

In response to growing labour market challenges, entrepreneurship has become a policy priority in Tunisia in recent years and a relatively well-developed support system is already in place, with the provision of information, training, finance and follow-up services in the first two years of operation. Entrepreneurship training and support is provided in both VET and higher education, and programmes also exist to help the unemployed set up their own business. As discussed in Chapter 4 of this report, a number of international projects carried out in the 1990s and 2000s left a solid base of support structures and institutions in place for entrepreneurship training within the VET system. Since 2008, entrepreneurial competences and skills have been key learning outcomes of formal education in Tunisia and students are typically introduced to entrepreneurship during their training. Similarly, in higher education, entrepreneurship education is already an important feature of the activities of institutions, who offer start-up support activities through, for example, university incubators (OECD, 2012b). Beyond the education system, additional mechanisms are in place to assist the unemployed set up their own business – notably the entrepreneurship support delivered by ANETI (Tunisia's public employment service) through its *Programme d'Appui aux Promoteurs des Petites Entreprises* (PAPPE) [Small Entrepreneur Support Programme] which provides jobseekers who want to set up their own business with the necessary information, training, advice and counselling, as well as financial support (Chapter 3).

*Further strengthening of the system is needed with a clear strategic vision*

There are a number of aspects of the entrepreneurship support system in Tunisia where there is room for improvement. In particular, learning materials are in urgent need of updating and the government should strive to equalise the quality and accessibility of such training across regions. Co-ordination between training centres and business start-up support structures should be improved, and the duplication that currently exists in the provision of entrepreneurship support services addressed. This wastes scarce resources and makes it more difficult for young people to understand where they can get the necessary support. For business start-ups, more support should be available in the medium- to long-term (e.g. continued coaching) so as to raise survival rates, and potential female entrepreneurs should be given additional support to realise their business ideas. There is little agreement on the objectives of entrepreneurship support: for most, the promotion of self-employment is the ultimate goal, while the enhancement of capabilities and competences to recognise opportunities and turn them into actions are not considered to be an objective. More generally, the development and provision of entrepreneurship support services would benefit from a general strategy that clearly defines roles as well as short- and long-run objectives (Box 0.8). Such a strategy should be orientated towards sectors where there are opportunities for growth, for example in the transition to a green economy.

**Box 0.8. Key recommendations: Entrepreneurship support**

Tunisia should maintain and fine-tune its efforts to support young entrepreneurs as an important tool for tackling youth unemployment. In particular:

- A national strategy should be developed to guide the improvement of entrepreneurship support services in VET and higher education, clearly defining roles as well as short- and long-run objectives, and encompassing different levels of support for different groups of potential entrepreneurs.
- The various structures (*Espaces Entreprendre*, business centres, *Espaces Tremplin*, incubators) providing entrepreneurship support services should be rationalised in an effort to reduce duplication and get the most out of the scarce resources available.
- Entrepreneurship training should go beyond the provision of introductory modules on entrepreneurship to support learners in developing entrepreneurial mind-sets and increasing their opportunities to practice entrepreneurial behaviours.
- More support should be made available to trainers by making entrepreneurship training more available and by improving teaching material. Training for trainers should be available as part of ongoing career development training as well as initial training for trainers. This should be complemented by creating mechanisms that facilitate the exchange of good practices among trainers and by them with additional supports such as teaching manuals.
- For business start-ups, more support should be available in the medium- to long-term (e.g. continued coaching) so as to raise survival rates.
- Given the additional barriers they face as well as their low labour force participation rates, potential female entrepreneurs should be given additional and targeted support. Setting up a single body responsible for co-ordinating the promotion of women's enterprise development could help in this respect. Better family policies, as outlined above, would also help in promoting female entrepreneurship in Tunisia.



## The greening of the economy offers opportunities to create jobs for youth, but also brings additional challenges

Chapter 5 of this report shows that the greening of the economy, although not a major deciding factor in addressing youth unemployment, nonetheless offers opportunities for the creation of new jobs – particularly in specific areas like energy, waste and recycling, tourism, agriculture, construction, and innovation/clean technology. Indeed, given the new and emerging skills requirements that these will bring, youth may be particularly well-placed to gain from such new opportunities given the comparative advantage that their more recent education and training will give them over more experienced workers. Capitalising on such opportunities will require an overall strategy which affects all ministries, meaning further elaboration of the existing *Stratégie Nationale du Développement Durable* [National Sustainable Development Strategy] and better clarity regarding institutional co-ordination.

