

# Youth Unemployment in Tunisia: Characteristics and Policy Responses

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## Abstract

In this paper we analyze the trends in youth employment and unemployment in Tunisia from 1984 to 2010. Next we evaluate the labor market reforms and active labor market policies undertaken by the Tunisian government in order to assess the effectiveness of these policies. We have three main findings. First, while unemployment is primarily a youth phenomenon in Tunisia, the long term trend indicates that workers with higher education have seen a deterioration of their job prospects for workers of all ages. Thus, there has been a failure by the Tunisian economy to produce a sufficient number of jobs for more educated workers. Second, the rise in schooling among Tunisian youth implies that this weakening of the job market has been particularly felt by the youth. Young Tunisians with higher education suffer from an unemployment rate over 50%. Finally, our evaluation of the active labor market policies and labor market reforms of the 1990s imply that these policies have done very little to improve the labor market conditions for Tunisian youth. In order to improve these conditions two factors are necessary: first, the macroeconomy needs to be improved; second, the educational system needs to focus on producing skills rather than credentials in order for young people to be able to contribute to the private sector.

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## **I. Introduction**

The transition of youth from the educational system to the labor market is one of the most pressing issues in Tunisian society. Young university graduates have been particularly hurt by the current deterioration in job creation in the Tunisian economy. Addressing this problem depends mainly on the correct understanding of the current education and training policies. Since the late seventies, these policies have been increasingly important. Furthermore, the uprisings that began in Tunisia in late 2010, have highlighted the critically important nature of the labor force outcomes for youth in the Middle East and North Africa. This paper will examine the employment, unemployment and inactivity trends for Tunisian youth from the 1980s to 2010 in order to depict the conditions that led to revolution of 2010-2011.

First, we will introduce the major trends in youth unemployment by sex and compared with the overall unemployment. These trends will be examined using data from 1984 until 2008. Second, we will use microdata from the 2010 labor force survey to describe the scenario for youth just before the Arab Spring. Third, we will then discuss the policy environment, discussing both labor laws and active labor market policies. Finally, we will offer a critical assessment of the active labor market policies and the degree to which they have helped graduates make the transition from education to employment.

## **II. Youth Population and Employment Profile, 1984-2008**

### ***Population Profile***

In the early '60s, the political economic and social development of Tunisia has supported the idea that population pressure is a constraint that must be controlled to meet the essential needs of the population in the education, training, health and employment.

Thus, Tunisia has initiated an early family planning program whose objective is the reduction in fertility. This program has yielded significant results since the rate of population growth declined from 3.0% in 1966 to 0.94% in 2004. It will continue its downward trend to reach 0.81% in 2011.

As the population has surpassed the ten million by 2005 and the number of people remain below 12 million until 2030. As a result of the process of controlling the population, age structure has already

undergone significant changes. Indeed, the age group below 15 years, which represented nearly half the population in the early 60s, has experienced a continuous decline to just over a quarter of the population (27% in 2004).

On the other hand, the proportion of the age group 15-59 years, is the age group concerned with the labor market, still continues to increase, and now exceeds 68% as of 2010. The pressure on the labor market was not attenuated by the demographic transition and this pressure *will be still maintained for the next 10 years*. The proportion of the population who are working age will start to drop significantly only after 2020.

**Table 1: Age structure of the population (percentages)**

						Projection				
	1966	1975	1984	1994	2004	2009	2014	2019	2024	2029
0-4 years	18.6	16.0	14.6	11.0	8.1	6.9	6.7	6.4	6.0	5.3
5-14 years	27.9	27.8	25.1	23.8	18.6	15.3	13.5	12.8	12.5	12.0
15-59 years	48.0	50.4	53.6	56.9	64.0	68.3	69.0	68.0	66.4	64.9
60+ years	5.5	5.8	6.7	8.3	9.3	9.5	10.8	12.8	15.1	17.7
<b>Total</b>	<b>100.0</b>									

Source: INS.

#### *Trends in the youth labor force and youth employment*

As in all countries, the population of working age (15-59 years old) is not fully active in the labor market. A proportion of this population is not working and not looking to work for academic reasons, due to age or disability or because they have focused on household labor. The activity rate is reported in Table 2 below describes the proportion of the age group that is either working or actively seeking a job.

**Table 2: Labor Force Participation Rate by Age, 2005-2008**

	2005	2006	2007	2008
<b>15- 19</b>	21.0	20.6	20.1	18.9
<b>20- 24</b>	45.1	44.0	44.7	44.2
<b>25- 29</b>	62.9	63.6	65.4	66.2
<b>30- 34</b>	64.4	64.7	65.4	64.9

<b>35- 39</b>	61.7	63.6	64.9	66.4
<b>40- 44</b>	60.4	61.0	61.0	61.1
<b>45- 49</b>	57.9	58.9	57.9	59.0
<b>50- 59</b>	47.3	48.4	53.2	47.0
<b>60 +</b>	15.2	16.0	14.2	12.6
<b>Total</b>	<b>46.3</b>	<b>46.6</b>	<b>46.8</b>	<b>46.9</b>

Source; Enquête Nationale sur l'Emploi (2005, 2006, 2007, 2008) INS.

In 2008, the activity rate observed by the general census of the population is 46.9%, down from its level in 1994 (48.4%). This decrease has been evident since the mid-1980s in response to increased enrolment in secondary and especially higher education, implying that labor market entry is becoming later and later. Associated with this later entry into the job market, the workforce is characterized by becoming increasingly educated. In 1966, only 8.6% of this population had completed secondary schooling. In 2008, more than half of the population (53.3%) had completed secondary or higher education. Both trends are clearly related: the enrolment of more young people in later years of education is causing a later entry in the job market.

The female participation rate is still significantly lower than the rate of male activity. However, this difference varies greatly according to age groups and grade level. Overall, the male activity rate is around 69% while that of women is still 25%. Thus, in 2008, three out of four adult men are working or seeking work, while only one in four women are working or looking for work. However, the female participation rate has been steadily increasing: in 2008 nearly 25% of women were active in the labour market compared to only 5.6% in 1966.

In addition, more detailed examination of developments between 1994 and 2008 rates by age groups shows four other trends. First for men, there is a decrease in the participation rate up to age 34, confirming increased school enrolment and later entry into the job market. Second, there is a decrease in activity after the age of 55, revealing an early exit from the labor market probably corresponding to early retirement due to corporate restructuring<sup>1</sup> Third, for women, there is the same decrease for age groups below 24 years corresponding to longer schooling. Fourth, women

<sup>1</sup> Abdelaziz Halleb & Said Ben Sedrine (2006), "Tunisian Labor Market Characteristics, Human Resources development and Employment Policies", Study carried out with support from GTZ, March 2006.

between the ages of 25 and 34 have increased their participation rate by nearly 10 percentage points over this time.

### ***Employment and Unemployment***

The employed population aged 15 and over reached 3,155,400 in 2008 rising from 2,552,700 in 2000, an increase of 2.6% per year. The accumulation of net new jobs recorded during the period (2001-2007) has reached 532,400 which equal an average of 76,000 jobs per year. The net creation of jobs for young people who have benefited from higher education reached 179,200 during the period 2001-2007, an average of 26,000 jobs per year.

The national unemployment rate (calculated among workers aged 15 and over) showed a net decline from 16% in 1999 to 14.2% in 2008. The evolution of the unemployment rate by gender shows that it has declined among men from 15.6% in 1999 to 12.6% in 2008, while it increased among women from 17.2 % in 1999 to 18.6% in 2008.

**Table 3 : Evolution of the Unemployment Rate, 1984-2008 (percent)**

	<b>1984</b>	<b>1994</b>	<b>1999</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Men</b>	16.9	15.3	15.6	13.2	13.1	13.2	12.8	12.6
<b>Women</b>	14.8	17.5	17.2	17.1	17.3	17.3	17.8	18.6
<b>Total</b>	<b>16.4</b>	<b>15.8</b>	<b>16.0</b>	<b>14.2</b>	<b>14.2</b>	<b>14.3</b>	<b>14.1</b>	<b>14.2</b>

Source: Recensement Général de la Population et de l'Habitat (1984, 1994, 2004) / Enquête Nationale sur l'Emploi (2005, 2006, 2007, 2008) INS.

The unemployment rate also varies by region. In 2004, the East Central saw the lowest average unemployment (10%). This region is denoted as a diversified region in terms of economic activity and has witnessed dynamic growth in recent years. Areas of high unemployment include the northwest (18%) (an agricultural region) and southwest (18%) (a mining area). Thus, the unemployment rate is strongly correlated with area of residence. Mobility and inter-regional migration has not ameliorated this differential rate of unemployment. However, the effect of internal migration to the region of Tunis is significant since the rate of unemployment in this region is quite high (13.3%) despite the dynamism of its economy. With the exception of the region of Tunis, the job market remains regional in nature. The economic development of Tunis and its surrounding cities causes a large influx of job seekers, including graduates to flock to the capital city.