However, the greening of the economy will also bring important challenges that need to be overcome. While additional employment may be created in certain sectors, some jobs will become obsolete and the skill requirements of others will change. This implies that, on the whole, the effects on employment from a transition to a green economy are likely to be relatively small (OECD, 2011; OECD, 2012a; OECD, 2014b), while the reallocation of jobs across sectors will be much more important. Furthermore, since the most affected industries tend to have the highest shares of low-skilled workers, the greening of the economy will also entail important distributional concerns, as specific segments of the economy and their workers will bear a disproportionate part of the adjustment costs.

These challenges clearly reinforce the central policy messages of the present report: to successfully strengthen the employability of youth in the context of a transition to a green economy, a well-functioning labour market will be an essential prerequisite, buttressed by effective social safety nets, employment services and activation policies that work, as well as a VET system that is able to adjust to current skills needs and anticipate skills demands, and entrepreneurship policies that help individuals spot and capitalise on new opportunities. In addition, a key ingredient needed to put such a policy package in place will be constructive social dialogue, which will also ensure that unavoidable adjustments costs in the transition to a green economy are shared fairly (Box 0.9).

### Box 0.9. Key recommendations: Opportunities for the creation of green jobs

- There are a number of specific areas where action could be taken to improve green employment and entrepreneurship, specifically:
  - **Energy.** The existing and successful Prosol initiative could be continued and expanded to other areas of renewable energy. Barriers to the production of energy at a municipal level need to be considered.
  - **Innovation and a clean-tech cluster.** Further actions can be taken to encourage graduate entrepreneurship, and to seek spin-outs from universities and research institutes. Opportunities to develop or attract businesses connected with existing green investments need to be explored more fully.
  - **Waste and recycling.** Greater involvement of social enterprises in recycling and reuse could both increase employment and be used for training unemployed youth. Issues related to the legal status of non-profit organisations need to be finally resolved.

**Box 0.9. Key recommendations: Opportunities for the creation of green jobs (cont.)**

- **Tourism.** Efforts to make existing tourism more sustainable need to be reinforced in the light of external pressures. Development of eco-tourism can bring employment to more remote areas, but requires better organisation and an overall strategy.
- **Agriculture.** Organic agriculture represents an opportunity for both the environment and employment. Tunisia has an existing organic sector, but with appropriate public support its size and export potential could be increased.
- **Construction.** Although there is likely to be little net growth in employment in the construction sector as a result of green growth, policies to upgrade skills will play a key role, while better management of resources (recycling of waste, and improving energy efficiency) will generate positive feedback effects on jobs creation in other sectors.
- Maximising opportunities from the transition to a green economy will require an overall strategy which affects all ministries, meaning further elaboration of the existing National Sustainable Development Strategy and better clarity regarding institutional co-ordination.
- It will also require looking at ways to build an effective social dialogue, which will have a key role to play in developing green growth policies and smoothly adapting labour markets to this emerging reality.

**Developing a successful policy response will depend critically on the effective co-ordination between different stakeholders**

One key obstacle identified by this report is the extent of fragmentation of responsibility and the challenges that this will bring for co-ordinating an effective policy response to the youth employment problem in Tunisia. Such co-ordination problems affect labour market, VET, entrepreneurship and sustainable development policy alike.

***Labour market policy is spread across two different ministries***

In Tunisia, responsibility for labour market policy is spread across two different ministries, with very little co-ordination between the two. The *Ministère de la Formation Professionnelle et de l'Emploi* (MFPE) [Ministry of Vocational Education and Employment] is responsible for the public employment service (ANETI) and active labour market programmes, including entrepreneurship support. However, many of the policies and institutions that determine the functioning of the labour market are under the responsibility of the *Ministère des Affaires Sociales* [Ministry of Social Affairs] that uses these tools for a very different purpose. Minimum wage policy, unemployment benefits, social security contributions, collective sector agreements and the Labour Code are all under the auspices of the Ministry of Social Affairs, yet have important implications for the functioning of the labour market. If employment is to be treated as a key government priority, then it will need a whole-of-government approach and, in particular, close collaboration between the two aforementioned ministries, so that both social and labour market policies are closely attuned to one another and work in harmony to achieve the desired goals.

***Governance of the VET system is highly centralised, yet very fragmented***

The effectiveness of the vocational education and training system in Tunisia is reduced by both its high level of centralisation as well as its fragmentation. Indeed, the governance

of the VET system is very centralised (design of the programme, curriculum development, and implementation) – which reduces the involvement of the local authorities in the management and administration of the system. In addition, at the central level, many different ministries are responsible for different aspects of the system, while responsibilities for course design and delivery are frequently delegated to separate bodies/institutions. Such fragmentation results in a lack of clarity for both students and employers, complicates the issue of articulation and transitions between different institutions and programmes, and generates obstacles to developing a coherent strategy to address the overall needs of the labour market.

***There are also challenges in co-ordinating entrepreneurship activities***

There are a large number of ministries and agencies involved in supporting entrepreneurship in Tunisia, which creates a challenge for implementing and co-ordinating activities. For example, entrepreneurship support services in Tunisia are provided by: *Centres d’Affaires* [Business Centres], *pépinières* [incubators], *Espaces Tremplin* [Springboard to Entrepreneurship] and *Espaces Entreprendre* [Entrepreneurship Spaces] – but in practice there is often very little difference in the support provided by these different structures and there are no mechanisms ensuring that young entrepreneurs get appropriate support at the appropriate time. In addition, there are very few examples of good linkages between providers of training and business start-up support structures, meaning that learners generally have a low level of awareness about all of the support that is available to them.

***Implementing the Sustainable Development Strategy will require effective co-ordination***

As mentioned above, maximising opportunities from the transition to a green economy will require an overall strategy which affects all ministries and greater clarity regarding institutional co-ordination. Indeed, the transition towards a green economy will involve a number of important trade-offs between different aspects of sustainable development (economic growth, environmental protection and social development) that need to be recognised explicitly and require appropriate mechanisms (stakeholder for a, inter-ministerial committees) where they can be discussed and resolved (Box 0.10).

**Box 0.10. Key recommendations: Policy co-ordination**

- The MFPE and MAS should work more closely together, in particular in deciding on “social” policies that may affect the workings of the labour market, including: minimum wage policy, unemployment benefits, social security contributions, collective sector agreements and the Labour Code.
- A co-ordination body should be set up to reduce the fragmentation of VET across ministries and improve the responsiveness of the system.
- A more federated governance structure for the VET sector should be envisaged.
- The MFPE should work with other ministries, AFTP and ANETI to improve the co-ordination of public business development services and strengthen linkages with training centres and universities.
- Appropriate co-ordination mechanisms and institutions should be set up to guarantee the effective implementation of the Sustainable Development Strategy.

---

**Investing in youth must be a key policy objective for achieving better long-term economic and social outcomes in Tunisia, even though given the tight fiscal space, difficult choices will need to be made**

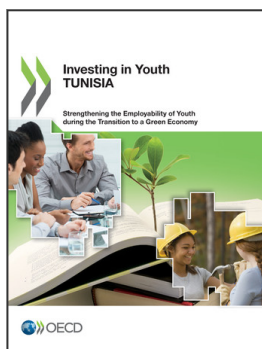
Investing in youth and giving them a better start in the world of work should remain a key policy objective for Tunisia. Otherwise, there is a high risk of persistence, or even growth, in the hard-core group of those who are left behind, facing poor employment and earning prospects. While the present report aims to be comprehensive in its analysis and concrete measures put forward, these have to be addressed taking into account the limited fiscal space within which Tunisia currently finds itself. That said, some of the proposals made have the potential to generate important savings (e.g., better targeting of wage subsidies; rationalisation of entrepreneurship support programmes; abolition of the dedicated public employment service for university graduates; etc.) which could be re-directed into areas where new investment is required. In addition, many recommendations are costless, including: employment protection legislation reforms; changes in governance and co-ordination arrangements; the legalisation and regulation of private employment services; greater engagement of employers in the VET system; etc. Some elements of prioritisation will nevertheless be necessary where additional resource is required. With this in mind, the short-run priority should be to lay a basic protection floor for the large numbers of youth out of work, which can be best achieved through the extension and better targeting of unconditional cash transfers (PNAFN), as well as the revival of public work programmes. At the same time, the long-run employment prospects of youth need to be strengthened, so that they will be in a position to take advantage of the opportunities arising as the economic recovery gathers pace. Investments to strengthen and expand the VET system will be essential in this regard, as well as maintaining a strategic focus on the transition towards “green growth”.