Over the past two decades, the educational characteristics of the unemployed have changed dramatically (see Table 4). The most important phenomenon reported in 2008 is the high unemployment rate for those who have more than a primary education. Unemployment has become particularly endemic for those with higher education, which is a change from earlier years. The unemployment rate for an individual with higher education has risen from 3.8 % in 1994 to 21.6% in 2008. This is the opposite of the trend for those with less education. Those with either a primary only education or who are illiterate have seen their unemployment rates drop in the past 15 years. However, this may largely be an artifact of the increase in education among youth. Since the illiterate and primary educated are predominately older workers, the inverse correlation between education and age may make the positive relationship between schooling and unemployment look more severe than it truly is. This topic will be explored further when we examine data from 2010 below.

**Table 4: Unemployment Rate by Level of Education and Year** (percent)

	<b>1984</b>	<b>1994</b>	<b>1999</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Illiterate	15.2	16.8	11.9	12.7	7.8	8.0	5.9	5.7
Primary	22.4	19.2	18.9	15.7	15.7	15.2	13.5	12.3
Secondary	11.7	13.0	16.4	14.7	14.9	14.3	15.4	15.3
Higher	2.3	3.8	8.6	10.2	14.8	17.5	19.0	21.6
<b>Total</b>	<b>16.4</b>	<b>15.8</b>	<b>16.0</b>	<b>14.2</b>	<b>14.2</b>	<b>14.3</b>	<b>14.1</b>	<b>14.2</b>

Source; Recensement Général de la Population et de l'Habitat (1984, 1994, 2004) / Enquête Nationale sur l'Emploi (2005, 2006, 2007, 2008) INS.

Unemployment among graduates of higher education according to Abdelaziz Ben Sedrine, Halleb & Said (2006) is explained by the following factors. First, the university system has continued to train implicitly for the sector of employment in the public sector, which rewards the school level even if accumulated degrees do not improve productivity. Second, job seekers continue to be attracted by the benefits of non-wage public sector such as job security and holidays. These applicants are willing to wait long for their turn to become an official, or leave their jobs in the private sector to apply for employment in the public sector. Finally, these job seekers have job expectations too optimistic, while their actual qualifications do not correspond to the demands of the private sector.

In Tunisia, unemployment is essentially a youth issue (see Table 5). In 2008, the unemployment rate for the age groups below 30 years was nearly 30% that is twice the overall unemployment rate. This situation is typical of countries where the school system and training is not related to the economic environment. Keep in mind that unemployment is largely an issue of search frictions. It is not a lack of jobs, but rather a mismatch between labor market entrant expectations and firm needs that cause persistent unemployment. Due to the factors cited above, graduates expect wage and benefit packages that are not in consort with the realities of the jobs being created by the private sector. This lack of being able to find ‘suitable’ employment leads to long unemployment spells upon labour market entry. Note that unemployment rates among 25-29 year olds has increased from 12.6 % in 1984 to 25.2% in 2008. During this time all other groups have seen relatively flat or falling unemployment rates.

**Table 5: Evolution of Unemployment by Age, 1984-2008 (percent)**

Age	1984	1994	1999	2004	2005	2006	2007	2008
15- 19	41.6	29.1	37.2	32.4	31.0	32.5	34.1	32.4
20- 24	41.1	25.4	31.2	26.9	30.5	30.5	30.2	30.9
25- 29	12.6	17.4	21.0	20.1	23.4	23.0	23.9	25.2
30- 34	8.0	12.5	12.0	12.5	13.0	12.6	13.3	13.3
35- 39	6.2	10.1	8.5	8.6	7.2	7.7	7.0	6.6
40- 44	6.0	9.0	6.7	7.1	5.5	5.7	4.7	4.2
45- 54	6.7	9.5	5.7	5.8	4.2	4.5	3.3	3.7
55 &+	7.9	10.0	5.2	5.6	2.5	3.4	2.5	2.4
<b>Total</b>	<b>16.4</b>	<b>15.8</b>	<b>16.0</b>	<b>14.2</b>	<b>14.2</b>	<b>14.3</b>	<b>14.1</b>	<b>14.2</b>

Source; Recensement Général de la Population et de l'Habitat (1984, 1994, 2004) / Enquête Nationale sur l'Emploi (2005, 2006, 2007, 2008) INS.