## Note

1. Gallup measures life satisfaction by asking respondents to place the status of their lives on a “ladder” scale with steps numbered from 0 to 10, where 0 indicates the worst possible life and 10 the best possible life. Individuals who rate their current lives a “7” or higher AND their future an “8” or higher are “thriving.” Individuals are “suffering” if they report their current AND future lives as a “4” and lower. All other individuals are “struggling”.

## *References*

- AfDB – African Development Bank, and IOM – International Organization for Migration (2013), *Migration of Tunisians to Lybia: Dynamics, Challenges and Prospects*, International Organization for Migration and African Development Bank, Tunis.
- Boughzala, M. and M.T. Hamdi (2014), “Promoting Inclusive growth in Arab Countries: Rural and Regional Development and Inequality in Tunisia”, *Global Economy and Development Working Papers*, No. 71, Brookings, Washington, DC.
- Ghali, S., S. Mouley and S. Rezgui (2014), *Potentiel de Croissance et Création d’Emplois*, Institut Arabe des Chefs d’Entreprises.
- ILO – International Labour Organization (2011), *Tunisia: A New Social Contract for Fair and Equitable Growth*, Studies on Growth with Equity, International Labour Organization, Geneva.
- IMF – International Monetary Fund (2014), “Tunisia: Third Review Under the Stand-by Arrangement, Request for Modification of Performance Criteria and Waivers of Applicability”, *IMF Country Reports*, No. 14/123, International Monetary Fund, Washington, DC.
- INS (2012), *Mesure de la Pauvreté: Des Inégalités et de la Polarisation en Tunisie 2000-2010* [Measuring Poverty: Inequalities and Polarisation in Tunisia 2000-2010], Institut National de la Statistique, Tunis.
- OECD (2014a), “Tunisia: Better Policies Series”, OECD Publishing, Paris, forthcoming.
- OECD (2014b), *Greener Skills and Jobs*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208704-en>.
- OECD (2013), “The OECD Action Plan for Youth – Giving Youth a Better Start in the Labour Market”, Free Brochure, OECD Publishing, Paris, June, [www.oecd.org/els/emp/Youth-Action-Plan.pdf](http://www.oecd.org/els/emp/Youth-Action-Plan.pdf).
- OECD (2012a), “What Green Growth Means for Workers and Labour Market Policies: An Initial Assessment”, *OECD Employment Outlook 2012*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/empl\\_outlook-2012-en](http://dx.doi.org/10.1787/empl_outlook-2012-en).
- OECD (2012b), “Promoting Graduate Entrepreneurship in Tunisian Universities”, *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2012/18, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k913fsjhkd8-en>.
- OECD (2011), *Towards Green Growth*, OECD Green Growth Studies, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264111318-en>.
- OECD (2010), *Learning for Jobs*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264087460-en>.
- World Bank (2012), *Interim Strategy Note for the Republic of Tunisia for the Period FY13-14*, Report No. 67692-TN, World Bank, Tunis.



**From:**

## **Investing in Youth: Tunisia**

Strengthening the Employability of Youth during the Transition to a Green Economy

**Access the complete publication at:**

<https://doi.org/10.1787/9789264226470-en>

### **Please cite this chapter as:**

OECD (2015), "Assessment and recommendations", in *Investing in Youth: Tunisia: Strengthening the Employability of Youth during the Transition to a Green Economy*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264226470-4-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).