### ***Economic Growth and Job Creation***

From a macroeconomic perspective, it is interesting to examine to what extent the observed unemployment rates are linked to the economic growth. Thus, the calculation of the elasticity of unemployment in relationship with the GDP shows that the latter is significant but weak. This elasticity also reflects a **positive** response of the labor market to a change in aggregate demand. Indeed, GDP growth of 1% was associated with an increase in the unemployment rate of 0.2%, 0.2% and 0.1% for age groups 15-19, 20-24 ,and 25 -29 years.

Several structural reforms have served to boost the economy, bringing the non-farm average growth rate of gross domestic product (GDP) more than 5% per annum over the last decade. However, the unemployment rate remains high. This is partly explained by a high growth rate of the labor force (nearly 2% per year), but also by reducing the number of jobs that are created for a certain level of economic growth. For example, in the early 90s with an increase of 1% of GDP in the service sector has been associated with employment growth of 1.1%. In the late 90s, only half of the jobs have been created for the same level of increase of GDP (Tunisian Ministry of Employment and Youth Vocational Integration and World Bank, 2008).

Job creation has increased by 2.8% between 2004 and 2005 and only 0.1% between 2005 and 2006. This helped reduce the coverage of the additional demand of 1.5% during 2004 and 2005 and 2.5% between 2005 and 2006 (Central Bank of Tunisia, 2007). These modest results may also be explained by the privatization of public enterprises, the upgrading and the decline in the volume of investments. A downturn which has affected all sectors and especially the manufacturing industry, in fact the privatization of public enterprises and the upgrade may also explain these results.

### ***School-to-work transition***

In order to understand the transition from the educational system to employment, it is useful to highlight some specific features of the Tunisian educational system. Following educational reforms of the early 1990s, the national system of education and training is currently as follows

- A first degree involving a compulsory nine years, called "Basic Education" and consists of a first primary cycle of nine years and period of three years along a specialized track
- A 4-year cycle of general secondary education, culminated in a national diploma, the Baccalaurea in preparation for higher education.
- A system of vocational training at several levels of qualification (Certificate of Professional Competence, Professional Technician Certificate, Certificate of Higher Technician).
- A higher education divided into two types of institutions: academic institutions and institutes of higher education technology.

In Tunisia, training is provided mainly in schools. The period of transition from traditional school to work often occurs in vocational schools. In the Tunisian system, school and work institutions remain unconnected, implying that often the technical training may not be closely related to the skills needed by employers. The Tunisian education system emphasizes general studies leading to baccalaureat –the ultimate reference in the classification system of qualifications—and,

subsequently, to higher education. Students oriented toward vocational studies are most often left out of mainstream education generally.

In addition, the Tunisian vocational training system is built on the principle of a formal correspondence between hierarchical levels of employment and levels of training intended to meet these needs. The structure of vocational degrees is such that an individual who achieves one level, (CAP, for example) can then go on to complete the next level of vocational degree (BTP), solely based upon qualifications from vocational school and not work-based qualifications. Students who are relegated to the vocational track are done so early on. The selection method is particularly delicate since the initial "mark" individuals for working life. The possibilities of access to certification during their career are very limited. This articulation by the selection of general education and vocational track based upon a strict tracking system, that is not reversible throughout one's lifetime.

After nearly nine years of general education, students who perform poorly on their exams enter the vocational track. Alternatively, a higher-achieving student can enter the vocational track of his own volition (though this is rare). Vocational courses prepare students for diplomas in either two (CAP) or three (BEP) years. These vocational diplomas are designed to prepare young people to pursue an occupation as a labourer or skilled worker, but also try to overcome some of the inadequacies of the primary schooling system to provide all students a high enough quality of education to pass the national standards.

The current situation of youth in Tunisia can be characterized as follows. A long initial educational period (with more youth spending more time in education) which corresponds to a trend prior to the onset of difficulties in integrating young people into the labour market. The additional time spent in school is in response to the higher wages generally associated with higher degrees. The direct consequence of this process is an elevated level of training: more and more young people are becoming increasingly educated in order to avoid a bad labour market and in hopes of obtaining one of the few good jobs for more educated graduates. For example, the number of higher education students reached 342,000 in 2006-2007, up from 43,700 in 1987-1988. These values imply a significant improvement in the rate of enrolment in higher education, from 6% in 1987 to 34.6% in 2007. According to forecasts, this growth is expected to continue during the current decade, reaching its peak in 2014 with 449,000 students. Thus, the number of graduates has almost doubled between 2001 and 2006 from 24,500 to 52,300 graduates registering an average annual growth rate

of 16.35%. Moreover, the current forecasts indicate that the numbers of graduates are expected to grow steadily in coming years and reach a peak of about 100,000 in 2014.

### III. Youth Unemployment in 2010

The following section uses microdata from the 2010 Labor Force Survey to estimate the conditions of the Tunisian labor market leading up the protests of late 2010. The Tunisian labor force survey collected data on education, employment and other demographic factors. According to these figures, the labor market for young, educated Tunisians had continued to deteriorate from the situation at the end of 2008.

Table 6. Unemployment Rates of Youth and Adults by Education Level, 2010

<i>Panel A</i>		Illiterate	Primary	Secondary	Higher	All
Youth	Men	19.2%	23.4%	28.8%	56.4%	28.4%
15-24	Women	20.2%	24.6%	28.3%	64.5%	33.9%
	All	19.7%	23.7%	28.7%	61.4%	30.0%
Adult	Men	4.5%	6.3%	8.1%	13.8%	7.6%
25+	Women	6.4%	10.6%	12.6%	30.7%	16.1%
	All	5.2%	7.0%	9.1%	21.4%	9.8%

  

<i>Panel B</i>						
Ratio of Youth to Adult						
	Men	4.27	3.71	3.56	4.09	3.74
	Women	3.16	2.32	2.25	2.10	2.11
	All	3.79	3.39	3.15	2.87	3.06

Source: Authors' calculations from 2010 Labor Force Survey, INS

Table 6 shows the youth and adult unemployment rates by education level. As seen in earlier tables, youth having higher unemployment rates than adults. Using the definition of youth preferred by the World Bank (15-24), Table 6 shows that young people have unemployment rates that are between two and four times the unemployment rate for adults. For example, illiterate young men have an unemployment rate (19.2%) that is 4.27 times that of adult men (4.5%). Only groups that experience high unemployment at all ages (such as women with a higher education) have a smaller ratio of youth to adult unemployment. Young women with a higher education have an unemployment rate of 64.5%, which is still more than twice that of women that are over 25 (30.7%) Comparing this statistics with the overall trends presented earlier, it is clear that although the youth are more than proportionately affected by unemployment, that unemployment for more educated

worker is occurring for both youth and adults. The unemployment rate for adult men with a higher education is four times higher than the average unemployment rate for those with higher education back in the 1980s (see tables 4 and 6). Thus, while the youth have experienced the highest levels of unemployment, it is clear that the demand for college graduates is simply not keeping pace with the increased supply of educated workers in the past decade.

#### **IV. Labor Market Legislation, Reforms and Active Labor Market Policies**

##### ***Review of the Policies and Recent Reforms***

In Tunisia, salaries, work status and working conditions are negotiated by trade unions, employees and the government at national and regional levels. Wages are taxed; however, these taxes are set at moderate levels. The Tunisian trade union movement plays a relatively important role in the negotiations but the number of members is steadily declining, which is explained by the rise in self-employment and the development of flexible forms of employment. The unionization rate (in % of non-agricultural workforce) was approximately 10% in Tunisia in 1995, against 13% in the U.S., 26% in the United Kingdom, Spain 11% or 19% Portugal<sup>2</sup>.

Labor relations are governed by the Labor Code and sectoral collective conventions. In the case of downsizing, the minimum compensation for dismissals are set by the Labor Code (one day's pay for each month of service up to a maximum of three months) which is not excessive compared what happens in other countries (E.g.: Spain, Germany, Japan). However, in cases of unfair dismissal, compensation rates are higher and exceed the international standard<sup>3</sup>, or one to two months 'salary per year of service with a maximum payment of up to three years' salary. International experience would suggest that in cases where only economic exigency has not been shown by the firm, the that the severance payment is one to four months' salary.

To achieve greater flexibility in the labor market, amendments to the Labor Code were adopted in 1994 and 1996 to improve freedom of hiring and firing to index wages to productivity and to decentralize wage negotiations. These reforms allow the use of different forms of work, in particular fixed-term contracts (FTC) and part-time work (which is quite new), and clarifies the legal framework.

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<sup>2</sup> UNDP (2002), Human Development Report.

<sup>3</sup> Pursuant to revisions to the Labor Code in 1994, layoffs are considered abusive when (i) there is no reason or just serious, (ii) the procedures and legal rules and conventions are not respected.

This reform also encourages the setting of wages on the basis of merit, which can improve performance by rewarding effort. Before the 1996 reform, the Labour Code was silent on the issue of functional mobility. The ability of the employer to make an adjustment to the work required based on the ability of the employee, the needs of smooth running of the business or economic and social conditions were not considered.

However, despite these reforms, the procedures for dismissal remain among the most restrictive in the world and the Labor Code has weaknesses including<sup>4</sup> the following. First, labor laws are particularly burdensome for small businesses, as they impair their hiring ability and ability to respond to market conditions. Second, the issue of administrative delays in adjudicating dismissal requests has not been dealt with by these reforms. Indeed, if a company intends to conduct a dismissal, it must first notify the labor inspector who is not authorized to approve or disapprove the application—he only plays the role of mediator. If no solution emerges from the attempt at conciliation, the inspector refers the matter to the Termination Commission who authorizes or refuses Dismissal. Companies may not change quickly their numbers according to their economic or technological constraints and face a highly bureaucratic process in which the state is still very involved.

It is undisputed that the 1996 reforms have allowed greater responsiveness by firms to change labor based upon market conditions. Although the risks of contradictions and difficulties of interpretation remain, the reform must continue<sup>5</sup>.

### ***Active Labor Market Policies***

In order to control the imbalance between supply and demand for employment generated by this transformation, governments have undertaken sweeping changes in their modes of action to move towards an "active policy of employment" based on implementation of an extensive policy of enrolment and integration programs for youth. These programs can be divided into two categories:

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<sup>4</sup>Hatem Kotrane, " Labor market Liberalization and legal forms of work: towards a new mobility rights" International Conference, Labor market and liberalization, Tunis 2003.

<sup>5</sup>Nouri Mzid (2009), "Labour law, firms and employment flexibility," Working Paper, Faculty of Law of Sfax.

training and integration programs and promoting self-employment and small businesses. The first are presented in the form of introductory courses in professional life, the second one is the allocation of funds and establishment of funding programs for entrepreneurship and small projects. These are targeted toward young people with the necessary experience or graduates and artisans.

The bases of an active employment policy which is appointed by employment programs are characterized by a wide variety of instruments and a historical accumulation since the early 60s. There are four major periods of diversification

The first era covers the 70's and the 80's. It is marked by the development of programs that aim to: first, promote rural development; second, promote microenterprises in the craft sector (FONAPRA, 1981), 3) The establishment of internships for first-time applicants jobs from different levels of education: "Contract Employment Training" (EFC, 1981) Introductory course in the professional lives of graduates of higher education (SIVP1, 1987), and the same type of training for other categories of education leavers (SIVP2, 1988).

During the second era (1990-1993), these programs have been supplemented by the creation of new programs including the five instruments Desktop Professional Insertion and Adaptation (IFLA, 1991) and the Integrated Urban Development Programme (PDUI, 1993).

The third era (1993-1999) mainly targeted the improvement of intermediation on the job market, the definition of a procedural framework for the various instruments and the promotion of micro-enterprise. The measures include the following:

- The development of a system of self-service supply and demand of employment, coupled with an information system on the functioning of the labor market.
- The development of a legal framework for an assessment framework of skills and skill development.
- Promoting small businesses by launching entrepreneurial skills training. This also involved creating a bank with adequate financing to developers, the Tunisian Solidarity Bank (BTS, 1997).

The fourth era (2000-2005) is mainly characterized by the creation of the National Employment Fund by voluntary contributions from companies in proportion to their numbers of employees. This

Fund finances a range of thirty five flexible strategies to facilitate access to employment and self-employment.

The fifth era (since 2009) is oriented toward boosting the employment of young people through a series of programs including the following:

- A specific program for the benefit of graduates of higher education that have experienced long-term unemployment.
- An increase of the allowances (from 107 to 150 dinars) paid to graduates of higher education who participate in employment programs.
- Restructuring active employment policies in six programs by simplifying the administrative procedures associated with them.
- Devolution of powers to the regions in designing and implementing employment programs to better fit local needs.
- Acceleration of investment programs in key sectors such as information technology, communications, health services, tourism, transportation services and offshoring services.
- Increase the numbers of youth guided toward vocational and technical education.

### ***Effectiveness of active labor market policies***

Active labor market policies are allocated significant budgetary resources by the Tunisian government (from the solidarity fund and the employment fund). During the decade 1997-2006, the annual budget expenditures incurred by implementation of strategies of active employment policy remained nearly unchanged. They ranged from an average of 250 million dinars between 1997 and 2001 to an average of 270 million dinars between 2002 and 2006. This budgetary effort represents about 0.8% of GDP, an indicator near the upper limit of OECD countries in terms of active employment policies (from 0.2 to 1%). The importance of this effort necessitates an assessment of the performance of this expenditure.

However, active labor market policies in Tunisia have not been evaluated since the mid 1990s. In addition, relevant data to help measure the effects of the active employment policies are not available. During the most recent period, the minister of employment stated that only 37% of recent graduates were able to be placed into jobs, only slightly more than one student out of three. Those

completing secondary, technical or professional training are more likely to employment than specialized graduates<sup>6</sup>.

However, it is difficult to measure the effectiveness of specific employment policies based solely on these employment statistics. Without better data, one cannot take into account the quality of the job and the quality of the job match, both which are important in discussing the effects of these policies.. Additionally, the hiring data depends on company statements and these sources unreliable. Additionally, there is some evidence that companies have been hiring workers on FTC and then dismissed them just before the end of the FTC. In addition, survey results show that students that are employed are those whose specialty is requested on the labor market (Redjeb and Ghobentini, 2005), so it is choice of degree plan that is determining success and not active policies.

Evaluation surveys taken during these programs also show how the real impact of active policies is difficult to assess. For example, simply because a graduate receives training and then finds employment does not imply that they would NOT have received the job without the training. Thus, around 75% of heads of companies benefiting from programs ICLP 1, ICLP 2, and CEF confirmed (in 2003) the existence of a real intention to recruit even in the absence of programs. Nevertheless, regarding the benefits that these programs particularly offer for businesses, these programs have prompted 40% of business leaders to make appointments they need but essentially because of a lack of financial means, they have not made (ANETI, 2003).

Because of the high cost of these programs, more data needs to be devoted to analyzing their effectiveness. While there have been a few recent studies, it is clear that a major effort must be done to develop an assessment system of these policies. Further, it is necessary to continue to develop these policies such that employees continue to develop their skills to become more responsive to a rapidly changing labor market.

For this objective, a prerequisite is to simplify the support system and running programs to make them more accessible to companies and beneficiaries and cheaper (lower cost of information, preparing contracts, etc...). It would be beneficial to raise the funds allocated to the various intervention programs for employment in order to easily adapt interventions to specific regional situations. Still, the financial effort that the state must provide to help its graduates transition from

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<sup>6</sup> Femis (2005), Country Profile: Tunisia

the educational system to employment is a symbol of the continued problems in the educational system in the first place.

## **V. Conclusion**

The transition from education to employment by youth is indeed a complex process, confronts numerous factors for which including training pathways, dynamics, occupational status of the job market. The ease of the transition is confounded by a simple problem. On the one hand, employers being concerned with profitability, lower costs and flexibility, will only hire graduates that will improve their bottom lines. Young people have grown up in an educational and training system that encourages developing credentials over developing skills. Thus, you people face a labor market where there are many others with their same credentials, but only weak job offerings until they can develop skills that will improve companies' profitability. There are two clear pathways forward to solve this problem. Either the macroeconomic environment must improve to such a degree that employers are willing to hire and then train graduates to increase their productivity, without worrying much about their current skills or students need to start developing skills that employers want. Since the former is out of the control of local authorities and depends upon getting many more institutions right, the best path forward is through the educational system.

That being said, the connection between adult unemployment and youth unemployment is clearly demonstrated. An effective unemployment policy must include a set of economic policies that improve GDP growth and overall job creation. Specifically economic policies adopted by Tunisia must remove barriers to job creation, building two complementary approaches:

- Enhancing the investment climate by improving economic governance, reducing transaction costs, improving transparency and predictability of the regulatory framework and strengthening market transparency.
- Upgrading the banking system and encouraging the development of financial markets to diversify the financing of the economic growth.

Furthermore, the educational system should strengthen the match between training and business needs. Higher education and vocational training must help create the skills in graduates that will encourage firms to hire new graduates because these graduates will improve the profitability of the firms. By focusing on credentials rather than skills, the current system has shortchanged graduates

and the business community alike by not preparing workers for careers in the private sector. The public sector can no longer be the employer of choice for the numerous Tunisian graduates and only by acquiring needed skills will tomorrow's graduates have a brighter future than today's.

## Appendix: Mechanisms of active Labor Market Policies

Program	Concerned Benefits	Fringe benefits
<p>The introductory course in professional life</p>	<p>The primary job seekers with a degree of higher education or an equivalent degree for at least six months. The overall duration of the introductory course to professional life can never exceed eighteen months</p>	<p>The national agency for employment and self employment grants the student throughout the duration of the contract, a monthly allowance whose amount is one hundred and fifty dinars. The host company provides the student must pay an additional monthly throughout the duration of the contract.</p> <p>The company cannot welcome back, trainees in the introductory course in professional life if it has already recruited at least 50% of all trainees who completed their courses during the three years prior to the year of filing the new application.</p>
<p>The contract of graduates in high education</p>	<p>Job seekers with a degree in higher education or an equivalent degree and whose period of unemployment exceeding three years from the date of graduation concerned.</p> <p>The contract of graduates in higher education is concluded for a maximum period of one year.</p>	<p>The national agency for employment and self employment grants to the trainee throughout the duration of the contract, a monthly allowance whose amount is one hundred and fifty dinars.</p> <p>It provides, in addition to a student who resides outside the city of implantation of the host company, an additional monthly allowance in an amount not exceeding fifty dinars, and during the entire duration of the contract.</p> <p>The company must grant the student an additional monthly allowance throughout the duration of the contract.</p> <p>The company will recruit a recipient who has completed the contract under the insertion contract of graduates in higher education.</p> <p>The company who is hiring the trainee receives a recruitment bonus in an amount equal to one thousand dinars; the premium is paid after one year of actual work from the date of recruitment.</p>

<p>The contract of adjustment and employability</p>	<p>Jobseeker who doesn't have a high education diploma                  The contract adaptation and integration is between a host company and the trainee and for a maximum period of one year.</p>	<p>The national agency for employment and self-employment supports in accordance with a specific training program agreed with the company the cost of training and that a maximum of four hundred hours.</p> <p>The national agency for employment and self employment grants to the trainee, and throughout the duration of the contract, a monthly allowance amounting to eighty dinars.</p> <p>The company must grant the student an additional monthly allowance for the duration of the contract The host company will recruit beneficiary's adaptation contracts and employability that have completed training.</p> <p>The company which has not included students cannot pretend new contracts of adoption and employability after the lapse of at least two consecutive years from the date of the end of the last contract it received.</p>
<p>The contract for reintegration into working life</p>	<p>A worker who lost his job                  The contract for reintegration into the workforce is between the company and the job seeker concerned for a maximum period of one year.</p>	<p>The national agency for employment and self employment supports, according to a predetermined program with the host company, the costs of adapting the beneficiaries, within a limit of two hundred hours.</p> <p>The national agency for employment and self employment grants to the beneficiary and throughout the duration of the contract, a monthly allowance in the amount of two hundred dinars.</p> <p>The host company must grant to the recipient throughout the duration of the contract an additional monthly allowance.</p> <p>The host company will recruit beneficiaries who have completed their contracts reintegration into working life.</p>

		Companies that do meet the requirement mentioned may benefit again only if the contract reintegration into working life after the lapse of at least two consecutive years after the end of the last contract it received.
The accompanying program for developers of small businesses	Persons wishing to promote projects	<p>The national agency for employment and self employment grants to beneficiaries adaptation sessions.</p> <p>During the adjustment period or the probationary period and to developers of small businesses during the first phase of the implementation project, a monthly allowance of one hundred and fifty dinars for graduates of higher education or an equivalent degree, and eighty dinars for other levels of education and training.</p> <p>The allowance is paid for a maximum period of one year.</p>
The labor-solidarity contract	Various categories of job seekers	<p>The beneficiary of a solidarity employment contract among graduates of higher education or an equivalent degree receive a monthly allowance ranging from one hundred fifty dinars and two hundred and fifty dinars over the period of three years.</p> <p>The beneficiary of the employment contract solidarity with lower educational level than indicated in the first paragraph will receive a monthly allowance whose amount does not exceed one hundred thirty dinars, over the period of one year.</p>

Source: Decree No. 349 of February 9, 2009

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